



MAKING ACCESS POSSIBLE

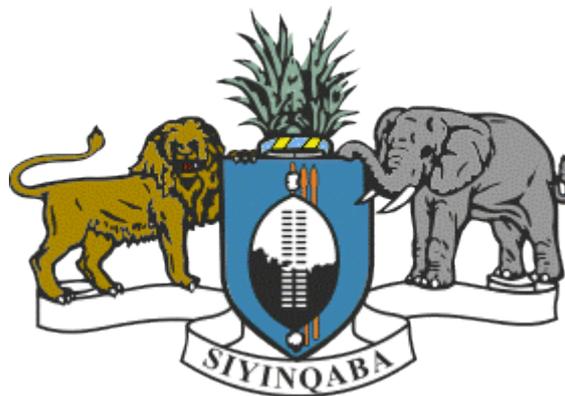


Making Access Possible

Qualitative demand-side report

Swaziland

April 2014



The MAP methodology and process has been developed jointly by UNCDF, FinMark Trust (FMT) and the Centre for Financial Regulation and Inclusion (Cenfri) to foster inclusive financial sector growth.

Prepared by: Kaufman Levin Associates (KLA)

Table of Contents

Table of Contents	iii
Executive summary	vii
1. Guide to reading this document	1
1.1. The advantages and limitations of qualitative research.....	1
1.2. Structure of the document.....	1
2. Research methodology	3
2.1. Objectives.....	3
2.2. Geographic areas	3
2.2.1. Manzini	3
2.2.2. Mhlume	3
2.3. Data collection methodology and sample	4
3. Target market context	7
3.1. Social context	7
3.1.1. Functioning of households.....	7
3.1.2. Interdependence within households and families	7
3.1.3. Interdependence in communities.....	9
3.1.4. Social values and attitudes.....	10
3.1.5. Gender.....	12
3.1.6. Quality of life	13
3.2. Physical context	14
3.2.1. Physical access to formal financial services and institutions.....	14
3.2.2. Connectivity.....	15
3.2.3. Infrastructure	16
3.3. Economic context	17
3.3.1. Overview	17
3.3.2. Income generating activities.....	19
3.3.3. Experience with enterprise development and community upliftment projects
.....	21
4. Financial capability of the target market	23
4.1. Awareness and knowledge of formal financial institutions, products and services
.....	23
4.2. Confidence with financial terminology and processes.....	23
4.3. Awareness of consumer rights and protection	24

4.4.	Skills	25
4.4.1.	Budgeting and planning.....	25
4.4.2.	Literacy.....	25
5.	Income and expenditure	27
5.1.	Income.....	27
5.1.1.	Sources.....	27
5.1.2.	Income from agriculture	28
5.1.3.	Income from trading.....	30
5.2.	Expenditure/payments.....	31
5.2.1.	How expenses are funded	31
5.2.2.	Expense items	31
5.2.3.	Normal expenses	32
5.2.4.	Extra-ordinary expenses	34
5.2.5.	Repayments of loans	34
5.3.	Budget deficits.....	35
5.3.1.	Reasons for deficits.....	35
6.	Interaction with financial services	36
6.1.	Credit.....	36
6.1.1.	Need for credit and financial products currently used to access credit	36
6.1.2.	Financial products currently used to access credit	37
6.1.3.	Barriers to accessing formal credit services.....	41
6.2.	Payment and remittances.....	43
6.2.1.	Need for payment and remittance services.....	43
6.2.2.	Informal payment mechanisms	44
6.2.3.	Formal payment mechanisms.....	45
6.2.4.	Barriers to accessing formal payment and remittance services.....	48
6.3.	Savings	49
6.3.1.	Need for savings	49
6.3.2.	Informal financial products currently used to save	50
6.3.3.	Formal financial products currently used to save	51
6.3.4.	Barriers to accessing formal savings products.....	53
6.4.	Insurance	53
6.4.1.	Need to mitigate the impact of risk	53
6.4.2.	Barriers to accessing formal insurance products	55
7.	Conclusion.....	57
7.1.	Characterisations that may predict financial usage	57

7.2. Recommendations.....	58
Appendix A: Data Collection Instruments – Recruitment Questionnaires, Discussion and Interview Guides.....	59
Appendix B: PowerPoint Presentation findings	60

List of tables

Table 1 : Credit Use Cases	36
Table 2 : Reasons for choice of retail credit as a source of credit	37
Table 3 : Reasons for choice of bank loan as source of credit.....	38
Table 4 : Reasons for choice of informal moneylenders as source of credit	38
Table 5 : Reasons for choice of micro-lenders as source of credit	40
Table 6 : Reasons for choice of co-operatives as source of credit	40
Table 7: Reasons for choice of family and friends as source of credit	41
Table 8: Reasons for choice of informal moneylenders as source of credit.....	41
Table 9 : Payment and remittance use case	44
Table 10: Reasons for choice of cash by hand, in person as payment or remittance mechanism	45
Table 11 : Reasons for choice of mobile banking as payment or remittance mechanism	47
Table 12 : Reasons for choice of eWallet as payment or remittance mechanism.....	47
Table 13 : Reasons for choice of bank account as payment or remittance mechanism	48
Table 14 : Savings Use Cases.....	50
Table 15 : Reasons for choice of self-help society as savings mechanism	50
Table 16 : Reasons for choice of home-based savings as a savings mechanism.....	51
Table 17 : Reasons for choice of co-operatives as a savings mechanism.....	51
Table 18 : Reasons for choice of banks as a savings mechanism.....	52
Table 19 : Reasons for choice of retailer-based mechanisms for savings	52
Table 20 : Reasons for choice of funeral cover/insurance	55

List of figures

Figure 1 : Older generation taking care of grandchildren	8
Figure 2: Older generation taking care of grandchildren	9
Figure 3 : Wife managing the day-to-day household needs.....	12
Figure 4 : Travel distance to accessing various services	15
Figure 5 : Connectivity	16
Figure 7 : Homesteads	16
Figure 7 : Electricity.....	17
Figure 8: Income and Expenditure and Employer-provided accommodation	22

Figure 9: Prioritising household needs over business needs	28
Figure 10: Income from farming - Urban Trader.....	29
Figure 11: Income from farming - Rural Farmer.....	30
Figure 12: Income from trading.....	31
Figure 14 : Household Expenditure (1).....	32
Figure 14: Household Expenditure (2)	32
Figure 16: Urban share of wallet.....	33
Figure 16: Rural share of wallet	33
Figure 18: Using Mobile Money.....	43
Figure 19: Financial access as a function of employment	57

Executive summary

Objectives and Methodology

This document is a summary of the qualitative demand-side research that was conducted in Swaziland as part of the Making Access to Financial Services Possible (MAP) study. It is complemented by a quantitative demand-side analysis based on the FinScope¹ Swaziland 2011 results.

The MAP study is conducted in a number of countries. It aims to develop, pilot and codify a toolkit of financial approaches, methodologies and strategies in order to:

- Identify opportunities to increase financial inclusion;
- Overcome barriers to financial inclusion; and
- Coordinate stakeholders (government, private sector and donors) in practical action towards greater financial inclusion.

The qualitative research conducted in Swaziland aimed to understand how consumers function financially; more specifically, how they use their money, what their financial needs are and what barriers they face in terms of greater financial inclusion.

Qualitative research, in the form of 12 focus groups, 4 in-depth interviews and 6 in home immersion interviews, was conducted at Manzini and Mhlume from 28 October to 5 November 2013. The sample was structured to reflect the target market for financial inclusion² in Swaziland.

Overview

The research indicated limited engagement of the respondents with formal financial services, with the notable exception of remittance systems. There are a number of factors that limit access to and use of financial services (in this report referred to as access³ and usage barriers⁴) that underpin this limited engagement. The most obvious reason is that the target market is primarily living from hand to mouth and is over-indebted, in many cases battling to survive and in no emotional space to explore financial alternatives. Many respondents displayed despondent attitudes with little hope of improving the quality of their lives and little trust in formal institutions – or even among community members – when it comes to financial needs.

¹ A nationally representative demand-side survey to gauge the level of financial inclusion, as well as people's interaction with financial services, rolled out by FinMark Trust. See www.finscopeafrica.com.

² MAP applies a broad conception of the target market for financial inclusion as the unserved and underserved population. They are often low-income and not formally employed.

³ Access barriers relate to the supply of financial services. Such barriers mean that individuals are precluded from using the services due to factors outside of their control, such as the affordability, availability of the service within easy reach to them, eligibility requirements set, or appropriateness of the available products to their particular needs.

⁴ Usage barriers refer to factors that cause people not to use financial services even if there is nothing that prevents them from doing so in an absolute sense. They are factors internal to the individual or society, including perceptions, trust, financial capability or the fear of officialdom.

Current needs

Most households in the sample struggle to survive on a single income. Consumers look for ways to make money in order to make ends meet, but there are limited opportunities to earn an income, let alone to supplement household income. Household needs are focused on basic items, such as groceries, school fees, transport and rent. Added to these are necessities such as funds to purchase business stock (inventory) and to service debt. Trying to manage all of these on a limited income has largely contributed to a cycle of debt and poverty.

Eligibility for formal financial access

Engagement with formal financial services is determined by respondents' eligibility to access the various services. Key to eligibility is employment and primary source of income. Being formally employed, particularly by government, gives respondents a regular (often relatively substantial) income and access to documentation required by formal financial institutions. This, in turn, gives them access to affordable credit options. The converse is true for traders or self-employed people who largely have recourse only to expensive informal credit and unsecure saving and risk mitigation options. The survivalist attitude extends to financial management; there is no money for unexpected expenses.

Credit

Current situation of the target market. A large proportion of the income of the respondents is used to repay debt to informal moneylenders or to money lending societies. The repayment of credit for clothing and furniture also constitutes a substantial proportion of the formally employed target market's income. Indications are that debt repayment typically amounts to 30% to 50% of household income. Individual loan amounts are mostly relatively small. Indications are that most of the loans are less than E3,000, sometimes as little as a few hundred Emalangeni (E).

Credit providers. Informal moneylenders (referred to as "shylocks" in Swaziland) are the main suppliers of credit to the target market. Informal moneylenders charge interest of 20% or more per month (the highest rate mentioned was 35% per month). The target market is subject to bullying tactics of the moneylenders – confiscating identity documents, bank cards and possessions. Although the target market uses informal moneylenders extensively, they do so grudgingly, regarding them as contributors to the prevailing poverty. Many members of the target market function on a survivalist level, with limited collective functioning. This means that many do not belong to societies from which they can borrow. Respondents report that more affluent individuals (such as government employees) form collective savings societies⁵ that lend money to poorer people at high interest rates (20% per month was mentioned), only slightly less than the rates of moneylenders. Given the high poverty and lack of trust amongst the target market, loans from family and friends carry interest and surety is often required in the form of possessions. Even for funerals, financial

⁵ Most of these societies operate as accumulative savings and credit associations (referred to as ASCAs). ASCAs are member-based entities whereby members contribute an agreed amount of savings, which may then be lent out to members and sometimes non-members. At the end of an agreed upon period, the savings pool and interest proceeds are then distributed amongst the group members. ASCAs are distinguished from ROSCAs (rotating savings and credit associations). The latter operates on a rotating basis whereby members take turns to receive the savings contributions of other members.

assistance from the community comes with strings attached, such as the expectation of reciprocity.

*Use cases*⁶. The reasons mentioned for the use of the loans were entirely for consumptive purposes (for example to make ends meet, towards lumpy expenses or emergencies). Individuals from the target market did not mention any use of current loans for productive purposes apart from using credit to buy stock for their enterprises. Use cases include consumption smoothing, buying big ticket items such as durable household goods or paying educational expenses. Risk mitigation, for instance for funerals or health emergencies, form part of the use cases for credit. Loans from informal institutions are often used to repay existing loans, sometimes to pay only the interest on these loans and not to repay capital.

Access and usage barriers. Respondents virtually without exception do not use formal credit – not because they prefer informal moneylenders, but because various factors prevent them from engaging with formal credit. The research suggests the following barriers to access of formal credit:

- *Eligibility* – specifically inability to produce a salary slip as is required by formal lenders;
- *Proximity* – formal credit providers are not present in respondents' communities;
- *Lengthy administrative processes* – respondents often need access to credit fast. Informal moneylenders provide instant access to credit, whereas the perception is that formal institutions require a lot of paperwork and take time; and
- *Flexibility* – formal credit products are not flexible, specifically on repayment terms.

Respondents' views of formal financial services and their accessibility are based on perceptions and word of mouth rather than actual experience. They also perceive themselves not to be the target market of formal institutions. This adds a substantial usage barrier to the abovementioned access barriers.

Savings

Current situation of the target market. The qualitative research indicated that respondents, many of which are part of the poorest segments of society, do make some attempt to save, but proportionally it is a very small percentage of income that is set aside for savings. Seldom is a dedicated amount budgeted for savings. Since expenses invariably exceed income, most households have little left to save. The only mention of savings was to store value⁷. The concept of accumulating value⁸ seemed outside their frame of reference.

Savings providers. Indications were that more affluent people in Swaziland use societies to grow their capital by lending money to poorer people at a high interest rate. With the exception of a few mentions of daily rotating societies whereby traders at market stalls save to buy stock with their typically weekly payouts, most of the societies encountered in the qualitative research were accumulative in nature and limited to higher-income/employed

⁶ Use cases: a use case can be defined as the practical application of a need for certain financial services. That is, the various purposes for which people use a financial service such as credit, savings or insurance. So, for example, a credit use case can be to borrow in order to give your child an education, or to borrow in order to build a house.

⁷ For example when lumpy income is received, such value needs to be stored until it is used. Savings therefore are largely a consumption smoothing action.

⁸ Saving to accumulate value can entail saving towards a certain goal and generally involves money being retained and added to over a period of time

individuals. The qualitative research indicated that the reasons for this lack of self-help saving societies relates mainly to a lack of trust amongst the population as well as a survivalist outlook on life, living from day-to-day without an attempt to make provision for the future. Societies as a saving mechanism can only function properly if the members trust each other and if individuals can fulfil their obligations to contribute regularly – neither of which is generally possible amongst the poor in Swaziland. Most of the poorer respondents who saved, did so at home or in a bank account. Since savings activities mostly take place on an individual rather than on a collective basis, the main option for saving to store value is saving at home. Although saving at formal institutions would be ideal, in a situation where trust has been eroded the unpredictable and perceived high service charges on bank accounts form a barrier to usage of formal savings products. Limited mention was made of savings at cooperatives⁹, since very few respondents included in the sample took part in these.

Use cases. Similar to many other poor communities, most of the respondents viewed education for their children as the passport out of poverty. Therefore attempts are made to save for school expenses. Some accumulating societies function entirely for this purpose. Some societies accumulated funds to buy groceries once or twice a year at wholesalers and distributed these groceries amongst members.

Access and usage barriers. The biggest access barrier mentioned was affordability of savings accounts due to high service charges. Additionally, the leading usage barriers were found to be:

- Perception of not being the target market of formal institutions;
- Mistrust in formal institutions (due to lack of understanding of service charges); and
- Use of remittance accounts (with high service charges) for savings purposes.

Insurance

Current situation of the target market. The respondents that function as survivalists do not proactively manage their financial exposure to risk, but rather tend to have a fatalistic view of potential future events. They handle such events if and when these happen, invariably by borrowing money from friends and family or from informal moneylenders or societies. Since the target market does not function collectively, the respondents do not form societies that function for risk pooling purposes, not even for funerals. Indications were that more affluent people in Swaziland, particularly government employees, have formal insurance products, often included as part of their employment contract.

Insurance providers. Respondents were aware of formal insurance providers offering funeral insurance (especially Dups¹⁰).

Access and usage barriers. Respondents did not directly mention access barriers, though it can be inferred that insurance products are not available in their communities and that affordability will be a big constraint given low incomes. It was clear that insurance was not even a consideration for most. Main usage barriers are thus awareness, the perception of

⁹ Savings and Credit Cooperatives (SACCOs) are institutionalised savings cooperatives. They are largely used by the formally employed market in Swaziland.

¹⁰ Previously a funeral insurance broker linked to a funeral service provider, Dups received an insurance license in January 2014.

not being part of the target market for formal insurance, as well as perceptions about affordability.

Transacting and remittances

Current situation of the target market. Respondents tend to opt for non-complicated and inexpensive options to facilitate payment and remittance needs. The choice of payment and remittance systems depends on affordability, ease of use and access, eligibility and if the channel has been recommended through word of mouth.

Providers. Cash is still used most frequently for transactions and remittances are mostly hand-delivered in cash. Yet formal payment and remittance systems, specifically Mobile Money and eWallet¹¹, seem to be used more extensively than formal options in the savings, credit or insurance categories. Mobile Money and eWallet meet all the requirements expressed by respondents in terms of being accessible and affordable. Furthermore, respondents who are formally employed by private organisations or by government mostly receive their salaries in a bank account.

Use cases. Respondents use formal payment systems to send money to dependants, to pay accounts, for utility payments and sometimes to pay informal moneylenders. Bank accounts are used to receive salaries or student allowances and sometimes to pay informal moneylenders or cooperatives.

Access and usage barriers. The main access barriers mentioned are proximity of services and the lack of connectivity to the mobile network. Usage barriers include perceptions about high bank charges, as well as financial capability of potential users. Many respondents were not aware of or comfortable with formal service offerings.

Barriers

In summary, the qualitative research findings regarding the most prominent barriers to access and usage of formal financial services across the product markets are discussed below.

Access barriers

Affordability. Affordability is a major access barrier, especially for savings. Respondents perceive bank charges, specifically on savings accounts, to be so high that they deplete savings.

Features. The target market requires considerable flexibility from financial products, particularly for credit, given their economic realities, which often means irregular incomes and the need for immediate access to funds. Products based on the assumption of regular monthly incomes do not address the needs of the target market, for which flexible repayment terms for credit are necessary. The fact that there are service charges on savings accounts is regarded as a major barrier, not only from an affordability point of view, but also

¹¹ The two mobile money products on the market are MTN Mobile Money, operated without a bank account and available to all MTN customers, and FNB eWallet, available only to FNB account holders (but the recipient does not need a bank account).

because of the way in which the target market interacts with their accounts. Those with formal bank accounts feel out of control, because they do not understand the formulas of bank charges or of fluctuating interest rates. Respondents want to be able to calculate all the costs and interest associated with the channel in use, like they can do with Mobile Money or eWallet transactions.

Eligibility. Eligibility is a major barrier to the use of formal financial services, especially to obtaining credit. This is particularly relevant for those who are not formally employed and cannot produce a payslip. Respondents also mentioned difficulty with acquiring other required formal documentation such as identity documents. Processes to open accounts are considered cumbersome and require too much paperwork, the latter posing particular problems to those who are not functionally literate.

Usage Barriers

Perceptions. Respondents assume that financial products from formal institutions are expensive, so they often do not investigate options. Knowledge of banking products, or the lack thereof, stems from the distance that exists between respondents and formal financial institutions. The general perception is that formal financial institutions cater only for those who can afford their products. Those who are currently, or may have been previously, banked have negative experiences stemming from their limited knowledge of what they signed up for; they recount these experiences to others, resulting in negative viral information sharing.

Financial capability. Knowledge amongst respondents about how financial institutions really work and their responsibilities as a client is limited. Similarly, awareness of various formal financial products on offer is limited, mostly because the target market believes that formal financial institutions are not interested in them, therefore they (the target market) do not even investigate available options. The research indicated that the target market might sometimes use inappropriate products for their requirements (for instance transactional accounts to save), thereby incurring higher than necessary costs.

Mistrust. The level of mistrust that exists amongst people has a knock-on effect on their trust in and use of formal financial products and services. Financial institutions are mostly distrusted, as respondents do not believe that these institutions have their best interests at heart.

1. Guide to reading this document

1.1. The advantages and limitations of qualitative research

Unlike quantitative research¹², qualitative research obtains information from a small number of respondents from specific sections of the target population. The findings of qualitative research cannot be extrapolated to the target population, but it gives indications and insights into a range of behaviours, perceptions and attitudes of the target population.

The information in this report, particularly the quotes, reflects what respondents have said during the interviews and in focus group discussions. For these respondents, their perception is their reality; however, their perceptions might not be based on fact. In this report the researchers try to distinguish between perceptions based on fact and those that are not. However, stakeholders in Swaziland would be in the best position to make this distinction. Both of these should be addressed: if the perceptions are not based on fact, improved communication about the facts is necessary; if they are based on facts that negatively impact behaviour, these realities should be reviewed and, if required, addressed.

1.2. Structure of the document

This document is a summary of the qualitative demand-side research conducted in Swaziland as part of the Making Access to Financial Services Possible (MAP) study. The findings of the demand-side research are used (in conjunction with supply side findings) as inputs for a diagnostic report on financial access in Swaziland. This document synthesises the main findings of the qualitative study, highlighting the needs of the target market and exploring the barriers to their optimal use of formal financial products and services. Moreover, it identifies opportunities from a demand-side perspective to improve the quality of financial access in Swaziland.

Overview of report structure

- **Section 2** explains the research methodology, detailing the objectives of the study, the geographic areas in Swaziland in which the research was conducted and the qualitative data collection methods.
- **Section 3** outlines the context within which the target market functions: social, physical and economic
- **Section 4** describes the financial capability of the respondents.
- **Section 5** provides an overview of the income and expenditure realities
- **Section 6** describes respondents' interaction with financial services across the four product categories (credit, payment and remittances, savings and insurance). For each category, respondents' needs are expressed as use cases and the delivery channels used

¹² In quantitative research, data is collected from a large number of respondents representative of the target market; the findings are statistically representative of the target population.

for each use case are outlined. Lastly, the access and usage barriers to formal financial services for each product category are explored.

- **Section 7** concludes to highlight opportunities for improved access to formal financial services for the target market. Also included are some recommendations from a demand-side perspective, as well as suggestions on characteristics of the target market that might be used to segment the target market.

Appendix A contains the data collection instruments used.

Appendix B contains a PowerPoint presentation with more detailed findings, including pen portraits of respondents interviewed individually within their own environment.

2. Research methodology

2.1. Objectives

The research aimed to explore:

- The social and physical context of the target market and the implication thereof on financial access;
- The economic realities and financial services needs of the target market;
- The drivers of usage of formal and informal financial products and services, and the extent to which these satisfy the needs of the target market;
- Current take-up and use of a range of formal and informal financial products;
- The barriers to access (proximity, affordability, features and eligibility) and whether these barriers are based on reality or perception; and
- Opportunities, from a demand-side perspective, to improve the quality and reach of financial access in Swaziland.

2.2. Geographic areas

The research was structured to access respondents from both a rural and urban context. Given the nature of qualitative research (to obtain in-depth information from a select sample), it was decided to include one urban and one rural area. The rural area was decided upon after consultation with stakeholders in Swaziland.

2.2.1. Manzini

Manzini was selected as an urban area for the research as it houses a large scale business and shopping area. Respondents participating in the research came in from surrounding areas such as Matsapha, Mafutseni and Bethany. Many people come in and out of Manzini and Matsapha on a daily basis as these cities have industrial (Matsapha) and business (Manzini) opportunities.

2.2.2. Mhlume

The initial decision was to conduct the rural phase of the research in Simunye. However, it was recommended that the fieldwork be moved to Mhlume as this granted better access to rural respondents and farm workers from its surrounding areas such as Vuvulane and Mafacula. Those living in Vuvulane or Mafacula have to travel quite a distance to access any form of banking service (i.e. ATMs or a bank branch). Tshaneni, a small scale city centre owned by the Royal Swazi Sugar Corporation (RSSC), is the business hub of Mhlume. Mhlume is a district consisting mostly of sugar cane farms owned and managed by Mhlume Royal Swazi Sugar Corporation. Conducting research in Mhlume highlighted the reality of respondents working on large company owned farms rather than their own.

2.3. Data collection methodology and sample

The study used different qualitative data collection methods. Four in-depth interviews and six immersions¹³, split by region, were conducted. It was decided that, because of the sensitive nature of their business, one-on-one interviews with moneylenders and decision makers would give more reliable information than focus groups. One-on-one discussions were held with both urban and rural informal moneylenders and decision makers. Personal immersive interviews with urban and rural traders, a grant recipient, a farm worker, a farmer and the wife of a man working and living in SA were held in both regions.

A recruiting questionnaire was used to recruit respondents for the interviews and immersions (Appendix A).

In addition to the interviews and immersions, 12 focus group discussions (split by region) were conducted. Each focus group comprised of 7 – 10 respondents who discussed their financial realities and behaviour.

The respondents recruited for focus group discussions had to fall within any one of the following three segments:

- **Segment A:** Formal and informal credit users;
- **Segment B:** Formal and informal savings products users; and
- **Segment C:** Respondents who recently experienced risk (e.g. death of a breadwinner).

Recruiting strictly according to these segments proved difficult as:

- The majority of the respondents had debt; however, this was limited mostly to informal debt.
- Savings amongst respondents was low; however, where there were activities related to savings, this was limited mostly to channels outside of banking and financial services institutions, and
- The insurance category was limited to funeral insurance. Respondents do not engage with home, business and vehicle insurance.

Based on the recruiting questionnaires, the profile of the 104 total respondents, combining both focus group discussions and interviews, was as follows:

Gender

- 49 male respondents; and
- 55 female respondents.

Main source of income

The main sources of income of the individuals interviewed as part of the six immersion visits are as follows:

¹³ Immersions: spending a considerable amount of time interviewing a respondent in his/her own environment.

- The urban trader's main source of income is sales from clothing, sandals, military boots, ground nuts and dish cloths.
- The rural trader's main source of income is from selling groceries and snacks in her tuck-shop.
- The farmer with his own land earns an income from cotton and eggs.
- The agricultural worker's main source of income is through working day and night shifts on the RSSC.
- The government grant recipient is retired (government grants are limited to retired citizens and those with disability).
- The female head of the household with a spouse working in South Africa receives most of her income from money sent from her husband.

Respondents who attended the focus group discussion presented a range of employment activities:

- Formal state employment (e.g. soldiers);
- Formal private employment (e.g. clerks, accounting and law candidates, attorneys);
- Self-employed (e.g. selling fruit and vegetables at the marketplace, seamstress, making handcrafts, knitting jerseys, selling food such as bunny chow, selling airtime);
- Receiving money from friends or family (e.g. wives receiving money from husbands living in another city or country, as well as relatives sending money to loved ones); and
- Irregular piece jobs (e.g. plumbing, milling, carpentry, mechanical or electrical repairs).

Bank usage

Due to the qualitative nature of the study, exact numbers in terms of bank usage cannot be provided. However, respondents mentioned awareness and engagement with the following banks (in order of most to least aware/used):

- SwaziBank;
- Swaziland Building Society;
- First National Bank (FNB);
- Standard Bank; and
- Nedbank.

Product usage

The sample's engagement with formal financial products is limited to general banking (e.g. transactional accounts, and a limited number of savings accounts) and other formal products that are cost-effective and offer convenience/ease of access and use (e.g. Mobile Money or eWallet). Some respondents had formal funeral insurance.

Income Range

Respondents were recruited according to the following personal monthly income brackets. Some respondents, particularly those not employed full time, estimated their monthly income. According to the self-proclaimed figures provided by respondents, the sample consisted of the following:

- E0 – E500,
- E501 – E1000,
- E1001 – E2000,
- E2001 – E3000,
- E3001 – E4000, and
- E4000 – E5000.

The groups included a spread of income earners up to E5000; those earning more than E5000 were excluded from the study. However, insights from those earning more than E5000 per month were received during the individual interviews (i.e. informal money lenders, traders or society decision makers).

The sample was structured to reflect the target market for financial inclusion in Swaziland. However, due to the limited interaction of the target market with formal financial services, the insights about these services were not as rich as it may have been had the sample drawn on the usage (or lack thereof) of financial services in a higher income bracket. The research made it evident that access to financial services for this market was limited mostly due to low income.

Time frame

The fieldwork was conducted between 28 October and 5 November 2013.

3. Target market context

3.1. Social context

3.1.1. Functioning of households

Large households are common, mainly for two reasons: i) many households consist of adopted children and extended families, as a result of the high death rate and low life expectancy (mainly due to HIV/AIDS and TB associated with HIV/AIDS), and ii) cultural practice allows polygamy. Men living away from their primary household as a result of work are likely to take on a second wife in their area of residence. The financial impact of multiple families is substantial.

“We have a lot of people, we have orphans, we have our brother’s children; it is the same as this lady (referring to another respondent), as she said that she is left with her sister’s children since her sister passed away and it is her siblings as well, she is the eldest and she has children of her own as well, this is too much.”

Mhlume, Females, Aged 25 – 40 years

3.1.2. Interdependence within households and families

The older generation regards taking care of orphaned children of their relatives as an honour rather than a burden.

“We have a lot of people, we have orphans, we have our brother’s children; it is the same as this lady (referring to another respondent), as she said that she is left with her sister’s children since her sister passed away and it is her siblings as well, she is the eldest and she has children of her own as well, this is too much.”

Mhlume, Females, Aged 25 – 40 years

Swaziland Pen Portrait: Urban Grant Recipient



About

Family

Relationship status: Married to one wife
Lives with: His wife, 8 children and 7 grandchildren → daughter is married and lives on the farm

Work

Previous: Worked in construction. Used to do contract work in his younger days.
Current:

- Livestock farmer
- Has been on pension since the age of 60.
- His wife sells products from his small garden
- Children do piece jobs
- His wife also receives her pension

Places Lived

Current: Has lived on the same homestead for many years → most of his adult life.

Family challenges

- **Loss of a loved one:** He lost a child → because of death not specified
- **Finances:**
 - With some grandchildren on the homestead still going to school he still has to pay school fees over and above catering for family needs
 - Although some of the children work piece jobs to earn some money, they do not always contribute towards the running household
- **Farming:** Would like to farm but does not have enough space to do so on his farm

Dreams and Aspirations

At 62, Petrus would still like to get his business up and running. He registered a company but would like to get business and financial support to get it going.

For young people to see the value in educating themselves.

NAME:
Petrus

AGE:
Early 60s

FAMILY SET-UP:
Lives with wife, children and some grandchildren

OCCUPATION:

- Retired
- Community leader
- Livestock farmer / owner

*Please note that names of respondents are fictitious for reasons relating to confidentiality.

Figure 1 : Older generation taking care of grandchildren

Source: individual interview, 2013

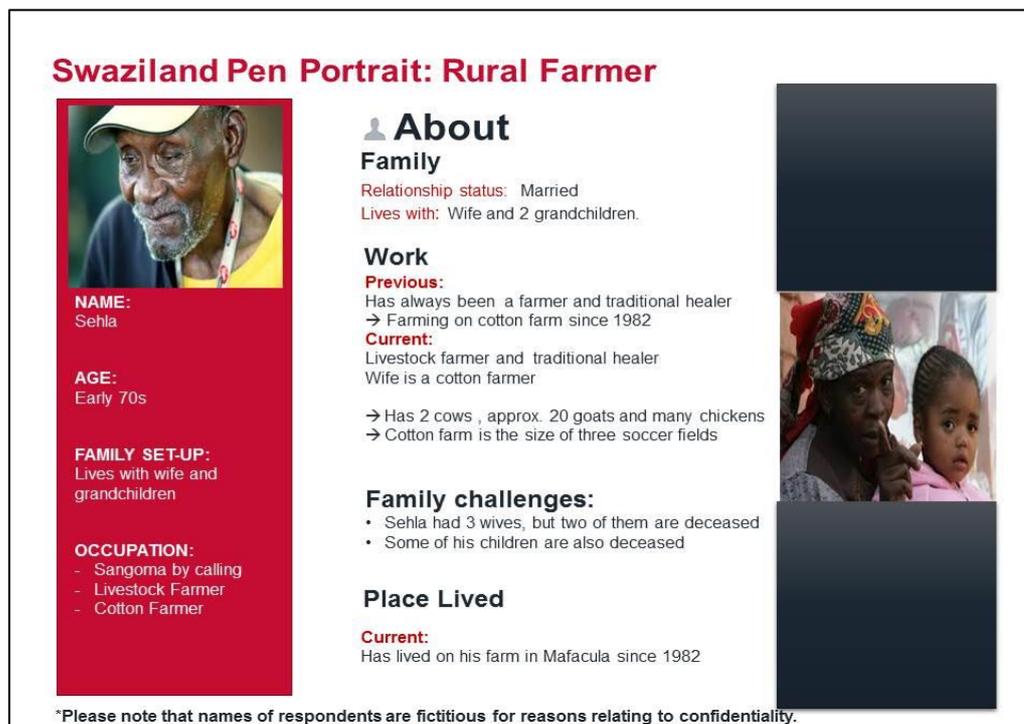


Figure 2: Older generation taking care of grandchildren

Source: individual interview, 2013

3.1.3. Interdependence in communities

There was little evidence of a collective approach in the communities covered by this research. From a financial access point of view, the most prominent indication of the absence of collectivism was the limited number of accumulating self-help savings or burial societies. Rather, quite a number of societies saved towards a 'long term/12 month goal' (like buying groceries for Christmas) and lend out money to low income non-members of society at rates only slightly lower than those charged by informal moneylenders, mostly between 20% to 35% per month.

There appeared to be limited financial assistance from neighbours and friends for burials. The family of the deceased often has to borrow money at high interest from informal moneylenders or from societies to fund the funeral or, alternatively, forego the burial ritual and "just bury the person in a cow skin".

"My child died after being struck by lightning... my wife was also sick and I had been taking her to different places for help...you know old people prefer traditional methods so my mother took her to traditional healers and we had to pay like R500.00 and then another one... so you end up paying R1000.00's... I went to the loan shark because my wife needed the assistance. Then after that I had to arrange for a coffin for the child, make sure there is food for the burial and afterwards... so I ended up owing the loan shark and I was paying about R1300.00 – R1400.00... I asked myself if I was going to be able to bury the child without the loan shark and I don't think I would have... we would have to use animal skin or whatever to wrap the body up and not a coffin."

Mhlume, Males, Aged 41 – 55 years

However there were some self-help societies that function well, based on trust, interdependence and shared responsibilities.

“Because they are my friends and we have been doing this for years now. We are like family. The last time one of the guys was getting married three or four years ago and we said we can afford this much we can buy you four cows to be able to go and do your negotiations for your wedding. That is the kind of relationship that we have. When I came back I had no work and I went to my friends and said guys it is tough and the one said you can come and stay at my place. He said you do not need to pay anything we will see how it goes or how we make things meet. The others saw that I was staying with the friend and they helped and that is the type of family that we have.”

Manzini, Males, Aged 25 – 40 years

3.1.4. Social values and attitudes

3.1.4.1. Lack of trust

A lack of trust amongst individuals within communities was noticeable. Mistrust prevents people from engaging in collective financial structures. The erosion of trust has wide-reaching implications for financial behavior, because it extends to their view of formal and informal financial institutions. The following quotes illustrate.

“I would say we have this thing that we do not trust each other ... we just don't trust each other anyway.”

“If we could trust each other if we held each other strong and if there was something or a problem that the next person has we should help each other but as Swati people we just do not help each other out at all.”

Manzini, Males, Aged 25 – 40 years

“R¹⁴: I don't know if the other communities have the same issue but in my community families can't assist each other.

M: Why?

R: Because we undermine each other.

M: What do you mean?

R: We look down on each other.

M: Why is that?

R: I don't know it's just the nature of our families.”

Manzini, Females, Aged 25 – 40 years

¹⁴ R = Respondent, M = Moderator

"I think its lack of trust and lying about the amount of money one has. (Discussing reasons for lack of budget cooperation between spouses.)"

Manzini, Females, Aged 25 – 40 years

"R: We saved the money and when we had to share it in December the money was gone, when we calculated all the money we had been saving from January to December it was about R100 000 and she spent it all and decided to commit suicide even though she spent it with her friends and they won't even bring it back so we lost out."

M: Are any of you part of any society?

R: No we left them."

Manzini, Females, Aged 41 – 55 years

"I was part of a society club but we started having money problems, money went missing and I ended up giving up."

Mhlume, Females, Aged 25 – 40 years

"So when someone starts a society they already have plans on how to exploit people."

Manzini, Males, Aged 41 – 55 years

"I left my society when we had dishonesty in our society, the lady that kept our money used to spend it and after crying and complaining I pulled out and realised that societies are not helping me so I decided to just save my money under my pillow because societies are for the enrichment of other people and not yourself, and they would lie and say they were robbed so I left because it was stressing me."

Manzini, Females, Aged 25 – 40 years

"I was part of a society club and we had saved about R40,000 but unfortunately there was a lot of corruption, we never got our money, instead people bought furniture with our money and we just basically lost everything."

Mhlume, Males, Aged 41 – 55 years

"R: I just don't trust the insurance business.

M: That's a point, tell me why?

R: Even if you have been paying your premiums religiously for the past 20 years for a funeral cover and they have always paid out whenever you made a claim once you as main beneficiary are gone if the other beneficiaries make a claim the company will not pay out as expected."

Manzini, Male, Aged 25 – 40 years

"My problem is I do not have trust in mobile money and this is personal."

Manzini, Males, Aged 25 – 40 years

"The same thing happened to a colleague of mine... the bank took R180.00 from her account every month and when she discovered that they told her that she joined it in South Africa and she had never gone to South Africa, they said they would investigate and when she got back there was no trace of where the money had gone to or if it had ever been deducted."

Mhlume, Males, Aged 41 – 55 years

3.1.4.2. Caution to express views

Most respondents were cautious to express any views on government and politics. This was particularly noticeable in the focus group discussions. While respondents were open about their challenges, struggles and financial situations, this was not the case with regards to any topic related to government or politics.

3.1.5. Gender

3.1.5.1. Gender and financial capability

Most female respondents managed the household finances on a day-to-day basis. Due to their extensive business activities, women appear to be more knowledgeable about financial principles and more responsible when managing finances. Their engagement with formal financial products appears to be higher compared to their male counterparts.

3.1.5.2. Gender roles

As people deeply rooted in their culture and traditional practices, Swazis present strong gender dynamics in the way society functions. The man is considered the head of the household and provider. However, as a matter of practice, prioritising expenses is usually the woman’s responsibility as she must ensure that everything is paid as and when required.



Figure 3 : Wife managing the day-to-day household needs

Source: individual interview, 2013

3.1.6. Quality of life

The overall impression of the researchers was of a society burdened by hardship and poverty with very little money to spend on non-essentials such as celebrations or luxuries. There was little mention of celebrations and rituals that could potentially punctuate their lives; their aspirations seem to be limited to giving their children education in the hope that it will ensure a better future for them.

There appears to be a lack of energy and initiative to take control of their lives among respondents, particularly amongst men. The general attitude is to wait upon Government to provide solutions, but they are not optimistic that this would indeed happen.

“We don’t feel pain anymore.”

Mhlume, Females, Aged 25 – 40 years

“ I always think about it but you think until you hit a wall. So we do have ideas but we just end up by thinking because we do not know where to start, we do not have resources, we see people do it every day but how do they do it, we do not know.”

Mhlume, Females, Aged 25 – 40 years

“You try your best and work hard, so you cannot enjoy life anymore and all you are living for is working really.”

Manzini, Males, Aged 25 – 40 years

“R: I am not saving at the moment, okay my children’s father passed away, they were getting some money but now I am not getting it anymore, I don’t understand what the problem is, so we are going up and down, so I am not doing anything.

M: Where was he working?

R: He was in the military.

M: So the children were getting some money.

R: Yes.

M: So what do they say now when you go to the Department of Defence?

R: His sister was a beneficiary, so I am not anywhere so she is the one who knows everything about the money and when you ask her, she behaves in a strange way.

M: So you do not ask her anymore.

R: No, it doesn’t help me in anyway.

M: So what do the kids say because they were getting this money, they knew about it, what are they

saying because they are not getting the money anymore?

R: They understand because she talks to them badly so they decided to let it go.

M: Didn't you take steps in reporting her to the police?

R: I didn't think about it, I think she knows what she is doing.”

Mhlume, Females, Aged 25 – 40 years

3.2. Physical context

3.2.1. Physical access to formal financial services and institutions

Although respondents have access to various services, it involves planning in terms of time and the mode of travel.

There were instances noted and observed where transport was provided to customers/patients as indicated below.

The team noticed a Pick n Pay branded taxi that transports Pick n Pay customers to and from the store when purchasing groceries. It was explained that there are pick up points that customers are aware of and can make use of at no additional cost as long as they buy from the Pick n Pay.

There was also mention of an ambulance made available for free to community members when they need to travel to the hospital, however, any hospital services rendered once at the hospital are the responsibility of the patient.

The following figure indicates the implication of transport costs to access basic amenities and financial services:

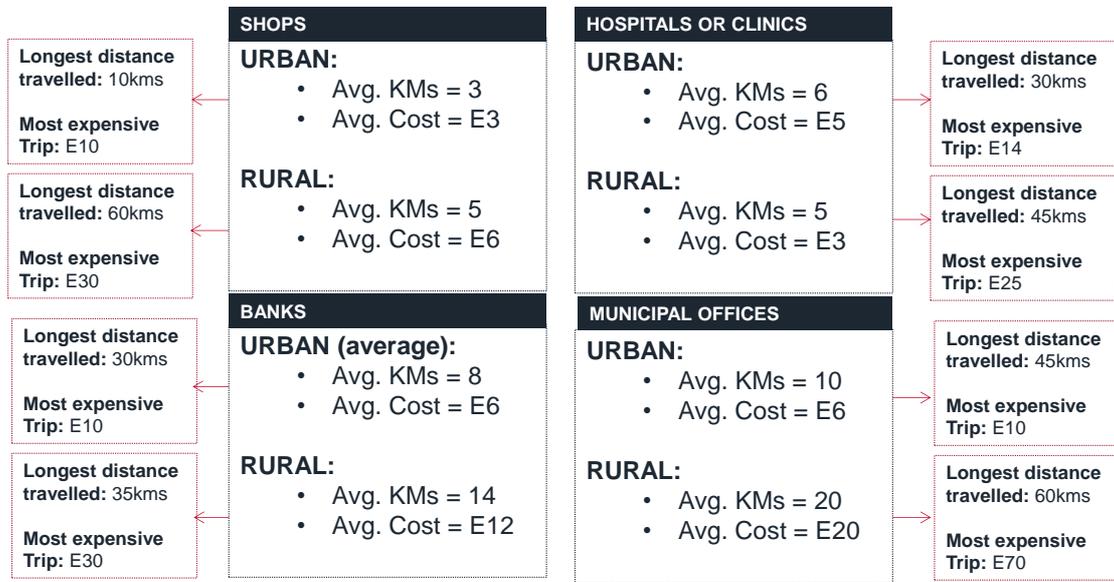


Figure 4 : Travel distance to accessing various services

Source: focus group discussions

3.2.2. Connectivity

Mobile phones are regarded as essential for communication. Most respondents own or have access to a mobile phone. Landline usage is limited. The research revealed that mobile phone usage is limited to phone calls, sms and mobile money usage.

Overall, most respondents do not have access to the internet. Among those who do, the majority access the internet via their mobile phones.¹⁵

¹⁵ Figures are self-reported. The difference in percentages between 'YES' and 'NO' answers is due to non-responses.

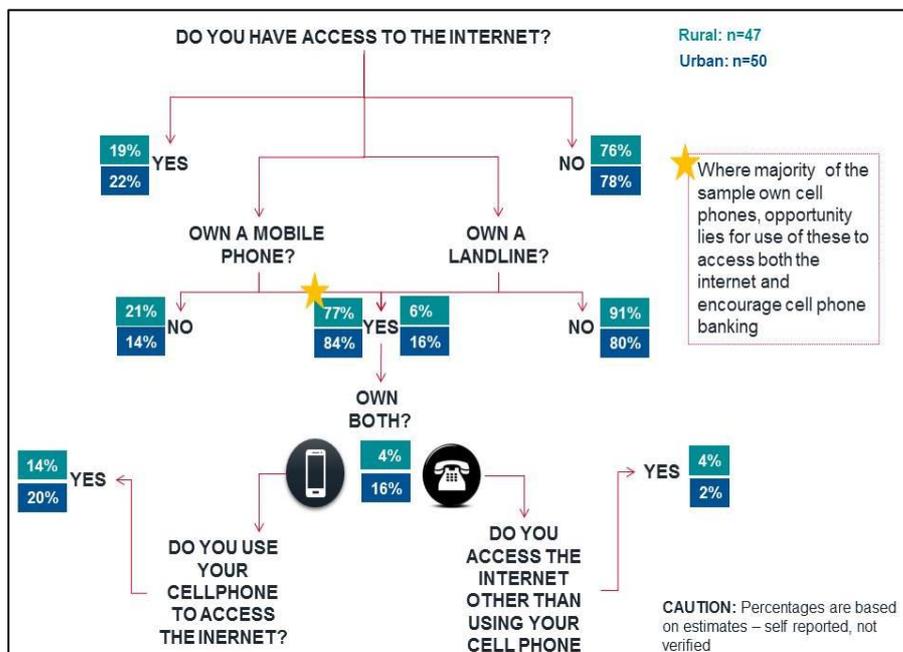


Figure 5 : Connectivity

Source: Authors' own, based on respondent information

3.2.3. Infrastructure

The majority of the respondents involved in the study do not have their own personal means of transport and instead use public transport or are within a 5km radius walking distance to various services (i.e. shops and banks).

Main roads, which are mostly tarred, pass through major towns and cities accommodating the various forms of transport. However, once away from the main roads and for those living on the outskirts of town, roads are mostly gravel.

Housing, for most, consists of a homestead (often passed down from one generation to the next). These are generally passed down through generations in the family. Over the years, people are likely to extend their homes as the garden space around the homestead allows for this. Extending a homestead may include building another room on the same grounds for adult children. Those living in town rent apartments (limited) or live in employers' residences (especially in Mhlume). Renting in town is also seen with younger consumers who move closer to the city in search for job opportunities.

Subsidised or free accommodation is provided for farm labourers in the rural areas by their employing companies.

More rural than urban respondents had electricity in their homes and at work, because a large number of rural respondents live on the property of their employers who supply electricity. However, this deduction might be based on the fact that the sample was drawn in Mhlume, where many respondents worked for big sugar corporations.

Those with limited, or no, access to electricity, also use gas, paraffin, candles or a fire to meet their energy needs.

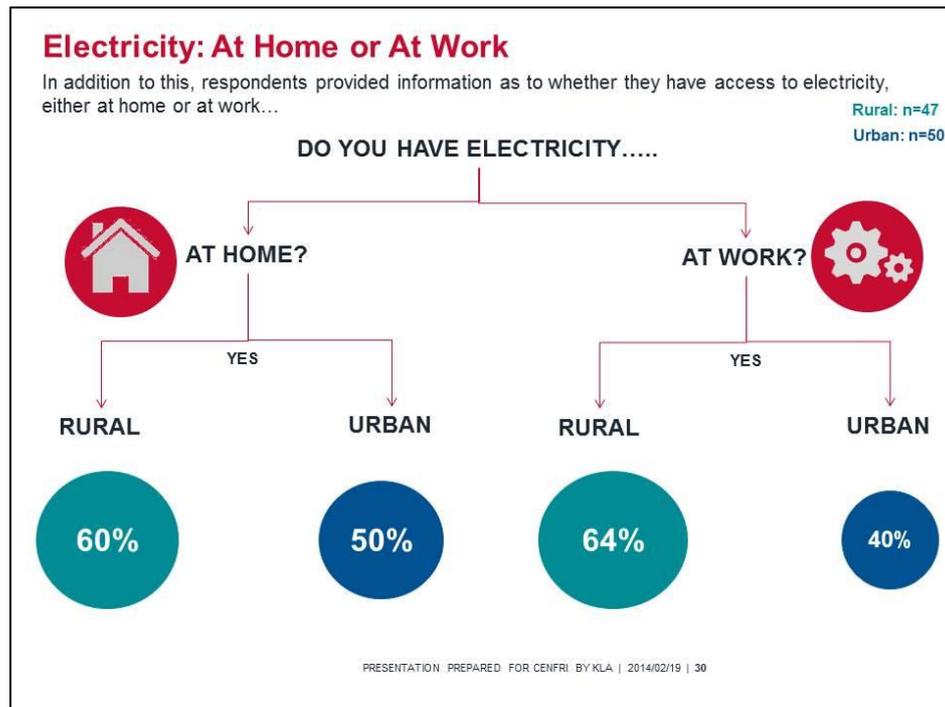


Figure 7 : Electricity

Source: Authors' own, based on respondent information

3.3. Economic context

3.3.1. Overview

Most of the respondents interviewed earned in the range of E100 – E5,000 per month. The highest income earners amongst all respondents were the informal moneylenders.

Life is a struggle for these respondents. The reality is that they are stuck in an uncontrollable cycle of poverty (and often debt), living from hand to mouth. This was particularly noticeable when interviewing workers on sugar cane farms in Mhlume.

“ I used to have a business... I used to sell tomatoes and onions but as things happened, I took that money and used it for school fees... after that I had no more money for the business and had to borrow money... I borrowed about R100¹⁶ and it was not enough and I had to borrow more after which I had to pay back the interest and it took me a very long time to pay off the debt. I did some farming and I made about R400 and took about R200.00 and paid for my child's school fees.”

Mhlume, Males, Aged 41 – 55 years

“ I have 5 kids. I stay with my wife and my father, my mother passed away. I am a sugar cane farmer worker and get R600 then I use that to buy food at home and for the kids to go to school but sometimes they can't go because I don't have money.”

¹⁶ Because Swaziland belongs to the Common Monetary Area, the Emalangi is pegged to the South African Rand. Swazis therefore use the South African Rand and Swaziland Emalangi interchangeably.

Mhlume, Males, Aged 41 – 55 years

“ I do have a family; I have 5 kids and a wife. My parents passed away and I am the one taking care of my family. I pray to God that he helps me take care of my kids. I am a sugar cane farmer and that is how I make a living. Sometimes I also do contractual work but they are very problematic, it was better when we were still working at companies but now as a contract worker sometimes there is no work. You just go there and sit and wait and not work, but when you leave home you tell your family that you are going to work and at the end of the month you can get that R600 and you have to try and use that to take care of the family so that they can have some food and not go and steal from the neighbours.”

Mhlume, Males, Aged 41 – 55 years

“With the money that I get from the farms, I can only buy food and nothing else, I can’t pay school fees and in December I don’t have anything to show for my work...”

Mhlume, Males, Aged 41 – 55 years

Most respondents have to spread their limited income over a large household; some respondents’ households consist of up to 11 members. The size of one’s household can change at any time as a result of taking in extended family in need, especially orphaned children.

The following example from Mhlume (of a farmer earning a salary of R800 per month) illustrates a typical situation the researchers encountered:

R: I have a big family

M: How big is it?

R: I have 2 wives, so it’s 2 houses

M: How many kids do you have?

R: I have 7 kids in the one house and I am a farm worker...

M: What about the others?

R: The other ones are 6 in number...

M: Do any of those kids work?

R: No, none of them work. I am the bread winner.

M: Okay and what do you like to do?

R: I like doing extra jobs like fencing and gardening so that I can make more money to take care of my family.

M: Okay I hear that your family is very big, how do you make sure that there is always food at home?

R: I work at the farm and try by all means to make sure that my family is well taken care of ... I have also borrowed money for electricity installation from the society clubs, it was about R2400.00 and I am still repaying it. If there was enough money then I would have repaid it

M: How long have you borrowed the money?

R: This is the third month.”

Mhlume, Males, Aged 41 – 55 years

3.3.2. Income generating activities

Employment opportunities vary according to the different regions, but are mostly limited. If formally employed, urban male respondents were more likely to be in office jobs, the military or as artisans whilst rural male respondents were more likely to be formally employed on a farm or as a machine operator at a sugar cane mill. Most female respondents across regions were self-employed. However, slight differences occur where women in rural regions could get formal employment on large corporate and government owned farms.

Self-employed respondents usually trade goods such as fruit, vegetables, hand crafts or snacks at the marketplace or they trade a skill by doing piece jobs.

A consistent shortage of employment leads respondents to start their own businesses selling goods or services as sole sources of income or to supplement other incomes.

Out of necessity women would start small enterprises to make money to survive. Women are creative with these enterprises, which range from selling fruit, vegetables, clothing, airtime, even male and female perfumes, to making and selling cockroach poison and sewing school uniforms.

“M: OK, let’s hear from someone else

R: Hi everyone, my name is *, I love doing housework, I just can’t sit still but then on Sundays I go to church. I am also a seamstress; I make children’s clothes so I can make up some money to bring up my own children.”

Manzini, Females, Aged 41 – 55 years

“Hi, how are you people? I also wake up around 4:00 so I can leave home by 5:00. What I do for a living I make bunny chows, airtime, I sit at the station all day long selling these and sometimes I come back around 7 in the evening and then I have to cook because the kids I live with are still small, 3 are mine and the rest are my deceased sister’s, I live with them all.”

Manzini, Females, Aged 41 – 51 years

Men are generally less enterprising and try to find piece jobs where they can use their skills or physical labour to make money. Some younger males also have enterprises, and these are often on a bigger scale than those of females.

Male respondents tended to expect the government to rescue them out of poverty, unlike the women who take it upon themselves to address the situation with inventive enterprises.

Although both genders expect assistance from government, the reality is that as a result of previous disappointment from government, respondents are doubtful of what government will in fact do.

M: Because people are saying how they are hardly making any progress and that they are making very little money so they are not able to meet most of their needs.

R: Yeah, money is an issue here, even the state grant for pensioners has dried up

M: People are no longer getting it?

R: Yes

R: I have tried by all means and I also appealed to the MP for assistance but there now help. Even the money they were supposed to give us at the end of the year to thank us for our service was not there. When we go to the farms we wear the same clothes we are wearing now and according to law we are supposed to wear protective wear which we are not provided for. So those are some of the problems that we are faced with. We go to work very early in the morning at about 5 am and only return home at around 7pm, we work all day long without any food, so those are the conditions that we work under. The work that we do is very hard and even though the companies are making money, we don't benefit. We hope to get more money one day or get better jobs one day because the work that we do is very hard. We work very hard and it takes its toll on our bodies, if you take a look at my hands and your hands, they are not the same. People who work in Johannesburg are much better because they get bonuses, we don't get bonuses and instead we work even harder with very little money. So our dream is that we get assistance as farm workers. Sugar cane farm workers have it really bad here... there is no money. South Africans are much better than us, they get more money compared to us. We wish that as Ngwane farm workers we can get some form of assistance to improve our living conditions. We wish for our kids to study and progress to have a better future compared to us but we are unable to do that because we don't have enough money."

Mhlume, Males, 41 – 55 years

A major challenge to progress from a survival enterprise¹⁷ to a viable small business is limited access to finance for productive purposes, as the following examples illustrate:

R: I started sewing clothes but in the previous year a new school opened in Shiselweni where they asked me to sew school uniforms so the challenge I had was that I was given the deposit of R100 for the material in advance but needed R200 because I had spent R200 on the necessary materials but now could not get the outstanding R100 which I needed to get more materials and then some of the kids dropped out of school before I could even get that money, so now this year another school approached me to make their school uniforms and after I made a sample for them I got the tender to sew their uniform but lost it as I could not raise enough capital to get all my materials that I would need to start making the uniforms in time as I had been given a deadline.

M: So where had you gone for assistance for your capital or are there people you had spoken to for assistance?

R: I went to the bank but they wanted a payslip which I don't have because I don't work or they

¹⁷ That is, a way of making a living from trading or other means driven purely by the need for survival, not out of the aspiration to grow a business.

wanted my bank statements to see if I had an income coming into my account and I hardly put money in the bank because as soon as I get money I have to use it the very next day to get more material.

M: So you wanted start-up capital.

R: Yes, but because I couldn't get it I failed to get the tender.

M: Which bank was this?

R: Building society.

M: Ok.

R: Another bank that I went to was Fincorp but they wanted documentation on how the business was running and I had just received this tender.

M: What did they say to you after you told them that?

R: They said I should go and start compiling my business documents and financial statements from the bank, even if I deposit the money into my account today and take it out the next day, just to have some kind of record with the bank and I did not have all of that so that's how I lost the Tender.

M: And how did you feel?

R: I was really hurt but I am still continuing to sew uniforms for the other school and have discovered that I can make a living with making uniform rather to sewing clothes so I am going to concentrate on that for my income.

M: So have you started organising your books and bank statements?

R: I have started keeping them safe but am still heartbroken.

M: What came to your mind about those 2 banks when they denied your application, what impression did it give you about banks or do you feel like they even understood your request and were they fair to you?

R: Because I needed help I felt they were not fair that they can only help those with a salary whereas I had just received this tender and was not trying to be selfish but I also needed their help so feel it was not fair to give someone that has a salary and could start up a business with their salary. Businesses are not guaranteed to succeed the first time, I got the materials with my own money to sew the uniforms and then only received R100 deposit when I need R200 making me lose my R100, so I feel it's not fair to only give people that have a monthly salary financial assistance when they could easily start over the next month with their next salary whereas if I fail I have no other option, its over for me and I will start stressing even more about where I will get capital to start my business over."

Manzini, Female, Aged 25 – 40 years

3.3.3. Experience with enterprise development and community upliftment projects

Respondents felt that community upliftment projects only served their purpose up to a certain point. An example provided in one of the discussions was that of a rural farming organization, consisting of community members, obtaining a seven year loan. The agreement also included long-term business beyond the loan term. However, once the loan had been repaid, no further support was received.

Another anecdote provided was of private organisations setting up temporary offices in various communities and engaging with members in the community. However, once these organisations leave, nothing about their work is ever seen implemented in the communities.

Many respondents expressed concern over the mishandling of funds and promises not being met, which has discouraged them from participating in such ventures, especially where investment is expected of them.

It is examples such as these that create elements of doubt within community members about the intentions of those assisting them in farming and business ventures. These incidences drive perceptions that business support projects come to nothing and rarely improve people's lives.



Figure 8: Income and Expenditure and Employer-provided accommodation

4. Financial capability of the target market

4.1. Awareness and knowledge of formal financial institutions, products and services

Respondents within this market have limited knowledge about most formal financial products and services – the exception being Mobile Money and eWallet remittances. Many banked respondents were unable to explain the detailed functioning of products that they own.

Respondents were aware of the existence of banks, the best known being SwaziBank and Swaziland Building Society. Awareness of FNB related specifically to cross-border remittances and eWallet. There was limited awareness of Standard Bank or Nedbank.

They were also aware of some smaller financial institutions, such as micro-lenders offering loans, money transfers and savings options (Fincorp best known, but Select, Letshego, Blue Finance, One-Up Micro-financing and Gerald Financial Services are also known).

4.2. Confidence with financial terminology and processes

Respondents were familiar with and understood some general financial terminology and concepts like interest and compound interest on loans. During the focus group discussions, where financial information was sometimes conveyed by the moderator in respondents' own language, respondents were able to grasp concepts. However, they were easily intimidated by officious-sounding jargon.

"They take your money and then when you go and ask they will start telling you about those banking terms and you won't understand what they are talking about... you end up just getting out of there all confused."

Mhlume, Males, Aged 41 – 55 years

There was evidence that respondents did not fully appreciate the importance of handling their account confidentially, with PIN numbers given to others.

"R: I was surprised when he gave me his bank card.

M: With the PIN numbers as well?

R: Everything.

M: Are you keeping it now?

R: Yes, even the child goes and withdraws the money, something that didn't happen so we must persevere and pray, even those who are not married, when you persevere, you will be surprised when he marries you this year."

Mhlume, Females, aged 25 – 40 years

In the case of informal moneylenders, they often force people to hand over their cards and PIN numbers before they will provide credit:

“R: They hold your bank card back.
M: Do you take your card with you when you go there?
R: He is the one who gets paid, he takes his money and gives me change.
M: Do they do that?
R: Yes, he is the one who withdraws the money.
M: Do you give him the pin number as well?
R: Yes.
R: Everything stays with him.”
Mhlume, Females, Aged 25 – 40 years

A major area of misunderstanding is related to bank charge: since respondents do not understand the concept or the process, they believe that the banks ‘steal’ their money. Word-of-mouth tends to add fuel to the fire:

“R: Standard Bank has really changed, even if you leave your money there... we went home and left about R800.00 in the account but when we got back there was nothing in the account... when we went to ask they said we shouldn’t leave money there because it’s not a savings account
M: What kind of account is it?
R: It was a current account
M: So they took all of that R800.00?
R: Yes, we had to go to the loan sharks.”
Mhlume, Males, Aged 41 – 55 years

4.3. Awareness of consumer rights and protection

No mention was ever made of consumer rights and protection. Respondents accepted high interest rates and intimidation by informal moneylenders (called Shylocks) as an unfortunate but inevitable consequence of using the service.

“R: Yes, the formal loan sharks want ID’s and bank card to keep.
M: And what happens when you don’t pay?
R: They bring their goons or take your fridge or whatever is to the equivalent of the money you owe them.
M: Are you scared of them?

R: They don't play.
M: And can't you go to the police station?
R: NO!
R: They will ask you what you did.
M: So do you live with them here?
R: Yes they live around here."
Manzini, Female, Aged 25 – 40 years

4.4. Skills

4.4.1. Budgeting and planning

Most respondents had very small and irregular incomes; to plan or budget was in many cases not possible since they lived from hand-to-mouth. This was particularly true for traders, who often did not keep track of the amounts coming in and expenses; money is spent on essentials the moment it is received. Only occasional respondents did some formal budgeting. Some churches seem to offer financial education and training on budgeting but this is mostly targeted at those who are involved in a society.

"I try my best to limit, especially with food, I am not working, I tell myself that, as long as there is food, we don't sleep on an empty stomach.... I am checking, if I want things like cheese and polony, I will end up borrowing money from a Shylock because I won't make it to month end."
Mhlumi, Females, Aged 25 – 40 years

4.4.2. Literacy

There was a noted level of illiteracy, especially amongst the rural respondents. A rural farm worker in her mid-thirties openly admitted that she was illiterate and never went to school.

"M: When did you finish school?
R: I did not go to school
M: oh you did not go like...?
R: I never went
M: you do not know school?
R: I do not know school"
Mhlume, Rural farm worker

Most respondents have a primary school education as this is made available to citizens free of charge. The cost of high school education is the responsibility of parents, which leaves many lower income respondents at a disadvantage due to affordability. Children are often not sent to school because the parents do not have money to pay school fees.

5. Income and expenditure

5.1. Income

5.1.1. Sources

A limited number of respondents were able to cover basic needs on a single income. Most required multiple streams of income to survive.

"I am self-employed selling fruits and veggies and the amount is R900 and my husband gets R1000 monthly from helping people and I stock up sweets for my kids to sell at school and from that we get R120."

Manzini, Females, Aged 25 – 40 years

"R: I have four sources.

M: Tell us about it, what are they?

R: The first one is self-employment, they add up to R950.

M: Part time jobs.

R: Yes.

M: Alright.

R: And my employer, where I stay, he gives me R700 and there is this other part time job that pays me R60 per day but I asked them to give it to me monthly, which is R280 and when the guy that runs a car wash calls me, it depends on how often I go, he gives me R400 per month."

Mhlume, Males, Aged 25 – 40 years

"I have got 2 sources of income, it's the one that I am making myself which is R2 000 and then my wife sells eggs, chickens, biscuits and those sorts of things and when she calculates her profit at the end of the month she will have made R500."

Manzini, Males, Aged 25 – 40 years

Various avenues of income are also required as individuals may only receive their income after extended intervals (pension grants are paid out every three months) and money is required on a regular basis to cover day-to-day expenses.

The income earned from business and any other income received is combined; all income earned caters for both household and business needs, with household needs being the priority.



Figure 9: Prioritising household needs over business needs

Source: Individual interview

5.1.2. Income from agriculture

Only a few respondents were independent farmers, farming on a small scale on their homestead or land borrowed from a neighbour. For the most part, profits from these are seen as part of the money required to support the household needs and not to improve or expand their farms.

"I like waking up at the crack of dawn, so by 4:00 I am already awake, I then pray, then I will start sweeping and cleaning. I then have to go to the market stall that I am running, I sell all kiddies goodies and fruits and no I don't like working in the fields so I will just plant mielies and sweet potatoes in a small garden patch."

Manzini, Females, Aged 41 – 55 years

"M: Can you tell me the kind of challenges that you are sometimes faced with, these can be home related or community related or work related?"

R: You mean challenges that we might encounter in our line of work?

M: Yeah

R: When I plant sweet potatoes and mielies maintaining the crops can be quite a challenge. Like you have to hire a tractor and then use fertiliser as well and then when the crops grow birds start eating it. So I always get a poor harvest and then I am forced to spend a lot of money on food as my crops are just never enough for my family."

Manzini, Females, Aged 41 – 55 years

"I like waking up at the crack of dawn, so by 4:00 I am already awake, I then pray, then I will start sweeping and cleaning. I then have to go to the market stall that I am running, I sell all kiddies goodies and fruits and no I don't like working in the fields so I will just plant mielies and sweet potatoes in a small garden patch."

Manzini, Females, Aged 41 – 55 years

"M: Can you tell me the kind of challenges that you are sometimes faced with, these can be home related or community related or work related?"

R: You mean challenges that we might encounter in our line of work?

M: Yeah

R: When I plant sweet potatoes and mielies maintaining the crops can be quite a challenge. Like you have to hire a tractor and then use fertiliser as well and then when the crops grow birds start eating it. So I always get a poor harvest and then I am forced to spend a lot of money on food as my crops are just never enough for my family."

Manzini, Females, Aged 41 – 55 years

The urban trader and the rural farmer are examples of profit-making agricultural businesses.

Swaziland Pen Portrait: Urban Trader



NAME:
S'bongile

AGE:
Late 30s

FAMILY SET-UP:
Lives with 3 children and parents

OCCUPATION:
- Trader: sells clothes, soldiers boots and other merchandise

Work

Previous:
Was unemployed and struggled to find a job so she started farming in order to raise capital to start buying stock for her business.

Current trading activities :

Farming:
Farming ground nuts was a way of raising capital to start her business. Although she has continued with the farming, it is *seasonal* and yields a return of R4000 per annum.

Merchandise:
S'bongile started her business in April 2012 and it has grown to one where she makes R3000 – R4000 per month.
Products sold:
- **Clothes** (dresses, kids clothing, underwear) sourced from Johannesburg, eThekweni or Mozambique
- **Sandals** sourced from Johannesburg, eThekweni or Mozambique
- **Soldier's boots** sourced from Mozambique: sold to government's military department or directly to soldiers.
- **Dishcloths** sourced from Johannesburg, eThekweni
- **Grass mats**: self-made

- Most of her clients are based in and around Manzini.

Financing:

Lack of capital to kick start business:
- Used profits from farming (harvesting ground nuts) as capital to get her business off the ground bit by bit
- Joined a savings group and took a loan from the savings group to supplement her profits to increase her stock.

*Please note that names of respondents are fictitious for reasons relating to confidentiality.

Figure 10: Income from farming - Urban Trader

Source: Individual interview

The urban trader farms with ground nuts, generates E4000 per annum. On the other hand, the rural farmer's cotton farm generates about E72 000 per annum.

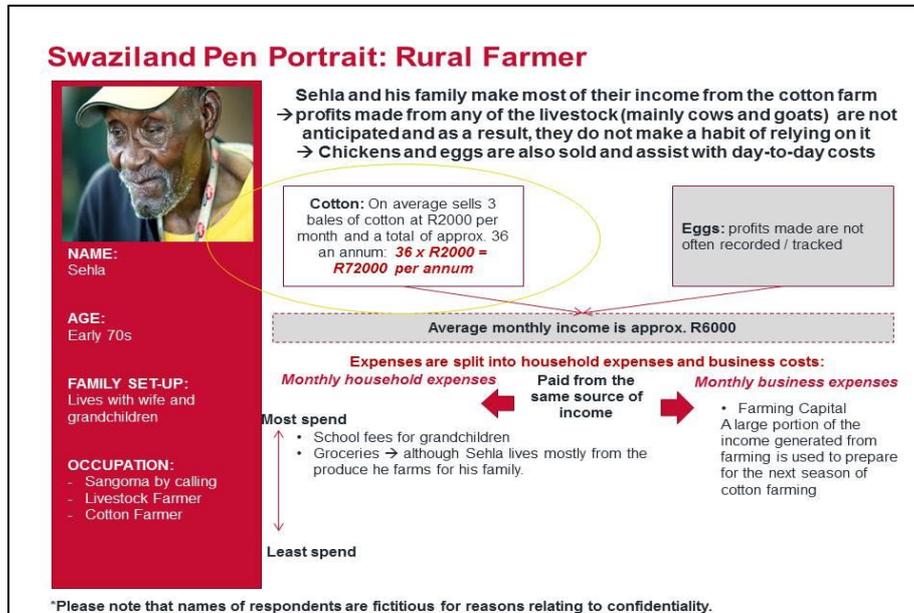


Figure 11: Income from farming - Rural Farmer

Source: Individual interview

5.1.3. Income from trading

With most businesses being founded on a survivalist mentality, making a profit is seldom the objective of most traders. Businesses are set up to either pay for household needs or to fund expenses of the business. As a result of business activity being driven by need, most traders do not calculate profits.

The interview with a society decision maker introduced the research team to someone who is likely to grow her business to a point where she begins to calculate profits on a scheduled basis. Her ambition is driven by growing her business and she has multiple savings mechanisms (both formal and informal) in place



Figure 12: Income from trading

Source: Individual interview

5.2. Expenditure/payments

5.2.1. How expenses are funded

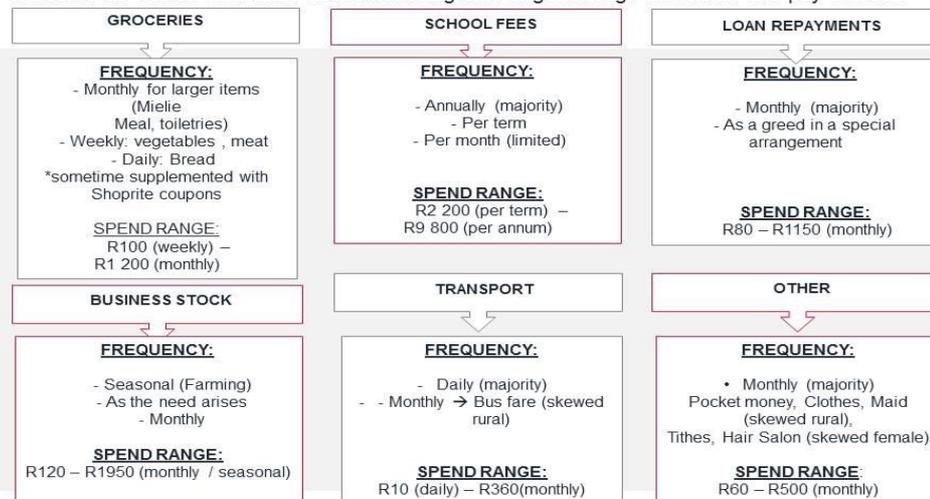
Virtually all respondents funded their expenses primarily from income; the enterprises were invariably so small that limited profit is made. The inevitable short-fall is mostly funded from loans.

5.2.2. Expense items

The general household expenditure is split and prioritised into the following categories (the spend range indicates the lowest and highest figures mentioned by respondents):

HOUSEHOLD EXPENDITURE (1)

The spending patterns are consistent across households. Driving these patterns are the frequency of income as well as immediate needs i.e. being able to get through the month and pay off debt.

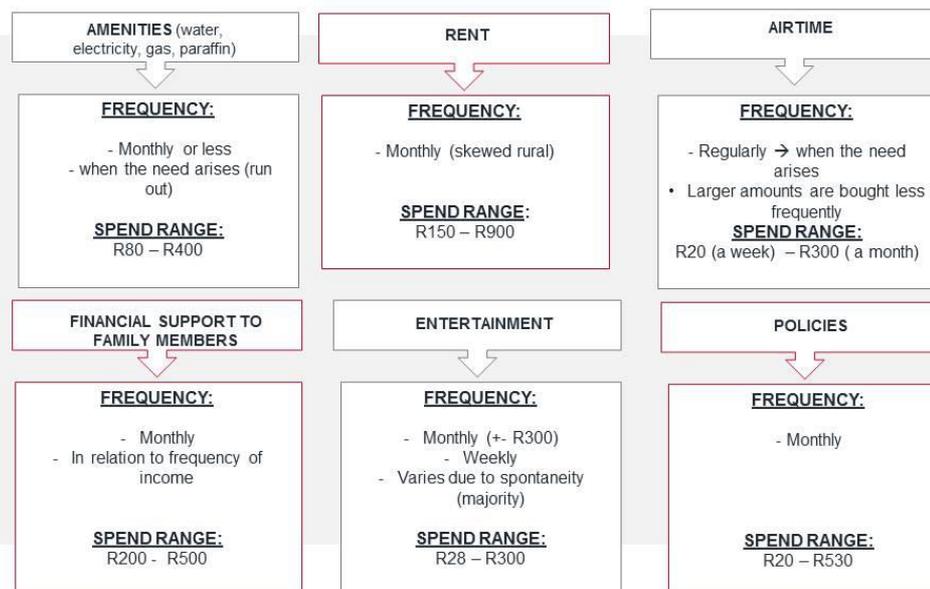


CAUTION: Figures are as stipulated by respondents, therefore, may be understated or inflated

Figure 13 : Household Expenditure (1)

Source: Authors' own from focus group discussions

HOUSEHOLD EXPENDITURE (2)



CAUTION: Figures are as stipulated by respondents, therefore, may be understated or inflated

Figure 14: Household Expenditure (2)

Source: Authors' own from focus group discussions

5.2.3. Normal expenses

Groceries, high school fees and servicing loans take up the largest portion of the share of wallet.

Although transport falls within the overall top 5 expenses in urban areas, respondents are willing to find alternative means of transport when there is an income shortfall.

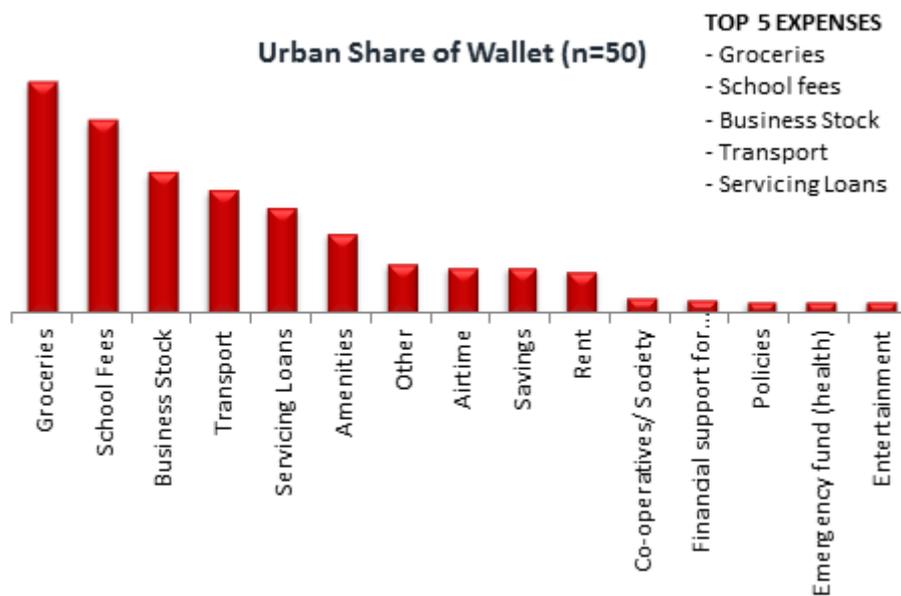


Figure 15: Urban share of wallet

Source: Authors' own from FGDs

In rural areas, groceries were the biggest expense item, followed by servicing loans and school fees. The high ranking of rent is likely explained by the specific rural sample chosen, namely employees on a sugar estate.

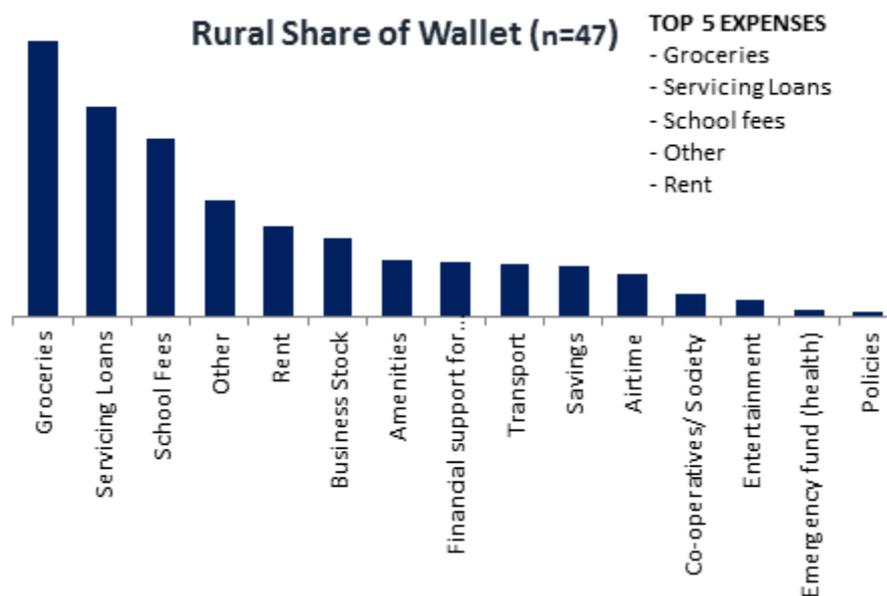


Figure 16: Rural share of wallet

Source: Authors' own from FGDs

5.2.4. Extra-ordinary expenses

The most frequently mentioned extra-ordinary expenses were for medical costs and burials. Little mention was made of expenses for celebrations such as weddings.

Respondents have no access to formal insurance funds to cover any medical expenses; formal loans are also hard to come by. Should medical emergencies arise, a limited number of these respondents will have money that they have kept on the side for emergencies. The average kept aside by respondents ranged from E100 – E500. However, the majority will have to take out a loan with a shylock (informal moneylender) to cover the medical costs.

There are very few burial societies. Households might find assistance from other family members, but most often they take loans from the informal moneylenders. Very few respondents had funeral insurance.

5.2.5. Repayments of loans

Repayment of loans constitutes a large proportion of most households' expenses. This was particularly the case in rural areas, where loan repayments were the second biggest expense after groceries.

Respondents were not always honest about the extent of their loan commitments, especially if they had multiple loans from different informal moneylenders. Their loan repayment figures might therefore be understated. However, the following figures selected from numerous similar examples, give an indication of indebtedness.

Respondent 1, earning R4000. 42% of income used to repay debt

"I buy groceries for R1300.00, rent for R400.00, electricity is R120.00, I pay R560.00 at Lewis, R240.00 for Jet clothing, R270.00 Truworthis, R600.00 for the loan, R50.00 for airtime, and DSTV is R280.00, stamps for R100.00 and R150.00 for my wife's hair"

Mhlume, Male, Aged 41 – 55 years

Respondent 2, earning approximately R4000. 37% of income used to repay debt

"I am paying groceries R1000, school fees R320, R500 for [unclear], Jet R400, Truworthis R250, Pep R100, Co-ops R600, bank loan R350, I support my mother with R700, airtime R100, I save Co-ops R200, salon R80."

Mhlume, Females, Aged 25 – 40 years

Respondent 3, earning approximately R4000. 42% of income used to repay debt

"Groceries R1000, school fees R300, co-ops R400, bank loan R700 from Standard Bank. Shylock R500, children's pocket money R300, day care R300, salon R100, airtime R50, I send R200 home."

Mhlume, Females, Aged 25 – 40 years

Respondent 4, earning R2700. 26% of income used to repay debt

"Groceries are R600, electricity is R200, saving money is R50, airtime is R150, I am paying a loan R700, clothes R500, insurance from Old Mutual is R280, I have a wife at school and I need to give her as well R200."

Manzini, Males, Aged 25 – 40 years

Respondent 5, earning R2500. 57% of income used to repay debt

“My children’s grocery is R700, transport is R200, I don’t pay school fees, I pay R150 for computer lessons, Lewis R700, Jet R200 but I am not paying anymore, I defaulted, Shylock R500.”

Mhlume, Female, Aged 25 – 40 years

Respondent 6, earning approximately R2300. 25% of income used to repay debt

“ I spend R400 on groceries, I spend R150 on airtime, and I use about R500-R1000 to stock up on goods, then R650 for the loan shark and if there is a need for new clothes I don’t spend more R250 and if I have R1000 I pay R100 towards my dues at church and also pay my offering which amount to about R50 monthly.”

Manzini, Female, Aged 25 – 40 years

Respondent 7, earning R700. 57% of income used to repay debt

M: Okay and what do you do when you get your R700.00?

R: I use R400.00 to pay the loan instalment.

R: And R100.00 for transport.

M: Okay transport for going home.

R: Yes and then I give my wife R200.00.

M: And that’s for food?

R: Yes.”

Mhlume, Male, Aged 41 – 55 years

5.3. Budget deficits

5.3.1. Reasons for deficits

The main reason for budget deficits appears to be over-indebtedness as a result of income that is too limited to meet all the needs of respondents. The respondents interviewed do not appear to be irresponsible with their money, although some respondents had a number of retail accounts. The biggest indulgence seems to be paying for visits to the hair salon; figures of E100 to E200 were often quoted. However, when respondents were asked on what expenses they would cut down if required, most women would forego this luxury. The other cost to save on would be transport, where they would use cheaper means or walk. Another alternative would be to cut down on airtime usage or use natural resources around the house.

“M: Are we all able to cut down?

R: Yes! (Chorus)

R: Like we stop buying paraffin and make fire for cooking food.”

Manzini, Female, Aged 41 – 55 years

6. Interaction with financial services

6.1. Credit

The information in section 0 highlighted that many respondents required credit to be able to meet their day-to-day and/or emergency needs. Credit is also used to service or pay off other loans. Only by way of exception did a respondent mention obtaining credit for starting or growing their business. A good example of this is the urban trader who took out a loan with a savings group to supplement the money she raised from her business to increase her stock.

This section details the various needs for credit, as well as the financial products most frequently used to obtain the credit.

6.1.1. Need for credit and financial products currently used to access credit

Credit plays an important role in the lives of respondents. Borrowing is part of how respondents function and survive financially.

USE CASES	FINANCIAL PRODUCT USED
Consumption smoothing: cover any household shortfalls during the month or to buy stock for an enterprise	Informal Money-Lenders
Medical emergencies and health expenses	Informal Money-Lenders
Servicing existing loans	Informal Money-Lenders
To bury relatives or loved ones who do not have funeral cover in place at their time of death	Informal Money-Lenders, family and friends, informal accumulating self-help societies
To fund a new enterprise	Informal Societies/Formal Co-operatives
To grow an existing enterprise	Informal accumulating self-help societies
To buy everyday goods	Formal clothing retail credit
To buy big ticket items	Formal furniture retail credit, accumulating self-help societies, informal money-lenders.
Educational expenses (school fees, school uniform, stationery)	Informal Money-Lender
To repay other loans	Informal Money-Lender, informal self-help accumulating societies.

Table 1 : Credit Use Cases

Respondents mostly use informal moneylenders to access credit. Even though they realise that the cost of informal credit is high and that a large portion of their income is spent on paying back interest, they cannot envisage options other than credit to survive, nor do they consider cheaper formal credit. Rates at informal money lenders between 10% and 30% per month were mentioned.

6.1.2. Financial products currently used to access credit

Since lack of trust is a reality in the Swaziland society, there is limited lending between friends and family. If loans are obtained from family or friends, it is usually without the expectation of repayment with interest:

“It is better when there is a death in the family if you ask help from neighbours, death is something that everybody is in awe so you can go to people you know and borrow and you can give something to the value of the money that they have borrowed you. You can just choose whatever you have at home that is of value and give it to them to keep until you pay them back. So I can borrow R5 000 for example to buy the coffin and food. ”

Manzini, Male, Aged 25 – 40 years

Accumulating self-help saving societies also provides credit to people not belonging to the society. Their interest rates are not as high as that of informal moneylenders, but were considerably higher than what formal institutions charge. Interest rates of 20% per month were most often mentioned, but rates as high as 35% per month were also mentioned.

The reasons why different credit providers are used are explained in the following tables:

CHANNEL
<i>RETAIL CREDIT</i> (mostly clothing stores like Jet, Truworths, Pep and furniture stores like Lewis).
FORMAL CHANNEL
WHO IS ACCESSING:
<ul style="list-style-type: none"> • Mostly formally employed, since a salary slip is usually required to open an account; however, many respondents, even those not formally employed, used retail credit (this occurs amongst those who were previously formally employed or have a joint account with someone who is formally employed). A number of respondents had multiple retail credit accounts.
REASONS FOR CHOICE , BARRIERS AND PERCEPTIONS:
<ul style="list-style-type: none"> • For those who qualify, retail credit is easy to get. • Accessing retail credit requires proof of employment or a payslip which majority of the respondents do not have. • The process to open an account requires time and paperwork.

Table 2 : Reasons for choice of retail credit as a source of credit

CHANNEL
<i>BANK LOAN</i>
FORMAL CHANNEL
WHO IS ACCESSING:
<ul style="list-style-type: none"> • (Very few) formally employed respondents.
REASONS FOR CHOICE , BARRIERS AND PERCEPTIONS:
<ul style="list-style-type: none"> • The process for acquiring a bank loan is a barrier, due mostly to eligibility requirements. Respondents need to provide formal employment documentation which many do not have. • The process takes long and often respondents need funds immediately. • Positive perceptions are centered around the bank being a safer avenue as it does not utilise scare tactics.

Table 3 : Reasons for choice of bank loan as source of credit

CHANNEL
<i>INFORMAL PROVIDERS/MONEY-LENDERS "Shylocks"</i>
WHO IS ACCESSING:
<ul style="list-style-type: none"> • Both formally and informally employed.
REASONS FOR CHOICE AND PERCEPTIONS:
<ul style="list-style-type: none"> • Although shylocks play a huge role in contributing to respondents' indebtedness, they are the trusted source when emergency funds are needed, since they will conveniently and immediately provide loans without paperwork. • Interest rates for loans acquired from shylocks are high (20% - 35% per month). However; respondents trade this for the convenience of acquiring the loan as well as the stability of the interest on the loan (it does not fluctuate each month). • Although frequently accessed, the associated risks are high where identity documents and ATM cards are withheld until the loan is repaid and intimidation is used against individuals owing funds to the shylocks. • Shylocks offer respondents the flexibility to renegotiate loans. • Shylocks take personal circumstances into account, for instance to allow a seasonal worker to pay back only after a few months.

Table 4 : Reasons for choice of informal moneylenders as source of credit

Although respondents make frequent use of informal moneylenders, the image of the shylocks was very negative, as was evident during the personification exercise:

<p>"M: If they could say Shylock turns into a person, how would you describe him?</p> <p>R: A thief.</p> <p>R: Satan.</p> <p>R: He steals.</p> <p>R: He loves money a lot.</p> <p>M: How would you describe a person who loves money a lot?</p> <p>R: Shylock is a person who never gets satisfied.</p>

R: No, you pay him and then borrow money again, it means he never gets satisfied.

R: At least if he could say, I am borrowing you R20, please bring back R20, he wants it back with interest, and it means he never gets satisfied.

R: He is a criminal.

R: He doesn't even pay 10% of his income; he doesn't listen to the Bible."

Mhlume, Females, Aged 25 – 40 years

"R: He is a thief, criminal.

R: He is similar to Satan."

Mhlume, Males, Aged 25 – 40 years

R: "Satan.

R: An animal.

M: Male or female?

R: Male.

R: A mosquito or parasite."

Mhlume, Male, Aged 41 – 55 years

"M: So how is this person, here is Shylock, he is a person, you are describing him?

R: He is Satan.

R: Because he wants 20%.

M: So how do we know this Satan, this Shylock, where does he know us from?

R: We go to him.

R: Because few have money problems.

R: Because Satan has money, we go to him.

R: He is Shylock, he has money, I go to him looking for money and then he says to me 20% because I need it, I agree."

Mhlumi, Males, Aged 41 – 55 years

CHANNEL
<i>MICROLENDERS</i> (such as One-Up Micro Financing, Select, Blue, Letshego Financial Services, Gerald Financial Services)
WHO IS ACCESSING:
<ul style="list-style-type: none"> • None: No respondents are accessing formal micro-lenders.
REASONS FOR CHOICE , BARRIERS AND PERCEPTIONS:
<ul style="list-style-type: none"> • Considered as similar to a bank, catering only for those with a lot of money; often called a bank. • Although respondents are aware of micro lenders, accessing them is not considered an option due to the time it may take to access a loan as well as the paperwork required. • Respondents are not entirely aware of the processes required to access the services.

Table 5 : Reasons for choice of micro-lenders as source of credit

CHANNEL
<i>CO-OPERATIVES</i> (Lutshango, Yona Yethu)
WHO IS ACCESSING:
<ul style="list-style-type: none"> • Older females • Both formally and informally employed.
REASONS FOR CHOICE , BARRIERS AND PERCEPTIONS:
<ul style="list-style-type: none"> • Although respondents express concern around ownership and pay-outs of formal co-operatives, most are willing to take the chance. Joining the co-op has proved successful for some and not for others. • Joining requirements: <ul style="list-style-type: none"> - Joining fee: R100 - Purchase shares: R500 - Monthly contribution: anything from R20 (the minimum the member can afford) • Advantages: <ul style="list-style-type: none"> - Respondents are likely to join the co-operative as it is made accessible to them. - Members are able to calculate their savings based on the amount they contribute. - Members are able to access loans from the co-operative at 10% interest. - Due to the experience of others (word of mouth), members know what is expected of them. • Disadvantages: <ul style="list-style-type: none"> - Not all respondents can afford the joining fee and shares. - Annual pay-out depends on the management of funds by the elected Committee. - Members lose out on their annual pay-out if they are not up to date with their contributions or have not fully repaid their loans.

Table 6 : Reasons for choice of co-operatives as source of credit

FAMILY AND FRIENDS
WHO IS ACCESSING:
<ul style="list-style-type: none"> Limited: The reality is that although it would be ideal to borrow money from friends and family, these individuals cannot assist as they do not have the money to assist or would prefer not to as they know they would be lending it out without the guarantee of getting it back.
CHOICE AND PERCEPTIONS:
<ul style="list-style-type: none"> As a result of the lack of trust amongst respondents, any exchange of cash in terms of lending or borrowing to each other money is limited. Every cent in the household counts and friends and family cannot afford the risk of lending money out that they are not sure will be returned to them. This is the general sentiment within communities. Often, those who lend money out do so without the expectation of being paid back as the reality is that having such an expectation would create tension amongst community members.

Table 7: Reasons for choice of family and friends as source of credit

CHANNEL
<i>INFORMAL SOCIETIES</i>
WHO IS ACCESSING:
<ul style="list-style-type: none"> Both formally and informally employed
REASONS FOR CHOICE AND PERCEPTIONS:
<ul style="list-style-type: none"> Informal accumulative self-help groups/ societies or societies are the most convenient way of saving for those able to engage in one. Joining one is usually based on a strong long-term relationship within which trust was established (i.e. women who grew up together in the same community). Another example is that of colleagues or those living in a block of flats participating in a rotational society. Joining an informal self-help group requires no paperwork. It is easier to hold people accountable for any mismanagement of funds. Members are able to calculate their savings and interest earned in advance. Members are able to get a loan from their self-help group provided they pay it back with interest before the end of the rotation whether annual, monthly, weekly or daily.

Table 8: Reasons for choice of informal moneylenders as source of credit

6.1.3. Barriers to accessing formal credit services

6.1.3.1. Access barriers

Proximity. Formal financial institutions where credit could be obtained are generally situated within business and shopping hubs, which require one to arrange transport or time to walk the distance. This makes accessing channels such as informal moneylenders or accumulating self-help saving societies, which live amongst the target market, more convenient.

Eligibility. Eligibility is one of the biggest barriers to formal credit. Formal credit providers often require confirmation of employment, which most respondents interviewed in this study would not be able to provide. Furthermore, informal moneylenders sometimes insist

on taking borrowers' identity documents, therefore prospective borrowers would not be able to identify themselves at a formal credit provider institution.

Appropriateness of the product. Formal credit seldom allows for flexibility, which the target market needs due to the irregularity of their income. Credit, especially for emergencies, is often needed urgently and the administrative processes of banks do not make provision for this. Even the more affordable rates of formal institutions are a lesser consideration than flexibility.

"In fact lately banks have been complaining about how people no longer come to them for loans, people just go straight to these groups and others prefer to go to moneylenders instead because the bank's process is just too long. I mean you go to the bank wanting to borrow a lousy R10 000 and you can't have it within 7 days or even 20 days. So people end up going to moneylenders or to these professional types of groups because you get it quicker there."

Manzini, Males, Aged 25 – 40 years

6.1.3.2. Usage barriers

Perceptions. Respondents in most instances did not regard themselves as part of the target market of banks; in the personification exercise one respondent explained: "The bank wants people on the same level as him". Therefore, they mostly do not even consider banks as a potential provider of credit.

Financial capability. Although respondents understand the devastating impact of over-indebtedness, it does not prohibit them of using credit repeatedly for consumptive purposes due to their desperate circumstances. However, they do not seem to realise the benefits of the low interest rates charged by formal financial institutions.

Mistrust. The erosion of trust that permeates the Swaziland communities where the research was conducted extended towards formal financial institutions, especially those that are seen to have any links with Government. Microcredit organisations were also mistrusted. Over and above, respondents have the perception that micro-lenders are like banks and therefore, not easily approached.

"M: Do you know Select?

R: They rip you off.

R: Yes, they say you pay until you die.

M: Do they say that?

R: They are working with people who work for the government."

Mhlume, Females, Aged 25 – 40 years

6.2. Payment and remittances

6.2.1. Need for payment and remittance services

In the payment and remittance product category, formal systems seem to be used more commonly than they are used in the savings, credit or insurance product categories.

Due to the extended household structure, many breadwinners work a distance from their families and need remittance services to send money home. Although many breadwinners use the opportunity to go home and see their loved ones, the transport cost to get home is often prohibitive; therefore other delivery mechanisms are required. Many used Mobile Money and, to a lesser extent, eWallet services to do this.

Many respondents had multiple, regular expenses to which they were committed. For example, some men have more than one wife; they must therefore send money to more than one recipient. Quite a number of salaried respondents had accounts at retail stores and had to pay these and other accounts every month.

Due to the high incidence of credit, repayments have to be made, in most instances monthly. It is of particular interest how formal systems are used to facilitate these payments, looking especially at banks and mobile money.

Mobile Money Case Study: Rural Informal Money Lender



NAME:
Jane

AGE:
Mid 30's

FAMILY SET-UP:
Lives with 6 children and her maid

OCCUPATION:
- Seamstress
- Informal Money Lender

As the sole bread winner in her family, Jane is responsible for managing all the finances. She is open to trying new avenues that can make running her businesses and managing her finances more convenient.

Banking

- Jane currently banks with both Standard Bank and FNB.
 - Standard Bank is the account she uses most
 - She opened her account with FNB when she went to South Africa as it was easiest for her to transfer cash using it. → looking at her history of how she started her business, banks may be willing to assist her due to the amount of money she makes on a monthly basis.
- She is aware of the bank charges for each → although could not give exact details. At the same time does not complain as it is part of keeping her cash secure.
- Long-distance clients who pay their loans by depositing into the Standard Bank account are requested to pay an additional amount (agreed per client) on the amount in order to cover bank charges.

Membership/ involvement in groups

- Being part of a savings group helped her start up her own money lending business.
- She is still a member of a society where they save monthly and get the money at the end of the year

Mobile Money

Jane uses this avenue quite extensively for her business. Many clients pay her pay back using mobile money. To her advantage, it doesn't matter if her clients are registered users or not, she is so they can always pay her back and are responsible for the charges involved. She budgets R20 000 on a monthly basis to cover this business. She says that this is an avenue that works best for her. It allows her to easily exchange cash from anywhere to anyone without keeping cash in the house as she is fully aware of the dangers to her and her family in doing so.

*Please note that names of respondents are fictitious for reasons relating to confidentiality.

Figure 17: Using Mobile Money

Source: Individual interview

The following use cases can be identified from the research:

USE CASES	FINANCIAL PRODUCT USED
Receiving cash from clients	Delivery in person/Delivery through trusted individual/ Bank accounts/ Mobile Money
Transferring funds - sending money home	Delivery in person/Delivery through trusted individual/ Bank accounts (either own or someone else's)/Mobile Money/eWallet
Transferring funds - sending money to loved ones	Delivery in person/Delivery through trusted individual/ Bank accounts (either own or someone else's)/ Mobile Money/eWallet
Receiving salary	Bank accounts (most formally employed)/Receive cash in hand (informally employed)
Receiving student allowance	Bank accounts
Making monthly contributions to self-help society	Delivery in person /Bank accounts/Mobile Money
Pay for goods and services	Cash/Mobile money
Making monthly contributions to co-operative	Delivery in person/Bank accounts
Buying electricity/ Paying for electricity account	Purchase at a store in person/Mobile Money
Paying retail accounts	Pay account in person
Making payments to informal moneylenders	Delivery in person/Delivery through trusted individual/ Bank accounts/ Mobile Money
Paying for children's school fees	Delivery in person/Bank accounts

Table 9 : Payment and remittance use case

Active engagement is seen with channels that offer ease and convenience as well as little jargon and confusion associated with terms and conditions. These options are found within the informal sector.

6.2.2. Informal payment mechanisms

Apart from cash transaction, delivering cash by hand for remittance purposes is the main informal payment mechanism:

CHANNEL
<i>DELIVERING CASH BY HAND, IN PERSON (informal)</i> : Respondents may opt to take money to recipients in person or send the money with someone they trust to deliver it to their family or loved ones.
WHO IS ACCESSING:
<ul style="list-style-type: none"> • Informally employed • Formally employed
REASONS FOR CHOICE AND PERCEPTIONS:
<ul style="list-style-type: none"> • This is the preferred channel as the associated travel costs are perceived to be lower than what banks would charge and can be planned for. In many cases, this allows respondents to see and spend time with their loved ones.

Table 10: Reasons for choice of cash by hand, in person as payment or remittance mechanism

6.2.3. Formal payment mechanisms

Most respondents, whether they used Mobile Money or not, were aware of and/or had some knowledge on how the system works. They were quite vocal about the advantages. They were able to compare the advantages of using eWallet with Mobile Banking:

“M: So what would you say are the benefits of using eWallet versus Mobile Money? Let’s say we were making a comparison between the two.

R: Okay, the thing is with eWallet even if you don’t have an account with FNB if you just go there you just use the code you have been given by the sender to get it.

R: With Mobile Money you go to MTN and (inaudible) and use the PIN code that they used to send the money and then 30 minutes later they pay it out to you.

R: Yes.

M: So what would you say are the advantages of using mobile money, how does it benefit people?

R: It cuts down on costs.

M: Cut down on costs, how?

R: Like instead of having to use transport to take money to whoever you are giving the money to you can just send it this way as a very low cost. You just have to inform them to go and collect it via SMS

R: Like my brother here was saying there is eWallet and the advantage that it has over Mobile Money is that with Mobile Money you have to go to one of their centres to collect the money whereas with eWallet you can go to the ATM to withdraw the money at 11 in the evening, it never closes. So as long as you have got the PIN code you can access your money anytime day or night.

M: So who is mobile money made with in mind, who is their target market?

R: MTN customers mainly, another disadvantage with Mobile Money is that if the network is down at MTN on that particular day you won’t be able to access your money whereas with ATMs it hardly ever happens that the network is down”

Manzini, Males, Aged 25 – 40 years

“M: What would you say the benefits for this are?

R: Its eases the burden of having to travel to relatives every time you want to give them money, and now I don’t have to spend all that money on bus fare which is R30 to and another R30 to come back

so now I can just send the R100 and only pay R7.

M: Are there any disadvantages about this?

R: Sometimes you don't get the money on time because of the network."

Manzini, Females, Aged 25 – 40 years

"I went and registered and this Mobile Money is good because if you do not have electricity you can buy it with Mobile Money and you can press and there and the electricity can be bought like this. There are lots of things that can be done with Mobile Money even water can be bought with it."

Manzini, Males, Aged 25 – 40 years

"This thing of mobile money works best if you have both registered; the sender and receiver needs to be registered. If one of you are not registered then you will pay high charges, if registered through them the charges are low."

Manzini, Males, Aged 25 – 40 years

"You can load the details to your account and you send the money to their cell phone number and they can withdraw this at the ATM without a card. You can also use your cell phone you can buy electricity, all the facilities that they have mentioned the advantage with FNB you can get paid into that account but with mobile money you cannot get paid there and you need to take the money and put it in and with FNB my money is in my account and I can do transfers with my account on my cell phone from account to account and with Standard Bank and with eWallet and even if you do not have an account and whatever you want to pay you can and it removes the risk of carrying a lot of money."

Manzini, Males, Aged 25 – 40 years

"I would say with this eWallet from FNB with my experience I think eWallet is fine and they charge to send the money which is only R8."

Manzini, Males, Aged 25 – 40 years

The reasons for choice of various payment and remittance channels are explained in the following tables:

CHANNEL
<i>MOBILE MONEY</i> : MTN owned payments system, which requires a cell phone to transfer cash.
WHO IS ACCESSING:
<ul style="list-style-type: none"> • Both formally and informally employed
REASONS FOR CHOICE, BARRIERS AND PERCEPTIONS:
<ul style="list-style-type: none"> • Most respondents own a cell phone and with MTN being the sole network provider in the country, accessing this channel is easy. • Registering as a Mobile Money user requires only a cell phone, MTN sim card and an ID. However, both registered and non-registered MTN users can transfer funds using MTN mobile. • For those already using this channel, satisfaction is high with the charges (they are predictable as they are charged an amount per transaction). • Those not using mobile money will either reject it as, “there isn’t anyone who will send me money” (O/M) or see the value in it but requires someone to come and explain the product to them with real life testimonials from people within their communities who have benefitted from using the product. • The only barrier could be the advanced technology.

Table 11 : Reasons for choice of mobile banking as payment or remittance mechanism

Similar to Mobile Banking, many respondents were aware of the service (eWallet) and understood exactly how it works.

CHANNEL
<i>eWALLET</i> : An FNB offering that allows exchange of cash using a cell phone and receiving cash using an ATM.
WHO IS ACCESSING:
<ul style="list-style-type: none"> • Formally employed • Informally employed as a result of introduction from someone formally employed sending them money.
REASONS FOR CHOICE , BARRIERS AND PERCEPTIONS:
<ul style="list-style-type: none"> • There is limited use of this channel as respondents are not entirely aware of the offering. • A potential barrier to using this channel is the technology involved.

Table 12 : Reasons for choice of eWallet as payment or remittance mechanism

CHANNEL
<i>BANK (TRANSACTIONAL) ACCOUNT:</i> Respondents either own accounts or make use of other people's banks accounts.
WHO IS ACCESSING:
<ul style="list-style-type: none"> • Formally employed • Previously employed formally • University students on scholarship
REASONS FOR CHOICE , BARRIERS AND PERCEPTIONS:
<ul style="list-style-type: none"> • Using a bank account is usually driven by employers who need to pay salaries. • Over the years people have gradually moved away from opening bank accounts due to perceived high costs which create a dent in any income earned and put into the bank. • Travelling to and from a bank branch or ATM proves inconvenient as most are located in towns or business hubs. • The paperwork required to own a bank account creates difficulty for those who are self-employed to access these products.

Table 13 : Reasons for choice of bank account as payment or remittance mechanism

6.2.4. Barriers to accessing formal payment and remittance services

6.2.4.1. Access barriers

Proximity. ATMs that could potentially be used for money transfer are mostly located in towns and business centres, not easily accessible to many who live on the outskirts of town or in rural areas.

Features. The advantage of and main reason to use mobile banking is that money is transmitted immediately; however, when the network is not functioning optimally, this is not possible. Furthermore, some formal products can only be used if the sender and the receiver are registered with the institution.

6.2.4.2. Usage barriers

Perceptions. People transfer negative perceptions about some formal banking products (e.g. service charges on accounts or eligibility requirements for loans) onto remittances; consequently it seems as if they would rather make a decision not to engage with certain formal channels based on the exposures and experiences of others rather than to investigate the reality around the affordability and eligibility of many formal remittance systems. The attitude towards alternative options to pay accounts is similar as they mostly go in person to pay cash.

Financial capability. Many respondents are not aware of the existence of formal payment options, or are unsure about what it entails and their own ability to use these.

6.3. Savings

6.3.1. Need for savings

The savings category is driven by needs and not wants¹⁸, especially as saving is a vehicle to advance children’s education and to a lesser extent, to cater for any unexpected emergencies. Twelve months is considered a ‘long term’ saving. Only one example of a longer term saving was encountered (This example was from a younger, urban and tertiary educated male respondent):

“R: There is also a policy that I am paying for.

M: You are paying for a policy? Let’s hear about it? It seems like you have been misleading people, which policy is it?

R: For saving.

M: With which insurance company?

R: I am just saving it so that after 10 years I can get it.

M: What is this product called?

R: A policy.

M: You are able to get the money after 10 years, is it an investment?

R: Yes.”

Manzini, Male, Aged 25 – 40 years

The following savings use cases can be identified from the research:

USE CASES	FINANCIAL PRODUCTS USED
LONG-TERM¹⁹	
Savings for children's education (Secondary school fees)	Informal Societies/Formal Co-operatives
To start a new business venture or expand a current one	Informal Societies/Formal Co-operatives/livestock
To purchase groceries at the end of the year	Accumulating Informal Societies/Formal Co-operatives/buying stamps at retailers
Educational expenses in the new year	Accumulating Informal Societies/Formal Co-operatives/livestock
Compulsory savings ²⁰	Co-operatives (as requirement for accessing loans)

¹⁸ “Needs” are the requirements for a viable existence: food, water, shelter, survival.

¹⁹ Respondents regarded 12 months as long term. Therefore, saving in rotational societies was considered to be long term.

²⁰ The terms of a cooperative society may require members to make stipulated regular savings contributions.

SHORT-TERM (daily/ weekly/ monthly)	
To fund the growth of an existing enterprise	Rotational Informal societies
Short term consumption smoothing	Rotational Informal savings societies/home based savings
To facilitate weekly stock purchases	Rotational Informal saving societies (often at markets)
Unplanned eventualities (i.e. medical emergencies)	Informal societies/at home
To build a house	Informal societies/lay buy at building material stockists/ buying building material and store it until enough accumulated to start/complete building

Table 14 : Savings Use Cases

The table of use cases illustrates that informal societies are in most cases considered to be the optimal savings mechanism. However, since trust in this society has been eroded, very few respondents belonged to such societies.

Respondents recognised that saving at a bank would be a safe option, yet many do not consider themselves to be the target market of formal financial institutions and therefore do not even investigate the possibilities.

6.3.2. Informal financial products currently used to save

The reasons for choice of various channels for savings are explained in the following tables.

CHANNEL
<i>Rotational Savings Society: Short-term</i>
WHO IS ACCESSING:
<ul style="list-style-type: none"> • Informally and formally employed
REASONS FOR CHOICE AND PERCEPTIONS:
<ul style="list-style-type: none"> • Short-term savings groups are flexible according to member's needs. • They require no paperwork, only reliable administrators. • Short-term savings can be defined as daily, weekly or monthly depending on the reason for the society's establishment. • There is more trust amongst members of smaller societies.

Table 15 : Reasons for choice of self-help society as savings mechanism

CHANNEL:
<i>Home based savings</i>
WHO IS ACCESSING:
<ul style="list-style-type: none"> Limited use, but mostly informally employed
REASONS FOR CHOICE AND PERCEPTIONS:
<ul style="list-style-type: none"> This option does not come with the benefit of earning interest on savings. Guarantees easy access to the funds when required. The temptation to access savings is big and many with good intentions to save dip easily into their savings when they need money

Table 16 : Reasons for choice of home-based savings as a savings mechanism

6.3.3. Formal financial products currently used to save

The reasons for choice of various channels are explained in the following tables.

CO-OPERATIVES (Lutshango, Yona Yethu)
WHO IS ACCESSING:
<ul style="list-style-type: none"> Both formally and informally employed
REASONS FOR CHOICE , BARRIERS AND PERCEPTIONS:
<ul style="list-style-type: none"> Although respondents express concern around ownership and pay-outs of formal co-operatives, most are willing to take the chance. Joining the co-operative has proved successful for some and not for others. Joining requirements: <ul style="list-style-type: none"> - Joining fee: R100 - Purchase shares: R500 - Monthly contribution: anything from R20 that the member can afford Advantages: <ul style="list-style-type: none"> - Respondents are likely to join the co-operative as it is made accessible to them. - Members are able to calculate their savings based on the amount they contribute. - Members are able to access loans from the co-operative at 10% interest. - Due to the experience of others (word of mouth), members know what is expected of them. Disadvantages: <ul style="list-style-type: none"> - Not all respondents can afford the joining fee and shares. - Annual pay-out depends on the management of funds by the elected committee. - Members lose out on their annual pay-out if they are not up to date with their contributions or have not fully repaid their loans.

Table 17 : Reasons for choice of co-operatives as a savings mechanism

CHANNEL
<i>Banks: savings accounts</i>
WHO IS ACCESSING:
<ul style="list-style-type: none"> Limited use, but mostly informally employed
REASONS FOR CHOICE , BARRIERS AND PERCEPTIONS:
<ul style="list-style-type: none"> This option does not come with the benefit of earning interest on savings. Guarantees easy access to the funds when required. Money does not stay very long as a “savings”.

Table 18 : Reasons for choice of banks as a savings mechanism

CHANNEL
<p>Building Societies/Funds</p> <p>i.e. Cashbuild “lay-bye” options</p>
WHO IS ACCESSING:
<ul style="list-style-type: none"> Limited use, but mostly informally employed.
REASONS FOR CHOICE , BARRIERS AND PERCEPTIONS:
<ul style="list-style-type: none"> Those saving up for home extensions, renovations or building a new home and are formally employed can access “lay buy” or building funds issued in advance. Alternative options as explained by the respondent are offered at Cashbuild; however, this model requires a guaranteed and steady income, which may require interested individuals to provide employment or proof of income documentation. The advantage of the Cashbuild/Building Societies is that it allows individuals to save religiously and without interruption towards their goals.

Table 19 : Reasons for choice of retailer-based mechanisms for savings

“R: For me I work with construction and I take out R500 every month at Cashbuild for the building material.

M: At Cashbuild?

R: Yes that is for the building material and I do not live with her and she is renting.

M: The Cashbuild one, can you explain what this is as means as maybe someone else here would like to hear what it is going on?

R: You choose what you want tiles, windows and door frames and it comes to R20 000 and then you decide how much you can afford every month and then once you have paid everything then they keep everything and then when you are done paying they give you the stuff.”

Manzini, Males, Aged 25 – 40 years

6.3.4. Barriers to accessing formal savings products

6.3.4.1. Access barriers

Affordability. One of the biggest barriers to using bank products for saving is the fact that there are service charges on the accounts, which ‘erode’ the savings:

“M: Instead of putting that R100 under your pillow, why don’t you save it your bank account?”

R: There will be too much charges and by the time you get that R100 it will be R50.

R: Or even R35.

R: Their charges are too high.

R: They take too much money from us and they become rich.”

Manzini, Females, Aged 25 – 40 years

6.3.4.2. Usage barriers

Perceptions. Most respondents had the perception that they are not the target market of banks; therefore they do not investigate savings options offered. Co-ops are considered to be more “for the people” and are therefore less alienating and less intimidating than banks. The general perception around banks is that they are mostly interested in formally employed and wealthy people.

Mistrust. Due to the fact that there are service charges on savings accounts, there is a strong negative perception of banks not being trustworthy. During the projective technique exercise, when a bank was personified, he was often described as “a crook, he is always thinking of ways to rob you of your money without you noticing”, “cruel”, “aggressive”, “selfish”, “strict” and “arrogant”.

6.4. Insurance

6.4.1. Need to mitigate the impact of risk

Apart from limited saving by some respondents for health emergencies, savings (if this takes place at all) are not earmarked for risk mitigation. Very few risk mitigation strategies seem to be in place; respondents had a very despondent and fatalistic attitude to risk, and handled a crisis as it arises to the best of their ability at that point in time. This attitude was found amongst both the rural and urban respondents.

“M: What do you do if you have to take someone to the hospital?”

R: I once had a very bad asthma attack and was hospitalised because I needed to be nebulised but when I woke up I ran away because I didn’t have money.

M: How did you get to the hospital?

R: I was carried to the emergency room because I was out of breath and when I got a chance I ran.”

Mhlume, males, Aged 41 – 55 years

Insurance take-up depends on affordability, the probability of the event taking place as well as the opportunity cost²¹ of the premium and the certainty of actual pay-out in case of such an event.

"R: I just don't trust the insurance business

M: That's a point, tell me why?

R: Even if you have been paying premiums religiously for the past 20 years for a funeral cover and they have always paid out whenever you made a claim once you as the main beneficiary are gone if the other beneficiaries make a claim the company will not pay out as expected. What they will now say is, your dad had paid up to this amount of money by the time of his death and from this money this is what we are going to pay, and the rest of the money will only be paid out in this particular fashion. So they do not pay out a lump sum but only is small instalments, you understand?"

Manzini, Males, Aged 25 – 40 years

If insurance is considered at all, respondents are most likely to take up products that are predictable i.e. death, which explains why the only use case for insurance was funeral cover to address the need to facilitate one's own and immediate family members' burial (to cover the costs of casket and transport).

"It is wise to prepare yourself by paying a burial society, the only problem is if you can't pay anymore and a funeral occurs. Or sometimes you will be paying for so long with no funeral and feel like you're paying too much money."

Mhlume, Females, Aged 25 – 40 years

"The people who are left behind will be the ones who are left with a burden, otherwise, I always asked myself why do I have to plan for death."

Mhlume, Females, Aged 25 – 40 years

"Personally I am not keen on that sort of thing myself. In this country if someone dies the family that he leaves behind is responsible for his funeral and we have big families."

Manzini, Males, Aged 25 – 40 years

"Actually I don't think there is anyone alive who doesn't want a decent funeral but not all of us can afford to pay for a funeral cover, period!"

Manzini, Males, Aged 25 – 40 years

"Take me for example; the idea of taking a funeral cover repels me because it suggests the imminence of death (Laughter). Another reason is say the money you have contributed over the years by now amounts to R15 000 that will not change the fact that the agreement was that they'd pay out a sum of R5 000 in case of death."

Manzini, Males, Aged 25 – 40 years

²¹ Opportunity cost is an economic term referring to the fact that the foregone income or other uses to which a sum of money could have been put need to be taken into account in assessing what the true cost is.

The most frequently mentioned provider of funeral insurance was Dups. B3, Standard Bank Funeral Cover, Royal Insurance, and Mbabane Funeral were also mentioned. It is clear that people associate the insurance with the channel through which it is bought, rather than the underlying insurer.

Respondents also relied on family assistance, but that would not necessarily be forthcoming due to the fact that most families were in dire financial straits. Assistance from family or the communities and formal savings societies were often not provided out of a spirit of community empathy; often the assistance was in the form of a loan with interest charged.

Only one respondent mentioned a family saving society, where members of the family contributed and the funds were used for family emergencies or celebrations.

CHANNEL
<ul style="list-style-type: none"> • Insurers/Funeral Brokers • Formal • Examples mentioned by respondents: Dups Funeral Brokers, B3, Standard Bank Funeral Cover, Royal Insurance, Mbabane Funeral
WHO IS ACCESSING:
<ul style="list-style-type: none"> • A limited number of respondents take up funeral policies. • Mostly formally employed. <ul style="list-style-type: none"> • Older, previously employed.
Advantages:
<ul style="list-style-type: none"> - It takes the financial burden off loved ones when those covered in the policy pass on. - Ensures that the individuals covered in the policy will get a decent burial.
Disadvantages:
<ul style="list-style-type: none"> - Obtaining a funeral policy is a risk considering the irregularity or inconsistency of income. - Terms and conditions are often confusing and not well explained.

Table 20 : Reasons for choice of funeral cover/insurance

6.4.2. Barriers to accessing formal insurance products

6.4.2.1. Access barriers

Affordability. The most important barrier to uptake of formal insurance products relates to the fact that respondents do not consider making provision for future potential eventualities as a justifiable expense, given their urgent current needs. Many believe that the premium could be put to better use to take care of basic survival issues.

Although respondents could rely only to a limited extent on family and the community for assistance, there were a number of informal credit options available. If no money is available to address the costs of the eventuality, there are no-cost options available, even if these would not be ideal, like running away from the hospital after treatment or being buried in a cow hide instead of a coffin.

6.4.2.2. Usage barriers

Many respondents are aware of the costs associated with funerals and for the most part understand the relief that comes with preparing for such an eventuality. Many would like to prepare for this however the reality is that their financial position limits them. They cannot afford to take the risk of making a monthly contribution towards something they are not sure of. In some cases, respondents believe that money is best spent while they are still alive, rather than when they are dead.

The high mortality rate also makes it difficult for respondents to put something in place for all potential deaths in the family.

The specific barriers to take-up of funeral policies are the following:

Affordability. Respondents cannot afford to make monthly contributions to funeral cover.

Negative perceptions based on experience. Many have heard of the negative experiences of others where policies were never paid out and funds were not delivered timeously leaving policy holders uninformed about the reasons.

Mistrust. Respondents do not entirely trust the administration behind this product offering. Terms and conditions are not clearly explained. → Lack of transparency contributes to mistrust.

Lack of product flexibility. Policies lapse when respondents can no longer afford to service them, leaving policy holders at a loss.

7. Conclusion

The qualitative demand-side research suggests that the target market for improved financial inclusion is likely to be poor and functioning on a survival level in a society where community ties have broken down, seemingly because of a lack of trust in fellow citizens and formal financial institutions. Due to this lack of trust, there are relatively few informal collective self-help structures in place. This might have indicated a potential for formal financial inclusion; however, most are too poor to be viable clients for the current offering of formal financial institutions.

7.1. Characterisations that may predict financial usage

The three most significant differentiators in terms of people's interaction with and perceptions of financial services were level of income, regularity of income and main income source.

There appears to be a correlation between formality of employment and financial inclusion. There is a perception amongst lower income earners that they are not the target market of formal financial institutions and therefore make less use of these. Higher income earners make more use of formal institutions, sometimes because they are obligated to do so by their employers. However, virtually every respondent interviewed made use of informal financial mechanisms.

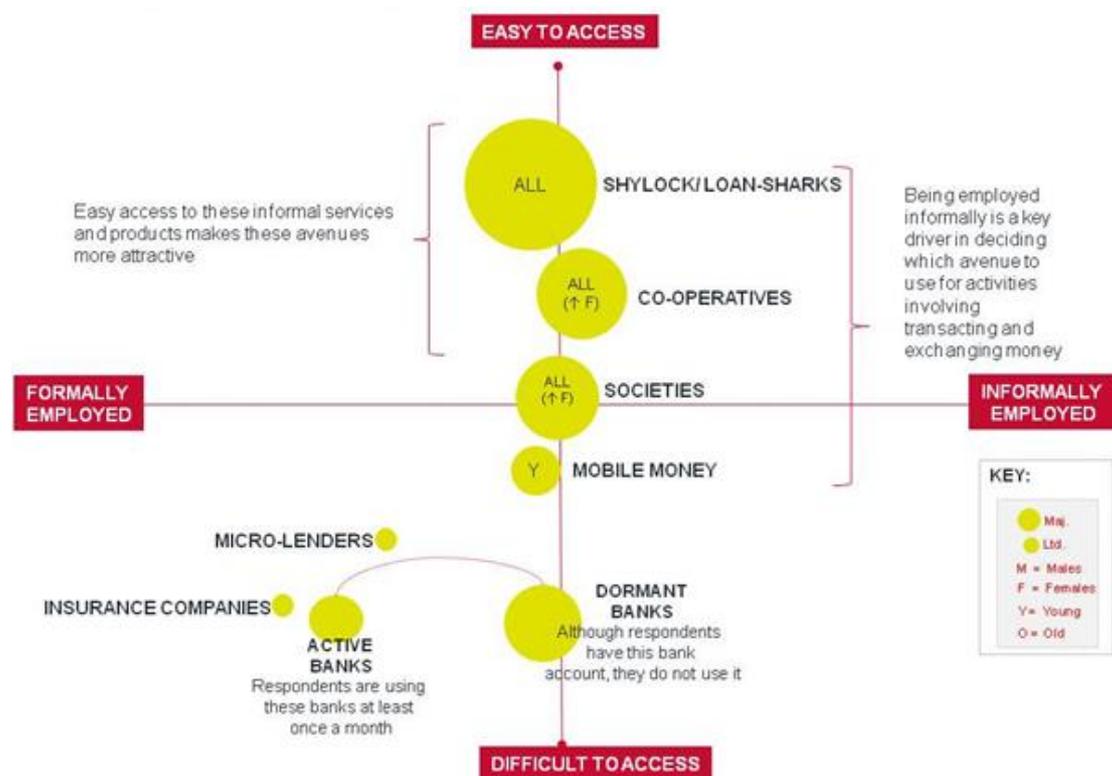


Figure 18: Financial access as a function of employment

Source: Authors' own

Income inconsistency has a direct impact on actual engagement with certain financial channels, e.g. there is the perception that in order to keep accounts active, one must have money in it. Often accounts go dormant when formal employment circumstances change.

The main source of income influenced the use of specific product categories. Sometimes these are obvious, for instance formally employed workers having a savings account into which their salaries are deposited or migrant workers using mobile banking to send money home. Other examples are not as apparent, for instance the informal moneylender with a bank account into which her clients deposit their loan repayments; she also uses mobile banking extensively for her money lending business; or a moneylender (who is also a councillor) having two accounts at different banks: one for her salary and another for her moneylending business.

7.2. Recommendations

The research indicated some opportunities relating to product features and eligibility:

- Since remittances play an important part in the financial functioning of many people in Swaziland, and because Mobile Money and eWallet services are already quite well known, there is an opportunity to increase awareness and use of these products. Furthermore, the target market realities (including irregular incomes) suggest that it is important to transfer some of the perceived advantages of these services to the design of other financial services: affordability, simplicity, easy application processes, limited eligibility exclusions, flexibility, and transparency and predictability of charges.
- The research indicated that many respondents are heavily indebted, mostly to informal credit providers but also to retail creditors. A significant portion of their expenses are channeled towards the repayment of debt, in many instances to pay the interest on loans. If formal credit providers could offer products that actually meet the requirements of the target market in terms of quick turnaround time and flexibility, the lower interest rates charged by formal financial institutions could potentially assist to alleviate poverty in Swaziland.
- Eligibility appears to be one of the major barriers to financial inclusion of the target market. Being self-employed implies specific limitations on financial access. Self-employed respondents are unable to provide pay-slips or employment letters, which excludes them from applying for certain financial products, such as accounts or loans. Given the reality of high self-employment in Swaziland, a reconsideration of eligibility requirements will be required to encourage these members of the target market to access formal financial services.
- Once actual access barriers have been addressed, attention should be given to improving financial capability, since the research suggests that understanding of formal financial products and the potential advantages of these is limited. Furthermore, there are many negative perceptions about formal financial institutions and products.

Appendix A: Data Collection Instruments – Recruitment Questionnaires, Discussion and Interview Guides

- Focus Group Recruitment Questionnaire: [Click here](#)
- IDI Recruitment Questionnaire: [Click here](#)
- Immersion Recruitment Questionnaire: [Click here](#)
- Focus Group Discussion Guide: [Click here](#)
- Informal Money lender Interview Guide: [Click here](#)
- Society Decision Maker Interview Guide: [Click here](#)

Appendix B: PowerPoint Presentation findings

PowerPoint presentation: [Click here](#)