Making Access Possible (MAP) in Swaziland

Stakeholder presentation: 2 April 2014
MAP Swaziland: Agenda

A. MAP process and overview
B. Context and regulatory drivers
C. Understanding the target market
D. Provision overview
E. Financial inclusion priorities
F. Imperatives to extend access
G. Towards a roadmap
A. MAP PROCESS AND OVERVIEW
MAP Objective: improving welfare through financial inclusion

Identify different needs within the target market

Within the context of a country to meet policy needs

Identify which institutions are best positioned to serve

Financial inclusion
Improved welfare
Poverty alleviation

- Banks
- Insurers
- Credit Institutions
- Retailers
- Building Society
- SACCOs
- DCP
- Post Office
- Shylocks
- Informal savings clubs
- Burial societies
- Credit Institutions
- Building Society
- DCP
- Shylocks
- Informal savings clubs
- Burial societies
- Shylocks
- Retailers
- SACCOs
- DCP
- Informal savings clubs
- Burial societies
- Financial inclusion
- Improved welfare
- Poverty alleviation
Overview of MAP process

Process steps
- Inception
- Diagnostic
- Stakeholder Presentation
- Roadmap
- Action Plan

Analysis and strategy
- Context
  - Infrastructure
  - Non-fin sector context
- Supply
  - Inter-mediation
- Regulation
  - Various product segments
- Demand
  - FinScope
  - Qualitative demand-side research

Data collection
- Qualitative research
B. CONTEXT AND REGULATORY DRIVERS
## Context drives FI realities

| Small, poor population | • 531,000 adults  
• 80% below E2,000/month or no regular income |
|------------------------|--------------------------------------------------|
| Poor health, high mortality | • Life expectancy 49 (vs. 60 in 1990s)  
• “Inherited” children |
| Small economic base, high regional integration | • SACU receipts historically accounts for 60% of budget  
• Small corporate and SMME economic base  
  • Gross fixed capital formation 5% of GDP  
  • 82% of SMMEs are micro  
  • Only 6% of land use commercial agriculture  
• Government a key driver of economic activity  
  • 18% of GDP, single biggest employer |
| Swazi’s abroad | • 160,000 of which 136,000 in SA  
• Remittances 1.3% of GDP, very important to those HHs that receive |

### Imperative for FI to reduce vulnerability
- Focus on Health
- Scale constrains opportunity

- Vulnerability, survivalist mentality
- Constrained productivity

### Vulnerability to fiscal shocks
- Limited formal employment opportunities, low domestic consumption
- Dual economy with well-served top-end, unserved bottom
- Need for economic diversification
- Health and education – LT gain

**FI can oil the wheels, but not main driver of development**

### Opportunity for leveraging investment
- Remittances key enabler
Regulatory and Supervisory Framework: key issues

• Waves of change
  – Blank slate opportunity
  – Transitional period uncertainties
    • Who regulates whom?
      – De jure vs De Facto supervision
    • Which regulation applies?
      – Perception vs regulation

• Differential approach creates un-level playing field
  – FSRA vs CB approach to levies, local investment
C. UNDERSTANDING THE TARGET MARKET
Target market: social and economic realities

Economic hard times...

“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 E100.00 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 E400.00 and took about E200.00 and paid for my child’s school fees.”

Mhlume, Male, Aged 41 – 55 years

... compounded by social hardship

“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
... and basic living expenses eating up most of the budget

TOP 5 SPEND
- Groceries
- School fees
- Business Stock
- Transport
- Servicing Loans

TOP 5 SPEND
- Groceries
- Servicing Loans
- School fees
- Other
- Rent
Manzini, Female, Aged 25 – 40 years

“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.”

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, Male, Aged 25 – 40 years
... results in survivalist attitude: making ends meet through various means

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

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 → cause 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 running the household
- Farming: Would like to farm but does not have enough space to do so on his 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

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.

*Please note that names of respondents are fictitious for reasons relating to confidentiality.*
...and stretches community support structures, leading to individual rather than collective financial functioning.

“I think you have to have money in order for you join as they said that it is about R100, even though I could have R100, as I said that I do people’s laundry in order to survive, if I have money, I have to cater for my children’s needs but when I have money, I think of buying food, I tell myself that you have to have a job in order for you to join a group so that you do not owe money.”

Mhlume, Females, Aged 21-40 years

“Manzini, Males, 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, Male, Aged 41 – 55 years

“I was part of a society club and we had saved about R40 000.00 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.”
### Usage of financial services: SADC Access Strand

<table>
<thead>
<tr>
<th>Country</th>
<th>Banked</th>
<th>Formal other (non-bank products)</th>
<th>Informally served only</th>
<th>Not served</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSA '11</td>
<td>63%</td>
<td>5%</td>
<td>5%</td>
<td>27%</td>
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<td>Namibia '12</td>
<td>62%</td>
<td>3%</td>
<td>4%</td>
<td>31%</td>
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<td>Swaziland '11</td>
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<td>Botswana '09</td>
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<td>Lesotho '11</td>
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<td>Zimbabwe '11</td>
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<td>24%</td>
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<td>Malawi '08</td>
<td>19%</td>
<td>7%</td>
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<td>Rwanda '08</td>
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<td>Zambia '09</td>
<td>14%</td>
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<td>14%</td>
<td>63%</td>
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<tr>
<td>Tanzania '09</td>
<td>12%</td>
<td>4%</td>
<td>28%</td>
<td>56%</td>
</tr>
</tbody>
</table>

*Source: FinScope*
**Spread of usage: product markets**

% of adult population using financial services

- **Remittance**
  - Formal: 12%
  - Informal: 4%
  - Unintermediated informal: 21%
  - Excluded: 64%

- **Savings**
  - Formal: 39%
  - Informal: 11%
  - Unintermediated informal: 18%
  - Excluded: 33%

- **Credit**
  - Formal: 7%
  - Informal: 17%
  - Unintermediated informal: 9%
  - Excluded: 67%

- **Insurance**
  - Formal: 17%
  - Informal: 5%
  - Unintermediated informal: 78%
  - Excluded: 0%

**What do the people say?**

**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 bother 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.

**Source:** FinScope, 2011
Spread of usage: product markets

% of adult population using financial services

What do the people say?

M: “Instead of putting that R100 under your pillow, why don’t you save it in 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, Female, Aged 25 – 40 years

“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, Male, Aged 41 – 55 years

Source: FinScope, 2011
Spread of usage: product markets

% of adult population using financial services

What do the people say?

**M: “So how is this person, here is Shylock, he is a person, how are you 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**

Source: FinScope, 2011
Spread of usage: product markets

% of adult population using financial 
services

What do the people say?

R: “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, Male, Aged 25 – 40 years

R: “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, Male, Aged 25 – 40 years

Source: FinScope, 2011
What about agriculture?

- Largely rural society, 65% adults involved in farming across segments (even civil servants 45%)
- Yet not strong main income source:
  - About 7,000 informal employees farm workers
  - 48% of state dependents, 21% of private dependents only involved in agriculture, but not main income source
  - 28,000 irregular income earners are farmers

Source: FinScope, 2011

*figures are indicative and may not correlate precisely with actual current figures
Segments at a glance

Civil servants
- Most educated (49% tertiary)
- Older than most
- Highest ave. monthly income (E4,284)
- 96% formally included vs. 50% total adults

Company employees
- Mostly secondary education
- Mid-range age
- 2nd highest ave. monthly income (E2,174)
- 82% formally included vs. 50% total adults
Segments at a glance

Civil servants

- Most educated (49% tertiary)
- Older than most
- Highest ave. monthly income (€4,284)
- 96% formally included vs. 50% total adults

Company employees

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- Mid-range age
- 2nd highest ave. monthly income (€2,174)
- 82% formally included vs. 50% total adults

Well served, not the focus of financial inclusion. Play significant role in supporting and employing others. This role should be made as easy as possible.
Informal employees

- Mostly young
- Primary education
- Ave monthly income E791
- 43% formally included vs. 50% all adults

Self-employed

- Primary, some secondary education
- Mid-range age
- Ave monthly income E719
- 57% formally included vs. 50% all adults
Segments at a glance

Informal employees
- Mostly young
- Primary education
- Ave monthly income E791
- 43% formally included vs. 50% all adults

Self-employed
- Primary, some secondary education
- Mid-range age
- Ave monthly income E719
- 57% formally included vs. 50% all adults

Regular income offers access to financial services, but low income and more rural location pose barriers.

Irregular and low levels of income a significant constraint to access. Need to transact with variety of institutions and save between irregular flows.
Segments at a glance: Irregular earners and Expats

Irregular earners
- 97,490
- 45% women
- 75% informal
- 20% formal
- Mid-range age
- Primary education
- Lowest income (ave. E234)
- 34% formally included vs. 50% all adults

Expats
- ~160,000
- Relatively high income. Significant role as remittance providers and potential as investors in small businesses or in the upliftment of family members.

Segments at a glance:
- Family & friends only
- Credit: 2% 15% 12% 71%
- Insurance: 3% 4% 94%
- Remittance: 7% 2% 15% 77%
- Savings: 28% 9% 26% 38%
Segments at a glance: Irregular earners and Expats

Irregular earners
- 97,490
- 45% female
- 75% mobile
- 20% housing

Expats
- ~160,000

- Relatively high income. Significant role as remittance providers and potential as investors in small businesses or in the upliftment of family members.

Access to land provides food and housing. Financial service needs largely to mitigate risks and to store irregular earnings safely.

- Mid-range age
- Primary education
- Lowest income (ave. E234)
- 34% formally included vs. 50% all adults
Segments at a glance: Private and State Dependents

**Private dependents**
- Mostly young
- Primary education, group with tertiary
- 2nd lowest income (ave. E334)
- 36% formally included vs. 50% all adults

**State dependents**
- Least educated
- Oldest
- Ave monthly income E529
- Only 23% formally included
Segments at a glance: Private and State Dependents

**Private dependents**

- Mostly young
- Primary education, group with tertiary
- 2nd lowest income (ave. E334)
- 36% formally included vs. 50% all adults

**State dependents**

- Least educated
- Oldest
- Ave monthly income E529
- Only 23% formally included

Irregular and low levels of income, many rural. Need access to low cost remittances and then to retain these safely.

Regular if low value income provides safety net. Access to land provides food and housing. Need for secure savings and alternative to receipt of grants beyond cash.
Target markets: economic realities and geography

Less than 10% of self-employed earn more than €2,000

Only civil servants have >50% above €2,000

Only those with a regular job tend to be urban

Source: FinScope, 2011
What are the main needs? Savings

<table>
<thead>
<tr>
<th>Category</th>
<th>Savings</th>
<th>Informal savings</th>
<th>Unintermediated informal</th>
<th>No savings product / mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>State dependents</td>
<td>18%</td>
<td>17%</td>
<td>26%</td>
<td>39%</td>
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<tr>
<td>Private dependents</td>
<td>22%</td>
<td>12%</td>
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<td>28%</td>
<td>9%</td>
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<td>38%</td>
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<tr>
<td>Business owners</td>
<td>47%</td>
<td>12%</td>
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<td>23%</td>
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<tr>
<td>Informally employed</td>
<td>27%</td>
<td>18%</td>
<td>9%</td>
<td>46%</td>
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<tr>
<td>Company employees</td>
<td>71%</td>
<td>9%</td>
<td>10%</td>
<td>11%</td>
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<tr>
<td>Civil servants</td>
<td>83%</td>
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<tr>
<td>Total population</td>
<td>39%</td>
<td>11%</td>
<td>18%</td>
<td>33%</td>
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</tbody>
</table>

Living expenses when you do not have money at that time
- Non-medical emergency: 22.3%
- Education/ school fees: 19.4%
- Medical expenses: 16.4%

Formal savings products: 92%
Informal savings products only: 8%
Unintermediated informal: 0%
No savings product / mechanism: 0%
What are the main needs? Savings

Main savings needs:

• Consumption smoothing
• Risk mitigation
• Education
What are the main needs? Credit

<table>
<thead>
<tr>
<th>Credit</th>
<th>Formal credit</th>
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<td>State dependents</td>
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<td>Private dependents</td>
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<td>Irregular earners</td>
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<td>Business owners</td>
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<td>Informally employed</td>
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<td>23% 10% 67%</td>
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<tr>
<td>Company employees</td>
<td>14% 27% 7%</td>
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<tr>
<td>Civil servants</td>
<td>42% 24% 6% 28%</td>
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<td>Total population</td>
<td>7% 17% 9% 67%</td>
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</table>

% of adults with credit

- Education/ school fees: 27.0%
- Living expenses in absence of cash at the time: 22.1%
- Medical expenses, planned or emergency: 7.7%
- Starting or expanding my business: 5.8%
- Non-medical emergency: 5.2%
Main credit needs:

- Education
- Risk mitigation
- Consumption smoothing
- Asset backed financing (including mortgages)
What are the main needs? Insurance and payments

### Insurance

<table>
<thead>
<tr>
<th>Category</th>
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<td>Informally employed</td>
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<tr>
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<td>7%</td>
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</tbody>
</table>

- **Formal insurance**
- **Informal insurance**
- **No insurance coverage**
What are the main needs? Insurance and payments

### Insurance

<table>
<thead>
<tr>
<th>Category</th>
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<th>No insurance coverage</th>
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</table>

### Payments

- Do not have: 62%
- Have: 38%

Swazi adults with transaction accounts
What are the main needs? Insurance and payments

**Main insurance needs:**
- Risk mitigation – Funeral/ Life
- Risk mitigation – Health

**Main payments needs:**
- Remittances
- Bill payments (access to goods & services, including FS)
D. PROVISION OVERVIEW
2. Provider overview – who provides what?
## Barriers to accessing formal institutions

<table>
<thead>
<tr>
<th>Payments</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cost – transaction &amp; transport&lt;br&gt;• Proximity&lt;br&gt;• Terms uncertain&lt;br&gt;• Awareness (remittances)</td>
<td>• Cost&lt;br&gt;• Regularity of income&lt;br&gt;• Proof of income (for low cost options)&lt;br&gt;• Door step barrier</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Credit</th>
<th>Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Payslip or proof of income&lt;br&gt;• Door step barrier&lt;br&gt;• Slow speed of formal loans&lt;br&gt;• Limited flexibility in repayment</td>
<td>• Regularity of income&lt;br&gt;• Proximity&lt;br&gt;• Payment of premiums&lt;br&gt;• KYC documentation if enforced</td>
</tr>
</tbody>
</table>
Who can serve target market needs?

Incentive to go downmarket?

Yes

No

Incentive to serve, but may not have ability to serve

Prioritize:

Traditional major players are trusted but see limited opportunity downmarket

Incentivize:

Eroding trust in informal and collective mechanisms

Not priority:

# of clients

No

Yes

Institution trusted down market?

MTN

Retailers

Agro-dealers

Post Office

Development Credit Providers

Insurers

Banks

SBS

SACCOs

Shylocks

Burial Societies

Informal savings clubs

Cenfri

FINMARK TRUST
Market for Credit: number of clients and total loan books by providers

Excess liquid assets above reserve requirements

Total credit market:
E5.6bn consumer, E10bn total

Source: FinScope, 2011 and supply-side consultations, 2013
### Market for Credit: reach by provider and target market

<table>
<thead>
<tr>
<th>Type of employment</th>
<th>Formally employed</th>
<th>Informally employed</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target market</td>
<td>Civil servants</td>
<td>Company employees</td>
<td>Self employed</td>
</tr>
<tr>
<td>% of Adult Population</td>
<td>9.2%</td>
<td>12.6%</td>
<td>13.9%</td>
</tr>
</tbody>
</table>

- Credit institutions
  - SACCOS
  - SBS
  - Development Credit Providers
  - Banks
  - Retailers
  - Informal savings clubs
  - Informal money lenders
  - Largely formally employed
  - Friends and Family
  - None

<table>
<thead>
<tr>
<th>% of adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest take-up</td>
</tr>
<tr>
<td>42%</td>
</tr>
</tbody>
</table>
Market for Savings: number of clients and total deposits by providers

Total saving: 21bn, 4bn excl PF

44% have bank accounts

30% use them for saving

Source: FinScope, 2011 and supply-side consultations, 2013
Market for Savings: reach by provider and target market

<table>
<thead>
<tr>
<th>Type of employment</th>
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<td>12.6%</td>
<td>13.9%</td>
</tr>
</tbody>
</table>

- Pension funds
- SACCOs
- SBS
- Banks
- MTN
- Informal savings clubs
- Saving at home
- Not saving

Banks, MTN and informal savings clubs only potential channels for savings with significant reach outside of formally employed.
E. FINANCIAL INCLUSION PRIORITIES
Financial Inclusion Priorities

1. Mobile money to transact and save
2. Supporting dependents
3. Managing the impact of risk
4. Deepening bank reach
5. Getting credit basics right
Financial Inclusion Priorities

1. Mobile money to transact and save
2. Supporting dependents
3. Managing the impact of risk
4. Deepening bank reach
5. Getting credit basics right
High reliance on cash: need for effective payments and savings product...

### Income received in cash

- **State dependents**: 99%
- **Private dependents**: 93%
- **Irregular earners**: 97%
- **Business owners**: 94%
- **Informally employed**: 89%
- **Company employees**: 56%
- **Civil servants**: 37%

### Saving in cash

- **>90%**

### Transacting in cash

- **Food**: 96%
- **Clothes**: 88%
- **Larger appliances**: 31%

**30.2%** Of Swazi adults save at home in cash

Source: FinScope, 2011
...but, expensive to transact/save through banks for small values...

<table>
<thead>
<tr>
<th>Assumed transaction profile</th>
<th>Swaziland (E)</th>
<th>South Africa (R)</th>
<th>Lesotho (LSL)</th>
<th>Swazi MTN Mobile money (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Service fee</td>
<td>12.93</td>
<td>3.00</td>
<td>8.53</td>
<td>0.00</td>
</tr>
<tr>
<td>Debit orders</td>
<td>1</td>
<td>18.96</td>
<td>3.67</td>
<td>14.48</td>
</tr>
<tr>
<td>Debit order bounce</td>
<td>314.08</td>
<td>10.33</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>ATM withdrawals--on us (w/d: R100 each)</td>
<td>3.1</td>
<td>4.67</td>
<td>5.00</td>
<td>4.83</td>
</tr>
<tr>
<td>Statements requested - ATM</td>
<td>1.2</td>
<td>4.16</td>
<td>3.67</td>
<td>2.74</td>
</tr>
<tr>
<td>Statements requested - Counter</td>
<td>0.11</td>
<td>11.18</td>
<td>11.17</td>
<td>20.15</td>
</tr>
<tr>
<td>Deposit (R500) - counter</td>
<td>0.31</td>
<td>21.23</td>
<td>12.50</td>
<td>13.70</td>
</tr>
<tr>
<td><strong>Estimated monthly cost</strong></td>
<td><strong>59.14</strong></td>
<td><strong>31.67</strong></td>
<td><strong>47.73</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Mystery shopping, Bank data, Genesis, 2013 and profile based on SA profile of BLNS study done by Genesis, 2004
...and poor struggle to qualify for formal products...

<table>
<thead>
<tr>
<th>Providers</th>
<th>Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>• Proof of income (for entry level accounts)</td>
</tr>
<tr>
<td>SBS</td>
<td>• Doorstep barriers (“the bank is not for us”)</td>
</tr>
<tr>
<td>SACCO</td>
<td>• High minimum balance</td>
</tr>
<tr>
<td>Post Office</td>
<td>• Restricted entry to specific employed groups</td>
</tr>
<tr>
<td></td>
<td>• Usually high entry fees</td>
</tr>
<tr>
<td></td>
<td>• Regular contributions required</td>
</tr>
<tr>
<td></td>
<td>• Qualify, but money transfers are slow</td>
</tr>
</tbody>
</table>
Need to travel to access payment infrastructure...

Source: Red Flank, MTN and Central Bank NPS, 2013
...which is expensive for small amounts

<table>
<thead>
<tr>
<th>SHOPS</th>
<th>URBAN:</th>
<th>RURAL:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Avg. KMs = 3</td>
<td>Avg. KMs = 5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SHOPS (average)</th>
<th>URBAN:</th>
<th>RURAL:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Avg. KMs = 8</td>
<td>Avg. KMs = 14</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HOSPITALS OR CLINICS</th>
<th>URBAN:</th>
<th>RURAL:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Avg. KMs = 6</td>
<td>Avg. KMs = 5</td>
</tr>
<tr>
<td></td>
<td>Avg. Cost = E5</td>
<td>Avg. Cost = E3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MUNICIPAL OFFICES</th>
<th>URBAN:</th>
<th>RURAL:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Avg. KMs = 10</td>
<td>Avg. KMs = 20</td>
</tr>
</tbody>
</table>

Source: KLA, 2014
...which is expensive for small amounts

“It [mobile money] 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.”

Manzini, Female, Aged 25 – 40 years

**Source:** KLA, 2014
Mobile money overcomes challenges...

**Consumer needs**
- Low cost flexible transactions
- Low cost flexible savings

**High reliance On cash**

**Traditional provision**
- Expensive
- Distribution limited to urban centres
- Eligibility constraints
- Limited incentive for the providers to serve low income market

**Mobile money**
- All qualify – only need a mobile phone
- Deposit costs and monthly service fees zero
- Demand for individual accounts (anonymity)
- 41% of agents distributed in rural areas

Source: MTN, 2013

MTN Subscribers: 800,000
MTN Mobile Money Subscribers: 200,000
Active MTN Mobile Subscribers: 30,000
...meets need for small value frequent transactions/
savings...

Source: Central Bank NPS, FNB and ITQ Net, 2013
...and increasing use demonstrates demand

Source: Central Bank NPS, FNB and ITQ Net, 2013
Coordinated mobile money strategy needed to identify and solve challenges to increase take-up

<table>
<thead>
<tr>
<th>Issues</th>
<th>Solutions</th>
</tr>
</thead>
</table>
| Liquidity of agents, particularly in rural areas | • Rebalancing or ‘super agents’  
• Partnerships with all the banks |
| Aversion to technology | • Develop an ecosystem of goods and services that can be paid for with mobile money  
• Consumer training |
| E4,000 cap limits potential for saving from lumpy income e.g. harvests and remittances | • Allow a tiered account system similar to the banks, exceed cap if fully KYC’ed |
| Unreliability of network and agent’s opening hours | • Agent stocked mobile money ATMs |
Coordinated mobile money strategy needed to identify and solve challenges to increase take-up

<table>
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<th>Solutions</th>
</tr>
</thead>
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<td>Liquidity of agents, particularly in rural areas</td>
<td>• Rebalancing or ‘super agents’&lt;br&gt;• Partnerships with all the banks</td>
</tr>
<tr>
<td>Aversion to technology</td>
<td>• Develop an ecosystem of goods and services that can be paid for with mobile money&lt;br&gt;• Consumer training</td>
</tr>
<tr>
<td>E4,000 cap limits potential for saving from lumpy income e.g. harvests and remittances</td>
<td>• “A 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”&lt;br&gt;<em>Manzini, Male, Aged 25-40 years</em></td>
</tr>
<tr>
<td>Unreliability of network and agent’s opening hours</td>
<td></td>
</tr>
</tbody>
</table>
Financial Inclusion Priorities

1. Mobile money to transact and save
2. Supporting dependents
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4. Deepening bank reach
5. Getting credit basics right
Almost half of Swazi adults rely on each other for income...

+ 71,439 receive income from others as a secondary source of income

+ 154,424 adults are dependent on others for their main source of income

225,863 (42.5%) adults receive income from others

Only 18,993 receive remittances via formal channels

Need to make it easy to support dependents
...but just 12% remit via formal channels due to cost and limited awareness of alternatives

65% of remitters who self-deliver, do so because they “have no option”

<table>
<thead>
<tr>
<th>Providers</th>
<th>Senders</th>
<th>Value</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks</td>
<td>95,099</td>
<td>Unknown</td>
<td>Banks: E10.50-E40</td>
</tr>
<tr>
<td>MTN</td>
<td></td>
<td></td>
<td>eWallet: E6-24</td>
</tr>
<tr>
<td>Post office</td>
<td></td>
<td></td>
<td>Post Office: E9.25-E80</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mobile Money: E3-E5</td>
</tr>
<tr>
<td>Cross Border</td>
<td>58,776</td>
<td>E391m</td>
<td>Average formal: 15.8% (on $200)</td>
</tr>
<tr>
<td>(from SA - main channel)</td>
<td></td>
<td></td>
<td>Est. informal: 10-20%</td>
</tr>
<tr>
<td>Banks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Office</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moneygram</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal Taxis</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: World Bank, MTN, FNB, DNA 2013

Estimated that 85% of Swazi immigrants are in South Africa (136 out of 160k)
Increased formal use can improve security and regularity of income

Alternative providers could play significant role where they have reach and trust

Retailers
- People trust retailers
- Potential Shoprite & PEP looking at region to replicate SA

Mobile Money
- Potential to extend increased rural use (5% of value)
- Potential for cross border

Banks can extend reach

Banks
- Potential - High bank penetration at 44% (230,00 clients), but only 12% use formal remittances
- Trusted - 88.3% of adults would put a large amount received in a bank account

Barrier = Regulation

Barrier = increased awareness and cost
Financial Inclusion Priorities

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5. Getting credit basics right
Social & economic vulnerability and lack of collective functioning, coupled with risk experience suggest need for insurance

**To provide for funeral expenses**
- “Death is the only inevitable” – 57% death in hh in past year
- Community support can no longer be taken for granted

**To cover costs related to illness**
- 37% experienced costly illness in family in past year
- People try to save, but end up borrowing to cover cost

**To secure education:**
- Emphasis on children’s education as gateway to the future

**To protect income:**
- 18.2% loss of a job within the household in the past year

**To protect assets:**
- 18% have car, 10% bakkie

**To protect against risks affecting farm**
- 65% involved in agric, but small plot sizes, subsistence, few strong aggregator networks
- Not prioritised by consumers
Many people use credit and savings to manage risk.
Current insurance market: even the best-served still room for growth

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Formal insurance</th>
<th>Informal insurance only</th>
<th>No insurance coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>State dependents</td>
<td>93%</td>
<td>6%</td>
<td></td>
<td>93%</td>
</tr>
<tr>
<td>Private dependents</td>
<td>85%</td>
<td>9%</td>
<td>6%</td>
<td>85%</td>
</tr>
<tr>
<td>Irregular earners</td>
<td>94%</td>
<td>3%</td>
<td>3%</td>
<td>94%</td>
</tr>
<tr>
<td>Self employed</td>
<td>76%</td>
<td>19%</td>
<td>6%</td>
<td>76%</td>
</tr>
<tr>
<td>Informal employees</td>
<td>89%</td>
<td>5%</td>
<td>6%</td>
<td>89%</td>
</tr>
<tr>
<td>Company employees</td>
<td>58%</td>
<td>35%</td>
<td>7%</td>
<td>58%</td>
</tr>
<tr>
<td>Civil servants</td>
<td>32%</td>
<td>64%</td>
<td>4%</td>
<td>32%</td>
</tr>
<tr>
<td>Total population</td>
<td>78%</td>
<td>17%</td>
<td>5%</td>
<td>78%</td>
</tr>
</tbody>
</table>
Increasingly competitive landscape provides value (LT) and options

Long-term

- Dups since Jan ‘14

<table>
<thead>
<tr>
<th>Year</th>
<th>SRIC</th>
<th>Old Mutual</th>
<th>Metropolitan</th>
<th>Liberty</th>
<th>Momentum</th>
<th>Safric</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>43%</td>
<td>34%</td>
<td>12%</td>
<td>7%</td>
<td>10%</td>
<td>29%</td>
<td>100%</td>
</tr>
<tr>
<td>2010</td>
<td>34%</td>
<td>12%</td>
<td>6%</td>
<td>12%</td>
<td>12%</td>
<td>24%</td>
<td>100%</td>
</tr>
<tr>
<td>2011</td>
<td>29%</td>
<td>12%</td>
<td>12%</td>
<td>10%</td>
<td>10%</td>
<td>24%</td>
<td>100%</td>
</tr>
<tr>
<td>2012</td>
<td>29%</td>
<td>12%</td>
<td>12%</td>
<td>10%</td>
<td>10%</td>
<td>24%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Short-term

<table>
<thead>
<tr>
<th>Year</th>
<th>SRIC</th>
<th>Lidwala</th>
<th>Umber-orchard</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>100%</td>
<td>1%</td>
<td>2%</td>
<td>100%</td>
</tr>
<tr>
<td>2010</td>
<td>99%</td>
<td>7%</td>
<td>2%</td>
<td>100%</td>
</tr>
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</tr>
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<td>2012</td>
<td>85%</td>
<td>11%</td>
<td>3%</td>
<td>100%</td>
</tr>
</tbody>
</table>

+ Getmed

Broad suite of relevant products across providers - funeral, credit life, life, disability, PA, income replacement, managed care health, education endowments with risk component

A number of distribution opportunities

- **Currently** brokers, some agents, walk-ins
- **Low-hanging fruit**: 123,330 with a bank account are uninsured; 47,847 of those with company income are uninsured; 34,428 who save with a SACCO are uninsured
- **Potential**: 79% of uninsured live close to a shop: retailers, petrol stations, SPTC, informal shops; 78% of uninsured own a cell phone: MTN vendors
But low, irregular incomes constrain uptake & premium collection and small formally employed base challenges distribution

Usage barriers
- Lack of familiarity
- Negative perceptions
- Trust

“They rip people off”  “I just don’t trust the insurance business”

“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.”

Access barriers:
- Affordability
- Proximity
- Eligibility (potential)
- Features that speak to regularity of income

“I was paying for burial insurance, R72 per month, they were supposed to recognize me after 12 months and I lost my job on the 11th month, it means I lost all the money I have been paying.”

“Insurance, where would we get the money to pay for it?...Our businesses are too small for us to afford insurance, it’s people with big business who have insurance products”
Meaning that the most immediate opportunities are in the high to middle-market, with limited potential at the bottom.

<table>
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<td>% of Adult Population</td>
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<td>12.6%</td>
<td>13.9%</td>
</tr>
</tbody>
</table>

- **Formal insurance**
  - Reach deeper
- **Burial societies**
  - Innovate for some reach
- **No insurance**
  - Low priority, very difficult to reach (no regular income)

- “Bite-size” health solutions
- Life insurance with education purpose
- Appropriately designed, affordable asset cover
- Extended reach for funeral
- Some innovative health?
Financial Inclusion Priorities

1. Mobile money to transact and save
2. Supporting dependents
3. Managing the impact of risk
4. Deepening bank reach
5. Getting the credit basics right
Banks already serve large number of poor, even more than savings groups…

- Civil servants: Bank 33,284, Savings Club 15,000
- Company employees: Bank 36,369, Savings Club 20,000
- Informally employed: Bank 6,980, Savings Club 10,000
- Self employed: Bank 28,316, Savings Club 20,000
- Irregular: Bank 22,542, Savings Club 30,000
- Private dependents: Bank 30,485, Savings Club 5,000
- State dependents: Bank 5,165, Savings Club 5,000
...but many don’t use banks to transact or save...

>50,000 adults have bank accounts but not savings accounts.

Many adults’ savings accounts could be dormant or “postbox”?

- Don’t use debit or credit functionality: 28% have ATM cards, only 3.5% report have a debit or credit card.
- Withdrawals are higher than incomes: 59% earn < E2,000, average ATM withdrawals = E740.

Savings in Formal Institutions

Number of Adults

- SACCO Accounts
- Swaziland Building Society Accounts
- Bank Accounts

All target groups

Formally employed
...only 9% of bank clients use credit, many rely on informal credit

Source: FinScope, 2011 and supply-side consultations, 2013
Why not used more? Banks are trusted, but confusing, expensive and “not for me”

- 67% of adults indicated that the greatest advantage of banks is that your money is safe from theft.
- 88.3% of adults would put a large amount received in a bank account.
- 30% of adults think employment is needed to access saving accounts.

“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

“What would he (the Bank) want with poor people like us?”

“You put your money in and when you take it out you are shocked to find it is less than you expected”

Mzanini, Female, Aged 41-55 years
## Deepening bank reach a “win win”

### Clients
- Bank savings for safety, discipline and privacy
- Lower cost credit
- Extensive options to transact, including remittances

### Banks
- Fee based model = transactions ~50% of bank revenue
- Increasing competition may reduce transaction volumes
- Acquisition costs covered
- Dormant accounts not profitable
- Additional transactions & higher balances improve profitability

### Focus
- **Understanding clients**: analysing data & talking to clients to tailor approach
- **Door-step**: Awareness of options and terms, Agency, SMS to confirm & remind
- **Eligibility**: Proof of income for entry level savings
- **Proximity**: Technology to reduce transaction costs
- **Products**: focus on sub-wallets & incentives to save
- Potential for G2P
Financial Inclusion Priorities

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Low take up, potential for consumer protection

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<tr>
<th>Category</th>
<th>Formal credit</th>
<th>Informal credit only</th>
<th>Unintermediated informal</th>
<th>No credit products</th>
</tr>
</thead>
<tbody>
<tr>
<td>State dependents</td>
<td>10%</td>
<td>7%</td>
<td>82%</td>
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</tr>
<tr>
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<td>75%</td>
</tr>
<tr>
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<td>2%</td>
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<td>12%</td>
<td>71%</td>
</tr>
<tr>
<td>Business owners</td>
<td>4%</td>
<td>16%</td>
<td>10%</td>
<td>70%</td>
</tr>
<tr>
<td>Informally employed</td>
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<td></td>
<td></td>
<td>23%</td>
</tr>
<tr>
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</tr>
<tr>
<td>Civil servants</td>
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</tr>
<tr>
<td>Total population</td>
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</tr>
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- Limited ability to repay
- Some potential to formalise: Increasing interest rate caps and introducing a credit bureau may improve access
- Access to other FS products may be more beneficial (savings, insurance, payments)
- Solutions may lie outside of FS – Educational expenses drive many to debt

“What drives us to Shylocks is our need for money for school things”
Low take up, potential for consumer protection

- Limited ability to repay
- Some potential to formalise: Increasing interest rate caps and introducing a credit bureau may improve access
- Access to other FS products may be more beneficial (savings, insurance, payments)
- Solutions may lie outside of FS – Educational expenses drive many to debt

Well served, potential for increased formalisation

Some signs of over-indebtedness
- 33% payroll deduction limits breached, but not significantly & include savings to SACCO
- But, also use informal credit
- Limited use of credit to repay debt (3% across population)

| Category            | 10% | 7%  | 82% | 2%  | 14% | 9%  | 75% | 2%  | 15% | 12% | 71% | 2%  | 16% | 10% | 70% | 1%  | 23% | 10% | 67% |
|---------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| State dependents    | 10% | 7%  | 82% |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Private dependents  | 2%  | 14% | 9%  | 75% |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Irregular earners   | 2%  | 15% | 12% | 71% |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Business owners     | 4%  | 16% | 10% | 70% |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Informally employed | 1%  |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Company employees   | 14% | 27% | 7%  | 52% |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Civil servants      |     |     |     |     | 42% | 24% | 6%  | 28% |     |     |     |     |     |     |     |     |     |     |
| Total population    |     |     |     |     |     |     |     |     | 7%  | 17% | 9%  | 67% |     |     |     |     |     |     |

- Formal credit
- Informal credit only
- Unintermediated informal
- No credit products
Low take up, potential for consumer protection

<table>
<thead>
<tr>
<th>Category</th>
<th>Formal credit</th>
<th>Informal credit only</th>
<th>Unintermediated informal</th>
<th>No credit products</th>
</tr>
</thead>
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<td>67%</td>
</tr>
</tbody>
</table>

Consumer protection need across target markets
- Abuse from moneylenders (ATM cards & Pins, intimidation by “goons”)
- Disclosure of rates and terms
Regional experience: credit is not the primary source of finance for SMMEs...

Mostly used to repay existing debt:
70% in Malawi borrow to repay exiting debt

Swaziland self-employed:
- Credit: 30% use, 4% formal
- Savings: 74% use, 47% formal

Source: Finscope, 2012, 201
...access to alternative products needed by most SMMEs

Survivalist SMMEs: ~58,000 Swazi Adults
- Most Swazi SMMEs are survivalist businesses that employ the owner
- Started with owner capital/family and friends contribution
- Business and personal needs blurred

Aspirational SMMEs ~9,000 – ltd opportunity
- Most SMMEs won’t get there

Recapitilise & coordinate:
~13,000 clients served by Development Credit Providers (FinCorp, Inhlanyelo, Youth Fund, Credit guarantee scheme, Community Poverty Reduction Fund)

Need products to help maintain incomes:
- Savings to build up owner capital to start business & save between irregular flows
- Convenient and affordable transactional services
- Insurance to protect against shocks
- Some trade credit, but less significant
- Consumer protection need

- Expand access to consumer products
- Broader development strategy: education, health, infrastructure to develop
F. IMPERATIVES TO EXTEND ACCESS
Target markets: recapping the main needs

Formally employed
- Well-served, not main FI priority
- Low-cost transactional services
- LT (educational) savings
- Increased insurance

Informally employed
- Low cost transactional and remittance services
- Accessible savings options
- Asset-based credit (limited)
- Funeral and health insurance

Self employed
- Need low cost savings and transactional services
- Given survivalist nature, credit unlikely

Irregular earners
- Need to mitigate risks and to store irregular earnings safely.

Private dependents
- Need access to low cost remittances and then to retain these safely

State dependents
- Secure savings and alternative to receipt of grants
- Increasing need to take care of grandchildren.
Policy priorities: the case for financial inclusion

Financial sector development

Financial inclusion

Direct

- Transaction costs
- Risk mitigation

Indirect

- Accumulation and allocation of capital
- Access to services and opportunities
- Gov’t Revenue

Improved welfare

Employment, SMME, education, health, food security

Gov’t Revenue

Access to services and opportunities

Accumulation and allocation of capital

Risk mitigation

Transaction costs
## What to prioritise?

<table>
<thead>
<tr>
<th>Products</th>
<th>Formally employed</th>
<th>Informally employed</th>
<th>Self-employed</th>
<th>Irregular earners</th>
<th>Private dependents</th>
<th>State dependents</th>
<th>Expats</th>
<th>Potential clients (000)</th>
<th>% of adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (k)</td>
<td>98</td>
<td>28</td>
<td>68</td>
<td>97</td>
<td>154</td>
<td>35</td>
<td>160</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Income</td>
<td>2-4k</td>
<td>791</td>
<td>719</td>
<td>234</td>
<td>334</td>
<td>529</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Credit
- Personal loans
- Asset finance
- SMME finance
- Agricultural
- Cons protection

### Payments
- Debit orders
- CB remittances
- Dom. remittances
- Low cost transaction

### Savings
- Low cost savings
- Targeted savings

### Insurance
- Health
- Hospital cash plan
- Funeral/ Life
- Asset

### Impact:
- High
- Medium
- Low

- <20 Transaction costs
- <20 Access to opportunities, Allocation of capital
- <20 Access to opportunities, Allocation of capital
- <20 Access to opportunities, Allocation of capital
- <100 Risk mitigation, Transaction costs
- <20 Transaction costs
- >120 Transaction costs
- >200 Transaction costs
- >400 Transaction costs, access to services
- >200 Transaction costs and accumulation of capital
- >100 Transaction costs and accumulation of capital
- <50 Risk mitigation
- >100 Risk mitigation
- >200 Risk mitigation
- <20 Risk mitigation
Towards a roadmap: institutional priorities

**Low cost flexible savings/payments products**

- **Banks**
  - Innovation to increase extent of transacting and balances
    - Distribution, products, communication with clients, data
    - Increased awareness of product types & fees
- **MTN Mobile money**
  - Develop as savings product/store of value – interest, increased cap, marketing

**Formal domestic and cross border remittance products**

- **Banks**
  - Increase awareness of product options
  - Partner with retailers and other providers to offer innovative products
- **Retailers**
  - Offer cross border and domestic remittances if allowed by regulation
- **MTN Mobile money**
  - Enable capacity as remittance channel: marketing, training, agent incentives, agent stocked ATMs etc.

**Funeral/Life/Health products**

- **Insurers**
  - Distribution & Trust key
  - Potential for annual premium payments linked with savings group payments/harvests/SACCO payments
  - Collection through mobile money (but market must trust you first)
- **Banks, MTN Mobile money**
  - Increased role in distribution of insurance
# Towards a roadmap: regulator priorities

## Waves of change: Coordination & Appropriate transition mechanisms key

### Low cost flexible savings/payments products

<table>
<thead>
<tr>
<th><strong>Central bank</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy to enable mobile money as transaction/saving product (e.g. second tier KYC’ed without E4k cap, interest)</td>
</tr>
<tr>
<td>Market conduct incl. disclosure of product terms and costs in branches or publish table of product terms and costs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>FSRA and Central bank</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Encourage products for goal oriented saving incl. Education, Business</td>
</tr>
<tr>
<td>Gather more customer/product data to analyse market</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th><strong>FSRA</strong></th>
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<tbody>
<tr>
<td>Finalise current regulation to improve certainty and encourage innovation</td>
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</table>

### Formal domestic and cross border remittance products

<table>
<thead>
<tr>
<th><strong>Central Bank</strong></th>
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</thead>
<tbody>
<tr>
<td>Support enabling partnerships to improve formality</td>
</tr>
<tr>
<td>Encourage retailer and mobile money provision of domestic and cross border remittances</td>
</tr>
<tr>
<td>Disclosure of product terms and costs in branches</td>
</tr>
<tr>
<td>Develop policy to target ex-pats for remittances (also investment)</td>
</tr>
</tbody>
</table>

### Funeral/Life/Health products

<table>
<thead>
<tr>
<th><strong>Insurance regulator</strong></th>
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<tbody>
<tr>
<td>Finalise MI regulation to improve certainty and encourage innovation</td>
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<tr>
<td>Reconsider as&amp;when commission for low value transactions</td>
</tr>
<tr>
<td>Gather more customer/product data to analyse market</td>
</tr>
<tr>
<td>Caution against overly strict medical demarcation</td>
</tr>
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---
Towards a roadmap: getting credit basics in place

Credit not main strategic focus, but potential to improve current provision by reducing costs and protecting consumers through:

- Address abuse by informal money lenders
- Increase interest rate cap to encourage additional formal provision rather than informal
- Disclosure of total cost of credit
- Encourage establishment of credit bureau to improve information on clients (positive and negative)
- Perform targeted research to understand potential indebtedness of civil servants
- Consolidate and capitalise state funded development credit providers
G. TOWARDS A ROADMAP
Next steps

Stakeholder presentation: 2 April 2014

Draft document for comment to FI Task team: Early May

FI task team meeting to discuss comments: End May

Diagnostic document updated: June

FI task team meeting to plan roadmap process: June

Working groups formed to develop roadmap: End June

FI task team meeting to plan roadmap: July
Thank You!

Questions?

Tel: +27 (0) 21 913 5910
E-mail: Christine@cenfri.org, MiaThom@cenfri.org
OPPORTUNITIES BY PROVIDER

Financial service best served through provider

Target markets served by provider

Opportunity for provider to improve access to financial services

Details
Barriers and opportunities by institution: Commercial banks

**Commercial banks**

**Barriers**
- High bank charges
- Proof of income requirement
- Door-step barrier & lack of awareness/understanding

**Opportunities**
- Low cost savings products not linked to income.
- Increase awareness
- Targeted savings
- Partner with retailers
- Expand technology/mobile offerings
- Expand credit offering to employed
- Additional information on consumers
- Offer expats accounts
- Expand insurance role

**Clients:** 230,000

*Source: FinScope, 2011*
Barriers and opportunities by institution: Credit institutions

Highly profitable using current largely payroll lending model. Limited incentive to change business model. May need to find new client source if fewer government employees over the longer term and as additional providers enter. Next phase to compete on interest rates, which may benefit from the ability to raise deposits (although substantial costs).

Clients: 33,000

Source: Supply side consultations, 2013
Barriers and opportunities by institution: Building Society

Good value for middle income market with low cost credit and higher return on savings than banks (although still below inflation). Currently investing in technology to offer expanded access.

Clients: 100,000

Source: SBS, 2013

Barriers
• Minimum savings balance
• All lending is collateralised,
• Limited distribution network

Opportunities
• Expand physical access
• Targeted contractual savings products
• Expand role in insurance
Barriers and opportunities by institution: SACCOs

Accessible largely to the formally employed. Offer good returns and lower interest rates than many alternatives for loans. Main risk posed is governance and management skills.

Barriers
- Employment or similar commitment

Opportunities
- Create targeted savings wallets
- Improve governance
- Improve non-performing loans
- Expanded role as channel for insurance

Clients: 37,000

Source: Genesis, 2013
Barriers and opportunities by institution: Insurers

Largely life cover (funeral) to formally employed at present. Significant opportunity to further serve employed.

### Barriers
- Irregularity of income
- Expensive collection of premiums
- Proximity
  - Proof of address

### Opportunities
- Potential to improve awareness
- Expanded range of hospital cash plan
- Flexible payment terms
- Targeted agricultural insurance
- Expats to fund

---

Clients: 90,000

Source: FinScope, 2011
Barriers and opportunities by institution:

MTN

Substantial reach and incentives to expand financial product offering, although currently not a large part of the business. Mobile Money currently largely urban, but MTN significant rural reach. Only institution that can achieve scale in low income market given low cost provision structure. Lack of consumer comfort with technology and network consistency a challenge.

Barriers
• Cell phone needed and appetite for technology
• E4,000 cap
• Consistency of access

Opportunities
• Expand beyond phone
• Agent stocked ATMs
• Low cost remittances, and low cost savings products
• Grants distribution
• Increase bill payment options

Clients: 200,000 (30,000 active)

Source: MTN, 2013
Barriers and opportunities by institution:
Retailers

Provider of credit to all target markets that have sufficient income. Only formal credit provider for most consumers. Retailers overcome doorstep barrier posed by most formal institutions.

Barriers
For credit:
- Proof of income, although payslip not required.
- Bank account

Opportunities
- Remittances.
- Mobile money agents.
- Saving stamps.
- Credit for building supplies.

Clients (credit): 100,000 accounts

Source: Supply side consultations, 2013
Barriers and opportunities by institution: Developmental credit providers (DCPs)

Subsidised credit provided on a small scale across a number of institutions. Few small businesses can viably be served by formal institutions beyond DCPs. Current interest rate caps reduce risk appetite for most formal provision. High levels of non-payment significant constraint to further extend loans.

**Barriers**
For viable businesses:
- Entrepreneurship, economic opportunity, management skills
- Training requirements

**Opportunities**
- Limited opportunity to significantly expand
- Coordinate/ consolidate state subsidised DCPs
- Target expats
- Asset based finance/ alternative collateral
- Mentoring
- Standardise training requirements

Clients: 14,000

Source: Supply side consultations, 2013
Barriers and opportunities by institution: Post Office

Significant distribution footprint and already offers bill payments and money transfers (internal and cross border).

**Opportunities**
- Simple savings products
- Insurance distribution
- Mobile money agents

**Barriers**
- Slow speed of money transfers

**Clients:**
- Formally employed: 106,379
- Informally employed: 27,904
- Self employed: 67,917
- Irregular earners: 97,490
- Private dependents: 154,424
- State dependents: 34,641
- Expats: 120,000

**Private dependents:** 34,641

**State dependents:** 120,000

**Expats:** 154,424

**Signs:**
- 101

**FinMark Trust**