MAP Zimbabwe Stakeholder Workshop: Key Findings

Presentation on the findings from the Making Access Possible (MAP) Diagnostic conducted in Zimbabwe

Harare, Zimbabwe
14 December, 2015
Agenda

• MAP diagnostic components
• Key findings
• Options to extend financial inclusion
Agenda

• MAP diagnostic components
• Key findings
• Options to extend financial inclusion
MAP analyses demand, supply and regulation – formal and informal

**Uncover discrete target markets and needs cases**

- FinScope 2011 and 2014
- FinScope MSME 2013
- Consumer interviews

**Product and provider landscape (informal and formal)**

- Interviews
- Annual reports
- Product data
- Mystery shopping

**Public policy objectives and regulatory context**

- Interviews
- Regulatory and policy review

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**Financial inclusion imperatives**
Agenda

• MAP diagnostic components
• Key findings
• Options to extend financial inclusion
MAP Zimbabwe: 7 Key findings to advance financial inclusion

Domestic Population: ~7 million adults in Zimbabwe

Diaspora Population: 3.3 million Zimbabwean adults outside of Zimbabwe
Finding 1: Declining income & employment depress use of formal financial services
Finding 1: Declining income & employment depress use of formal financial services

Finding 2: Dutch disease undermines credit but drives payments – weak exports, strong imports
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Finding 2: Dutch disease undermines credit but drives payments – weak exports, strong imports

Finding 3: Banks’ contribution to financial inclusion has declined – business model changes required for banks to regain ground

MAP Zimbabwe: 7 Key findings to advance financial inclusion
Finding 4: Payments & Mobile Money platforms now dominate financial inclusion landscape

MAP Zimbabwe: 7 Key findings to advance financial inclusion
Finding 5: Cross-border retail money flows major growth area – fundamental for economy and households to survive
MAP Zimbabwe: 7 Key findings to advance financial inclusion

Finding 6: Informal financial services soaring – communities act collectively to survive

Use formal financial services from:
- Banks
- MFIs
- Mobile money
- Insurers

Use informal financial services from:
- Family and friends
- Money lenders
- Informal savings groups
Finding 7: Private human capital development a priority – financial services to support education
Key Findings 1: Declining income & employment depress use of formal financial services
Key Finding 1: Positive growth since 2010, but ...

Inflation

GDP Growth Rate

Source: World Bank, 2015; Zimstats 2014
Key Finding 1: Declining incomes at low end and ...

Average income decreased from $143 in 2011 to $134 in 2014

Demographic information:
- ~7 million adults
- 57% female
- 70% rural
- 59% w/ secondary education or higher

Source: FinScope, 2011; FinScope, 2014
Key finding 1: Generating target markets with stark differences

Target market profiles

- Biggest target market (Migrants) outside of the country (3.3 million adults)
- Salaried workers most educated (34% tertiary education), but one of the smallest target markets and declining (~736 000)
- MSMEs largely informal (~75% informal)
- Farmers largest domestic market (2.5 million), but very low monthly incomes (US$ 77)
- Survivalist workers report lowest average monthly income (US$ 77)
- Remittance receivers (70%) and Dependents (84%) most skewed towards females
Key finding 1: Target markets: Gender distribution

- Total popl.:
  - Female: 43%
  - Male: 57%
- Survivalist workers:
  - Female: 49%
  - Male: 51%
- Farmers:
  - Female: 50%
  - Male: 50%
- Remittance receivers:
  - Female: 30%
  - Male: 70%
- Dependents:
  - Female: 16%
  - Male: 84%
- MSME:
  - Female: 35%
  - Male: 65%
- Salaried workers:
  - Female: 60%
  - Male: 40%

Source: FinScope, 2014
Key Finding 1: With most people dependent on farming to live

51% of adults reporting farming as a secondary or primary source of income

- Salaried Workers: 736,000 (15%)
- Dependents: 1,036,000 (15%)
- MSME's: 864,000 (19%)
- Remittance receivers: 575,000 (32%)
- Survivalist Workers: 893,000 (38%)
- Farmers: 2,500,000 (100%)

Type of farming activity:
- Commercial farming: 0.04%
- Subsistence farming: 99.96%
Key Finding 1: And microenterprises the other survival strategy

<table>
<thead>
<tr>
<th>Education</th>
<th>Demographics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Struggling go-getters</td>
<td>Driven achievers</td>
</tr>
<tr>
<td>$ 248</td>
<td>$ 463</td>
</tr>
<tr>
<td>21%</td>
<td>31%</td>
</tr>
<tr>
<td>Survivalist</td>
<td>Reluctant entrepreneur</td>
</tr>
<tr>
<td>$ 186</td>
<td>$ 356</td>
</tr>
<tr>
<td>24%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Aspiration

- Struggling go-getters: 24%
- Survivalist: 24%
- Driven achievers: 31%
- Reluctant entrepreneur: 24%

Demographics

- 76% informal
- 22% of MSMEs in farming
- 60% female

Source: FinScope, 2012
Key Finding 1: And microenterprises the other survival strategy

Source: FinScope Zimbabwe MSME Survey, 2012
Key Finding 1: Resulting in fewer formal services used

Legend:
- **Banked**: Adults with bank accounts
- **Formal**: Access provided by non-bank formal FSPs, i.e. mobile money, insurers & MFIs
- **Informal**: Usage of informal providers, e.g. savings groups and moneylenders
- **Family and friends**: Services provided by family and friends, or self
- **Excluded**: No current access to formal or informal financial services

### Access Strand
- **2014**
  - 30% Banked
  - 39% Formal
  - 7% Informal
  - 16% Family and friends
  - 8% Excluded

### Reverse Access Strand
- **2014**
  - 8% Banked
  - 73% Formal
  - 4% Informal
  - 14% Family and friends
  - 1% Excluded
Key Finding 1: Fewer employed = Fewer formal services used

Salaried workers

736,000 adults (2014)

~ 1.2m adults (1998*)

Credit Strand

<table>
<thead>
<tr>
<th>Category</th>
<th>Bank</th>
<th>Other formal</th>
<th>Informal</th>
<th>Family &amp; Friends</th>
<th>Excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaried workers</td>
<td>22%</td>
<td>18%</td>
<td>6%</td>
<td>16%</td>
<td>38%</td>
</tr>
<tr>
<td>Remittance Receivers</td>
<td>8%</td>
<td>6%</td>
<td>29%</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>Dependents</td>
<td>7%</td>
<td>6%</td>
<td>27%</td>
<td>53%</td>
<td></td>
</tr>
<tr>
<td>MSME's</td>
<td>8%</td>
<td>10%</td>
<td>24%</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>Farmers</td>
<td>5%</td>
<td>7%</td>
<td>21%</td>
<td>66%</td>
<td></td>
</tr>
</tbody>
</table>

**Key Finding 2:** Dutch disease undermines credit but drives payments – weak exports, strong imports

**Finding 1:** Declining income & employment depress use of formal financial services

**Finding 2:** Dutch disease undermines credit but drives payments – weak exports, strong imports
Dutch Disease: “the deindustrialization of a nation’s economy that occurs when the discovery of a natural resource raises the value of the nation’s currency, making manufactured goods less competitive with other nations, increasing imports and decreasing exports”.

Sources: Handbook of Development Economics (2009)
Key Finding 2: Dutch disease undermines credit but drives payments

USD Foreign Currency Exchange Rates (select SADC trade partners)

Key Finding 2: Dutch disease undermines credit but drives payments

Source: RBZ, 2014
Key Finding 2: Dutch disease undermines credit but drives payments

**Access to remittances**
- **Zimbabwe 2014**
  - 58%
  - 42%
- **Lesotho 2011**
  - 57%
  - 43%
- **Swaziland 2014**
  - 45%
  - 55%
- **Botswana 2014**
  - 40%
  - 60%
- **Zambia 2015**
  - 39%
  - 61%
- **DRC 2014**
  - 34%
  - 66%
- **Mozambique 2014**
  - 23%
  - 77%
- **South Africa 2014**
  - 23%
  - 77%
- **Malawi 2014**
  - 19%
  - 81%
- **Mauritius 2014**
  - 6%
  - 94%

**Access to transactions**
- **South Africa 2014**
  - 78%
  - 22%
- **Zimbabwe 2014**
  - 57%
  - 43%
- **Lesotho 2011**
  - 38%
  - 62%
- **Zambia 2015**
  - 30%
  - 70%
- **Malawi 2014**
  - 19%
  - 82%
- **Mozambique 2014**
  - 16%
  - 84%
- **Tanzania 2013**
  - 12%
  - 88%

**Remittances**
- **Zimbabwe 2014**
  - 40% (2011)
  - 58% (2014)

**Transactions**
- **Zimbabwe 2014**
  - 2nd in transactions
  - 26% (2011)
  - 57% (2014)

*Source: FinScope Consumer Surveys*
**Key Finding 3:** Banks’ contribution to financial inclusion has declined – business model changes required for banks to regain ground

**Finding 1:** Declining income & employment depress use of formal financial services

**Finding 2:** Dutch disease undermines credit but drives payments – weak exports, strong imports

**Finding 3:** Banks’ contribution to financial inclusion has declined – business model changes required for banks to regain ground
Key Finding 3: Banks’ share of financial inclusion declines

Legend:
- **Banked**: Adults with bank accounts
- **Formal**: Access provided by non-bank formal FSPs, i.e. mobile money, insurers & MFIs
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Source: FinScope Consumer Survey 2011; 2014
Key Finding 3: Banks’ share of financial inclusion declines

% of banked adults by frequency usage

Deposits
- 2011: Dormant (4%), Mailbox (25%), Used (70%)
- 2014: Dormant (9%), Mailbox (64%), Used (25%)

Withdrawals
- 2011: Dormant (3%), Mailbox (65%), Used (32%)
- 2014: Dormant (23%), Mailbox (61%), Used (14%)

Source: Findex, 2011; Findex, 2014
Key Finding 3: Banks’ share of financial inclusion declines

Source: FinScope Consumer Survey 2011; 2014
**Key Finding 3:** Banks’ share of financial inclusion declines

### Profile of borrowers by institution

- **Total number of borrowers (‘000):**
  - Family and Friends: 2111
  - Informal credit: 602
  - Mobile credit: 526.6
  - Bank: 260
  - Microfinance Institutions: 38.4

- **Average income (USD):**
  - Family and Friends: $132
  - Informal credit: $177
  - Mobile credit: $418
  - Bank: $369
  - Microfinance Institutions: $- (Not specified)

*Source: FinScope Consumer Survey 2014*
Key Finding 3: …and less trusted than MMOs

Preferred provider for most adults in Zimbabwe

<table>
<thead>
<tr>
<th>Provider</th>
<th>Most trusted</th>
<th>Trusted</th>
<th>Slightly trusted</th>
<th>Not trusted</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMOs</td>
<td>30%</td>
<td>42%</td>
<td>12%</td>
<td>3%</td>
<td>14%</td>
</tr>
<tr>
<td>Banks</td>
<td>26%</td>
<td>37%</td>
<td>17%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Retirement funds</td>
<td>9%</td>
<td>32%</td>
<td>21%</td>
<td>9%</td>
<td>30%</td>
</tr>
<tr>
<td>Insurance companies</td>
<td>6%</td>
<td>27%</td>
<td>22%</td>
<td>11%</td>
<td>34%</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>5%</td>
<td>27%</td>
<td>25%</td>
<td>19%</td>
<td>25%</td>
</tr>
<tr>
<td>MFIs</td>
<td>2%</td>
<td>10%</td>
<td>16%</td>
<td>20%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Legend:
- Most trusted
- Trusted
- Slightly trusted
- Not trusted
- Don't Know
Key Finding 3: Consumer perceptions of pricing models put banks on the back foot

“We do not need banks anymore because we now have EcoCash”
-Survivalist worker: Farm labourer at a pig farm

“The bank eats into your money”
-Government worker
Key Finding 4: Payments & Mobile Money platforms now dominate financial inclusion landscape

Finding 4: Payments & Mobile Money platforms now dominate financial inclusion landscape
Key Finding 4: Payments dominate financial services needs

What is a need case?
A need case is a discrete consumer need that can be satisfied by one or more formal or informal financial services.

Source: FinScope Consumer Survey, 2014
## Key Finding 4: How needs are met by providers

<table>
<thead>
<tr>
<th>Need</th>
<th>Banks</th>
<th>Informal</th>
<th>Mobile Money</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Accumulation</td>
<td>✔</td>
<td>✔✔✔</td>
<td>✔✔✔</td>
</tr>
<tr>
<td>Remote Cross-border transfer of value</td>
<td>✔</td>
<td></td>
<td>✔✔✔</td>
</tr>
<tr>
<td>Remote domestic transfer of value</td>
<td></td>
<td>✔</td>
<td>✔✔✔</td>
</tr>
<tr>
<td>Farming inputs</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Enterprise Finance</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Education</td>
<td>✔</td>
<td>✔✔✔</td>
<td>✔</td>
</tr>
<tr>
<td>Local Payments</td>
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<td>✔✔✔</td>
<td>✔✔</td>
</tr>
<tr>
<td>Bill Payments</td>
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<td>✔</td>
<td>✔✔✔</td>
</tr>
<tr>
<td>Risk Mitigation</td>
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<td>✔✔✔</td>
<td>✔</td>
</tr>
<tr>
<td>Consumption Smoothing</td>
<td>✔</td>
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<td>✔</td>
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<tr>
<td>Encashment</td>
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<td>✔</td>
<td>✔✔✔</td>
</tr>
</tbody>
</table>
Key Finding 4: Mobile Money now dominates payments

+72% growth in mobile money subscriptions

(2013) 3m
(2014) 5.3m

Source: RBZ, 2015
Key Finding 4: Providers of remittances

Remote cross-border transfer of value:
- Banked: 20%
- Formal non-bank: 64%
- Informal: 5%
- Family and friends: 11%

Remote domestic transfer of value:
- Banked: 2%
- Formal non-bank: 81%
- Informal: 6%
- Family and friends: 11%

Consumption Smoothing:
- Banked: 5%
- Formal non-bank: 67%
- Informal: 13%
- Family and friends: 15%

Education:
- Banked: 6%
- Formal non-bank: 79%
- Informal: 10%
- Family and friends: 5%

Asset Accumulation:
- Banked: 8%
- Formal non-bank: 68%
- Informal: 7%
- Family and friends: 16%

Source: FinScope Consumer Survey, 2014
Key Finding 4: Shift to agents with mobile leading the way

Source: RBZ, 2015
Key Finding 4: But mobile money a key consumer protection concern

- Individual consumers do not receive deposit protection
- Legally binding regulations for MMOs still to be passed
- No banking recourse for individual consumers
- Interoperability not yet mandated
Key finding 5: Cross-border retail money flows major growth area

Finding 5: Cross-border retail money flows major growth area – fundamental for economy and households to survive
Key Finding 5: Cross-border retail money flows major growth area

3.3 million (47% of adult population) live outside of Zimbabwe

931,000 (13% of adults) received remittances in 2014

## Key Finding 5: Banks selling directly cross-border to diaspora

**Insurance**
- Motor Insurance
- Home Insurance
- Life Assurance
- Travel

**Banking services**
- Savings accounts
- Transaction accounts
- Credit card

**Investment services**
- Equity
- Bonds
- Property
- Retirement

**Credit services**
- Home mortgages
Key Finding 5: Main MSME sector is cross-border trade

Source: FinScope Zimbabwe MSME Survey, 2012
Key finding 6: Informal financial services soaring

Finding 6: Informal financial services soaring – communities act collectively to survive

Use formal financial services from:
- Banks
- MFIs
- Mobile money
- Insurers

Use informal financial services from:
- Family and friends
- Money lenders
- Informal savings groups
Key Finding 6: Providers for savings

80% of local transactions happen in cash

- Planned risk mitigation: 16% Banked, 14% Formal non-bank, 21% Informal, 50% Family and friends / at home
- Consumption smoothing: 13% Banked, 13% Formal non-bank, 20% Informal, 54% Family and friends / at home
- Education: 15% Banked, 13% Formal non-bank, 22% Informal, 50% Family and friends / at home
- Asset accumulation: 18% Banked, 15% Formal non-bank, 24% Informal, 44% Family and friends / at home

Source: FinScope Consumer Survey, 2014
Key Finding 6: Informal provision dominates

**So, if something went wrong who would you think of... as the first contact to get a loan from?**

It would be family. I am saying it because I cannot think of any financial institution that I could go to; to get money because you cannot get any financial assistance from any institution. They are not lending. If they are lending, then they have so many strings attached.

**Can you think of something that went wrong?**

I would have to rely on family. Even when we had to bury my dad, his children and family contributed money for most of the requirements. Of course we also made use of the burial society funds.

Private Sector Worker: PETER – Pharmaceutical Wholesaler (High Income)
Key finding 7: Private human capital development a priority

Finding 7: Private human capital development a priority – financial services to support education
Key Finding 7: Strong drive for accumulation of non-financial assets

Source: FinScope Consumer Survey, 2014

RCTV – Remote cross-border transfer of value
RDTV – Remote domestic transfer of value
Key Finding 7: Private human capital development a priority – makes for resilient microenterprises

Agenda

• MAP diagnostic components
• Key findings
• Options to extend financial inclusion
Options to extend financial inclusion

1. Focus on where you can drive financial inclusion given current conditions
2. Facilitate transaction based revenue for banks
3. Strengthen underpinnings of the credit market
4. Enhanced interoperability at retail payments level
5. Facilitate cashless payments for cross-border traders
6. Facilitate formal remittances and cross-border services for migrants
7. Facilitate products to build human and physical capital
MAP is a comprehensive market assessment of retail financial services. The purpose of MAP is to assist the Government to identify key priorities and opportunities to extend access to financial services.

The MAP framework has been developed in partnership between Cenfri, FinMark Trust and the UNCDF and is intended to become a public good that can advance the global financial inclusion agenda.

Thank You!

Please contact us at...

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