



20 years of making
financial markets
work for the poor

FinScope SA Consumer Survey

Prepared for FSCA

05 May 2022

FinScope

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Research background and methodology

Objectives

- **Understanding** and **tracking** the access to, use of and demand for financial services (formal and informal).
- **Identify** how people's **financial services needs** and **behaviour** are evolving.
- Identify how well the financial markets are currently **meeting people's needs**.
- Assess the **impact of the COVID-19** on financial behaviour and uptake
- Create platforms to engage FinScope findings for evidence-based policy and programming.

Methodology and population estimates

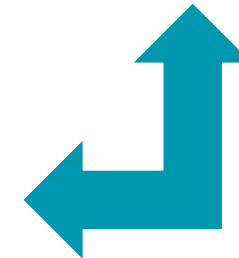
5 664 face to face interviews
(more interviews due to
booster sample of 600)

Representative sample at a
national and provincial levels

Results were weighted to the SA
population -
Stats SA 2021 Mid-year estimates



42.1 million adult South
African Residents (16 years
and older) population



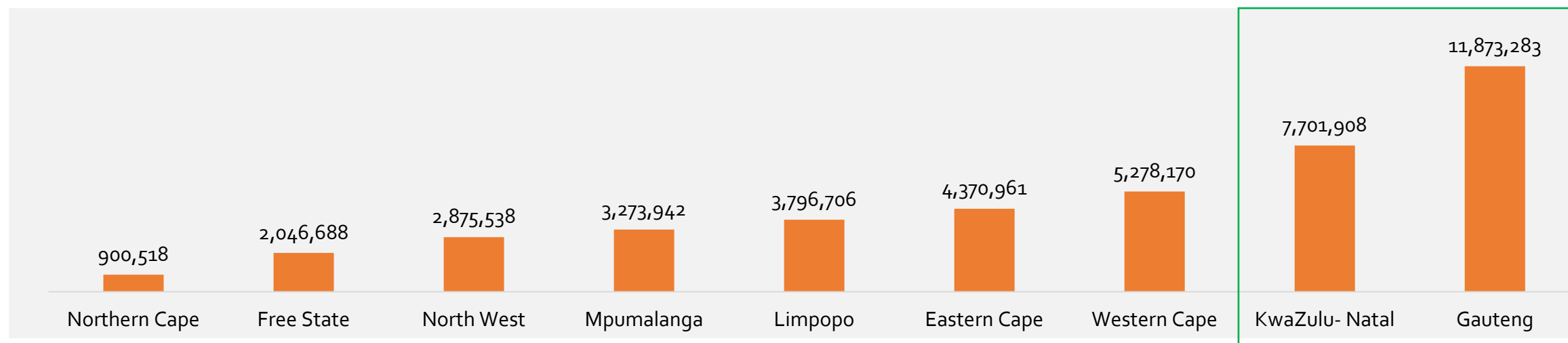
Sample Performance

	2021	2019	2018
Race:	%	%	%
Black	79	79	79
White	9	9	9
Coloured	9	9	9
Asian	3	3	3
Gender:		%	%
Male	48	48	48
Female	52	52	52
Age:		%	%
16 – 17	3	3	2
18 – 29	30	32	34
30 – 44	34	33	33
45 – 59	19	19	19
60+	13	13	12
LSM:		LSM 2014	LSM 2014
1 – 2	0	1	2
3 – 4	8	15	14
5 – 6	52	53	52
7 – 8	28	19	20
9 – 10	13	12	12

	2021	2019	2018
Personal monthly income:	%	%	%
No income	5	4	5
R1 - R999	15	15	16
R1,000 - R1,999	19	19	17
R2,000 - R2,999	10	10	8
R3,000 - R5,999	13	13	12
R6,000 - R7,999	3	4	4
R8,000 - R9,999	2	3	3
R10,000 - R11,999	1	1	2
R12,000 - R16,999	2	2	4
R17,000 - R24,999	1	1	2
R25,000 - R29,999	1	2	1
R30,000 - R39,999	1	2	1
R40,000 - R49,999	0.4	1	0.3
R50,000 - R59,999	0.2	0.4	0.2
R60,000 or more	1	1	0.2
Refused	25	20	21
Do not know	3	3	1.8

Demographics

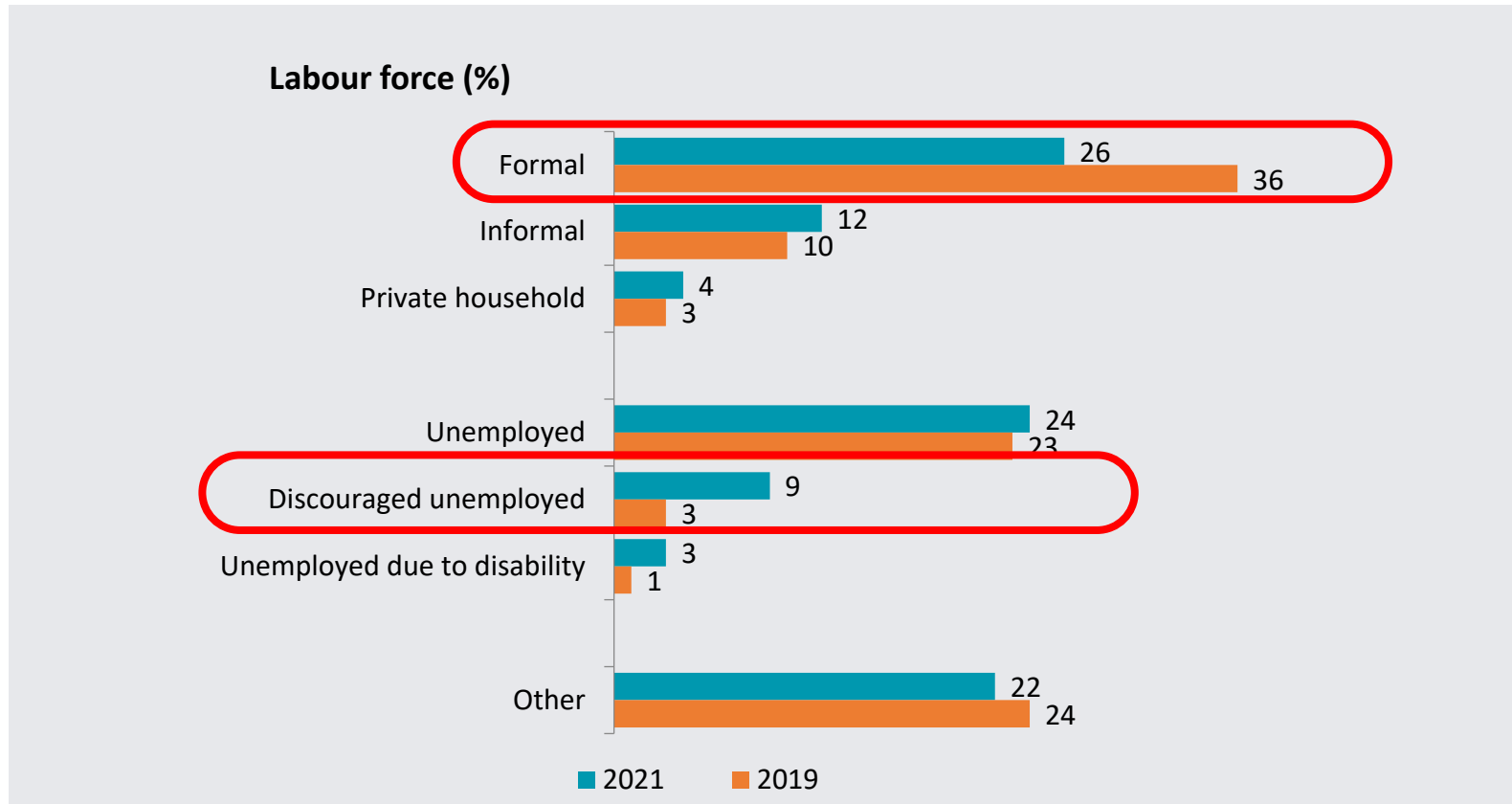
Population group	Male		Female		Total	
	Number	Distribution of males	Number	Distribution of females	Number	Distribution of total
Black	15 594 846	77%	17 602 430	81%	33 197 276	79%
Coloured	1 771 458	9%	2 031 207	9%	3 802 665	9%
Indian/Asian	592 036	1%	641 371	2%	1 233 407	3%
White	2 310 159	11%	1 574 207	7%	3 884 366	9%
Total	20 268 499	48%	21 849 215	52%	42 117 714	100%



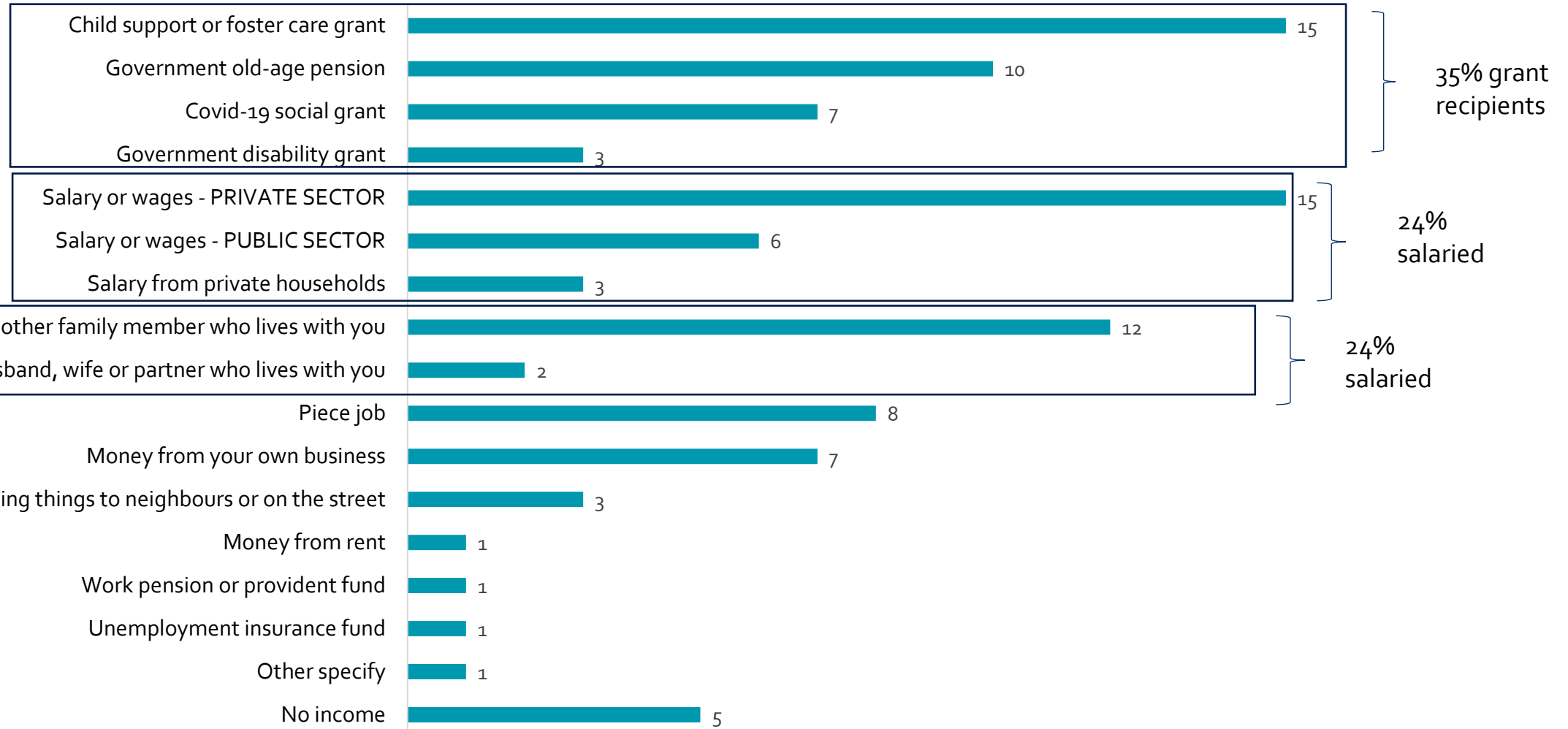
A photograph of two women in a workshop setting, smiling and looking at a piece of material on a table. The woman on the left is wearing a dark jacket and a black headscarf, and is holding a pen. The woman on the right is wearing a dark jacket and a patterned headscarf. They are both looking at a piece of material on the table. The background shows a workshop with various tools and equipment.

Understanding people challenges – How are people surviving?

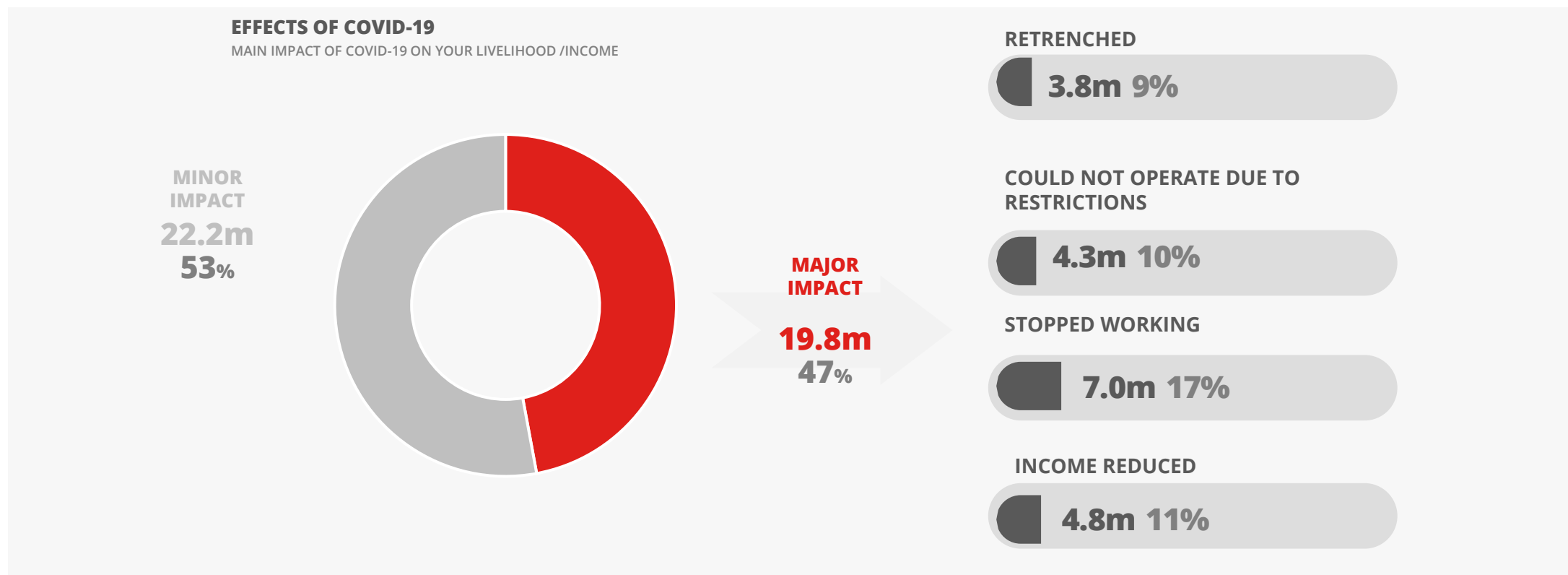
South Africa in 2021 – signs of economic hardship, high unemployment



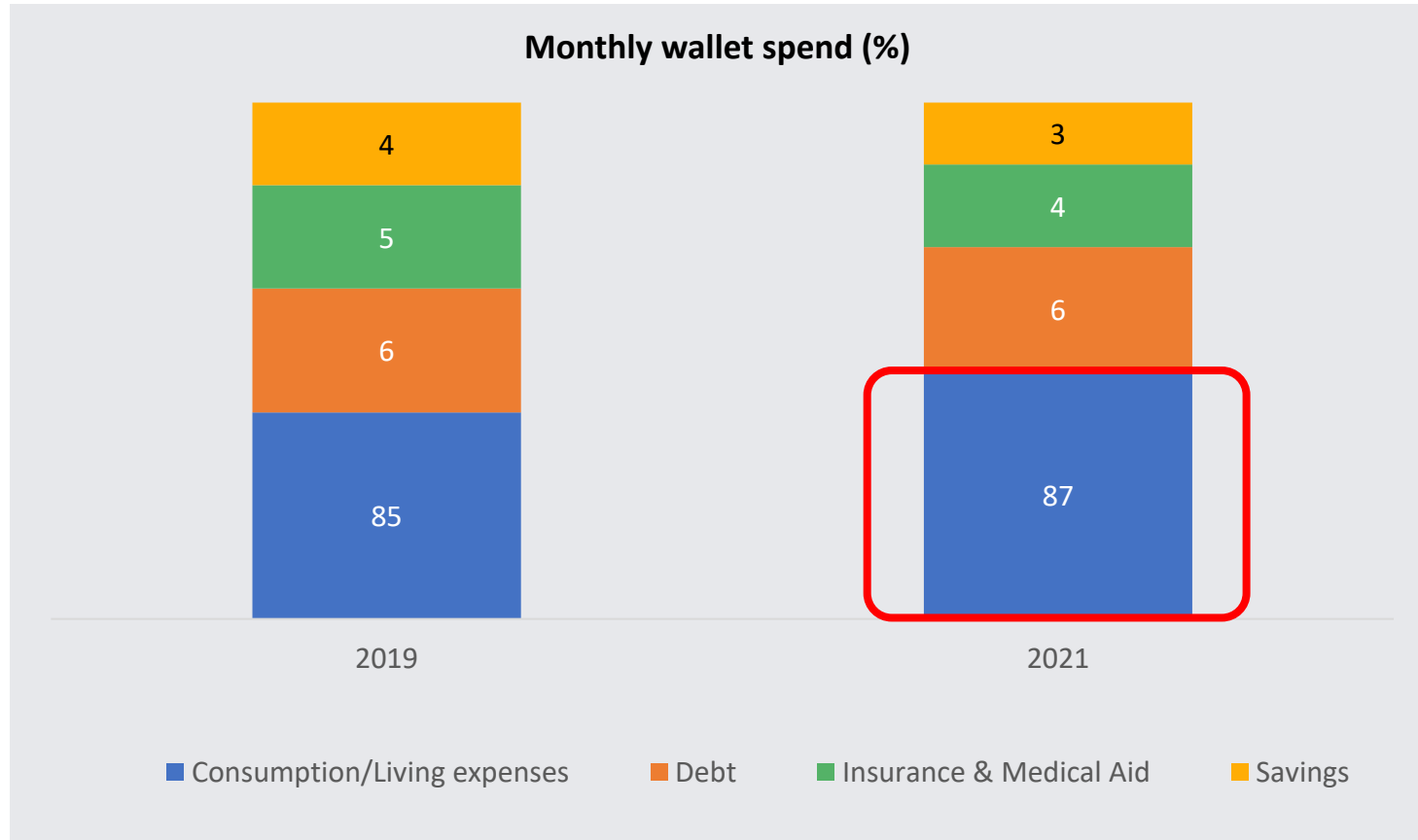
Main source of income mainly driven by social grants, salaried and those supported by friends and family



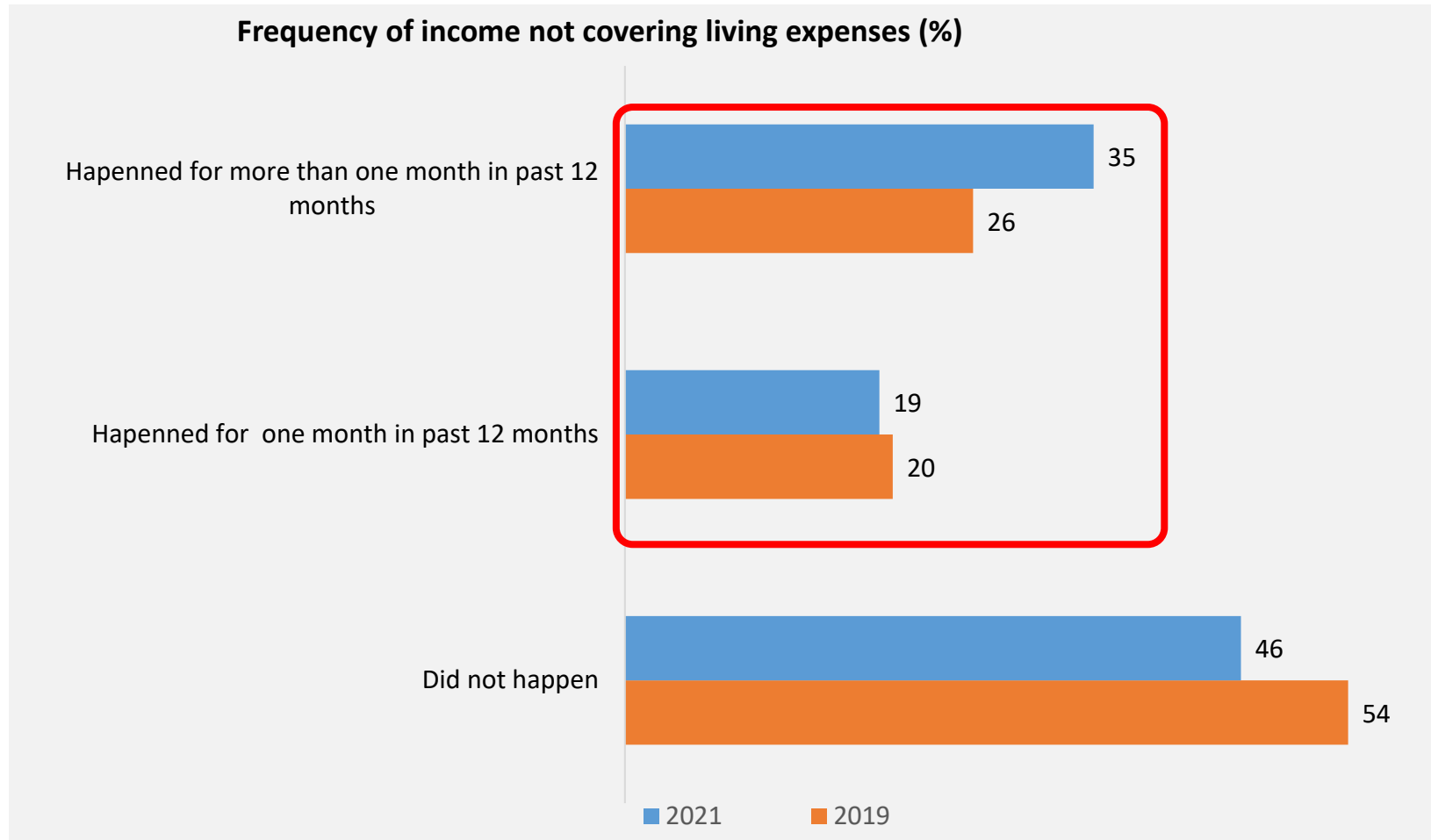
South Africa in 2021 – signs of economic hardship, livelihoods hugely impacted



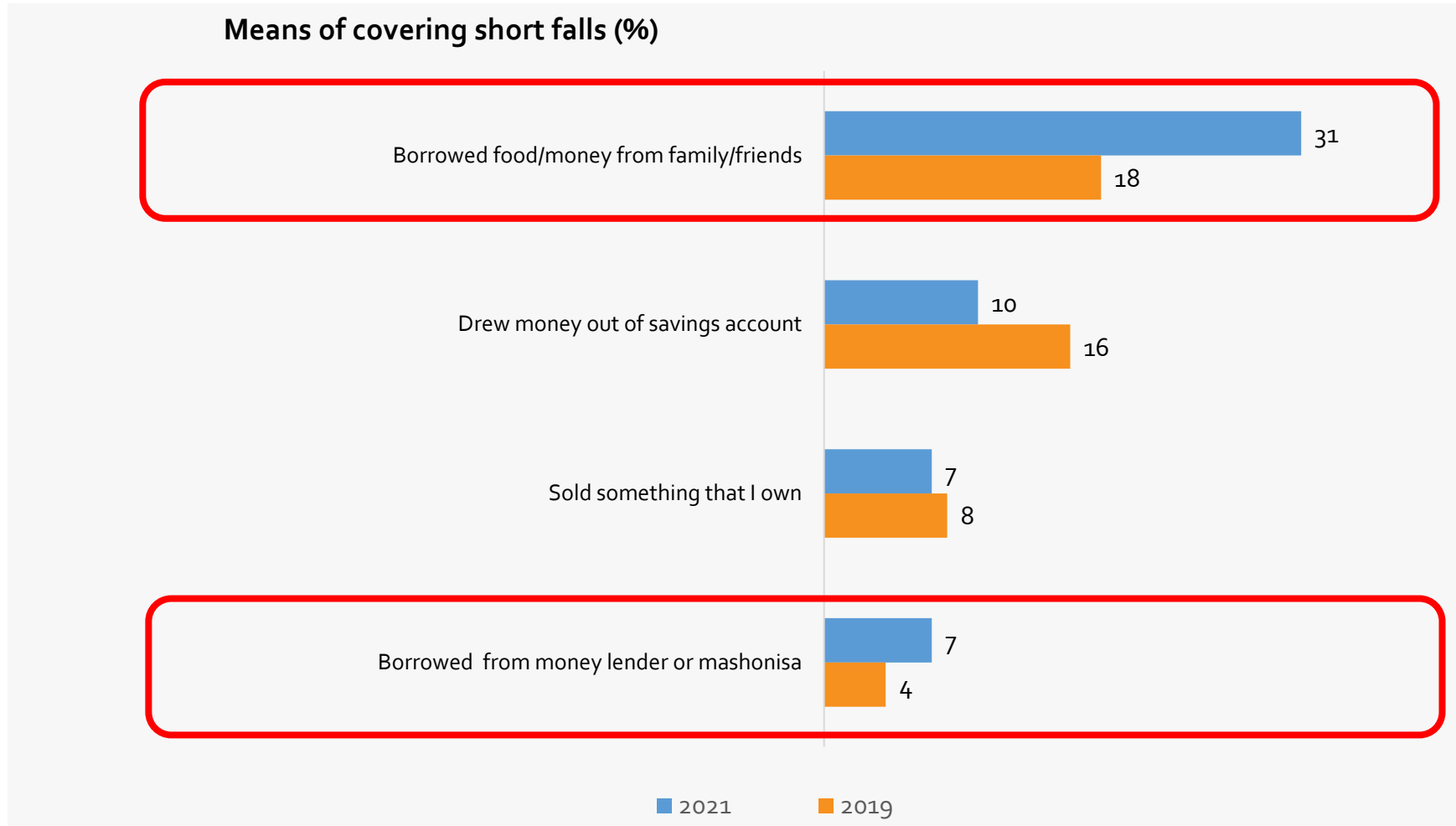
Repercussions of identified challenges: Greater need for day-to-day living expenses:



Repercussions of identified challenges: More struggled to meet day-to-day needs in the past 12 months



Repercussions of identified challenges: Heavy reliance on social support (what does this mean to the core middle class?)



Broadening dependency, more adult depending on social grants, borrowing money from family members and increased remittances



Grant recipients

2019

29%

2021

41%



Borrowed money from family members

14%

33%



Money from family members

Same house

25%

14%

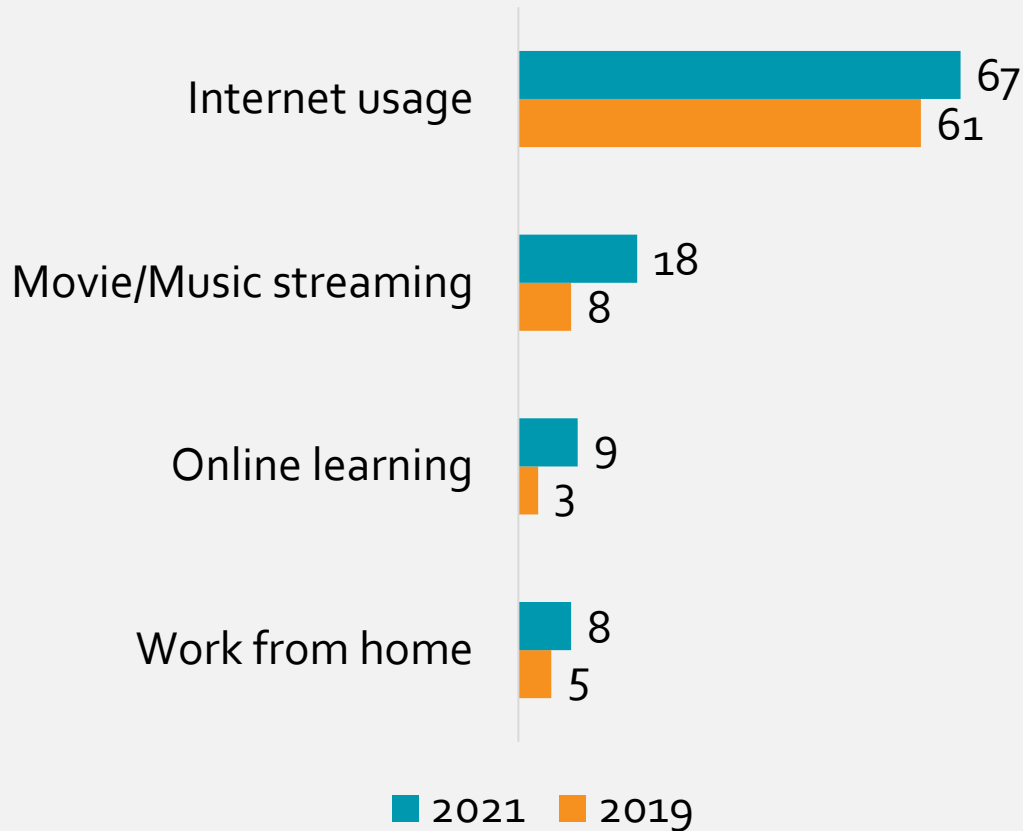
Remittances

9%

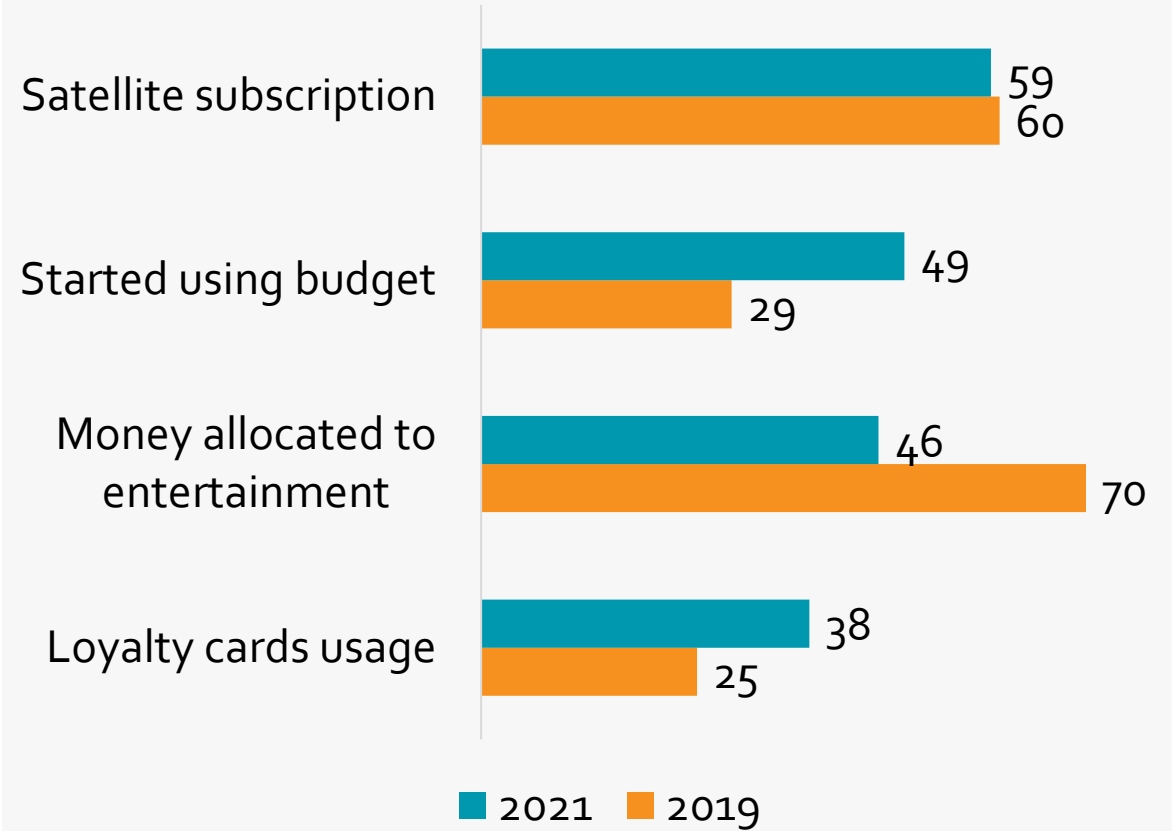
19%

Due to COVID-19 lockdowns and other restrictions, people spent less on outdoor entertainment, some invested more on home entertainment

Internet usage (%)



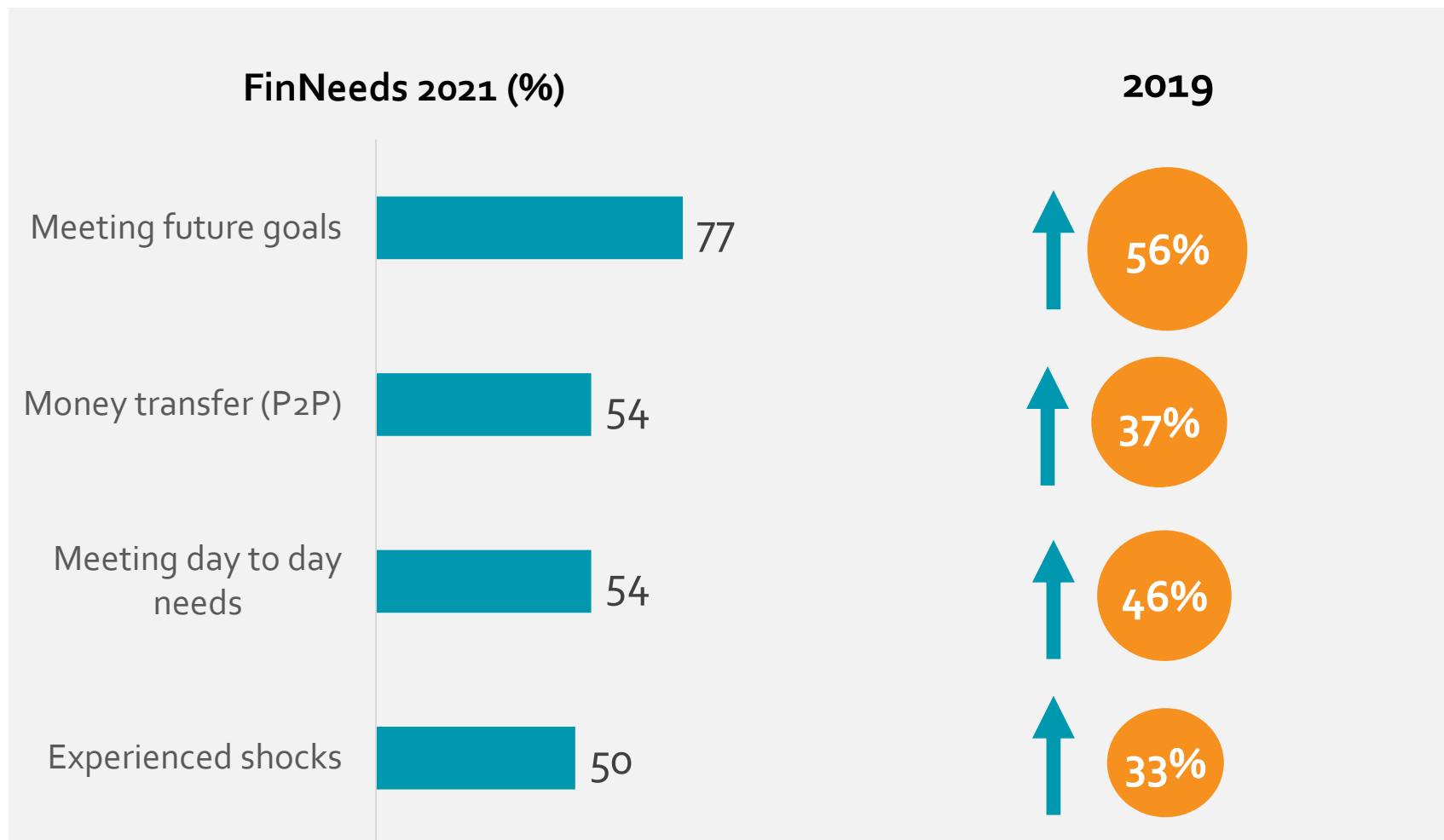
Behavioural changes (%)





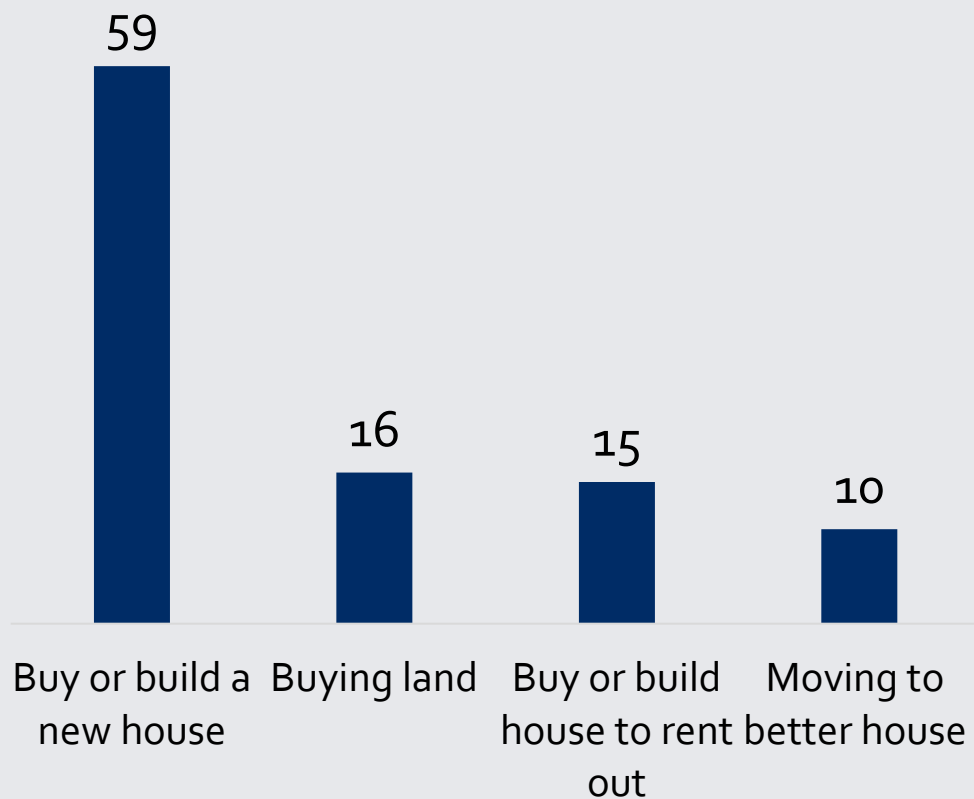
Consumers Needs and used cases

More adults are faced with financial needs towards investment goals, receiving remittances, meeting day-to-day expenses and managing shocks...

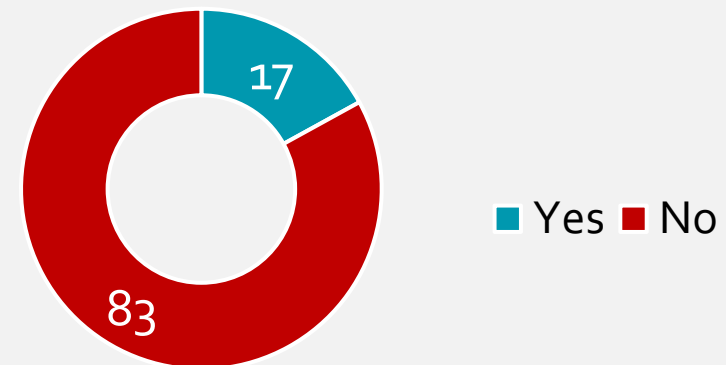


Huge need for Housing and SME financing.....

Housing needs (44%)

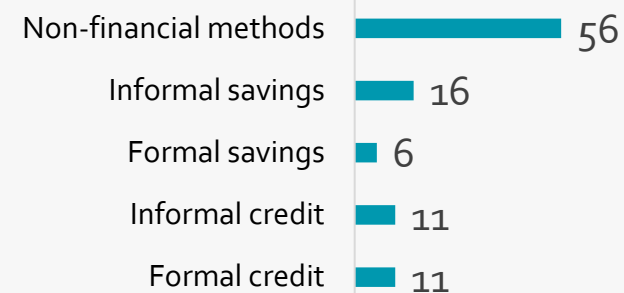


SME financing need (17%)



20% or 1.4 million just got retrenched or business closed

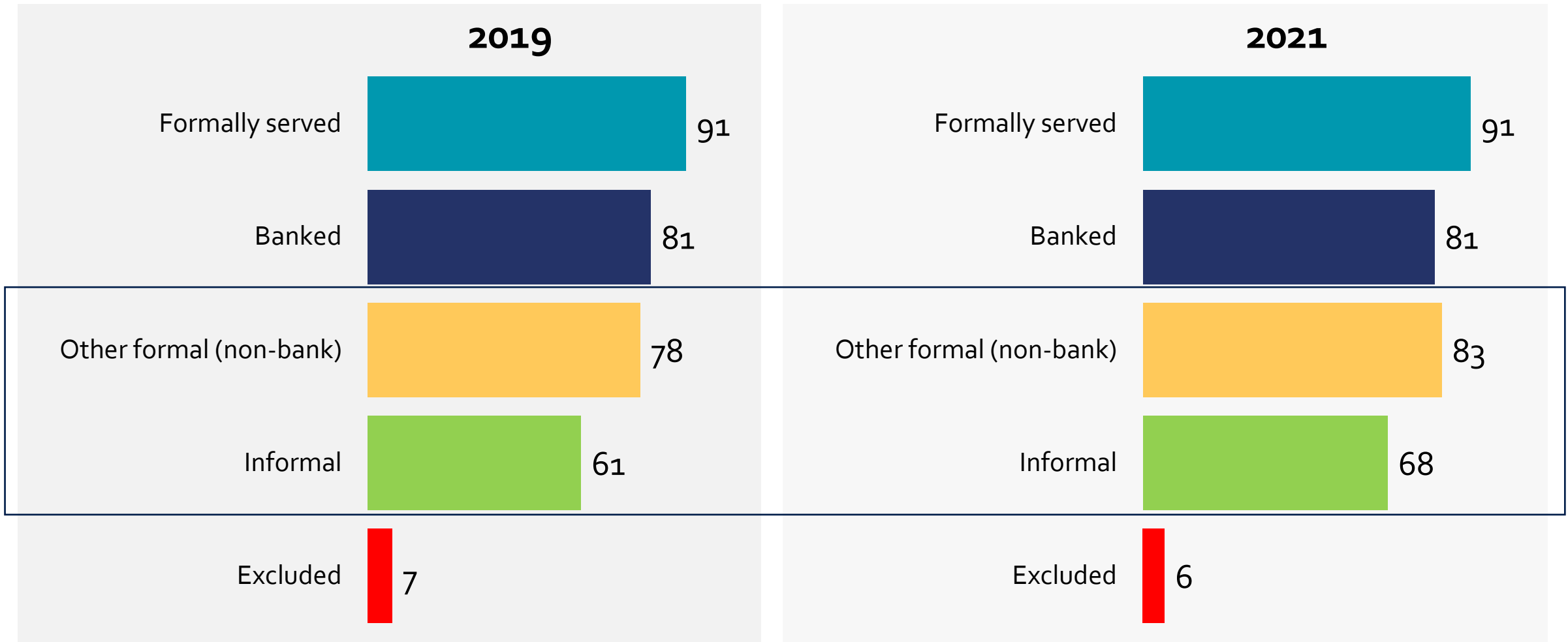
Used case (47%)





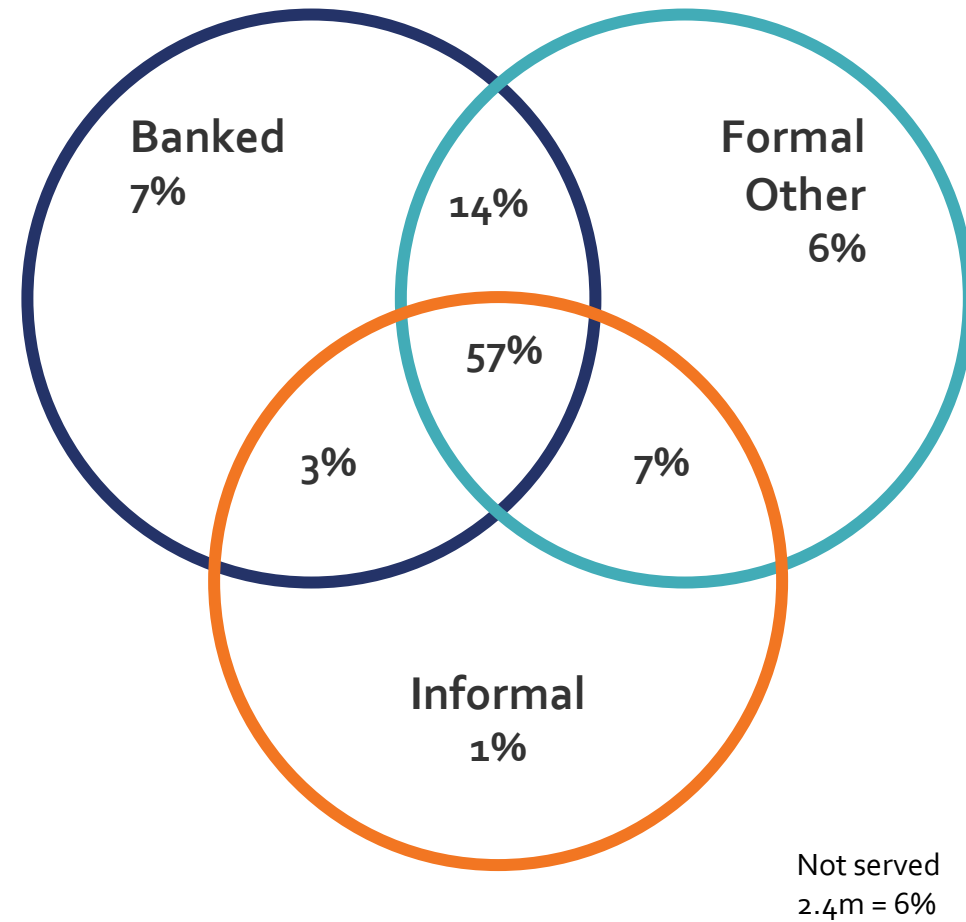
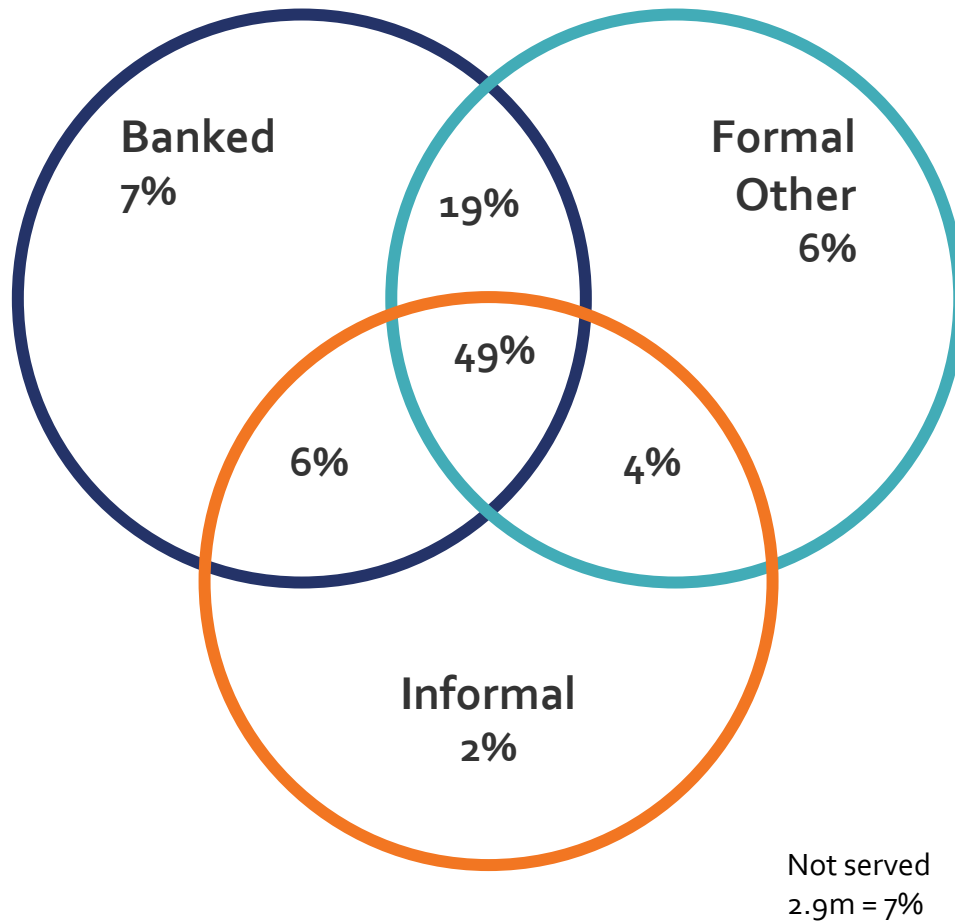
Financial inclusion indicators overview

Financial inclusion levels are stable, at 94% of adults being financially included, but the make-up has changed, driven by consumers needs in a struggling economy









What drives changes in financial inclusion?

More people using combination of formal and informal mechanism, showing 11% points increase....



How these challenges affected financial inclusion?

	Uptake	Changes		Uptake	Changes
Financial Inclusion	94%		Saving	52%	
Remittances	56%		Bank accounts	81%	
Credit	71%		Insurance	54%	

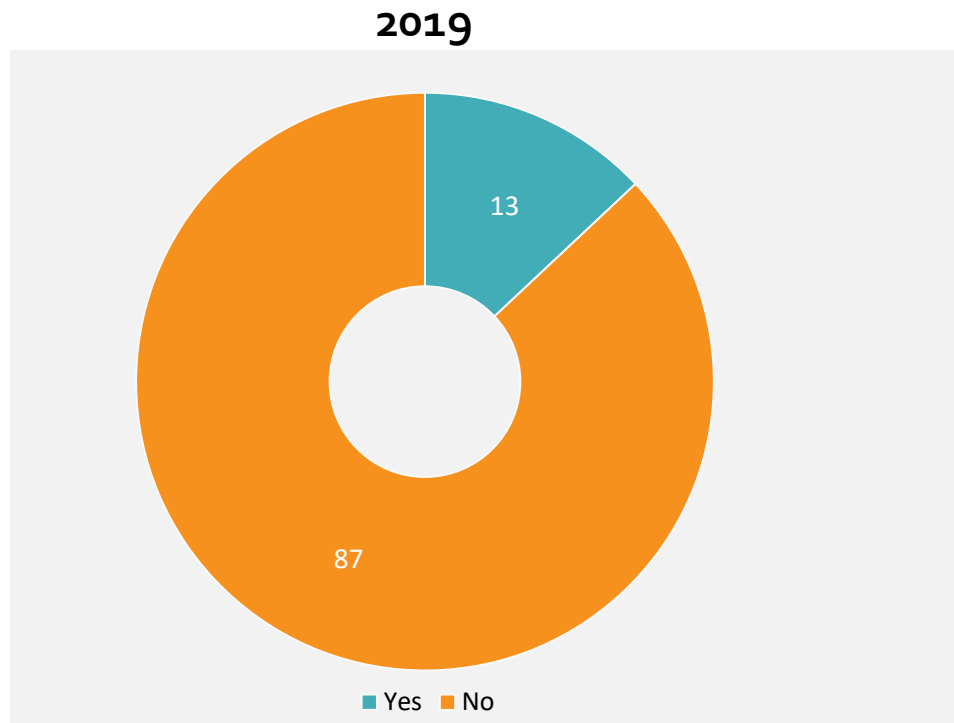


Bank account usage

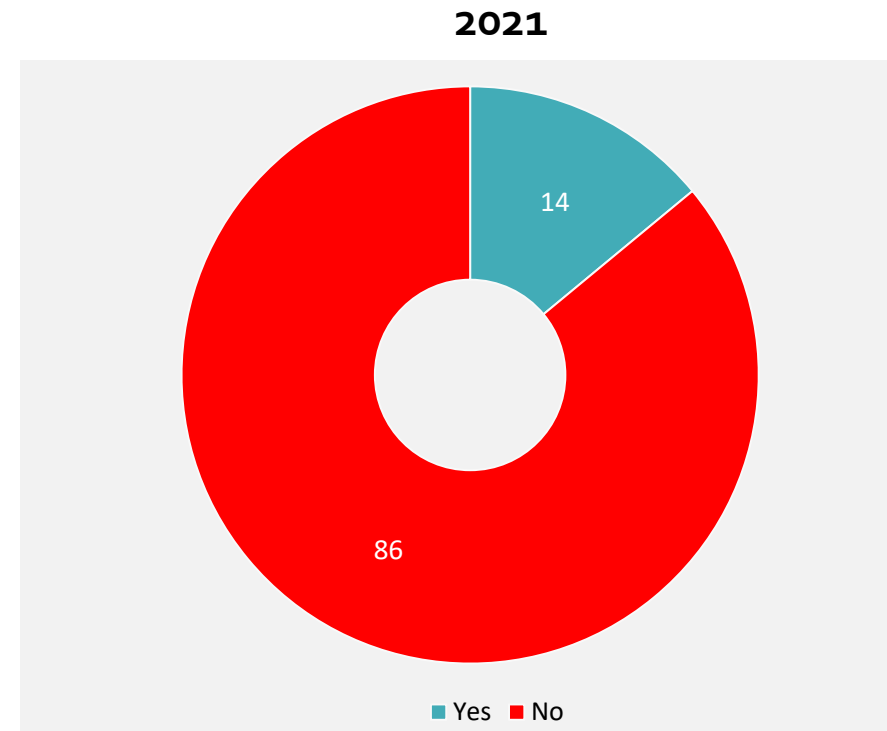
8.2 million or 19% of South African residents are unbanked

	2021	2019
No. of banked adults in SA	33 981 706	33 195 665
No. of previously banked adults in SA	1 674 692	2 097 564
No. of never banked adults in SA	6 451 012	5 650 504
No. of unbanked adults in SA	8 197 508	7 748 069
Total population size	42 117 714	40 943 734

More people could have multiple banks accounts in their own name, have other bank account/s held with different banks

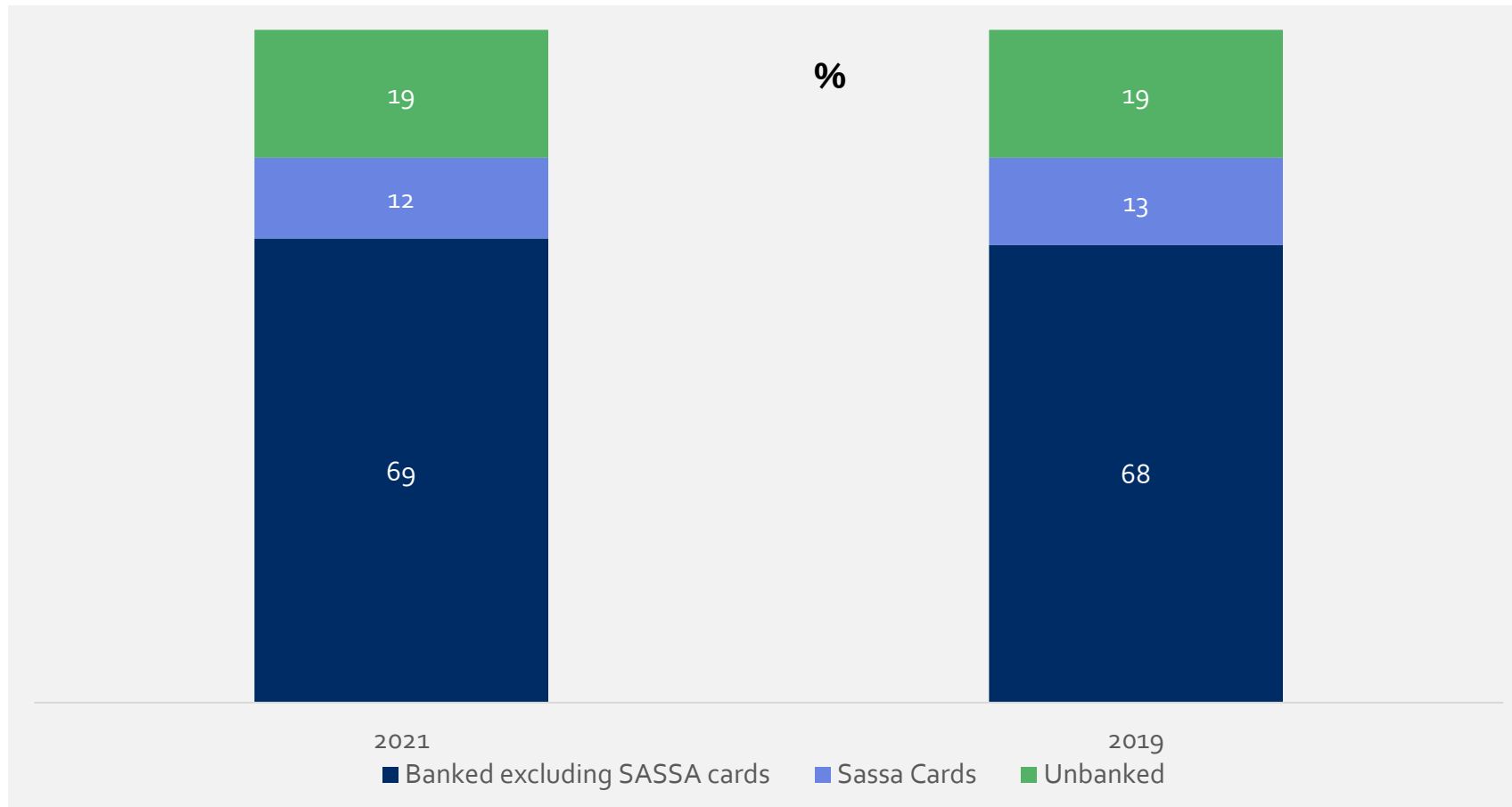


%

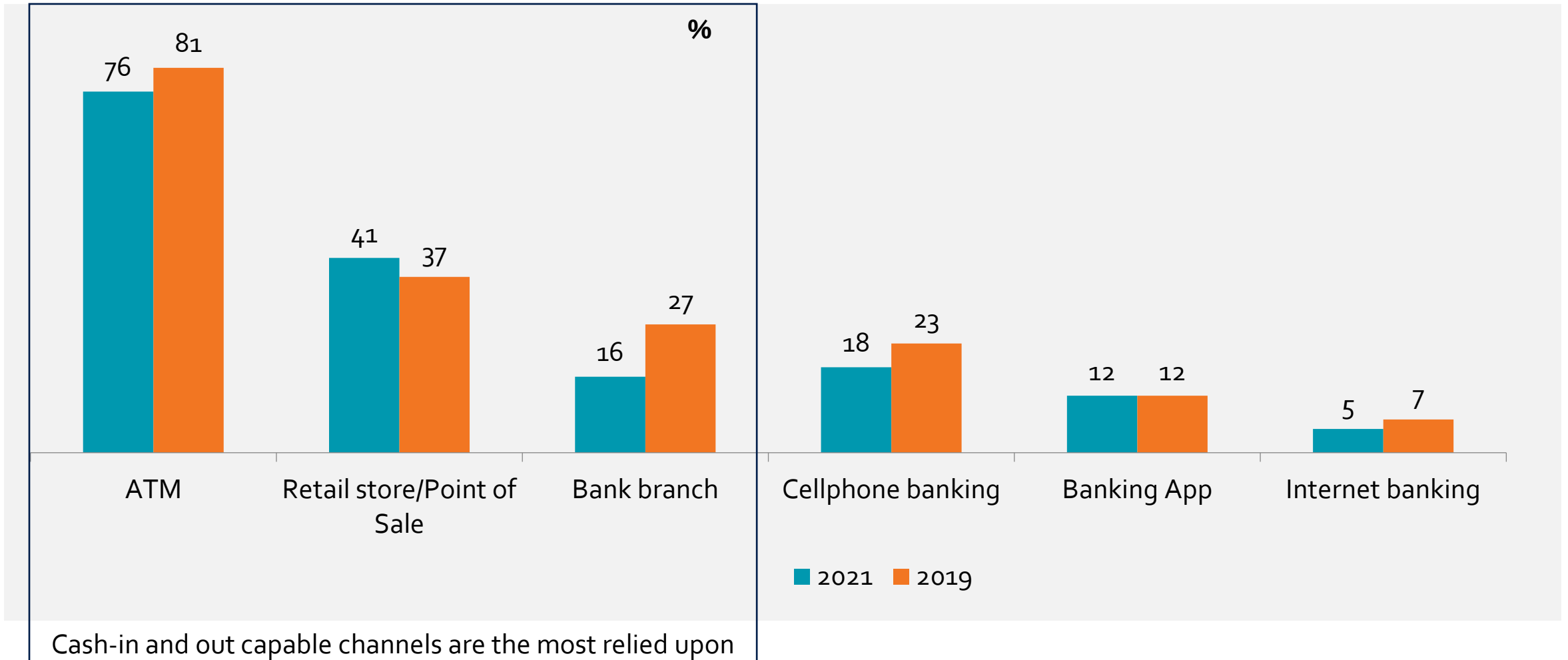


*Have more than one bank accounts held with different banks

Around 30 million or 69% have bank account with traditional banking institutions, meaning that around 7 million of grant recipients have bank accounts with bankis



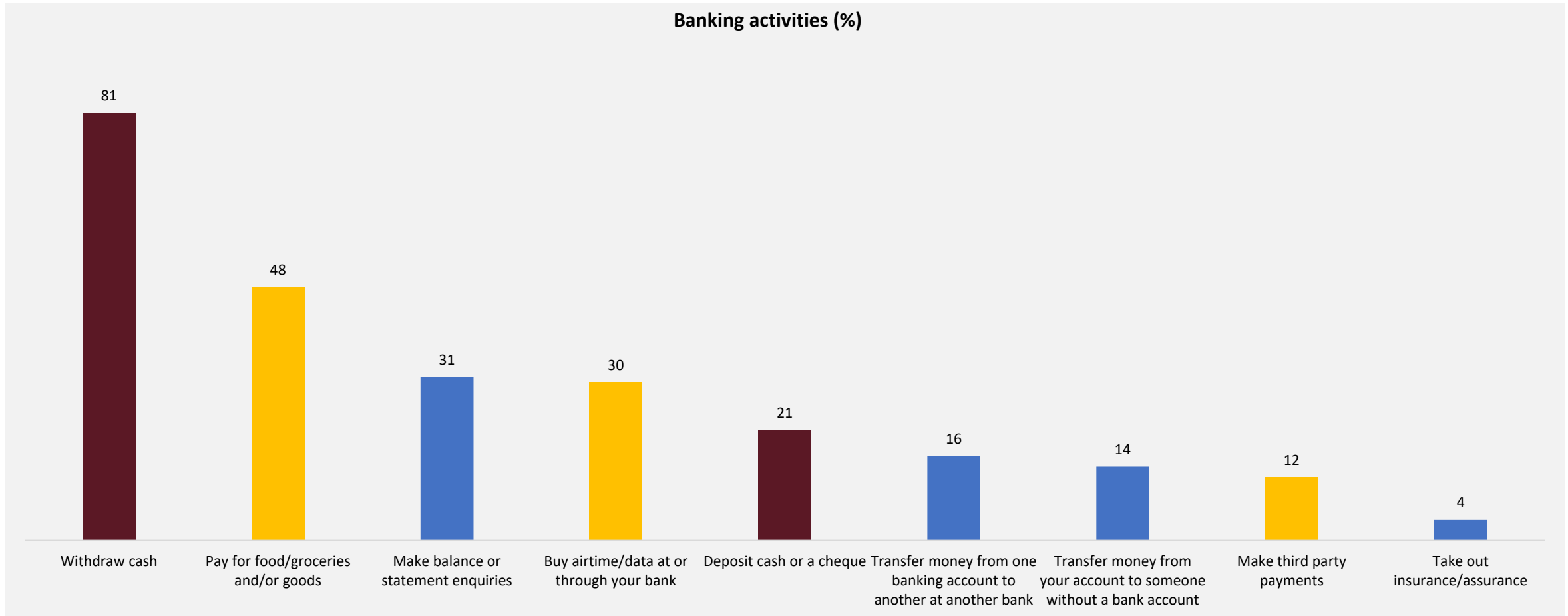
ATMs and Retail stores are the most used channels for banking transactions



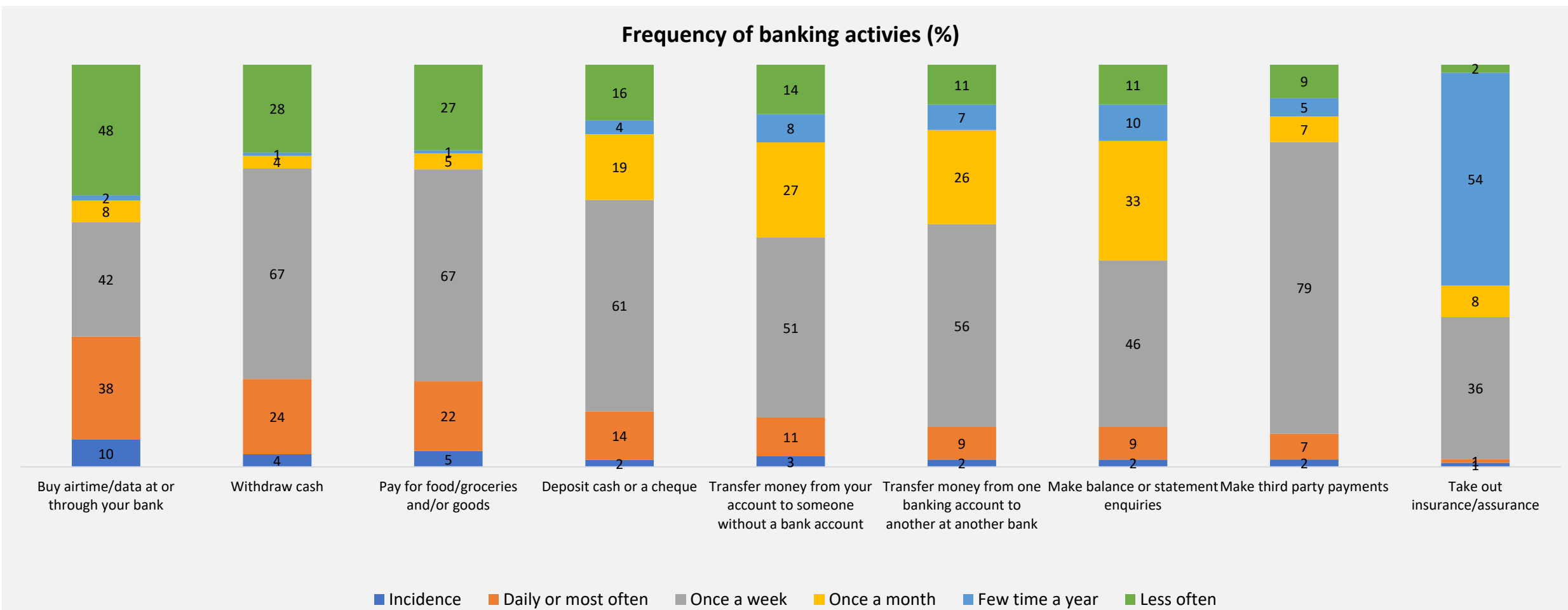
Source: F13a

Read: Amongst the banked, 76% get cash/transact from an ATM

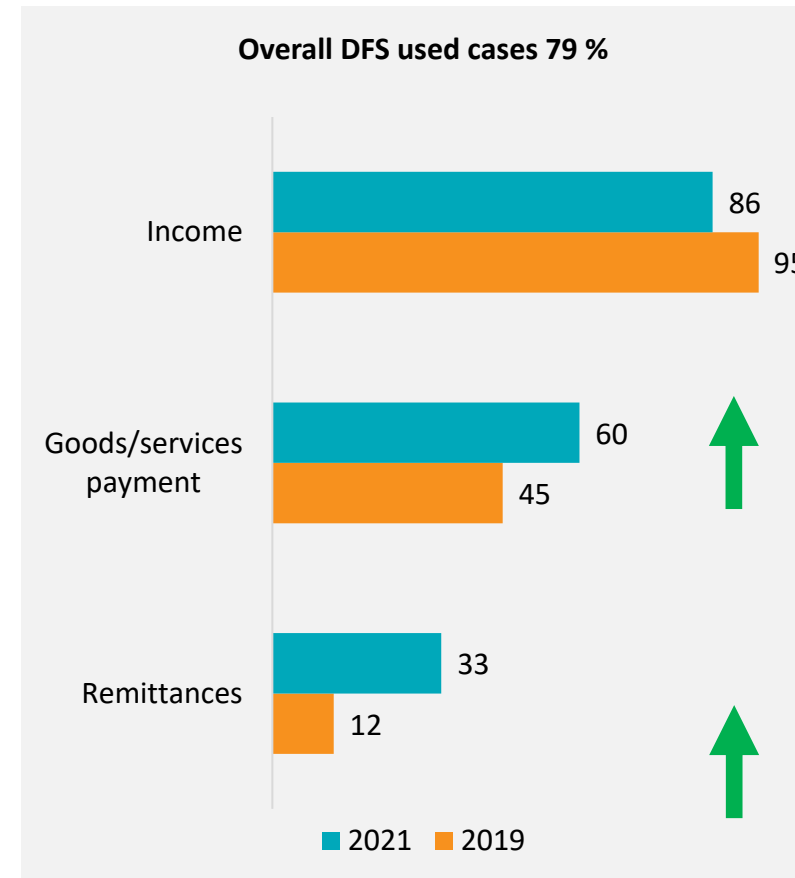
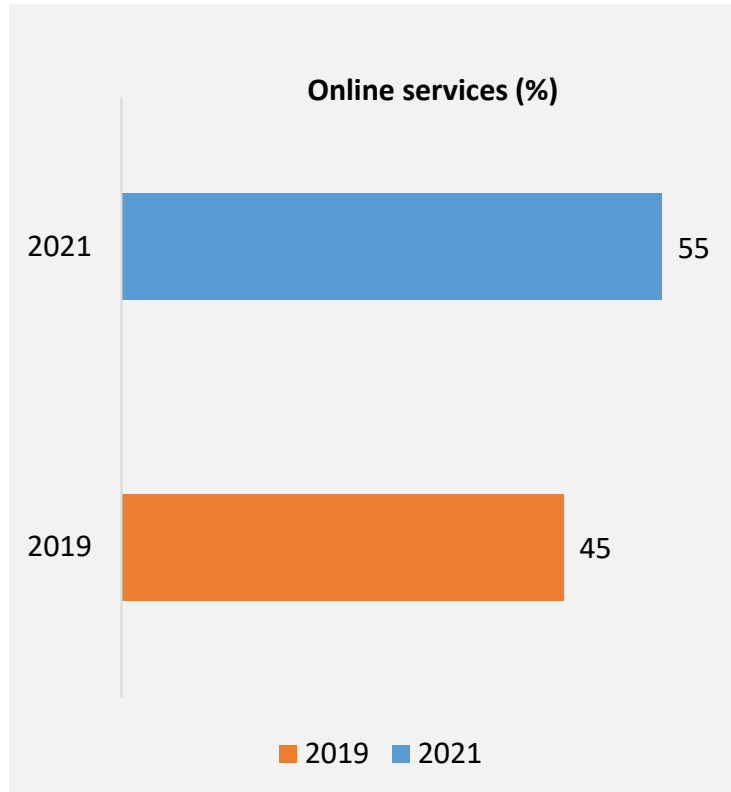
Main banking activities are driven by cash usage and payments



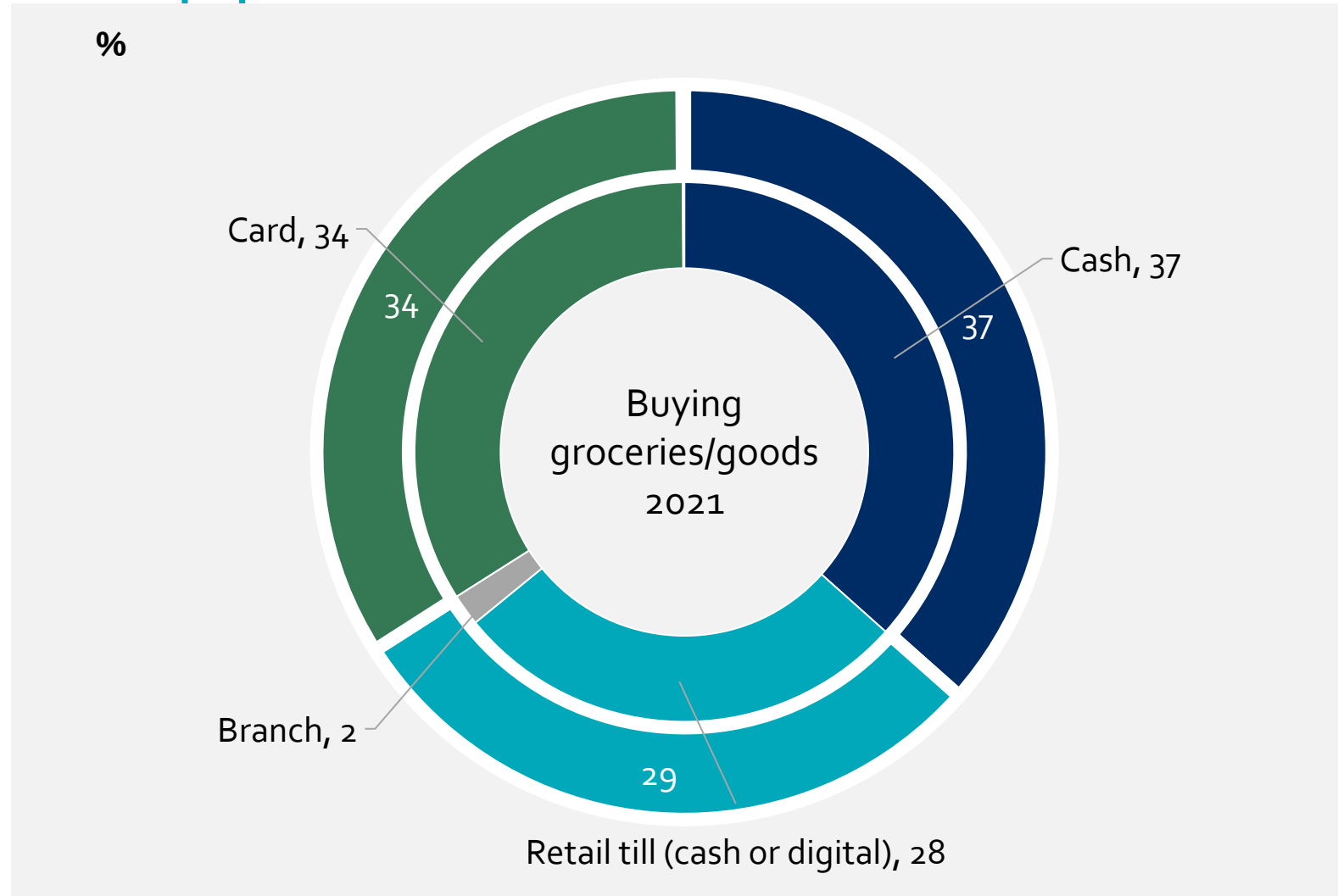
Buying airtime, cash withdrawal and groceries payments are more likely to be weekly activities



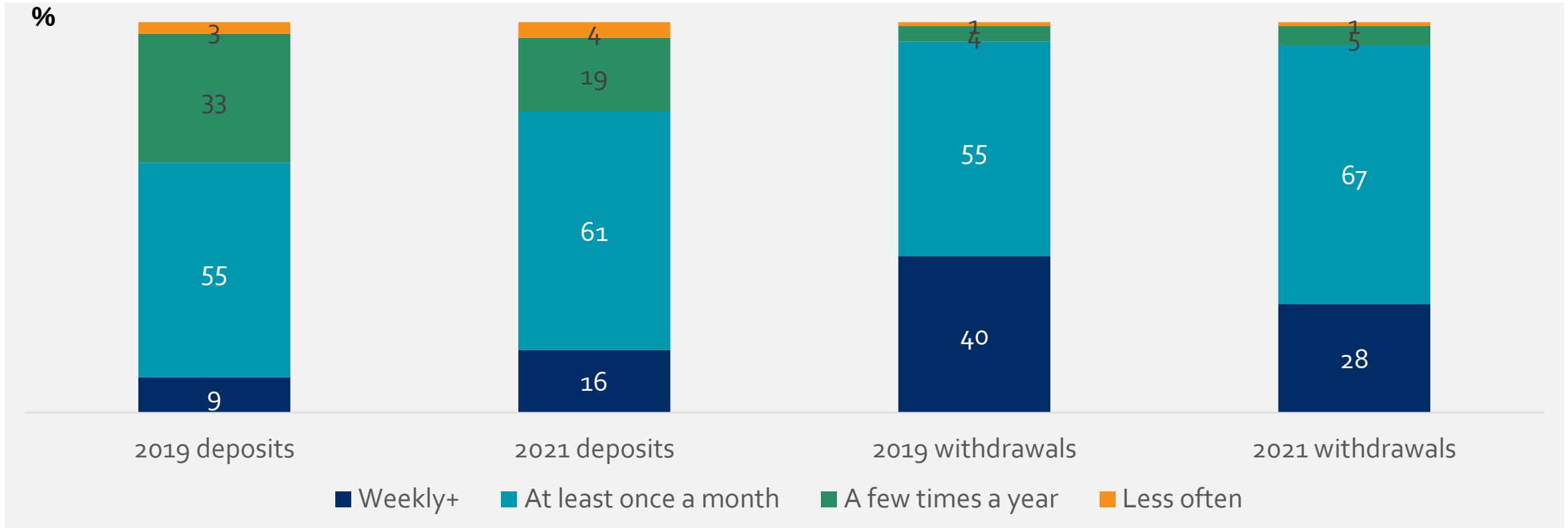
While the rise of online banking was swift before the pandemic, the national lockdown meant that more South Africans have now made the switch



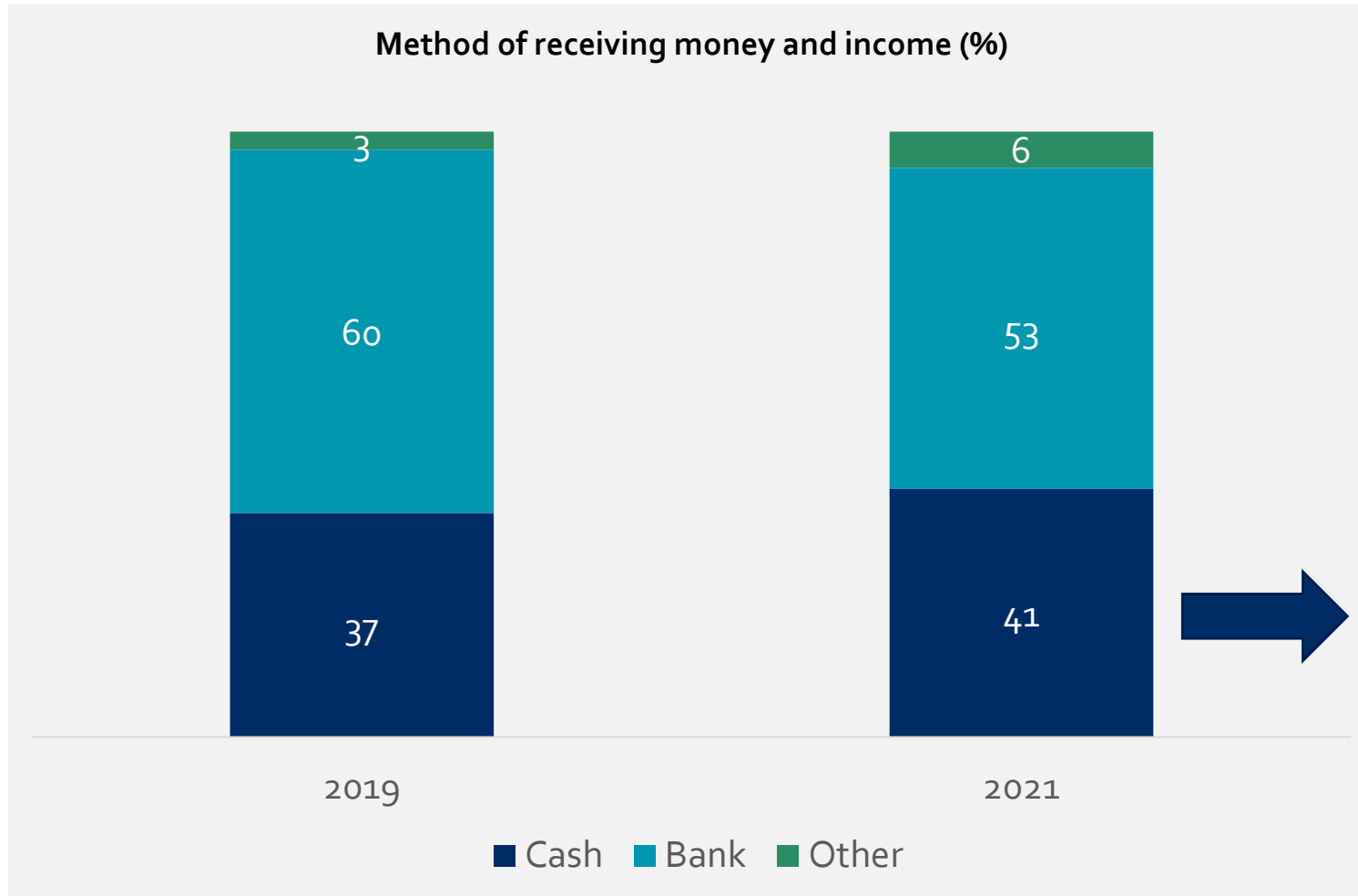
Despite high financial inclusion, cash remains a very common means of payment amongst the banked population



There is still a strong reliance on cash in our economy, 25 million (60%) adults withdraw cash at least once a month

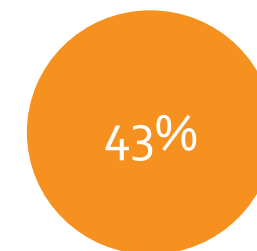
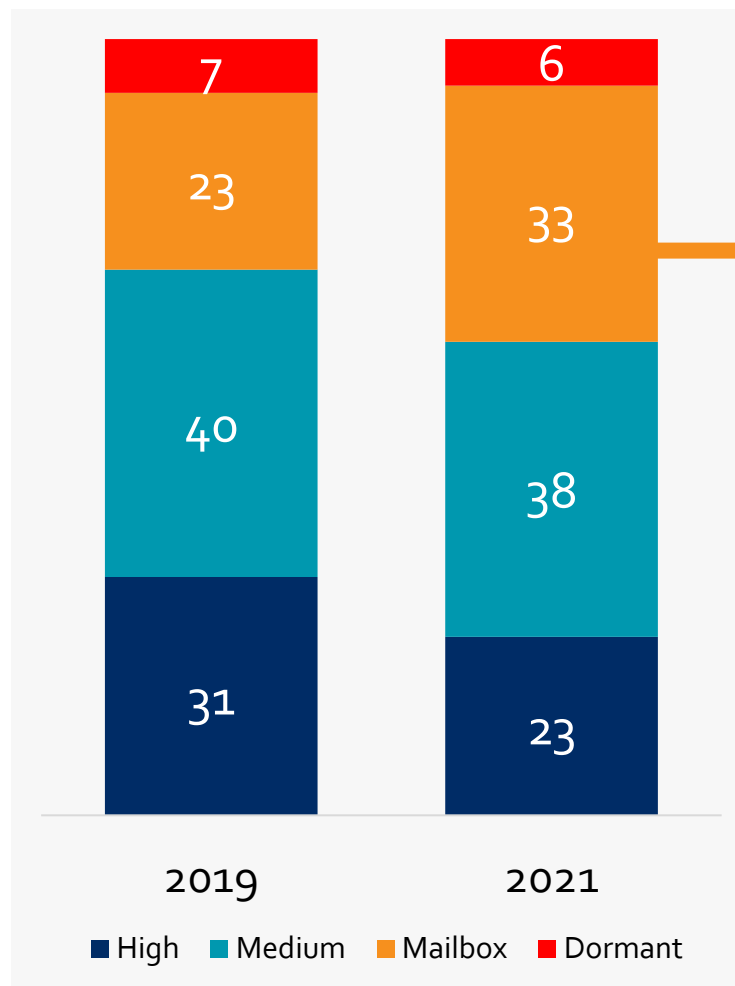
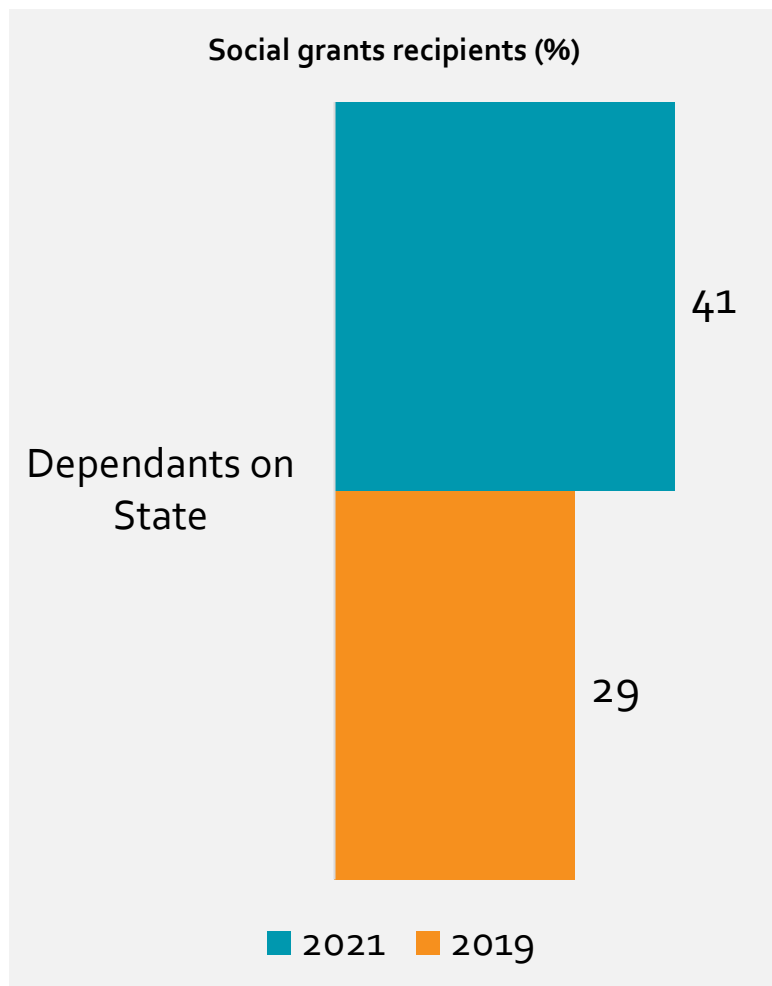


Almost half of the people who are receiving money or income are receiving it in cash

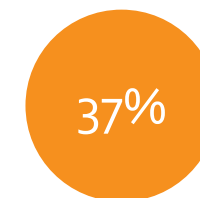


And 67% of these people are banked

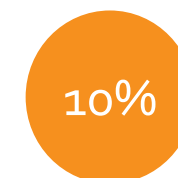
More South Africans withdrew all the money from their accounts as soon as it was deposited...



Money too little,
so they need all
the money



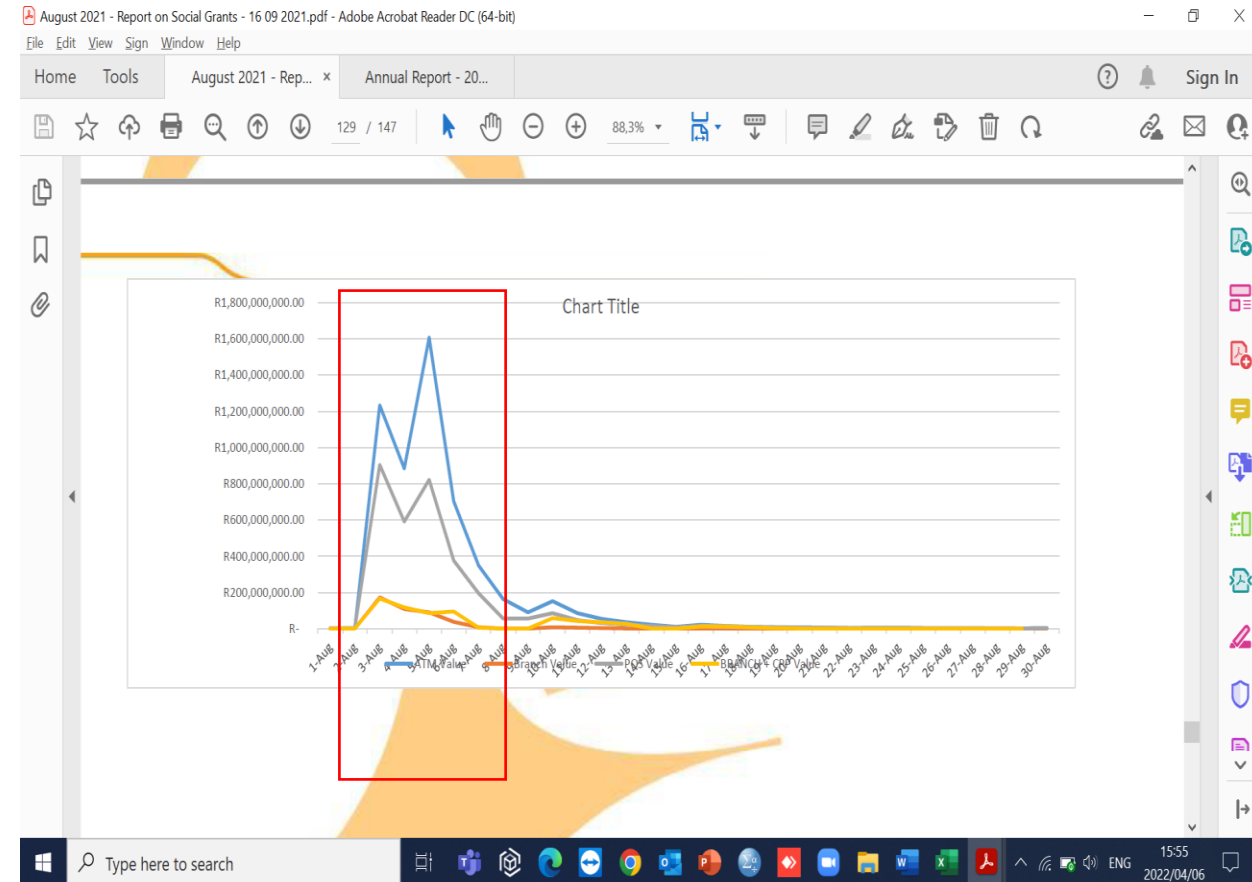
Prefer cash



Using account too
expensive

Social Grant recipients are main drivers in the increase of mailbox account (the supply-side information from DSD report confirms)

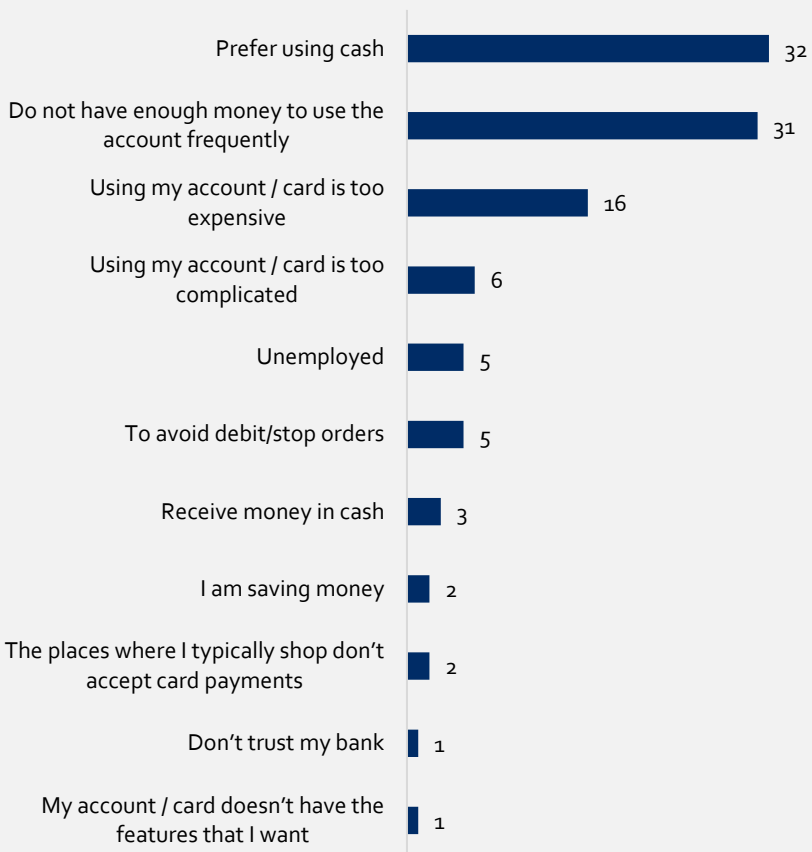
Overall Social Grants	Social Grants Report August 2021	FinScope 2021 (Recipients)
Withdraw cash monthly	15 417 468	15 570 468
Mailbox	-	10 417 067
Recipients who may be leaving some money in their account	-	5 153 401
Withdraw from ATM	8 674 275	9 931 951
Withdraw from Branch	697 133	818 205
POS	6 046 060	5 451 288
Cash back at retail till		3 608 224
Pay for food/groceries and/or goods		2 488 449
Paying bills		284 245



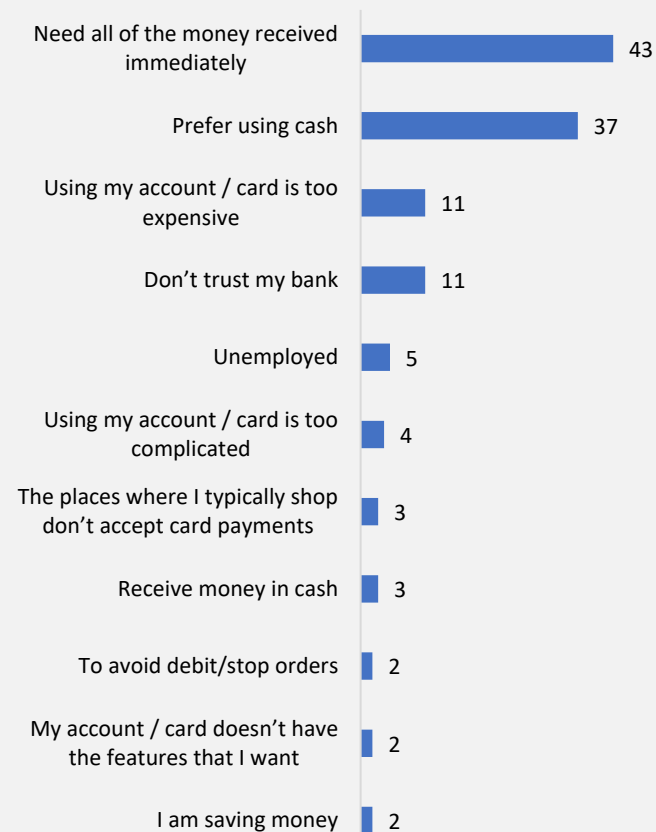
FNB says middle-income consumers spend up to 80% of monthly salary in 5 days

Withdrawing all money at once is 'need driven'

Dormant users (%)



Mailbox users (%)

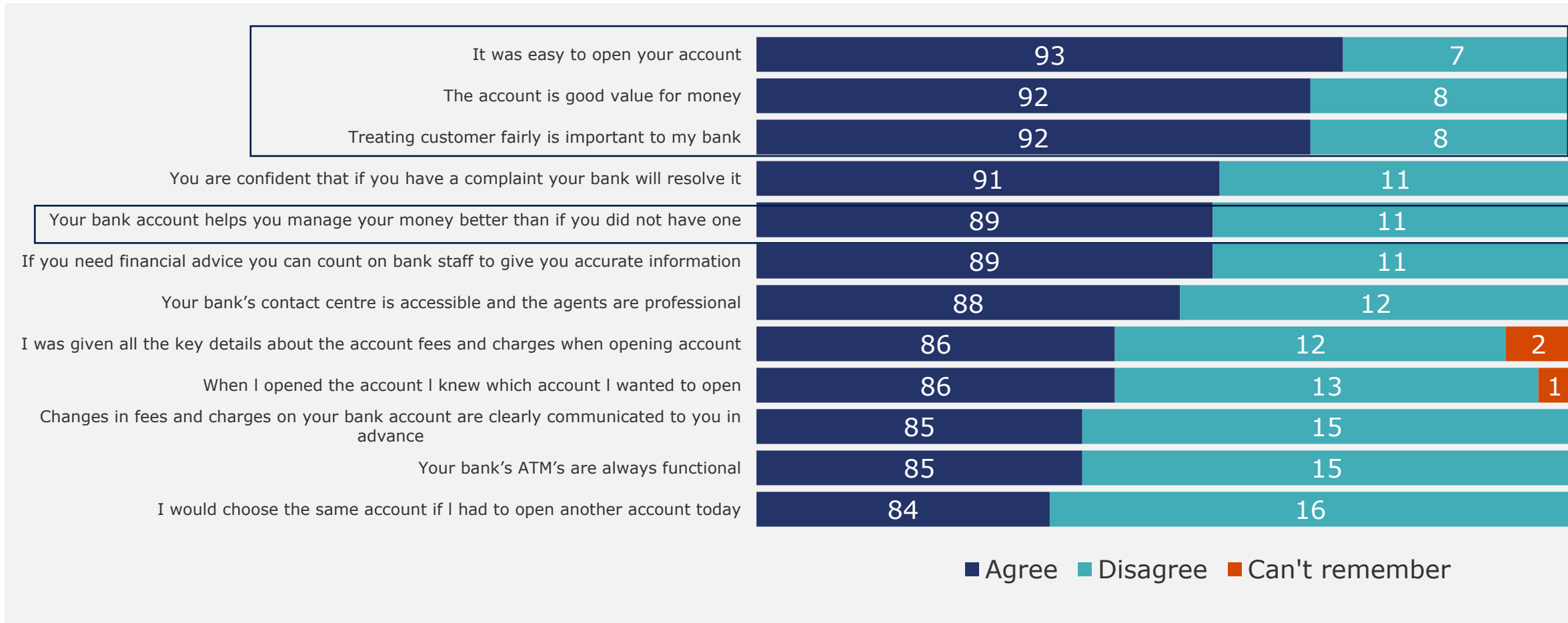


1. I need all the money.
2. Because food have run out at home and like to purchase basic needs.
3. Because it is equal to the needs.
4. Because it is less.
5. Because my needs is more than it.
6. Because of house needs.
7. Because sometimes food run out or electricity
8. must buy food and beer.
9. I have debt to pay.
10. I must use all my money at the time.
11. I must use more money. than in the bank account.
12. I pay with it all on the same day I get it.

Affordability and accessibility are the main important elements of bank accounts

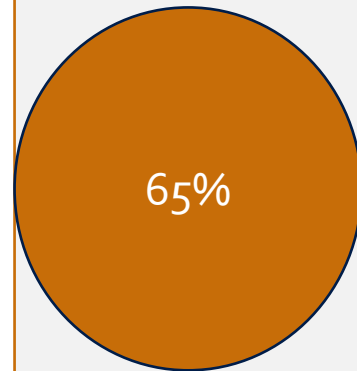
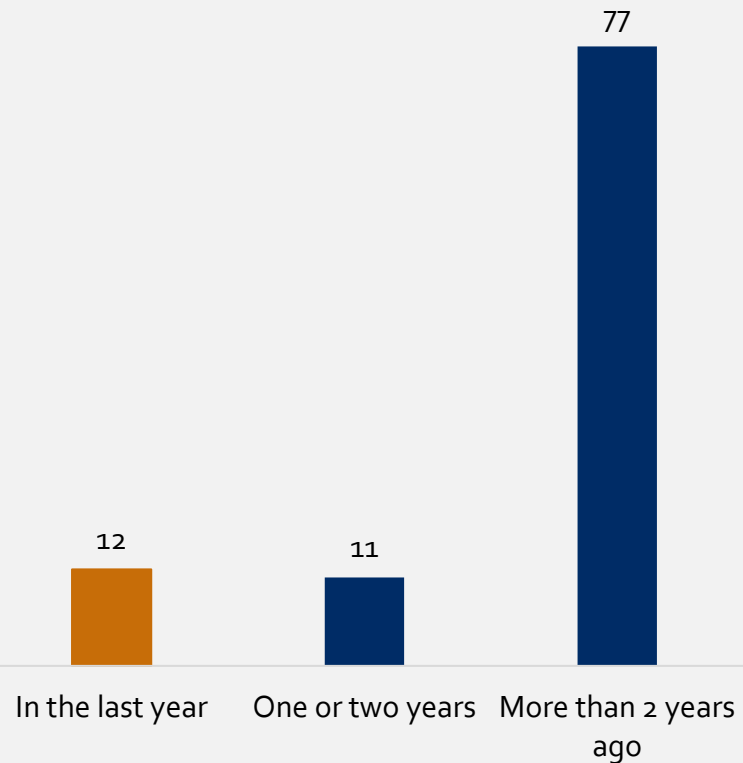


Treating customer fairly and products meeting customers needs dimensions have the highest average score

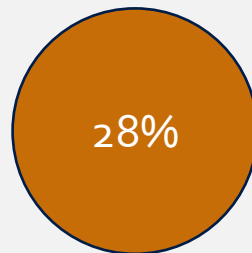


12% or 4.1 million banked adults opened their account in the last year

When was this bank account opened? (%)



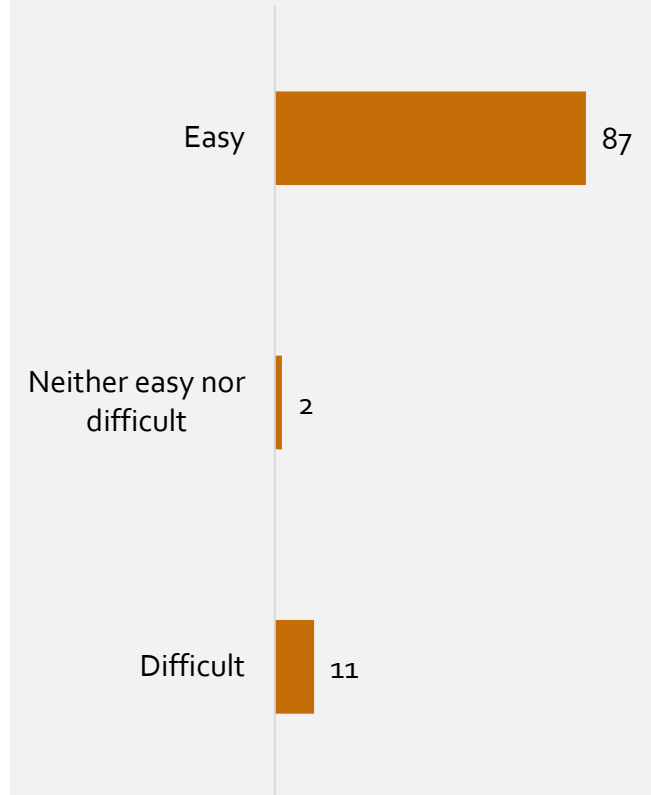
Or 2.6 million new clients to banking system



Or 1.1 million opened with a new banking institution (switching suppliers)

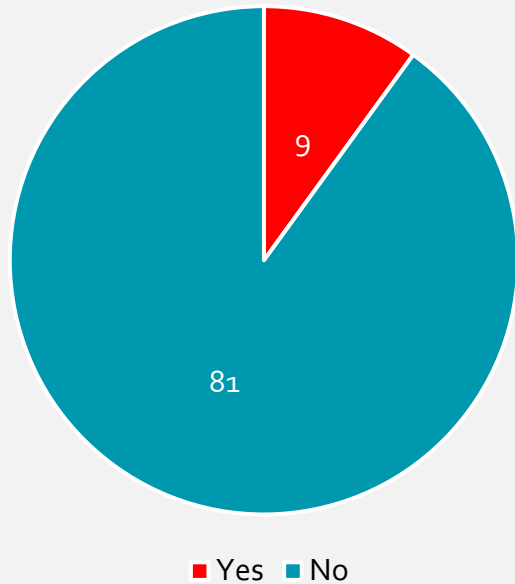
0.6 million switched banking institutions in 2019

How easy or difficult was it to open your new account? (%)

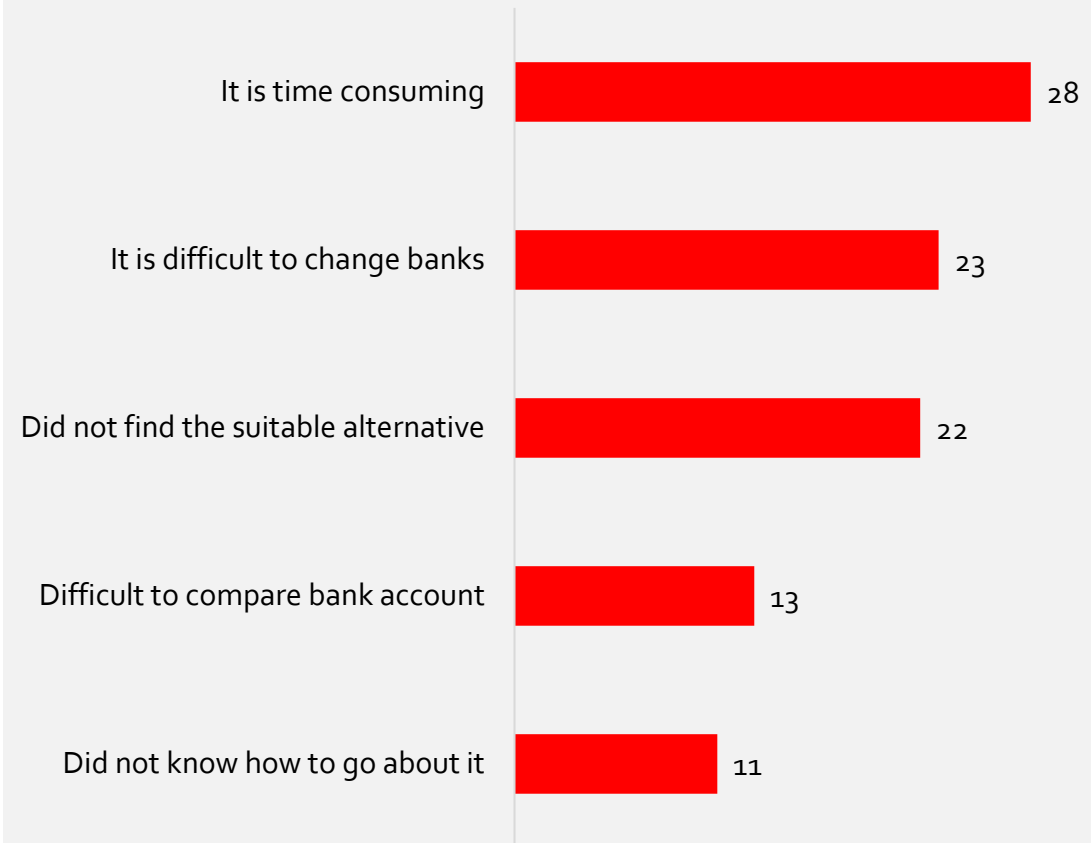


Around 10% or 3 million banked population could not switch banking suppliers because of complexity

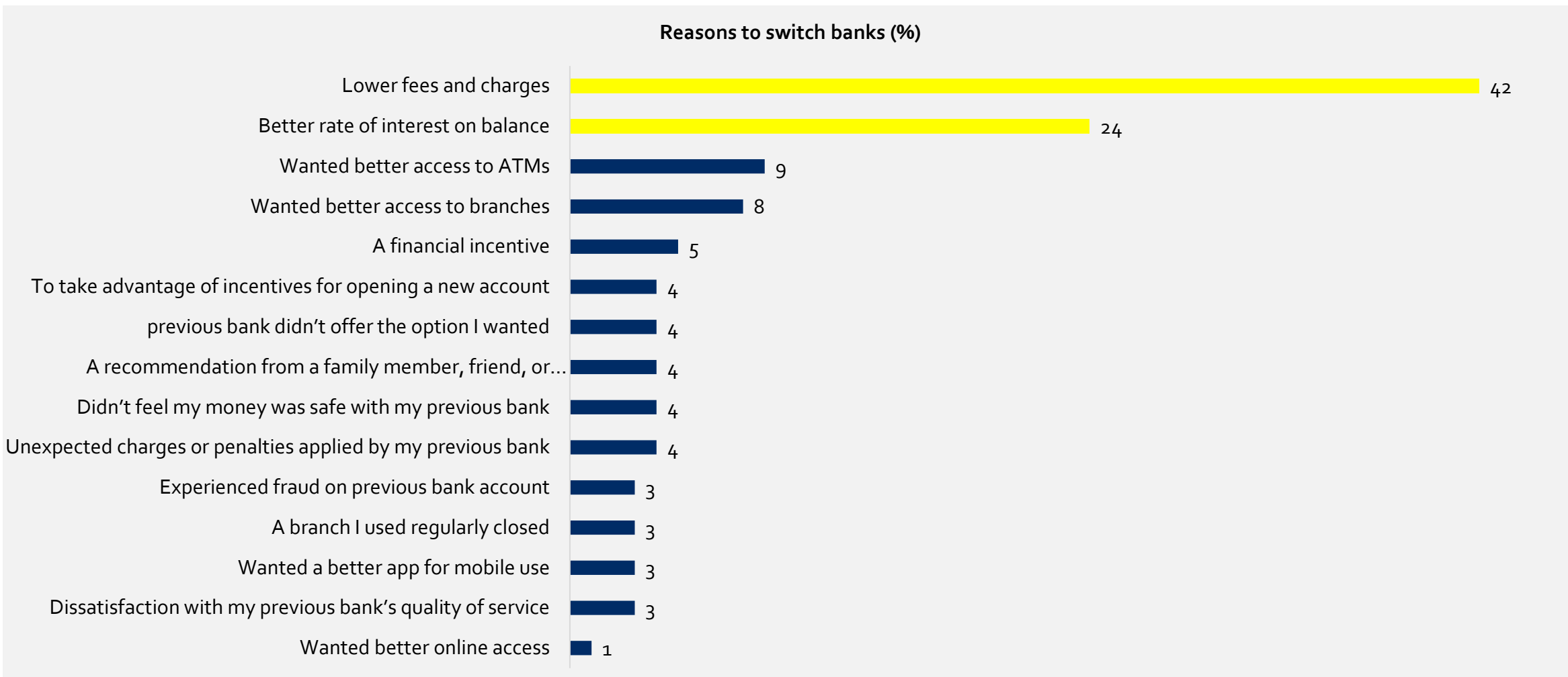
Failed to switch bank account suppliers (%)



Barriers to switching banks (%)

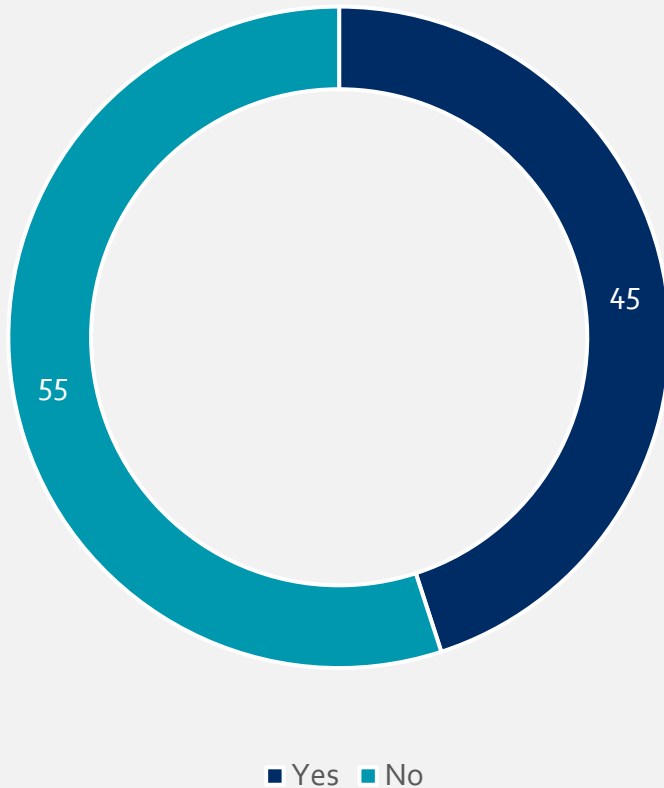


3% or 1.1 million of the banked adults switched banks in the past year, driven by affordability

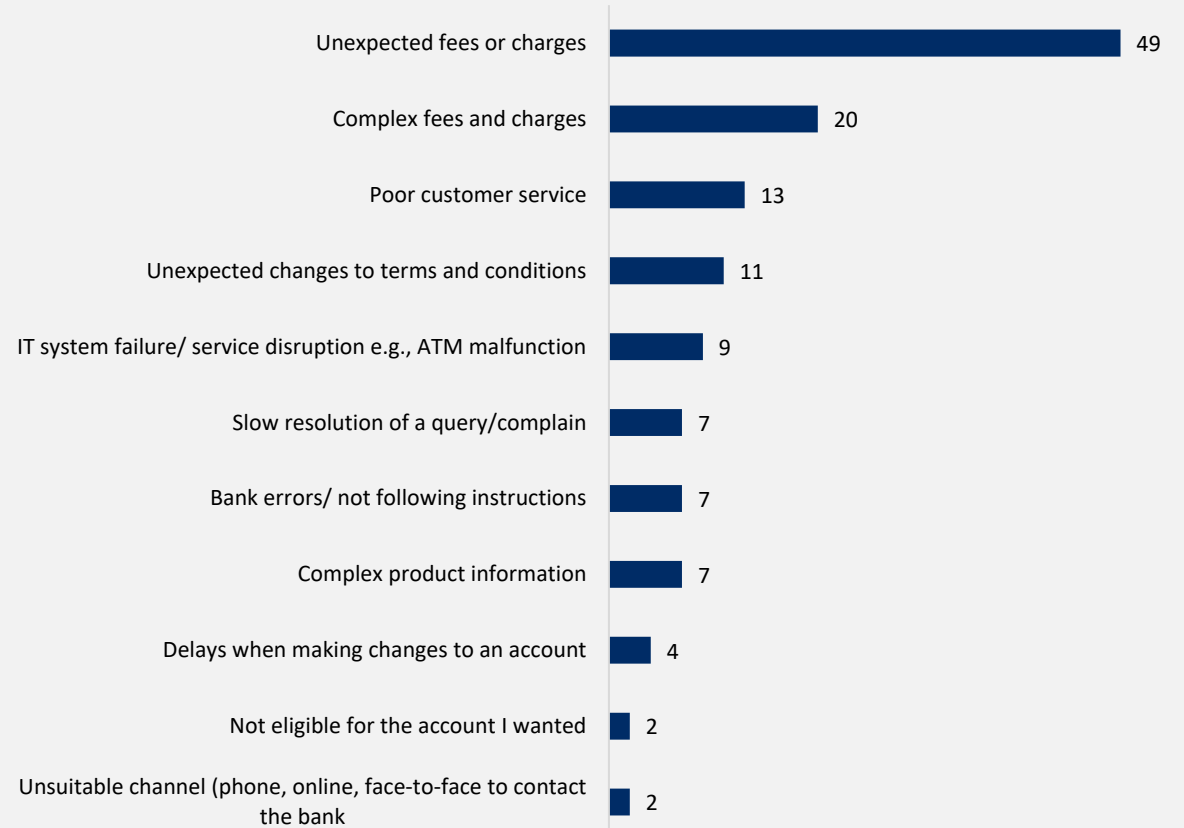


Around 15 million banked adults experience challenges with their bank account, mainly with unexpected and complex charges structure

Experienced banking challenges past 12 months (%)

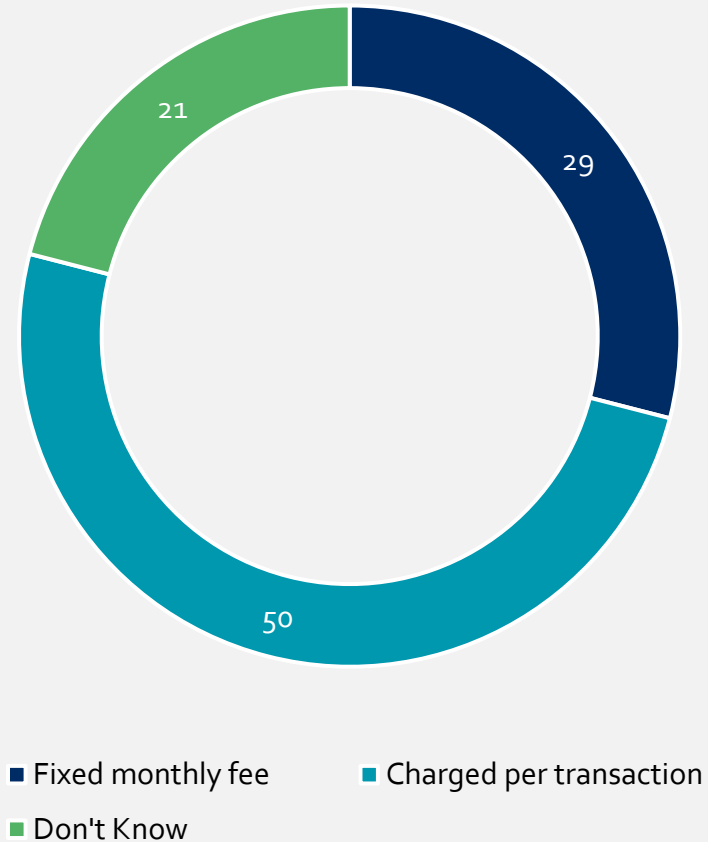


Types of challenges experience (%)



A third of the banked population have a fixed monthly account, because perceived 'better customer services'

Types of bank accounts (%)

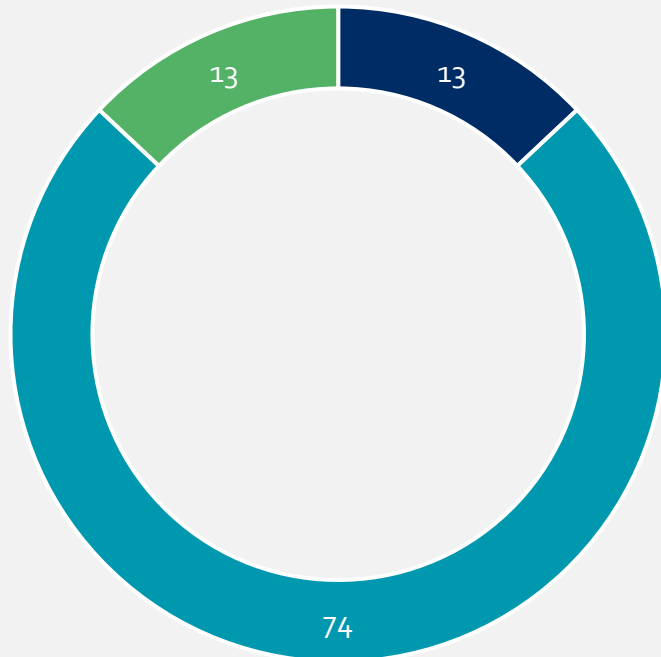


Reasons for choosing fixed account (%)



Just above 4 million banked adults were charged for overdrawing account and around a third of clients were not aware that they would be charged for these services

Incidence of charged for overdrawn account (%)



■ Yes ■ No ■ Do not know

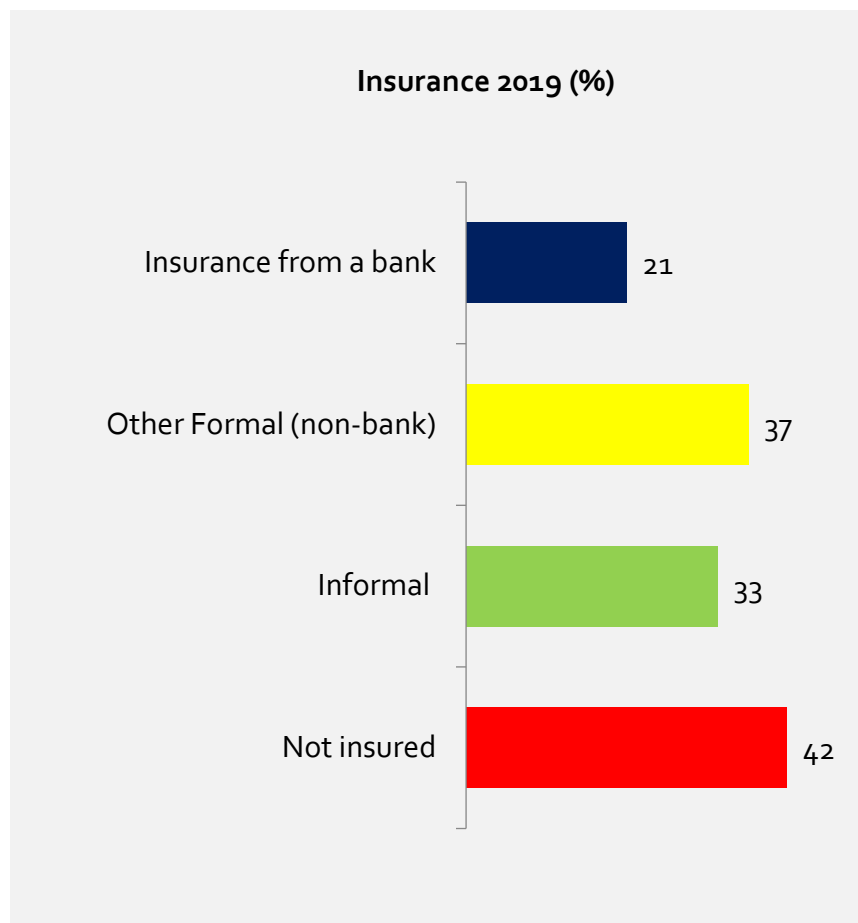
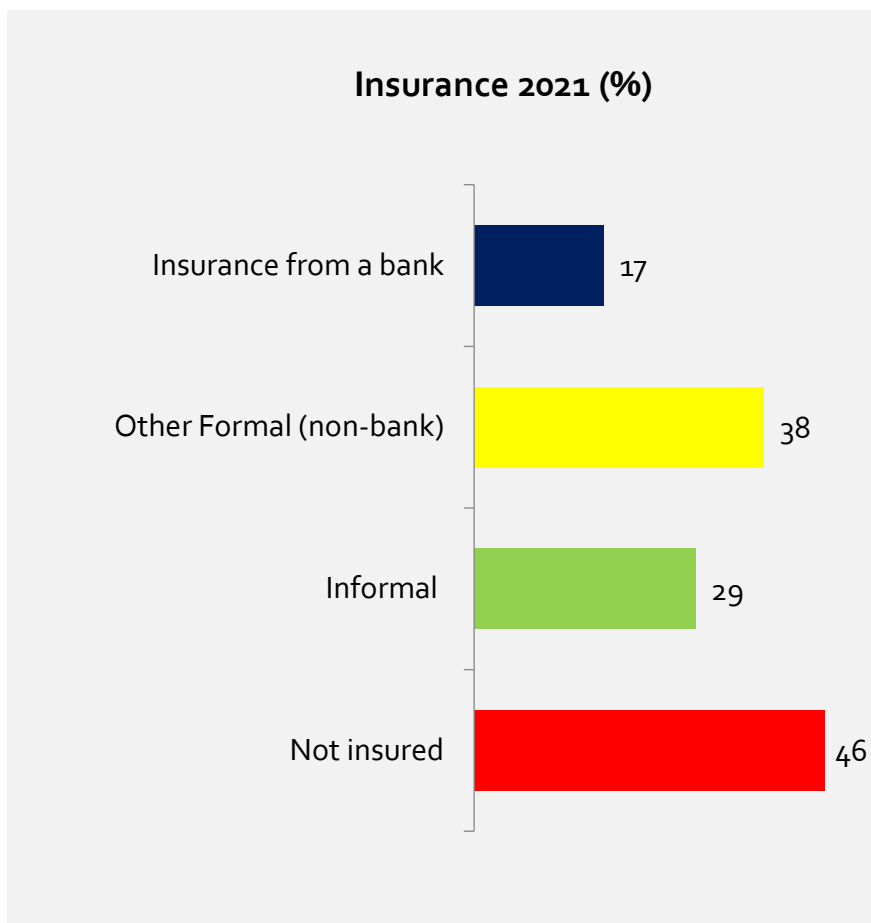
31%

Were not aware, but 81% of them claim that they were given all the key details about the account fees and charges

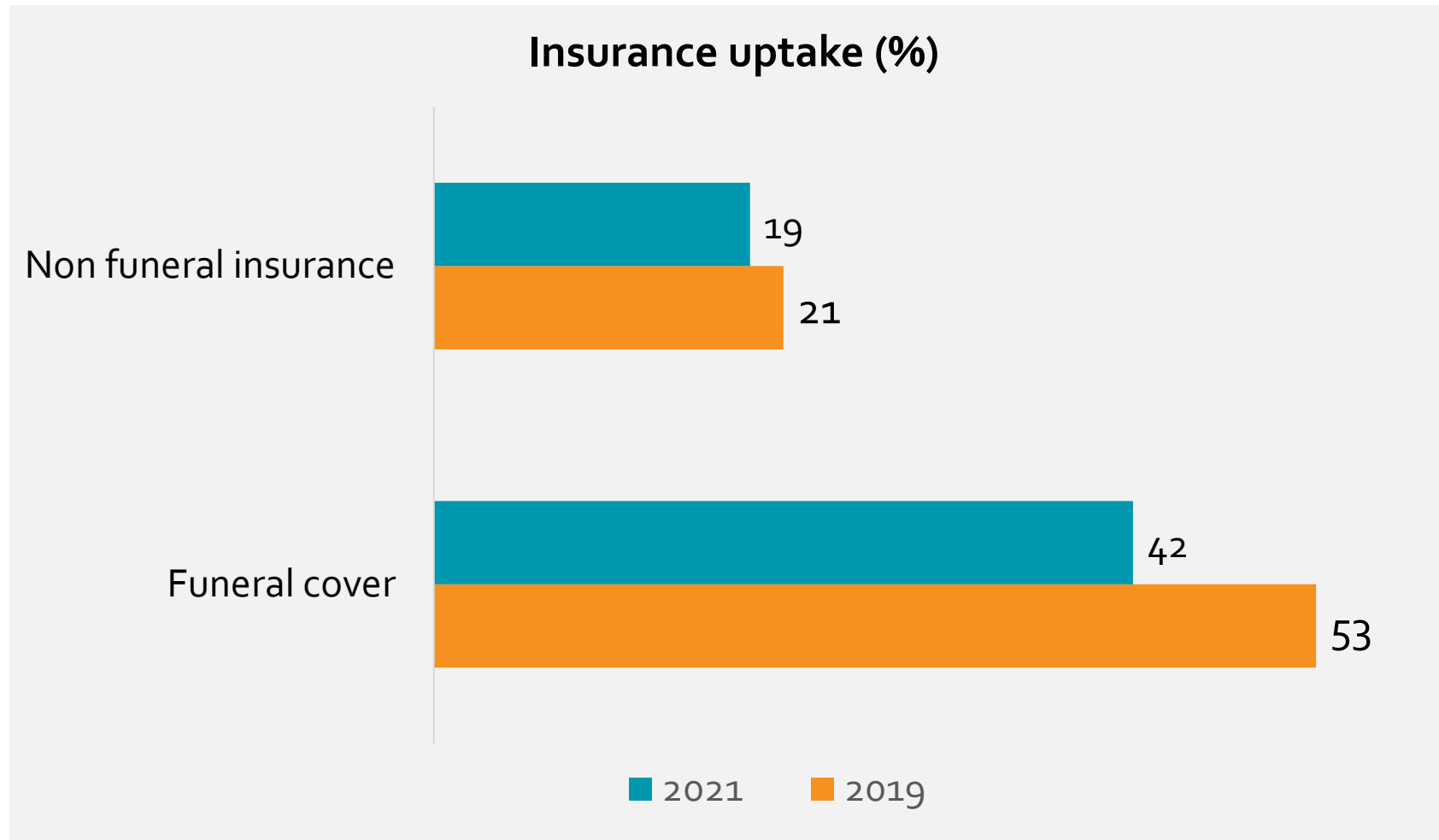


Insurance

The 4% points drop in the insurance uptake is mainly driven by decline in the insurance from bank insurance products and burial societies



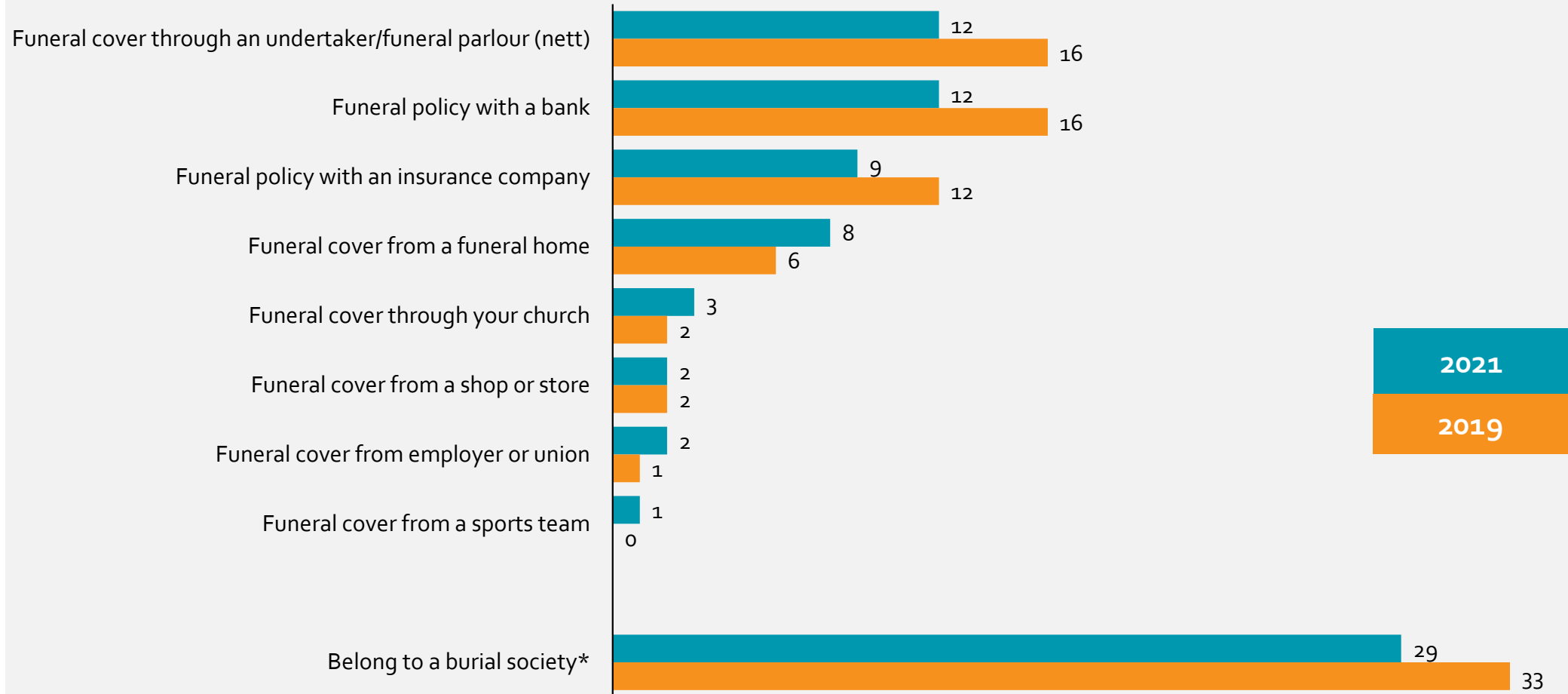
8.2 million or 19% adults have non-funeral insurance, slightly down from 8.6 million in 2019. Funeral cover declined sharply....



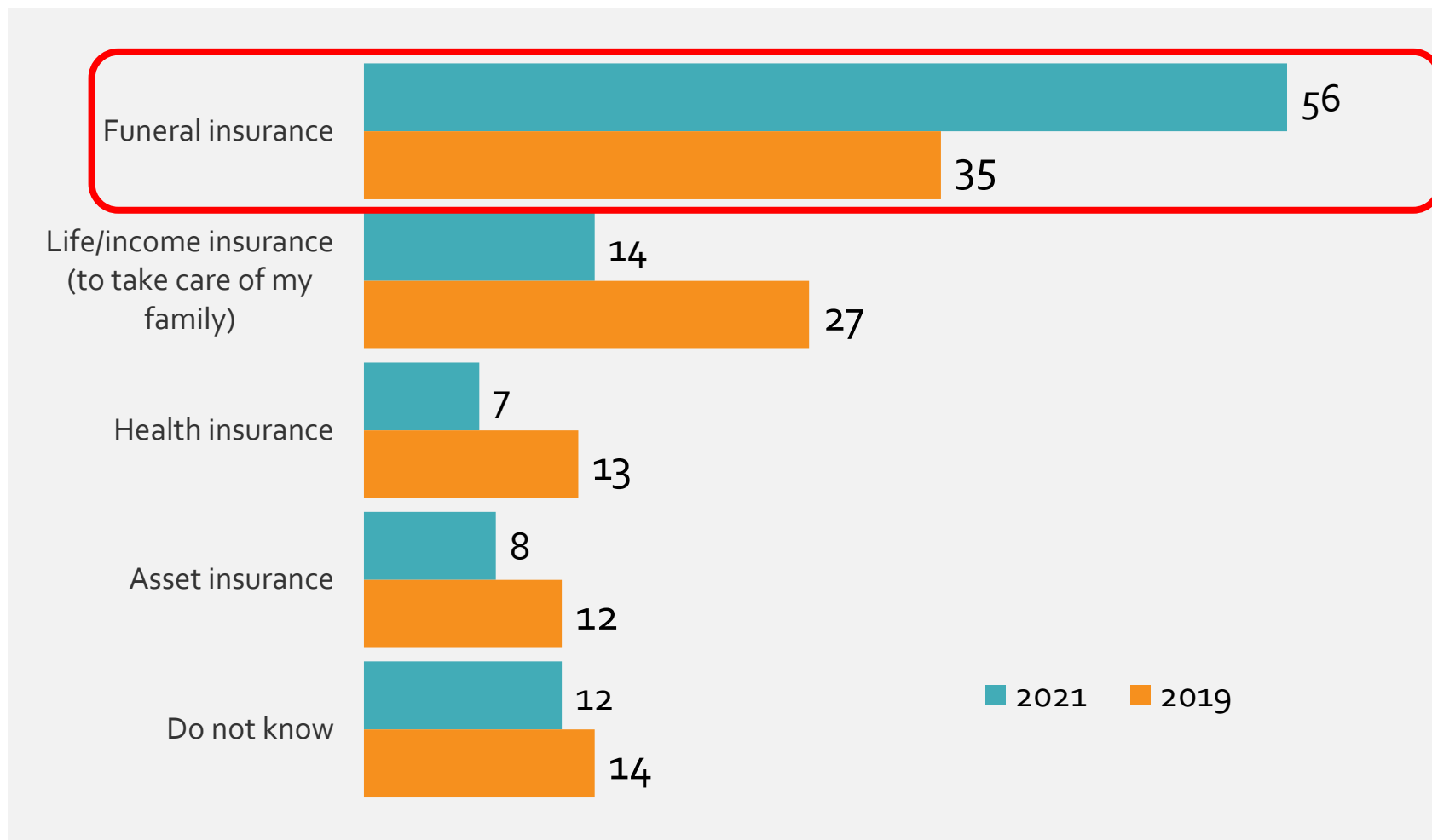


Funeral Insurance

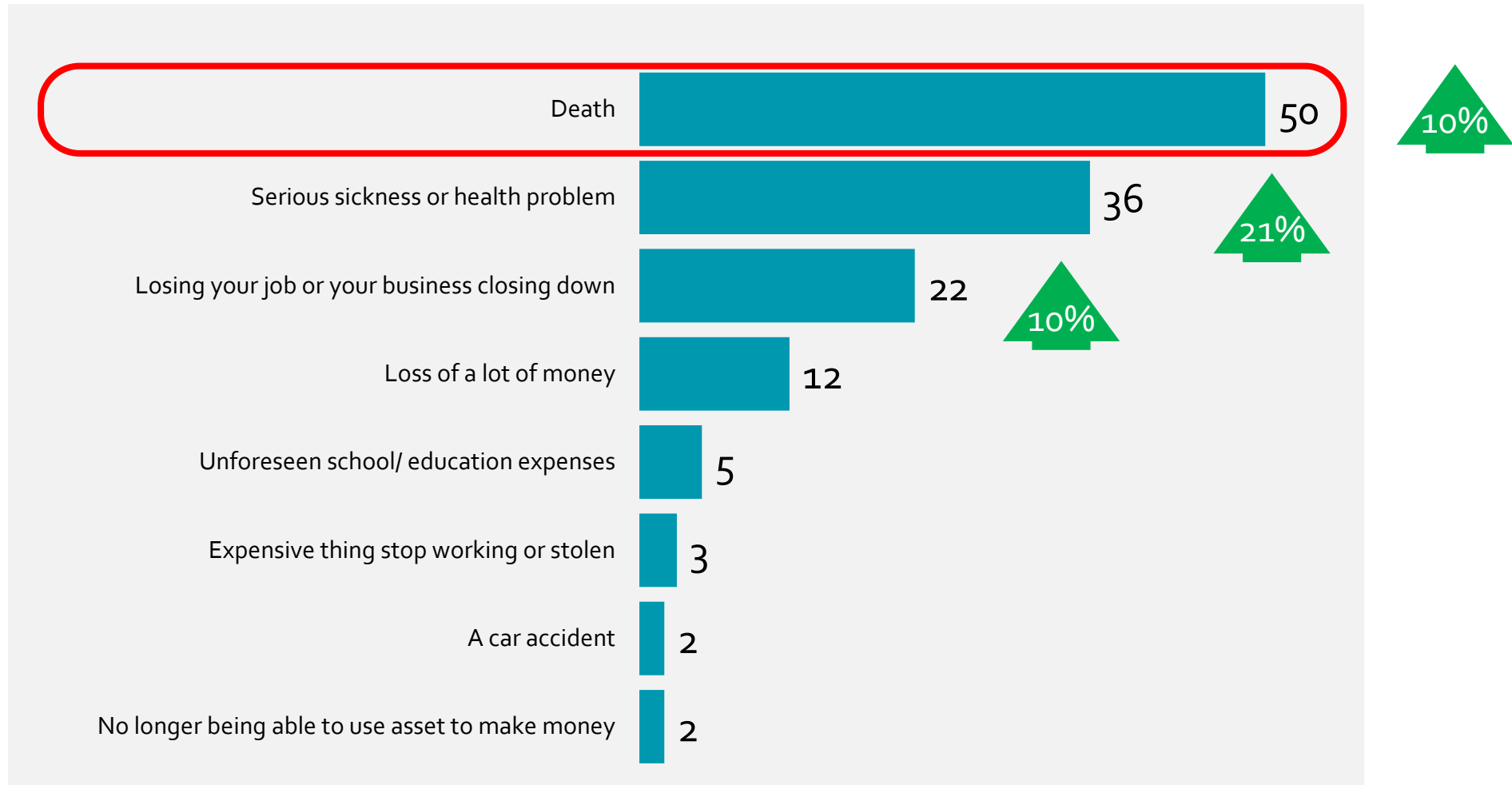
Overall decline is observed across main different institutions providing funeral cover products



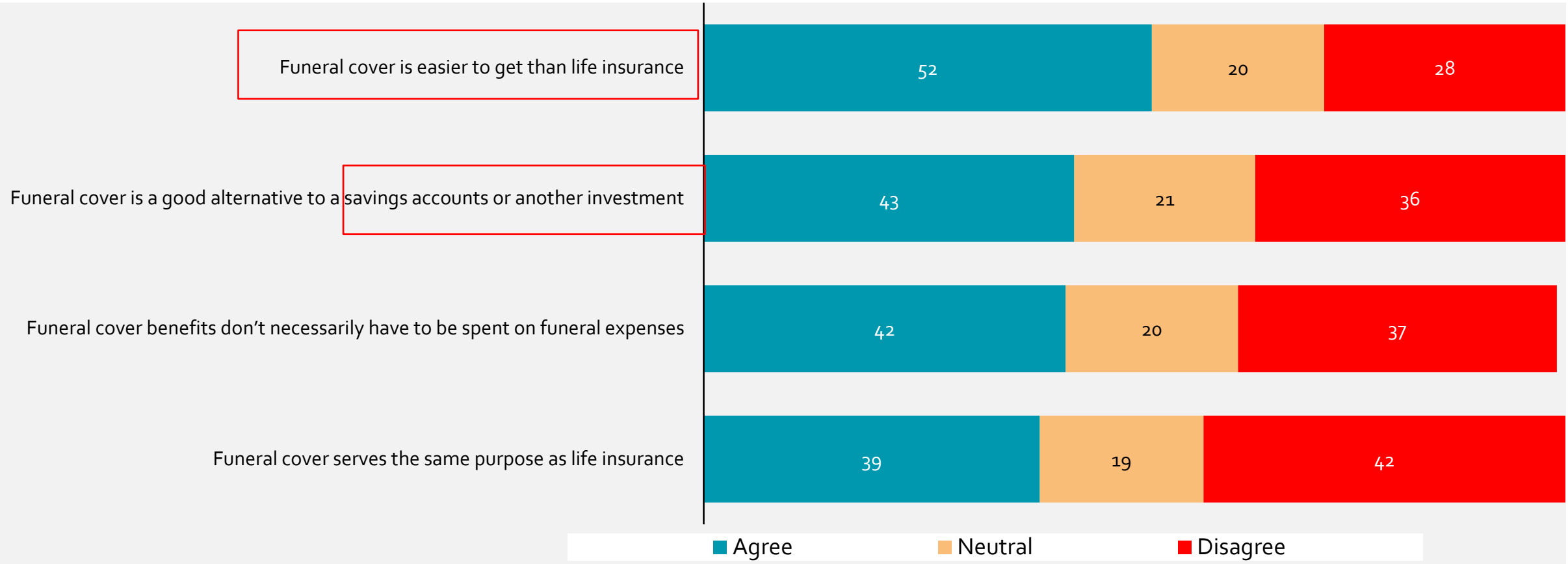
...more people regarding funeral cover as the most important insurance cover



Death in the family, serious sickness and job loss were the main shocks experienced by South African in 2020 and 2021

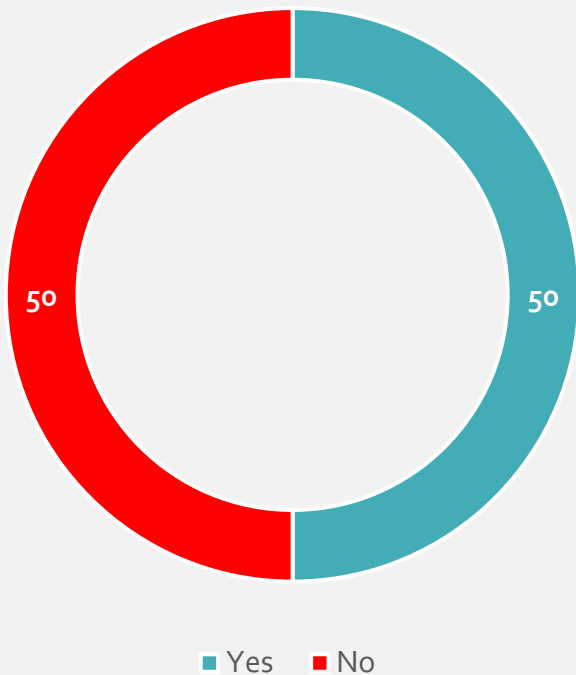


....Why? – easier to get, seen as some form of savings

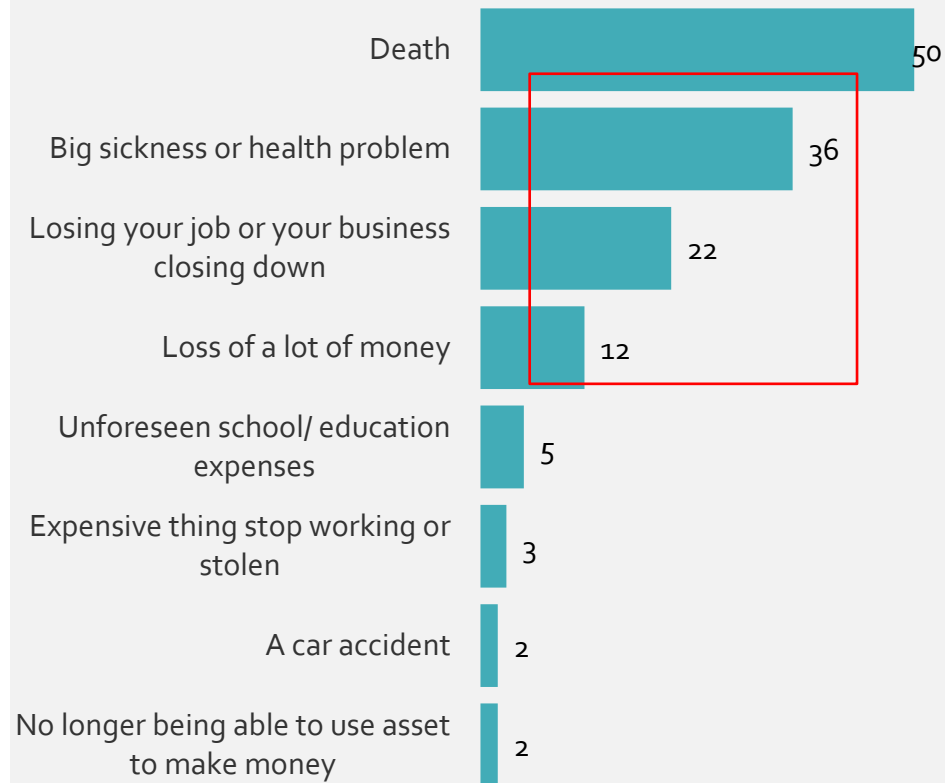


Are South Africans underestimating their risk of injury or illness, job losses and focusing on death?

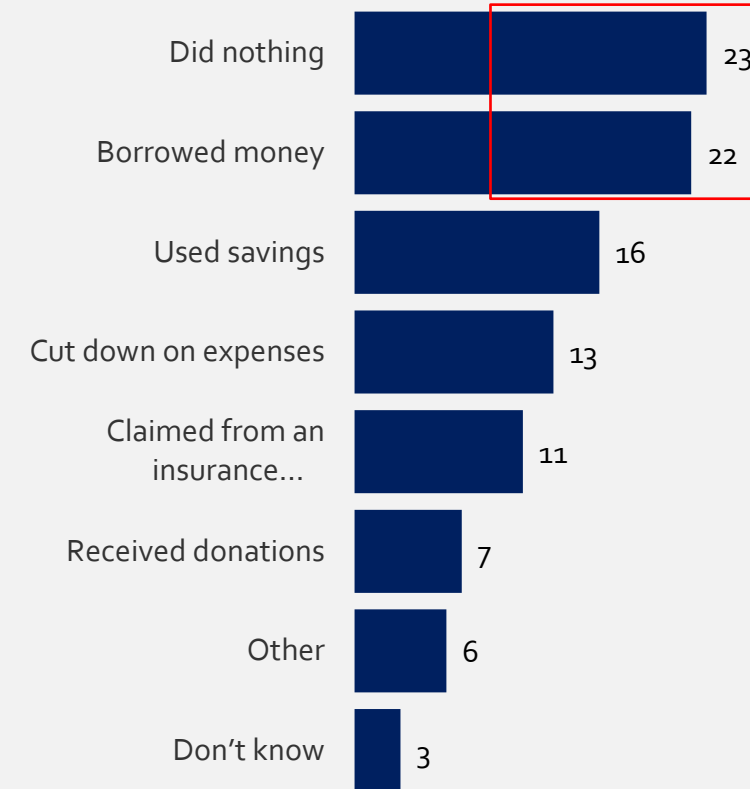
Experienced expensive event/risk in the past 12 months (%)



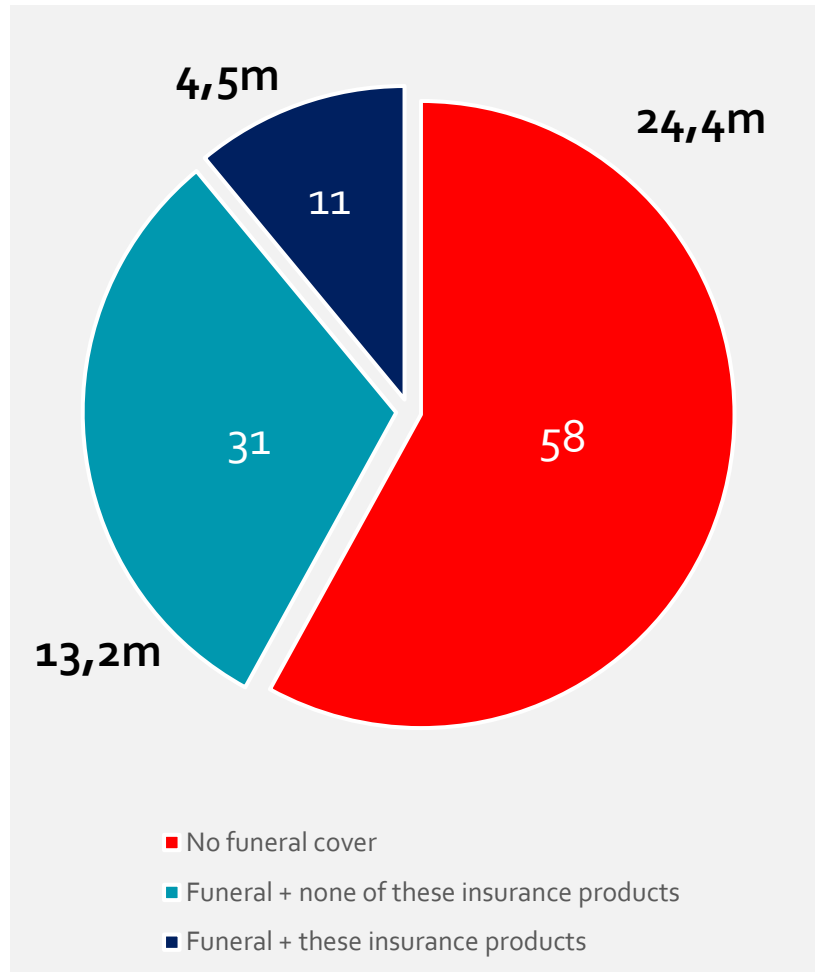
Event that caused greatest financial impact (%)



Coping Mechanisms(%)



17,7m (42%) adults have a funeral cover but what about other life insurance products?



	Do not have these insurance products (%)	Have these insurance products (%)
Population	13,2m	4,5m
Life cover		59
Endowment policy		46
Medical aid or hospital plan		42
Education policy or plan		24
Personal accident		15
Income or salary cover		14
Disability insurance		11
Education insurance		10
Dreaded disease		9
Loss of earnings		9

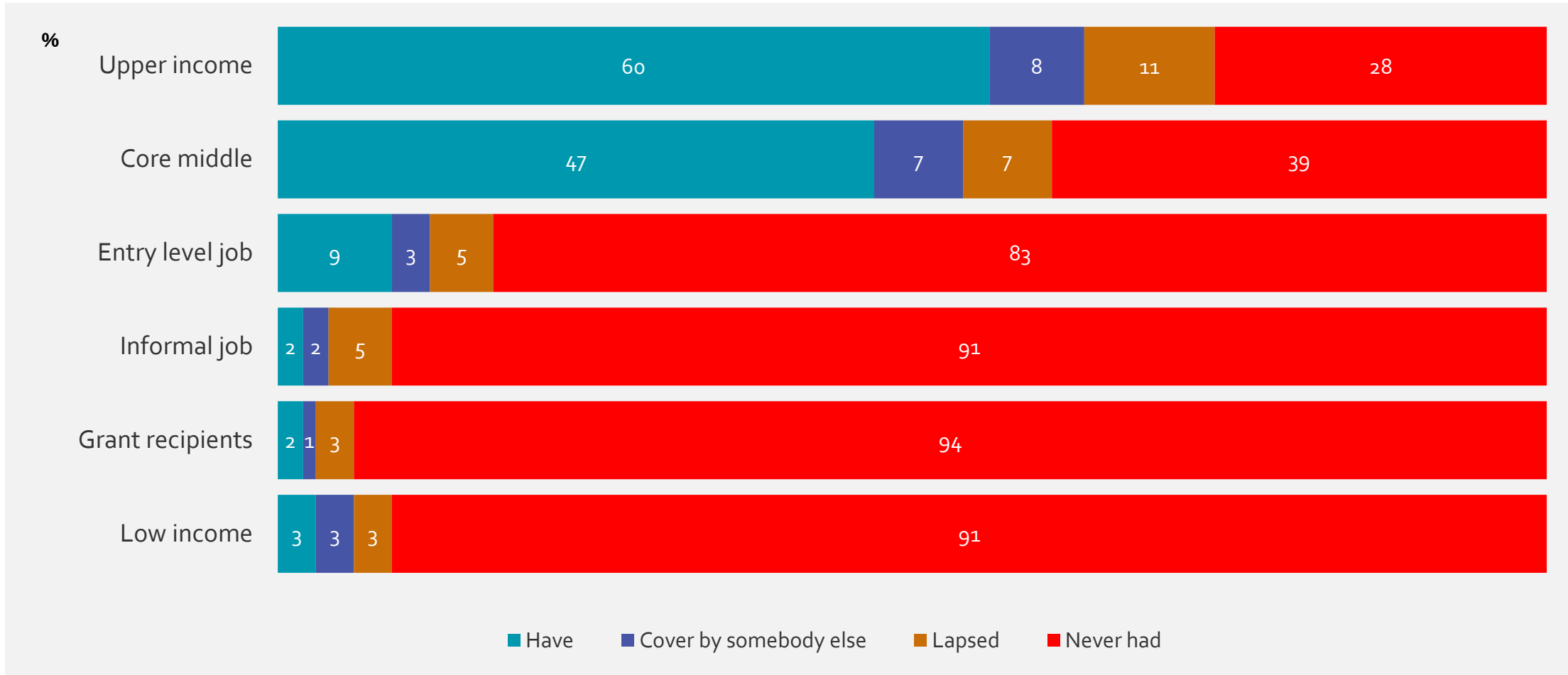
Non-funeral insurance (STI and LTI)

Asset insurance remain flat for 3 years, while life cover and medical cover being main drivers in the decline in non-funeral insurance

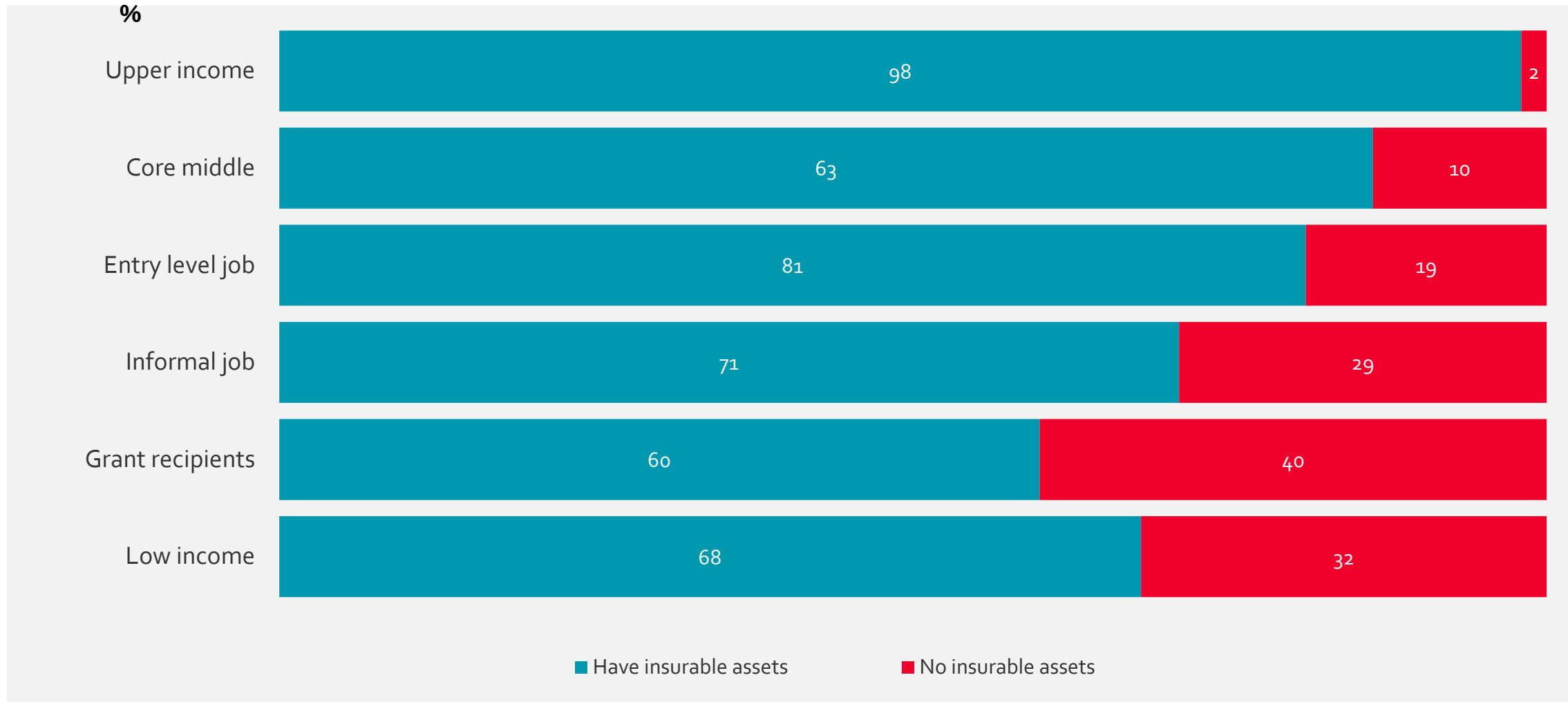
	2021	2019
Physical asset insurance (nett)	11%	11%
Vehicle insurance	6	6
Household contents insurance	3	3
Building insurance	2	3
Cellphone insurance	5	4
*Value added insurance	1	1
Insurance for hand tools/agricultural employment	1	1

	2021	2019
Insurance penetration (nett)	19%	21%
Life assurance+ (nett)	10%	12%
Life cover	10	12
Loan protection - Insurance that pays your loan when you die	1	1
Health insurance (nett)	8%	9%
Medical aid	7	8
Medical gap cover	2	2
Dreaded disease insurance	2	1
Hospital cash plan	2	1
*Income insurance (nett)	4%	6%
Personal accident insurance or cover	2	2
Disability insurance or cover	2	2
Loss of earnings (not referring to UIF)	1	1
Income/salary cover (pays out if you get retrenched)	2	2
Liability/defence insurance (nett)	2%	2%
Professional indemnity cover	1	1
Legal insurance	1	2

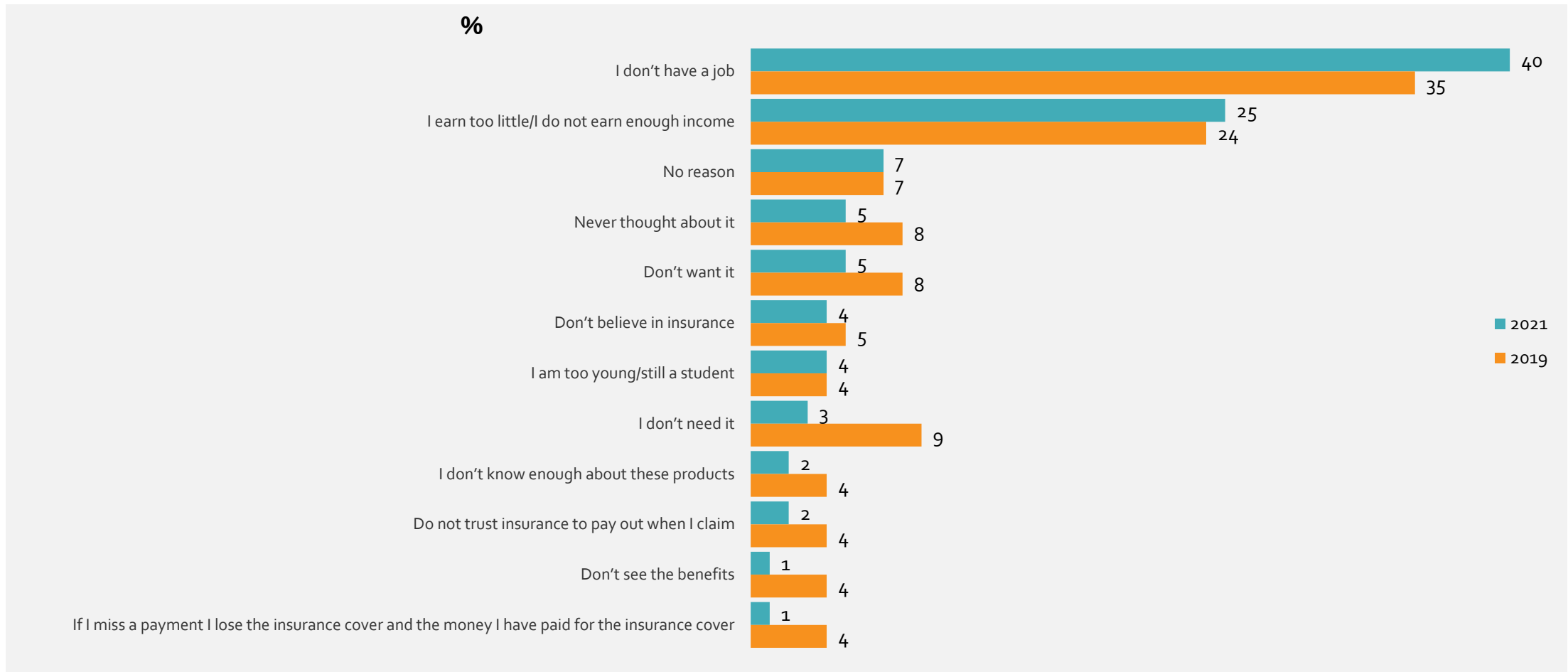
Life assurance uptake mainly driven by upper income and middle class segments



Upper and middle income groups are more likely to have insurance goods and affordability to take short term insurance



Non-funeral insurance products heavy rely on the income spectrum, hence the main reason for not having these products is linked to unemployment and little income





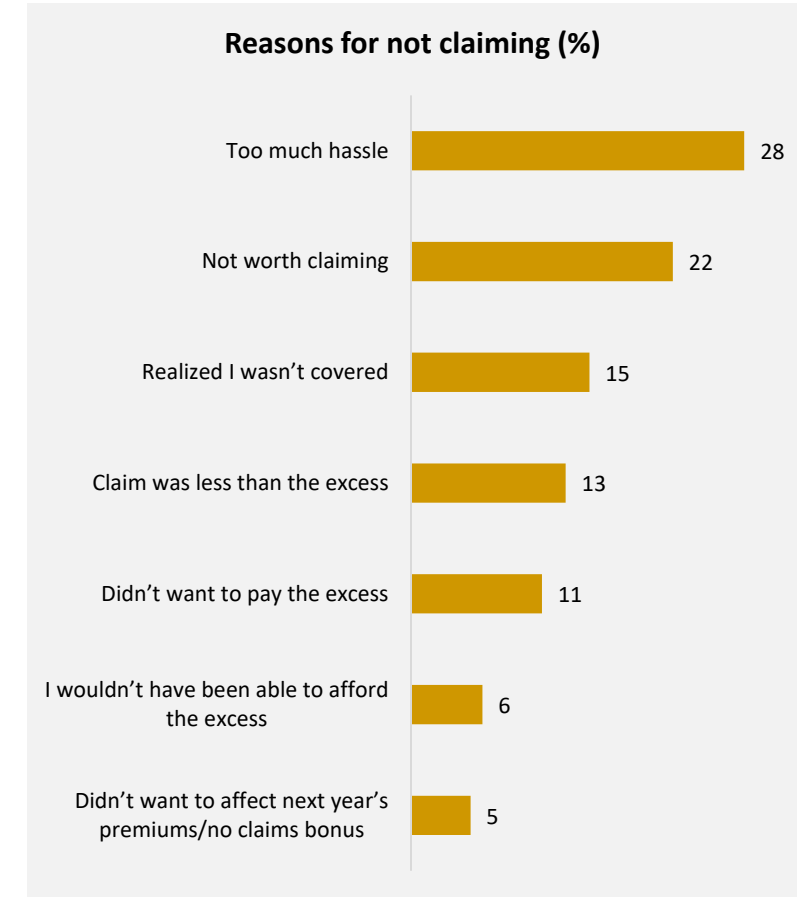
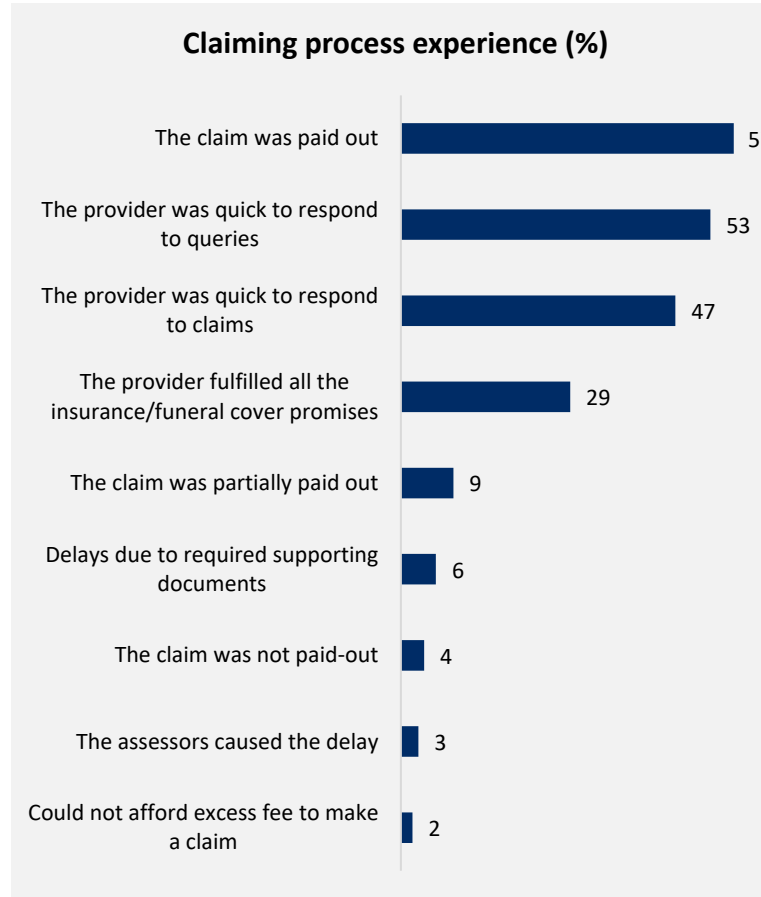
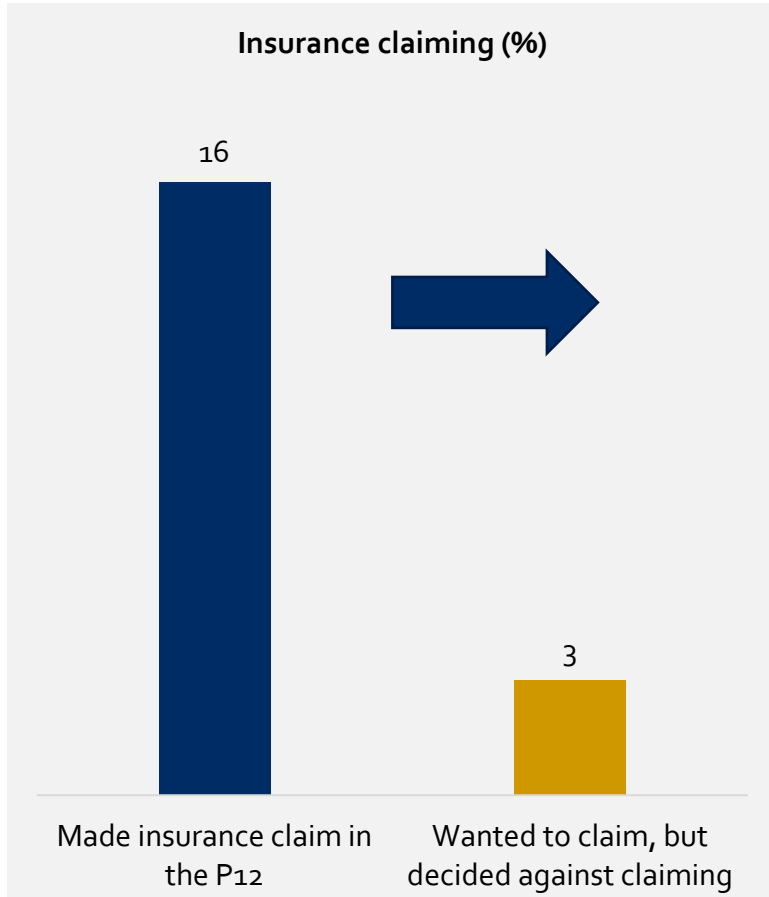
Insurance – Treating customers fairly

All three indicator (TCT, design and disclosure are above the overall average of 71% score. Post sale may be the major barrier in treating customer fairly

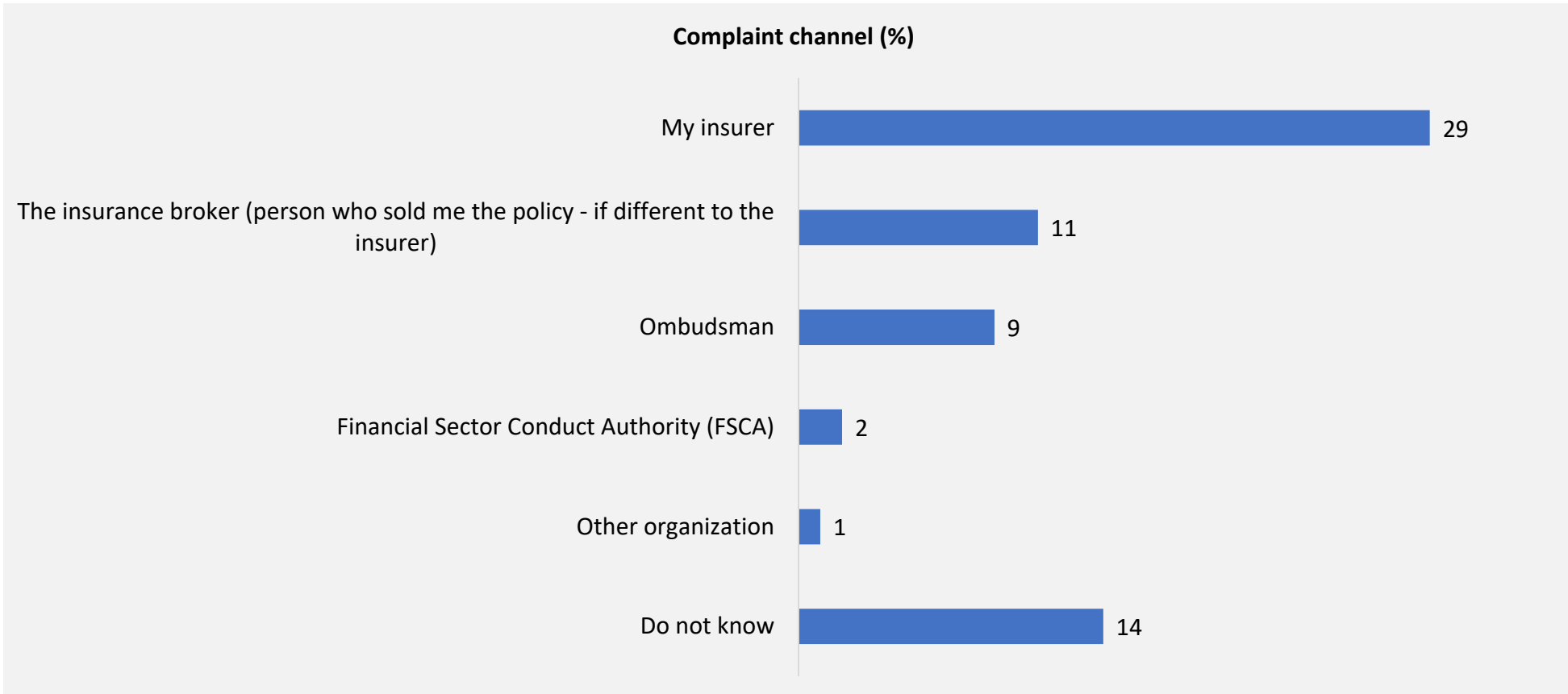
Treating customers fairly perception (%)



More insured adults claimed from their insurance policies and few thought of claiming and decided not to claim



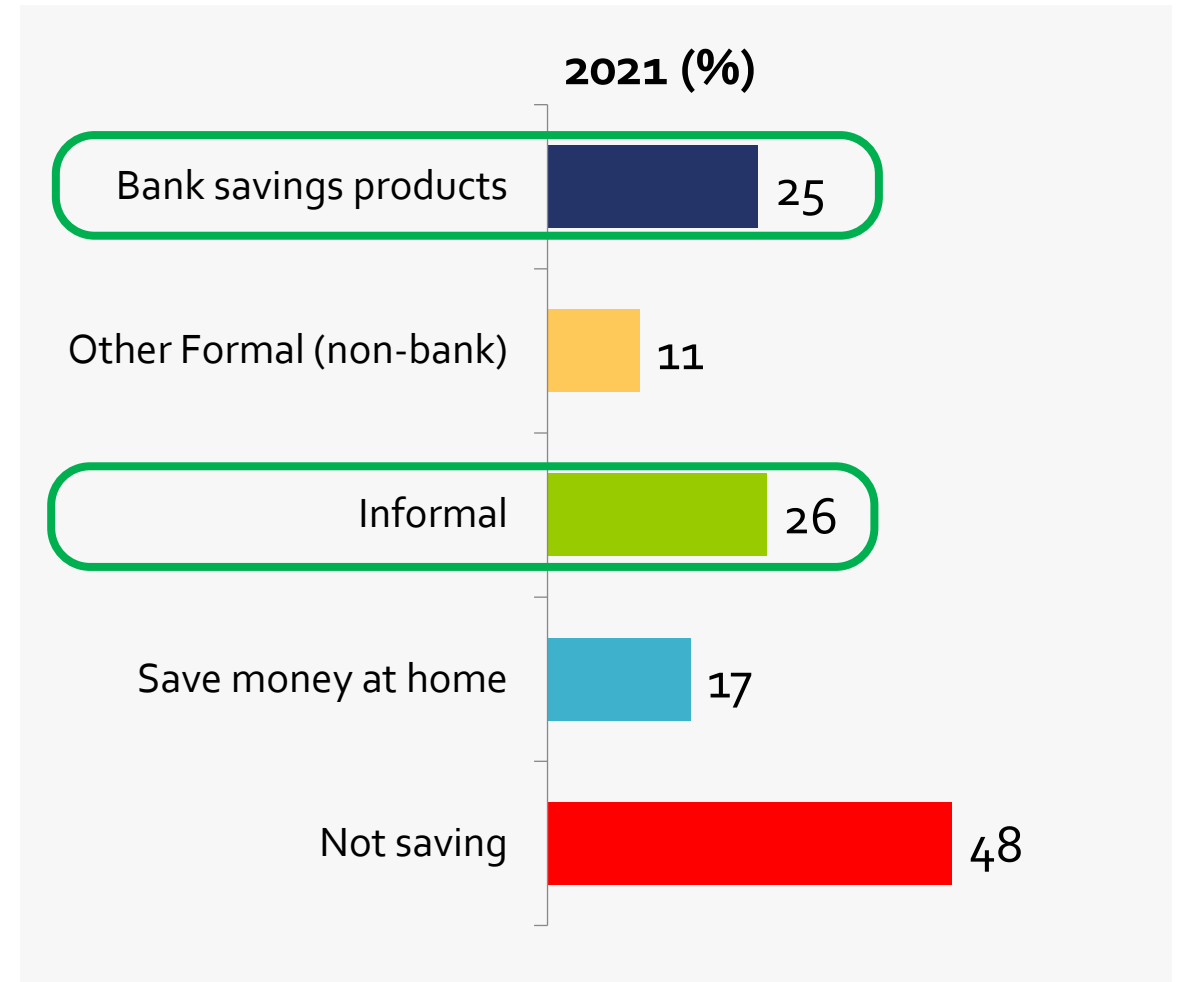
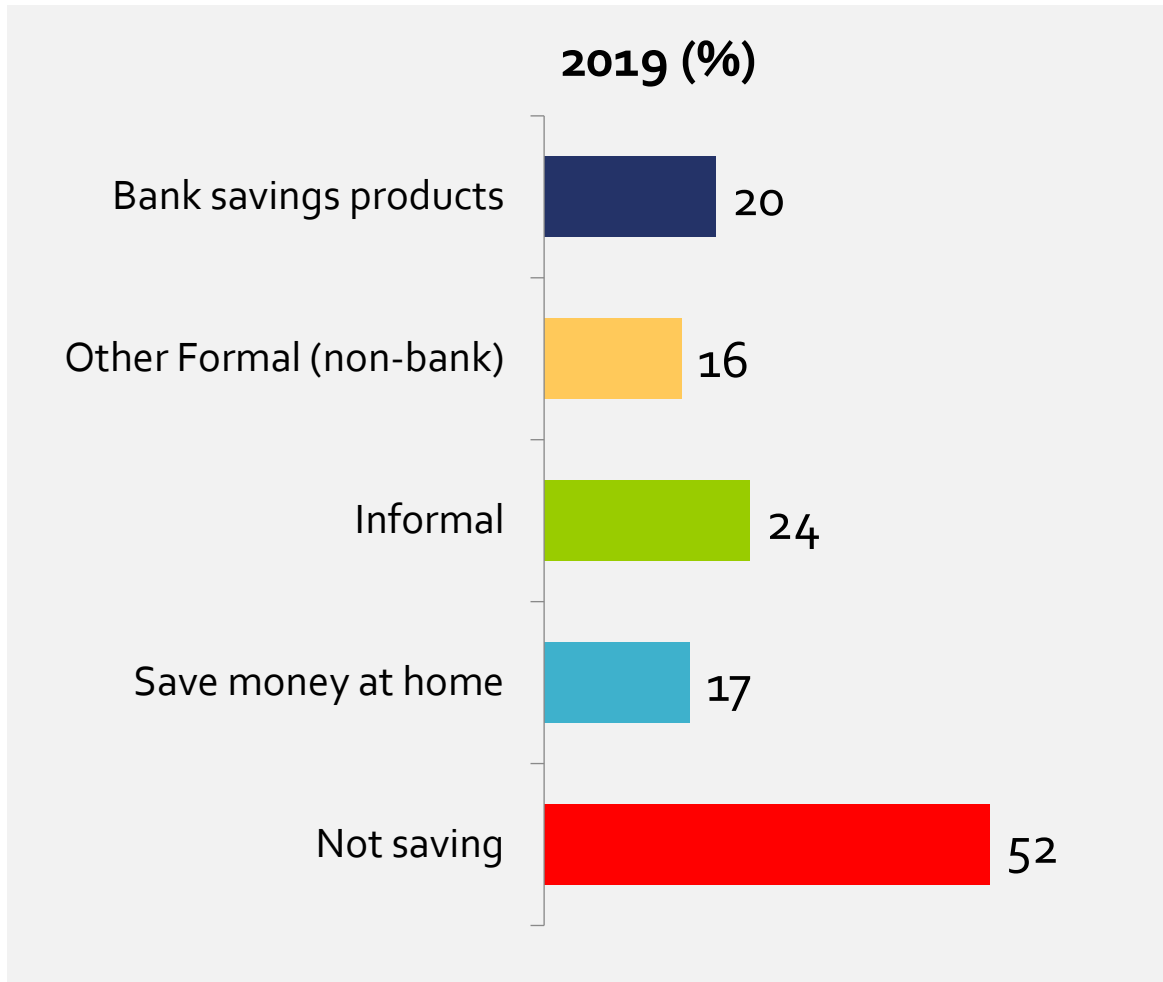
Insured adults prefers to lay complaint directly to their insurers, while a significant portion do not know where to lay their complaints





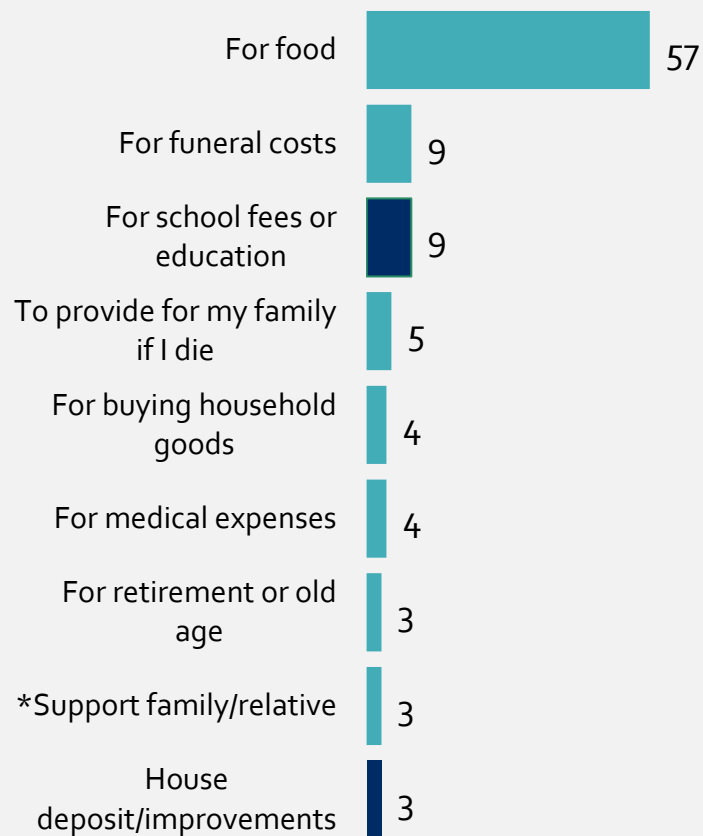
Savings

Savings through banks and informal mechanisms increased in the past 2 years

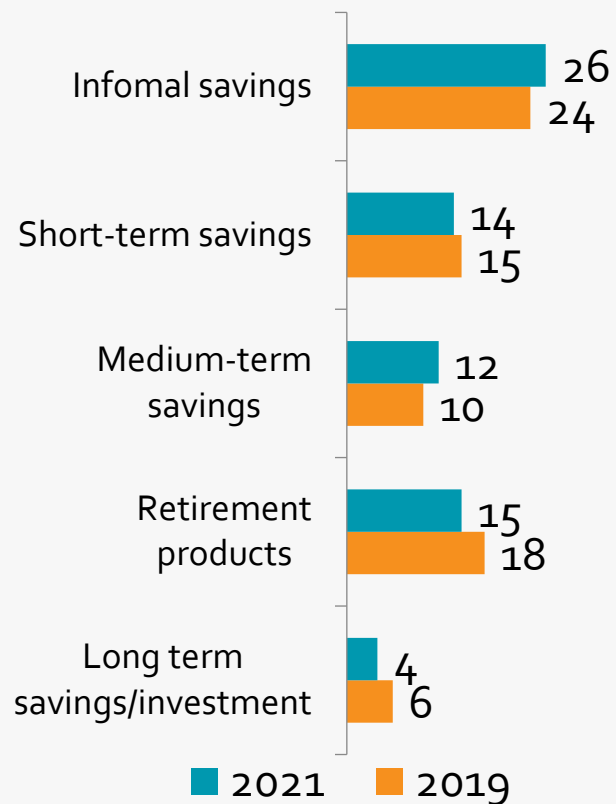


...but the savings behaviour is driven by short-term needs (living expenses)

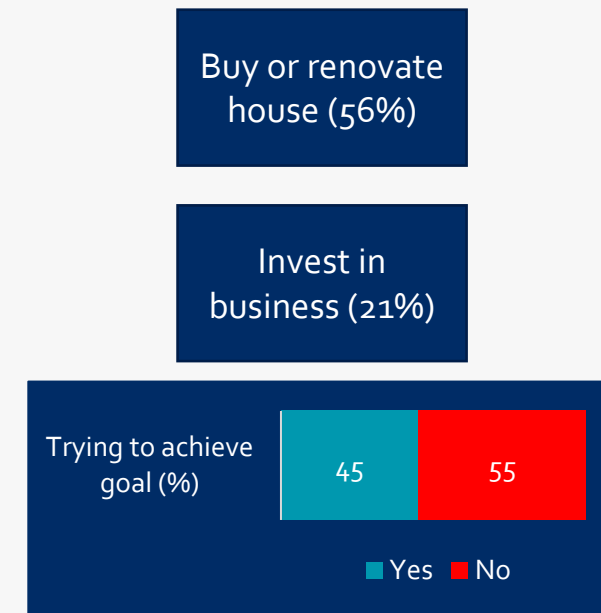
Reasons for saving (%)



Types of saving/investment (%)



Clear gap, 77% adults desire to:

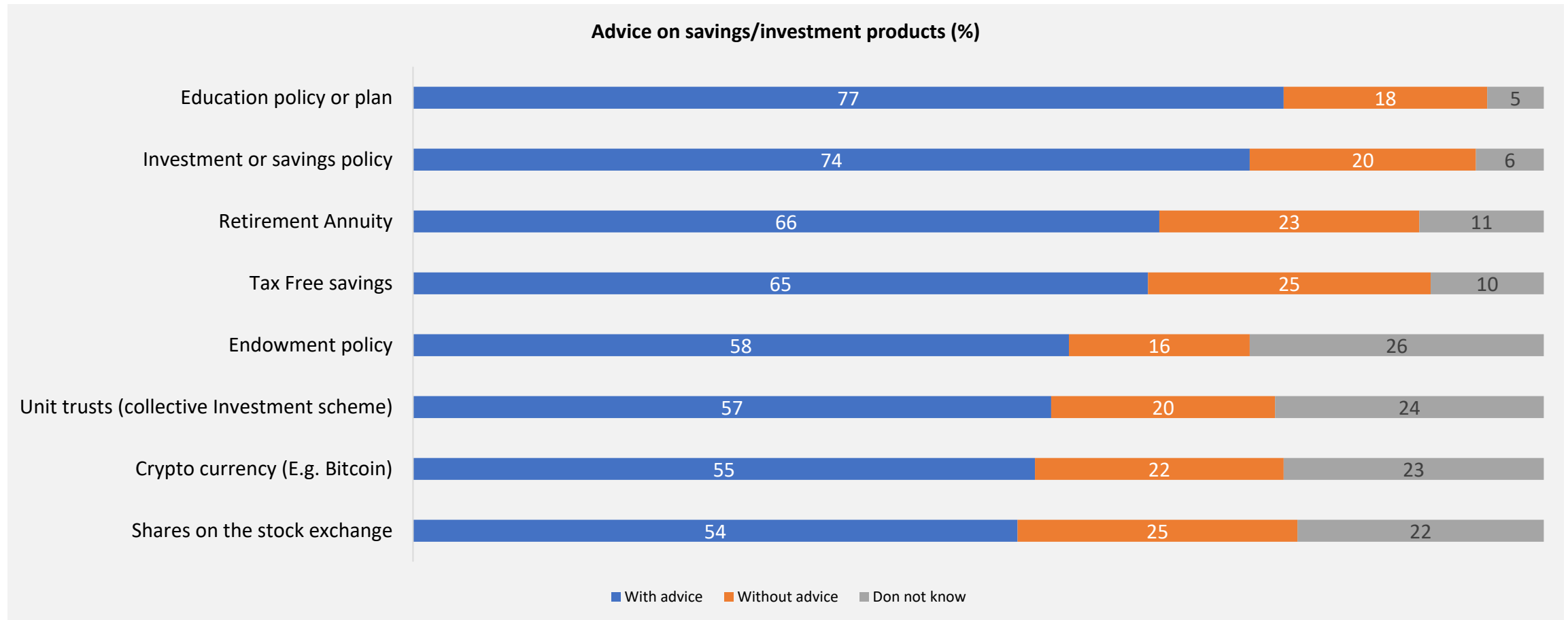


Savings and investment product penetration - product level

	2021	2019
Retirement products (nett)	15%	18%
Pension fund	10	11
Provident fund	9	10
Retirement annuity	6	8
Formal savings products (nett)	22%	19%
Call account	9	7
Deposit account (fixed or notice deposit)	5	7
Investment/savings policy	4	5
Education policy/plan	4	3
Savings book at bank	3	4
Stokvel account at bank	2	3
Tax free savings	3	4
Endowment policy	6	1
Other shares e.g. Sasol, MTN	1	0
Government bonds	0	1
Unit trust	1	1
Shares on stock exchange	1	1
Cooperative / village banks savings	1	0
Off-shore investments	0	0

	2021	2019
Informal savings (nett)	26%	24%
Stokvel or umgalelo	16	11
Investment or savings club	12	8
Savings stamp	10	11
Save home/give money to family (nett)	17%	17%
Give money to family to keep it safe	6	4
Keep cash/savings at home	15	13

Education plan, investment policy, retirement annuity and tax free saving are more likely to be taken on advisory

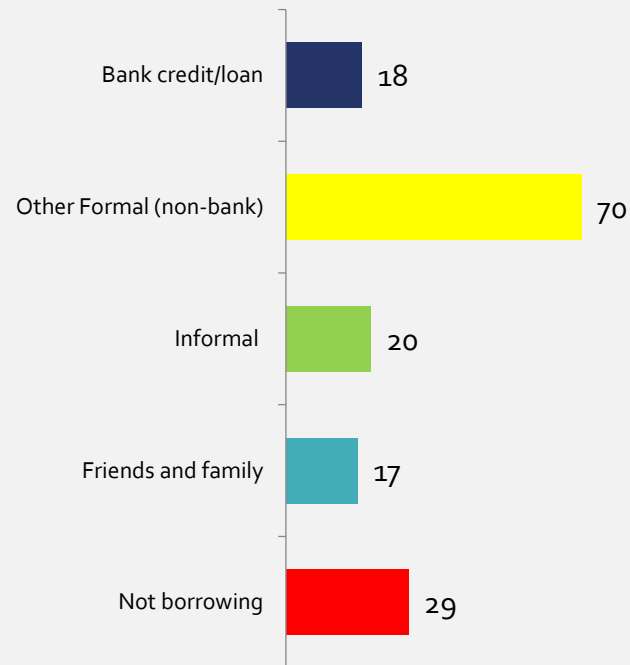




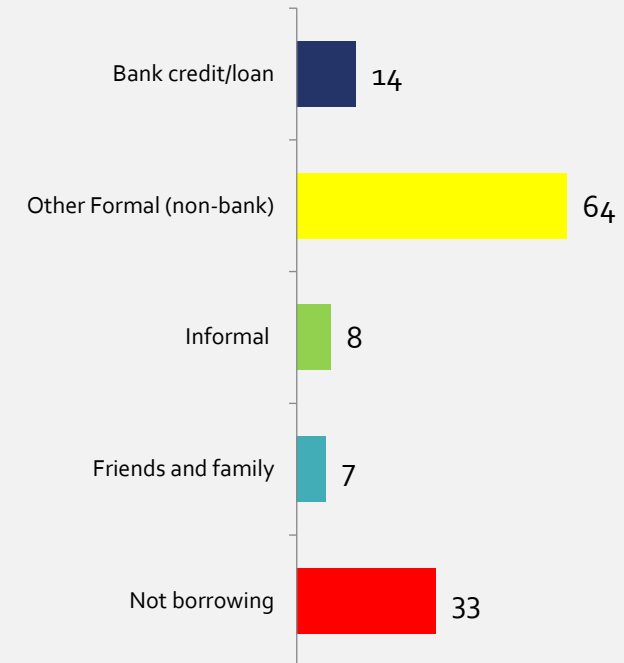
Credit

More people were credit active in 2021 (additional 2.6m adults since 2019 – 27.m adults were credit active 27.3m in 2019, increasing to 29 million 2021 despite the financial woes posed by Covid-19)

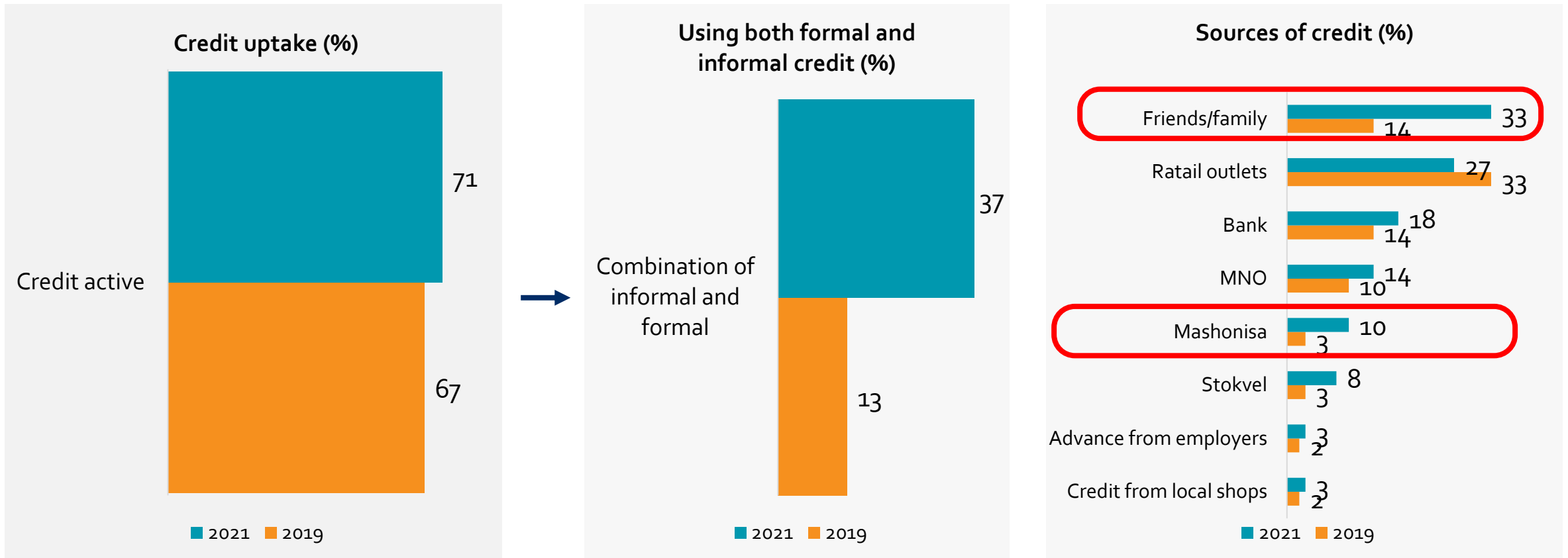
Borrowing and credit 2021 (%)
(n=5664)



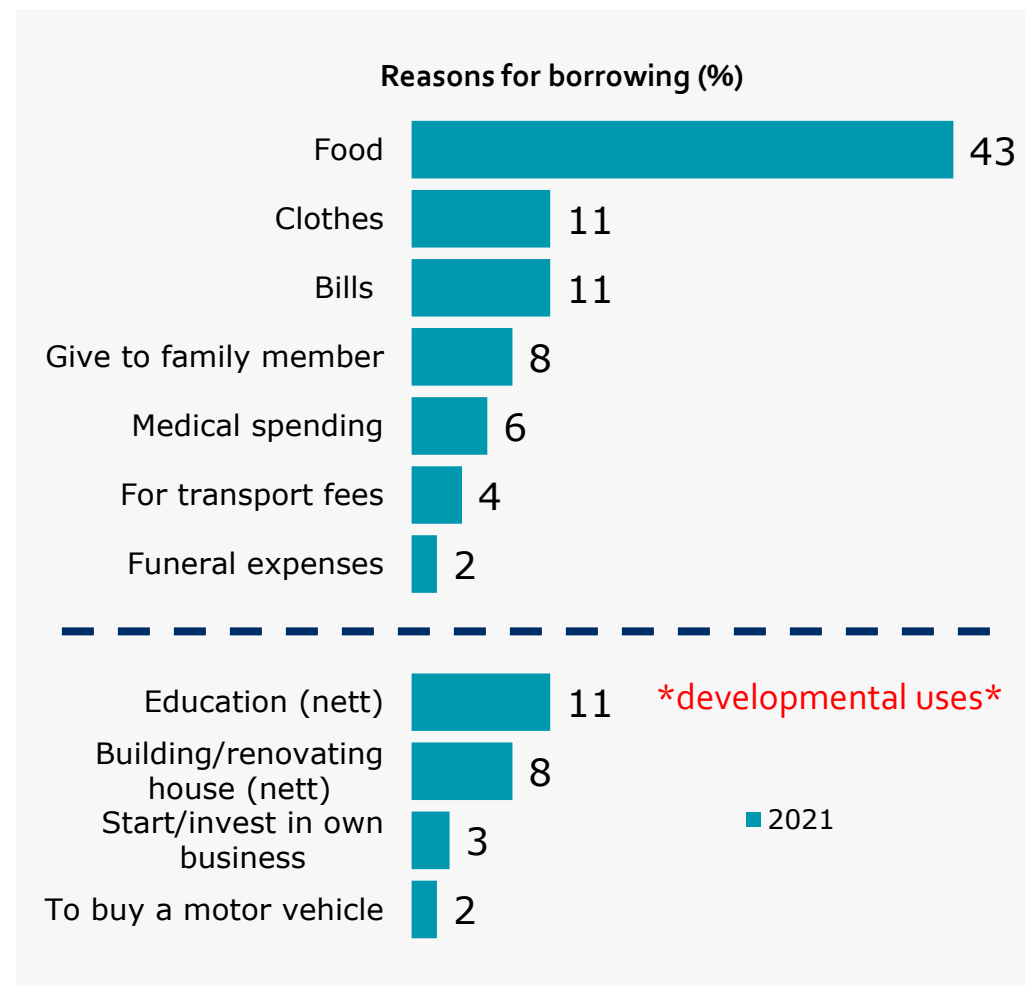
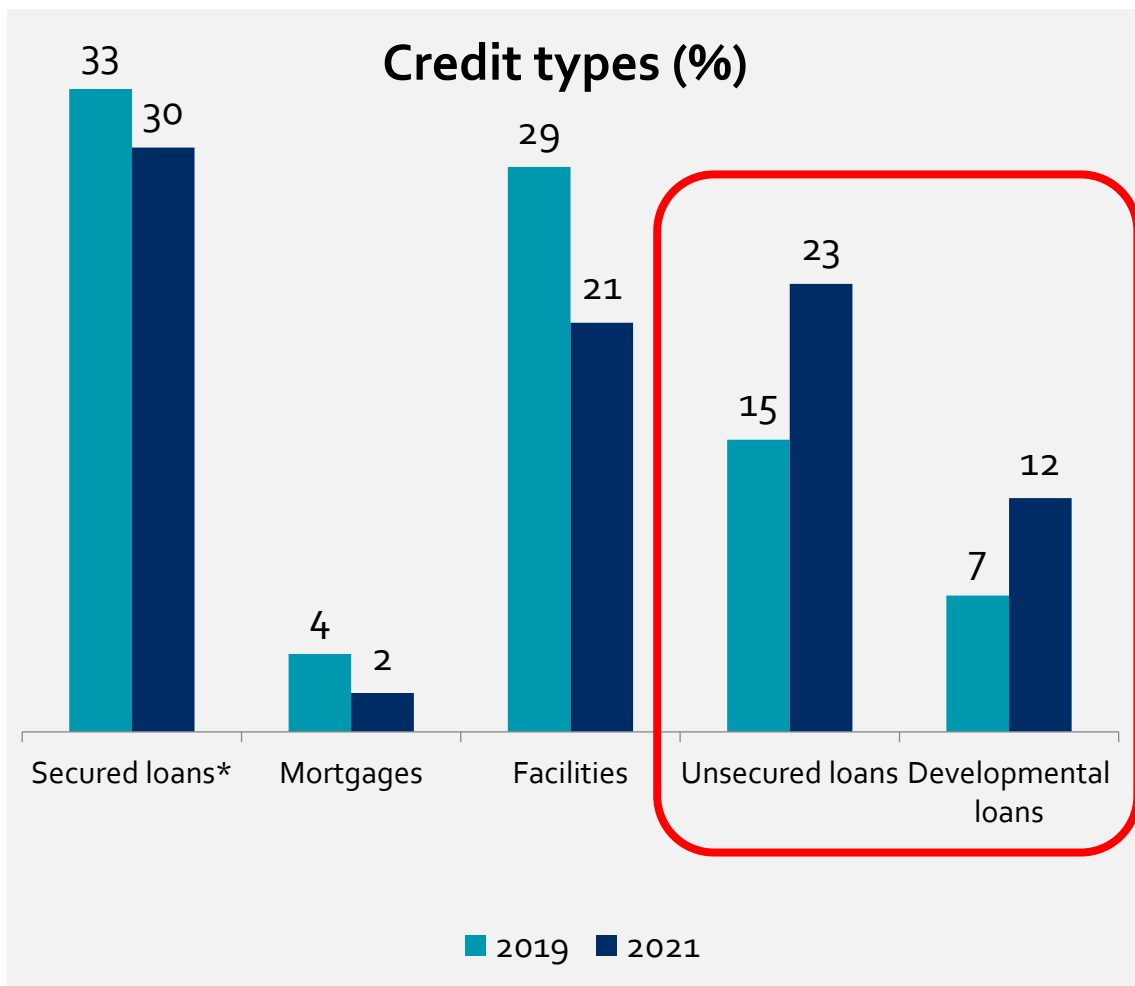
Borrowing and credit 2019 (%)
(n=4969)



Loan sharks are using the financial uncertainty caused by COVID-19 to target people struggling to make ends meet



Unsecured loans and developmental loans up



2019

32%

Credit products penetration in the last 12 months - product level

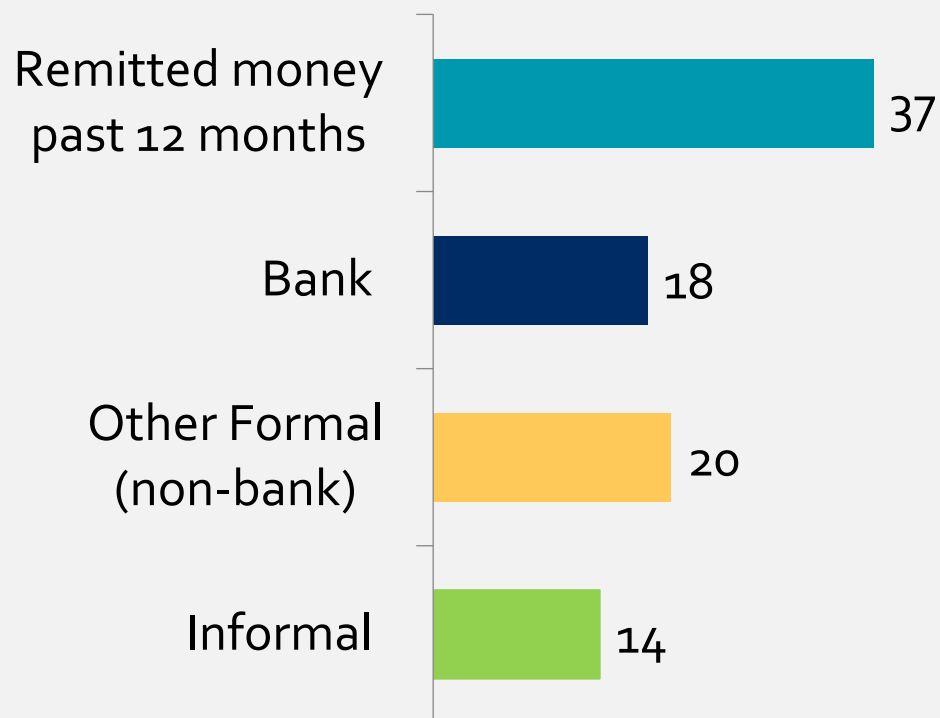
	2021 (n=1704)	2019 (n=1209)
Borrowed money in the past 12 months	29%	22%
Borrowing from informal mechanism past 12 months		
Family/friends	58	27
Mashonisa	25	9
Stokvel	10	8
Spaza/corner café	7	3
Colleagues	14	7
Employer	4	3
Pawnshop	0	1
Borrowing from formal FSP past 12 months		
Loan from a bank	38	23
Loan from retail store	16	16
Microfinance	3	3
Village bank	0	2
Loan from insurance company	1	2
Types of loan/credit past 12 months		
*Lay-buy	58	77
*Store card	41	50
**Personal loan	27	9
*Temporal loan	8	8
*Hire purchase	7	6
*Revolving loan	6	3



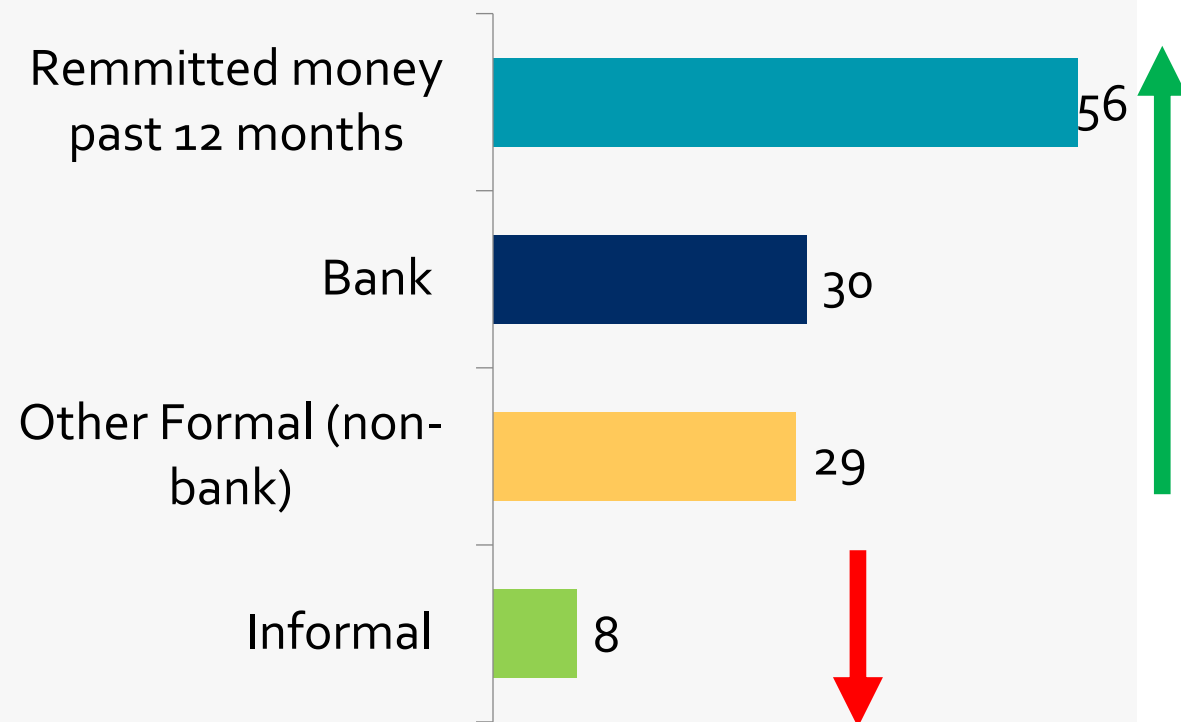
Remittances

As COVID-19 devastated families around the world, remittances were key in providing critical lifeline for the poor and vulnerable

Remittances 2019 (%)

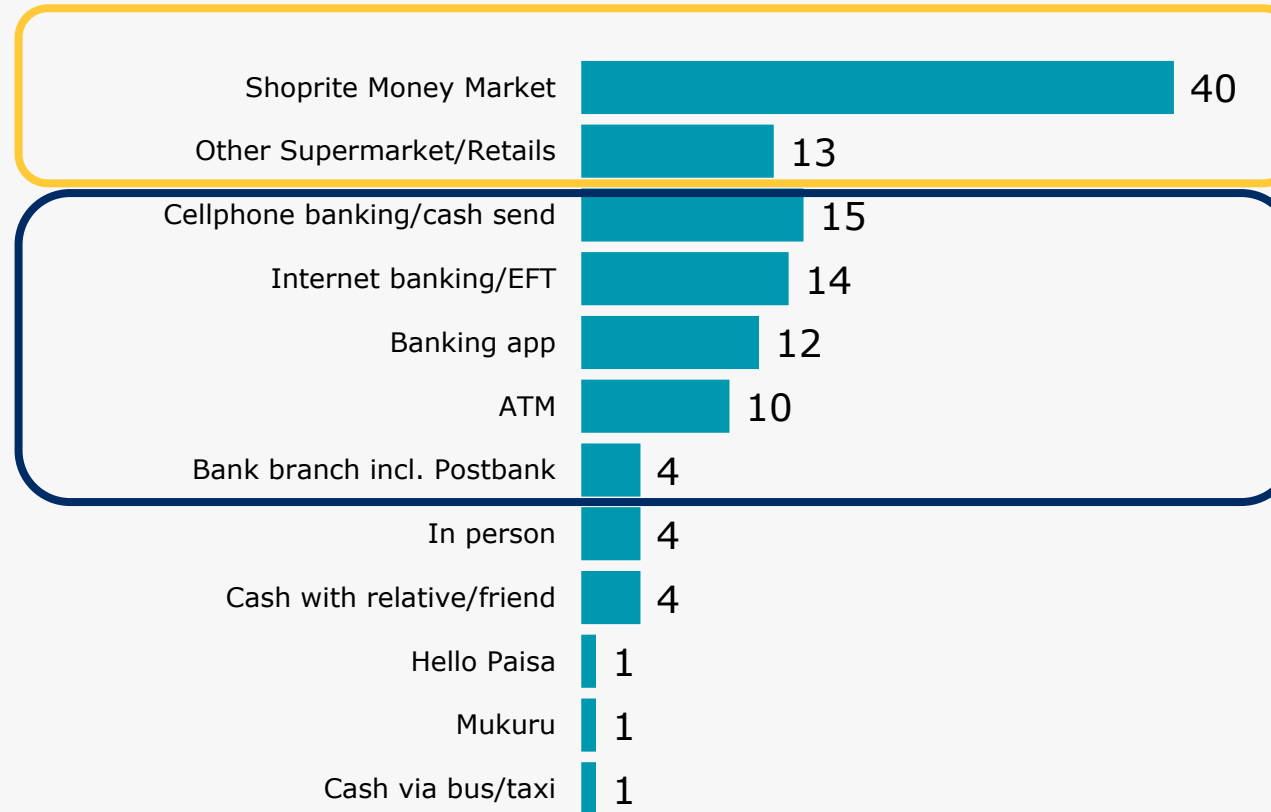


Remittances 2021 (%)



Domestic remittances are driven by both banking and retail store channels, recording huge increases as both banked and unbanked people are able to transact

Domestic - Channels used for sending money (34%)

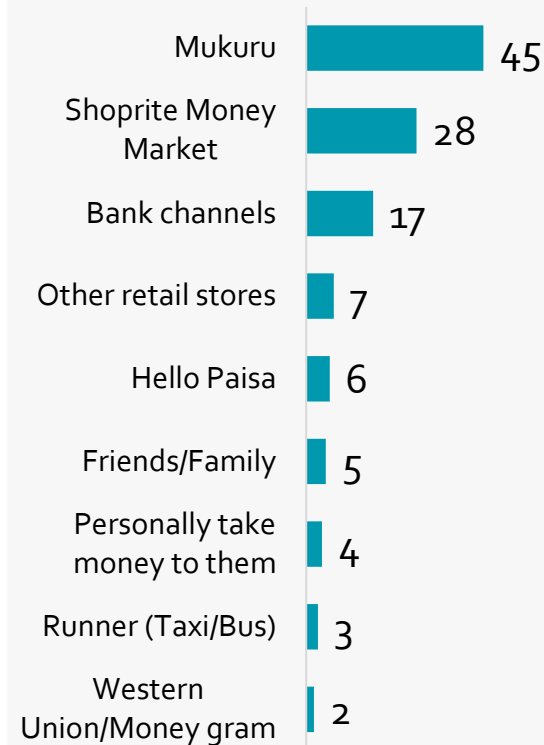


Close to 2 million adults in South Africa sent money to people living in foreign countries in the past 12 months

Sent money outside SA (%)



Channels used sending money outside SA (10%)



0.9 million sent money on a monthly basis

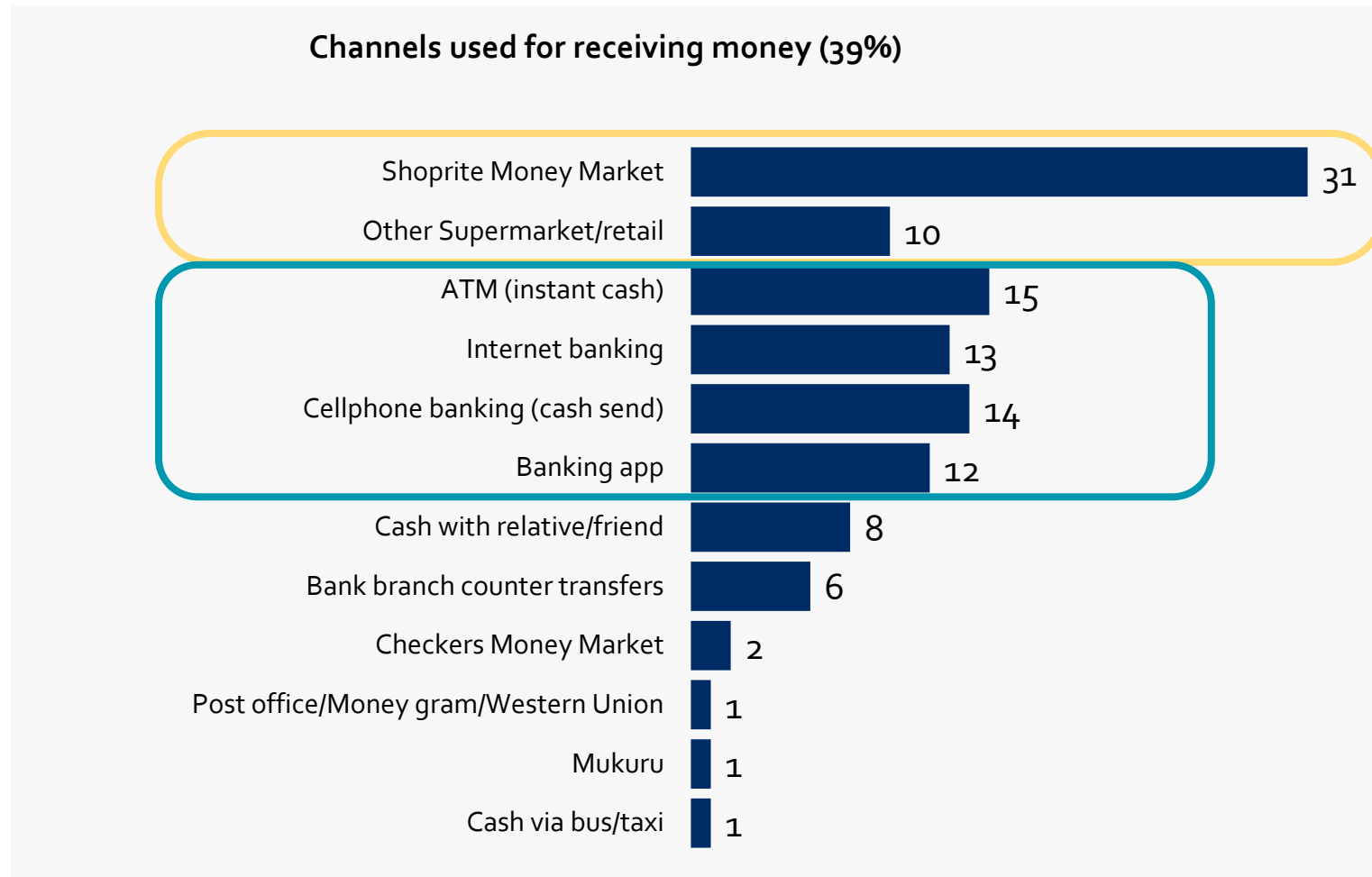


R2.5 Billion rand could be sent through SA borders monthly



The annual value going rand could be R30.6 billion in 2021

Around 8.5 million adults were able to receive money through banking channels. This recorded (an increase of 3.5 million during the pandemic)

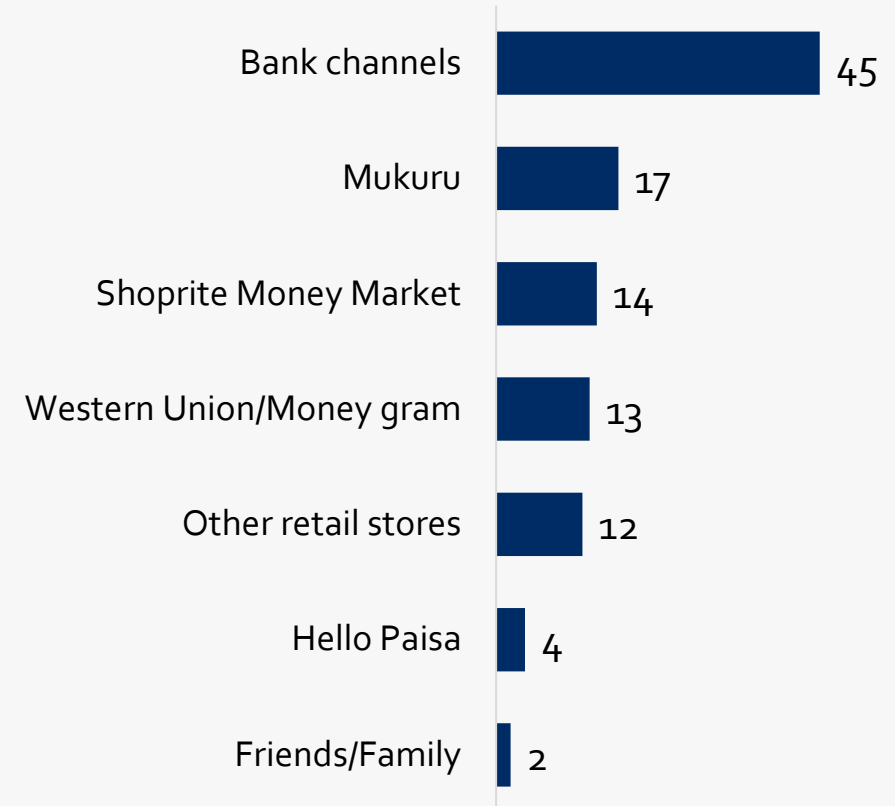


Around half a million adults received money from people living outside South Africa

Received money from people outside SA (%)



Channels used receiving money (%)



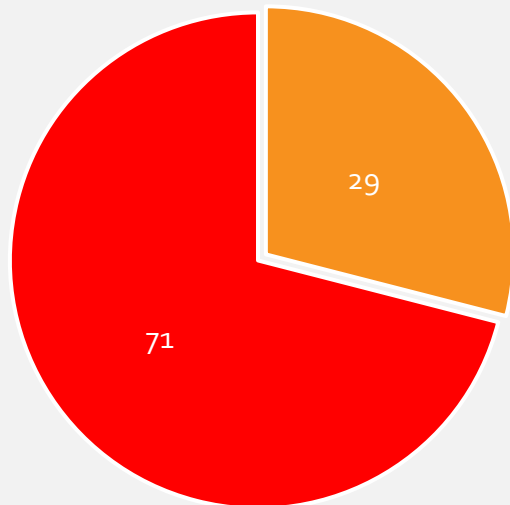


Financial Literacy

More adults were using personal budget in 2021. Budgeting Can Help You Weather Tough Times

2019

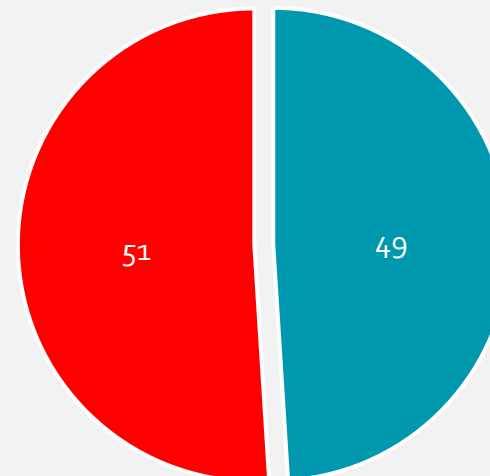
Have personal budget (%)



■ Yes ■ No

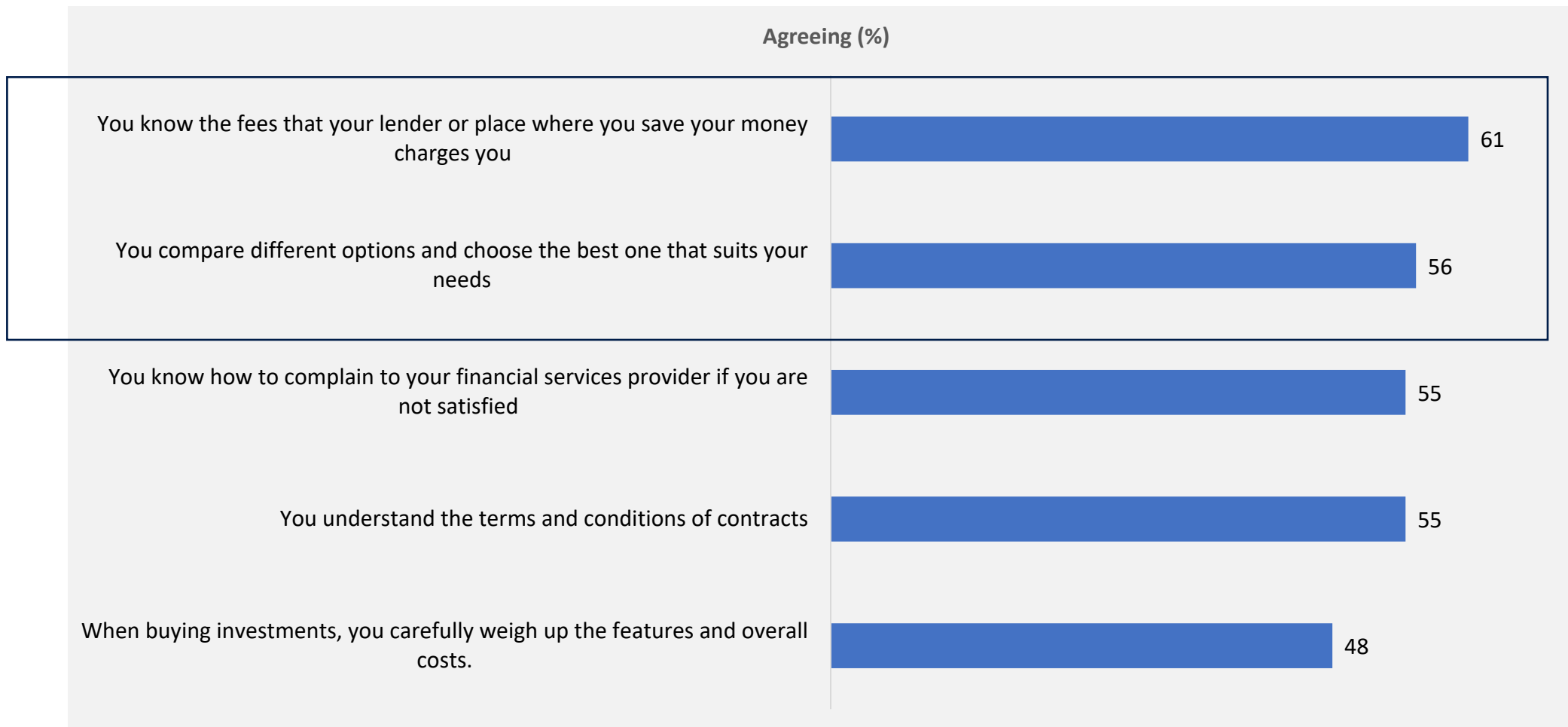
2020

Have personal budget (%)



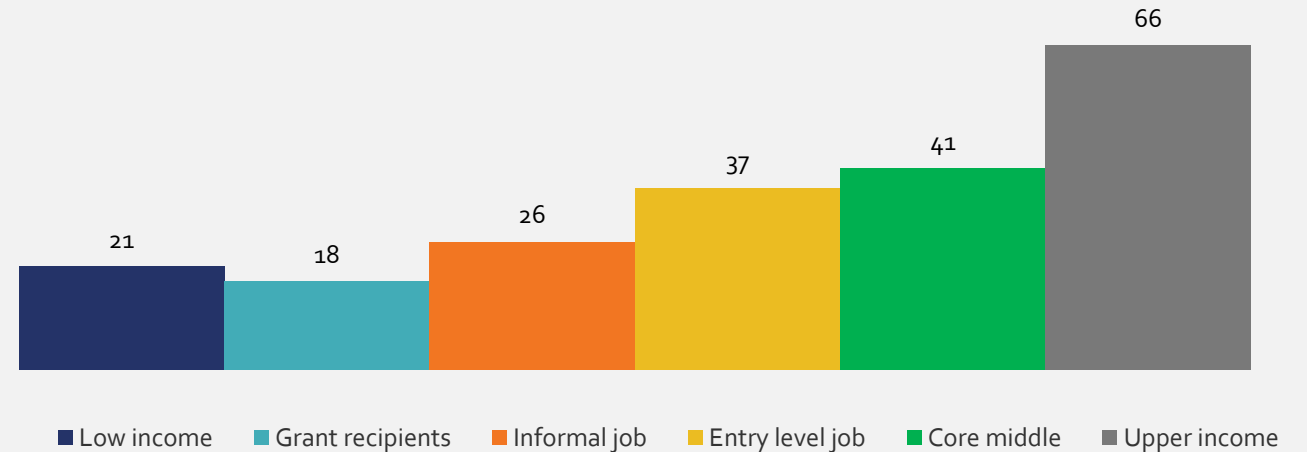
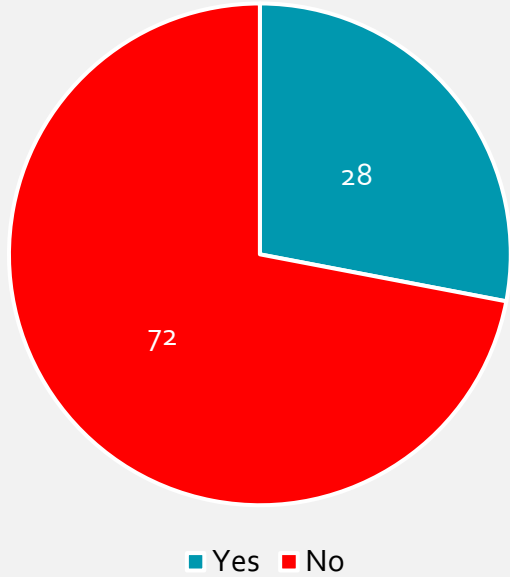
■ Yes ■ No

Around two-thirds of adults in South Africa claim to have knowledge of fees charged by providers and another 56% claim to consider affordability before buying something



About 30% of adults have set aside emergency/rainy-day funds that would cover expenses for 3 months

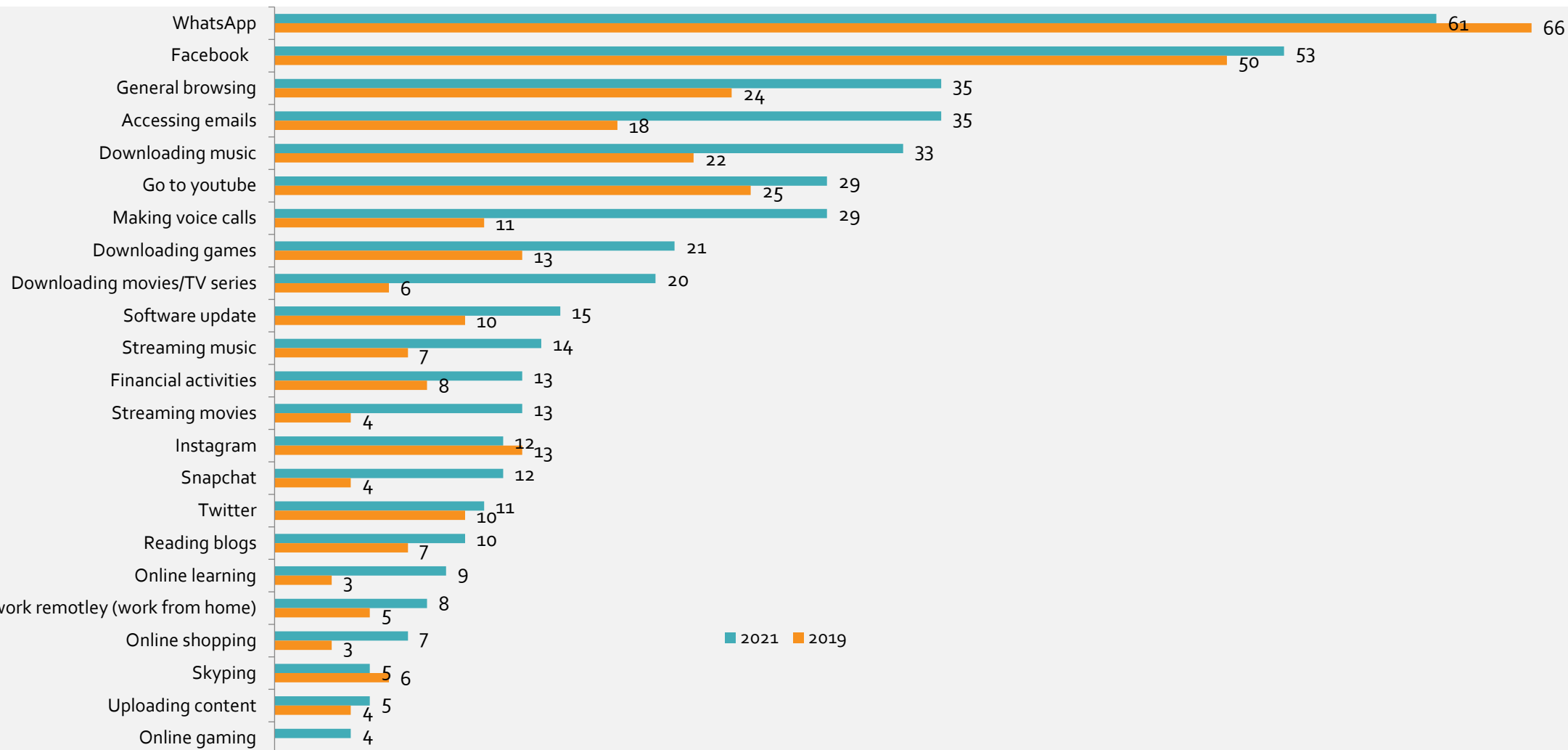
Have 3 months rainy-day funds (%)





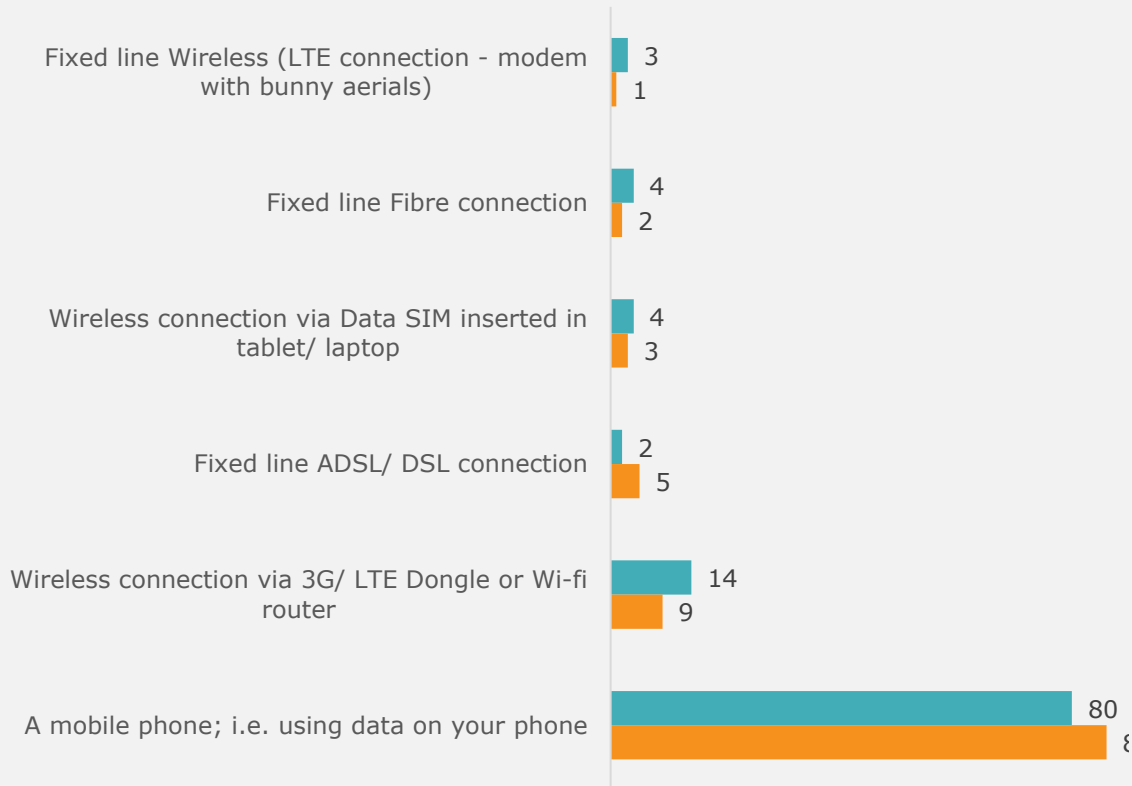
Technology

General high usage of internet for other activities such as online shopping, work from home, e-learning is noted in 2021 compared to 2019

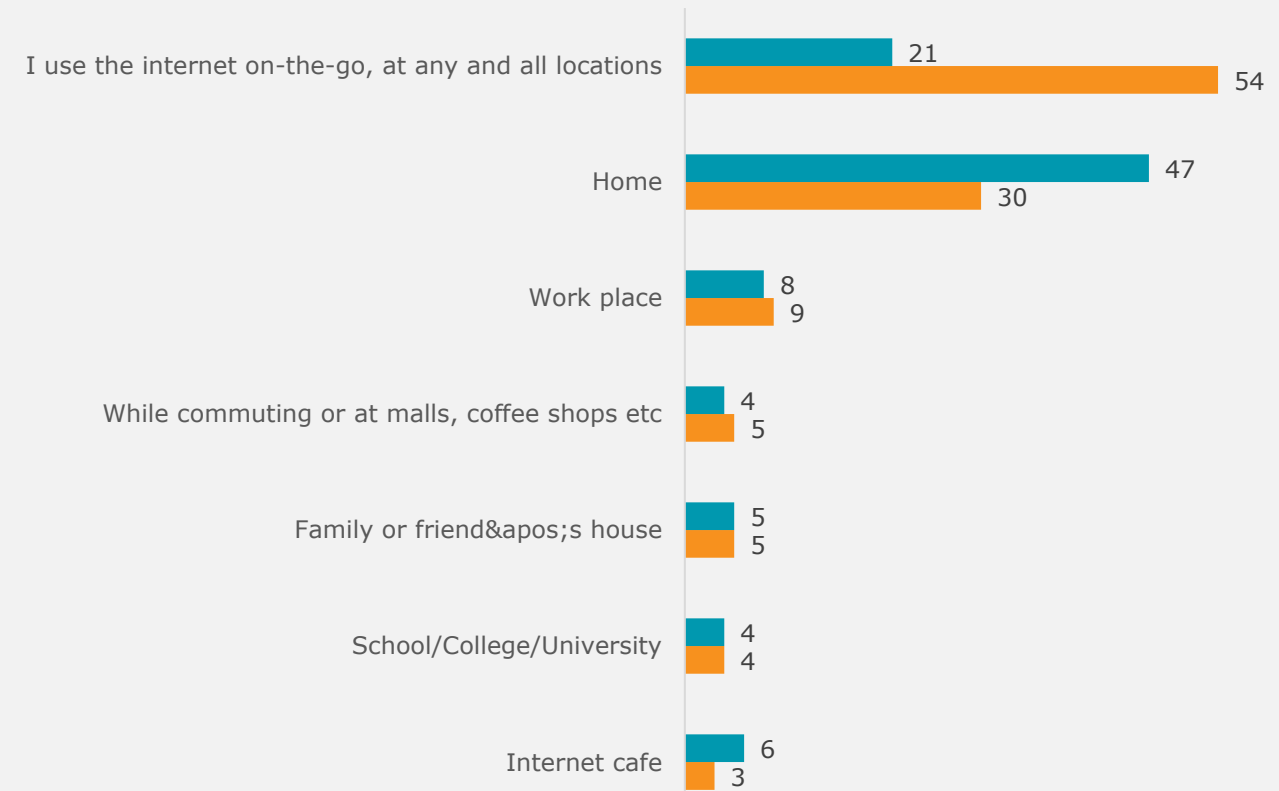


Most adults connect to internet through using data on the mobile phone at home, this enable them to also use the internet on-the-go, at any and locations

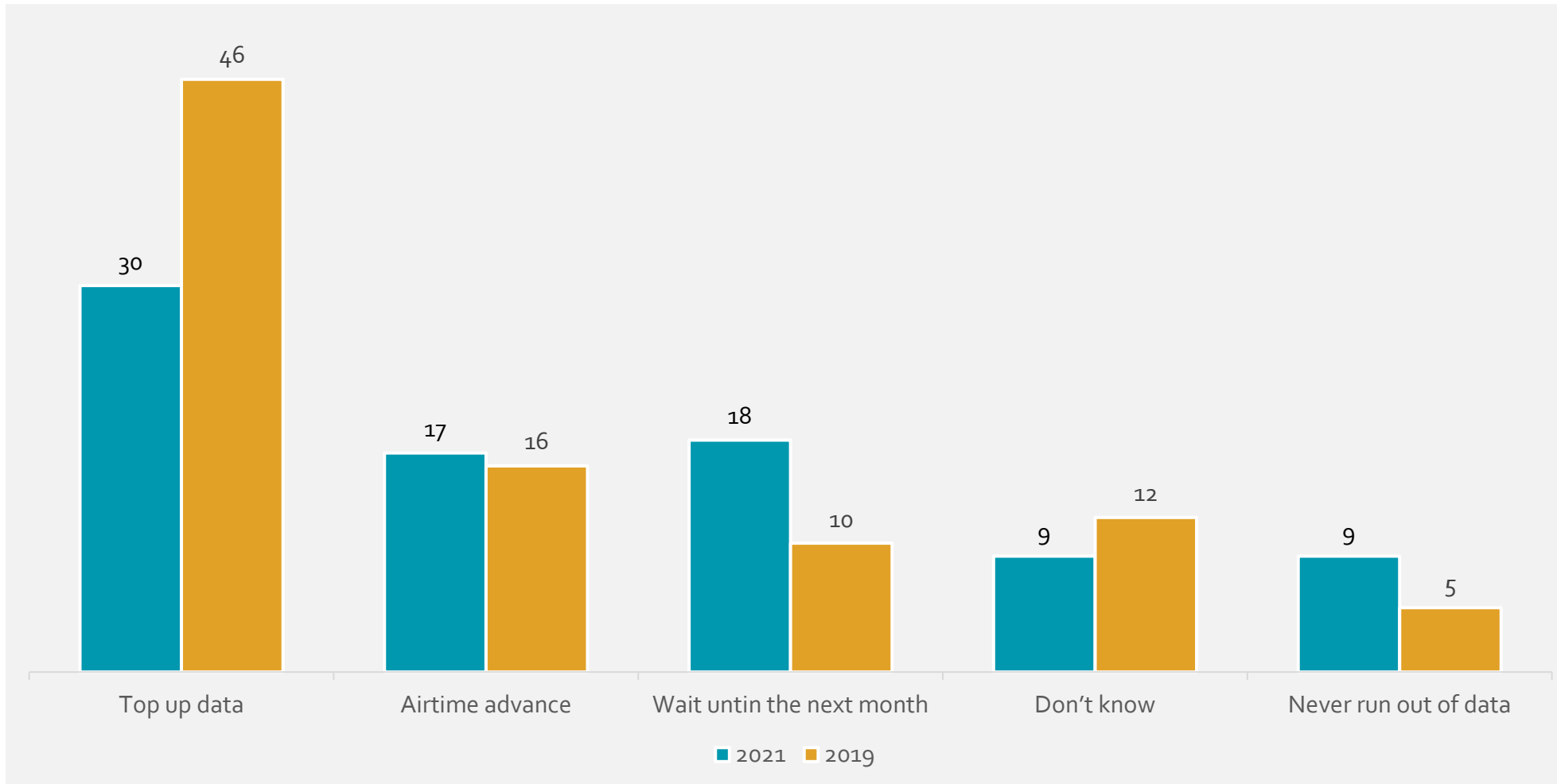
How the household connect to internet (%)



Where internet is used? (%)



Due to hardship, more people wait until the next month if they ran out of data, but more also managed their data effectively compared to 2019





Key take outs

Has the Pandemic impacted the financial industry?

- **Fall in employment** and **broadened dependency** on both the government and family support structure
- In total, 19.8-million (47%) of South Africans were subjected to this. Collectively this has impacted, not only on South Africa's economic performance, but also the social conditions and financial health of a significant portion South Africans
- **Savings** and **borrowing** spaces influenced by **short-term usage to manage day-to-day** living requirements
- More people depending on remittances, informal mechanisms and increased need for cash to manage living expense

Key take-outs

- Digital transformation via transactional accounts created conducive space for increased usage – what challenges could be expected, (cyber security, consumer protection concerns, etc.)
- Digitisation of Social Grants increased mailbox accounts and use of cash once the money is withdrawn
- While access to, and the relevance of the internet is growing in South Africa. The key limitation to inclusive internet remains the perceived cost of data and there may be a growing digital divide with more people using basic phones and fewer are feeling comfortable with their smartphones.

Key take-outs

- Cash is still the dominant mode of payment as a necessity, but what could be other underlying behaviours?
- Majority of South Africans' financial status has not improved, implying reduced ability to use financial services and products to manage their daily needs, cope with shocks and achieve future goals, and ultimately deepen financial inclusion.

Key take-outs

- Funeral insurance increase and the non funeral insurance flat over 20 years
- Funeral Insurance remains the most important insurance product because it is easier to obtain and considered a good alternative to a savings and investment product
- Non-funeral insurance, are we dealing with the issue of:
 - Affordability?
 - Lack of information?
 - Lack of innovation in the product design space (suitable, relevant and affordable products)?



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financial markets
work for the poor

Thank You

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