South African financial customer behaviour and sentiment study

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FSCA

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Executive summary

A holistic picture of South African retail financial customers'[1] engagement with and outcomes from financial product and/or service usage. The South African Financial Sector Conduct Authority (FSCA) has built a strong track record of market conduct supervision. However, there has been no integrated data source to paint the full customer picture required to inform the FSCA in its market conduct and financial inclusion mandates. To gain a better understanding of financial sector conduct, the following two questions are crucial: i) How are people *actually* engaging with financial products and/or services, beyond merely being 'included'? and ii) Are customers in South Africa finding value in formal financial product and/or service offerings, and are the Treating Customers Fairly (TCF) principles upheld? The objective of this study is to answer these questions – thus, to establish how retail financial customers engage with and view the financial sector and whether their use of financial products and/or services indicates that financial institutions are upholding the TCF outcomes.

A customer journey view. To make the insights, learnings and policy implications tangible, the findings are presented along the customer's engagement journey with financial products and/or services, which has four essential steps: (i) the considerations and exploration that takes place before a product and/or service is taken up; (ii) the actual uptake of or registration for a financial product and/or service; (iii) ongoing usage and, finally, if relevant, (iv) switching or exit.

Personas to illustrate. Because the South African population is multifaceted, personas are used to illustrate how the different elements of the conceptual framework transpire over the user journey across different clusters of people, each summarised into a single persona character, that have distinct financial behaviours and demographic profiles.

Methodology overview

The study draws on several research methodologies:

- At the heart is a bespoke survey of the South African adult population representing 1,200 respondents across all provinces and population groups and covering all aspects of the conceptual framework –referenced as "the survey" in the rest of this report. The survey is accompanied by discrete choice experiments to test underlying behavioural drivers on specific questions, as well as qualitative research with people representing each of the identified personas, to dig deeper into insights and explore nuance.

[1] Retail financial customers, for this purposes of this study, refer to individuals (natural persons) who use financial products and/or financial services

This primary research is amplified by:

- Desktop analysis of existing survey data sources, notably FinScope 2021 and 2022 and the Human Sciences Research Council (HSRC) Financial Literacy in South Africa Baseline Survey 2020
- Social media sentiment analysis[2], based on the DataEQ database
- Analysis of complaints data collated by the respective financial sector ombuds

Key findings

Mix of customer perceptions and sentiments, with lacklustre engagement

Generally positive and neutral sentiments, unless there are specific pain points. South African customers generally view financial institutions in a positive light, particularly in relation to complaints, fixing problems and providing good information. Customers also have generally positive sentiment toward the available product mix and the value derived from it.

However, probing deeper shows that customers may find ***certain products expensive and may be "settling" for financial products and services that do not precisely meet their needs***. Also, the way that customers interact with the sector and use their products suggests room for improvement and can inform public and private sector interventions. Many customers have financial products and/or services "in the background" and do not cognitively engage with their products and/or services, unless getting to the point that they want to complain or cancel.

Engagement with new products seems to be life-stage driven. For instance when a customer wants to buy a car, they need insurance, which drives them to take it up. This may partly explain why store cards, credit cards and funeral parlours are some of the most well-used products in South Africa even though they also feature amongst the least well understood (along with medical aid and insurance products).

As expected, ***income levels are a strong driver of product take-up. Important also is the stability of income*** i.e. being salaried relative to having an inconsistent and unpredictable income, especially for products that have a monthly commitment, like insurance.

2 It is important to note that the social media sentiment analysis only captures expressed sentiments by people active on social media. As such, it cannot be taken as representative of customer sentiments. Moreover, social media sentiment expressions are skewed towards the provinces with large metropolitan areas, such as Gauteng and the Western Cape (DataEQ, 2023).

Notable perceptions and experiences of respondents that offer insights into why some products are purchased and used much more than others include:

- ***Preferences for cash*** and needing access to money received are the strongest self-reported determinants of why customers use their bank account infrequently (usually a single transaction withdrawing all funds). Trust, knowledge, cost and accessibility are not factors that are flagged as major issues affecting frequency of usage. Positive perceptions of product design and the view that complaints would be resolved, are related to increased use.

- Customers express an ***aspirational desire to own investment products***, equating owning investment products with wealth and financial stability. However, they also indicate that investment products are not well understood. Interestingly, only 1 in 5 respondents indicate that pension products are important to get, indicating that these aren't viewed in the same light as investment products even as they contribute towards a household's financial stability. Respondents also express ***frustration toward retirement products***, mostly in relation to difficulties experienced when trying to withdraw.

- ***Insurance providers are amongst those that are not well trusted,*** which may be partly attributed to a misalignment in the understanding of insurance; customers talk about these products as an 'investment' rather than risk protection.

- Nearly half of survey respondents report that they had been ***warned against using a particular financial product and/or service, or against a financial institution***, at some stage in their lives. Most of these respondents tend to either be young (under the age of 30) or much older (over the age of 60). Younger respondents were also more likely to feel that they had been treated poorly.

- Nearly ***7 out of 10 respondents consider the costs of financial products as either "much too high" or "too high"***; individuals older than 40 are more likely to report that costs are "much too high", showing also that ***age is a differentiator***.

- ***Geography is also a differentiator***. For example, while 44% of customers indicate that financial institutions explained the features of their product or service to them, rural customers are 27% less likely than urban customers to report having information explained to them.

- ***Gender and marriage status matters***. Unmarried women are the only group that stand out as reporting poor treatment by financial institutions, with 12% of unmarried women reporting that financial institutions sometimes treat them badly. When probed further, they reported that their financial institutions were dismissive of the complaints that they made or were unwilling to answer their questions. In contrast, married women report struggling to resolve complaints themselves, but note that their husbands were able to resolve them. Relative to men, women are more likely to wait to read documents before signing.

What underlies the expressed sentiments?

Qualitative research throws new light on underlying behavioural drivers

The qualitative research provides deeper insights into how people make decisions along their user journey, as depicted in the diagram below:

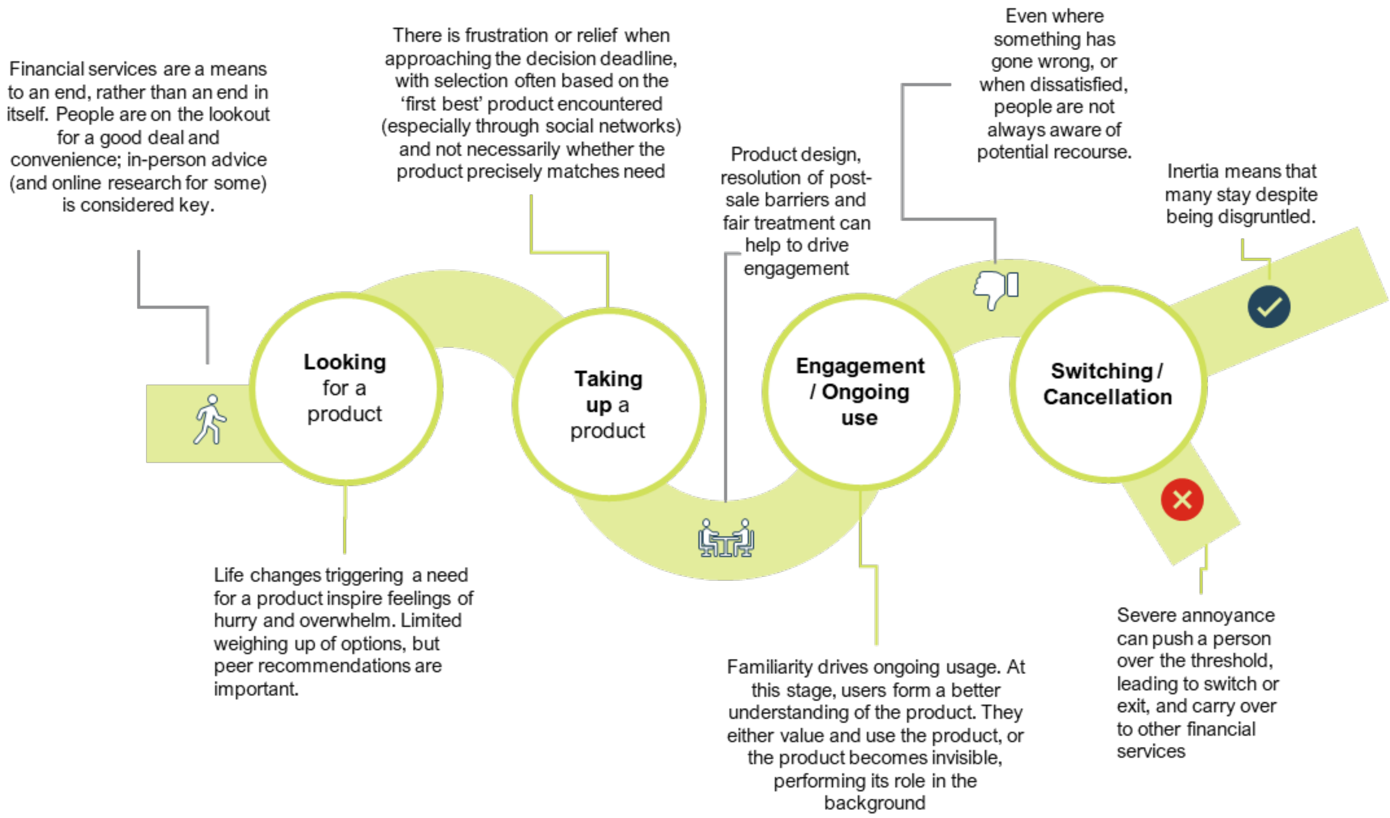

Figure 1: Behavioural drivers along the user journey

Source: Qualitative customer interviews (2023)

Overwhelm at the pre-uptake stage. The findings show that South African customers explore options for financial products and/or services because they must do so to meet specific and clear underlying needs – such as using a bank account to receive a salary or grant, or a loan for education or to buy an asset. People tend to postpone decisions on when and which product and/or service to take up until it can no longer be avoided. Their selection is then based on which product and/or service they come across, know about or have been told about and not necessarily whether the product and/or service precisely matches what they need.

Decision fatigue and salience drive uptake decisions, but TCF perceptions also matter. Customers often feel overwhelmed by the range of choices available, meaning that **salience** and **decision fatigue** are important behavioural triggers. Crucially, regression analysis shows that customers' perception of the extent to which financial institutions **uphold the TCF principles** matters for uptake. For example, South Africans who believe that their bank has a culture of treating customers fairly are significantly more likely to take up a formal savings product than South Africans who do not hold the same belief about their bank. The same effect can be seen where take-up of credit at a bank is concerned; those who affirm that their bank has a culture of treating customers fairly are significantly more likely to take up credit at a bank than those who do not hold the same belief about their bank.

Engagement stage brings deeper knowledge – or fading into the background. For some, engagement with the product and/or service leads to increased knowledge about the product/service. For others, the financial product and/or service moves 'to the background': they do not actively engage or think about their financial products and/or services, unless something about their underlying needs changes. This is because engagement with financial products and/or services beyond the basic features can be cognitively taxing for customers, while usage of the basic features becomes automatic and viewed with neutral sentiments[3].

Ongoing engagement also driven by individual traits and social effects. Some drivers of the extent of ongoing use include demographics and socioeconomic circumstances. Regression analysis shows that socioeconomic upliftment matters for achieving broader and deeper use of financial products and/or services, as does age- and financial literacy-appropriate design. Individual behavioural traits and social effects also come into play: the qualitative research shows that how people perceive products and/or services, whether they feel under pressure, and word-of-mouth can all be powerful drivers of behaviour.

Positive experience can reinforce engagement. FinScope analysis shows that positive experiences, along the TCF principles, have a statistically significant impact on both how extensively people use their bank account and the range of financial services that they hold. The engagement process can also make an important difference to whether customers build trust and continue to use the financial products and/or services they take up. Where customers have had positive experiences, they may expand their horizons of use and further explore what their financial products and/or services can do for them. However, behavioural science shows that positive sentiments are less long-lasting than negative sentiments and that the threshold for positive sentiments becomes higher over time. While a customer may initially be pleasantly surprised by a provider's service, the same experience becomes standard/neutral over time, after which any deviation from the 'positive standard' becomes disappointing or annoying. As such, it is necessary that financial institutions improve their service on a continuous basis to maintain positive sentiments.

3 Products and/or services that work effectively or automatically fade into the background because there is little that the customer needs to do to make use of it. For products like bank accounts, daily use becomes an automatic process for the customer, with neutral sentiments associated with it and little effort required. Many bank accounts may offer additional features (for example a budgeting function on the app) but customers limit their use of the product to the basic features that meet their primary needs because these additional features are cognitively taxing to set up or use. So, the use of basic features becomes automatic and "in the background" because of neutral sentiments, and the use of additional features or more complex thinking regarding the product and/or service is avoided because of the cognitive load associated with it.

Negative experience can, but does not necessarily, lead to switching/exit. Switching products and/or services or providers, or exiting a relationship with a provider, generates a cognitive load. This means that even if customers are not fully satisfied with a product and/or service, the effort required to find and engage in an alternative may outweigh their discomfort/dissatisfaction. As a result, some customers open a new account or buy a new policy without cancelling a previous one. Instances of extreme annoyance may, however, lead to cancellation, which the qualitative research suggests is then usually a spur-of-the-moment decision.

Insights into specific behaviours

Two discrete choice experiments were run, attempting to better understand persistent or common behaviour seen in the South African financial sector. The first considered why customers still prefer in-person engagement with financial institutions, even when digital alternatives exist. Results revealed, amongst others, that a stronger focus on getting customers over the hurdle of first-time usage could encourage further digital adoption.

The second experiment considered what it would take to encourage customers to switch from informal savings channels – such as stokvels – to saving in formal financial products. The results were interesting, revealing the customers don't actually view these two channels of saving as substitutes for each other. Informal savings structures, such as stokvels, are not viewed as savings. Customers have much stronger associations with informal versus formal savings channels.

Outcomes as ever-elusive target

Ultimately, the success of financial inclusion lies in the outcomes that it achieves for customers.

Encouraging high-level scores, but the work is not done. Analysis of the FinScope and the HSRC surveys suggests that the financial sector treats customers fairly on most TCF indicators, with banks scoring marginally better than insurers. There are, however, key areas for improvement. TCF scores for corporate culture, product design and information disclosure all declined between 2021 and 2022. The survey results and social media sentiment analysis add further nuance, as illustrated in the diagram below.

Figure 2. TCF outcomes at a glance

Source: Retail financial customer behaviour and sentiment survey (2023) and DataEQ (2023)

Where financial institution culture **(TCF 1)** is concerned, credit providers are viewed most negatively and there are correlations between customer perception of this outcome and age, race and gender, respectively[4]. Customers are also not entirely satisfied with their product and/or service costs, features, and experiences **(TCF 2)**, leaving room for financial institutions to devise tailor-made solutions.

4 In the survey results, women were 16% more likely than men to report that their providers have their best interest at heart. Black Africans were 7% less likely to report that their providers have their best interests at heart. The youth were 29% less likely to report that providers have their best interests at heart.

While most respondents report adequate disclosure, communication on fees, refunds/reversals and added features is not yet simple and clear enough **(TCF 3)**. Where **TCF 4** is concerned, advice to customers solicits few responses – thus advice from a financial institution is not on the radar for most respondents. For **TCF 5**, there is a large band of neutral[5] to positive responses, but social media elicits negative sentiment around factors such as speed or responsiveness of the platform, billing and account irregularities. Financial institutions are also often viewed as hard to reach and marginalised customer groups experience higher barriers when lodging complaints or queries than others **(TCF 6)**.

Conclusion

The South African financial customer behaviour and sentiment study confirms the pervasive and positive contribution of the financial sector to South African customers. By helping people meet their underlying financial needs, financial products and/or services can unlock investment and economic opportunities and help people to cope with financial shocks.

However, the research also reveals further nuances. Customers are often neutral or sceptical about their financial products and/or services, even if they do not actively cancel or switch. *Access* to formal financial products and/or services is thus not a primary problem in South Africa; rather, *quality* and the extent to which/how people are *empowered to use* their financial products and/or services to meet their needs is. A focus on improving quality of financial offerings strongly aligns to the FSCA's mandate, as does deepening customer usage.

Behavioural insights provide a view into how TCF "lands" for customers in practice, what really matters to empower them and where and why tick-box compliance may not be sufficient:

- The research indicates limited cognitive engagement with terms and conditions, which means that better **disclosure** upfront is not a viable stand-alone solution for the challenge of better empowering customers.
- More **choice** upfront is also not necessarily a panacea, because South African customers already find the range of choices available to them overwhelming (cognitive overload and decision fatigue) and do not actively weigh up or compare alternatives (as they do not necessarily understand or see the differences among similar products and/or services).

5 The use of 'neutral' options in Likert scales and its interpretation is one of the big controversies of behavioural research precisely because it is difficult to interpret. The general consensus is that neutral responses should be interpreted as a way to opt out of answering the question/an unwillingness to answer. The precise interpretation of this is left to the researchers and is taken from the context of the research and previous experience. In this case, we draw on the literature, experience and the field testing of the survey questions to conclude that while neutral responses can be interpreted as slightly negative, they are more likely to be an indication of being unwilling to answer because of the sensitive nature of the research.

What seems to be the most important, is the customer's **voice**[6] and the **underlying principles of engagement** – in other words, the customer's confidence in their ability to engage with financial institutions and demand service, and their perceptions of whether the design of financial products and/or services aligns with their needs. Ultimately, whether people believe their financial institutions uphold a **culture** of treating customers fairly does matter for usage, even though their perception of the role of financial products and/or services in their lives, how they prefer to engage and why they get disgruntled are context-specific and may shift over time.

These behavioural insights are likely to have consequences for how the FSCA engages with financial institutions to ensure that the TCF principles translate to meaningful outcomes for customers. Ultimately, the research supports the work of the FSCA which is focused on further strengthening customer outcomes. The regulator and regulated sector should think creatively about ways in which the behavioural insights rendered by this study can inform approaches in this journey.

6 The concepts of choice and voice draws on the CGAP (2020) framework for customer outcomes. See the following link for the 2022 publication on the results of the South African pilot study for measuring customer outcomes: https://www.cgap.org/research/reading-deck/customer-outcomes-based-approach-to-consumer-protection-guide-to-measuring

2. Introduction

FSCA background and mandate. The Financial Sector Conduct Authority (FSCA) is established as dedicated market conduct regulator in South Africa's Twin Peaks regulatory model and implemented through the Financial Sector Regulation (FSR) Act 9 of 2017 (Financial Sector Regulation Act , 2017) The FSCA's mandate includes overseeing the conduct of all financial institutions that provide a financial product and/or service as defined in the FSR Act. This mandate is expressed through a series of objectives expressed in Section 57 of the FSR Act, namely: a) enhancing the efficiency and integrity of financial markets; b) protecting financial customers by promoting fair treatment of financial customers and providing financial education and literacy to enable more informed customers and c) assisting in the maintenance of financial stability. For the FSCA to achieve this objective, it has set itself the strategic objectives of, amongst others, improving industry practices to achieve fair outcomes for financial customers, and promoting the development of an innovative, inclusive and sustainable financial system.

Centrality of fair customer treatment. Promoting the fair treatment of financial customers is one of the core pillars of the FSCA's mandate. Over the past decade[7] it has become a central concept underlying the market conduct framework – a common language between financial institutions and the FSCA that has become entrenched in the South African financial sector corporate culture. The fair treatment of financial customers entails upholding the following six outcomes (FSCA, 2023b) :

- TCF 1, 'culture', considers whether the corporate culture of providers supports fair outcomes for customers.
- TCF 2, 'product design', refers to the appropriateness of financial products and/or services for the needs of different categories of customers and if products and/or services are targeted accordingly, advertised and distributed in a manner that is tailored to the targeted financial customers.
- TCF 3, 'information disclosure', speaks to whether customers receive clear information and if they are kept appropriately informed at all times, including before, during and after the provision of a financial product and/or service.
- TCF 4, 'suitable advice', considers where customers receive advice and if the advice received is suitable to them and if it takes their needs and circumstances account.
- TCF 5, 'product and service performance in line with expectations', assesses if financial products and/or services perform and function in a manner that is consistent with what the financial institution has led retail financial customers to expect, as well as if customers are administered and supported by an adequate standard of customer service by their financial institution.
- TCF 6, 'ongoing obligations to financial customers', considers whether customers get fair, appropriate and accessible processes and communication channels throughout their user journey and if they can avoid unreasonable barriers in their

7 The TCF initiative was introduced under the FSB (Financial Services Board) in 2011 (FSB , 2011)

ongoing use of the product and/or service. It also encompasses their ability to complain, switch or if needs be, exit.

Problem statement and the objectives of the study. For the FSCA to effectively carry out its mandate of promoting fair customer treatment, a comprehensive picture is needed of how South African financial customers engage with financial products and/or services and the extent to which South African financial institutions are treating customers fairly. Forming such a comprehensive picture requires that the FSCA considers the voices of customers themselves, to ascertain whether they are reaping benefits by engaging with financial institutions that prioritise their fair treatment as a fundamental aspect of their corporate culture.

The FSCA already collects data on financial customers' engagement with financial products and/or services from a broad spectrum of information sources. In 2020, the FSCA piloted a Customer Outcomes Indicator Framework[8] with five voluntary financial institution participants, which included intermediaries, banks, and insurers. The pilot developed proxies for customer outcomes that financial institutions can track and report on. It aligns with broader work entailing the development of comprehensive Omni-Conduct of Business Returns (Omni-CBR). Under the omni-CBR initiative, to be rolled out over a four-year period (June 2022 – June 2026), data relating to customer and conduct outcomes will be collected from a range of financial institutions, which include banks, insurers and micro-insurers, investment providers, co-operative financial institutions and retirement fund and benefit administrators. The FSCA has also recently established a consumer advisory panel to strengthen consumer representation in the development of financial sector regulation and supervision (FSCA, 2022).

The FSCA also draws on the annual, nationally representative FinScope consumer survey, which assesses financial inclusion levels in South Africa, the Human Science Research Council (HSRC) 'Financial Literacy in South Africa' baseline survey conducted in 2020, and social media sentiment analysis. However, there has not been a dedicated study that unifies customers' perspectives on financial sector conduct and outcomes[9].

This inaugural South African financial customer behaviour and sentiment study aims to fill this gap. The objective of this study is to assist the FCSA in its objectives by establishing how retail financial customers engage with and view the financial sector and whether their use of financial products and/or services indicates that financial institutions are upholding the TCF outcomes. This, in turn, will enable the FSCA to develop and implement more customer-centric approaches to regulation, supervision and policy. An important secondary objective is to develop a comprehensive analytical framework to gauge customer behaviour, sentiments and outcomes, and document a multi-pronged methodology to populate the analytical framework, so that this approach can be replicated in future.

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8 This was undertaken in partnership with the Consultative Group to Assist the Poor (CGAP).

9 Accompanied by a well-designed methodology to enable the monitoring of these elements over time from defined data sources.

Expressed institution, product and/or service and channel sentiments and preferences. The first step to understanding customer behaviour and outcomes is to look at sentiments and preferences regarding different types of financial institutions, products and/or services, features and distribution channels. Understanding the sentiments that people express in survey responses or on social media give an important insight into the experiences, perceptions and frustrations of customers that contribute to their behaviour.

Expressed sentiments for financial institutions, products/services, features and channels, alone, are however not enough to understand customer behaviour. What lies beneath the surface of observed behaviour, and how does this differ across the steps of a user's journey with their financial products and/or services?

Underlying behavioural drivers across the user journey. This study seeks to form an understanding of how customers interact with financial products and/or services and how they derive value from financial products and/or services. The premise is that customers choose financial products and/or services based on their underlying financial needs and that different financial products and/or services (payments, savings, credit, insurance), from different types of formal and informal providers, are substitutes or complements in meeting a specific need. Under this approach there are four key steps in the customer engagement journey to consider:

i. **Pre-uptake: exploring options in response to a financial need**. The customer engagement journey begins when a customer decides to source a financial product and/or service to meet their underlying financial need. Considerations to take into account include the person's needs *before* taking up a financial product and/or service, and behavioural and contextual considerations that explain **how** and **why** people will look for a suitable financial product and/or service to meet their need.

ii. **Uptake: registration for or purchase of a financial product and/or service**. The journey then progresses to the choice that a customer makes regarding which product and/or service to use. Here, financial inclusion data shows what happens 'on the surface', but qualitative work is needed to understand what motivations and perceptions underlie observed behaviour. Triggers of uptake refer to those factors that shape which product and/or service a person signs up for and how they go about it. A range of factors, from marketing campaigns or changes in life stage, can prompt customers to take up a specific financial product and/or service in the first instance.

iii. **Ongoing use: engagement with the financial product and/or service once taken up**. This part of the journey captures the customer's ongoing engagement with the selected product and/or service and provider. A person may register for or take up a product and/or service, but then not continue to use it, or only use it sub-optimally. Drivers of use are those factors that will determine usage/engagement over time. Various drivers can be at play, ranging from the value derived from financial product and/or service use, individual social and demographic characteristics, to the broader macroeconomic and political economy context within which a customer operates.

iv. **Switching or exit.** Finally, customers may eventually switch away from one product and/or service or provider to another or cancel the product and/or service. This step does not apply to all customers; it only applies to customers who are not satisfied with the product and/or service they have taken on or who believe that the product and/or service is no longer meeting their financial needs. The rest will continue their ongoing engagement or may become dormant customers. Considerations for switching/exit refer to the factors affecting the customer experience of products and/or services and providers, ultimately driving them to make a change; as well as disengagement behaviours by customers *in lieu* of switching.

Finally, this study considers **outcomes of use** as the financial outcomes directly attributable to usage of financial products and/or services as true test of the efficacy of a TCF-centred market conduct framework. The extent to which financial product and/or service use results in fair customer outcomes is a vital component of an effective framework.

A multi-pronged methodology. The study covers the full scope of the financial products and/or services sector. It draws on multiple data sources:

- **Primary research**: Meeting the study objective required designing fit-for-purpose research instruments. Three primary research methodologies form the heart of the analysis:
  - A dedicated customer behaviour and sentiment survey with an achieved sample of 1,200 respondents. This respondent base is nationally representative across the nine provinces and by gender and population group. The survey was conducted via a WhatsApp chatbot, utilising a combination of an in-person recruitment and a snowball method.
  - In addition to the survey, two types of discrete choice experiments (DCEs) were conducted among survey respondents: a round-robin DCE and a randomised DCE. DCEs seek to quantify the strength of user preferences, without asking participants to state their preferences outright, by asking them to trade off different combinations of factors against one another. DCEs reveal the relative importance of factors, as well and the tipping points for where certain preferences become more important than others.
  - Finally, 40 qualitative in-person customer interviews were conducted to map the user journey for different population group personas (five per persona).
- **Secondary data analysis**: The primary analysis is supplemented by analysis of the FinScope 2021 and 2022 datasets, produced by FinMark Trust, as well as the HSRC Financial Literacy in South Africa baseline survey conducted in 2020. In addition, the authors consulted published financial ombudsman complaints data as well as social media sentiment analysis drawn from the DataEQ database.

See Annexure A for a more detailed overview of the methodology followed.

Personas as analytical tool. A persona is a tool that is used to describe how behaviour, underlying drivers and outcomes might differ across diverse types of customers, depending on their circumstances. It creates a picture of the users being researched in a relatable and easy-to-understand way, offering a more granular understanding of a customer's day-to-day life and how they might respond to untested scenarios and unfamiliar products and/or services. Personas are not a population classification tool; instead, this tool uses a narrative form to tell a story about an individual, as a representative of a group of people displaying similar

financial behaviours. The personas in this study were derived through statistical analysis by conducting K-means cluster analysis on FinScope 2021 data.
This exercise identified the following six personas covering a range of customer behaviours that, together, account for the bulk of the South African adult population's financial behaviour:

Persona 1		Female | 30-40 years old | Urban
Persona 2		Female | 30-40 years old | Urban
Persona 3		Female | 40-50 years old | Rural
Persona 4		Male | 30-40 years old | Urban
Persona 5		Male | 20-30 years old | Rural
Persona 6		Male | 20-30 years old | Urban

In addition, to explore whether decision-making criteria change for people over retirement age, two further personas (7 and 8) were added:

Persona 7		Female | 65+ years old | Urban
Persona 8		Male | 65+ years old | Urban

The personas allow behaviour, sentiment and outcomes to be described qualitatively along the user journey for these categories of users. The persona categories will be used throughout the report as an analytical vignette to add character to the insights drawn from the data analysis.

The structure of the report. The report comprises five chapters, with this introduction forming the first:

- Chapter two sets the scene by outlining customer sentiments, perceptions and preferences for providers, products and/or services and channels.
- Chapter three considers the drivers of customer behaviour for each part of the user journey.

- Chapter four analyses TCF customer outcomes, as well as other resilience and needs-based outcomes as relevant.

The report closes with a conclusion reflecting on the findings and implications for financial institutions as well as for the FSCA’s mandate and its regulatory and supervisory approaches.

3. Customer sentiments and perceptions towards financial institutions, products/services and channels

How do customers feel about the various financial institutions they interact with and products and/or services and channels that they use? This chapter discusses reported perceptions, sentiments and preferences toward different types of financial institutions, products and/or services and channels using primary data from the retail financial customer behaviour and sentiment survey (2023), compared against secondary data from the FinScope and HSRC surveys, Data EQ and various Ombuds.

Customer sentiment is generally positive, but is quick to 'turn' when experiencing poor service

Box 1: Key findings: customer perceptions, sentiments and preferences

- Customers generally see financial institutions **in a positive light**, particularly in terms of responding to complaints, resolving problems and providing helpful information; however, institutions are rated lower on value for money and consulting customers.
- There is a **generally positive outlook on the available product and/or service mix** and value derived from it; people aspire towards savings and investment products.
- Most customers **prefer ATM and branch engagement** to digital channels, but there is also a sizable proportion that is comfortable with engaging digitally.
- **Mixed sentiment on financial institution reachability**: Half of respondents find it easy to reach their financial institution during an emergency; however, there is a significant number of respondents who are neutral or have found it challenging to do so.
- A minority of respondents report negative experiences with financial institutions or products and/or services. However, many people have been **warned against specific providers or products and/or services** and take word-of-mouth seriously.
- **Channel downtime and poor service experience** are front-of-mind topics soliciting negative sentiment on social media. While there is positive branch sentiment, call centre and fees/charges solicit mostly negative sentiment.

3.1. Financial institutions

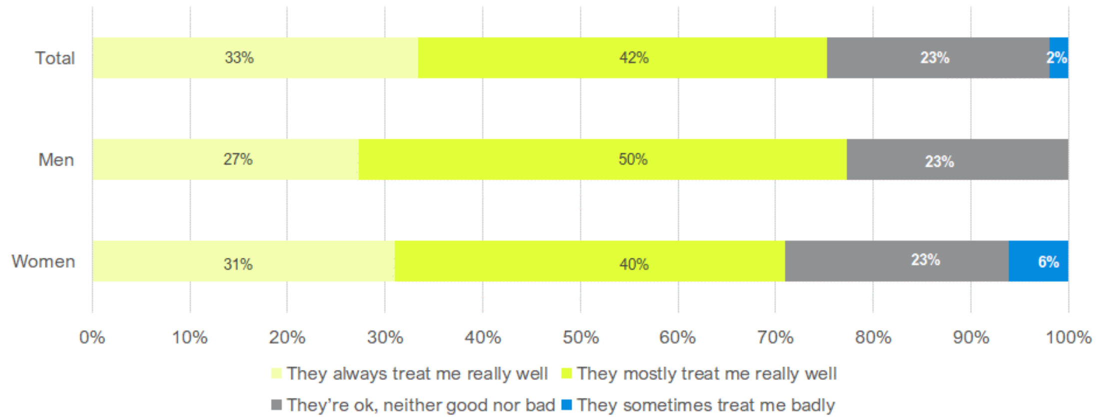

Figure 3: Respondents' perception of treatment by financial institutions

Source: Retail financial customer behaviour and sentiment survey (2023)

Limited perception of poor treatment. As shown in the diagram above, respondents generally perceive their financial institutions to treat them fairly. However, neutral perception of treatment is still prevalent, with 23% of respondents reporting that financial institutions treat them "ok, neither good nor bad"[10]. Based on an analysis of the qualitative findings of this study, it would be most accurate to read the high prevalence of neutral responses as opting out of responding due to slight negative sentiments and a fear of reprisal for reporting in the negative[11].

When considering the demographic differences in survey responses, unmarried women are the only group that stand out as reporting poor treatment by financial institutions, with 12% of unmarried women reporting that financial institutions sometimes treat them badly. When asked about what happened, they reported that their financial institutions were dismissive of the complaints that they made or were unwilling to answer their questions. In contrast, married women report struggling to resolve complaints themselves, but note that their husbands were able to resolve them[12].

"There are some problems sometimes and I can't fix them. But then my husband he goes to the bank, and it is fixed."

- Black African woman, married, 42 years old living in an urban area[13]

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10 Neutral responses in Likert-scale questions are difficult to interpret and are often a source of debate. Research shows that neutral responses lessen the tendency of individuals to respond in extremes, but that the inclusion of a neutral option also results in positivity bias and acts as an "opt out" for participants who do not want to express their opinions on a topic (Edwards & Smith, 2014).

11 We can draw this conclusion through a cross-analysis of different survey questions. We analysed the spontaneous responses given in the survey for those participants who answered "neutral" in the Likert Scale questions. What we found was that those who answered neutral in this question reported negative sentiments in the spontaneous response questions given in the survey. In other words, while they answered "neutral" when asked about their experiences directly, they described negative sentiments when given the opportunity to use their own words.

12 However, married women do not consider this to be poor treatment from their financial institutions. In other words, despite sharing similar experiences, married women are less likely than unmarried women to report poor treatment because married women were able to rely on their husbands for assistance when financial institutions did not address their concerns.

13 Quote taken from qualitative responses on the survey.

"I haven't heard anyone complaining of drastic experiences yet, so I think they treat customers okay. I know there are customer care lines to call should someone feel like they were not treated okay."

- Black African man, 37 years old living in an urban area

Largely positive sentiment about most provider types. Customer sentiment about various financial institution types is generally positive. As demonstrated in Figure 4 below, most institution types, particularly banks, elicited favourable responses from respondents in the survey[14]. The survey asked respondents to respond to each provider type with an emoticon[15], within the ranges as depicted in the figure. Cash loan and insurance providers were the least popular, as they received the most "angry" emoticon responses (12% and 43% respectively). Data from the Office of the Ombud for Financial Service Providers (FAIS Ombud) confirms negative sentiment regarding insurance, as complaints about insurance products made up a majority of the complaints they received (FAIS Ombud, 2022). Interestingly, and in contrast to the findings from the survey[16], social media sentiment analysis shows that loans and insurance[17] have a positive net sentiment (DataEQ, 2023).

Most providers solicit positive sentiment, more negative associations with insurers, cash loans

14 We use this term throughout this report to refer to the Retail Financial Customer Behaviour and Sentiment survey (2023) conducted as input to this report.

15 Emoticons were used to elicit instinctive, emotional responses to the different financial institutions, as a way to remove some of the biases associated with Likert scale-type responses. Two important pieces of cognitive research informed this approach. First, research by (Mathews, et al., 2013) showed that images are more emotionally arousing than verbal descriptions, especially when the images relate to existing affective relationships or states. In addition, recent research by (Boutet, et al., 2021) showed that emoticons improve emotional communication, social attributions, and information processing, such that emoticons allowed for faster, more accurate communication of a message. With these two pieces of research in mind, we believe that the use of standardised emoticons can remove the tendency of respondents to opt-out of responding to sentiment questions by selecting the neutral option.

16 As mentioned above, the social media sentiment analysis cannot be taken as representative of customer sentiments, given that it is skewed towards the provinces with large metropolitan areas and potentially also towards wealthier individuals (who have access to and are inclined to post on social media).

17 Women provide more positive sentiment than men and positive topics related to insurance include the range of products offered, digital experience and pricing/fees.

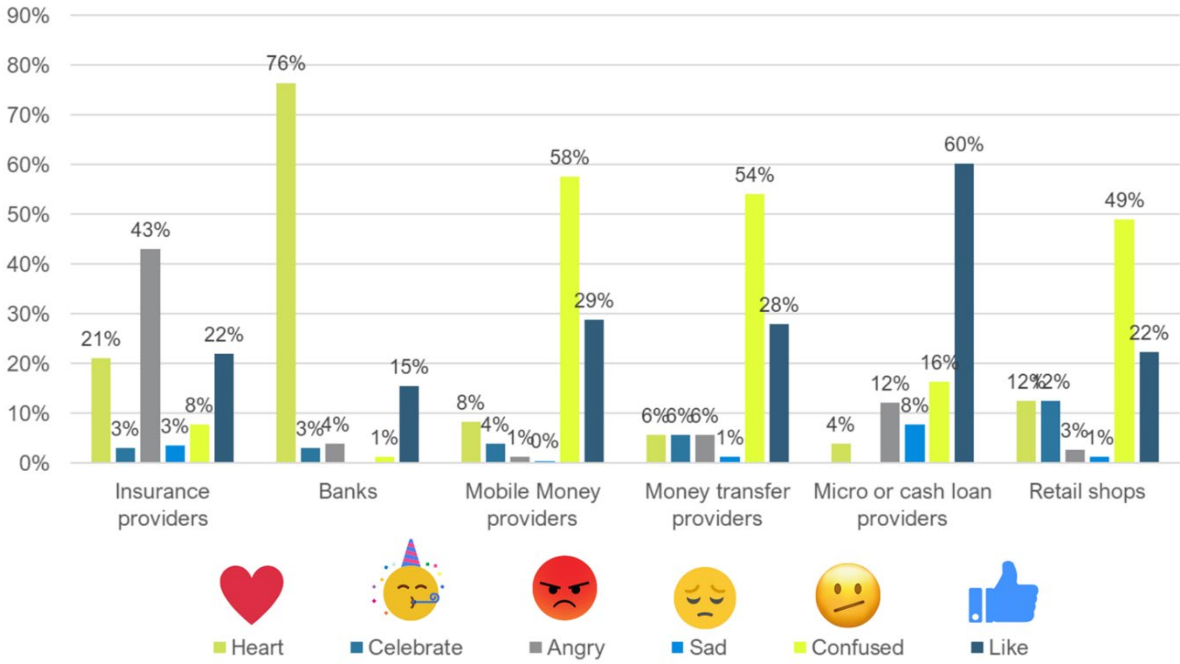

Figure 4: Customer sentiment of various financial product and/or service providers

Source: Retail financial customer behaviour and sentiment survey (2023)

Cash loan, insurers and money transfer providers are the least trusted providers. A similar picture emerges when looking at reported levels of trust. Over 80% of respondents in the survey indicated high levels of trust in banks, as indicated in the diagram below. Conversely, cash loan, money transfer, mobile money and insurance providers are the least trusted providers[18]. The qualitative responses in the survey suggest that the high level of trust in banks is driven by a belief that banks "won't steal my money"[19].

The low level of trust in cash loan providers is due to a belief that "they will trick you into taking out a bigger loan than you can afford", and that the terms and conditions of these loans are often unclear. The low level of trust in insurance providers is driven by concerns about them paying out claims; several survey participants noted that they knew of instances (or had personal experience) where insurance providers denied a claim. An interesting note in this regard relates to the language used around insurance. One survey participant noted that "you think it is an investment, but then when you need it, it does not pay." This language was fairly common when speaking of insurance, suggesting that there may be a misalignment in the understanding of insurance when customers decide to take out an insurance product[20].

18 Note: negative sentiments were higher for categories where we named specific providers as examples. "Retail shops" refer to shops that offer financial products or services, like credit or insurance.

19 Quote taken from spontaneous response in the survey data.

20 The survey did not explore this component in detail and further research would be necessary to understand whether this language is driven by something more than a simple linguistic quirk.

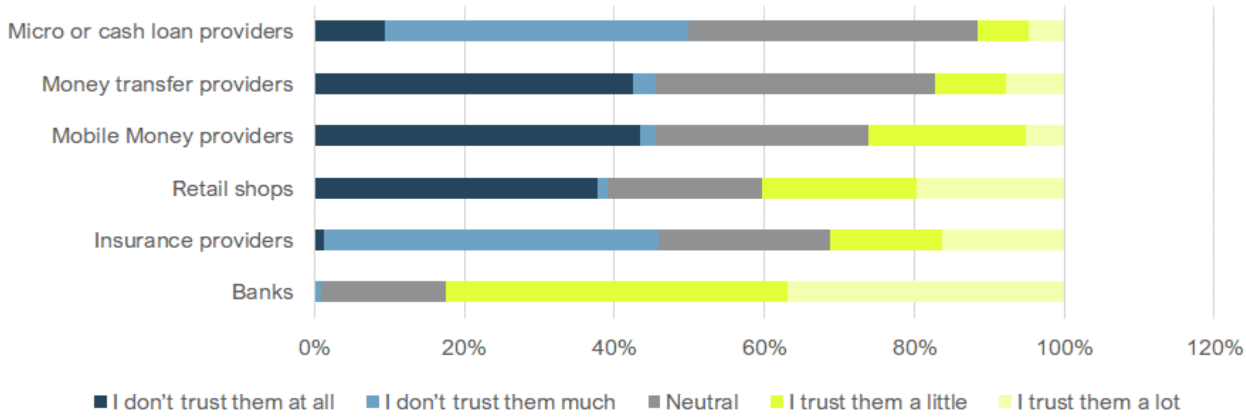

Figure 5: Level of trust of institutions

Source: Retail financial customer behaviour and sentiment survey (2023)

Secondary data and social media sentiment analysis suggest mixed customer sentiment regarding financial institutions. Secondary data analysis (HSRC, 2020) shows that just less than half of customers view financial institutions' conduct positively. From the graph below, 47% of respondents agree that financial institutions provide good information about their products and/or services and 46% agreed that financial institutions are giving South Africans equal access to their products and/or services and provide products and/or services of good quality. Moreover, 45% of respondents agree that financial institutions are treating people with respect and 39% of respondents state that the products and/or services they receive from financial institutions are good value for money. However, 43% of respondents are unhappy regarding the level of consultation financial institutions provide to them (HSRC, 2020).

This corresponds to the social media sentiment analysis, which shows that all information-related topics have a negative net sentiment, with alerts and notifications being the most negative (DataEQ, 2023). The key words associated with these mentions are: 'service', 'received', 'response', 'SMS', 'notification', 'message', 'problem' and 'OTP'. This may suggest that many customers are either not receiving the correct information in notifications or not receiving information they need to proceed with transactions. These issues could stem from technical issues, as these messages and notifications are automated. Customers express strong negative sentiment for disputes relating to deductions they were not aware of. There is also a slight negative net sentiment towards changes in pricing; however, this could be related to a lack of information about price increases (DataEQ, 2023).

During the qualitative interviews, several customers indicated that they were warned about specific providers, rather than types of products and/or services. Customers stated that they were warned that these providers have high charges for products and/or services, that customers engaging with these providers face a high likelihood of being charged extra or of not being covered when they need the financial product and/or service, or that a specific provider has a track record of racist and discriminatory conduct.

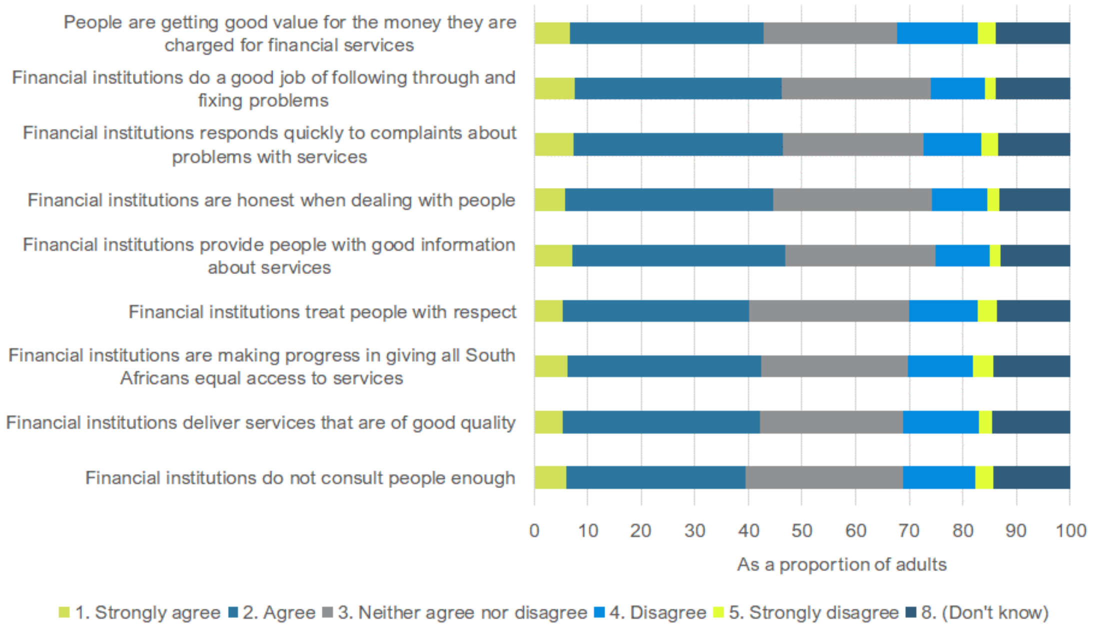

Figure 6: Customer sentiment on the conduct of financial institutions

Source: (HSRC, 2020)

Ombuds data spotlights poor customer service and product and/or service performance. Complaints data, by its very nature, reflects negative experiences and unresolved redress of grievances by financial institutions. The available data indicates a decline in volume from 2019 to 2021 across most complaint categories on financial institutions' conduct, apart from service and product and/or service performance. The latter is confirmed by the social media sentiment analysis, which shows that most of the negative sentiment expressed by social media users is directed at product performance, such as speed or responsiveness of the platform or service downtime, particularly for channels like banking apps and ATMs (DataEQ, 2023). Social media users also tend to express negative sentiment towards customer service and call centres (DataEQ, 2023). In short-term insurance, complaints on culture and product and/or service performance are prevalent, whereas claims and service complaints were the most prevalent for long-term insurers (OSTI and OLTI, 2020; OSTI and OLTI, 2021). Prevalent complaints relating to retirement funds were service and claims related complaints (Pension Funds Adjudicator, 2021; Pension Funds Adjudicator, 2022). Complaints for banking were related to product and/or service performance (OBSSA, 2021; OBSSA, 2022).

3.2. Financial products and/or services

***Largely positive outlook on financial product and/or service environment*.** From the survey, people do believe that financial institutions have products and/or services that can or will meet their needs: 88% of respondents report that their financial products and/or services meet their needs extremely well (20%) or well (68%).

Product and/or service sentiment generally positive: rewards and flexibility valued, but costs flagged as concern

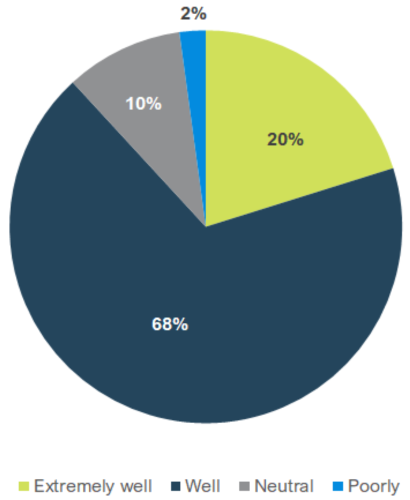

Figure 7: Customer perception of how well products and/or services meet their needs

Source: Retail financial customer behaviour and sentiment survey (2023)

The diagram below shows how the responses on meeting of needs differ between men and women and in urban and rural areas, based on marital status. Marital status emerged from the analysis as a significant demographic differentiator for women respondents.

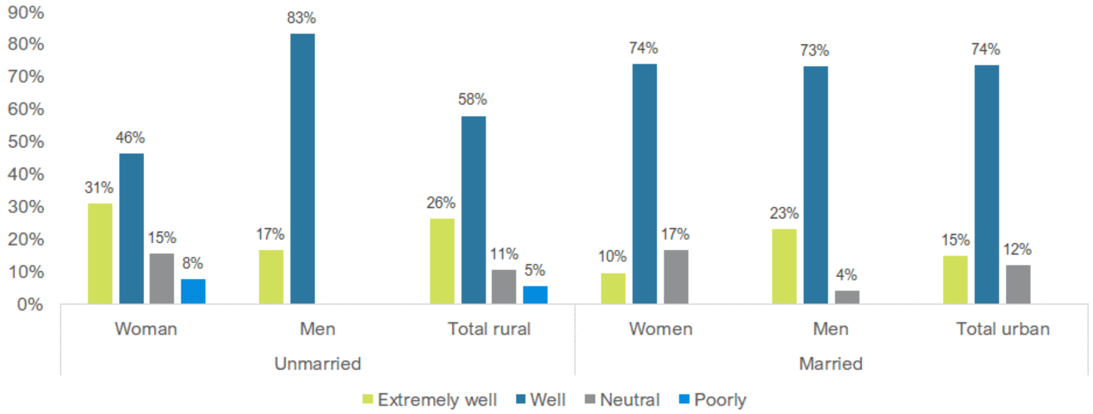

Figure 8: Segmented customer perception of how well products and/or services meet their needs

Source: Retail financial customer behaviour and sentiment survey (2023)

Those who report "neutral" sentiments or feel that financial institutions treat them "poorly" tend to be younger (under the age of 30) and have a lower asset index, suggesting that they are in lower income groups. Additionally, Black African customers are 16% less likely compared to other race groups to report that their product and/or service works well for them. Customers report that the quality of service received is the most important aspect when deciding on a product and/or service. The second-most important element to customers is price or fees.

Mixed perceptions of value. Half of respondents in the survey (50%) see value in the financial products and/or services for which they are paying[21]. Based on qualitative responses, respondents believe that charges should be for the 'core' financial product and/or service only, with additional features perceived as free add-ons. Those individuals who feel that they are paying unnecessarily for additional features, predominantly flag things such as SMS updates, insurance add-ons, and rewards programmes for things that they will never use, such as discounts on flights as being problematic (Qualitative customer interviews, 2023)[22].

Significant perception of high cost of financial products and/or services. Though survey respondents believe their financial products and/or services provide appropriate value, most feel that the cost of financial products and/or services is too high, as indicated in the figure below. 47% of respondents report that the costs of financial products and/or services is "much too high", while 19% report that they are "too high". When considering differences by age, the Figure 8 indicates that individuals older than 40 are more likely to report that costs are "much too high". More detailed analysis shows married women are 27% more likely than unmarried women to report that costs are too high, whereas married men are 34% more likely than unmarried men to feel that costs are "about right". Those who had experienced an emergency are 16% more likely to report that costs are too high. Lastly, those with a loan product (store card, credit card, home loan, car finance, or personal loan) are 63% more likely to report that costs are too high relative to those with no loan product.

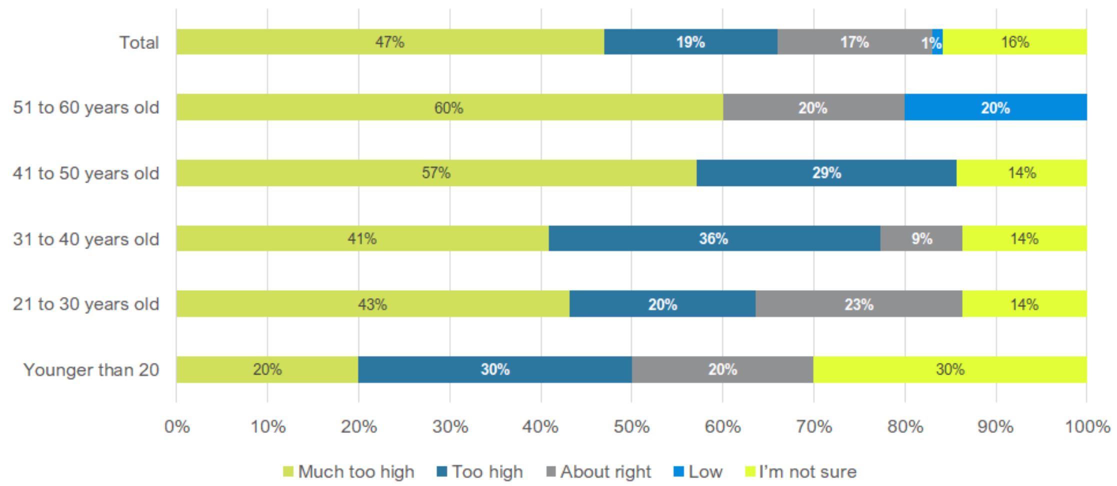

Figure 9: Perception of costs of financial products and/or services in South Africa

Source: Retail financial customer behaviour and sentiment survey (2023)

21 This differs from the HSRC survey findings, where 39% of respondents reported good value for money.

22 The sentiment expressed was that people want a specific financial product/service and that is what they are willing to pay for. They might be willing to pay more if they believe that a given institution is offering a better quality of service or reputation, but they are not willing to pay for add-ons that they do not deem to be substantive. If there are add-ons, those are viewed as free add-ons that contribute to quality and services, rather than something that customers are willing to put money towards.

Loyalty/rewards programmes, use of an app, and flexibility are important product and/or service features. Figure 10 below shows how survey respondents rated a list of financial product and/or service features. Loyalty and rewards programmes (specifically, cash rewards) are rated by close to 80% of respondents as the most important features for respondents of all demographics – as long as, as noted above, customers do not feel that they are paying for added benefits that they will never use[23]. These findings are confirmed by the social media sentiment analysis: overall, social media users express favourable sentiments towards product design, particularly on services such as third-party integrations, reward and loyalty programmes, investment products and ease of use (DataEQ, 2023). Flexibility is also highlighted as important in the survey, particularly for black Africans (32%), women (16%) and those living in rural areas (26%) relative to their respective comparison groups. Furthermore, being able to use an app is very important to all survey participants, irrespective of demographics, except for individuals aged 51 to 60[24]. Further analysis revealed that those living in rural areas need an app to make transfers or changes in emergencies, even though they will make normal transactions at the branch. Some older individuals report struggling to travel or stand in queues and prefer having the app as an option in case there is an urgent transfer that needs to be made, where travel is not possible.

Black Africans, women and those living in rural areas are more likely to report flexibility as being important relative to their comparison groups.

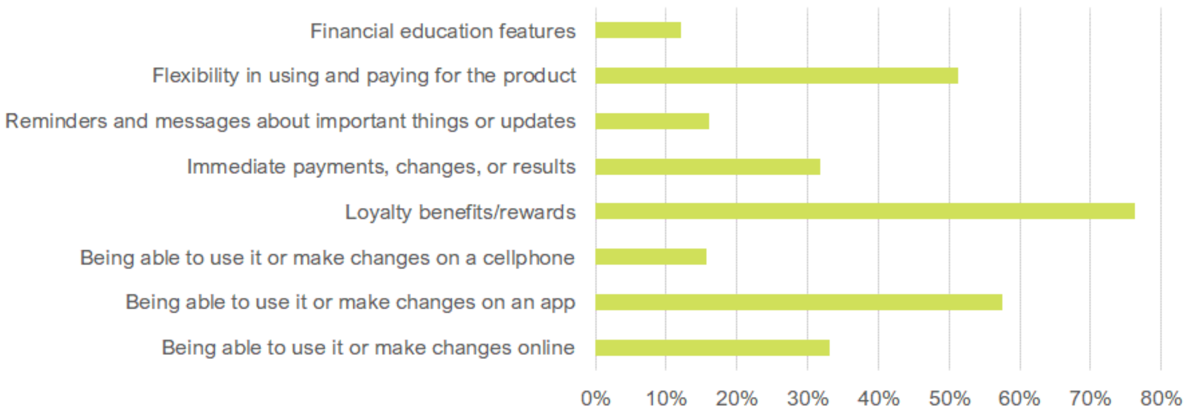

Figure 10: Respondents' most important features in financial products and/or services

Source: Retail financial customer behaviour and sentiment survey (2023)

Saving and investments considered highly important. It is well known that SA formal savings rates are low, with 48% of adults not saving at all (FinScope, 2022). For young customers aged between 18 to 29, a worrying 51% do not save. However, as evidenced in the graph below – and confirmed by the qualitative customer

23 An analysis of the qualitative responses to the survey shows that a high rating of loyalty and rewards programmes does not mean that current loyalty and rewards programmes correspond to what customers want/what they would find valuable, instead, it highlights that customers feel like the existence of such programmes speaks to the extent to which financial institutions value them (as opposed to seeing them as 'just a number').

24 While we do not have direct data investigating this exception, an analysis of the qualitative research suggests that this is simply the result of status quo bias, where individuals in this age group have created habits and rituals of in-person engagement with financial institutions and, as a result, this group does not rank app usage as being a high priority for uptake.

research – more than 50% of respondents consider a savings or transactional bank account to be the most important financial product and/or service to have. When advising others, particularly children, savings accounts, followed by investment accounts are primarily recommended. Participants highlight the need to have any form of savings as a financial goal and have sought to teach their children how to save even as they have struggled to do so. However, respondents do not think of informal savings structures, such as stokvels, as savings. Further information on this view is provided as part of the outcomes of a discrete choice experiment regarding changing savings choices, in Section 3.4.2.

Though respondents also express an aspirational desire to own investment products, such products are not very well understood. Customers equate owning investment products with wealth and financial stability. Only around 20% of respondents indicated that pension products are important to get, with a miniscule percentage considering it important for their children to get such products. This suggests that there is not an appreciation of the need to start to save for retirement early on.

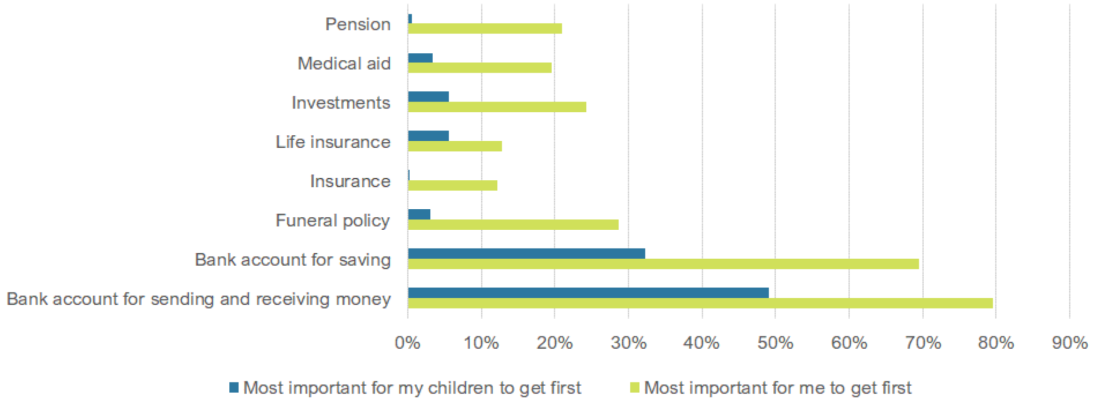

Figure 11: Respondents' expressed sentiments regarding the most important financial products and/or services to get

Source: Retail financial customer behaviour and sentiment survey (2023)

Word-of-mouth plays a significant role in shaping customer perceptions towards certain financial products and/or services. As shown in Figure 12 below, nearly half of survey respondents report that they had been warned against using a particular financial product and/or service, or against a financial institution, at some stage in their lives. Most of these respondents tend to either be young (under the age of 30) or much older (over the age of 60). Respondents would either be warned that the financial product and/or service opened them up to the risk of being scammed, or that the product and/or service was expensive or charged high interest rates.

Those under the age of 30 and over the age of 60 were most likely to report having been warned against a product.

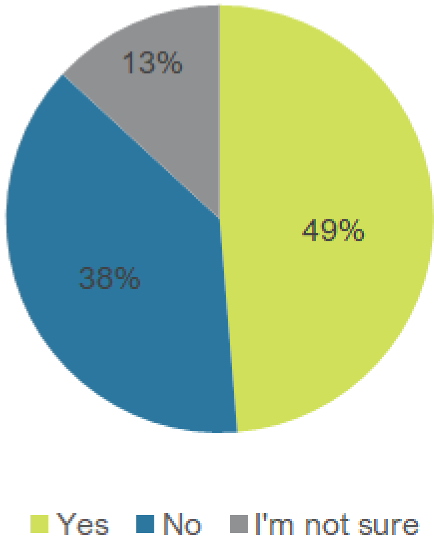

Figure 12: Percentage of survey respondents that had been warned against using a particular financial product and/or service or provider

Source: Retail financial customer behaviour and sentiment survey (2023)

"Negative feedback is one of the biggest factors that would make me say no …. If one checks the product and finds out that many people are complaining about it, it will be a no-no to me."

- Black African woman, 31 years old living in an urban area

As the quote above illustrates, the qualitative responses raised in the survey suggests that people will be less inclined to take up a product that they have been warned about, unless there's a better or more trustworthy link to the product[25].

As seen in Figure 13 below, there are a number of products that customers report that they have been warned about. Different reasons for warnings were given for different products, although very few of the products have consistent reasons given by multiple respondents. The only product where the same reason is given frequently is loans, where respondents report being warned that the costs of taking out loans is high.

Word of mouth matters both ways – recommendations and warnings

25 For example, if they know somebody who works at the institution, that may override the warning.

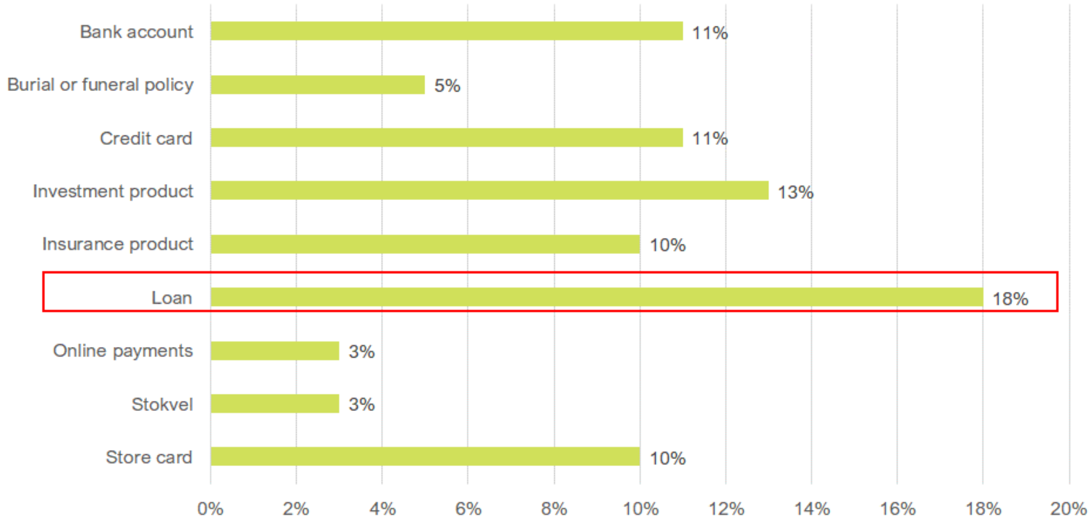

Figure 13: Financial products and/or services customers were warned against

Source: Retail financial customer behaviour and sentiment survey (2023)

3.3. Channels of engagement

Preference for in-person channels. As the diagram below reflects, around 40% of survey respondents express a desire to communicate with their financial institution in person. Email, speaking to a call centre consultant and app-based engagement are also popular.

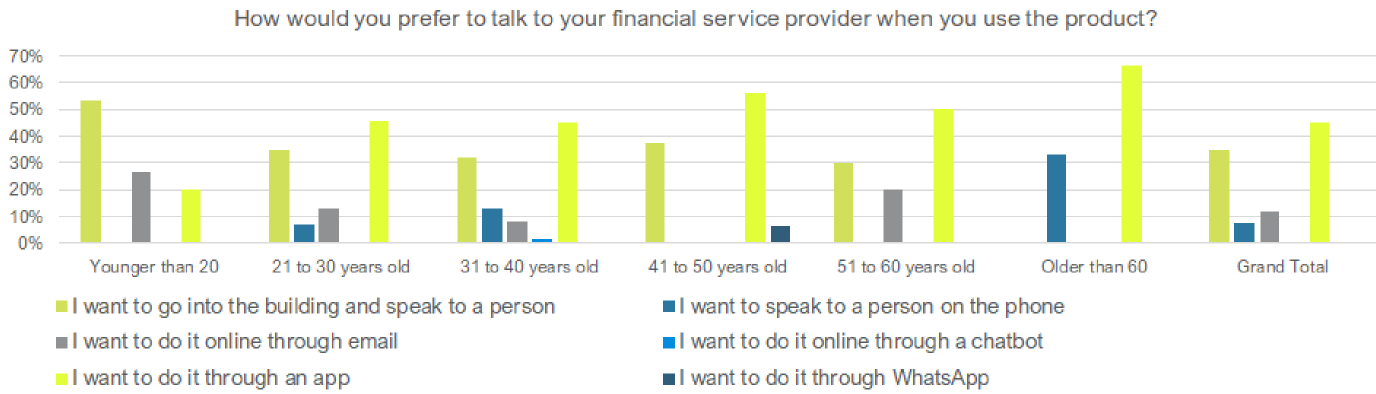

Figure 14: Preferred engagement channels with financial institutions

Source: Retail financial customer behaviour and sentiment survey (2023)

Women more likely than men to prefer in-person channels

The survey indicates that women are 36% more likely than men to report wanting to go to a branch; unmarried women are more likely than married women to prefer the same. Disaggregation by race (not shown in the graph above) reveals that black Africans are 12% more likely than other groups to want to go to a branch than other groups. Only white adults below the age of 40 years report a preference for WhatsApp.

"I prefer going in person because it's safer when you consider the fraud that happens."

- Black African woman, 31 years old living in an urban area

"I prefer to use the product online, at my comfort of my home. I don't want to leave my house and go stand in long queues. I like when I access everything on the phone."

- Black African man, 27 years old living in an urban area

The HSRC survey data suggests a strong preference for physical channels, as approximately 50% of customers prefer ATMs and a further 20% prefer bank branches, compared to 20% of customers who prefer online banking (HSRC, 2020). Social media users also express favourable sentiments towards in-branch engagement – it is the channel attracting the most positive social media sentiment instances (DataEQ, 2023). Mobile app channels attract mixed social media sentiments, while call centres and ATMs elicit mostly negative sentiment (DataEQ, 2023).

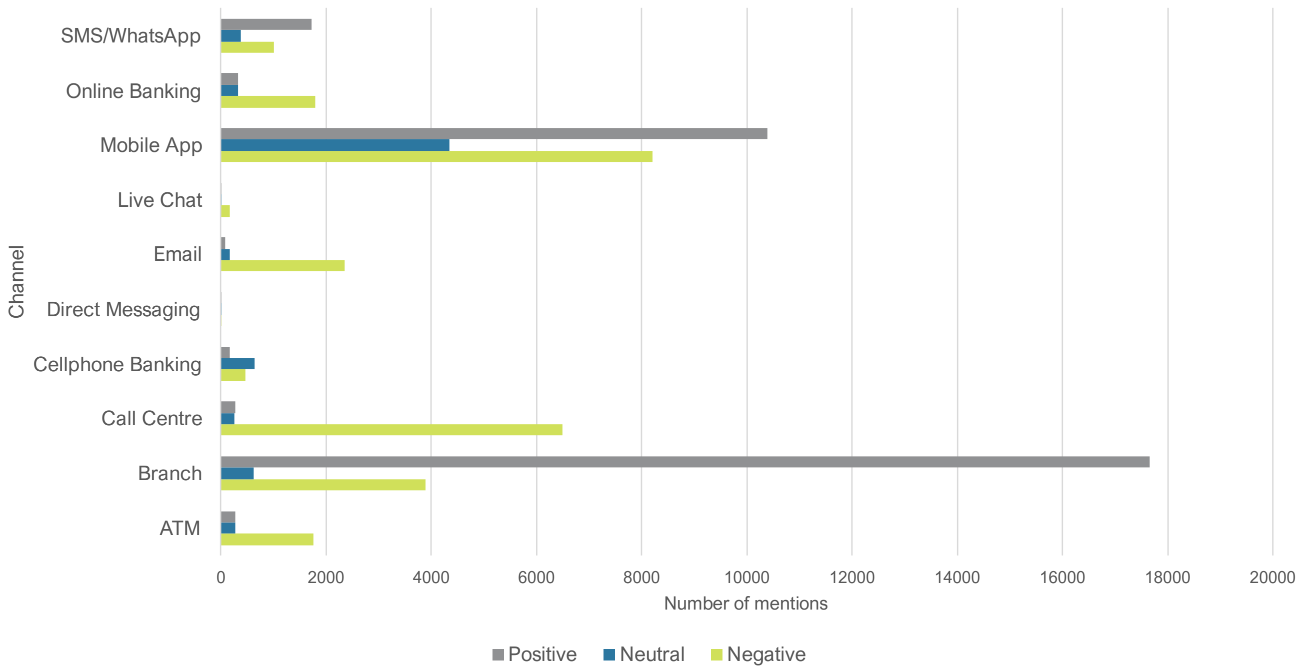

Figure 15: Social media sentiments towards various financial product and/or service channels

Source: DataEQ, 2023

Box 2: Case study: what will it take to change preferences from in-person to online channels?

The persistent preference for in-person engagement by many, despite the presence of seamless digital alternatives, begs the question: what lies behind the wariness of digital channels? To answer this question, a discrete choice experiment (DCE) was conducted with primary survey respondents to form an understanding of the underlying factors at play that may not be apparent from self-reported preferences.

Help needed to get over the initial threshold. The first finding of the experiment is that the biggest factor that would encourage people to use a banking app again is whether they have used it before. This matters more than rewards that encourage usage. Thus, first time use is the biggest barrier or threshold to overcome (further discussed in Section 3.2.). Further investigation into the qualitative responses indicates that this is true for each function of the app. The results also establish a strong correlation between previous use, certainty, and knowing how to use the app: people expressed confidence in doing it right and using the app on their phone if they had used it before. Further testing on only those who either had deleted their banking app or never downloaded it showed that being **shown how to use the app, safety, and rewards** were the most important features driving first-time use. In the second round of the experiment, we see that having a friend show them how to use their app is slightly more likely to increase first-time usage than having someone from the bank show them.

What are the implications? The finding that people are uncertain about using their banking app until they have used it for the first time has significant implications. It suggests that the focus should be to get app users to encourage their friends to use the app, and to show them how to use different features. While people do report that getting rewards for using their banking app would encourage them to use it more, there were no statistically significant differences between reward types (e.g., cash-back vs points); neither are rewards likely to make a difference to encourage usage after the initial adoption of app use. A referral model that rewards both referrer and user with cash-back rewards is most likely to increase both uptake and usage of banking apps for transactional accounts.

See Annexure C for a full overview of the DCE results.

4. Drivers of financial customer behaviour along the user journey

With the overarching impressions of sentiments in mind, we now turn to building a specific understanding of the underlying drivers of behaviour for each step of the user journey. Understanding these underlying drivers can help in formulating appropriate policy and regulatory responses to key challenges, as well as enable financial institutions to build a clearer picture of their customers' needs and wants.

Defining drivers. The drivers that matter most in explaining observed behaviour differ between people and financial product and/or service use cases. Categories of drivers include the social and socioeconomic context of a person, their demographics, personality type, behavioural traits, and biases, as well as their experience with different financial products and/or services (insight2impact, 2021).

This section considers the various drivers, thoughts and motivations that come into play at each of the four stages of the user journey: (i) need or pre-uptake; (ii) uptake; (iii) usage; and (iv) switching or exit.

A complex set of often-tacit considerations

Box 3: Key findings: drivers

- **Qualitative insights** suggest people are on the lookout for **good deals** and will be persuaded by **word-of-mouth.**
- They find pre-uptake and uptake to be **emotionally and cognitively taxing**, and often experience **overwhelm**. They have limited understanding of terms and conditions when taking up a product and/or service.
- Once taken up, a product and/or service **fades to the background**, unless there is cause for concern, and knowledge of terms and conditions grow in the usage phase.
- Often, a person will "stick with" a financial product and/or service even if they are dissatisfied, with only life/situation changes or severe annoyance leading to **cancellation**.
- **Income and affordability** are flagged as triggers for insurance and credit.
- Regression analysis confirms that income source and level matter to trigger uptake across all types of products and/or services, as do having financial goals, customer service and whether providers uphold a TCF culture.

Personas as lens

Throughout the discussion in this section, we will bring in qualitative insights from the persona analysis to illustrate the motivations, thoughts and emotions at play for different segments of society at that specific step of the user journey. The infographics below provide an overview of the profiles of the various personas to which we will return in the user journey steps discussion. *See Appendix B for a full overview of the usage journey for each persona.*

Sandile
20-30 years old
Rural
Mistrustful Dreamer

"I feel that banks only focus on what they want people to get, instead of checking what their customers would actually like to have."

Financial life	Goals	Communication
Seasonal/ inconsistent income	start saving	Relies on word of mouth/advice from friends
More than one bank account	buy a house	Social media
Struggles with debt	education (siblings)	in-person engagement with FSP (when important)
Financial literacy	**Network access**	**Digital literacy**
Medium	Medium	Medium

Anele
30-40 years old
Urban
Frontfoot Aspirer

"I tell the consultant that if I end up experiencing differently about the product than what you are telling me I will sue them, that's where trust comes from."

Financial life	Goals	Communication
own informal business	Savings account	In person (cautious of scams)
Bank account, insurance, personal loans	Education investment	Trusts bank/FSPs
tough to save while raising children	buy a house	Apps (convenient/safe)
Financial literacy	**Network access**	**Digital literacy**
Medium	High	Medium

Maria
30-40 years old
Urban
Indebted and unengaged

"There's lots of options available but they all sound the same. I don't understand the differences and the banks don't really explain it."

Financial life	Goals	Communication
Employed full time	Savings account	Online research
Bank account, insurance, personal loans	Holiday/ travel	Mistrusts bank/FSPs
Struggles with debt		Consults spouse
Financial literacy	**Network access**	**Digital literacy**
Medium	High	High

Tsepho
30-40 years old
Urban
Pragmatic scepticist

"I think that I understand everything but they [FSPs] only put in effort because I ask questions a lot. I don't think they would explain if I did not ask enough."

Financial life	Goals	Communication
Employed part time	Invest	Online research
Most incomes goes to (large) family	Buy a house	Trusts bank/FSPs
Worried about emergencies		Consults friends/colleagues
Financial literacy	**Network access**	**Digital literacy**
Medium	High	High

Figure 16: Persona snapshot: Sandile, Anele, Maria and Tshepo

Figure 17: Persona snapshot: Andrew, Tumi, Samantha, Dumisani

4.1. Pre-uptake

Understanding customer needs to deepen engagement. Understanding the customer's needs *before* uptake is essential. Serving customers better requires an in-depth understanding of how and why they use financial products and/or services, and what considerations play off when they are exploring different product and/or service or provider options. According to the financial needs lens on financial inclusion, financial products and/or services are a means to an end for customers, rather than an end in itself – there will be some underlying use case that triggers the customer's need to acquire a financial product and/or service, be it to make a purchase or to send money to family and friends, to meet their life goals, maintain month-to-month liquidity or deal with unexpected financial shocks (insight2impact, 2021). Equally important is to understand the cognitive processes, motivations and feelings that people undergo at the pre-uptake stage, when they learn about different product and/or service options to meet their needs.

The customer experience before uptake. The qualitative research provides direct insights into the considerations and feelings for different types of customers at the pre-uptake stage. The diagram below indicates the different considerations at play at the pre-uptake stage as it emerges from the qualitative research across the various personas:

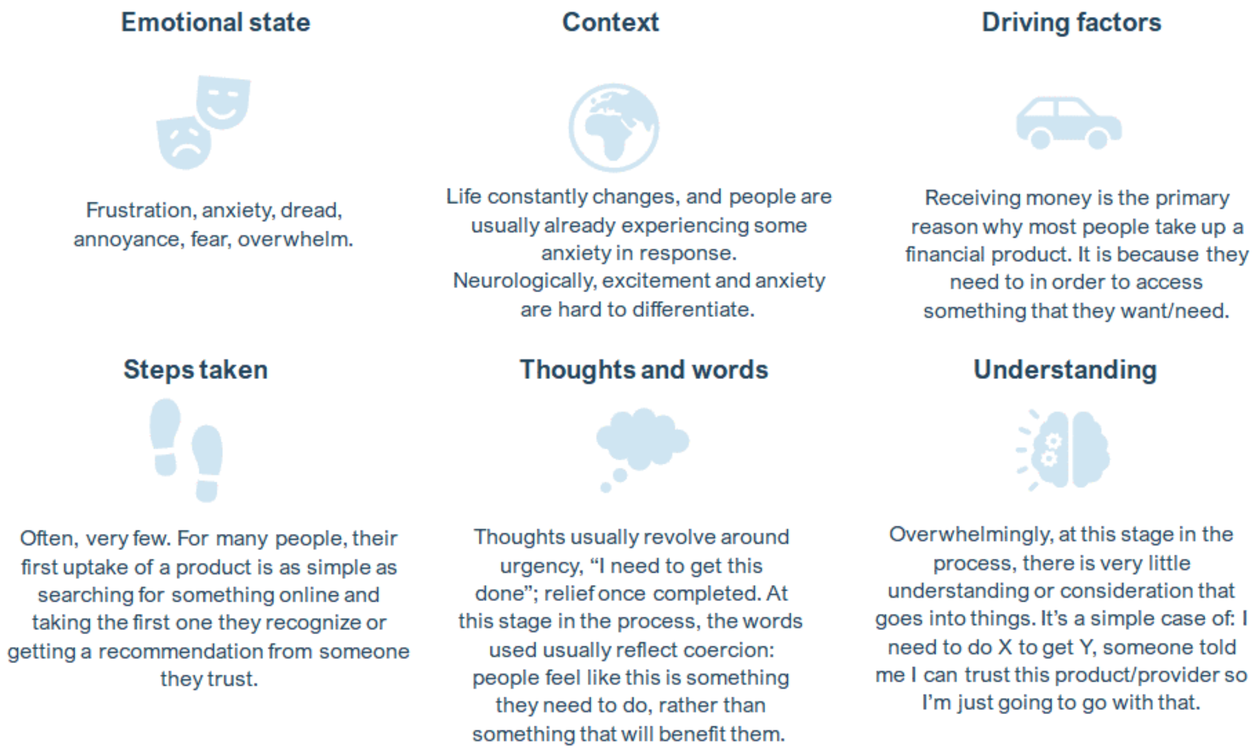

Figure 18: Getting inside customers' minds: considerations at the pre-uptake stage

Source: Qualitative customer interviews, 2023

Limited consideration of options. The diagram indicates that when customers experience life changes that trigger a need for a product and/or service, these life changes often inspire feelings of hurry and overwhelm. The journey to take up a financial product and/or service can be emotionally taxing, so some customers make impulsive decisions, without explicitly weighing all their options. In other words, when it comes to deciding which financial product and/or service to take up, and the deadline to meet their need is pressing, people often choose the product and/or service that they already know about, or have been told about, or the first product and/or service that they come across after conducting some high-level research, but these products and/or services are not necessarily those which are most suited to people's underlying needs. This may lead to a poor understanding of terms and conditions, suboptimal product and/or service usage down the line and disengaged customers.

"I only went to two banks because those were in my town, I got my options from those bank branches. I feel good and safe with a consultant because they are able to answer the questions I have."

Overwhelm may lead to sub-optimal decision-making, focusing on what is immediately at hand rather than exploring options fully

- Black African woman, 47 years old living in a rural area

"I look at the risks and reviews. What do people say about the provider and their experiences. And how many people know about the product, do many people use it, stuff like that."

- Coloured woman, 33 years old living in an urban area

"Honestly, I am lazy to read so I feel it's better if they just explain the information as opposed to giving me huge documents. I just browse through the documents, so if I were to give myself time to go through documents I would understand."

- Black African man, 38 years old living in an urban area

Importance of peer recommendations. When customers are told about financial institutions that work well, the advice is salient[26]. To customers, 'shopping around' means listening and taking note of what others around them are doing. Navigating complex information and sets of choices is also easier when it has been pre-digested by someone a customer trusts, or by someone who is in a similar position. The qualitative research shows that there is significant opportunity for good service to reinforce future uptake through word-of-mouth.

"For me I would trust people who have experience with the service provider …"

Coloured woman,36 years old living in an urban area

Research and the importance of in-person advice when exploring options. How a person explores their options at the pre-uptake stage can be an important factor in shaping uptake (the next step of the customer journey). For each demographic group, speaking to a person is important, as seen in the figure below. For customers with high digital literacy, online research is also significant. Men are 21% more likely

26 In the same way that being warned about a product or provider, as discussed in Section 2.2, is also salient.

to report going to a financial advisor, and those living in a rural area most commonly choose to speak to someone at the bank, being 18% more likely than their urban counterparts. For married study participants, most report turning to their spouses for financial product and/or service and decision advice. When comparing who customers seek advice from and how they do their research, married women are the least likely (18%) to do research online and rely heavily on speaking to friends and family. Within this group, a small number of respondents also report speaking to their spouse or parents for advice (12%). The implication of this is that married women rely heavily on speaking to their friends about financial products and decisions, but avoid speaking to their spouses and parents.

In-person advice remains important, but many respondents also do research online

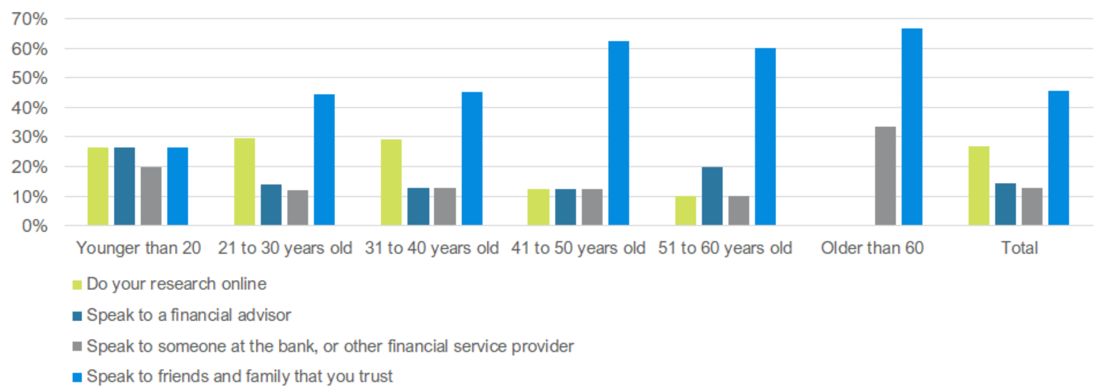

Figure 19: How customers research products and/or services

Source: Retail financial customer behaviour and sentiment survey (2023)

"I am a bit old-fashioned, so I prefer talking to a consultant at the bank. I don't trust information from the internet unless I have received the same information from the consultant. From there on I am then comfortable with Apps and services offered online."

Black African woman, 37 years old living in an urban area

"Yes, the way the consultant was explaining everything to me it was easy to understand because when I got home, I did my own research and I saw that it was a good product and I need it. Then I went back to the Post office with money to invest."

Black African woman, 31 years old living in an urban area

"It's basically word-of-mouth, so I listen to their experience and how it works for them and what they have to say about something and take a decision to try it out."

White woman, 30 years old living in an urban area

Persona differences during pre-uptake. Customers have differing needs and behavioural traits, and this is reflected in the differences between how the respective personas approach the pre-uptake stage. A snapshot of the different pre-uptake considerations across the personas is illustrated in the infographic overleaf. It shows that drivers of behaviour tend to relate in some way or another to the person's broader life circumstances but are unique to each individual persona. When considering options, most personas are influenced by referrals from their friends or family, or would start from their current financial institution as base, considering what they have to offer. Few shop around proactively, though some do get information from social media and it is encouraging to see that three personas do research online on the options suggested to them. During the pre-uptake stage, some people experience feelings of optimism or confidence, while others experience responsibility, fear or worry. Only Persona Andrew and, to some extent, Persona Dumisani have a good understanding of what is at stake, while the other personas proceed with limited knowledge.

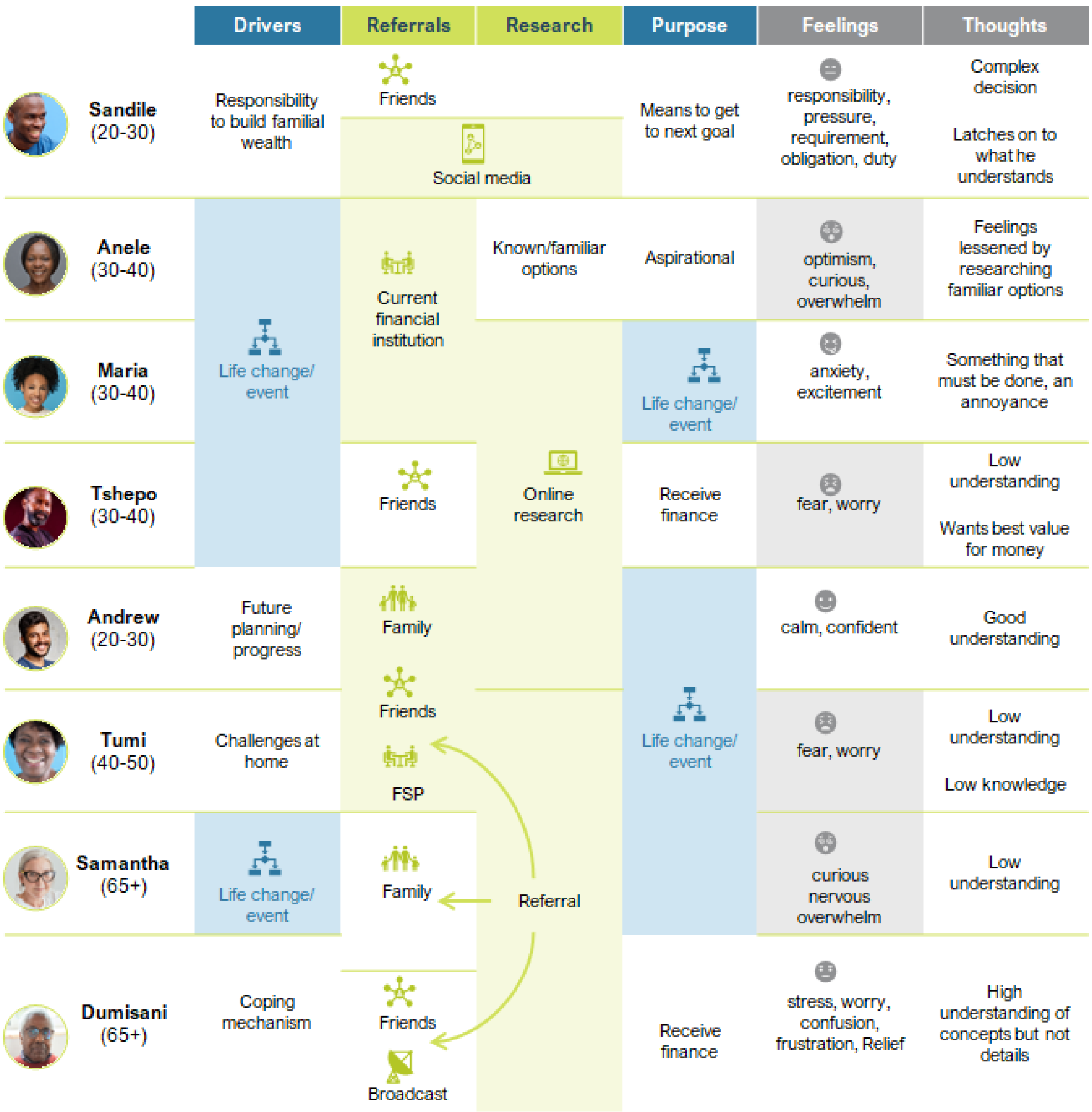

Figure 20: Persona snapshot: pre-uptake

Source: Retail financial customer behaviour and sentiment survey (2023)

4.2. Uptake

The next step in the journey is uptake. This step is where a person registers for a financial product and/or service and is what headline indicators of financial inclusion traditionally focus on.

High overall uptake, but gaps when taking a closer look. South Africa has a very high level of financial inclusion, much of that formal. Only 2% of adults are not using any financial products and/or services, down from 6% in 2021, and 97% are *formally* included. This sets South Africa apart from most of its peers in Africa. A high level of inclusion does not, however, mean that people are broadly served across different financial products and/or services. Almost half of South Africans do have savings products, as many people continue to prefer to keep their savings outside of the banking system. Likewise, only around half of adults have insurance. Insurance uptake continues to be driven by funeral insurance, with limited uptake of other types of insurance products. The positive overall uptake picture also hides important demographic nuances for vulnerable groups: women, rural and older customers continue to be less likely to be formally included (FinScope, 2022, 2021). *Refer to Appendix D for a full analysis of uptake across demographics and product markets*.

Triggers of uptake. Digging below the surface to understand what explains observed uptake behaviour renders valuable insights. Various factors can prompt or trigger a person to first register for or acquire a financial product and/or service. A trigger is any specific event, circumstance, initiative or personal encouragement that results in the uptake and initial use of a given financial product and/or service to overcome the status quo bias[27] and switching costs[28] . Triggers are differentiated from drivers of ongoing use in that their effect reduces over time and they are therefore unlikely, by themselves, to drive ongoing use[29].

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27 Status quo bias is a cognitive bias based in emotion, where when given the choice between the status quo and a new option, individuals are more likely to stick with what they already know (Samuelson & Zeckhauser, 1988).

28 Switching costs are economic expenses and/or psychological costs that a customer experiences when they change product and/or service (Burnham, et al., 2003).

29 One can distinguish between supply-related and customer-related triggers:

- ***Supply-related triggers.*** Advertising, promotions and trials that prompt a person to start using a financial product and/or service are supply-related triggers that financial institutions make use of to attract customers. Financial institutions may also make changes to the product offering that pique a customer's interest; for example, if the requirement for a minimum balance is dropped. Changes in proximity to a customer are also triggers, for example, if a branch or agency opens near to the person, or in a location that they frequent. The launch of an app that a person finds more accessible can also constitute a supply-related trigger relating to a change in proximity (insight2impact, 2021).
- ***Customer-related triggers.*** These triggers relate to social dynamics or events, like the impact of word-of-mouth in the community, the so-called messenger effect (the phenomenon where the perceived credibility, expertise, or likability of the person delivering information influences how the information is received, interpreted, and acted upon (Kassin, 1983)), or cultural views and norms. There may also be defined events in an individual's personal life or social network that triggers uptake, such as the death of a relative or transitioning to a different life stage (insight2impact, 2021).

4.2.1. Triggers for take up

Customers mostly on the front foot in exercising uptake decisions. Survey respondents report that they most often take up financial products and/or services that they want or need, rather than ones that they have to get[30], as show in Figure 21.

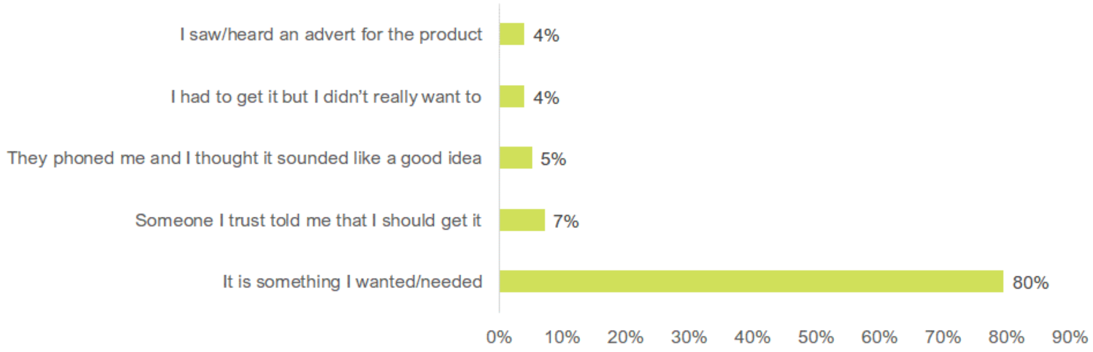


Figure 21: Reported reasons for take-up

Source: Retail financial customer behaviour and sentiment survey (2023)

On the lookout for a good deal, convenience. When first choosing a financial product and/or service, customers are most concerned about costs, bonuses or rewards, and the ease of purchasing the financial product and/or service, as seen in the figure below. When considering the demographic nuances underlying the results reported in Figure 22 below (and thus not shown in the diagram), we see that women customers are 3% more likely to select getting to the branch as the most important factor, while women customers in rural areas are 14% more likely than their urban counterparts to select cash-back bonuses. Men are 7% more likely than women to select reputation of the provider as an important consideration of uptake.

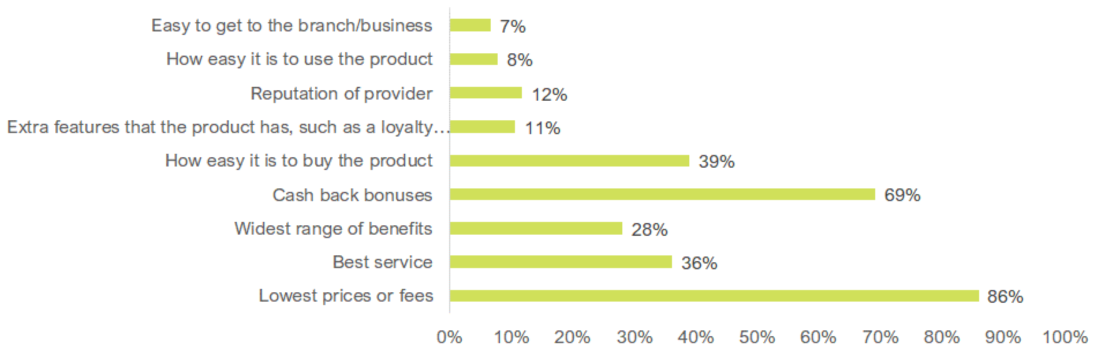


Figure 22: Factors influencing uptake

Source: Retail financial customer behaviour and sentiment survey (2023)

30 Men are 16% more likely to report having to get a product and/or service than women. Of the financial products and/or services recently acquired, 85% were bank accounts or savings accounts with a bank, with men more likely to have recently taken out insurance. While 62% of customers report that they got insurance because it was something that they wanted or needed, 31% state that they did not want to take up the product and/or service, but needed to; and 7% state that they were phoned by a financial product and/or service provider and consequently took up the insurance policy because of the phone call. In terms of credit cards, 50% of customers state that the product and/or service was something that they wanted or needed, with 27% stating that their financial institution phoned them regarding it, and 23% stating that the credit card was something that they needed to get. Of the customers with credit cards, most took the product and/or service up because they needed the credit to pay for emergencies or living expenses.

Persona nuances. The qualitative research suggests that the minimum criteria for taking up a product and/or service are the **reputation** of the financial institution as well as **good service.** Across the personas, most prefer to consult a financial institution at a branch or online when making their uptake decision, but some personas depend on speaking to people. For instance, Persona Samantha, who prefers to consult family, or Persona Tumi or Dumisani who turn to friends and family for financial institution recommendations. Persona Andrew confirms the survey finding that urban men are more likely to consult a financial advisor.

Preferred uptake channels: digital for urban and young, in-person for rural, older and women. Urban and young customers are most likely to use digital channels to sign up. Customers in urban areas are 57% more likely than those residing in rural areas to report wanting to acquire a financial product and/or service online. Similarly, young people are 63% more likely than older customers to report wanting to take a financial product and/or service up online.

Young people are 63% more likely than older people to report taking up a service online.

Rural women are 67% more likely than urban women to want to speak to someone in person. Women customers, in general, are 12% more likely than men to want to speak to someone in person, and black Africans are 28% more likely than other racial groups to want to do the same.

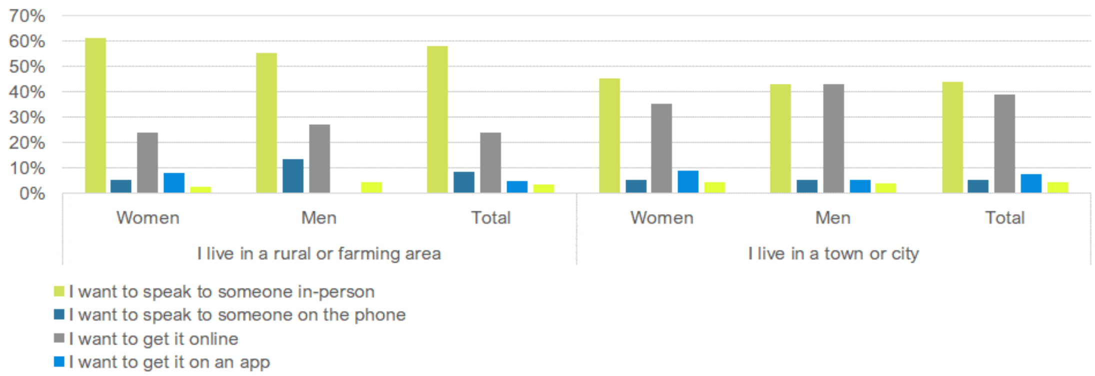


Figure 23: Preferred uptake channels

Source: Retail financial customer behaviour and sentiment survey (2023)

Apparent reading of T&Cs. As seen in Figure 24, most respondents reportedly read the terms and conditions thoroughly, with the majority (58%), stating that they understand them. Those living in rural areas are slightly more (9%) likely to read through their documents carefully but are also 37% more likely to report that they did not receive documents to read than their urban counterparts were. There were significant differences along gender and racial lines, with women customers 11% more likely than men to report reading carefully, and black Africans 17% more likely to go through terms and conditions quickly than other groups.

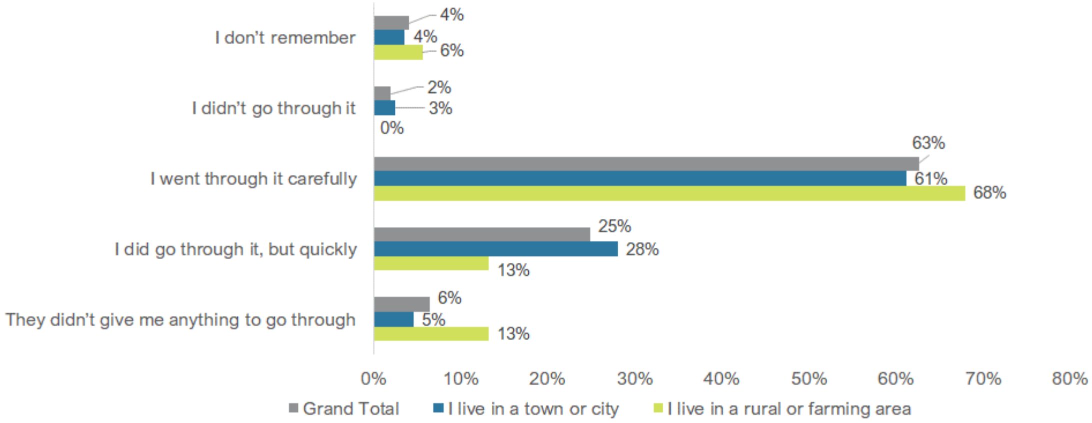


Figure 24: Customers' reading of T&Cs

Source: Retail financial customer behaviour and sentiment survey (2023)

But understanding still lacking. While customers say that they are reading the documents financial institutions provide them with, there are gaps in how well customers understand the T&Cs of their products and/or services. When customers were asked if there are products and/or services that they do not understand, many respond in the affirmative. Younger customers[31] are 27% more likely than older individuals to report that they do not understand their products and/or services well as seen in Figure 25.

Reading of T&Cs does not necessarily imply understanding

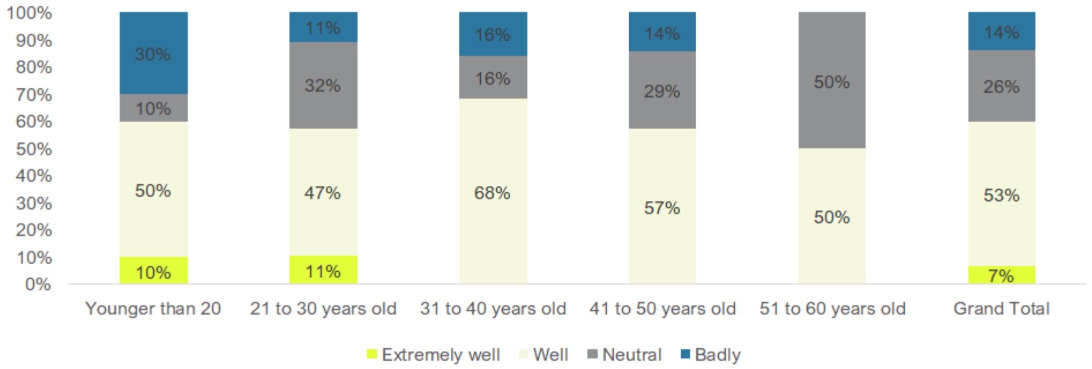


Figure 25: Understanding of product and/or service per age group

Source: Retail financial customer behaviour and sentiment survey (2023)

Customers residing in rural areas are 17% more likely to report that they do not understand their products and/or services. Women are 31% more likely to report that they do not understand their products and/or services than men, and black Africans 13% more likely than other racial groups.

31 In this instance, referring to those aged 40 or younger.

Understanding varies by product and/or service type. Further to the above, most customers report at least one product and/or service that they do not fully understand. The least understood are store cards, insurance, medical aid, credit cards, and funeral policies, as indicated in the diagram below.

Women are 21% more likely to report not understanding a product/service

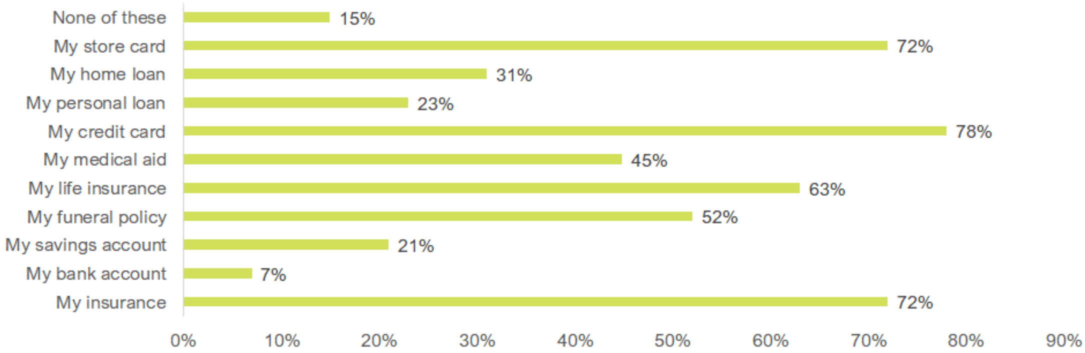


Figure 26: Products and/or services customers do not understand

Source: Retail financial customer behaviour and sentiment survey (2023)

Closer analysis reveals that women are 21% more likely to report not understanding a product and/or service, while those younger than 25 are 38% more likely than older individuals to report not understanding a product and/or service. Black African customers, on average, report not understanding more products and/or services than white customers, despite owning fewer products on average. Additionally, customers residing in rural areas are 9% more likely to report not understanding a product and/or service than those living in the cities.

Information goes unexplained. Many customers responded that their financial institution had neglected to explain a financial product and/or service to them, as reflected in the figure below. The responses varied for different customer groups: married women are 32% less likely than married men to report having things explained to them. In fact, men are 12% more likely than women to report that product and/or service features and information was explained to them. Analysis of the data for other demographic differences shows that young people are marginally (7%) more likely to report having products and/or services explained to them. Rural customers are most disadvantaged and are 27% less likely to report having information explained to them than those in urban areas.

Rural customers are 27% less likely than urban customers to report having information explained to them.

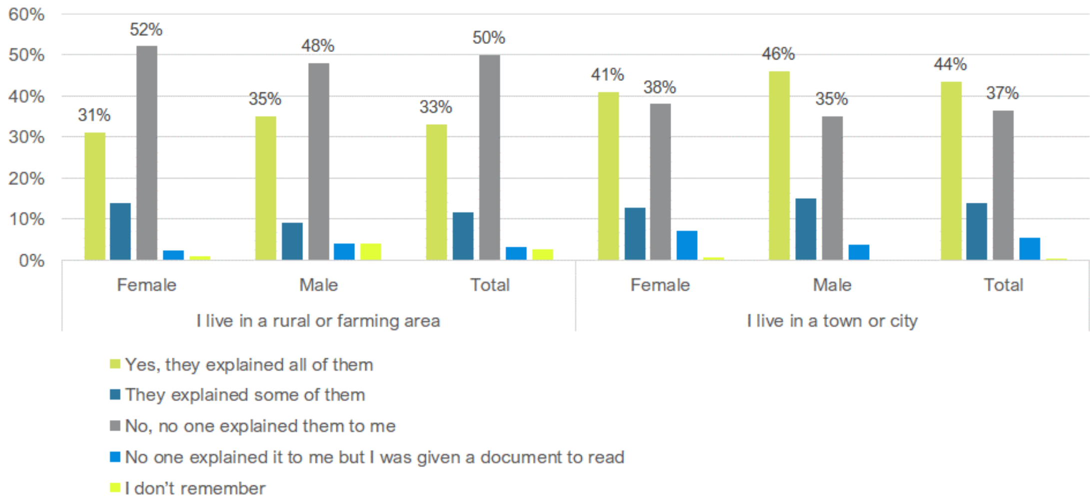


Figure 27: Products and/or service features explained by financial institutions

Source: Retail financial customer behaviour and sentiment survey (2023)

Behavioural factors influencing take up. When customers have limited time and information, it is challenging for them to make purely rational decisions, which would involve weighing all the potential costs and possible benefits of every alternative. The factors are compounded by **emotional responses** and **decision fatigue** along the customer journey, which results in customers often using mental shortcuts, or heuristics, to solve problems and make judgments quickly and efficiently when choosing between a shortlist of products and/or services (Shah & Oppenheimer, 2008).

Frustration or relief when approaching the decision deadline. The qualitative research shows that, for many customers, the decision to take up a financial product and/or service is associated with feelings of both frustration and relief. Feelings of overwhelm or a pressing deadline force the final decision, and throughout this process, customers rely heavily on word-of-mouth and/or on the advice of other people around them who they perceive to be experts in the realm of finance and follow their lead. Customers' selection is often based on the 'first best' product and/or service they come across/know about/have been told about (especially through their networks) and not necessarily whether the product and/or service precisely matches what they need.

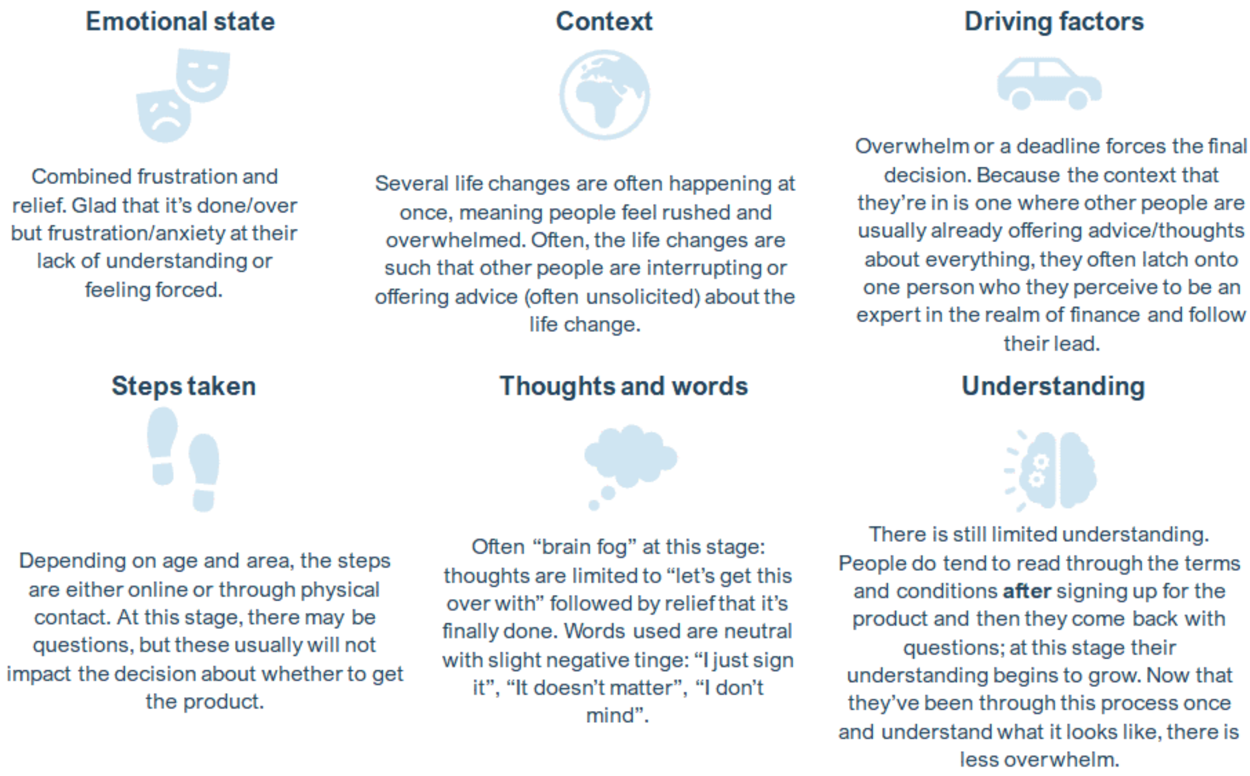


Figure 28: Qualitative considerations at the uptake stage

Source: Qualitative customer interviews, 2023

4.2.2. Triggers for take up of specific financial products

Using regression analysis to unearth statistical relationships. FinScope (2022) data allows us to test the role of demographics, income and financial literacy in triggering uptake across product and/or service markets. Regression analysis was utilised to determine which factors, or variables, statistically matter most. Below, we present the regression findings for savings, credit and insurance uptake, respectively[32].

Savings

Income, wealth and financial goals. Income is the greatest driver of formal savings behaviour. The source of a customer's income matters significantly, as regular income receivers are more likely to take up formal savings. Level of income and wealth are also important drivers of savings uptake: upper-income adults are 49% more likely to take up formal savings products relative to lower-income adults. Additionally, adults who own a motor vehicle – an indicator of wealth – are 29% more likely to take up formal savings. While not as significant a driver as wealth and

32 See Appendix A for an overview of the methodology.

income, customers who have financial goals are 7% more likely to take up formal savings products than those without them.

Education and fair treatment also matter. Adults holding at least a matric qualification are 5% are more likely to take up formal savings products relative to those who hold less qualifications. Education may influence how customers perceive whether their financial institution adequately discloses information. Positive perceptions around disclosure of information are also correlated with uptake of formal savings. Adults that felt most positively about information being disclosed to them by their financial institution are roughly 9% more likely to take up formal savings relative to those that most negatively perceive information disclosure at their financial institution.

Savings uptake correlates with positive perceptions of disclosure

Credit

Meeting basic needs. Analysis of the FinScope (2021, 2022) data shows that needs around food and clothes are the biggest self-reported triggers for borrowing among customers. In 2022, 42% of adults borrowed[33] to buy food, while 20% of adults cited buying clothes as their main reason for borrowing in 2022, an increase from 11% in 2021. Borrowing to pay bills, like rent and electricity, was a more significant trigger in 2021 than 2022, reducing from 11% to 8% of adults. Children's education is also a significant trigger for credit uptake, but like with bills, decreased from 8% of adults to 6% between 2021 and 2022. Other basic needs like shelter (borrowing for a house deposit or to extend, improve or repair homes) showed increases as well.

Wealth and having financial goals matter for bank credit. Regression analysis of the FinScope 2022 dataset shows that higher-income and older people who are established bank clients with financial assets and goals are the most likely to take up credit at banks. Additionally, income source is a key driver of bank credit uptake, as is residence type. Relative to low-income adults, upper-income adults are 33% more likely to take up credit at banks. Adults who reside in a brick house are 19.9% more likely to take up credit at banks relative to those that reside in a 'wendy house/shack'. Customers who have financial goals are 10% more likely to take up credit at a bank than those without.

Bank relationship and age also significant triggers for bank credit uptake. Having more established relationships with their bank also matters. The regression analysis reveals that adults who have had their bank account for 1-2 years are 12% more likely to take up credit at banks relative to those who have had their account for less than a year. Age is also a driver, and older adults are 24% more likely to take up credit at banks relative to young adults. Adults between the age 30-44 years are 7% more likely to take up credit at banks relative to adults below that age group.

33 The FinScope survey considers borrowing to include loans, credit card purchases and salary advances as well borrowing food from the store. The FinScope survey firstly asks the respondent, "In the past 12 months have you borrowed money, or taken loan from or bought goods on credit from any of the following…" (Question G3). The respondent is then later asked what their reason was for having "borrowed money or taken out a loan in the past 12 months" (Question G8).

Product design and customer perception as further triggers. Adults that have the most positive perception of the product design of the formal financial sector are 16% more likely to take up a credit at a bank than those who were most dissatisfied with product design. The regression analysis also reveals that adults who indicate that they had experienced poor customer service at their bank in the past 12 months are 11% less likely to take up credit at a bank compared to those who do not indicate that they experienced poor customer service at their bank.

Drivers of other formal credit uptake similar to drivers of bank credit. Financial goals, income and age, as well as how financial institutions treat customers matter most for uptake of other formal non-bank credit. Relative to low-income adults, SASSA grant recipients are more likely to take up credit at non-banks, as are middle-income adults, who are 20% more likely to take up credit at non-banks than low-income adults.

Income, age, having financial goals matter for credit alongside perceptions of customer service

Women and older people more likely to turn to non-banks. Women are 8% more likely to take up credit at non-banks relative to men. Adults between the age 45-59 years are also 14% more likely to take up credit at non-banks relative to younger adults.

Literacy negative correlation, financial goals significantly positive. Adults with a high level of financial literacy are 5% less likely to take up credit at non-banks relative to those with a low financial literacy level. Adults with financial goals are 33.5% more likely to take up credit at non-banks relative to those without financial goals. Thus, 'having financial goals' makes a relatively larger difference where taking up credit at non-banks is concerned than for take-up of other financial products and/or services.

Insurance

Income tops self-reported reasons for not having insurance. Income was the strongest barrier and potential determinant of uptake of insurance in 2022 (FinScope, 2022). In particular, 27.3% of the adults without insurance cited that they earned too little income to take up insurance, while 43.3% indicated that the main reason is unemployment.

Income and age stand out as demographic triggers. Regression analysis of the FinScope 2022 dataset shows that income source and level, as well as age and customer service all play a role in determining insurance take-up. Like with savings behaviour, being a salaried worker makes adults more likely to take up insurance, as salaried adults are 10% more likely to take up formal insurance relative to non-salaried adults. Middle-income adults are 17% more likely to take up formal insurance products relative to lower income adults, and adults who owned a motor vehicle are 8% more likely to take up formal insurance. Age is an even more significant driver, with older adults being 20% more likely to take up formal insurance relative to younger adults.

Fair treatment spills over to insurance uptake. How customers perceive the way financial institutions – specifically, their bank – treat them has an impact on their uptake of insurance. Those who indicated that they have had post-sale barriers resolved by their bank were 3% more likely to take up formal insurance than those who did not. Like with formal savings, increased disclosure of information does seem to drive uptake of formal insurance. Adults that felt most positively about information being disclosed to them by their financial institution are 25% more likely to take up formal insurance relative to those that most negatively[34] perceive information disclosure at their financial institution.

4.3. Ongoing use

Usage matters just as much as uptake. Usage describes the person's ongoing engagement with a financial product and/or service once it has been taken up. Having a financial product and/or service does not necessarily mean that one will use it actively or optimally. To achieve more active usage, it is important to understand what factors determine whether and how a person continues to engage with their financial products and/or services.

This section starts by highlighting insights from the descriptive and regression analysis on the statistically significant drivers of two measures of ongoing usage:

- **Depth of usage**, which is defined as the frequency of using one's bank account. Throughout, we measure it on a spectrum, which consists of: daily (high), weekly (moderate), monthly (low) and less than monthly (likely dormant). Depth of usage is indicative of the true extent of financial inclusion for different customer groups.
- **Breadth of usage**, defined as the number of formal financial products and/or services a customer has. This is measured as a dummy variable with zero being 1 or less, and one being more than one product and/or service. Breadth of usage is important, because it indicates the likelihood of a customer being able to meet multiple and varied financial needs.

Thereafter, this section digs deeper into the qualitative insights on behavioural drivers that shape usage.

4.3.1. Depth of usage

Women more likely than men to rely on cash

Demographic characteristics shape depth of usage. The regression analysis shows that income, age, TCF outcomes and financial literacy all matter for how extensively people use their bank accounts. Increased income is associated with increased usage of one's bank account, with lower incomes being linked to those that use their account once a month or have dormant accounts. Age is also significant. Adults older than 60 years are 3% more likely to have dormant bank accounts relative to adults between the ages of 16 and 29 years old (FinScope, 2022).

34 I.e., those that scored zero on the three questions asked with regards to information disclosure from their insurance provider.

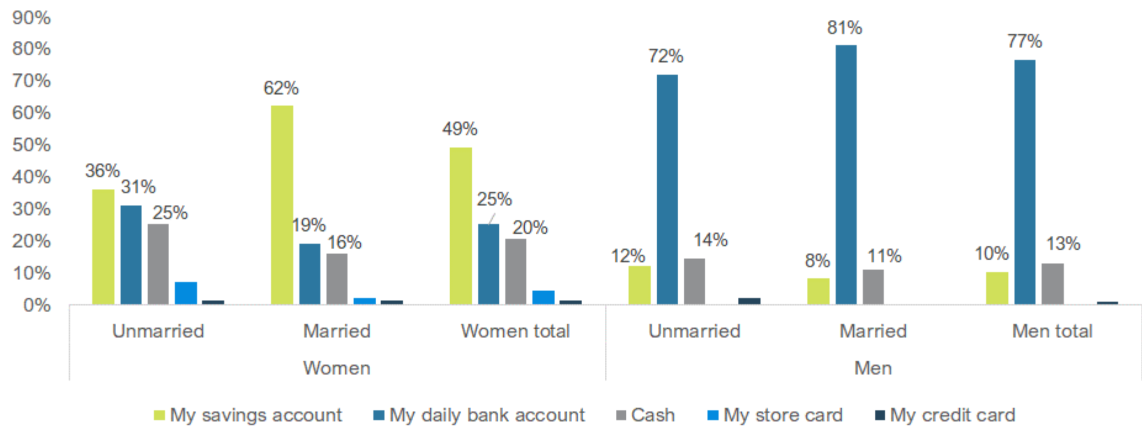


Figure 29: Financial products and/or services that are used most frequently.

Source: Retail financial customer behaviour and sentiment survey (2023)

When considering product and/or service types, Figure 29 above shows that women are much more likely than men to use a savings account and cash most frequently. This is especially true for married women, and women living in rural areas. Men, irrespective of their marital status, are more likely to report a transactional bank account as the product and/or service that they use most frequently. However, men living in rural areas are more likely to use cash most frequently.

Reasons for 'shallow' account usage. As Figure 30 indicates, preferences for cash and needing access to money received are the strongest self-reported determinants of why customers use their bank account infrequently. Trust, knowledge, cost and accessibility are not factors that are flagged as major issues.

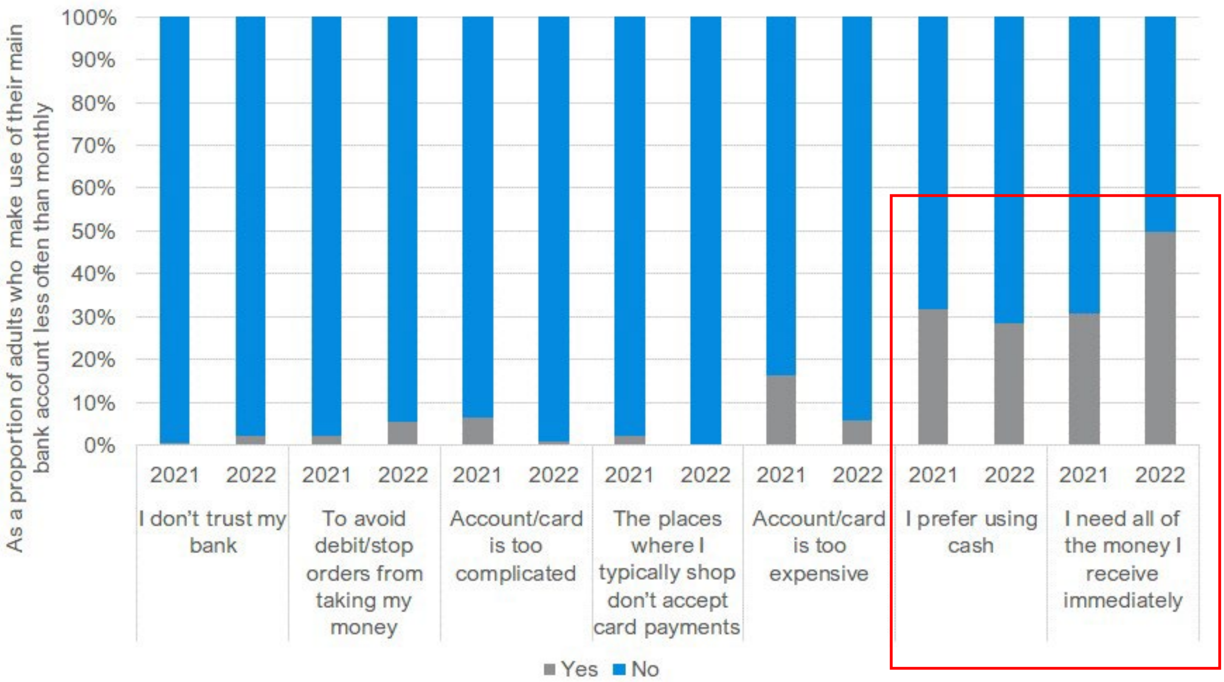


Figure 30: Reasons for Infrequent account usage

Source: FinScope (2021;2022)

Product design, resolution of post-sale barriers and fair treatment can help to drive engagement. Adults who most positively perceived their provider's product design were 3% more likely to transact daily relative to those who were dissatisfied with their provider's product design. Increased perception of post-sale barriers being resolved also increases the likelihood of adults using their account more frequently. Even if one post sale barrier was resolved, that respondent is 8% more likely to use their account daily relative to a respondent who reports that none of their post-sale barriers being resolved. Interestingly, there is also a cross-relationship between satisfaction in one product and/or service market and active usage in another: adults who indicate that their insurer treated customers fairly are more likely to transact daily relative to adults who disagree and indicate that their insurer does not treat customers fairly (FinScope, 2022).

4.3.2. Breadth of usage

Age, income and wealth shape breadth of usage. The regression analysis shows that older adults[35] are 5% more likely to have a wider breadth of financial products and/or services relative to younger adults. Likewise, adults with financial goals are 8% more likely to have a wide breadth of financial products and/or services relative to those without financial goals. Being a social grant recipient increases one's likelihood of having a wide breadth of financial products and/or services by 5% relative to those who are not social grant recipients. Receiving a salary as source of income increases one's likelihood to have a higher breadth of usage. Moreover, wealth is a significant predictor, too, as residing in a brick house and/or owning a vehicle increases the likelihood of one having a wide breadth of usage (FinScope, 2022).

4.3.3. Drivers of usage

Familiarity drives ongoing usage. An interesting survey finding is that customers tend to grow attached to the first product and/or service that they take up, such as their first bank account, and that most people retain their products and/or services for a long time across different demographic groups. As seen in Figure 31, women are more likely than men to have had a financial product and/or service for a short period of time (less than 3 years). Those living in rural areas are 27% more likely to hold onto their products and/or services for a long time. While not graphically depicted, the survey found that black African customers (9%) and married women (19%) are more likely to have owned their financial product and/or service for a shorter time.

35 In FinScope, older adults are defined as adults aged 60 years and older. Younger adults are defined as adults between the ages of 16 and 29 years.

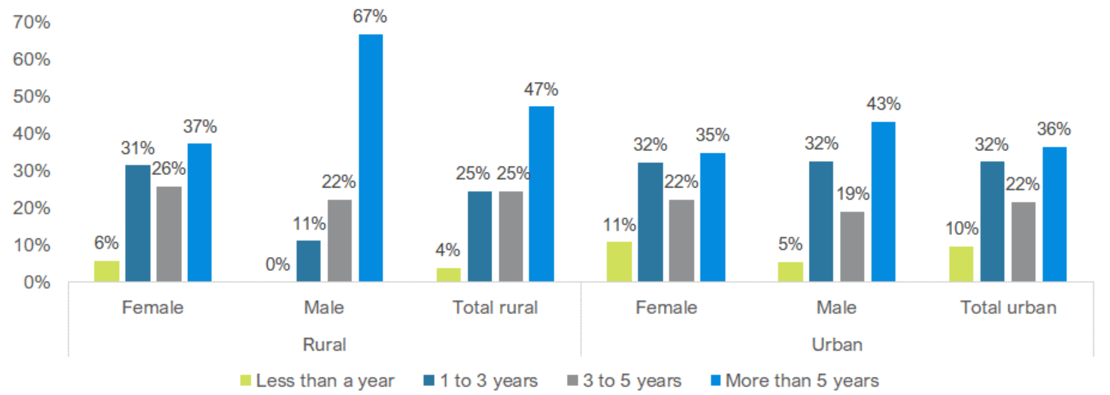


Figure 31: Length of product and/or service ownership

Source: Retail financial customer behaviour and sentiment survey (2023)

A life change can prompt re-engagement

Mostly passive use and neutral feelings. However, qualitative research shows that even if customers continue to use products and/or services to meet basic foundational needs, they are often passive users of products and/or services. This means that they own the product and/or service in the background, but do not actively engage with or think about it – and thus often feel mostly neutral about the products and/or services that they do have. When they do re-engage with their financial products and/or services, it is because of a life change; for instance, when a customer wants to buy a car, they now need insurance, which drives them to take it up.

Box 4: Customers' state of mind during the usage stage

The qualitative research shows that, as people get to know their financial products and/or services through usage, they form a better understanding of it and begin to either value and use the product and/or service, or it becomes invisible, performing its role in the background. In this part of the customer journey, customers gain more understanding of their chosen product(s) and/or service(s) through first-hand experience. However, customers are not asking more questions, or researching further.

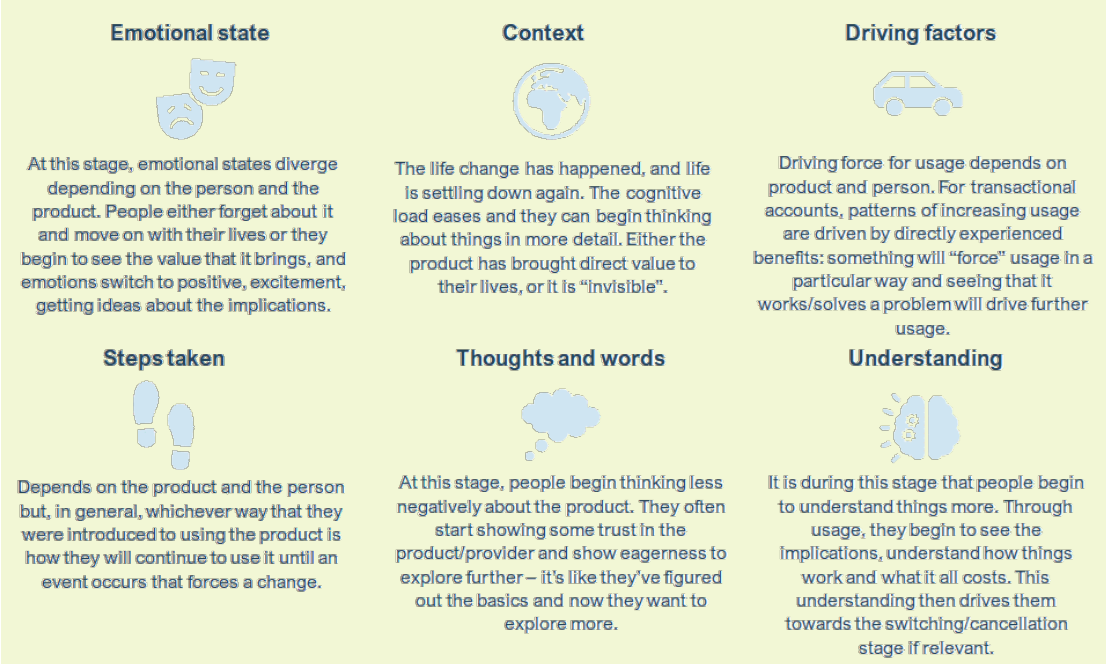


Figure 32. Qualitative considerations at the usage stage

Source: Qualitative customer interviews, 2023

The long-term effect of poor experiences. Both negative and positive experiences with financial institutions have a ripple effect on future and ongoing use. In cases where customers have had positive experiences, they may expand the horizons of what their financial products and/or services can do for them and how they can use their financial products and/or services. However, in the instance of negative experience, qualitative research shows that customers withdraw from the financial ecosystem as much as they can. This is most strongly illustrated when looking at the qualitative interviews: out of the 40 interviews conducted, 28 had had negative experiences with financial institutions. Of these 28 respondents, 24 reported withdrawing from the financial ecosystem for a period of time. While the shortest period of withdrawal was one year, 6 respondents reported withdrawing permanently with no intentions of re-entering the financial ecosystem.

Box 5: The need for continuous improvement – insights from behavioural science

Behavioural science shows that positive sentiments are less long-lasting than negative sentiments and that the threshold for positive sentiments becomes higher over time. This is called negativity bias[36]. Initially, customers are positively surprised by the product and/or service, but after a while, it becomes the standard and the minimum expected performance of the product and/or service. Then, any deviation from the positive standard becomes frustrating. The more engaged a customer is, the more positive they are. However, to keep customers interacting with and using their chosen product and/or service, financial institutions must continuously improve to keep customers happy and engaged.

36 See: 'Negativity bias, negativity dominance, and contagion' (Rozin, et.al, 2001).

Trustworthiness taken for granted, but only up to a point. In the qualitative interviews, trust was not frequently mentioned organically. When prompted, respondents noted that they trust that transfers will happen safely and that, if somebody deposits money into their accounts, it will be there. However, they do not necessarily trust financial institutions to behave in the customer's best interest, or not to add hidden charges. Like with active engagement, direct (positive) experience can prompt cognitive engagement, which can build trust. Similarly, trust is eroded by poor experiences or even misperceptions of charges or interest. Some indicated that they would withdraw all their money rather than keep it in an account because they do not know what charges will be deducted.

> *"When it comes to safety of money in Banks, I would say safety it is guaranteed but the problem is the interest. Me moving to save with National Treasury was, it was risk free and their interest was better, it was fluctuating, it was not at the same rate. Whereas, at banks your interest could be the same for 5 years with no change until you get your money".*

Black African woman,48 years old living in a rural area

Persona nuances in the usage journey*.* The persona comparison below shows how the picture differs between personas. Some experience feelings of frustration, worry, caution or scepticism, while others find the usage experience easy. This means that a specific understanding of different target market segments and their realities and needs is very important when designing a product and/or service offering that prompts active, ongoing usage.

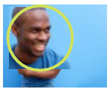
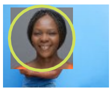
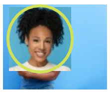
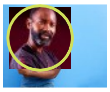
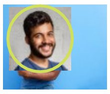
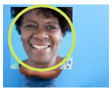
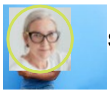
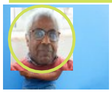
	Feeling	Preference	Barriers	Engagement	Result
 **Sandile** (20-30)	Frustration	In person	Cost Travel/time Skills	Online Unclear	Enabled Learned Mistrust
 **Anele** (30-40)	Skeptical		Understanding	Online Convenient Unclear	Enabled Mistrust
 **Maria** (30-40)	Easy			Online Daily	Enabled Engaged
 **Tsepho** (30-40)	Worry	Online	Belief of fraud Concern of hidden costs	Online Convenient	
 **Andrew** (20-30)	Easy			Online Daily	Enabled Engaged Trust
 **Tumi** (40-50)	Skeptical		Cost Travel/time Skills	In person Monthly	Infrequent engagement Mistrust
 **Samantha** (65+)	Cautious	In person	Understanding Skills	Online Monthly	Enabled Infrequent engagement
 **Dumisani** (65+)	Skeptical		Understanding Skills Trust	In person When needed	Infrequent engagement Mistrust

Figure 33: Persona snapshot: usage

Source: Qualitative customer interviews, 2023

The qualitative results emphasise the role of 'soft' factors such as service standards and positive word-of-mouth in creating engaged customers. These are factors that are within financial institutions' control to manage and the market conduct framework seeks to ensure that this is the case.

4.4. Switching or exit

Deciding to switch or cancel. For some users, ongoing usage simply no longer serves its purpose, causing them either to switch to another provider or to cease usage of that type of product and/or service altogether. Switching describes a move from one provider of financial products and/or services to another and cancel or exit encompasses actions like account closure, insurance lapse and credit default.

FinScope and HSRC data, as outlined in Appendix D, show that people are unlikely to switch or exit once they have 'crossed the threshold' of taking up a product and/or service. The results of the survey suggest higher exiting behaviour for some, but also that some groups, notably married women, are less likely to exit than others.

What explains this behaviour?

4.4.1. Drivers of switching/exit

Almost half of respondents regret take-up. Astoundingly, almost half (48%) of respondents in the study report taking up a financial product and/or service which they later regretted – as indicated in the figure below. The most common financial products listed as "regretted" are a credit card, pension fund, and a personal loan. This was most pronounced for older respondents (over the age of 50), who were 16% more likely to report regretting getting a product and/or service than other age groups. The most common product for which regret is reported for this older group is a pension fund. Importantly, participants do not regret belonging to a pension fund, but rather the specific fund/annuity that they opted for and now feel locked into.

Those over the age of 50 are 16% more likely to report regretting getting a product than other age groups.

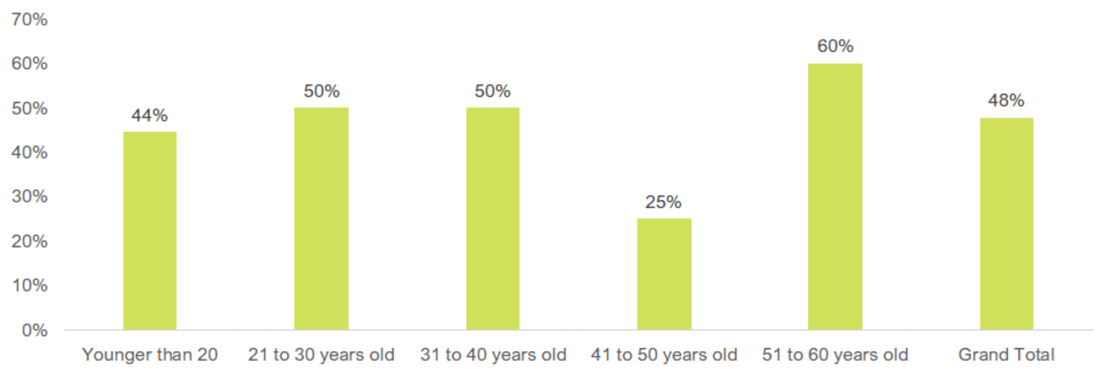


Figure 34: Regret taking up a financial product and/or service

Source: Retail financial customer behaviour and sentiment survey (2023)

Intended switching not translating to actual behaviour. Almost 10% of customers who have had a bank account for more than a year have considered opening a new account to replace their main bank account but did not make the switch. This suggests a level of inertia that is confirmed by the qualitative research (as will be discussed below). 25% of new customers at banks in 2022, and 28% in 2021, previously banked with another financial institution (FinScope, 2021; 2022).

Penalties and dismissive staff behaviour flagged as switching barriers. When asked how difficult they find it to switch, 42% of married women said that it would be difficult to switch. Reasons cited include being dismissed by financial institution employees or not taken seriously, as well as unresolved complaints, and unaffordable cancellation fees. Married women are 67% more likely than unmarried women to report struggling to switch/exit because they needed their spouse's help, permission, or signature to proceed, or because they struggled to get to the location without their spouse's knowledge[37]. This contrasts with married men who universally report cancellation to be extremely easy. Further demographic analysis shows that black African customers are 12% more likely to report struggling to switch than other groups. Rural residents are 34% more likely than their urban counterparts to report barriers to switching/exit. Reported reasons are that they do not know how, they would be charged extra fees that they cannot afford, and that they struggle to go to the branch.

Black Africans are 12% more likely to report struggling to switch than other groups.

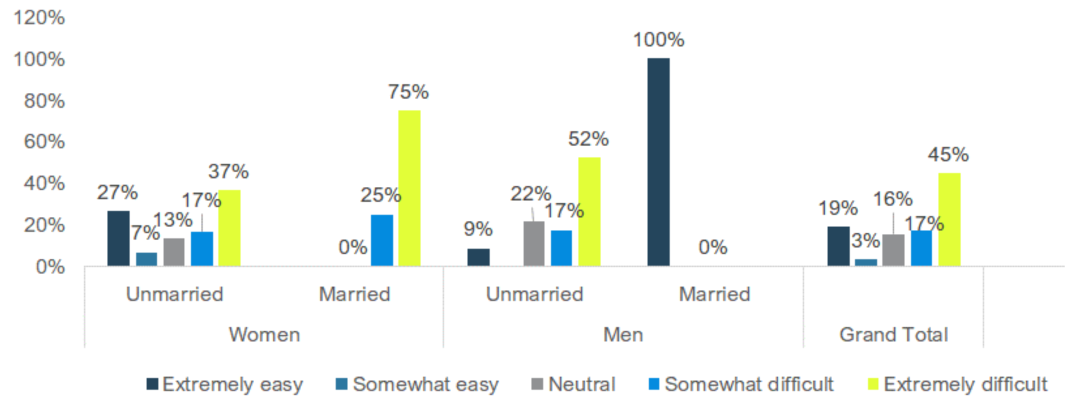


Figure 35: Difficulty with switching

Source: Retail financial customer behaviour and sentiment survey (2023)

Both push and pull factors may prompt eventual switch or cancellation. The diagram below shows the reasons respondents gave that would make them consider switching or cancelling a product. Added benefits available elsewhere is the most common reason stated for switching accounts – a pull factor. This is followed by cost[38] and how they are treated – push factors. Women are 42% more likely than men to report switching because of costs, and black African customers are 13% less likely than other groups to report shifting because of benefits. Feelings of unfair treatment are notable, as a significant percentage of respondents report experiences of poor treatment from financial institutions as a reason to switch. This is most pronounced for rural customers, 36% of whom say that they are likely to switch because of poor treatment.

36% of rural customers report that they will move if they are treated poorly.

37 This barrier is a theme in the customer research, where married women need spousal approval to make financial decisions, while harbouring a specific drive or desire to keep their financial decisions concealed from their spouses.

38 The HSRC (2020) survey confirmed the importance of fees as push factor: 35% of customers who changed banks within the last five years did so because their bank charges and fees were too high.

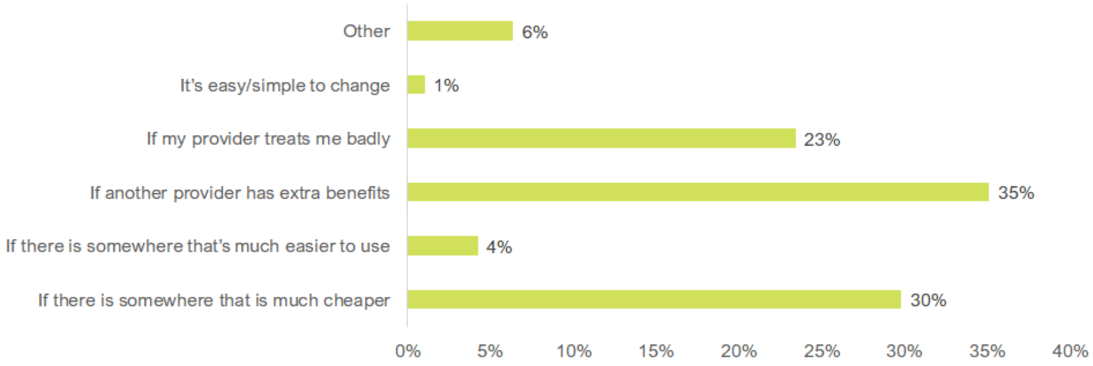


Figure 36: Factors influencing switching/exit

Source: Retail financial customer behaviour and sentiment survey (2023)

Overcoming behavioural inertia. The qualitative research shows that even where something has gone wrong, or if they are dissatisfied, customers are not always aware that they have potential recourse. Respondents are aware when financial products and/or services are not meeting their needs; however, their perceptions of switching as a cumbersome task fuels financial inertia[39]. Even when customers want to switch after experiencing negative sentiment over time, or due to an annoying experience, several customers see the tediousness and time-consuming nature of switching across financial institutions as a barrier to switching. Inertia is not always out of laziness, but instead may be brought about by the fear of making a mistake and losing hard-earned savings, confusion over how to get started, or a perception that the barriers to switching are too high.

Moreover, the qualitative research shows that finding the right product and/or service is emotionally and cognitively exhausting. If a person does not know what the differences are or how to tell what they are, then they may be reluctant to go through the process of uptake again if the first time led to an unsatisfactory result. All that has happened at this stage is that people have realised that the heuristics they used the first time round did not work - that leaves them in a place where they would be faced with all the same cognitive overload but none of the mental shortcuts to make the uptake decision the second time around.

Negative feelings can push a person over the threshold, carry over to other financial products and/or services. Respondents report that, when they did cancel, this was usually a spur of the moment decision, when they were particularly annoyed by a financial institution or product and/or service. Significantly, customers who have had a negative experience with a financial institution will actively take out their feelings of frustration and anger on any financial institution – not just the financial institution that they feel has wronged them. For low-income adults, this may be particularly pronounced, as they cannot tolerate small amounts lost. The switching threshold may thus be lower for this demographic.

Negative experience with one financial institution may spill over to others

39 Inertia describes a condition when people continually defer or delay financial decisions, actions or planning that they know would be good, and speaks to an apathetic state where customers feel comfortable with 'doing nothing', despite their unsatisfaction. For more, see: (Madrian & Shea, 2001).

A turmoil of emotions, but generally better understanding. Much like taking up a financial product and/or service, the moment when a customer decides to cancel or switch it can be emotional. Respondents cite feeling frustrated or angry, but also empowered and excited: up to now, they have had negative experiences and have not been able to do anything about it, but now the situation changes[40]. Respondents report that once they have decided to switch, the options become overwhelming and their decisions are heavily influenced by recommendations from others. Unlike when taking up a product and/or service for the first time, switching customers investigate the costs and benefits of products and/or services more closely. Usually, the questions that they ask are closely related to the specific negative experience that they had previously. For example, if they found that withdrawing money from a savings account came with a large penalty then they will ask lots of questions about that process and what that would cost, but they do not usually ask about every single detail. The qualitative research thus shows that, as people have negative experiences, they learn more about what to ask when investigating products and/or services, but only insofar as it relates to their previous experience.

Figure 37: Qualitative considerations at the switching or exit stage

Persona nuances during switching/exit. The personas show how different customers feel about and respond to the idea of switching or cancelling a product and/or service. Some, like Personas Anele and Maria are unlikely to switch, due to feeling sceptical or helpless; neither are they likely to cancel unless pushed or provoked, as they 'accept their fate'. Individuals with Persona Sandile's profile are more likely to cancel, while those with similar profiles to Persona Tshepo's will only

40 Deciding to exit/cancel can be equated to deciding to resign from a job in which you are unhappy - you finally feel like you can do something about it. Quickly afterwards, however, the reality sets in that you now no longer have a job.

cancel in extreme circumstances. No instances of switching or cancellation were found in the interviews for personas Samantha, Tumi and Dumisani.

	Feeling	Driver	Change	Cancellation
Sandile (20-30)	Frustration	Unknown costs Mistrust	Likely	In person, when feeling 'pushed'
Anele (30-40)	Skeptical		Unlikely	
Maria (30-40)	Helpless	Life change/event	Unlikely	Only when life circumstances change
Tshepo (30-40)		Misinformation Mistrust Inconvenience	Unlikely	Only when there's a big problem
Andrew (20-30)	Satisfied	Comparison of options, current provider asked to match	Unlikely	

Figure 38: Persona snapshot – switching or cancellation

Source: Retail financial customer behaviour and sentiment survey (2023)[41]

Life changes factor strongly. The qualitative research moreover suggests that, where switching/exit takes place, it is predominantly driven by life changes. A customer might realise that they can save towards a goal or have encountered a situation where their income realities change. Few people report switching or exiting merely because they found something better (Qualitative customer interviews, 2023). This is confirmed by the survey findings:

"The reason for stopping was after the Covid 19 my finances were very disturbed".

Black African man, 21 years old living in an urban area

41 Note that there were no respondents who cancelled or switched on which the descriptions for the remaining three personas could be based.

Persona Maria's financial journey captures this experience in the figure below:

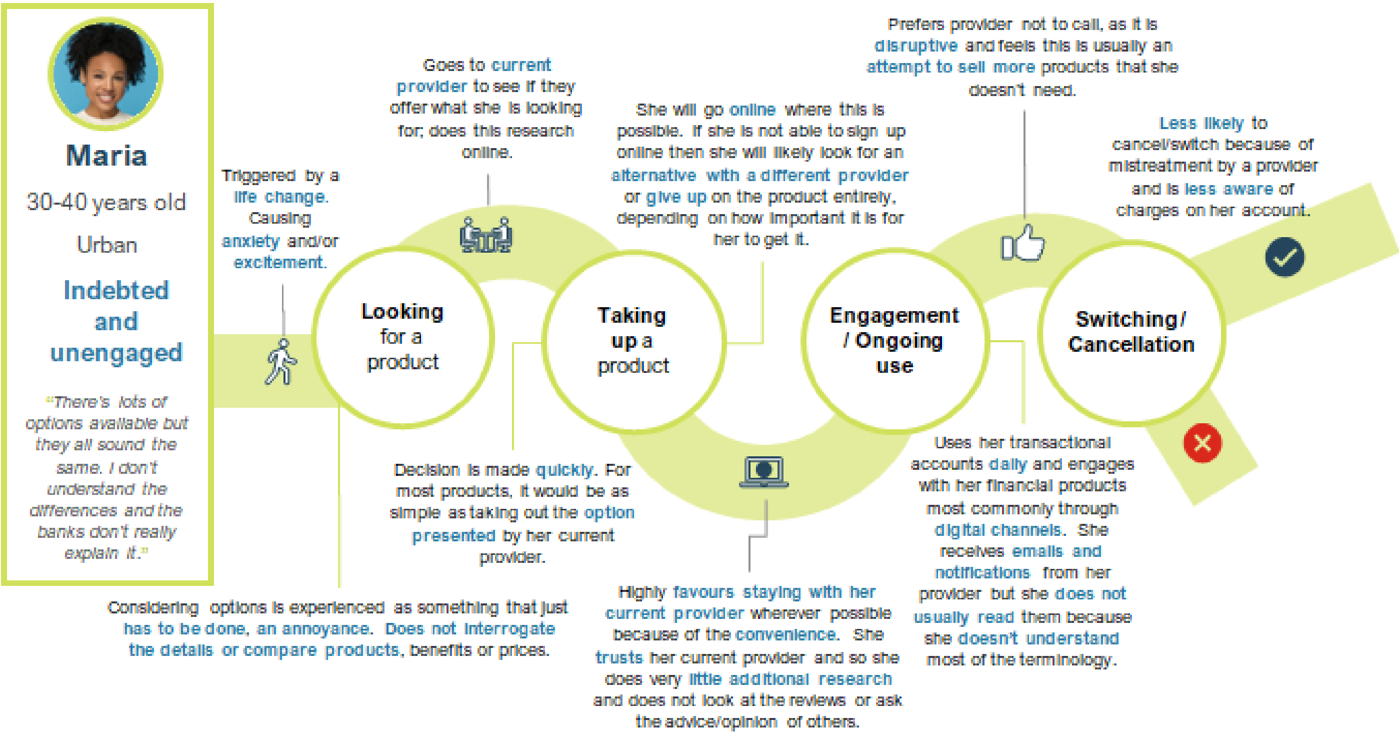


Figure 39: Maria's customer engagement journey

Source: Qualitative customer interviews (2023)

4.4.2. Case study: what does it take to switch from informal to formal savings?

One aspect of switching that has particular policy relevance, given the low levels of formal savings uptake and usage, is what it would take to trigger a switch in behaviour from informal to formal savings channels. A discrete choice experiment was added to the survey to help to answer this question, as well as to gauge what features people associate most strongly with formal and informal savings, respectively. *See Annexure C for the methodology followed for this experiment.*

Different associated features

The first notable finding from the experiment is that people associate opposite features with each savings mechanism: features that are scored highly for informal savings mechanisms do not score highly for formal savings mechanisms and vice versa, as shown in the figure below:

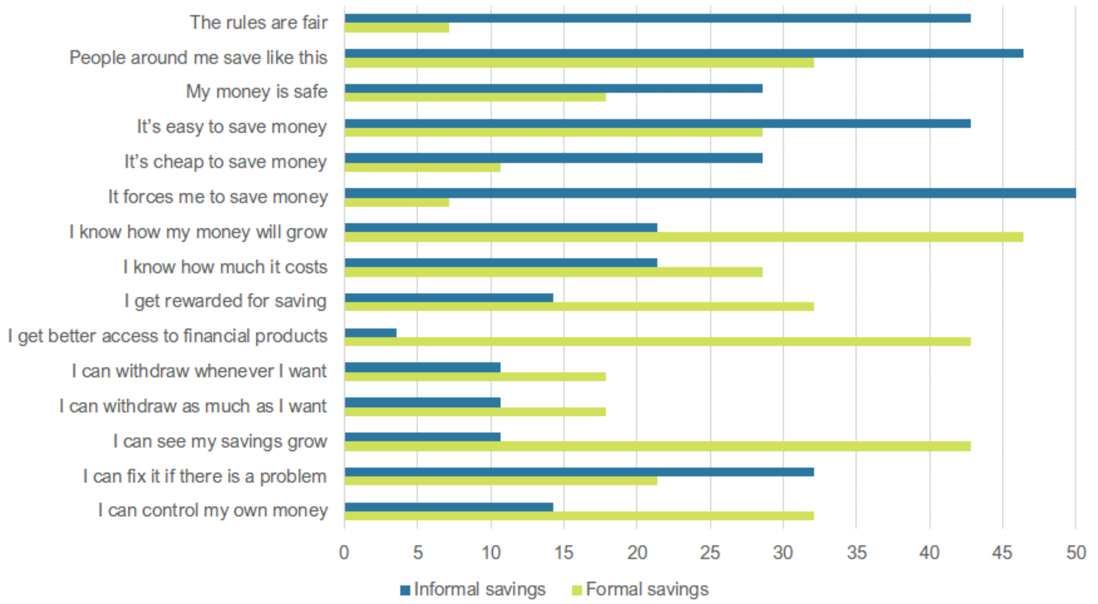


Figure 40: Associations with formal and informal savings – score out of 50

Source: Retail financial customer behaviour and sentiment survey (2023)

Informal savings structures have stronger associations than formal savings. A smaller number of features 'won' more consistently for informal savings than for formal savings mechanisms. This suggests that people have stronger beliefs or perceptions about informal savings mechanisms than formal ones. One implication of this is that it would be more difficult to shift customers' perceptions about informal savings than it would be to shift their perceptions about formal savings. Another important observation is that the features that are most strongly associated with informal savings mechanisms are most often not the same as the features associated with formal savings mechanisms. This is not necessarily surprising but shows us that the two savings mechanisms are viewed very differently by potential customers.

Formal and informal savings are regarded as complements, not substitutes

Formal associations: growth, access to other services, but not savings discipline. The strongest association for formal savings is that people feel that they know how their money will grow[42], with access to financial products and/or services being the next strongest association. Interestingly, forcing them to save money and fair rules are the two weakest associations that people have with formal financial institutions for saving.

Informal associations: fair rules and discipline. In contrast to formal savings mechanisms, the rules being fair is one of the strongest associations that people have with informal savings mechanisms, while the single strongest association is that it forces them to save money. Importantly, being forced to save money is selected as

Formal = growth

Informal = discipline

42 What we learn from these connotations is that the notion of 'certainty' is a strong association with formal savings mechanisms and is also a driver for uptake. However, in practice, there is limited certainty: customers are not able to predict the growth of their savings, considering bank charges and fluctuating interest rates. As a result, the expectation of certainty is unlikely to be met, resulting in negative sentiments that may drive customers away from formal savings.

the winner against all other options. As there are also automatic processes that can be used to enforce savings discipline (e.g., automatic debit orders) for formal savings mechanisms, this finding raises questions as to why informal savings structures have discipline as such a strong association and formal savings structures do not. Cross-analysis of the findings[43], as well as an investigation into spontaneous responses[44] illustrate that the driving force behind this strong association is that informal savings structures force savings through social norms, rather than as a direct result of the product design. In other words: *people do not feel forced to save because a product deducts money automatically or because they have committed to saving a set amount. Instead, they feel forced to save because those around them hold them accountable to that commitment*.

In addition, the belief that the rules associated with saving are fair is highly correlated with stating that a product forced them to save.

The conclusion, then, is that being "forced to save money" is not an association that can be created through product design. Instead, it is a result of perceptions of fair rules and of social norms. In cases where savings are being 'forced' through automatic deductions outside of this social context, individuals may find ways to exit their savings commitments (usually through withdrawals that come with a cost/penalty).

What would encourage a switch from informal to formal?

More difficult to prompt a switch to formal than to informal. The next experiment sought to understand what would make people switch from informal to formal savings mechanisms. The data from this experiment was compiled into scores that illustrated how strongly a particular feature would contribute towards customers switching from one savings product to another. The first observation from these results is that there are stronger requirements for moving from informal to formal savings structures, although these requirements are concentrated in a smaller number of areas. In other words, people would need more encouragement to move from informal to formal savings, than they would need to move from formal to informal.

Control over money strongest driver for informal-formal switch. The strongest scoring feature for the informal to formal switch is having control over their money, which achieved the highest possible score. This is particularly interesting because informal savings structures typically give very limited control over savings. Cross-analysis, along with analysis of the spontaneous response questions indicates that having control over their money[45] is the first most important feature for formal savings

43 For this DCE, we were able to compare the results from two different experiments alongside the qualitative responses in each experiment to gain a more nuanced understanding of the driving forces behind each association. This ability to compare across the two experiments is one of the benefits of the approach selected and allows for more nuanced findings with limited samples.

44 Participants were given the opportunity to give spontaneous responses at the end of each day to give further information to the researchers. This was phrased as, "Is there anything you'd like us to know about [formal/informal] savings that you thought of while answering these questions?"

45 "Having control over my money" is a category given to participants in this experiment, so it is difficult to establish precisely what participants would understand this to mean. However, the qualitative responses suggest that many understand this to mean having flexibility in their savings, specifically for the amount saved and being able to withdraw for emergencies.

structures and an ability to "curate" or co-create the rules associated with the savings account would most strongly encourage people to switch from informal to formal savings structures. This co-creation of rules could take many different forms, but the important feature of this process is that the customer would be able to opt in to specific rules, with specific costs and outcomes that they deem to be fair.

Clearer picture of growth and control most likely to prompt switch to formal

Knowing that money will grow and a belief in the rules to be fair as added drivers. When comparing the switching Round Robin results to the association game results for formal savings, we see that the features that would make people switch are not the features that people currently associate with formal savings mechanisms. There is one exception: knowing how money will grow is both a strong association with formal savings mechanisms and a driver for switching. Cross-analysis and an analysis of the qualitative responses indicate that the association response is driven by having a basic understanding of interest rates. However, as discussed, few people have a firm understanding of charges and interest rates in practice. Hence, the switching driver would only be effective if there were clear statements about the growth of money; for instance, if a formal savings account would state that X amount of savings per month would equate to Y amount of money at the end of the year. The conclusion from this analysis is that people would be more likely to switch from informal to formal savings mechanisms if:

a. They have control over their money
b. They know how their money will grow
c. They believe the rules to be fair

Formal-informal switch will be driven by sense of flexibility and control. When considering the ranked features for the inverse switch, namely what would drive people from a formal to an informal product, an interesting observation is that social norms would not drive people to switch from formal to informal savings. Instead, people would opt for an informal alternative if they feel it gives them a greater ability to 'fix problems' that they may experience with the savings product, and more flexibility and control over their money. Assessing the comparison between the drivers for switching and the associations with informal savings structures, we see that there are limited similarities between the drivers that would cause switching and the associations that individuals have with informal savings structures. These results suggest that people will switch from formal to informal savings if:

a. They feel they can fix things if they experience a problem
b. They have control over their money
c. They can withdraw whenever they want to

These are important factors for the formal sector to heed to retain clients.

Apples and oranges: Putting the results in context

The main conclusion that can be supported by the experiments is that the primary drivers for switching the type of savings product that an individual uses are an ability to control their money and their ability to fix things if there are any problems.

However, the qualitative responses indicated something vital to this analysis. Simply put, people do not see formal and informal savings structures as equivalent. In other words, it is not something between which they would usually choose. Instead, people view formal and informal savings as fulfilling different needs:

- Informal savings mechanisms are used to save for a foreseeable, necessary expense where social norms and co-created rules force an individual to save for a specific, predictable future expense; whereas formal savings are a day-to-day safety net. In informal savings, people know and understand the rules, the value that they are putting away is often small, the consequence of missing a payment is usually significant, and the outcome of the savings is extremely clear.
- Formal savings, on the other hand, is simply an abstract amount of money that you should not use. It is not clear what is being saved for – usually "an emergency", but there is no ability to predict how much should be saved, when it might be used, or what it might be used on. It is regarded as money that is sitting without use up until the day it is needed, with no clear rules as to when, how or why it can be accessed or how much it will grow by. There is also no clear time when you are "done" saving. You never know when you have saved enough, so the need to save is an ongoing burden and temptation and when savings are drawn down for an emergency, it evokes negative emotions as it undermines the purpose of saving as a means of ensuring financial stability and the connotation with formal savings as something that "shouldn't be used". Therefore, unlike informal saving that is goal-orientated and has clear usage guidelines, actually using formal savings also has negative emotional associations, even if it is fulfilling its intended purposes.

These are the driving factors behind the stronger associations for informal savings and stronger requirements for an informal-formal switch. An informal savings structure is viewed as a tool to gain a tangible outcome in a predictable timeline, while formal savings are viewed more abstractly.

5. Outcomes

Having considered the drivers of behaviour along the user journey, this section considers the important question of what the outcomes of financial product and/or service usage are for customers, as the ultimate test of the efficacy of financial market conduct.

Largely positive TCF experiences, but room for improvement – especially in product design, customer service and information

Box 6: Key findings: outcomes

- The financial sector treats customers fairly on most indicators
  - FinScope and the HSRC surveys point to more positive than negative experiences for all TCF outcomes; banks score better than insurers
  - Regression analysis shows that positive TCF experiences are a significant driver of breadth and depth of usage
- There are, however, key areas for improvement
  - TCF scores for corporate culture, product design and information disclosure all declined between 2021 and 2022
  - Key findings per TCF outcome:
    - TCF 1: Race and gender play a role in how customers see financial institution culture, with credit providers[46] viewed most negatively.
    - TCF 2: Customers are not entirely satisfied with their product and/or service costs, features and experiences, leaving room for financial institutions to devise tailor-made solutions.
    - TCF 3: Most respondents report adequate disclosure, but communication on fees, refunds/reversals and added features is not yet simple and clear enough to fully empower customers
    - TCF 4: Advice to customers solicits few responses – advice from a financial institution is not on the radar for most respondents
    - TCF 5: Large band of neutral to positive survey responses, but social media solicits negative sentiment around factors such as speed or responsiveness of the platform, billing and account irregularities. Many respondents feel that their financial services are not meeting their front-of-mind needs.
    - TCF 6: Providers are often hard to reach, and marginalised customer groups experience higher barriers when lodging complaints or queries than others

46 The survey did not specify which credit providers; as such, there may be some overlap with banks.

Defining outcomes. Throughout the product life cycle, financial institutions are expected to demonstrate that they provide fair customer outcomes when dealing with retail financial customers. The survey provides new insight into the engagements that retail financial customers in South Africa have with financial institutions and the extent to which these engagements uphold the six Treating Customers Fairly (TCF)[47] outcomes, namely: (i) culture; (ii) product and/or service design (iii) information disclosure; (iv) suitable advice; (v) product and/or service performance in line with expectations, and (vi) ongoing obligations to financial customers.

Overall impression of fair treatment. The survey shows that people mostly feel that financial institutions have their best interest at heart and customers have largely positive experiences with financial institutions.

"I haven't heard anyone complaining of drastic experiences yet, so I think they treat customers okay. I know there are customer care lines to call should someone feel like they were not treated okay."

Black African man, 37 years old living in an urban area

Where respondents did perceive unfair treatment in the survey, they associated instances of fraud with unethical treatment. Respondents also equate fraudulent, or unfamiliar, transactions on their accounts to unfair or unethical behaviour by financial institutions. Customers feel that they experienced barriers when having such issues resolved, reporting that when suspicious transactions were noticed, their financial institutions took too long to resolve the issue or did not resolve it at all. Some respondents also report that the benefits or mechanics of the accounts that they had taken up were not the same as what they were told it would be by their financial institution. For example, the additional benefits, like cash-back rewards, did not work as expected or the payout on insurance was less than they were informed or expected it to be. Finally, some cite inaccurate information disclosure as a concern.

"My one product… the benefits weren't the same as advertised or presented the first time. I tried to cancel, and they made me pay extra money for it. I didn't have the money and to this day I must pay for it [the product]."

Black African woman, 37 years old living in an urban area

Overwhelmingly positive picture in secondary analysis. The largely positive TCF ratings are confirmed by the secondary analysis: the FinScope survey solicits 80%-plus positive responses for almost all TCF outcomes for banks and insurers alike[48]. For banks, there are improvements across the board in how customers rate TCF outcomes between 2021 and 2022. For insurers, the scores deteriorated between 2021 and 2022, but are still largely positive (FinScope 2021; 2022).

47 The Treating Customers Fairly (TCF) framework is an outcomes-based regulatory and supervisory approach designed, developed and published by South Africa's former Financial Services Board (FSB) in 2011.

48 With the one exception being post-sale barriers for insurance, which 55% of respondents rate positively.

It must be noted that the FinScope question options were binary. In the HSRC survey (2020), respondents were also given a third option, namely a neutral response. While positive responses still outnumber negative responses for most TCF outcomes, apart from product design, there is also a substantial band of neutral responses. Thus, survey structure may play a role in determining findings.

Positive reported impressions require a closer look

While the overall survey responses are positive, it is difficult to infer insights from such broadly-formulated questions on the true way in which customers experience each of the TCF principles as outcomes of their daily interactions with financial services. The rest of this discussion therefore provides more nuance regarding outcomes experienced, by considering the insights gained from the qualitative research alongside the survey responses and social media sentiment analysis.

5.1. TCF 1: Culture

Women, youth, rural and black African respondents most likely to experience culture barriers. From the survey responses on corporate culture (TCF 1), the providers that elicit the most negative reactions are credit providers and 'other providers[49]' while customers feel that banks and investment providers have their best interests at heart. Women are 16% more likely than men to report that providers have their best interests at heart. However, people living in rural areas and the youth are the least likely to report positive sentiments on this measure of culture. Between the racial groups, black African customers were 7% less likely to report positively on this outcome.

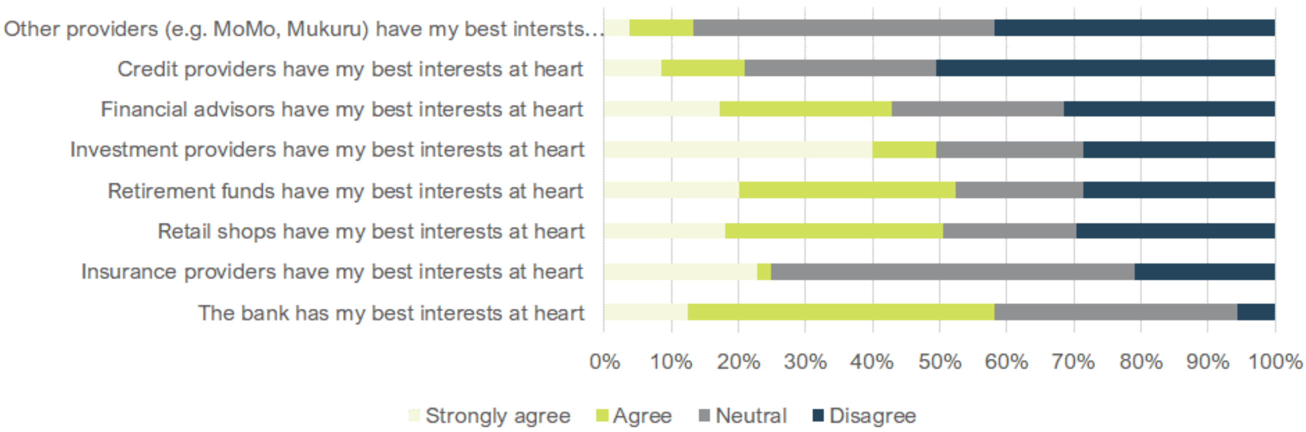


Figure 41: Survey insights: Culture

Source: Retail financial customer behaviour and sentiment survey (2023)

These findings support the generally positive sentiments expressed by customers toward financial institutions, as set out in Chapter 2.

49 The 'other' category was included to cover remittance and money transfer providers. Examples were added to make the category tangible. Negative responses to the "other" group have been persistent in this research but may be driven by the fact that specific providers were named in this category, but not in other categories.

Surface-level satisfaction contradicts belief that financial institutions primarily serve own interests. Both the qualitative and quantitative results from this study indicate that financial customers value the way that they are treated by financial institutions. The institutional culture of the financial institution is important to customers and impacts their willingness to engage with the financial ecosystem. Customers tend to learn about this culture through experience and word-of-mouth.

When given opportunities to give qualitative responses, we find that survey respondents are sceptical about the motivations of financial institutions. Respondents noted that they felt that consultants at financial institutions are serving their own interests, rather than those of the customer. While the social media sentiment analysis has low expression of sentiment on TCF 1, customers do express negative sentiment around the **service** received, **account admin** and irregularities, as well as **products and/or services**, **turnaround time**, overall digital experience, as well as financial institution **staff conduct** and the **reputation** of the financial institution (DataEQ, 2023).

> *"I think it's a robbing game, as much as they treat us nicely when we go to the branch but it's all about what these people [financial institutions] will get."*
>
> Black African woman, 48 years old living in a rural area

5.2. TCF 2: Product and/or service design

Lukewarm satisfaction with product and/or service design. For the second TCF outcome, reflected in Figure 42 below, none of the respondents in the survey reported strongly disagreeing with the statement that their products and/or services work for them. This is supported by the sentiments expressed toward financial products and services in general, as set out in Chapter 2. This finding corresponds with the social media sentiment analysis, which reveals that, for TCF 2, substantially more positive than negative sentiment is expressed on social media[50] (DataEQ, 2023). However, the survey reveals that there are some negative sentiments towards pension funds and investments, while neutral sentiments are strongest for life insurance and savings accounts. *A closer inspection of the survey data reveals that customers are not completely happy with their savings accounts because they feel that the product costs are too high relative to the interest earned[51]*. This sentiment is especially true for married women, as well as women living in rural areas. For investments and pension funds, men are more likely to report dissatisfaction with products and/or services across all groups, citing a low rate of return as a reason.

50 The positive mentions for financial institutions highlight the digital experience, billing and payments, account administration, transactions, product features like eWallet and cash send, as well as reward and loyalty programs (DataEQ, 2023).

51 This finding is related to the sentiments towards formal savings that emerge from the discrete choice experiment as reported in Section 3.4.3.

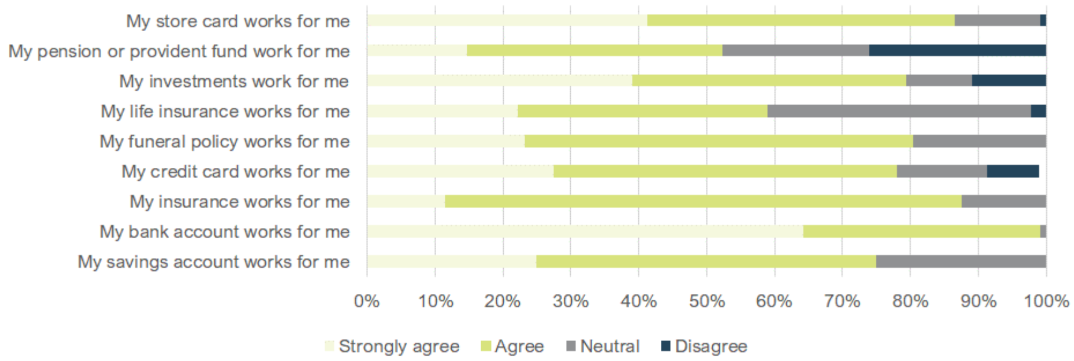


Figure 42: Satisfaction with product design

Source: Retail financial customer behaviour and sentiment survey (2023)

Settling for second best. While most respondents in the survey report that their financial products work for them, the qualitative data suggests that this is often the result of "settling" for something that does not precisely meet their needs. If a product meets the basic needs, and works consistently, then most customers will report that the product works well for them. However, a closer inspection of the qualitative responses suggests that customers feel that financial institutions do not respond to the real needs of customers.

"I feel that banks only focus on what they want people to get, instead of checking what their customers would actually like to have."

Black African man, 27 years old, living in an urban area

The most common ways in which customers reported that products do not meet their needs were in terms of cost and flexibility. As shown in Chapter 2, while 50% of survey respondents see value in the financial products and/or services for which they are paying, 47% of respondents report that the costs of financial products and/or services is "much too high", while 19% report that they are "too high".

Findings from the qualitative responses in the survey is in line with the social media sentiment analysis, which reveals that negative sentiment from customers is focused on account charges/fee/tariff disputes, account irregularities, as well as refunds and reversals, and that customers also raise dissatisfaction with the feedback given to them by a brand representative of the financial institution (DataEQ, 2023). In addition, several respondents in the qualitative interviews reported struggling to find educational savings products that met their needs. In most cases, they simply reported that the available products were too complicated for them and, often, that they were too expensive.

5.3. TCF 3: Information disclosure

Recap on customer engagement with disclosed information. Customers in the survey report that the information disclosure of financial institutions is generally adequate. However, they have gaps in their understanding of the products and/or services they purchase and use. When customers were asked if there are products and/or services that they do not understand, many respond in the affirmative. As discussed in Section 3, customers do not always read documents before signing them, despite reporting that they do. Even if customers do read the terms and conditions, understanding is often lacking. Younger individuals are 27% more likely not to understand terms and conditions than older respondents, rural inhabitants 17% more likely than urban, and women 37% more likely than men not to understand terms and conditions. Interestingly, there are very few mentions reported on TCF 3[52] in the social media sentiment analysis, based on the DataEQ (2023) dataset, showing that this outcome may not be front-of-mind for customers.

Disclosure scores best for bank accounts, worst for life insurance and pensions. When asked whether they received easy-to-understand information from their financial institutions, the survey responses are overwhelmingly positive for bank accounts, strongly positive for funeral policies and investments, but taper off for other insurance products.

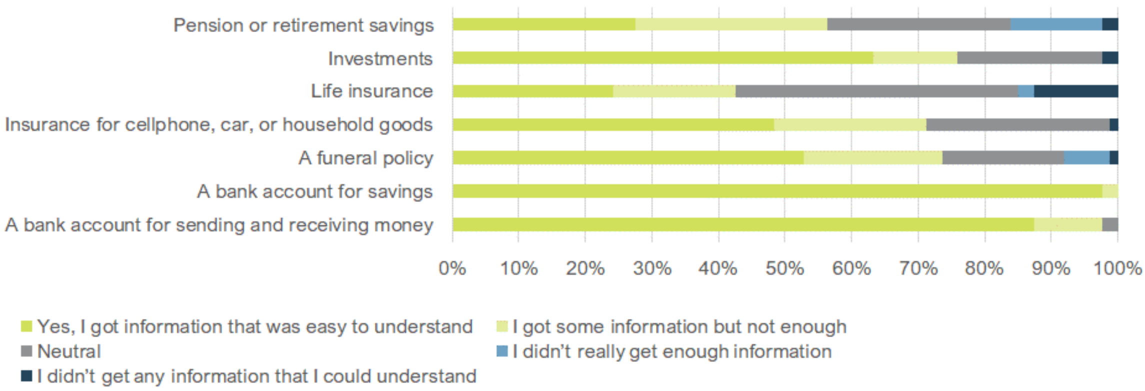


Figure 43: Information disclosure by financial institutions.

Source: Retail financial customer behaviour and sentiment survey (2023)

A closer examination of the qualitative answers and the unsolicited responses in the survey shows that, in most cases, people feel that they understood how the product was explained to them at the time of signing up, but found later that they did not understand the details of the products or could not understand the terms and conditions document.

Differing disclosure needs. In the qualitative interviews, there is a wide range of needs among personas in terms of how customers wanted to be communicated with, and how often they wanted financial institutions to reach out to them. Overall, lower-income customers wanted more frequent contact from their financial institutions.

Not going the whole mile. Several of the qualitative participants reported that they felt that financial institutions stopped communicating with them once they bought the

52 Negative sentiment, where expressed, focuses on digital experience, well as customer service, alerts and notifications and turnaround time on queries (DataEQ, 2023).

product or service, resulting in customers feeling that they are not kept up to date with their products and services.

"I think that I understand everything but they [financial institutions] only put in effort because I ask questions a lot. I don't think they would explain if I did not ask enough."

Black African man, 37 years old, living in an urban area

In this sense, customers felt that the information is there, but that it is not disclosed willingly and many felt that they had to ask detailed questions to ensure that the information they were getting is accurate and complete.

5.4. TCF 4: Advice

Advice is not broadly available

Satisfaction with advice. Overall, survey respondents feel that they receive good advice from their financial institutions, in line with TCF 4. Together with TCF 3, this outcome has the smallest number of mentions in the social media sentiment analysis[53], based on the DataEQ (2023) database, indicating that it is not a front-of-mind factor for many financial customers. In the survey, financial advisors receive a particularly good score; however, white South Africans are most likely to report negative sentiments towards financial advisors. Credit providers, retail shops and retirement or pension providers receive the most negative responses in terms of advice and, for credit providers, participants also report that they were given credit that was more than they could realistically afford and that the cost of the credit had not been adequately explained to them. In addition, some report that there were challenges if they tried to pay off the full credit amount in one go. Retirement providers are criticised for not adequately explaining pay-out rules and regulations and for giving poor advice with regards to which funds to participate in.

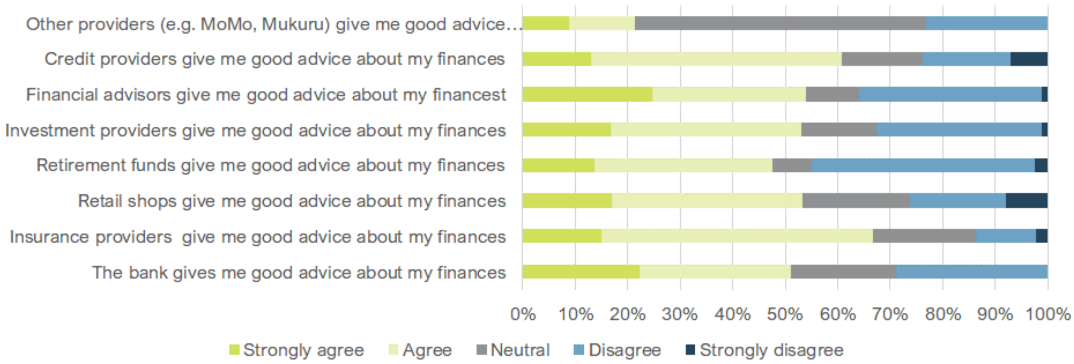


Figure 44: Suitable advice

Source: Retail financial customer behaviour and sentiment survey (2023)

[53] The negative experiences mentioned by customers are related to advice on specific products and/or services as well as turnaround time by financial institutions (DataEQ, 2023).

Again, the sense prevails from the qualitative responses that advice is there to tick a box, rather than stemming from a true commitment to advise the client to better their position. The quote below illustrates the frustration of one respondent.

"No, they do not unpack options, its rather about what the consultant is selling you. They don't give better options, rather they invite you to take many products instead of the best one for you. They may say it looks like you don't have a loan, we could give you one."

- Black African woman, 43 years old living in a rural area

5.5. TCF 5: Performance in line with expectations

The purpose behind usage differs, with gender differences being most pronounced. The principle of performance in line with expectations links to the broader imperative for a financial product or service to meet the underlying financial need or purpose for a customer to be useful. Figure 45 below captures what survey respondents note as their front-of-mind/current financial needs. Overall, men, whose primary needs are 'to send and receive money' and 'to make payments', have a much lower variation in their financial needs than women. Married women are 17% more likely than unmarried women to state that they need to be able to track their money, and 67% more likely than married men to express the same need. Women are also 32% more likely than men to state that they need to be able to draw cash, and customers living in rural areas are 42% more likely than those living in urban areas to do the same. Older customers (age 35 and over) are marginally (6%) more likely than the youth to state that they need to be able to draw cash. Resilience is an important need for married women, who are 8% more likely than unmarried women to state that they need to protect their family against expenses when they die. On the contrary, unmarried men are 67% more likely than married men to state that they need to protect their family against expenses when they die. The qualitative research indicates that this sense of responsibility is driven by the fact that unmarried men feel responsible for their parental homes and families, while married men share the burden of future challenges with their wives and older children.

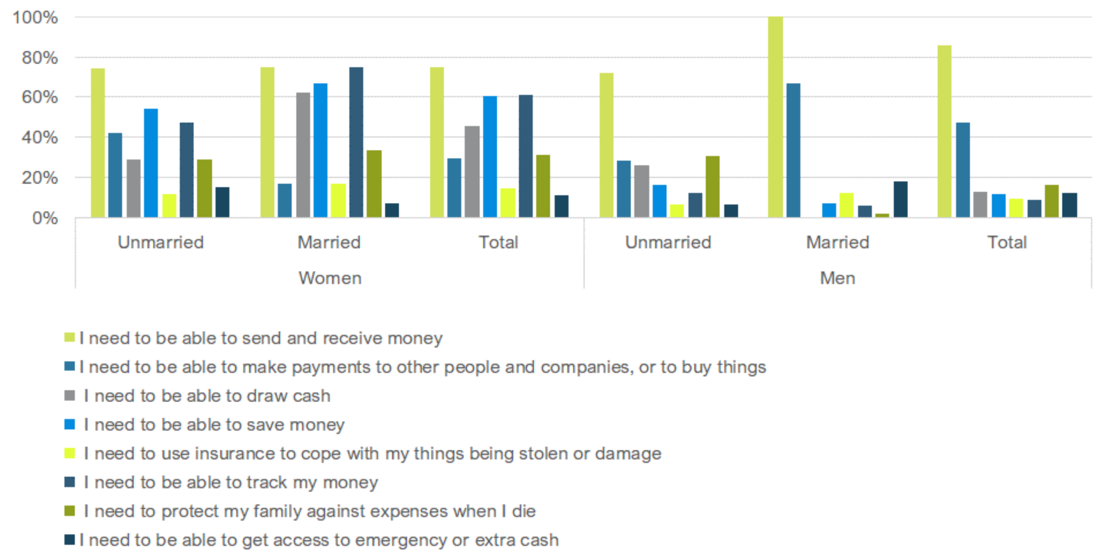


Figure 45: Most important financial needs

Source: Retail financial customer behaviour and sentiment survey (2023)

Financial products and/or services do not consistently meet customers' needs. Most customers in the survey (81%) report having their needs met by their financial institutions, while 8% do not know, and 11% feel that they have been paying for a financial product and/or service that is unsuitable to their needs. Women are 16% less likely than men to feel that there are products that suit their needs, while married women are 32% less likely than unmarried women to feel that way. Black Africans are 18% less likely than other groups to feel that there are products that suit their needs – especially black African women, who are 21% less likely than other groups to feel that there are products that suit their needs. However, there is a low percentage of people who do feel that they are receiving the product and/or service that they originally asked for.

Inconsistencies in service expectations in line with TCF 5. When asked whether providers give them the service that they expect, there is a range of responses across types of providers. Often, neutral to negative responses outweigh positive responses, as the diagram below indicates:

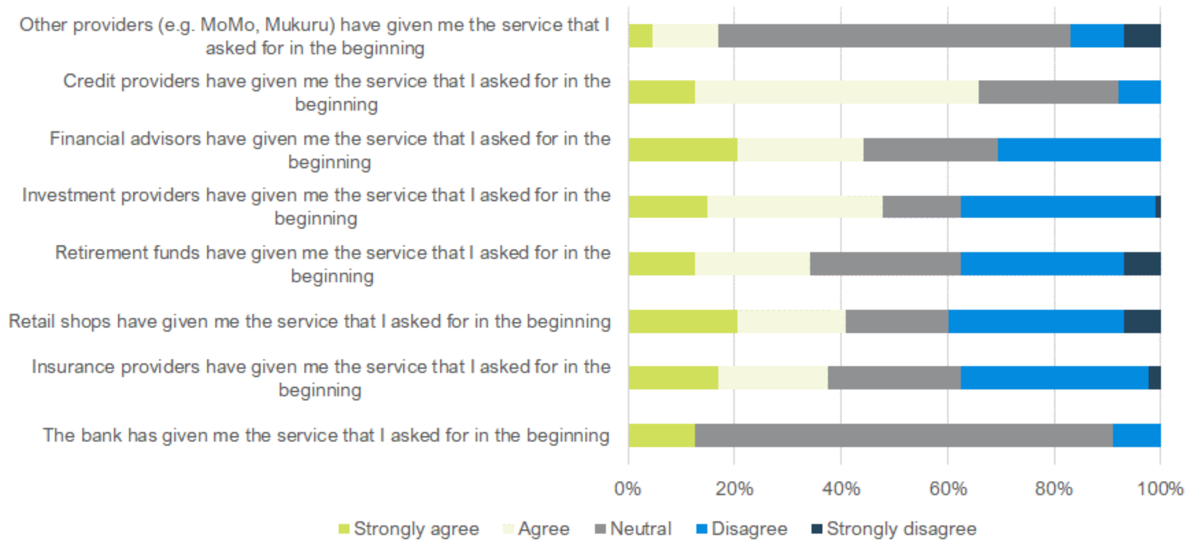


Figure 46: Product and/or service performance

Source: Retail financial customer behaviour and sentiment survey (2023)

Qualitative responses show up frustrations with performance. The sense of not quite meeting expectations is also picked up in the frustration voiced in the qualitative research. Even though switching barriers may prevent a person from acting on the frustration, as discussed in Section 3.4, many do not feel entirely happy with their product performance, to the point where customers warn each other about products, services and providers or regret taking up a service. As discussed in Section 2.2, 49% of respondents report that they had been warned about a specific product/service or provider and, as reported in Section 3.4, almost half of respondents report regretting taking up a product or service. The qualitative interviews indicated that while products meet the core underlying need such as to send or receive money, customers are often concerned that products will not work the way that they have been told they will, and sometimes find that their more nuanced needs are not being met. In several cases, the respondents in the qualitative interviews noted that they would prefer a product that meets several needs at once - for example, savings, transactions and remittances – but that products which allow for this are too expensive to be feasible for them to use.

Many social media mentions. TCF 5 is also the TCF principle that solicits most mentions on social media (DataEQ, 2023). This confirms that there's 'more to' people's actual experience than first-level survey responses would suggest. Negative sentiment is captured across multiple aspects of financial institution service, including account admin, **speed or responsiveness** of platform, turnaround time, digital experience, product and/or service, billing or payments, no response, account irregularities, feedback given by a brand representative, transactions and multiple contacts. The positive mentions received relate to the **physical facilities** of financial institutions as well as the **competency and conduct of staff**; in addition to mentions of **product features** such as eWallet, cash send and third-party purchases (DataEQ, 2023).

5.6. TCF 6: Ongoing obligations

Monthly communication from financial institutions. The diagram below shows that survey respondents typically receive communication from their financial institution a few times a month. Respondents living in rural areas were 64% more likely to report less frequent contact by their financial institutions than their urban counterparts. Women were 17% more likely than men to report less frequent contact, black Africans 12%, and the youth 19% more likely than their respective counterparts.

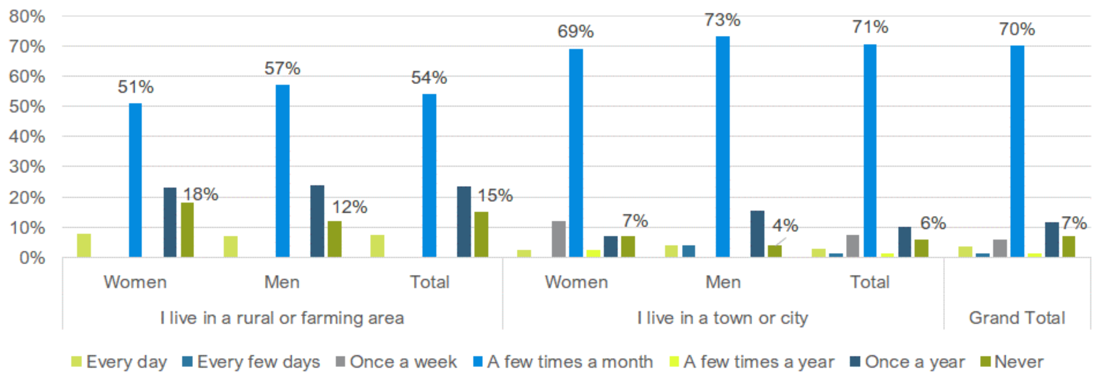


Figure 47: Frequency of communication by financial institutions to respondents

Source: Retail financial customer behaviour and sentiment survey (2023)

The qualitative responses suggest that customers are not always satisfied with the level of communication:

> *"What communication? The only time they communicate is when I opened my bank account, or if I go and inquire about something. Other than that, they will never call to explain about any new features or details."*

Black African woman, 31 years old living in an urban area

> *"No, it seems like once they get what they want from you they don't communicate with you, or they send an SMS instead of a call which I do not like or understand."*

Black African woman, 43 years old living in a rural area

Mixed views on reachability of financial institution when there is a problem. Approximately half (50%) of survey respondents believe it was easy to contact their financial institution when something went wrong in the past, as evidenced by Figure 48 below. However, a significant proportion of respondents are neutral and nearly 20% find it difficult to reach their financial institution.

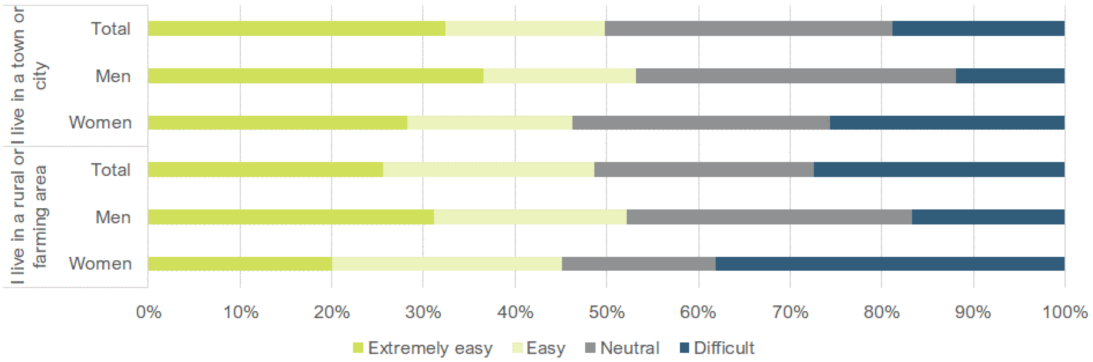


Figure 48: Perception of reachability of financial institutions when there is a problem

Source: Retail financial customer behaviour and sentiment survey (2023)

Less than 50% of women agree that it is easy to reach their financial institution, with almost 40% of rural women finding it difficult to reach their financial institution. Women are 27% more likely than men to report struggling to contact their provider, black Africans are 8% more likely, and respondents older than 35 years are 13% more likely to struggle to reach their provider.

Several pain points raised in social media. The level of social media sentiment expression for this outcome is low. Negative sentiment is focused on claims, making complaints and product and/or service changes (DataEQ, 2023). The themes in the social media sentiment analysis are similar to the negative sentiment reflected for TCF 5, namely account administration and customer service, the complaints resolution turnaround time of financial institutions, billing and payment issues, as well as negative mentions on the competence of financial institution staff and feedback given by a brand representative (DataEQ, 2023).

Barriers to lodging complaints particularly salient for married women, youth and rural inhabitants. The social media sentiment on difficulties in making complaints is confirmed in the survey responses. As seen in the figure below, customers across demographics report experiencing challenges in lodging complaints with financial institutions, contrary to the desired outcome of TCF 6. This links to the barriers to switching mentioned in Chapter 3 – where unresolved complaints is highlighted as a factor making it more difficult for people to switch or to cancel a product and/or service. Married women are 67% more likely than married men to report trying to lodge a complaint but being unable to, while residents of rural areas are 44% more likely than their urban counterparts to report barriers.

Those living in rural areas are 47% more likely to report struggling to lodge a complaint than those living in urban areas.

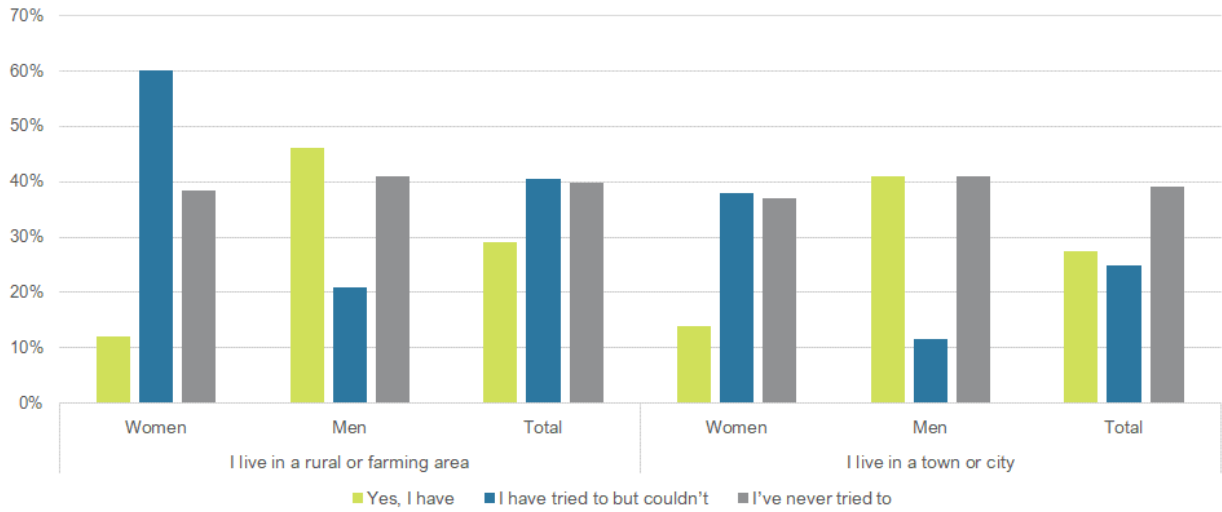


Figure 49: Attempts to lodge complaints with providers

Source: Retail financial customer behaviour and sentiment survey (2023)

Younger people are 17% more likely than older cohorts to have lodged a complaint. Men, in general, are 16% more likely than women to have lodged a complaint, as are black African customers, who are 21% more likely to have lodged a complaint when compared to other race groups.

5.7. Relationship between outcomes and usage

The results of this research indicate that the verdict is out on whether TCF outcomes truly hold for customers. On the surface, survey responses are positive, but there are substantial variations across different groups of people and customer sentiments show challenges experienced across the life cycle of interaction with financial institutions. Moreover, qualitative responses suggest deeper concerns in some instances.

Customer outcomes do matter for usage. The importance of a continued focus on improving outcomes is demonstrated by the relationship between outcomes and usage. Regression analysis on FinScope (2022) data reveals a statistically significant relationship between TCF outcomes and the extent of usage. The findings show that positive customer outcomes significantly impact the ongoing usage of a product and/or service. TCF 1 (Culture) and TCF 4 (Suitable advice) play the strongest role in determining usage of accounts:

Customers who feel fairly treated and trust the advice provided, statistically less likely to have dormant accounts

- Customers who indicated that treating customers fairly is important to their bank are more engaged, and 9% less likely to have dormant accounts relative to those who disagree with the statement.
- Additionally, customers who indicate that they could count on their bank's staff to give them accurate information when they need advice are 8% less likely to have dormant accounts relative to those who disagreed (FinScope, 2022).

This finding confirms the importance of the TCF outcomes and points out where the most pertinent areas of intervention might be for financial institutions to improve not only how customers perceive them but also how deeply and actively customers engage with them.

6. Conclusion

This report aims to support and inform the FCSA in its market conduct and financial inclusion mandate. It sketches a portrait of how retail financial customers engage with and view the financial sector, focusing on whether customers' use of financial products and/or services indicates that financial institutions are upholding the TCF principles. A crucial component of this portrait is customers' own perspectives on whether financial products and/or services are serving their intended purpose. Knowledge on this component can enable not only the FSCA, but also market players, to develop and implement more customer-centric approaches.

High inclusion but low engagement. The level of financial inclusion in South Africa is very high – 98% of adults now count as included (FinScope, 2022). This is no small feat and sets South Africa apart from many developing countries. Actual engagement with financial products and/or services is much lower than access figures imply, however. For example, among the banked, most people use their accounts only on a monthly basis, often to withdraw all deposited money and transact in cash.

Limited product and/or service scope. When looking at inclusion from a product market view, moreover, the picture is less rosy: half of South African adults do not save or have insurance, respectively. The DCE experiment shows that formal savings are not regarded as a substitute for informal savings and that people associate informal, rather than formal, savings with discipline and savings goals.

In-person engagement remains sticky. Many customers also still prefer ATM and branch engagement to digital channels. Investigating the persistent preference for physical engagement by many – even where seamless digital alternatives are available – reveals that people are uncertain about breaking through the behavioural threshold to start to use online channels for the first time.

Mixed emotions and a turmoil of underlying considerations. Digging deeper, the report finds that the high uptake but limited usage of financial products and/or services reflects how customers feel about financial institutions and of the emotions that they experience along the user journey:

- Sentiment analysis shows that financial institutions are generally seen in a positive light, particularly in terms of responding to complaints, fixing problems and providing good information, but that they are rated down on value for money and consulting customers.
- The qualitative research suggests that people may experience cognitive overwhelm and frustration throughout the user journey, even if this is not self-reported in survey analysis. It also shows that customers often have a limited understanding of terms and conditions when taking up a product and/or service, even if they have read the documents provided by the financial institution.
- Both negative and positive experiences with financial institutions have a ripple effect on future and ongoing use. In instances where customers have had positive experiences, they may take a broader view of what their financial products and/or

services can do for them as well as how they use their financial products and/or services. However, even a single negative experience can result in customers 'withdrawing' from active usage.

- Yet, inertia means that many are loathe to switch, even if disgruntled; hence, low cancellation or switching, as such, is not a sufficient indicator of quality of financial product and/or service provision.
- A better indicator is perceptions of TCF outcomes: the study finds a statistically significant relationship between a positive perception of TCF outcomes and depth and breadth of usage.

While most South Africans have not heard of the FSCA, individuals who experienced prior unethical treatment by a financial institution were more likely to report that they have heard of the FSCA before, which suggests that awareness of the FSCA grows as people do research on how to respond to unethical treatment.

Implications for policy and market strategy

The results show that the emphasis on outcomes remains valid and supports the shift away from TCF as *compliance output* to a *customer-outcomes* focus. The behavioural insights in this report provide a flavour of what such a customer-centric view entails.

Implications for financial institutions from the findings:

- More information and choice upfront are less important than ensuring that information is understandable, that customers can exercise their voice vis-à-vis financial institutions and that they can meaningfully compare options to meet their needs.
- The behavioural finding that the elements of good service soon become "the new normal" and thus no longer pleasantly surprise people means that financial institutions have a responsibility to improve service, communicate clearly and manage expectations on a continual basis. TCF outcomes will thus remain something to strive for, rather than something to tick off as achieved.
- In the ongoing drive for products and services to perform in line with expectations, it is important to consider the underlying financial needs that the financial services should serve.
- It is important to acknowledge that, for many, formal savings cannot (yet) compete with stokvels. Instead of savings discipline, emphasise safety, flexibility and access to money as key plus points when advocating for formal sector saving.
  - Learn from the importance of goal-driven savings in the informal sector when thinking through how to design broadly accessible retirement savings products.
- Prompting a switch from analogue to digital channels requires trusted individuals to help new users over the adoption threshold. Emphasise rewards for first-time use and referrals, rather than ongoing usage.
- Insurers and loan providers solicit most negative sentiments. This requires additional efforts on the part of insurers and loan providers to clearly communicate terms and conditions, as well as the reasons for rejections.

Implications for the FSCA from the findings:

- This report shows the value of viewing conduct from the customer point of view. In future, more regularly supplement conduct of business reporting insights with direct customer insights not only on the level of inclusion and usage but also, importantly, on the underlying drivers of behaviour.
- Build the image of the FSCA as the protector of customers and make clear reference on the FSCA website to where customers can complain.
- Like users, market players and the regulator are also on a journey towards achievement of better TCF outcomes. This report provides a basis for dialogue as they continue that journey – it is not the end of the road, but rather an important milestone in the context of the consultative process.

7. Annexure

7.1. Annexure A: Methodology

Methodology for populating the framework

Table 1 gives an overview of the analytical framework used in the study. The scope of the framework is multifaceted, but the conceptual "coherence" means that it does not need to be overly complicated. There are several data sources that can each contribute an aspect of the picture and having a clear analytical framework to position the contributions is imperative to guide both instrument design and analysis.

<table>
<tr><th rowspan="2">Analytical framework components</th><th colspan="6">Source/method</th></tr>
<tr><th>Secondary research: Survey data analysis</th><th>Primary research: Survey</th><th>Primary research: Qualitative</th><th>Discrete choice experiments</th><th>Social media sentiment analysis</th><th>Ombud stats</th></tr>
<tr><td>Behaviour: uptake, usage, switch/exit</td><td>✓</td><td>✓</td><td>✓</td><td>n/a</td><td>n/a</td><td>n/a</td></tr>
<tr><td colspan="7">Sentiments regarding:</td></tr>
<tr><td>Provider types</td><td rowspan="4">✓</td><td rowspan="4">✓</td><td rowspan="4">✓</td><td rowspan="4">✓</td><td rowspan="4">✓</td><td rowspan="4">✓</td></tr>
<tr><td>Products and/or services</td></tr>
<tr><td>Features</td></tr>
<tr><td>Distribution channels</td></tr>
<tr><td>FSCA awareness and sentiment</td><td>n/a</td><td>✓</td><td>n/a</td><td>n/a</td><td>✓</td><td>n/a</td></tr>
<tr><td colspan="7">Drivers of behaviour and choices</td></tr>
<tr><td>Triggers of initial uptake</td><td>n/a</td><td>✓</td><td rowspan="2">✓</td><td rowspan="2">✓</td><td>n/a</td><td>n/a</td></tr>
<tr><td>Drivers of ongoing use</td><td>✓</td><td>✓</td><td>✓</td><td>n/a</td></tr>
<tr><td colspan="7">Outcomes</td></tr>
<tr><td>TCF outcomes
Other - resilience</td><td>✓</td><td>✓</td><td>✓</td><td>n/a</td><td>n/a</td><td>✓</td></tr>
</table>

Table 1: Analytical Framework

Primary survey methodology

Primary survey sample. The targeted sample for the quantitative survey was a nationally representative sample size of 800-1000 participants. An initial minimum sample of 800 was selected but was later increased to 1000 to enable stratification across at least three variables and allow a sufficient sample to run the discreet choice experiments.

The Quarterly Labour Force Survey (QLFS) was used to derive a table, which indicates the percentage of the SA population that fell into specific categories, disaggregated by gender, population group and province. We then applied the table derived in the first step to the sample of 800. The resultant table, although nationally representative, had several sub-groups that had too few observations to make statistically significant inferences. As such, the updated sample, as seen in Table 2, was suggested. While the proposed sample did not precisely mirror the actual national population spread across provinces, the primary sub-groups each have a large enough sample to allow for detailed analysis of the results and the overall sample remains nationally representative.

	African/Black		Coloured		Indian/Asian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Western Cape	25	25	25	25	0	0	13	13	126
Eastern Cape	38	38	13	13	0	0	0	0	102
Northern Cape	12	12	12	12	0	0	0	0	48
Free State	25	25	0	0	0	0	0	0	50
KwaZulu-Natal	62	62	12	12	25	25	12	12	222
North West	25	25	13	13	0	0	0	0	76
Gauteng	62	62	13	13	12	12	13	13	200
Mpumalanga	38	38	0	0	0	0	0	0	76
Limpopo	50	50	0	0	0	0	0	0	100
Total	337	337	88	88	37	37	38	38	1000

Table 2: The final primary survey sample

Hybrid recruiting technique. The survey was administered through a WhatsApp chatbot named ‘Honey’. Recruitment was conducted via social media and in-person. Social media recruitment involved targeted adverts on Facebook and Instagram where potential participants could join the research through an invite link to send a message on WhatsApp. This was supplemented with in-person research wherein fieldworkers were sent to strategic locations to recruit participants to the research. Participants were also encouraged to share the link with others to increase the sample. The sample was closely monitored for national representivity, and the in-person recruitment was used to ensure that the sample criteria was met. The survey was administered in 15 short modules, each of which took an average of 10 minutes or less to complete and was conducted over a 12-week period. Incentives and rewards were used to encourage continued engagement over the full survey period.

Oversampling employed to account for drop-off of respondents. Responses across modules were matched based on phone number and validation questions were asked throughout the process. If a given respondent dropped off during the survey, propensity score matching was utilised to “replace” that participant with another. Recruitment for participation in the survey continued until the end of the recruitment period or until the sample was achieved with 30% over-sampling to account for attrition. In the case of this research, the full 3-week recruitment period was used, and a larger sample was achieved than the target sample. Participants were randomly selected from this sample to maintain the national representivity laid out in Table 2, with the largest possible sample achieving these criteria being used for the final analysis.

Achieved sample. The final achieved sample stabilised at 1,200 respondents completing surveys across all modules:

	African/Black		Coloured		Indian/Asian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Western Cape	23	23	30	30	0	0	15	15	135
Eastern Cape	45	45	15	15	0	0	0	0	120
Northern Cape	15	15	15	15	0	0	0	0	60
Free State	30	30	0	0	0	0	0	0	60
KwaZulu-Natal	75	75	15	15	30	30	15	15	270
North West	30	30	15	15	0	0	0	0	90
Gauteng	83	83	15	15	15	15	15	15	255
Mpumalanga	45	45	0	0	0	0	0	0	90
Limpopo	60	60	0	0	0	0	0	0	120
Total	405	405	105	105	45	45	45	45	1200

Table 3: Achieved sample breakdown

Source: SA financial customer behaviour and sentiment survey, 2023

There were 225 participants living in rural areas included in the survey with these predominantly living in the Eastern and Northern Cape, as well as North-West province. During our analysis, we found no statistically significant differences by province once we controlled for living in a rural area.

Reporting of demographic differences. The demographic differences that we report are based on what was statistically significant in ordinary least square (OLS) regressions. The same set of OLS regressions was run in all cases: the first step was a basic set of controls - race, urban vs rural, asset index, marital status, age, education and gender. Thereafter, an OLS regression was run with the same set of controls as above, but including interaction variables for gender and marital status, then another set with interaction variables for gender and urban vs rural. The report only includes the statistically significant findings. One of the interesting results from the research is that there are consistently significant differences between married and unmarried women.

Use of discrete choice experiments. The study conducted discrete choice experiments (DCEs) which were built on the back of the survey. Through this, the study could get to both reported and intended behaviour and perceptions to assess and understand the key behavioural triggers and drivers and compare them over groups while also ensuring a nationally representative sample. In the DCEs, respondents were presented with two or more options, where one option is varied at random across the sample and preferences are identified during analysis. The sample was randomised into segments where each segment was presented with slightly different preference-eliciting questions.

Three DCEs were conducted for this study and the DCEs were administered to the same participants and using the same channels as the survey. The DCEs were conducted over a total of 4 weeks.

Persona methodology

Identifying demographic characteristics. A persona is a tool to describe a user or customer to show how behaviour, underlying drivers and outcomes might differ across different types of customers, depending on their circumstances. Personas use a narrative form to tell a story about an individual, as a representative of a group of people displaying similar financial behaviours. FinScope data was used to identify what groups behave differently from all other groups in order to build a set of personas that capture the behaviour, sentiments and contexts of most of the population.

The study ran a model to reveal which combination of demographic characteristics describe groups with similar usage profiles. This was conducted by using K-means cluster analysis to identify sub-groups. Table 4 below gives us the demographic descriptions of the six personas that were identified by the cluster analysis (personas 1 to 6). These groups of people were found to behave differently from other groups.

Therefore, by studying these six groups, the study would enable us to understand the financial behaviour of most of the South African population because any other description (e.g., urban black men older than 60 years old) behaves similarly to one or more of the groups we have listed here.

In addition to these six groups, we conducted qualitative research with two further personas (personas 7 and 8) focusing specifically on the 65+ age group. The rationale for this choice is based on the importance of encouraging saving for retirement in the South African context (hence highlighting the need to sketch the user journey for older customers, too).

Persona #	Gender	Race	Age group	Urban vs Rural
1	Woman	Black	30 - 40	Urban
2	Woman	White/ Colored	30 - 40	Urban
3	Woman	Black	40 - 50	Rural
4	Man	Black	30 - 40	Urban
5	Man	Black	20 - 30	Rural
6	Man	White/ Indian	20 - 30	Urban
7	Woman	White	65+	Urban
8	Man	Black	65+	Urban

Table 4: The identified personas

Source: (FinScope, 2021)

Nationally representative personas. The behaviours that are captured across the 6 base personas account for 92% of all behavioural differences in the South African population. Testing indicated that the remaining 8% were outliers and would not be captured in a cluster, even if additional personas were to be added to the study.

Qualitative research methodology

Qualitative research. The process employed for the qualitative research is described as follows:

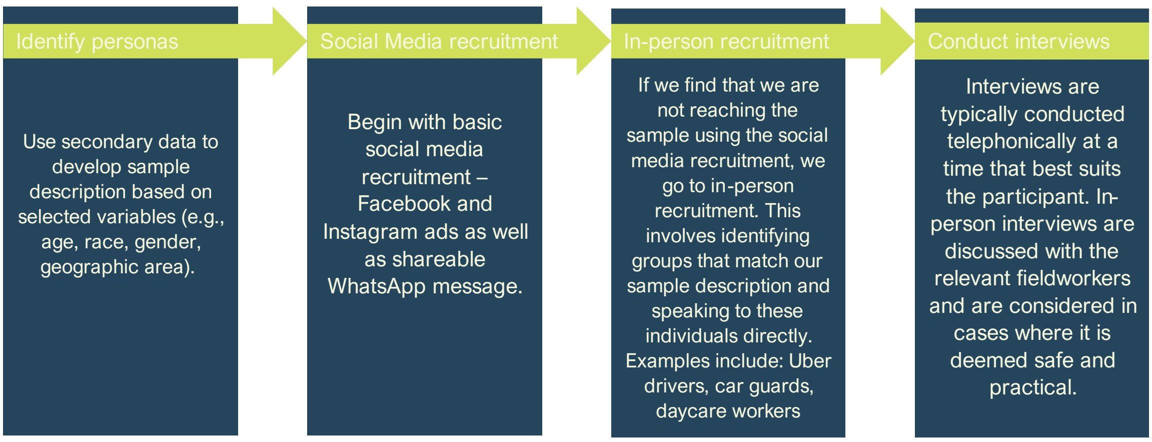


Figure 50: The qualitative research process

The sample size for the qualitative research consists of 40 participants across the eight chosen personas:

Persona #	Gender	Race	Age group	Urban vs Rural	Completed
1	Woman	Black	30 - 40	Urban	5
2	Woman	White/ Coloured	30 - 40	Urban	5
3	Woman	Black	40 - 50	Rural	5
4	Man	Black	30 - 40	Urban	5
5	Man	Black	20 - 30	Rural	5
6	Man	White/ Indian	20 - 30	Urban	5
7	Woman	White	65+	Urban	5
8	Man	Black	65+	Urban	5

Table 5: Qualitative research sample breakdown

Secondary data analysis methodology

The secondary data analysis entailed a combination of descriptive and regression analysis:

Descriptive analysis. The study applied descriptive analysis to the HSRC Financial Literacy 2020 Baseline Survey and 2021 and 2022 FinScope Consumer Surveys. The purpose of the descriptive analysis is to measure the status quo of financial behaviour (need, uptake, engagement, switch/exit), customer sentiments (preferences) and drivers of behaviour and outcomes (TCF and resilience) based on existing data sources. Segmentation was conducted for key demographic elements, such as gender, rural-urban and income, and across product markets.

Regression analysis. The study applied regression analysis to the 2022 FinScope data to test two components of the conceptual framework:

- **Drivers of use**: Which demographic, financial literacy or trust variables have most power to explain usage behaviour?
- **Outcome of use**: What is the relationship between usage and TCF and meeting-needs outcomes? To what extent do positive scores on TCF outcomes matter for active usage?

The regressions were set up to test the relationship between the various independent variables speaking to these two research questions and two versions of usage as dependent variable: (i) a measure of the *breadth of uptake* across different types of financial products and/or services, as well as (ii) a measure of the *frequency of usage*. The variables were stipulated as follows:

Dependent variables:

- Regression 1a: Breadth of usage of financial products and/or services (Proxy: variety of financial products and/or services currently in use)
- Regression 1b: Formal credit uptake at bank (Uptake of credit product at a bank)
- Regression 1c: Formal credit uptake at non-bank (Uptake of formal credit products such as loans, store credit at non-banks)
- Regression 1d: Formal insurance uptake (Uptake of formal insurance at bank or non-bank e.g., insurance company)
- Regression 1e: Formal savings uptake (Uptake of formal savings product at bank or non-bank)
- Regression 2: Depth of usage of financial products and/or services (Proxy: Frequency of using bank account)

Independent variables[54]:

- Age, education, income, gender, rural/urban, province, social grant recipient, remittance recipient, financial goals, income segment (source and level), financial literacy, trust, TCF1, TCF 2, TCF 3, TCF 4, TCF 5, TCF 6, vehicle ownership, residing in a brick house

The regression analysis was led by the conceptual and theoretical understanding of the main drivers of customer behaviour with respect to formal financial products and/or services. The six regressions ran (see table below) were each statistically significant at a p-value<0.01. The six regression models also exhibited a fairly good fit, indicating that the variables included are powerful predictors of the dependent variables[55] [56].

54 Varies by regression. The independent variables included were decided based on theoretical determinants. In addition, an iterative process was applied to ensure that the variables included generate the best possible results that are both theoretically sound and statistically significant.

55 Mcfadden's Pseudo R2 was higher than 0.2 for five of the six regressions. The depth (frequency) regression had a slightly lower Pseudo-R2 but this did not bias the results as the theoretical soundness of the model remained quite strong with a good sample size.

56 We were able to run classification tables for five of the six regression models (excluding depth as it included four categories as components of the dependent variable, making classification tables an unhelpful tool) and found more than 70% predictability in the models, with the formal insurance and credit (banked) models having more than 80% predictive power. These are considered good levels of predictability and support the notion that our models were robust and provided accurate results.

Dependant variable of regression	Formal credit (at a bank)	Formal Credit (at non-bank)	Formal insurance (Bank and non-bank)	Formal Saving (Bank and non-bank)	Depth of usage (Frequency) 1. High 2. Weekly 3. Monthly 4. Once every few months	Breadth of usage (Variety/Width) (likelihood of consuming 2 or more financial products)
Statistical significance	***	***	***	***	***	***
Sample size (N)	6,217,433	4,536,514	11,446,112	31,118,380	11,187,917	11,187,917

Table 6: Regression model summary table

Ombuds data analysis. The study extracted all available complaints data between 2019 and 2022 from the various financial sector ombudsman[57] annual reports. Data from these reports served to further inform the findings of study. Extracted data include the number of complaints lodged at each ombud, complaints by product type, nature of complaints, ombud awareness, and complaints referrals.

Social media sentiment analysis. The study also conducted a sentiment analysis using social media data from DataEQ to supplement the findings of the study and assist in getting a better understanding of customers' financial behaviour, sentiment towards financial institutions and outcomes of usage, as expressed on social media platforms such as Twitter.

DataEQ's platform collects social media posts and 'mentions' from various sources, including Twitter and Facebook. These mentions are run through an algorithm that categorises them into either positive, negative or neutral sentiment. Although sentiment analysis is a powerful tool, it is not without limitations. Categories of positive, negative and neutral may not be enough if companies want to know about more specific topics. For example, the FSCA has six categories of TCF outcomes that they want to analyse. To categorise mentions accordingly would not be possible with standard sentiment analysis. To overcome these difficulties, DataEQ crowd sources people to assign mentions into several categories – including the TCF outcomes, general topics and specific topics related to financial institutions' interactions with customers.

The period covered by DataEQ's sample was 1 January 2022 to 31 December 2022. The total number of mentions within this period was 4.4 million. Not all mentions fit into certain categories, which meant that if there was a specific aspect the study sought to examine, such as mentions related to information quality, the sample size could become much smaller, reducing to a few thousand mentions in some cases. Additionally, it is important to note that sample of mentions are not nationally representative. Social media users make up 42% of the population. People will self-select into social media, which requires internet access and a smartphone device. Although it is estimated that 97% of the population accesses the internet via phones,

57 Ombudsman for Short-Term Insurance, Ombudsman for Long-Term Insurance, Pension Funds Adjudicator, Credit Ombudsman, Office of the Ombud for Financial Service Providers, Ombudsman for Banking Services, National Credit Regulator, and Council for Medical Schemes.

we do not know what demographics or locations most of the users belong to. It is likely that the mentions we analyse are skewed towards wealthier, urban populations.

7.2. Annexure B: Persona user journeys

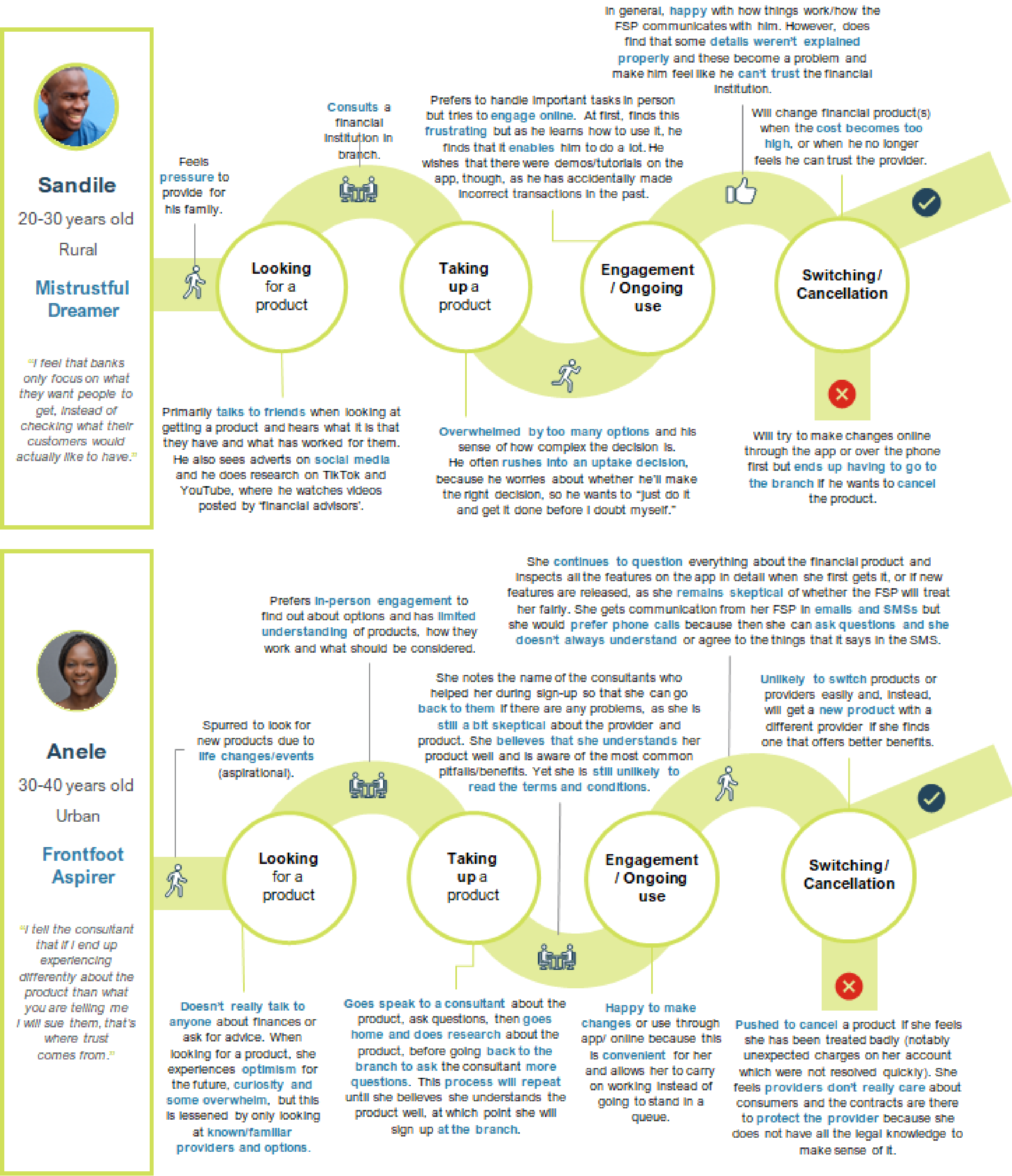


Figure 51: User journeys for Sandile and Anele

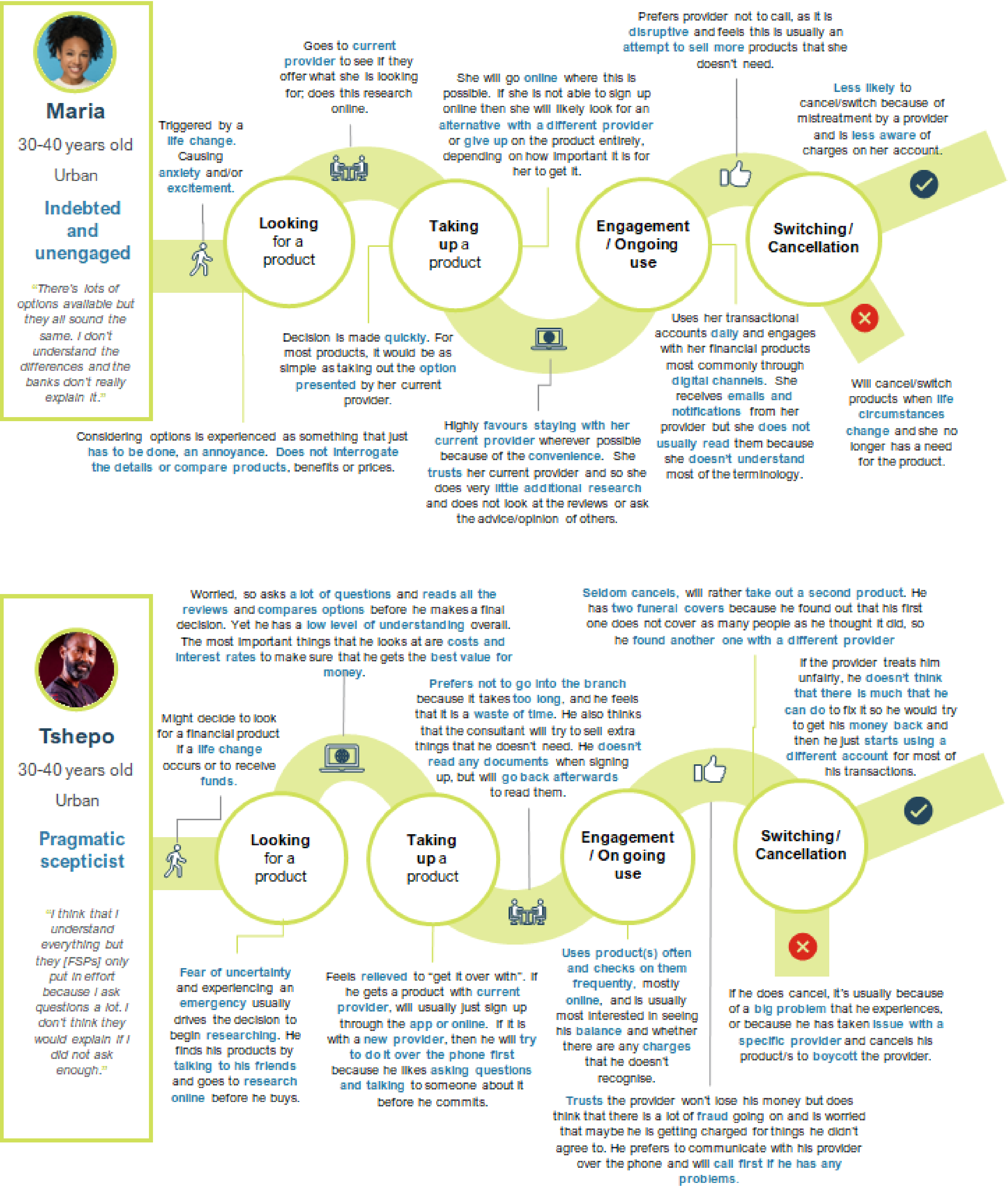


Figure 52: User journeys for Maria and Tshepo

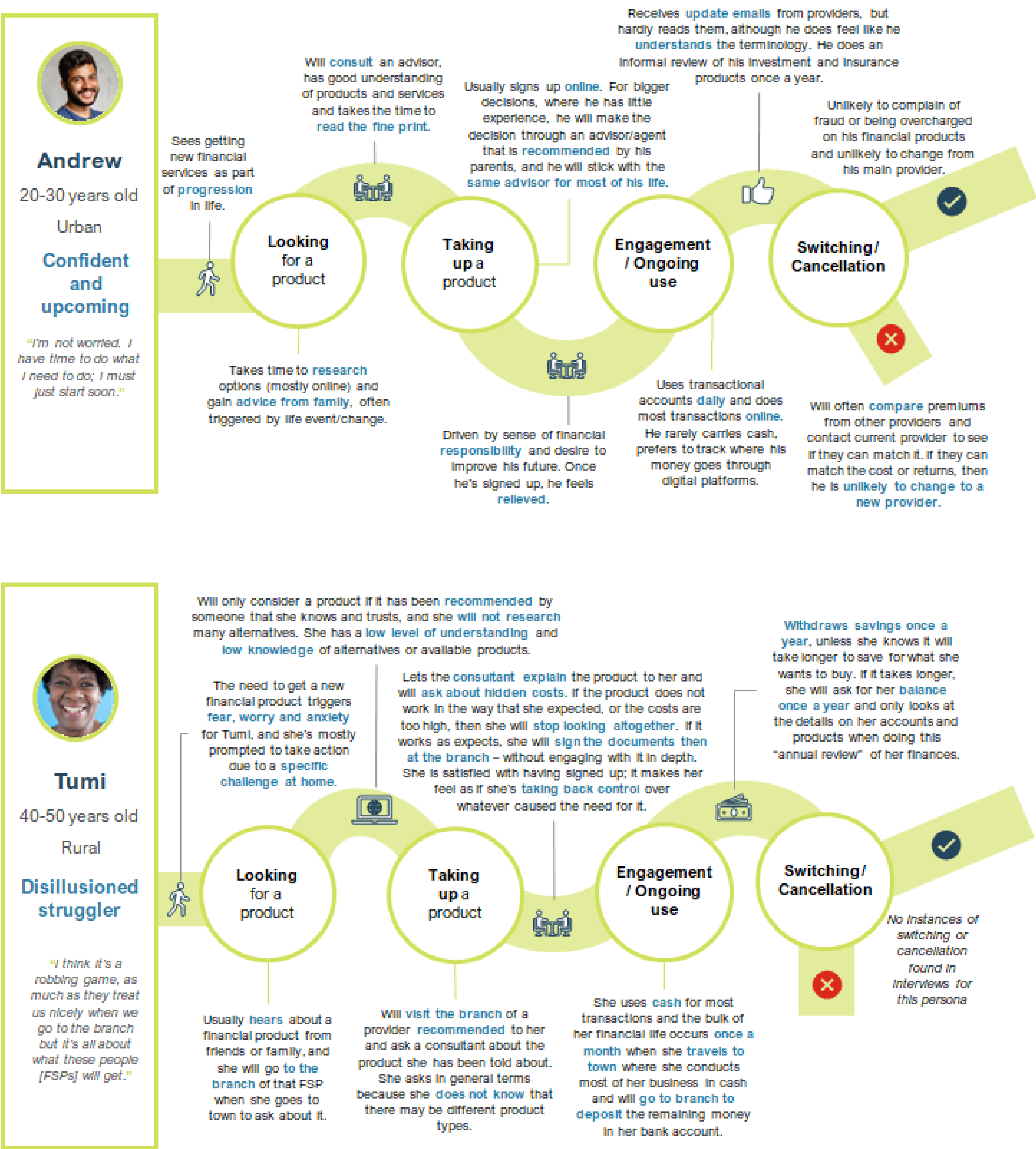


Figure 53: User journeys for Andrew and Tumi

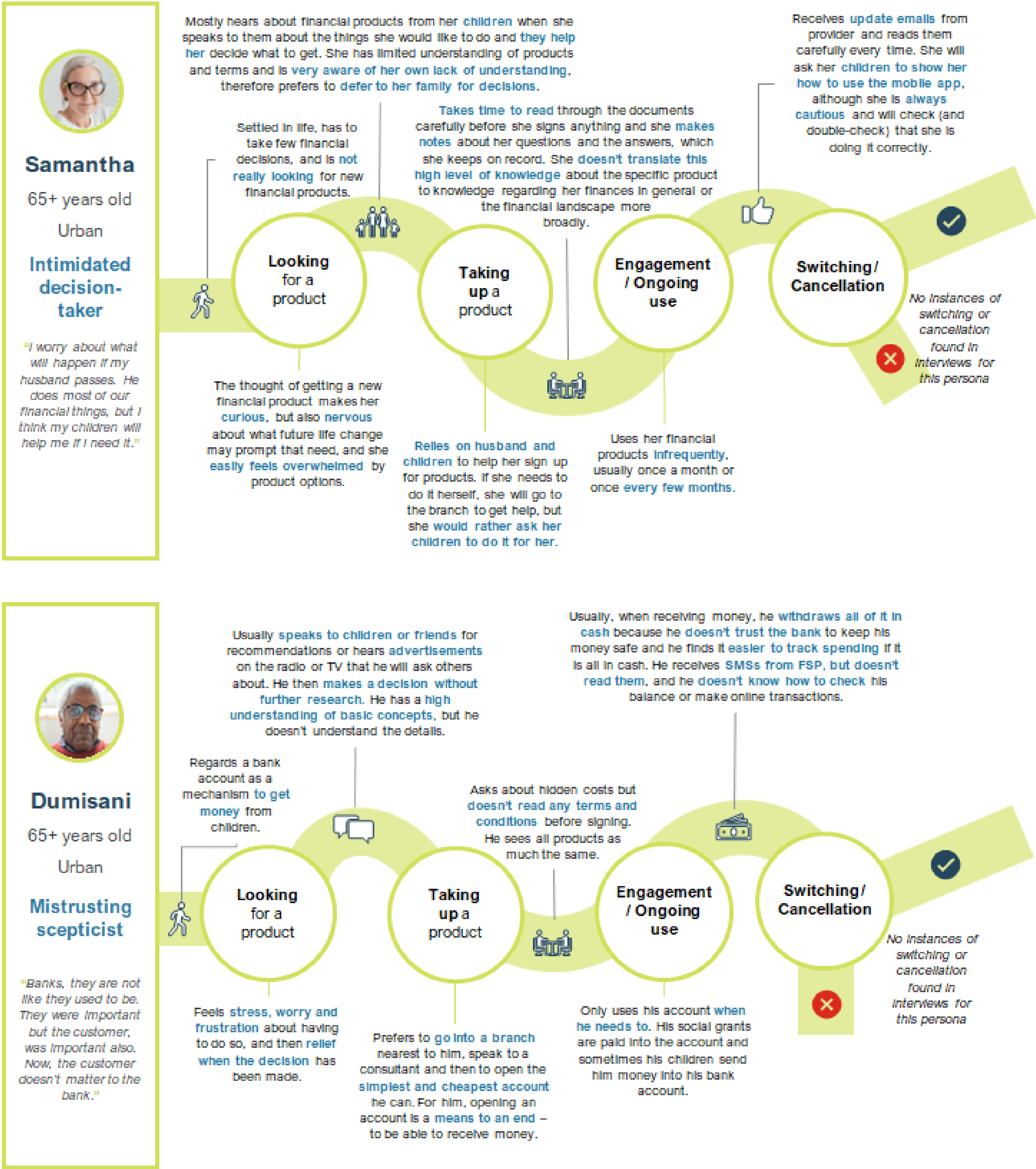


Figure 54: User journeys for Samantha and Dumisani

7.3. Annexure C: Discrete choice experiments – full methodology and results analysis

Research question 1: How to encourage people to switch from informal to formal savings structures

Methodology

- In this experiment, we used a **Round Robin approach** to generate an ordered list of preferences that would likely result in people moving from informal to formal savings mechanisms.
- We began by asking individuals whether they use formal or informal savings mechanisms, or both. This question was used as a control variable for analysis purposes.
- Thereafter, participants from the survey were randomly allocated to one of four groups through a randomisation process on the chatbot[58]. This allowed for four Round Robin experiments. The research question for each of these experiments are listed below:
  1. What features do people associate with formal savings accounts?
  2. What features do people associate with informal savings mechanisms?
  3. What would make people switch from formal to informal?
  4. What would make people switch from informal to formal?

Prior to running the experiments, we recruited participants to test the stickiness of these decisions and found that asking about switching from formal to informal was unlikely to cause people to make a switch and we felt that getting a sense of the difference in order preferences between these two would give valuable insights into why people choose one over the other.

	Group 1	Group 2	Group 3	Group 4
A savings account with a bank or formal financial product and/or service provider.	99	48	59	78
Informal savings, like a stokvel or cash kept at home.	35	76	59	93
I use both of these.	159	164	173	124
I don't have either of these.	7	12	9	5
Total participants	300	300	300	300

Table 7: Experiments 1 to 4, sample size

58 We presented participants with a question that had four response options. The instructions in the question were to select the **first** option and the chatbot was coded to randomise the order of options given. Each option then branched to a different experiment group. This same strategy is used to remove other bots from the sample and so participants are familiar with this process.

Association Game

The first two groups were presented with an association game, wherein they were presented with a series of questions asking them to choose between two features. They were instructed to choose which feature best described a given savings mechanisms. For instance: which of these two features best describes saving with a bank?

Each feature was tested against every other feature, as illustrated in Table 2. Because of the large number of combinations, participants were asked a randomised set of 7 combinations per day, with the experiment running over 15 days.

The features tested are listed below:

- It's cheap to save money
- My money is safe
- It's easy to save money
- I can control my own money
- I can withdraw whenever I want
- I can withdraw as much as I want
- People around me save like this
- The rules are fair
- I know how much it costs
- I get rewarded for saving
- I get better access to financial products and/or services
- It forces me to save money
- I can see my savings grow
- I can fix it if there is a problem
- I know how my money will grow

Which of these best describes saving informally through things like CASH OR A STOKVEL?

Which of these best describes saving with a BANK?	It's cheap to save money	My money is safe	It's easy to save money	I can control my own money	I can withdraw whenever I want	I can withdraw as much as I want	People around me save like this	The rules are fair	I know how much it costs	I get rewarded for saving	I get better access to financial products	It forces me to save money	I can see my savings grow	I can fix it if there is a problem	I know how my money will grow
It's cheap to save money															
My money is safe															
It's easy to save money															
I can control my own money															
I can withdraw whenever I want															
I can withdraw as much as I want															
People around me save like this															
The rules are fair															
I know how much it costs															
I get rewarded for saving															
I get better access to financial products and/or services															
It forces me to save money															
I can see my savings grow															
I can fix it if there is a problem															
I know how my money will grow															

Table 8: Association Game design

Round Robin

Groups 3 and 4 were presented with a standard Round Robin experiment, in which they were asked, "Would you switch from X to Y if….". An example question is shown below:

• Would you switch from informal savings to savings at a bank if	a. It's cheaper to save money at the bank b. My money is safer at the bank

As with the Association Game, each feature is tested against every other feature, with a randomised set of 7 combinations presented to participants per day, with the experiment running over 15 days. The features tested were the same as those tested in the Associated Game, with some rewording for clarity.

Experiment results: the features associated with formal and informal savings.

Figure 55 shows the results of both Association Games. The first notable finding from the experiment is that people associate opposite features with each savings mechanism: features that were scored highly for informal savings mechanisms did not score highly for formal savings mechanisms and vice versa. The graph illustrates an indexed score for each feature, where the highest possible score is 50.

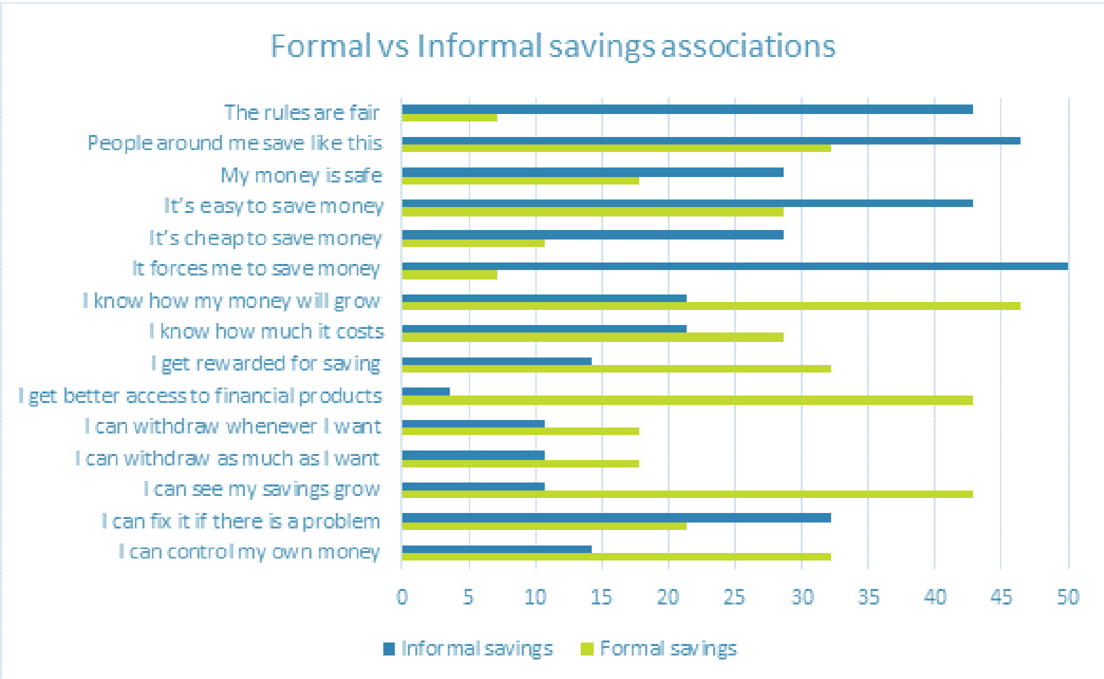


Figure 55: Association Game results, combined.

The first observation from the results is that informal savings structures have stronger associations than formal savings. In other words, a smaller number of features won more consistently for informal savings than for formal savings mechanisms. This suggests that there are strong associations with informal savings mechanisms and weaker associations for formal savings. This is in line with the rest of this research, where sentiments regarding formal financial products and/or services are strongly impacted by specific experiences.

Another important observation is that the features that are most strongly associated with informal savings mechanisms are most often not the same as the features associated with formal savings mechanisms. This is not necessarily surprising but shows us that the two savings mechanisms are viewed very differently by potential customers.

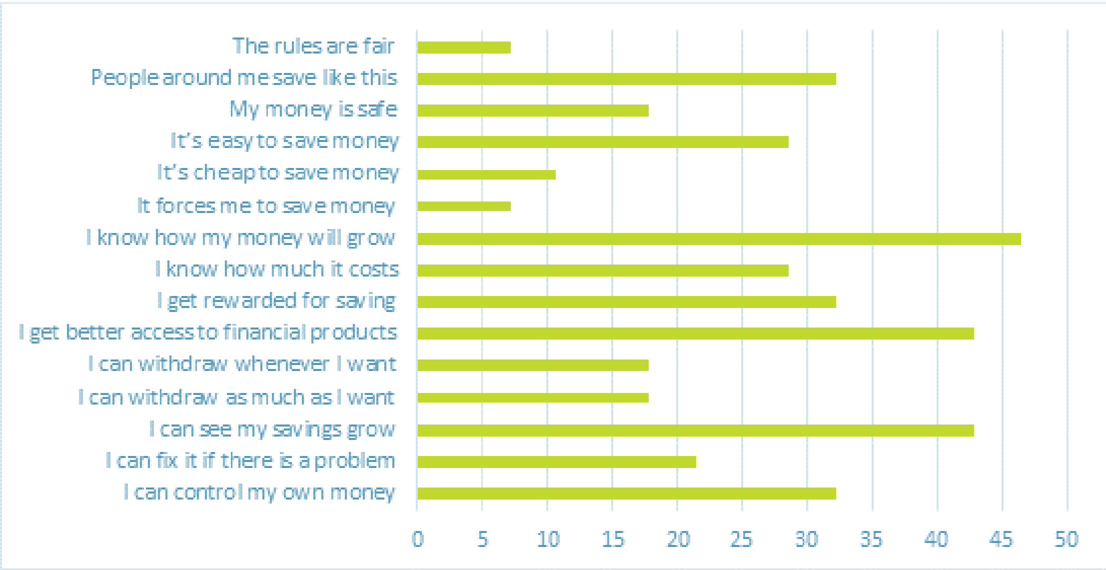


Figure 56: Association Game results, formal savings mechanisms

Figure 56, above, illustrates the results of the association game for formal savings mechanisms. The strongest association is that people feel that they know how their money will grow, with access to financial products and/or services and seeing their savings grow being the next two strongest associations. Interestingly, forcing them to save money and fair rules are the two weakest associations that people have with formal financial institutions for saving.

In contrast to formal savings mechanisms, the rules being fair was one of the strongest associations that people have with informal savings mechanisms, as shown in Figure 57. The strongest association was that it forces them to save money. Importantly, being forced to save money was selected as the winner against all other options, scoring the highest possible score of 50.

Of course, we know that there are automatic processes that can be used to force ourselves to save money using formal savings mechanisms, which raises questions as to why informal savings structures have this as such a strong association and formal savings structures do not. Cross-analysis of the findings, as well as an investigation into spontaneous responses[59] illustrate that the driving force behind this

59 Participants were given the opportunity to give spontaneous responses at the end of each day to give further information to the researchers. This was phrased as, "Is there anything you'd like us to know about [formal/informal] savings that you thought of while answering these questions?"

strong association is that informal savings structures force savings through social norms, rather than as a direct result of the product design.

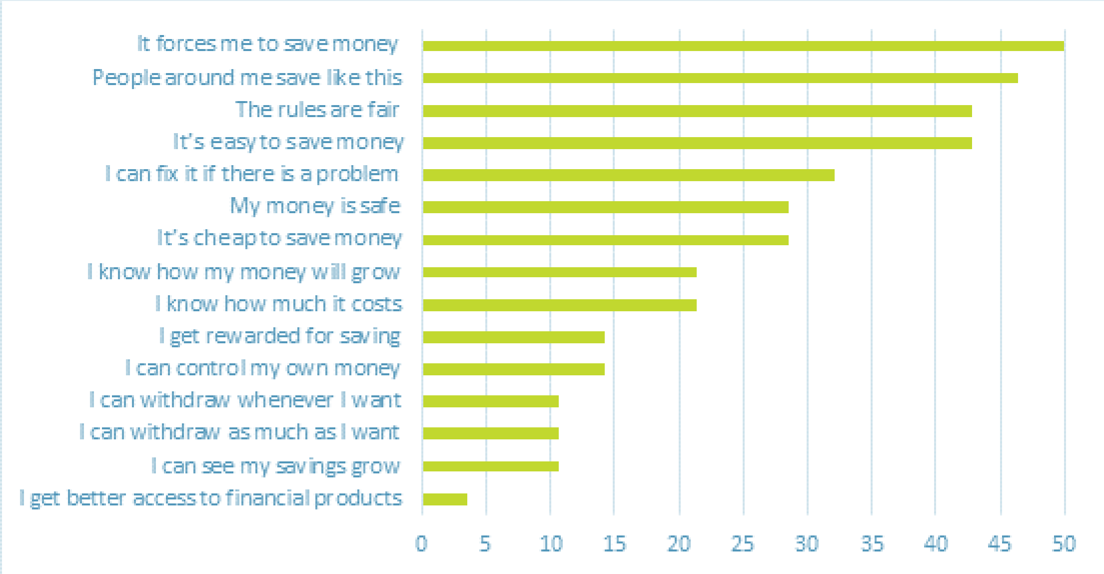


Figure 57: Association game results, informal savings mechanisms

In other words, people do not feel forced to save because a product deducts money automatically or because they have committed to saving a set amount. Instead, they feel forced to save because those around them hold them accountable to that commitment. In addition, the belief that the rules associated with saving are fair was highly correlated with stating that a product forced them to save. The conclusion, then, is that being "forced to save money" is not a result of product design that automatically saves money. Instead, it is a result of fair rules and social norms, and in cases where savings are being 'forced', without fair rules and social norms, individuals will find ways to exit their savings commitments (usually through withdrawals that come with a cost/penalty).

Experiment results: what would encourage people to switch from informal to formal savings?

The next experiment we ran was to understand what would make people switch from informal to formal savings mechanisms. Figure 58 shows the comparative results of these experiments, with the importance of each feature being given a score out of 50, where 50 is the highest possible score.

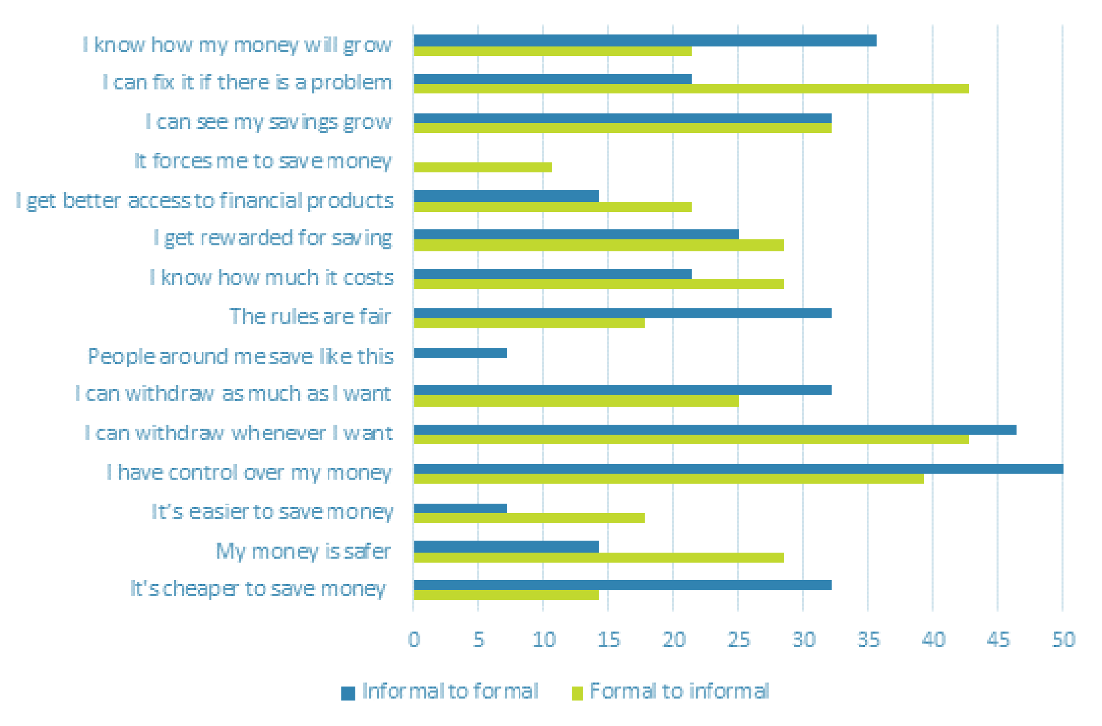


Figure 58: Round Robin, comparison

The first observation from these results is that switching from informal to formal savings structures has much stronger scores than the opposite way around. The implication of this finding is that there are stronger requirements for moving from informal to formal savings structures, although these requirements are concentrated in a smaller number of areas.

Switching from informal to formal

Figure 59 illustrates the strongest-scoring features that would encourage people to switch from informal to formal savings mechanisms. The strongest feature was having control over their money, which achieved the highest possible score. This is particularly interesting because informal savings structures typically give very limited control over savings. Cross-analysis, along with analysis of the spontaneous response questions, indicates that having control over their money is the first most important feature for formal savings structures, and an ability to “curate” or co-create the rules associated with the savings account would strongly encourage people to switch from informal to formal savings structures.

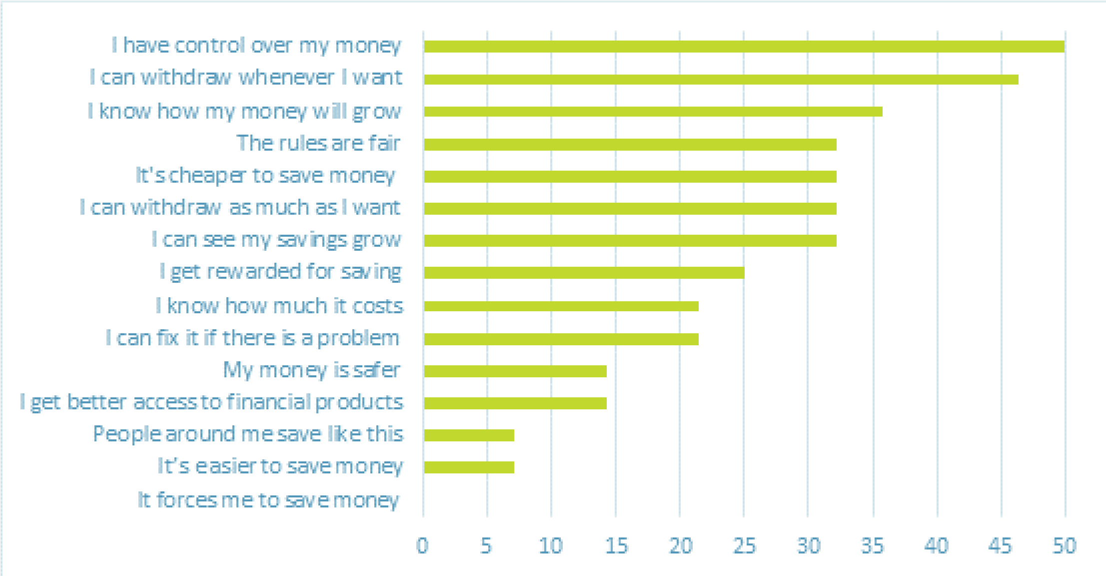


Figure 59: Round Robin, Switching from informal to formal.

Finally, Figure 60 compares the scores given to each feature in the switching Round Robin versus the association game for formal savings mechanisms. What we see here is that the features that would make people switch are not the features that people currently associate with formal savings mechanisms. There is one exception, where knowing how money will grow is both a strong association with formal savings mechanisms and a driver for switching.

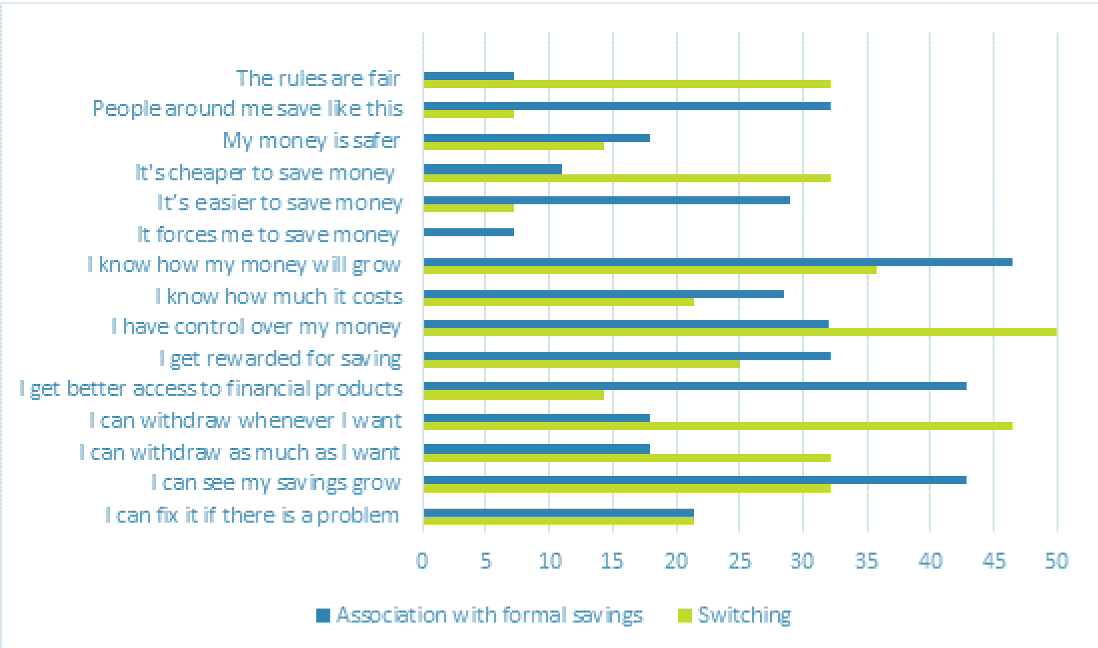


Figure 60: Switching from informal to formal, comparison of drivers and associations.

Cross-analysis and an analysis of the qualitative responses indicate that the association response is driven by having a basic understanding of interest rates. However, the switching driver would be effective if there were clear statements about the growth of money; for instance, if a formal savings account would state that X amount of savings per month would equate to Y amount of money at the end of the year.

The conclusion from this analysis is that people would be more likely to switch from informal to formal savings mechanisms if:

1. They have control over their money,
2. They know how their money will grow,
3. They believe the rules to be fair

Switching from formal to informal

Figure 61 shows the ranked features that would encourage individuals to switch from formal to informal savings mechanisms. We see that the strength of these features is less than for the switch from informal to formal (i.e., the scores are lower, on average, and more evenly distributed across features). An interesting observation is that social norms would not drive people to switch from formal to informal savings. Instead, an ability to fix problems and more flexibility and control over their money would be the largest drivers for switching.

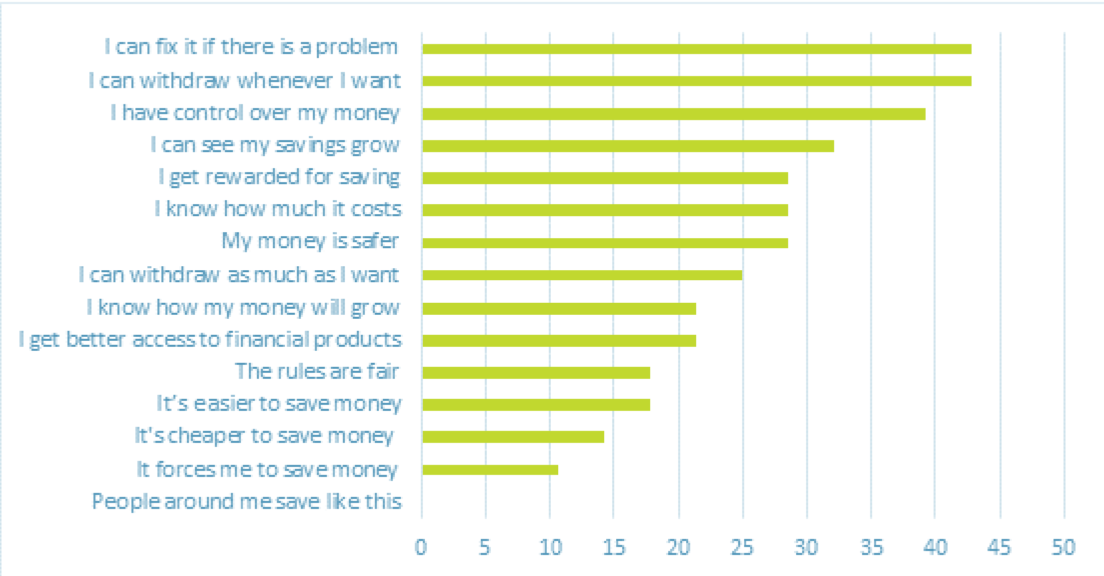


Figure 61: Round Robin, switching from formal to informal

Assessing the comparison between the drivers for switching and the associations with informal savings structures, we see that there are limited similarities between the drivers that would cause switching and the associations that individuals have with informal savings structures. This is consistent with the findings for switching from formal to informal, where there were limited similarities between the drivers and associations.

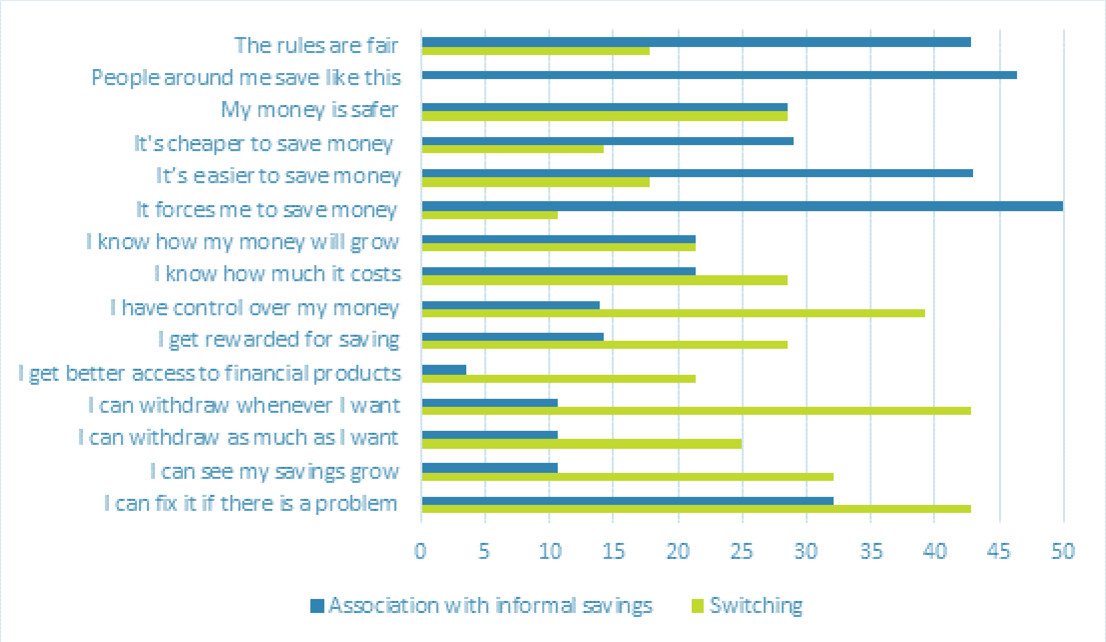


Figure 62: Switching from formal to informal, comparison of drivers and associations

These results suggest that people will switch from formal to informal savings if:

1. They can fix things if there is a problem,
2. They have control over their money,
3. They can withdraw whenever they want to.

Experiment conclusions

The detailed analysis of the experiment results indicates that there are no statistically significant differences between those who had different types of products and/or services. What this research can conclude, however, is that the primary drivers for switching the type of savings product that an individual uses are an ability to control their money and their ability to fix things if there are any problems.

However, the qualitative responses indicate something vital to this analysis. Simply put, people do not see formal and informal savings structures as equivalent. In other words, it is not something between which they would usually choose. Instead, people view them as fulfilling different needs: informal savings mechanisms are used to save for a foreseeable, necessary expense where social norms and co-created rules force an individual to save for a specific, predictable future expense.

People know and understand the rules, the value that they are putting away is often small, the consequence of missing a payment is usually significant, and the outcome of the savings is extremely clear.

Formal savings, on the other hand, is simply an abstract amount of money that you should not use. It is not clear what is being saved for – usually “an emergency”, but there is no ability to predict how much should be saved, when it might be used, or what it might be used on. It is money that is sitting without use up until the day it is needed, with no clear rules as to when, how or why it can be accessed or how much it will grow by.

This is the driving factor behind the stronger associations and requirements for formal savings structures than informal ones. An informal savings structure is viewed as a tool to gain a tangible outcome in a predictable timeline, while formal savings are viewed more abstractly.

Research question 2: How to encourage people to move from in-person to digital communication channels for transactional accounts?

Methodology

In this experiment, we used a combined approach DCE where we began with a Round Robin to establish the two most important drivers to get people to move to digital channels. Thereafter, we conducted a traditional DCE to investigate the nuances of these features.

We began by asking people whether they have downloaded their banks' app on their phone as a control variable that could be used during analysis. Thereafter, we ran a Round Robin experiment on the full sample of 1200 participants. The details tested in the round robin are indicated in the table below.

Would you move from in-person to digital communication with your bank if…	Data was cheaper	You had enough storage on your phone	Your phone had enough battery life	You knew it was safe to do	It was easy to use	You had good network connectivity	You had a better phone	You knew how to do it on your phone	Those around you are using it	Someone suggested you use it	You were rewarded for using it	You had used it before	Someone showed you how to do it	It was quick to do	You know you can do it right
Data was cheaper															
You had enough storage on your phone															
Your phone had enough battery life															
You knew it was safe to do															
It was easy to use															
You had good network connectivity															
You had a better phone															
You knew how to do it on your phone															
Those around you are using it															
Someone suggested you use it															
You were rewarded for using it															
You had used it before															
Someone showed you how to do it															
It was quick to do															
You know you can do it right															

Table 9: Round Robin, features tested for digital communication

Round Robin experiment on moving from in-person to digital channels

After completing the Round Robin, participants were randomly allocated to one of four groups, using the same structure as used in the first research question. This meant that people who were in one group for Research Question 1 were not necessarily in a group together for Research Question 2.

The same sample was used as for Research Question 1. The Round Robin was run on the full sample of 1200 participants, with each participant receiving two sets of 7 combinations per day. Each set took an average of 3 minutes and 26 seconds to complete. This experiment ran over 7 days directly following from the experiments in the first research question.

The sample for the standard DCE is described in the table below:

	Group 1	Group 2	Group 3	Group 4
Yes, I have it on my phone	177	136	115	121
Yes, but I deleted it	92	102	134	111
No, I never downloaded it	12	41	47	56
No, I can't download it on the phone that I have	5	21	0	8
I don't know	14	0	4	4
Total participants	**300**	**300**	**300**	**300**

Table 10: Sample distribution, standard DCE

Experiment results: what would encourage people to move to digital communications channels?

The first step in this experiment was to assess the features that are most important to people in encouraging them to use digital channels for transactional banking. We presented participants with a series of combinations in which they were asked to choose which feature would make them most likely to use their bank's app. Figure 63 shows the results of this Round Robin test. We see that using their banking app before is the biggest feature that would encourage them to use it again, which is in line with the findings from the qualitative research for this study.

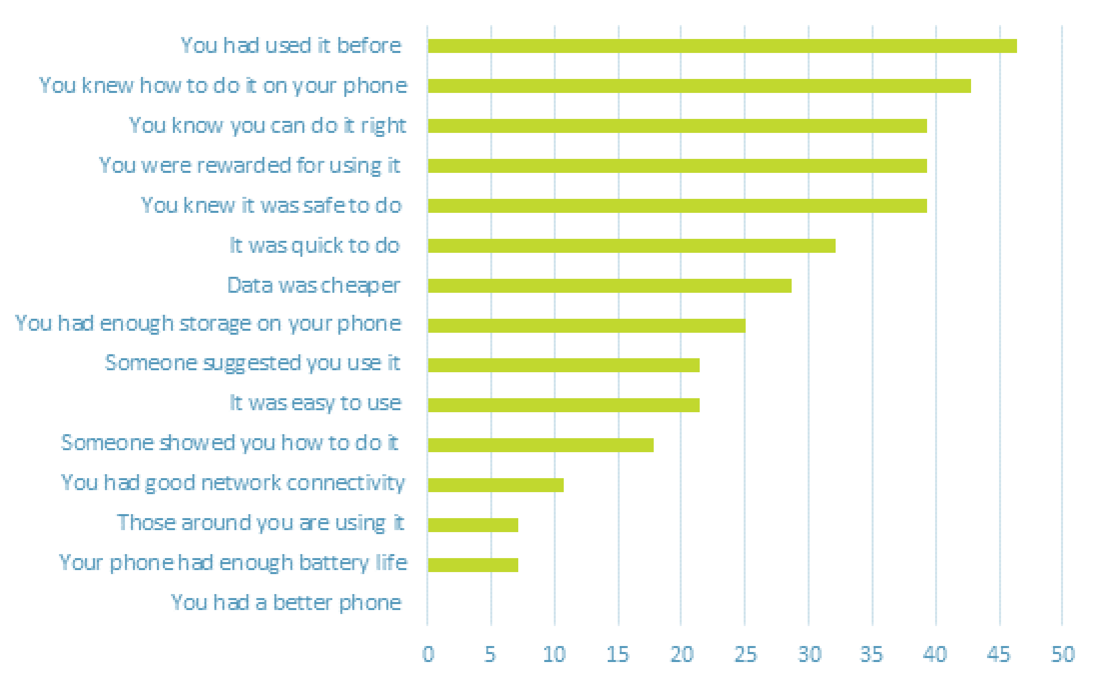


Figure 63: Round Robin for digital communication channels

Given these results, we adjusted the DCE design to reflect the fact that the first time using it is the biggest barrier to use. It is important to note that knowing how to do it and being sure that you can do it correctly were the next strongest characteristics to encouraging uptake. These features are difficult to test using standard DCEs because there is little sense in presenting their opposite: no one is going to answer “Yes” to a question that includes a statement like “you don’t know if you can do it correctly”.

Looking into the qualitative results of this research, we found that previous use, certainty, and knowing how to use the app were very strongly correlated: people felt that they could do it right and that they knew how to do it on their phone if they had used it before. As a result, these three options are taken as equivalent to each other.

As such, we adjusted the design to reflect previous use and rewards for use, which was the next strongest feature. The questions asked are shown below.

Group	Yes/No question
1	Would you use your bank’s app to send money if you’d never used it before and you earned **points** for using it?
2	Would you use your bank’s app to send money if you’d only used it once before and you earned points for using it?
3	Would you use your bank’s app to send money if you’d never used it before and you got cash back benefits from using it?
4	Would you use your bank’s app to send money if you’d only used it once before and you got cash back benefits from using it?

Table 11: DCE 1, design

In each of the above questions, individuals were presented with only "Yes" and "No" options. Figure 64 shows the percentage of respondents who answered yes to each question. Unsurprisingly, the results indicate that having used their banking app at least once before was most strongly predictive of people being willing to use their banking app again. Cash back benefits were slightly more likely to receive a "Yes" response than points rewards but t-test results showed that this was not statistically significant.

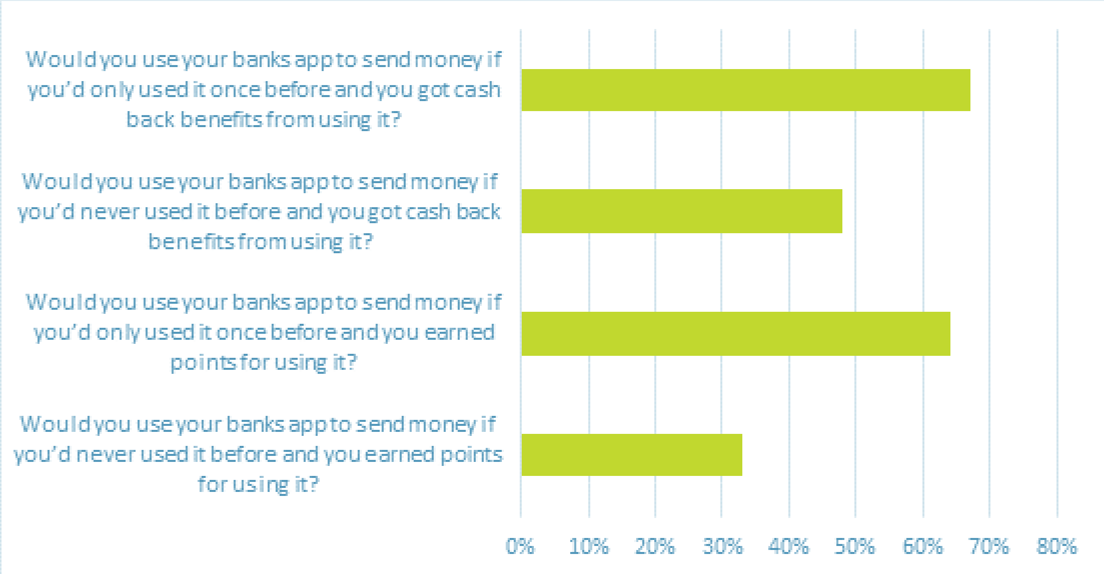


Figure 64: DCE results for moving to digital channels

Given these results, we ran a second DCE but limited the sample to only those who had either deleted their banks app or had never downloaded it. The sample distribution for this DCE is shown in Table 6. We ran a Round Robin test for this group, asking them what would make them use their banking app for the first time and adjusted the options presented to reflect the initial findings. The total sample size was 595 participants for the Round Robin, with the grouped DCE sample shown below.

	Group 1	Group 2	Group 3	Group 4
Yes, but I deleted it	109	110	110	110
No, I never downloaded it	39	39	39	39
Total participants	148	149	149	149

Table 12: Second DCE sample

Figure 65 shows the results from the Round Robin. These scores were given to features when individuals were asked "Would you use your banking app for the first time if…." Conducting this test on only those who either had deleted their banking app or never downloaded it showed that being shown how to use the app, safety and rewards were the most important features driving first-time use.

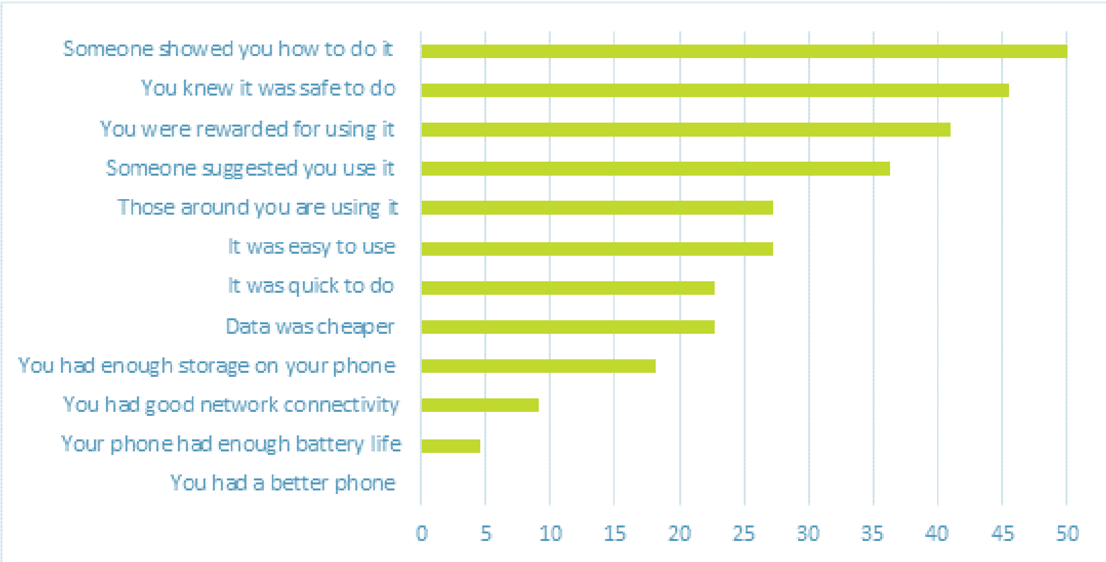


Figure 65: Drivers for using a banking app for the first time

Taking these results into account, we ran a second DCE which is described below.

Group	Yes/No question
1	Would you use your bank's app to send money if a friend showed you how to use it and you got a cash-back reward for using it?
2	Would you use your bank's app to send money if a friend showed you how to use it and you earned points for using it?
3	Would you use your bank's app to send money if someone at the bank showed you how to use it and you got a cash-back reward for using it?
4	Would you use your bank's app to send money if someone at the bank showed you how to use it and you earned points for using it?

Table 13: DCE 2, design

The results of this experiment are shown in Figure 66, below. Overall, we see much higher percentages of individuals reporting that they would be willing to use their banking apps than in the first experiment. In addition, we see that having a friend show them how to use their app is slightly more likely to increase first-time usage than having someone from the bank show them (10% significance). Cash-back rewards and point rewards have no statistically significant difference between them.

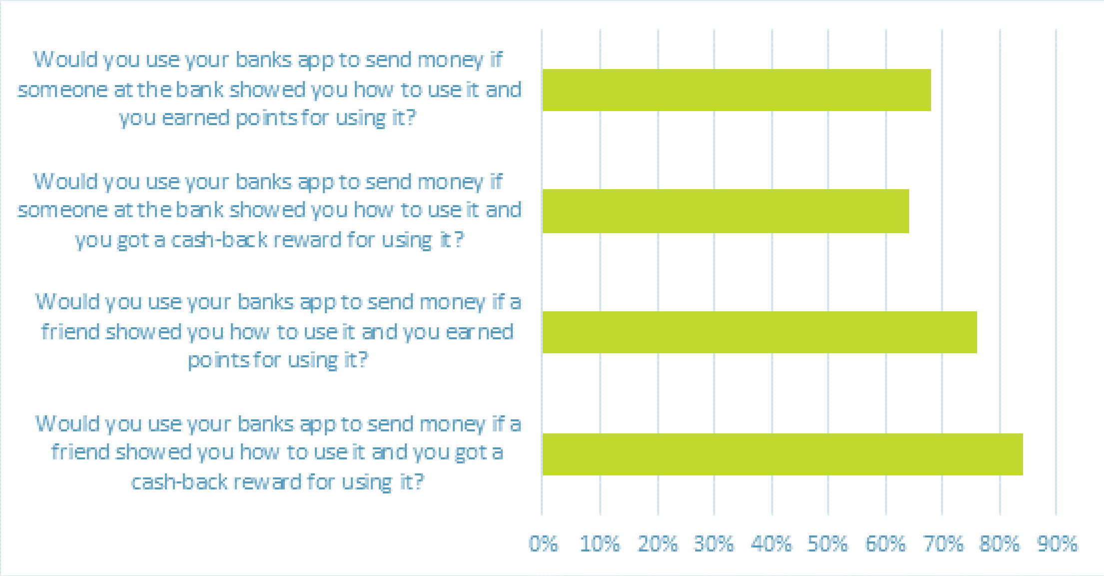


Figure 66: DCE results for first time app usage

Experiment conclusions

We find that people are uncertain about using their banking app until they have used it for the first time, suggesting that the biggest barrier to usage is the initial uptake of digital communication. Further investigation into the qualitative responses indicate that this is true for each action/function of the app, although we believe that the uncertainty will reduce with more frequent usage.

While people do report that getting rewards for using their banking app would encourage them to use it more, there were no statistically significant differences between reward types. As a result, we conclude that rewards can be used to encourage first-time usage but are not needed to encourage usage thereafter. Cash back rewards are slightly favoured over points.

A recommendation based on the results of this research would be to investigate ways to get app users to encourage their friends to use the app, and to show them how to use different features. A referral model that rewards both referrer and user with cash-back rewards is likely to increase both uptake and usage of banking apps for transactional accounts.

7.4. Annexure D: Observed behaviour unpacked

Observed behaviour describes the response or reaction that customers have to a situation or scenario as part of the financial service user journey. The main report only gives a high-level indication of behaviour on the surface, in favour of a focus on the motivations and drivers that underlie behaviour. To complete the picture, this annexure provides more detail on the behaviour of South African retail financial customers as observed in the secondary and primary research along three of the four steps of the customer journey that form the basis for Section 3 namely a) the uptake stage, b) ongoing usage or engagement, as well as, for some, c) eventual switching or exit. We consider behaviour in general, as well as, where relevant, across four product markets: transactional banking, savings, credit and insurance.

High financial inclusion does not mean that all the work is done

Box 7: Key findings: observed behaviour

- Very high level of inclusion, much of that formal: 98% of South Africans are now financially included.
- However, people's actual engagement with financial services is low. Even among those that are banked, most people use their accounts only once a month, often to withdraw all deposited money, indicating that most day-to-day transactions still happen in cash
- Savings and insurance are where there is the most formal exclusion
  - High funeral insurance penetration, but low uptake of other types of insurance
  - Many people prefer to keep their savings outside of the banking system
- Not yet breaking the mould:
  - **Women, rural residents and older customers** continue to be less likely to be formally included and to use their accounts frequently
- People are less likely to switch/exit once they become formal customers
  - The result of primary survey suggests **higher exiting behaviour** for some, but married women[60] are at a disadvantage

Uptake

The level of uptake of financial services considers what financial services customers are signed up for and can therefore be gauged through headline financial inclusion data. The discussion below considers the uptake picture as it emerges from the secondary data analysis.

Very high uptake. Uptake of formal financial services in South Africa is high and increasing, with 82% of the adult population banked, as shown in Figure 67 below.

60 Note that, of all the demographic differences considered in the survey, gender and marital status emerged as statistically the most significant differentiators. Hence, marital status is referred to as a differentiator throughout this report.

FinScope (2022) showed that only 2% of adults in South Africa are financially excluded, meaning that they do not have any form of formal or informal financial services financial services, down from 6% in 2021. A further one percent have informal financial products and/or services only. That means that 97% of South Africans are formally included (FinScope, 2021, 2022)

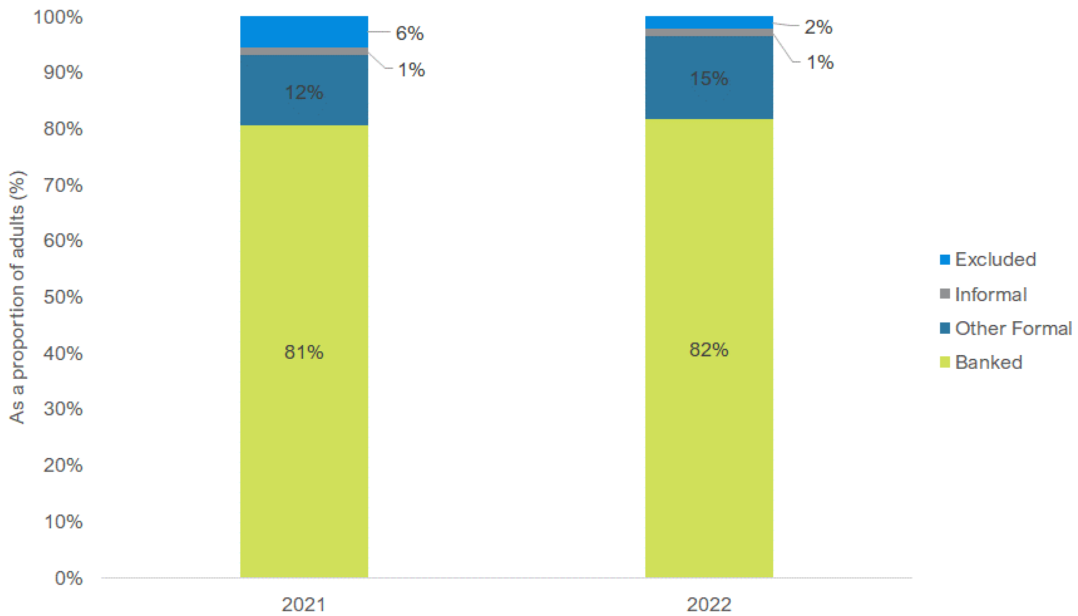


Figure 67: Broad reach of financial services

Source: FinScope (2021, 2022)

According to FinScope eight out of ten South Africans have a bank account; and over a third of South African customers have at least two types of products. There is also considerable overlap between being banked and having other formal and informal financial products, indicating that South Africans engage with a variety of providers and product types[61]. Formal financial services do not represent the only measure of uptake, and an analysis of FinScope 2022 survey results shows that the recent increase in financial inclusion has largely been driven by the non-bank and informal financial services categories (FinScope 2021, 2022).

Uptake differences between groups. There are notable demographic differences in uptake behaviour within the population: uptake of formal financial services has improved across all age groups; the uptake of non-bank formal financial services is gaining prevalence for younger groups, while the likelihood of being served by banks is increasing for older adults. Men and women groups both see increases in uptake of formal financial services, with a slight skew in uptake towards women. People at the start and later stages of their financial lives have lower uptake of formal financial services, as adults aged 30-44 and 45-59 are better served (FinScope, 2022).

61 Note: The access strand is constructed to remove overlaps and show incremental percentages over the baseline. Thus ‘other formal’ represents those who are formally served but do not have a bank account, and ‘informal’ describes those without formal products, and who are only informally served. Total other formal or informal uptake is larger when taking overlaps into account as well.

The effect of geography. The uptake of formal financial services has improved between 2021 and 2022 in both urban and rural areas, with the most significant increases observed in rural areas, particularly in non-bank penetration. Overall, 89% of adults in urban areas are formally included, while 92% of adults in rural areas are included.

Product spread skewed towards transactional banking, exclusion highest in savings and insurance market. Among the banked population, a transactional account with an ATM/debit card is the most prominent product, with approximately six times more customers than the next most popular financial product, credit (HSRC, 2020). Credit is the second most popular financial product followed by insurance and savings products, respectively. Formal credit uptake is more widespread than informal uptake, while informal savings outpace formal. In insurance, formal adoption increased in 2022, while informal uptake decreased by a similar proportion. The proportion of people who indicate that they save has remained static, but fewer people were insured in 2022 than in the previous year. The number of people not borrowing increased. Figure 68 shows that financial exclusion is highest in the savings and insurance markets: 48% of adults do not save and do not have insurance, respectively.

Half of South African adults do not save or have insurance

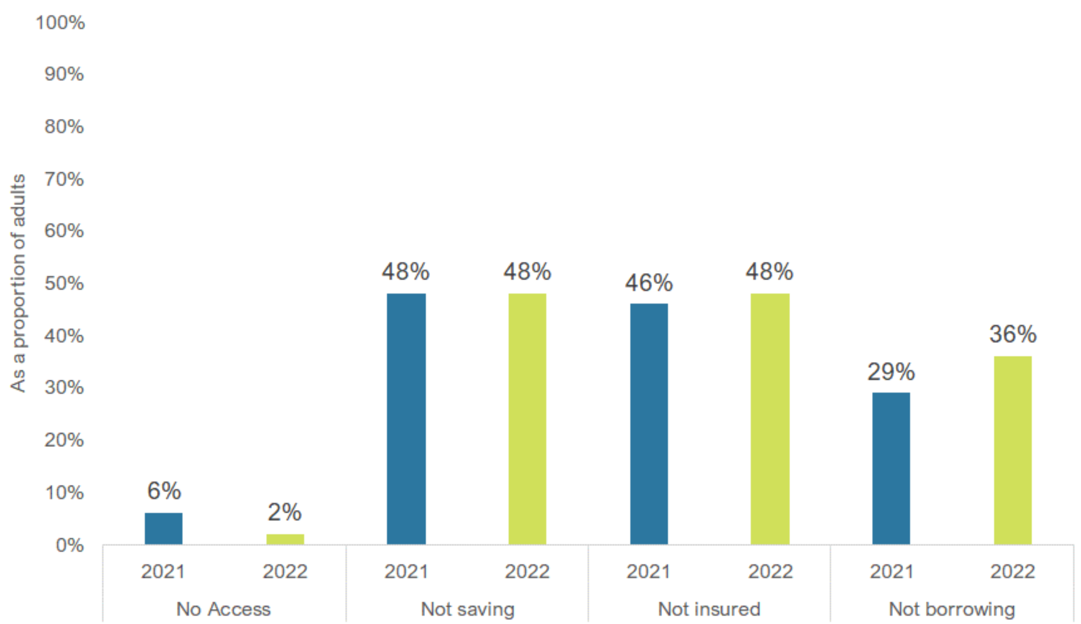


Figure 68: Financial exclusion by product market.

Source: FinScope (2021;2022)

In the sub-sections that follow, we take a closer look at uptake trends in specific product markets, namely savings, credit and insurance.

Savings

Savings as a fundamental use case. Savings are the bedrock of short- and long-term financial health. Accumulating savings easily and safely not only makes people more resilient to shocks, but also enables customers to meet their personal goals. The right financial products and services can facilitate and encourage increased savings behaviour. As discussed, just under half of adults are not saving at all – a figure that remained stable between 2021 and 2022. It is especially worrying that the youth is not saving: of people in the 18–29 age group, 51% are not saving at all.

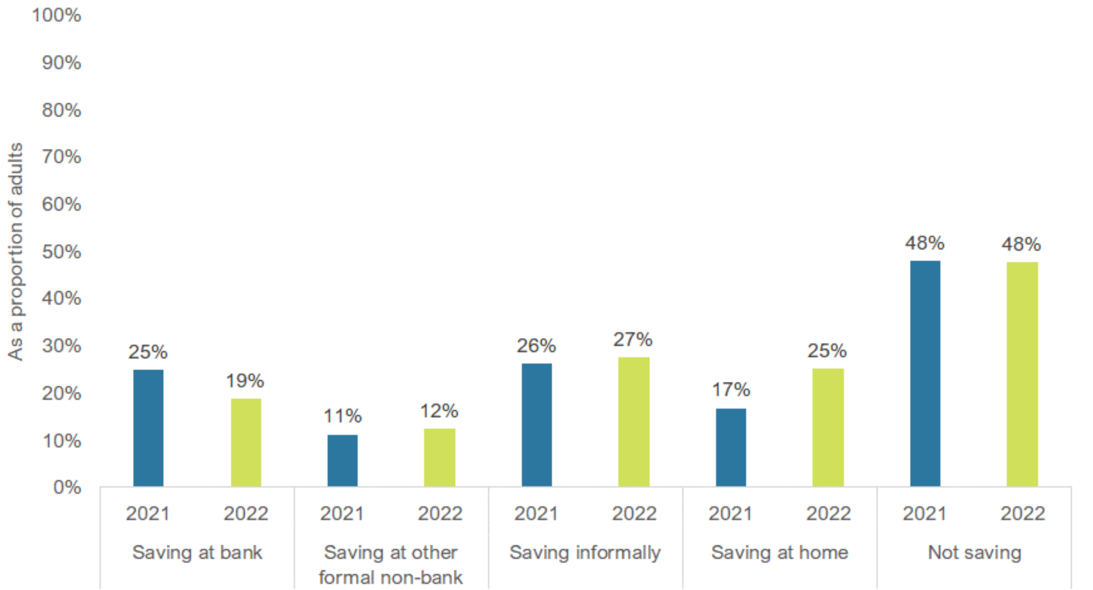


Figure 69: Savings uptake

Source: FinScope (2021; 2022)

Changes in savings behaviour. The analysis of the FinScope 2021 and 2022 survey data highlights a shift in people's savings behaviour out of bank-based savings, as indicated in the figure above. People are now exploring alternative avenues for saving and are moving towards non-bank options and informal means. This trend cuts across various age groups. There was a decline in the number of customers who saved formally across most age categories. Saving informally increased most significantly for the 30-44 age group (FinScope, 2021; 2022). These trends are worrying from a policy perspective, as the implication is that the formal sector is not sufficiently addressing the low savings uptake challenge.

Shift in saving away from banks

Half of the youth do not save at all

More women than men save

A gender gap. There is a gender gap in the use of formal and informal savings mechanisms, with more men saving formally at banks (21%) and non-banks (14%), compared to 17% of women saving at banks, and only 11% at non-banks. Nevertheless, a higher proportion of men are not saving at all; in 2022, 50% of men did not save, and 48% in the year prior, in comparison to the 46% of women who did not save in 2022, and 47% in 2021. There was a slight increase in the proportion of women who saved between 2021 and 2022, and this rise is largely driven by the use of informal savings, particularly saving at home. Among those who do save, across genders, there is a stronger tendency towards informal savings (FinScope, 2021; 2022).

Geographic differences. In both urban and rural settings, the percentage of customers who saved remained static between 2021 and 2022[62]. Most notably, the shift towards informal savings remained consistent for both groups. Overall, urban customers demonstrate a higher propensity for saving, especially through formal channels (FinScope, 2021; 2022).

Credit

The role of credit. Meeting financial goals often requires a person to accumulate larger amounts of money than they can fund from a single income cycle. Thus, credit uptake enables customers to achieve 'big' goals like buying a house or a car and sending their children for higher education. Credit also serves an important liquidity need and, for many, is a frequent lifeline to cope with day-to-day expenses, or to fund lifestyle or consumption aspirations. When people become trapped in a debt cycle, it can be welfare reducing rather than welfare enhancing.

The prevalence of credit. As the diagram below indicates, more than 60% of South African adults had some form of credit in the past 12 months according to FinScope. This compares to 26.48 million credit-active customers as at end of March 2022 according to NCR data (NCR, 2022). FinScope shows that there was a reduction in adults with formal credit between 2021 and 2022 – bank as well as non-bank. The National Credit Regulator confirms that the number of credit-active customers decreased by 3.8% over the same period (NCR, 2022) We also find that 62% of adults had credit from a formal non-bank institution in 2022, compared to just 15% from a bank. Informal credit uptake is relatively low compared to formal (FinScope, 2021;2022).

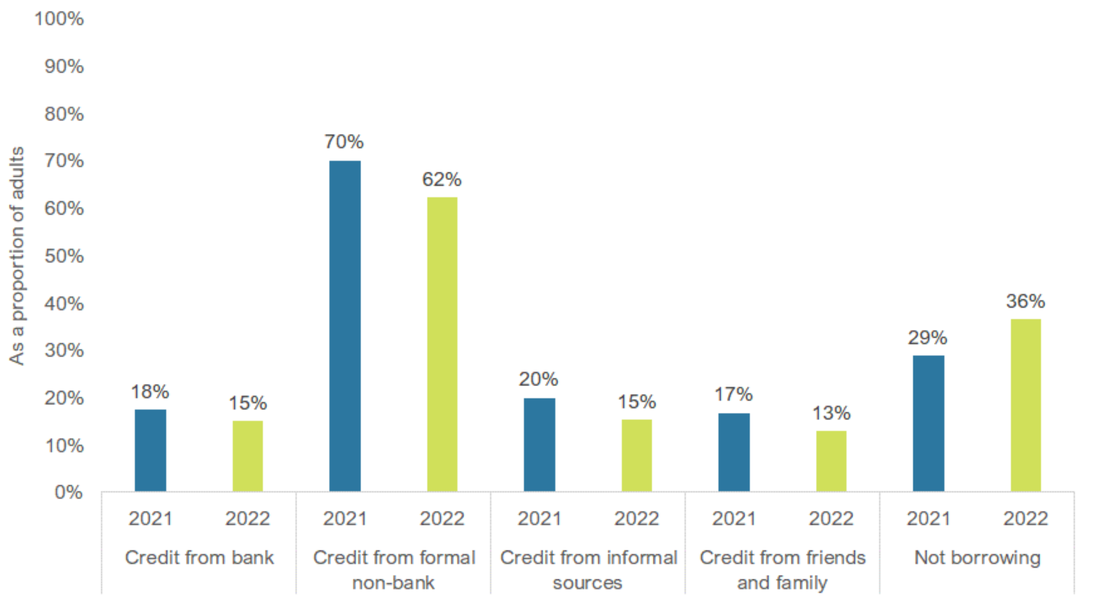


Figure 70: Credit access[63]

Source: FinScope (2021;2022)

[62] There was a very slight decline from 47.89% in 2021 to 47.68% in 2022 (both rounded to 48% in the figure).

63 Borrowed in the past 12 months.

Gendered borrowing differences. For the years 2021 and 2022, borrowing rates showed a downward trend among both men and women. The number of women borrowing from banks declined by 1 percentage point to 13% in 2022, while borrowing from non-banks by women also fell sharply, from 73% to 65%. Similarly, men borrowing from banks declined from 21% to 18%, and from 67% at non-banks to 60% in 2022. There was a slightly higher decline among women than among men and non-bank credit is the most prevalent source of credit among women, in comparison to men, who have higher uptake of bank credit (FinScope, 2021;2022).

Urban people and men borrow more from banks compared to women and rural people, who favour non-bank institutions

Increasing credit for rural customers. While there was an overall decline in the proportion of adults borrowing from formal financial service providers between 2021 and 2022, more rural customers gained access to bank credit, at a rate of 9%. Additionally, 17% of urban adults took up credit from banks in 2022, and a significant 60% from non-banks. Rural non-bank credit penetration was even higher at 68% (FinScope, 2021; 2022).

Insurance

The relevance of insurance. Insurance plays a crucial role in providing resilience to customers. It helps people to cope financially in the aftermath of a risk event and can improve people's wellbeing by strengthening their ability to prepare for, manage and recover from unexpected financial shocks.

High insurance penetration by regional standards, but still room for growth. Of South African adults, 52% currently have some form of insurance – formal or informal. This figure is relatively high in comparison to other markets on the continent. For example, South Africa's neighbouring country Zimbabwe has 34% uptake, while Malawi has insurance uptake of just 2% (FSDA, 2022). However, despite the relatively high insurance coverage in South Africa, almost half of the adult population (48%) in South Africa remains uninsured. The figure has slightly increased from 46% in 2021 (FinScope, 2021; 2022).

A reduction for specific groups. The decline in insurance uptake between 2021 and 2022 was slightly higher for younger adults, adults who resided in urban areas and among men. The decrease in the uptake of insurance between 2021 and 2022 was also primarily driven by the decline in customers who had taken up insurance through non-banking channels (FinScope, 2021; 2022).

Funeral dominates. Among the adult population who possess insurance, a significant proportion of them are primarily covered by funeral insurance, as indicated in the diagram below. 63.4% of customers have funeral insurance – either in their name or covered by someone else. This is followed by life insurance and medical/health-related insurance. The uptake of other types of insurance, such as dread disease and disability as well as insurance to cover income losses, is very low. This implies that

Reduction in insured population

Still largely funeral-based

individuals are less inclined to obtain these forms of insurance, potentially leaving themselves exposed to financial risks in those areas.

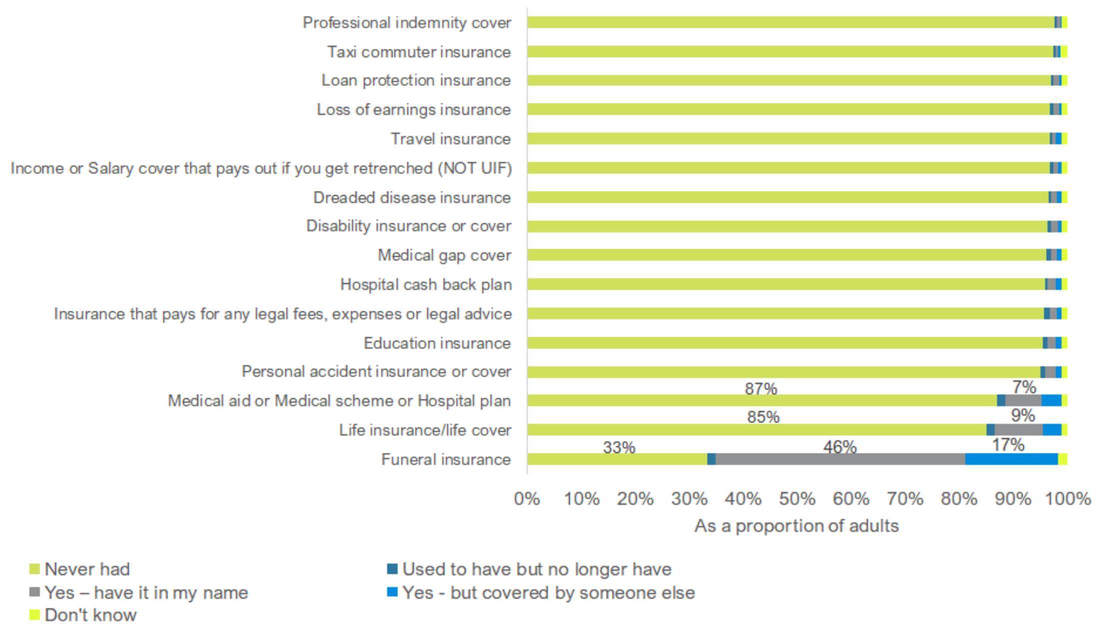


Figure 71: Uptake of insurance products

Source: FinScope (2022)

The level of financial services uptake is encouraging, but requires a closer look. While the uptake of financial services in South Africa appears positive, this alone does not indicate optimal financial inclusion in the country. A closer inspection of how people engage with the products that they have taken up provide more salient insight into how various financial services serve the diverse financial needs of South Africans. This analysis goes beyond mere numbers and statistics, providing an understanding of the extent to which various financial services align with the specific needs of the population.

Engagement/usage

Usage matters just as much as uptake. Differentiating between uptake and usage is crucial in understanding the dynamics of financial services. While uptake refers to the initial adoption of a financial service, usage describes the person's ongoing engagement with a financial service once that service has been taken up. A financial customer may register for or take up a service or product, but not actively use it, thereby diminishing the effectiveness of financial inclusion. Hence, only considering uptake as a measure of success in achieving financial inclusion omits an important part of the overall picture of the financial inclusion landscape. This holds specifically true for transactional accounts and savings products. While individuals may open accounts or acquire savings products, the true value lies in how actively they engage with these services on a regular basis.

Infrequent bank account usage. The secondary data analysis shows that the actual usage of accounts among the banked population is relatively low. According to the FinScope survey, over 70% of the banked population only use their bank accounts on a monthly basis (as opposed to weekly) (FinScope, 2021;2022).

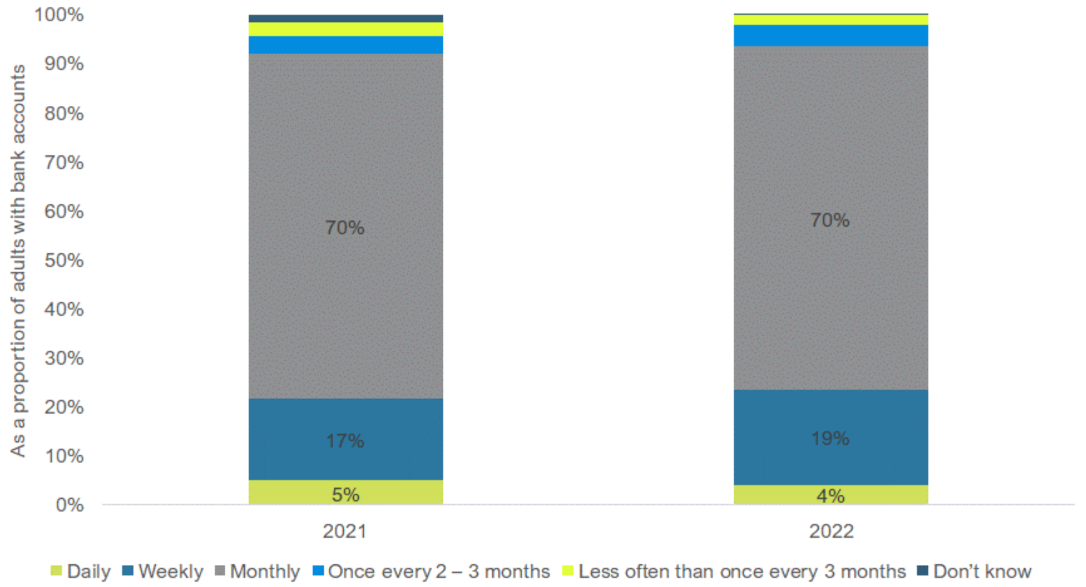


Figure 72: Bank account usage among customers

Source: FinScope (2021, 2022)

More active use for younger customers. The segment of the banked population that actively uses their bank accounts is younger, predominantly male and resides in urban areas. At 25%, adults aged 30–44 have the highest proportion of weekly account usage. While more younger adults use their accounts daily and weekly, most still only transact monthly. Older adults transact the least frequently, with usage among adults older than 60 years being almost exclusively on a monthly or less frequent basis (FinScope, 2022).

Younger, men and urban customers are more frequent users

Gender and geographic differences. While usage of bank accounts increased for both men and women between 2021 and 2022, men are more frequent users. Usage tends to be monthly for women while usage varies a lot more across men, as 78% of women versus just 60% of men use their accounts only on a monthly basis. Account usage among urban customers varies more than for rural customers. Usage increased for both groups between 2021 and 2022; however, 83% of rural users only transact monthly, in comparison with 65% of urban residents who use their account monthly (FinScope, 2022).

Cash withdrawals are the predominant transaction type among the banked population. Of all transactions performed by banked customers in the last 12 months, cash withdrawals are the most prevalent transaction type for over 90% of adults. The prevalence of cash withdrawals coincides with the phenomenon of mailbox accounts[64]. As depicted in the figure below, over a third of South African adults who have bank accounts use them exclusively to withdraw money immediately as it is deposited, to perform their day-to-day transactions in cash. This limited engagement with bank accounts restricts the benefits the banked population can receive from their account and provider (FinScope, 2022).

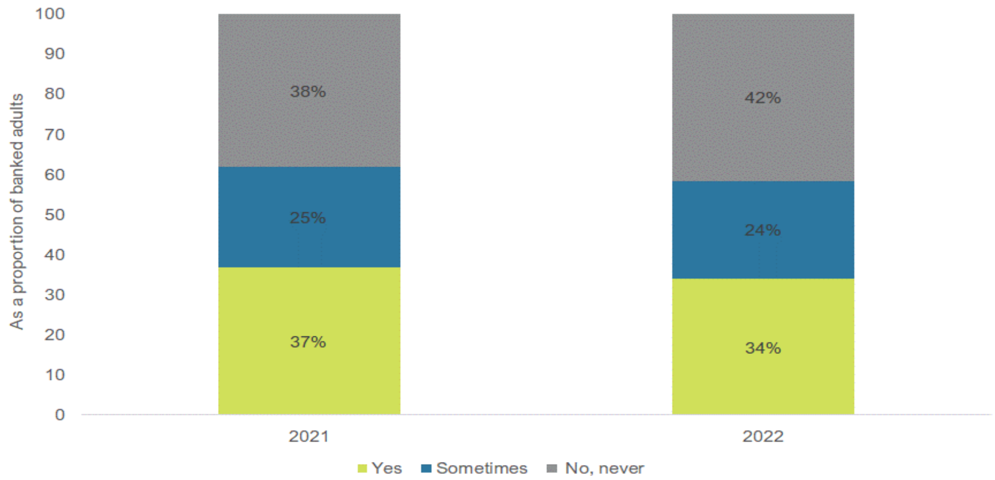


Figure 73: Percentage of adults who indicate that they withdraw money immediately upon it being deposited.

Source: FinScope (2021, 2022)

The HSRC survey confirms that cash withdrawals remain highly prevalent among customers, with more than half of customers stating a preference for using cash in their day-to-day purchases (HSRC, 2020). There are also visible gender and geographical differences in the preference for cash. Monthly cash withdrawals are more likely for rural customers; with urban dwellers withdrawing from their accounts on a weekly basis 20% more. Additionally, men withdraw cash weekly 9% more than women customers, who withdraw their cash on a monthly basis 15% more than men (FinScope, 2022) (HSRC, 2020).

Women use savings products most frequently, while men tend to make greater use of transactional accounts. The survey provides more nuanced insights into usage frequency. The most significant differences were found on gender, rather than location or population group. When respondents were asked about their most frequently-used products, women emphasised their preference for savings accounts, while men predominantly mentioned their "daily bank account". 39% more women customers than men use their savings accounts most frequently, and 7% more women also use cash most frequently. Interestingly, the survey reveals that there is a pronounced difference between married and unmarried women[65] in favouring savings account usage over regular use of other financial products:

64 A mailbox account is an account where an account holder reports making only one or two deposits or withdrawals in a typical month (Making Access Possible, 2016)

65 Note that differences in marital status arose from the analysis as statistically significant demographic variables and are highlighted in the write-up for that reason.

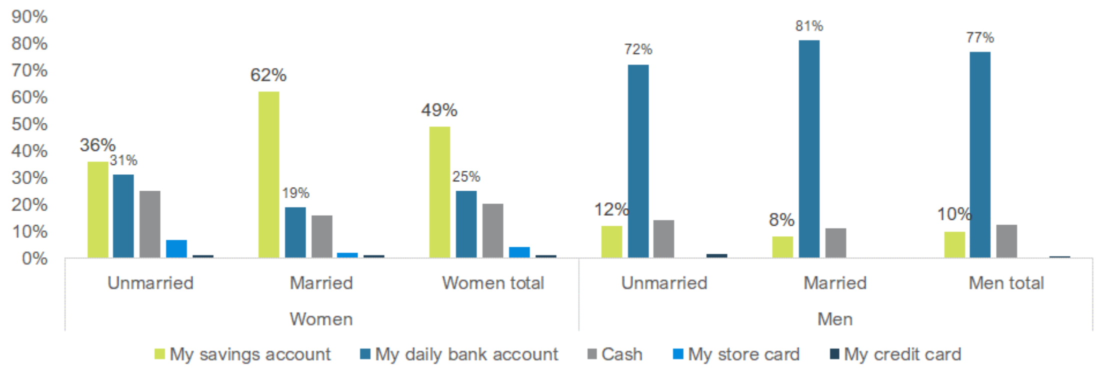


Figure 74: Products used most frequently by men and women, respectively.

Source: South African retail financial customer behaviour and sentiment survey (2023)

The final step of the journey, namely switching/exit is discussed in the following subsection.

Switching/exit

Deciding to switch or cancel. Switching involves transitioning from one financial services provider to another, while cancelling or exiting encompasses actions such as account closure, insurance policy lapse and credit default. Making the decision to switch or cancel a financial product or service involves assessing various factors and considering the overall impact on the user's financial needs.

Most customers do not report cancelling a product. An analysis of the FinScope (2022) survey data shows that most customers typically do not cancel or discontinue their financial products or services. The graph below shows the percentage of users that indicate that they are ongoing users, versus that they had a particular product or service in the past but no longer have it. As the green bars indicate, the minority of people indicate that they no longer have a product or service. Those products or services for which the percentage is highest, are loan products which, presumably, have been paid off, as well as the Mzansi account, where only 58% of those who have ever had it indicating that they still hold it. After loan products and the Mzansi account, the highest-reported exited products were ATM or debit cards at only 6.3%.

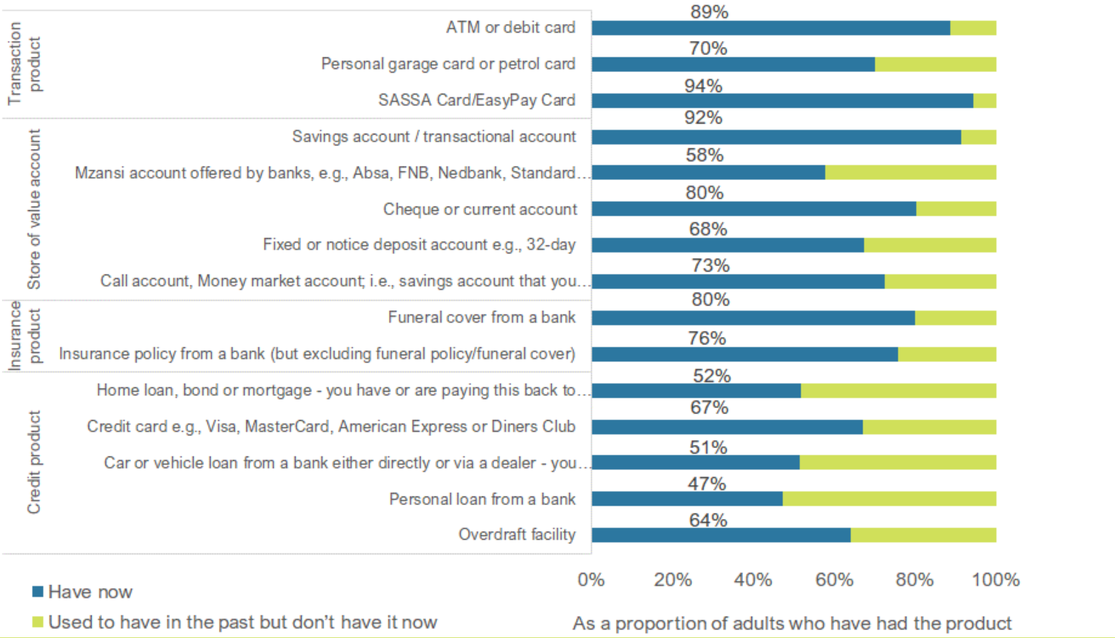


Figure 75: Financial products customers currently have or used to have.

Source: FinScope (2022)

Some switching. Despite the low exit figures, a considerable proportion of new customers at banks had switched from another bank within the last year, in both 2021 (28.1%) and 2022 (24.5%). Furthermore, in 2022, just under 10% (9.8%) of bank customers who have had their accounts for over one year say that they have considered switching but have not. 28% responded that they find the switching process tedious and time consuming, and 22% feel that there is no suitable alternative. A further 23% of customers indicated that it was difficult to change banks. Other reasons included difficulty in comparing different types of accounts, as well as not knowing how to go about making the switch (FinScope, 2021; FinScope, 2022). Fees and affordability are also important factors in customer retainment at banks, and 35% of customers that had a bank account in the past five years (up to 2020) changed banks because they felt that the bank charges and fees were too high (HSRC, 2020).

Primary research adds nuance to switching/exit behaviour. The survey reveals a more nuanced understanding of the relationship customers have with their providers, suggesting higher instances of exiting behaviour than reported in FinScope. Customers understand and report switching as acquiring an additional product of the same type, as well as exiting one product to replace it with another.

> "*I don't think it's switching really, I wanted to open a second account at Capitec, and they didn't allow it but they said I should rather I can have a savings account under my main account. I went to FNB to open a separate savings account, but I didn't leave Capitec.*"

Woman, aged 34, living in an urban area

Higher exit figures than for secondary research, and more switching than cancelling. A significant proportion of respondents in the survey report having stopped a financial product or switched to another provider, as reflected in the figure below. Bank accounts are the least likely to be stopped, as several respondents said that they would rather just open multiple accounts.

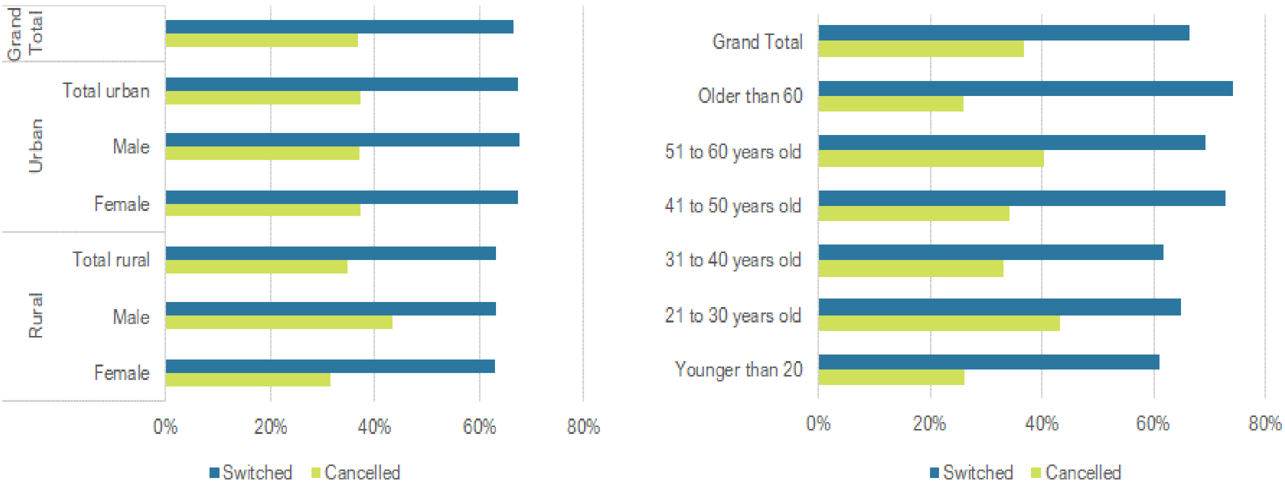


Figure 76: The proportion of customers who have switched/exited a product.

Source: Financial customer behaviour and sentiment survey (2023)

Younger people more likely to exit, women more loyal than men. There are demographic differences in a customer's likelihood to switch/exit specific product types, but overall, switching was more likely than cancelling for all groups. Those living in rural areas are 12% less likely to cancel, but when they do cancel a financial product or service, it is most often a bank account, savings account, or insurance (excluding life insurance). The differences between age groups are small, with younger people being 5% more likely than older people to cancel a product, but 9% less likely to switch. Young people are also most likely to cancel life insurance, funeral cover, other insurance and medical aid, while older people are most likely to cancel medical aid or close a savings account. Women are 7% less likely to cancel a product or service than men, as indicated in the figure below.

Women are 7% less likely to cancel than men

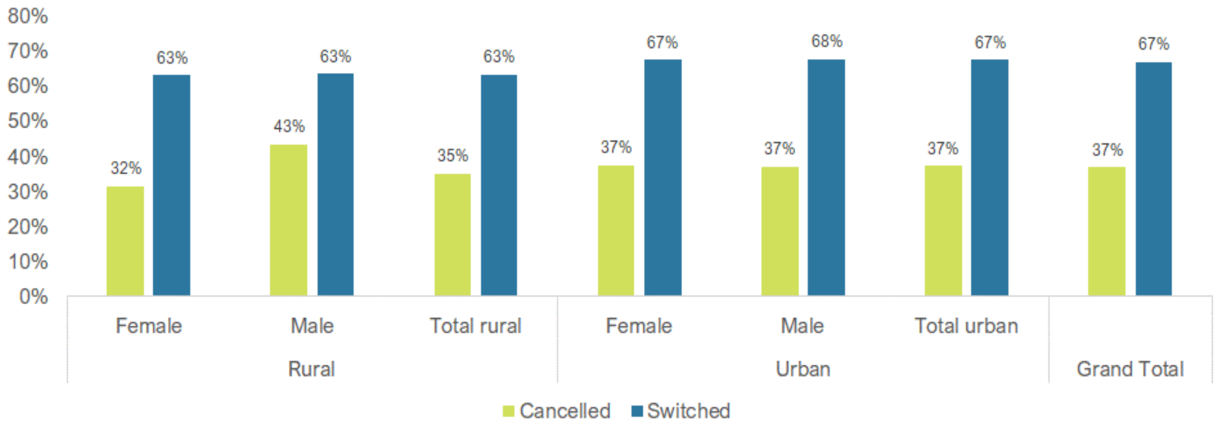


Figure 77: Percentage of men and women customers reporting that they have cancelled or switched a product

Source: Financial customer behaviour and sentiment survey (2023)

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