

afi Alliance for
Financial Inclusion

Bringing Smart Policies to Life

*The First AFI Global Policy Forum
Nairobi, Kenya
14.09.2009*



Financial Inclusion in Africa

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AFI Global Policy Forum
14 September 2009

FinMark Trust



- Financial inclusion and FinScope
- Understanding the access issues using FinScope methodology and tools
- Evidence of FinScope facilitating change

Overview of Presentation



Financial Inclusion and FinScope





- Private sector dilemma
 - How can we deliver services profitably to the unserved and underserved?
 - What products are appropriate for them?
 - Where are the new market segments located?

- Government dilemma
 - Why are financial services not accessible to all?
 - How should we support private/ MFI/ informal provision?
 - Can we change the regulatory regime to
 - (i) remove market obstacles
 - (ii) encourage competition
 - How can we encourage innovation?
 - Should we supply the services ourselves?

Financial inclusion issues demand responses from both the private sector and governments



Solutions to these and other such questions come from
within a particular market,
not from a blueprint imported from elsewhere



FinScope is a comprehensive demand-side survey of consumer interaction with financial markets. It provides information about financial behaviour, attitudes, interests, financial management, usage of financial products, both formal and informal, as well as the quality of life of adults in a particular country.

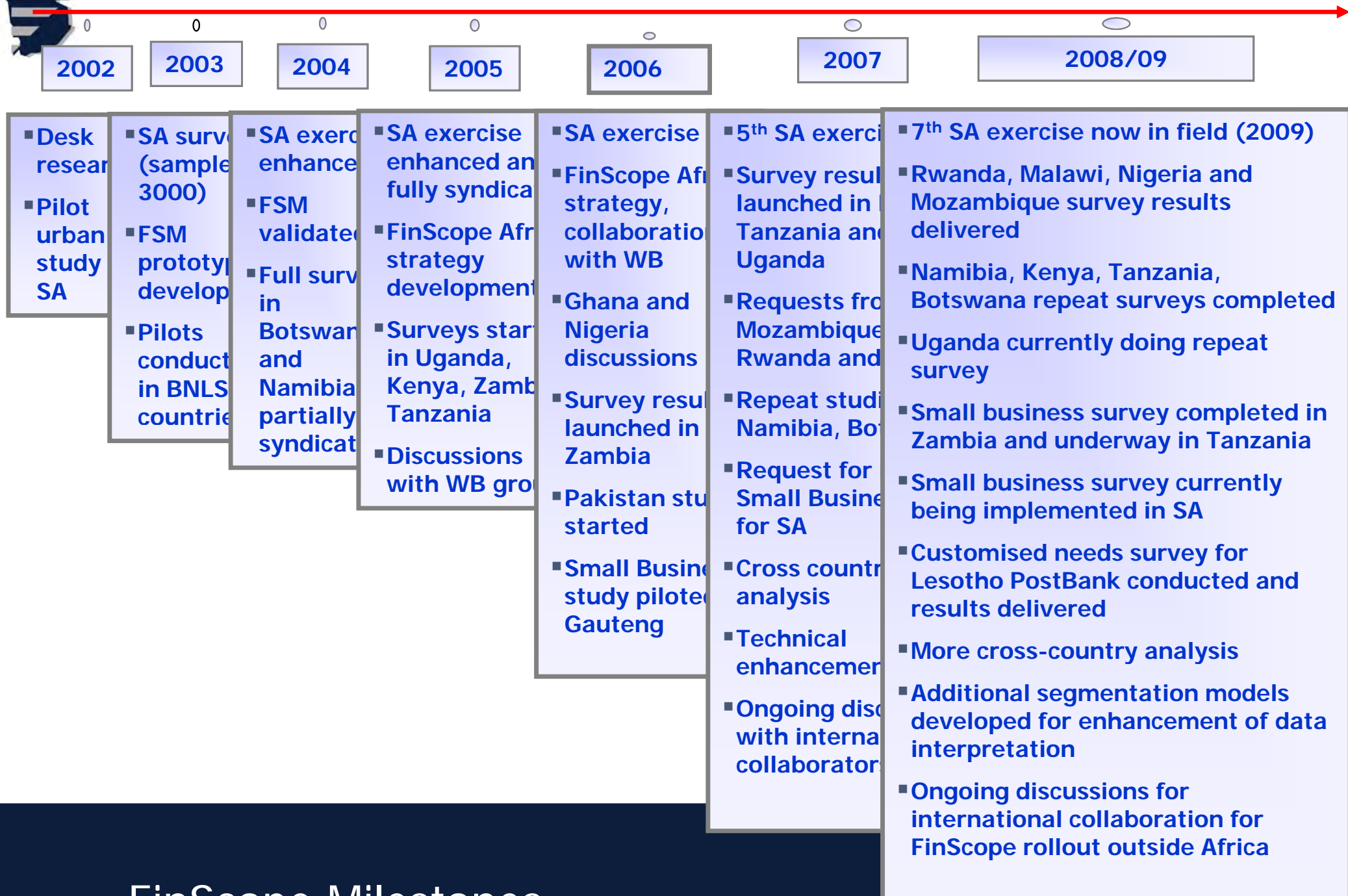
FinScope was developed to address information needs
FinScope has proven to be a highly catalytic survey instrument



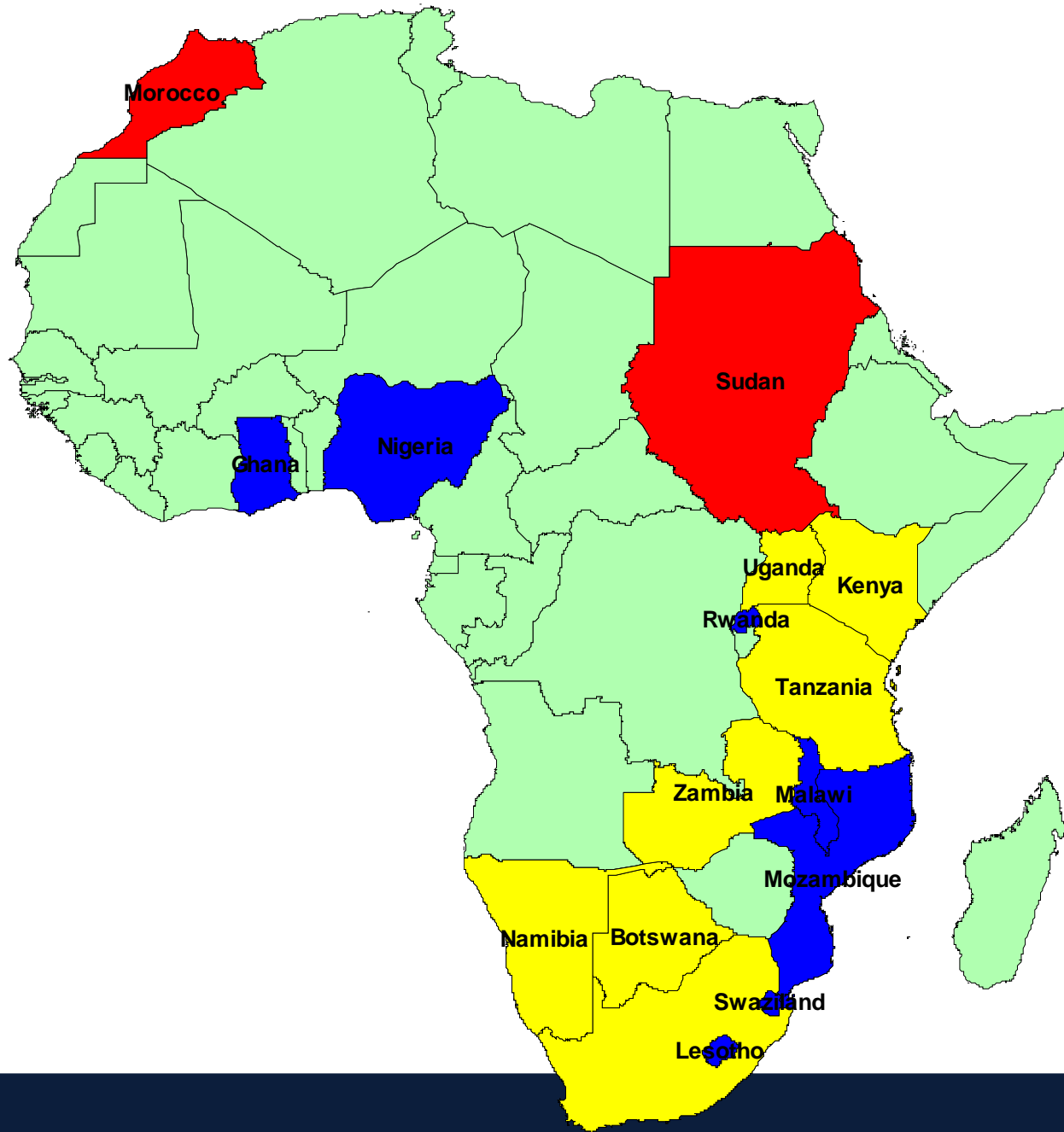
Major financial sector reform programmes across the continent has further increased the need for information tools to monitor the impact of reform processes

- Mozambique: Financial Sector Technical Assistance Programme
- Zambia: Financial Sector Development Programme
- Tanzania: Financial Sector Reform Programme
- Ghana: Financial Sector Strategic Plan
- Nigeria: Recapitalisation
- Regional integration

Financial Sector Development Programmes lead to further FinScope roll out



FinScope Milestones

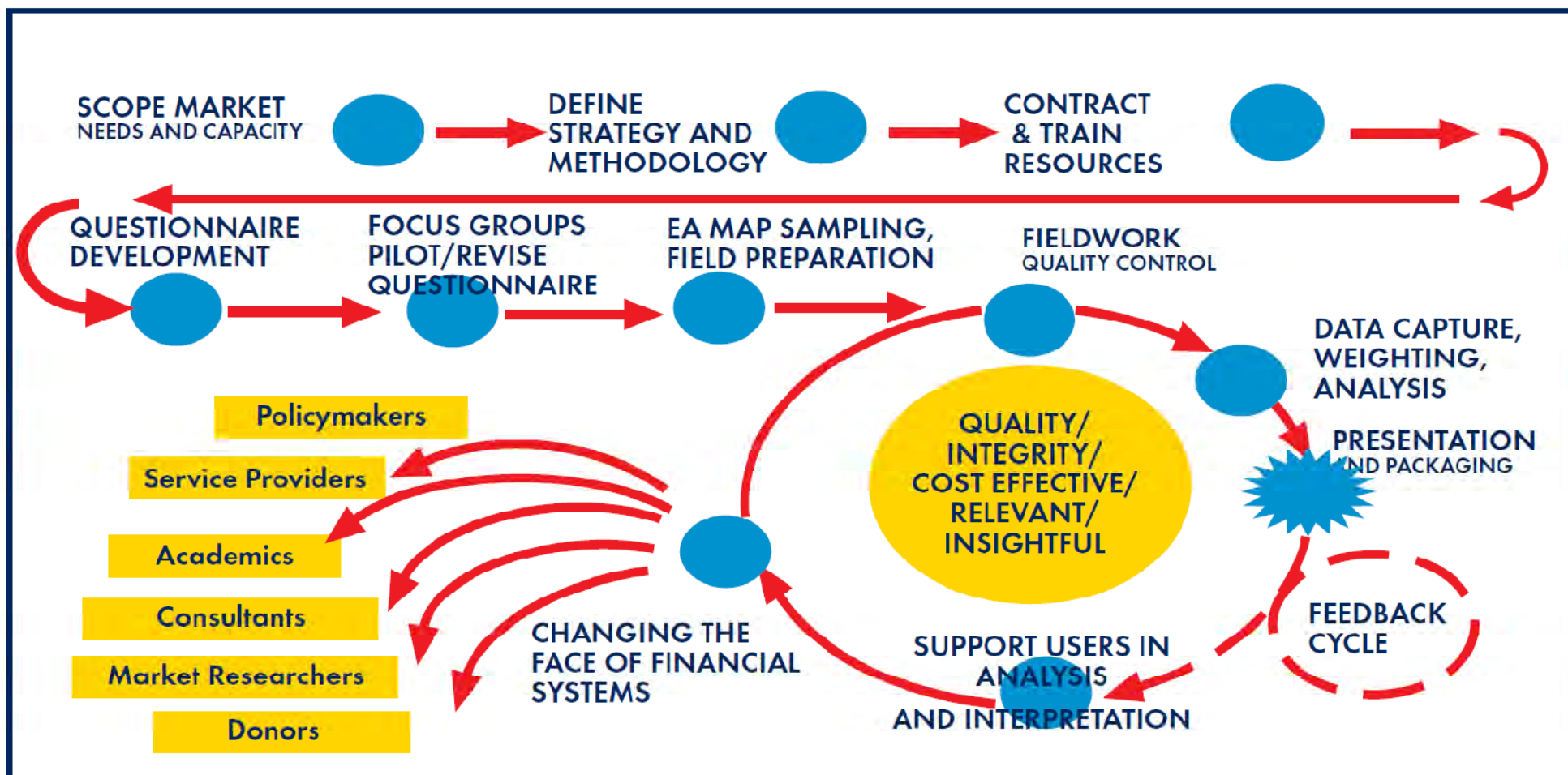


- First cycle
- Repeat cycle
- Potential FS

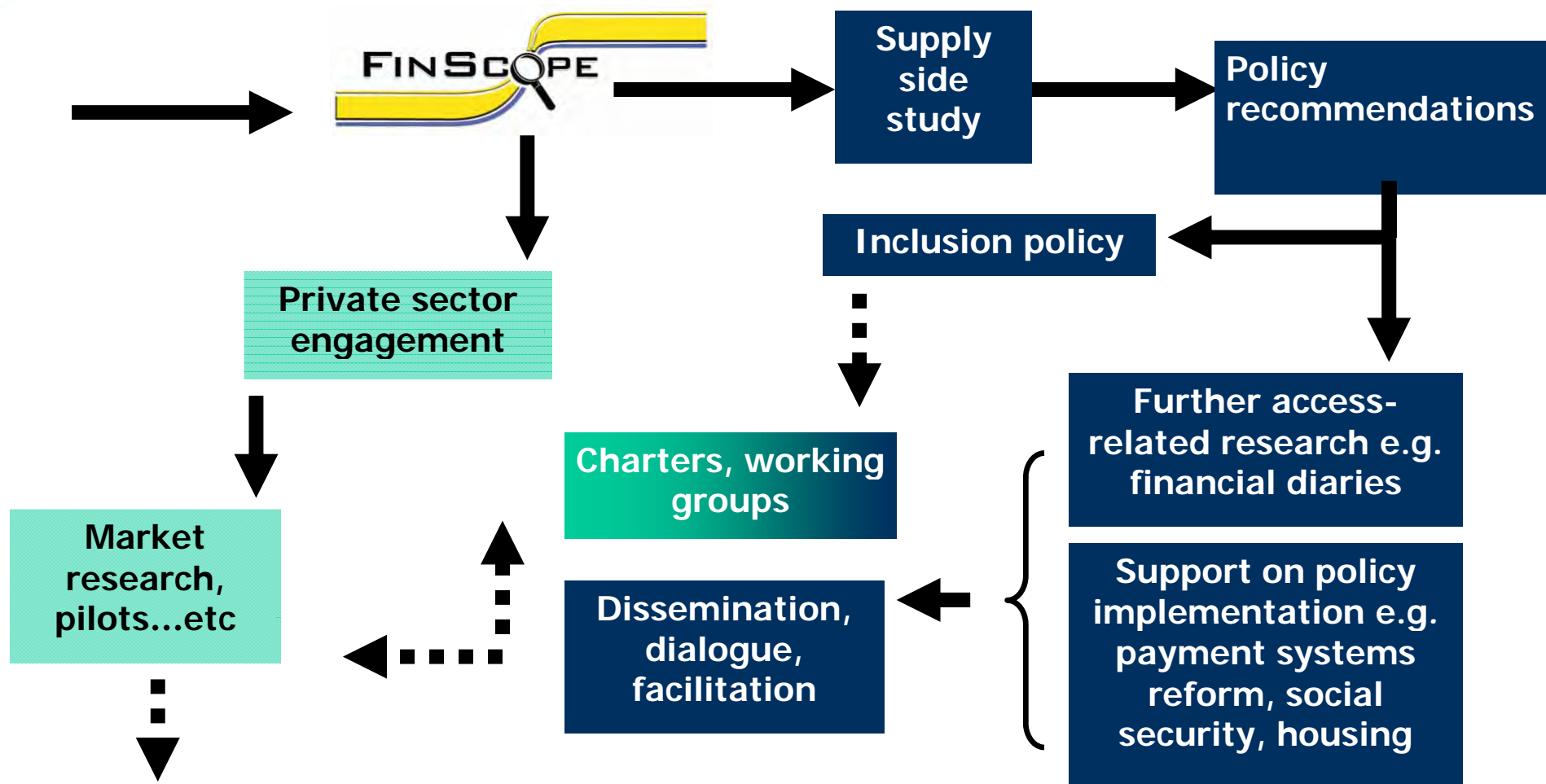
FinScope Africa Footprint



Understanding the Access Issues using FinScope Methodology and Tools



A process of engagement



Facilitating uptake and dissemination

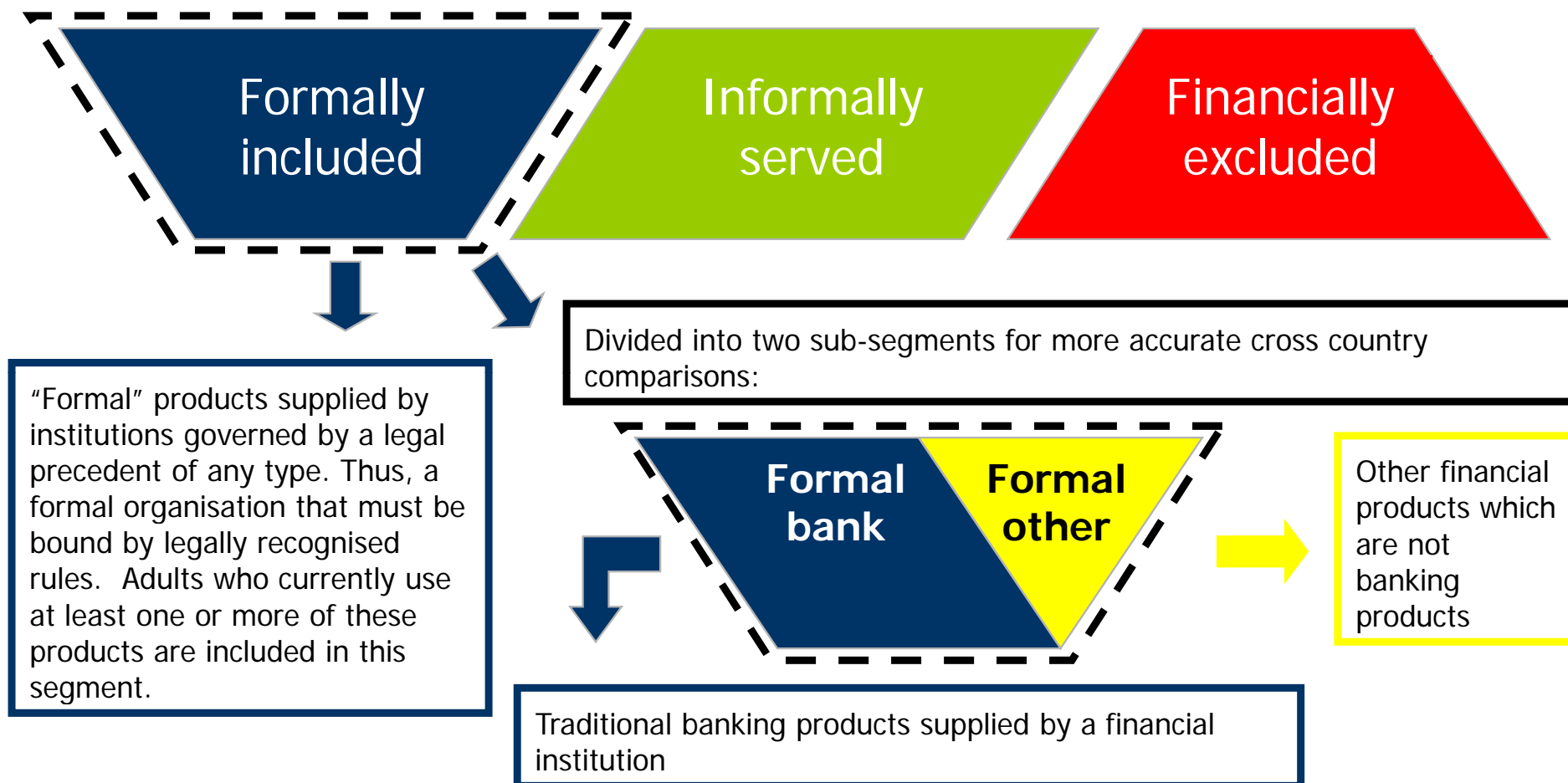


Comparison of FinScope findings contributes towards greater harmonization, cross-fertilization and regional integration around financial policy

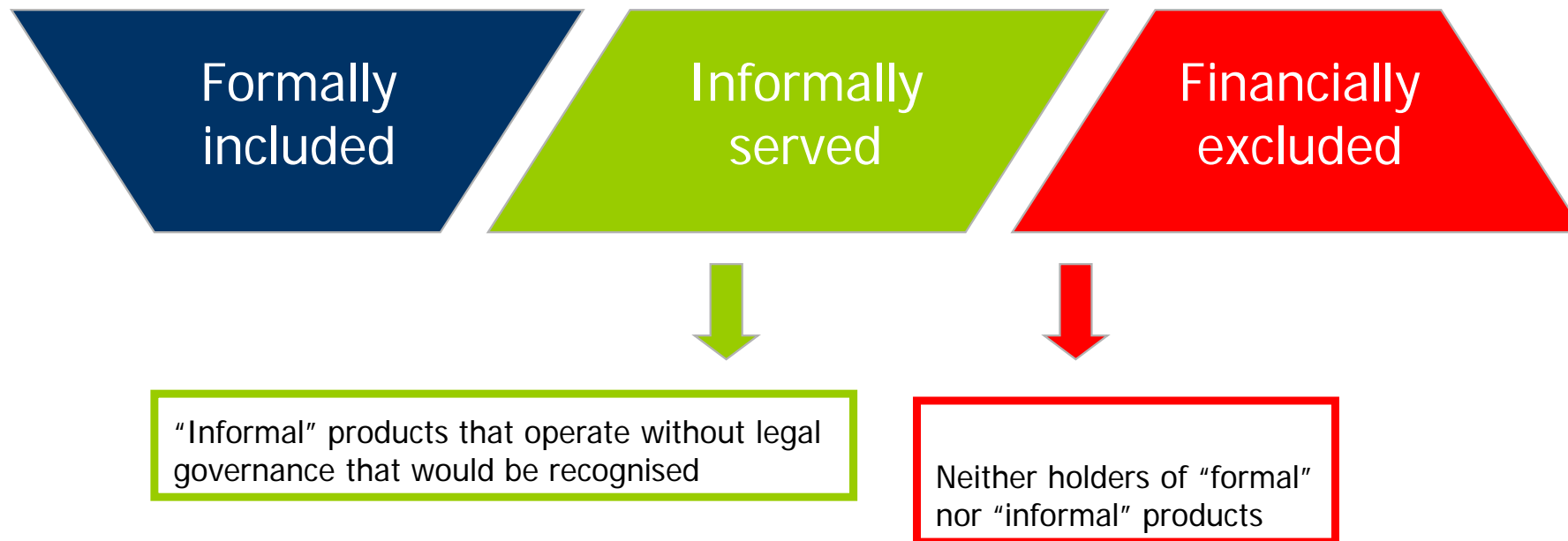
- Access Strand
- Landscape of Access
- Access Frontier



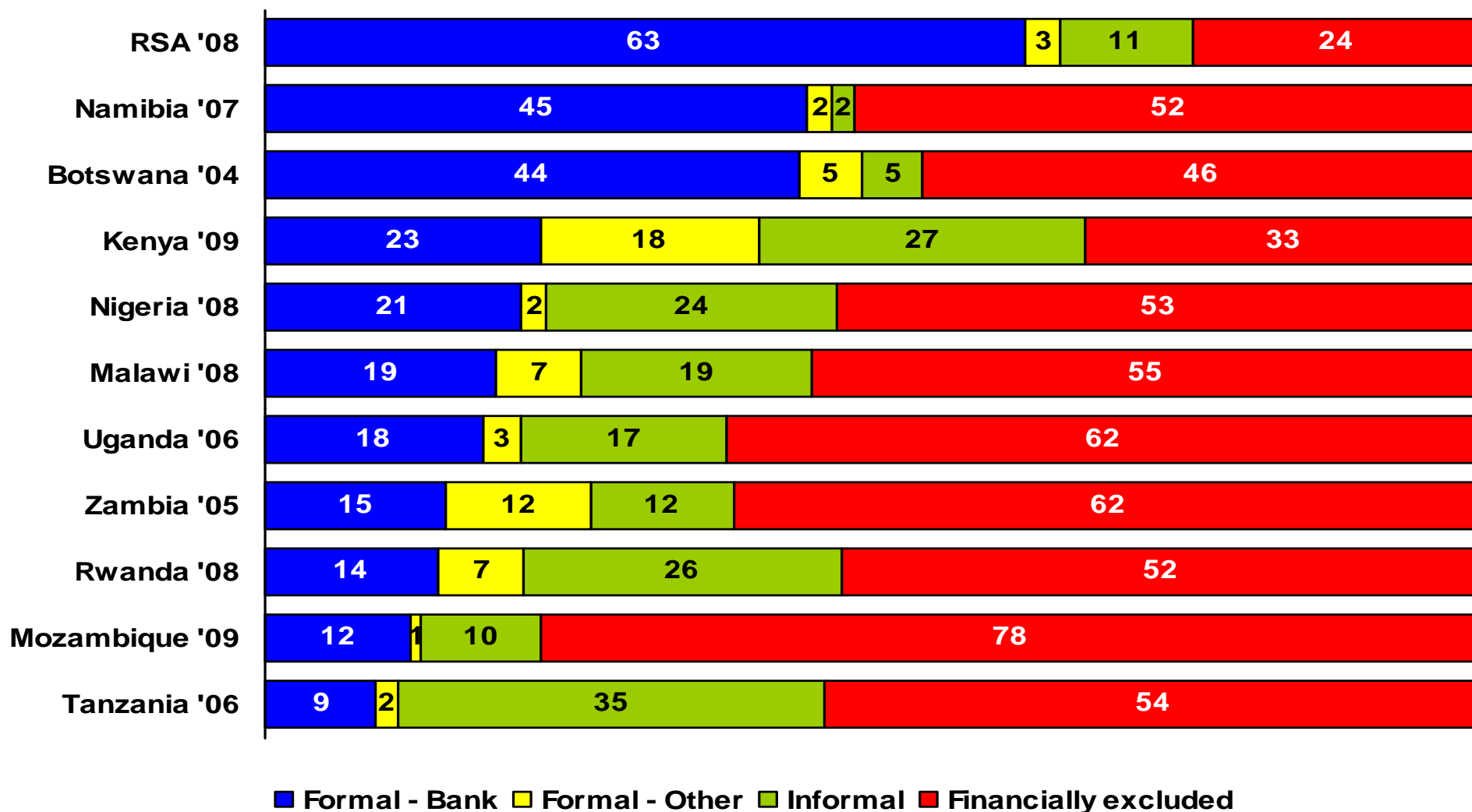
The Access Strand is segmented into the three broad segments



FinScope Financial Access Strand



FinScope Financial Access Strand (continued)

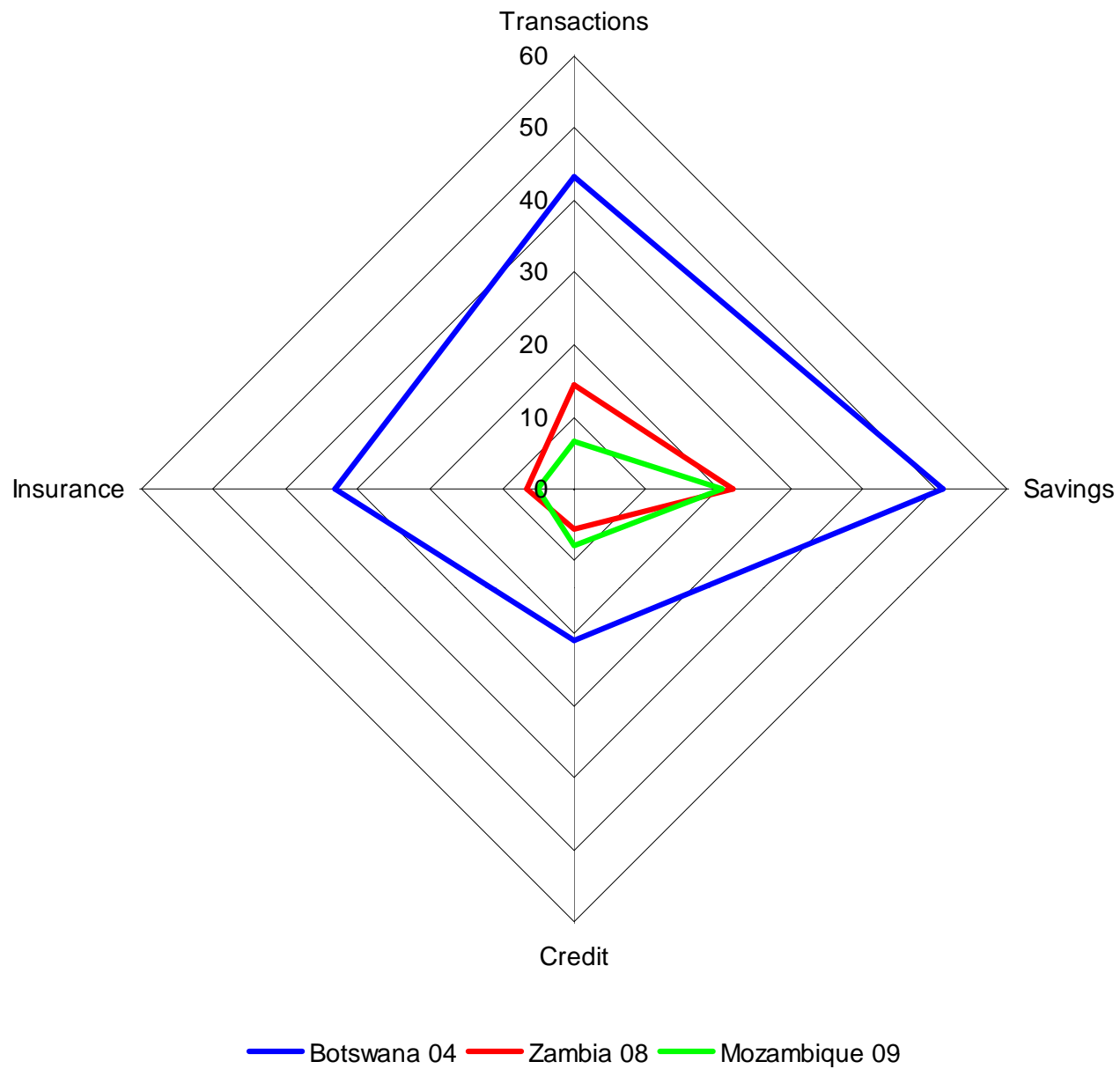


Comparison of Access Strands

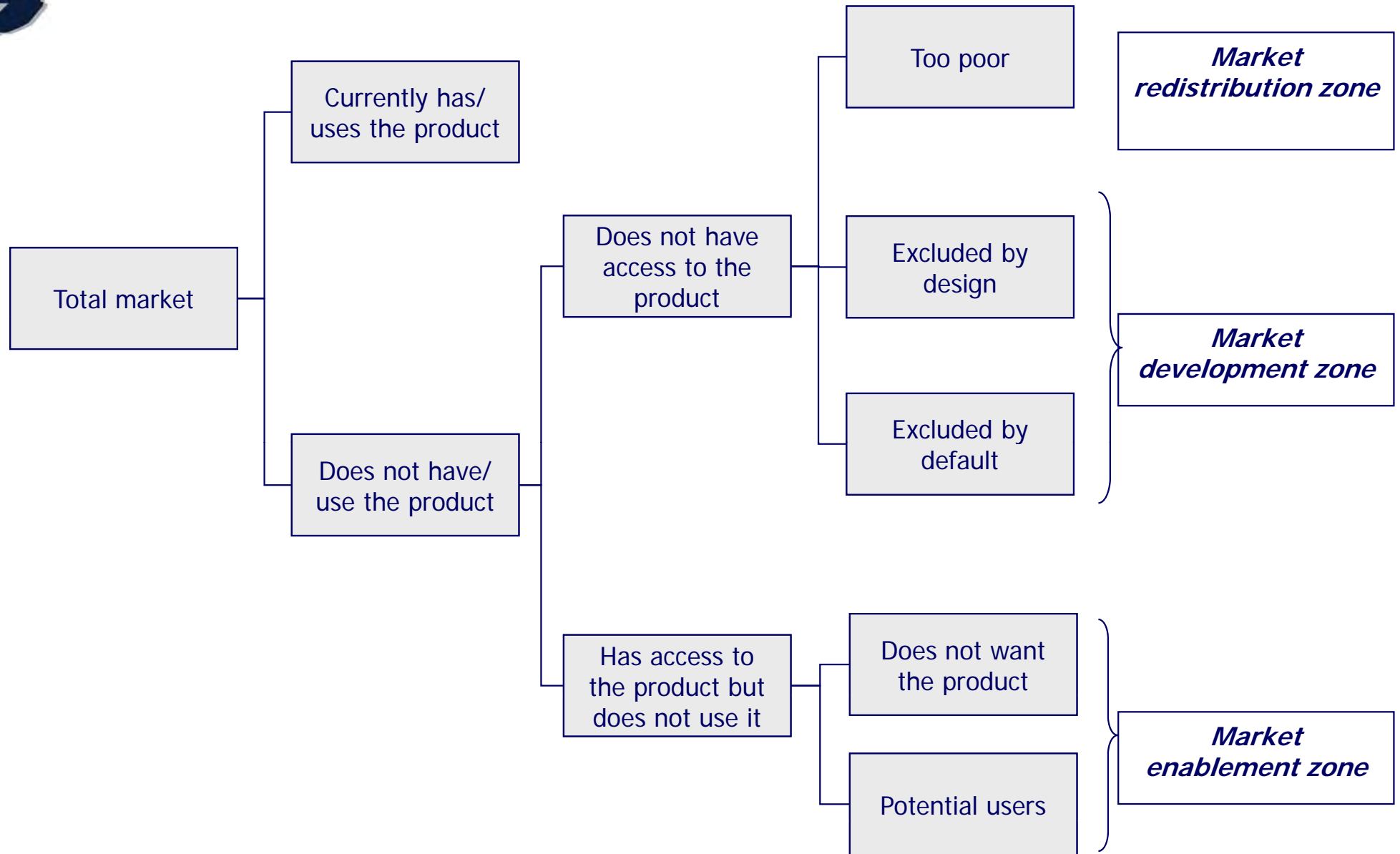


Landscape of Access describes the percentage of the adult population:

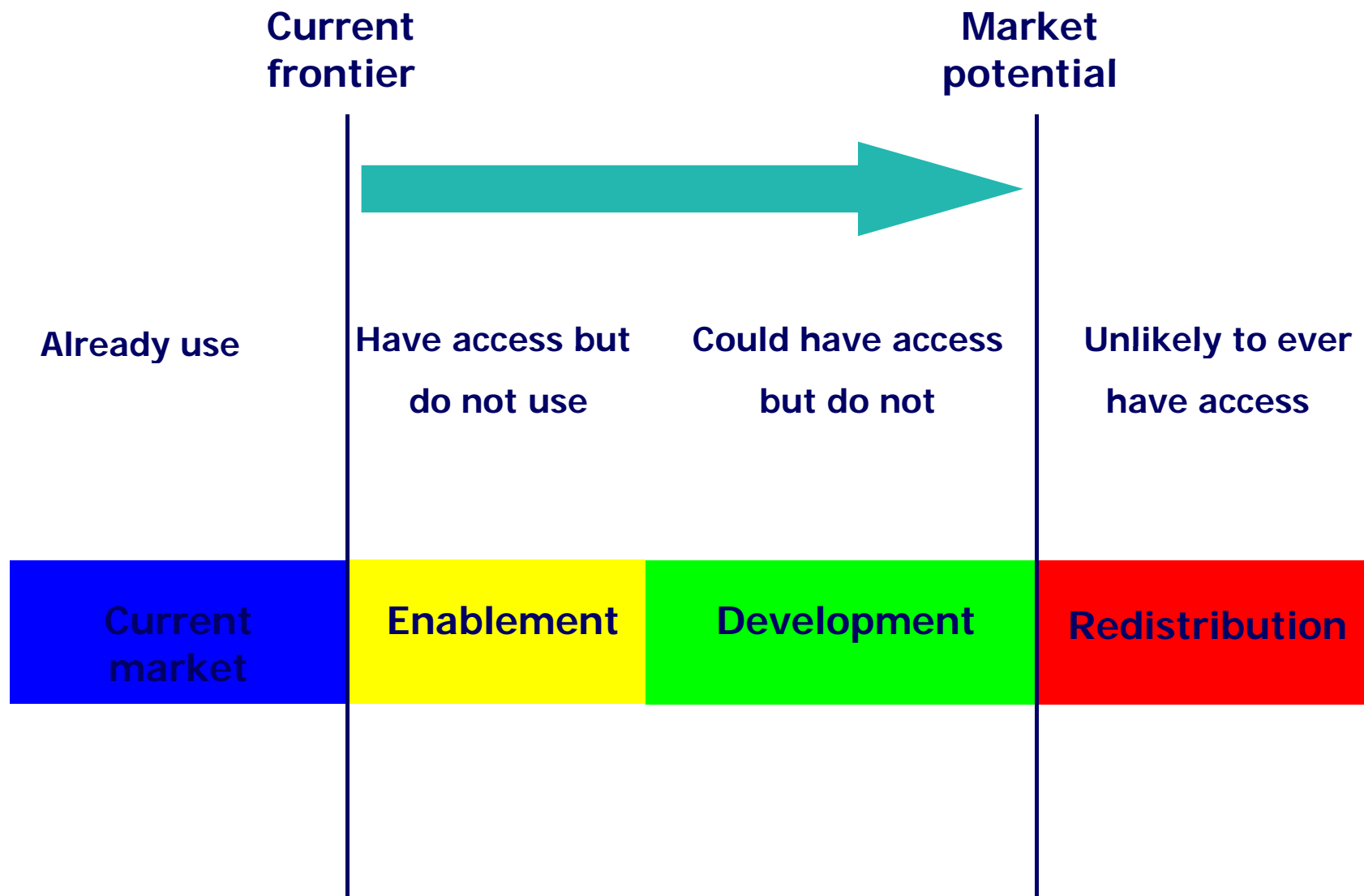
- who have TRANSACTION Accounts - i.e. any bank product which allows functionality to store cash and get cash or make payments via ATM, POS, or debit order
- who have CREDIT products - formal or informal
- who have SAVINGS products - formal or informal
- who have INSURANCE products - formal or informal



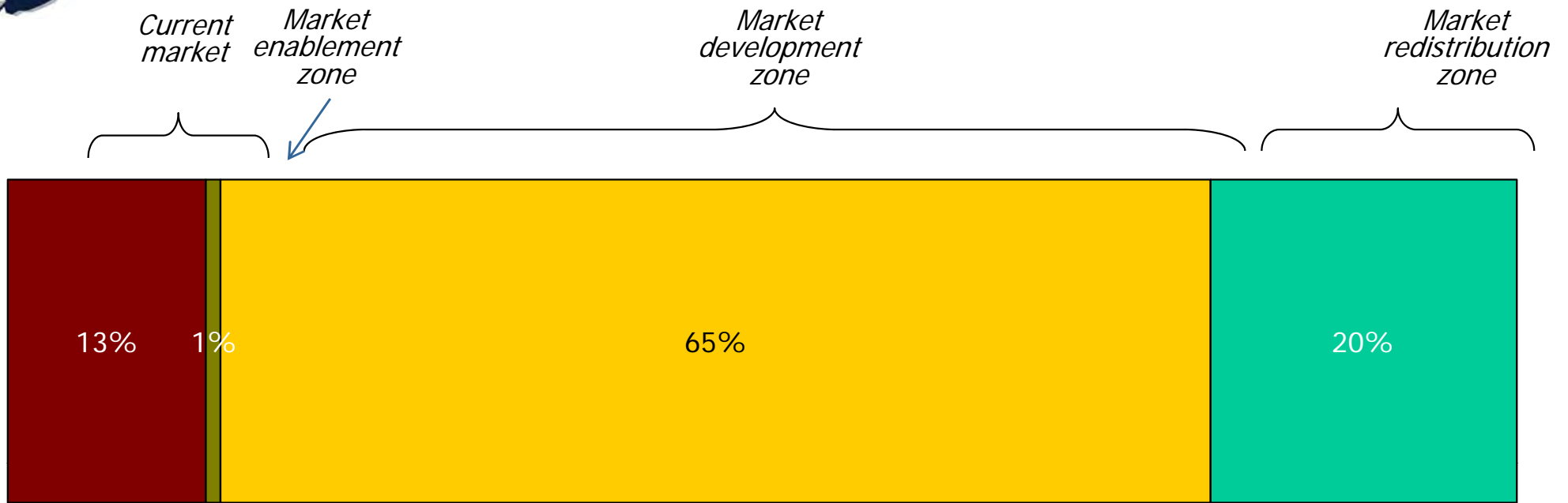
Comparison of Landscapes of Access



Defining the Access Frontier



Access Frontier



Note: we have NOT incorporated a constraint relating to irregular incomes

Access Frontier for savings accounts in Malawi
Potential of banking 66% additional Malawian adults



Evidence of FinScope Facilitating Change





South Africa National Treasury (SANT)

- SANT's financial sector policy guided by five fundamental principles: financial stability; prudential soundness; competition; consumer protection; and financial access
- To improve understanding of trade-offs between financial stability and financial access, the SANT is using FinScope data to benchmark and monitor financial sector developments, review the impact of legal and regulatory reform on access, and define policies to support financial sector development without compromising stability

Supporting a mass-market retail strategy for ABSA Bank

- ABSA, South Africa's largest retail bank, has committed itself to extending access of financial services to the poor
- Invested significant funds in using FinScope data to develop a richer understanding of this underserved part of the market
- Invested over \$5 million since 2003 in product development for the lower-income market
- *"Until FinScope there was no single source of information that provided us with an in-depth understanding of the lifestyles of different segments of South Africa's population... [FinScope] really gave us that edge in terms of getting such an insight that we could really develop a customer value proposition for the mass market".*

Case studies in the application of FinScope for policy and product development – South Africa



Bank Windhoek – innovation in savings product

- Bank Windhoek and FinMark Trust co-funded FinScope Namibia 2004
- Bank Windhoek wanted to gain insights into the market and better understand the needs of existing and future clients who had traditionally been excluded from Namibia's formal banking system
- Designed the Easy Save savings product with a very low minimum balance, minimal opening requirements, low fees, and a free life insurance worth \$400

Case studies in the application of FinScope for policy
and product development - Namibia



FINANCE BANK ZAMBIA LTD

- FinScope highlighted low credit penetration amongst small business owners, reliance on own capital to start a business and high use of cash for transactions – an untapped market
- Developed a more flexible lending product – SME Twikatane
 - Loans from \$2,800 to \$28,000
 - 48 hour approval process
 - Lower interest rates
 - Property as collateral not essential
- Piloted in 10 branches
- Good take up so far - over \$1million in new loans

Barclays Bank Zambia Ltd

- Opened 40 new branches in 2007
- Planning to open 40 more in 2008
- FinScope 'very useful' in helping to quantify the low income market
- Microfinance Manager appointed in March 2008
- Currently defining microfinance portfolio
- Investigating the possibility of spatially mapping FinScope data to identify optimum sites

FinScope helping individual institutions to develop more accessible banking strategies - Zambia



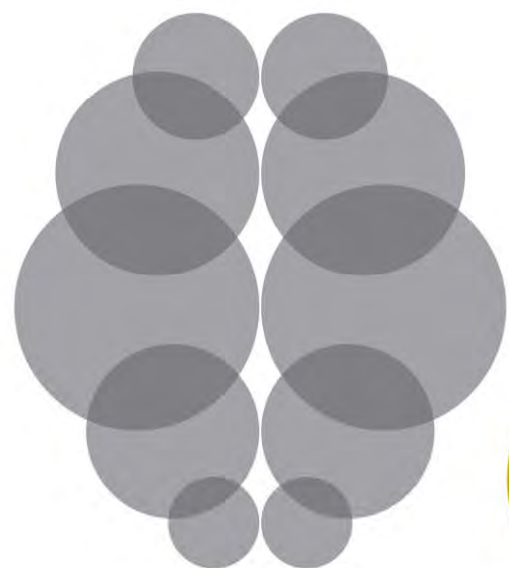
Risk Management	Market Segmentation	Product Development
<p>“FinScope has shown us that our current target market is limited to 500,000 people in formal employment...but that there is an untapped informal sector of around 4 million people...clearly identifying the informal sector as unbanked and unreached by the insurance industry”</p>	<p>“We have been comfortable using FinScope to segment our markets and determine where our concentration of effort should be and come up with optimum and cost-effective distribution channels ”</p>	<p>“From the time we started using FinScope we have been able to develop a funeral insurance policy for the informal market...And by understanding the current coping mechanisms and the recurrent costs of such mechanisms used by the informal sector, we have been able to determine an affordable price ”</p>

FinScope has been useful in assisting African Life Assurance Zambia with its risk management strategy, market segmentation and product development



Thank you

www.finmarktrust.org.za



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