



Analysis of Rural Financial Inclusion

FSDMo. 
INVESTINDO EM INCLUSÃO FINANCEIRA

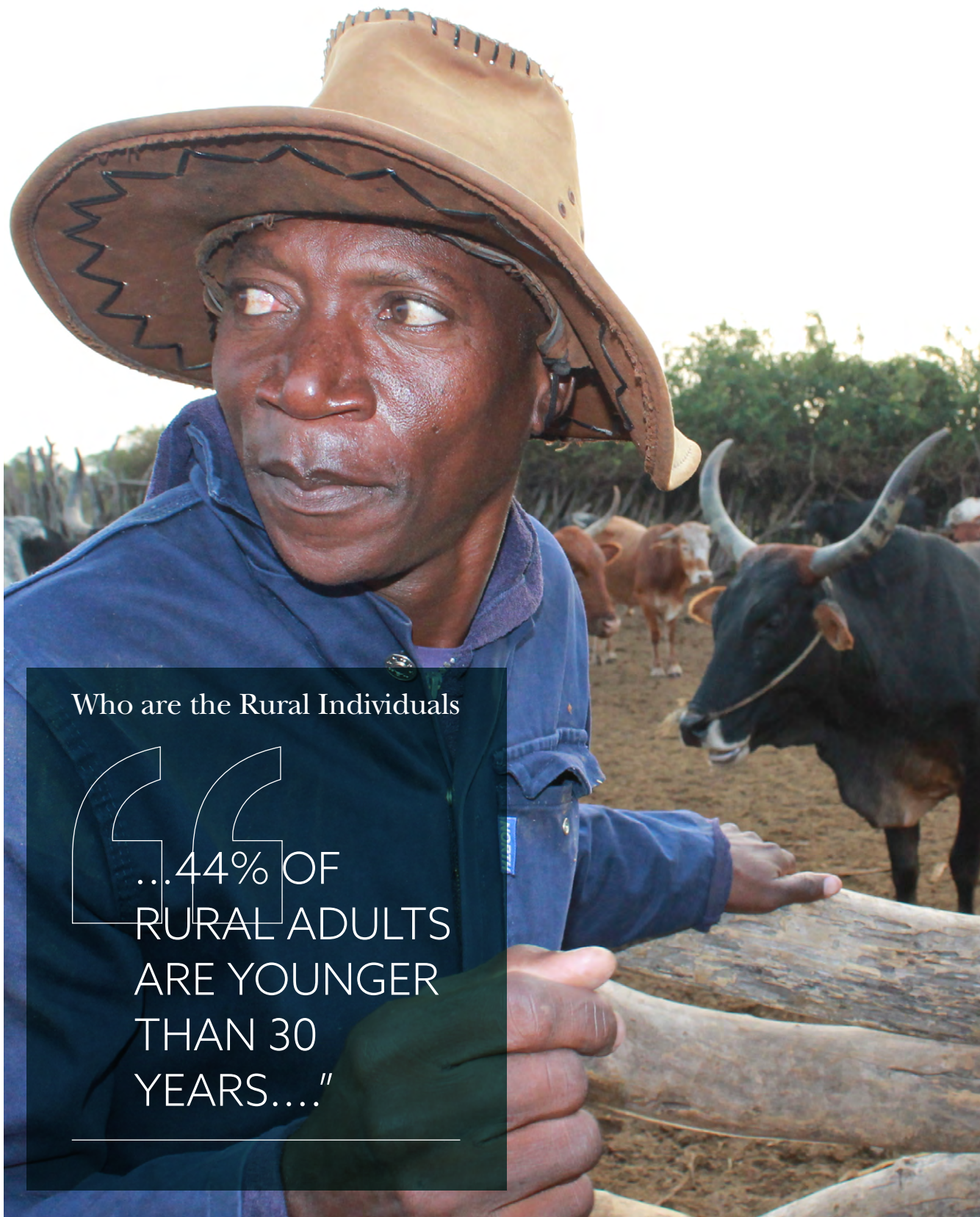
Key points

ANALYSIS OF RURAL FINANCIAL INCLUSION



“...RURAL
POPULATION IS
9.7 MILLION...”

- 05 WHO ARE THE RURAL INDIVIDUALS
- 09 ACCESS AND ELIGIBILITY
- 11 LEVELS OF FINANCIAL LITERACY
- 13 THE FINSCOPE ACCESS STRAND
- 19 SUMMARY AND OPPORTUNITIES



Who are the Rural Individuals

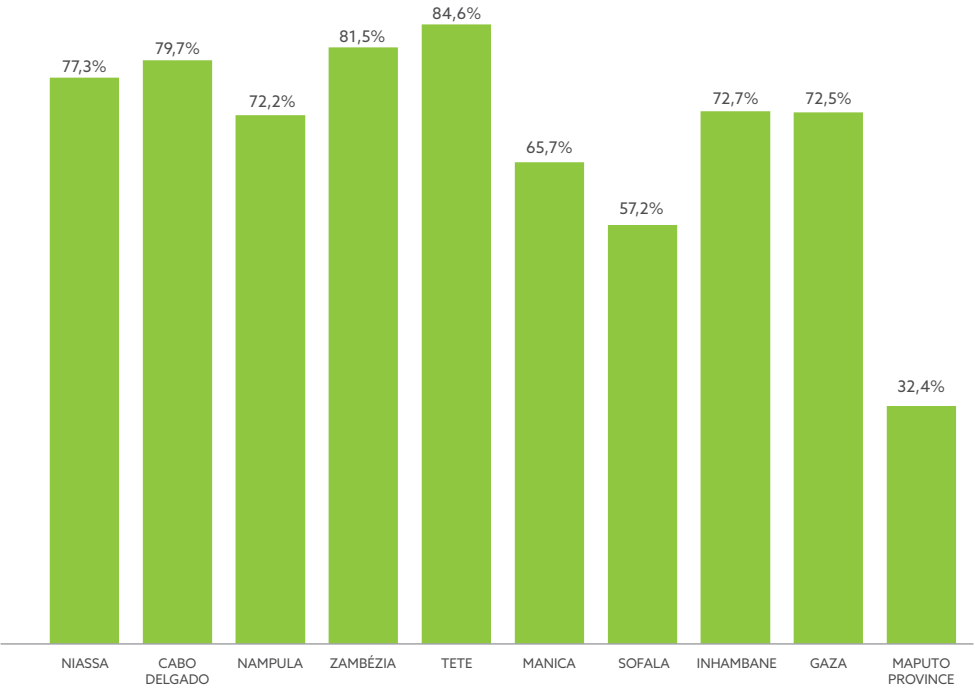
“...44% OF RURAL ADULTS ARE YOUNGER THAN 30 YEARS....”

Who are the Rural Individuals

RURAL ADULTS PER PROVIDE

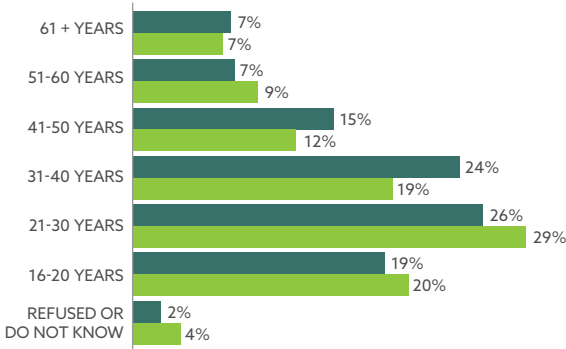
The total adult (+16) rural population is 9.7 million (67% of total adult population in Mozambique).

- > There are no gender distribution differences between rural and urban areas; 52% are women.
- > 44% of rural adults are younger than 30 years. Yet, rural areas have more older population than urban areas (more rural adults are older than 61 years and between 41-50 years than urban adults).
- > 75% of rural adults have some form of education, but 64% only have primary school or less 59% of rural adults have agriculture and fishing as the main source of income and very few (5%), are salaried.
- > 67% of rural adults earn less than 5.000 Mt per month which is not significantly different from urban areas (63%).

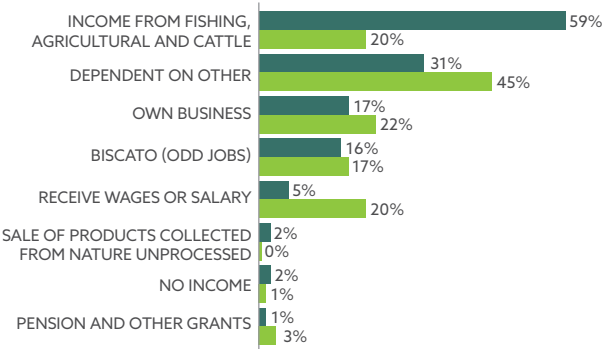


DEMOGRAPHICS

AGE



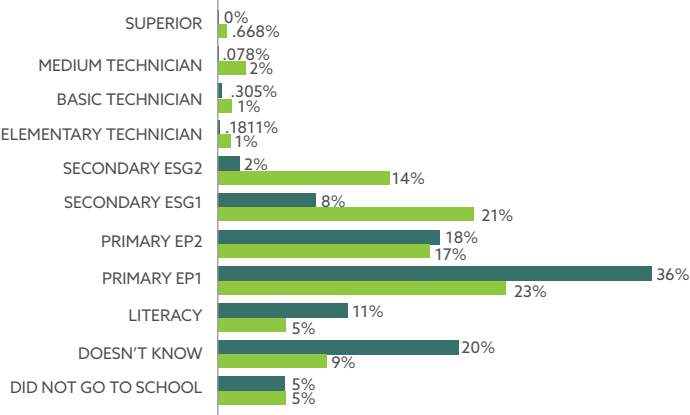
SOURCES OF INCOME



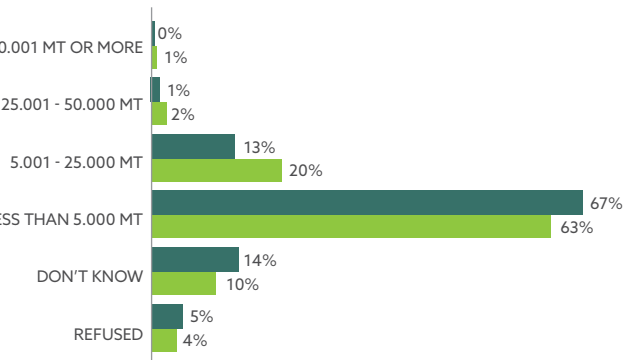
Who are the Rural Individuals

DEMOGRAPHICS

EDUCATION

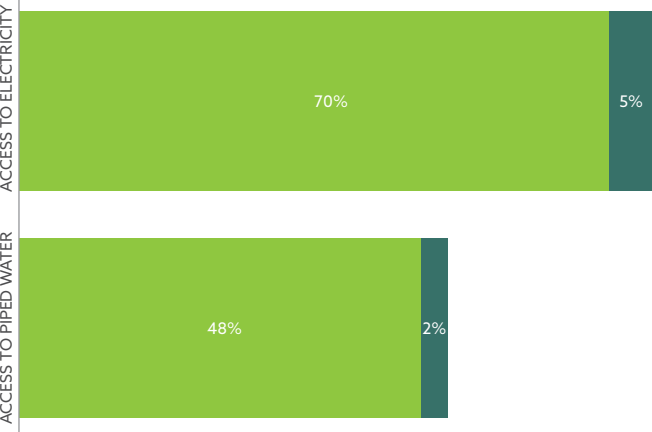


PERSONAL MONTHLY INCOME

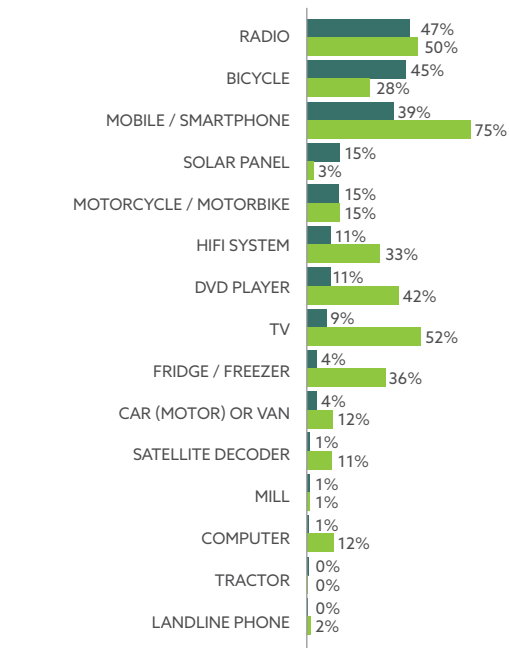


ACCESS TO BASIC AMENITIES

ACCESS TO BASIC AMENITIES



HOUSEHOLD OWNERSHIP OF ASSETS



Who are the Rural Individuals

ACCESS TO BASIC AMENITIES

“...2,5% OF HOUSEHOLDS HAVE PIPED WATER...”

- > Rural households have poorer access to piped water and electricity than urban households – in rural areas 2,5% of households have piped water and 5% have electricity compared to 48% and 70% respectively in urban areas.
- > Radios (47% of rural adults), bicycles (45%) and mobile phones (39%) are the assets most likely to be owned by rural adults; Urban adults are more likely to own mobile phones (75%), TVs (52%) and radios (50%).
- > Bicycle and solar panels are most owned in rural than in urban areas.
- > Rural adults are more dependent on their partners to make financial decisions.

TYPE OF HOUSING

RURAL

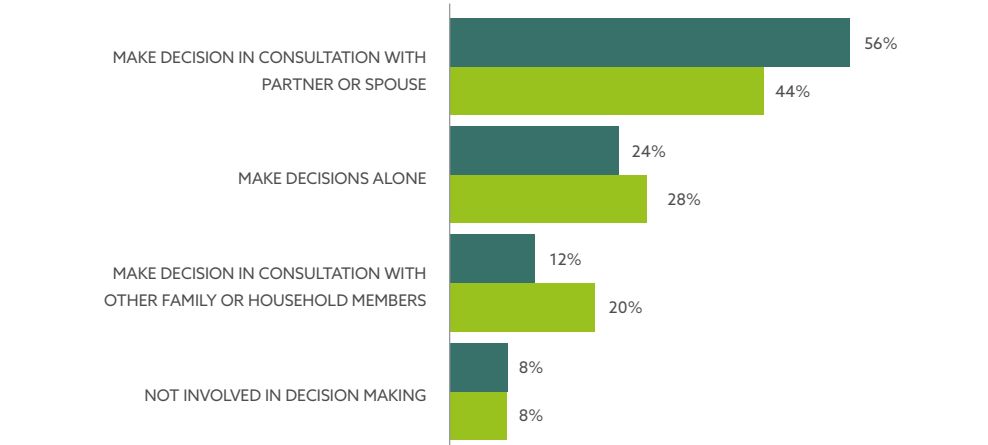
ROOF GRASS (75%)
WALLS ADOBE BRICKS (42%)
TYPE OF HOUSE HUT (56%)

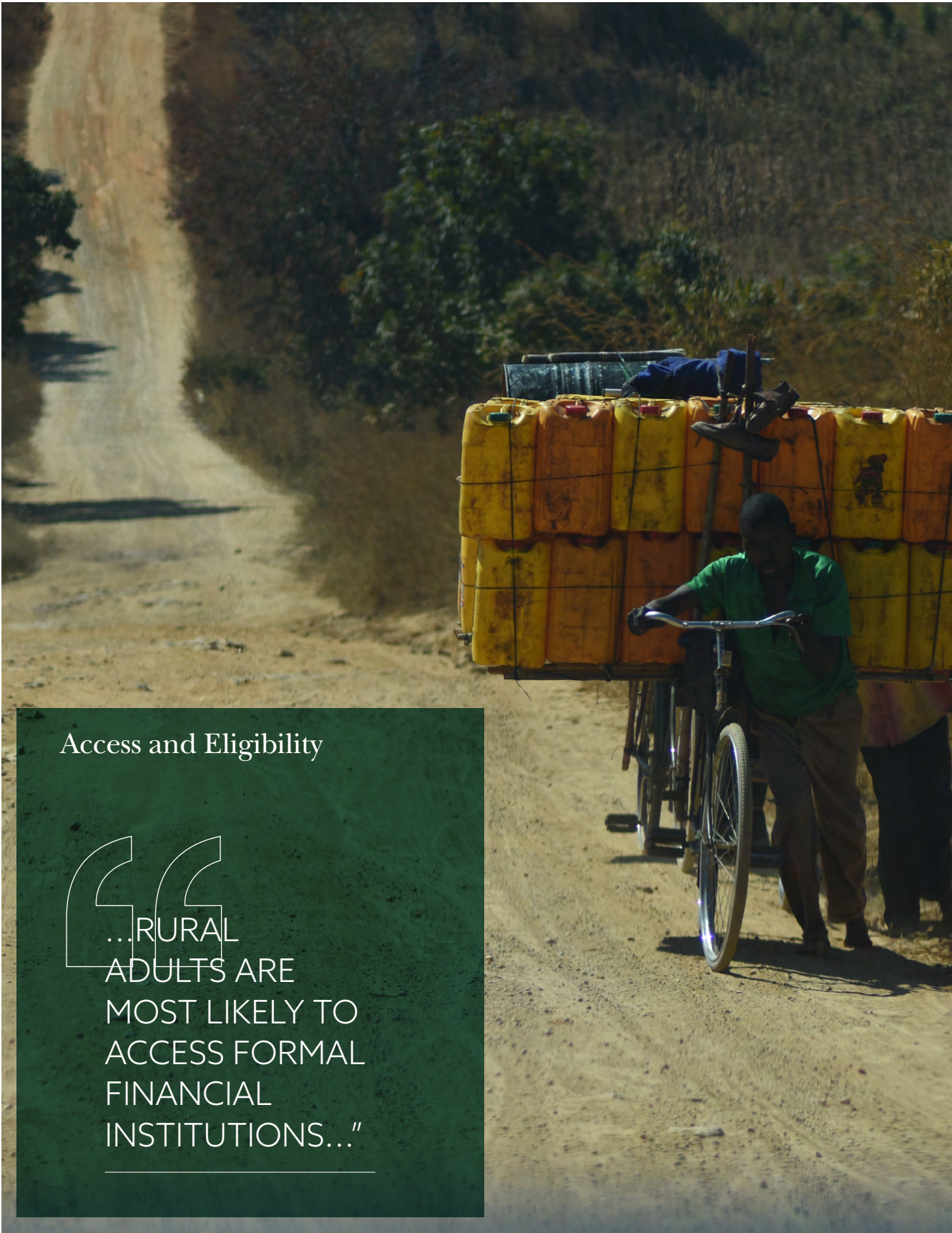
URBAN

ROOF ZINC (70%)
WALLS CONCRETE BRICKS (46%)
TYPE OF HOUSE CONVENTIONAL HOUSE (55%)



FINANCIAL DECISION MAKING





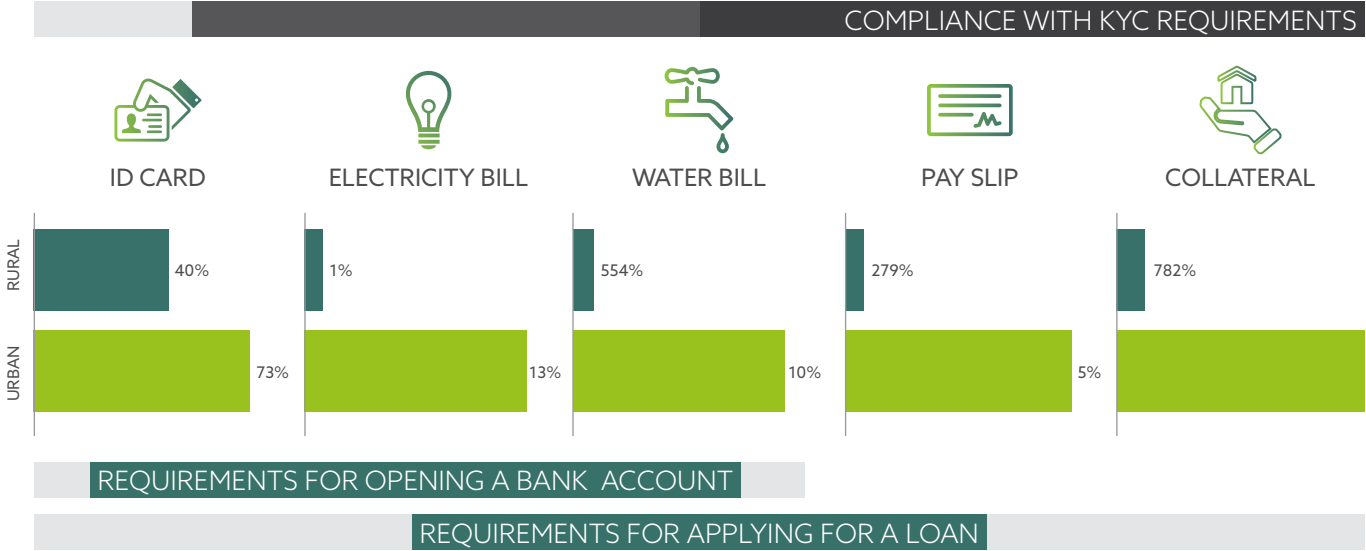
Access and Eligibility

“...RURAL ADULTS ARE MOST LIKELY TO ACCESS FORMAL FINANCIAL INSTITUTIONS...”

Access and Eligibility

ACCESS TO INFRASTRUCTURE			
		RURAL	URBAN
NEAREST MARKET	Time	Average : 39 minutes < 1 hour: 79% > 1 hour: 21%	Average : 21 minutes < 1 hour: 94% > 1 hour: 6%
	Transport	walk	walk
MONEY LENDER (LOAN SHARK)	Time	Average : 56 minutes < 1 hour: 67% > 1 hour: 33%	Average : 31 minutes < 1 hour: 87% > 1 hour: 13%
	Transport	walk	walk
BANK BRANCH	Time	Average : 1h 38 minutes < 1 hour: 37% > 1 hour: 63%	Average : 35 minutes < 1 hour: 81% > 1 hour: 19%
	Transport	public transport	walk
ATM	Time	Average : 1h 38 minutes < 1 hour: 37% > 1 hour: 63%	Average : 35 minutes < 1 hour: 85% > 1 hour: 15%
	Transport	public transport	walk
FINANCIAL INSTITUTION OFFICE	Time	Average : 1h 38 minutes < 1 hour: 34% > 1 hour: 66%	Average : 39 minutes < 1 hour: 81% > 1 hour: 19%
	Transport	public transport	walk

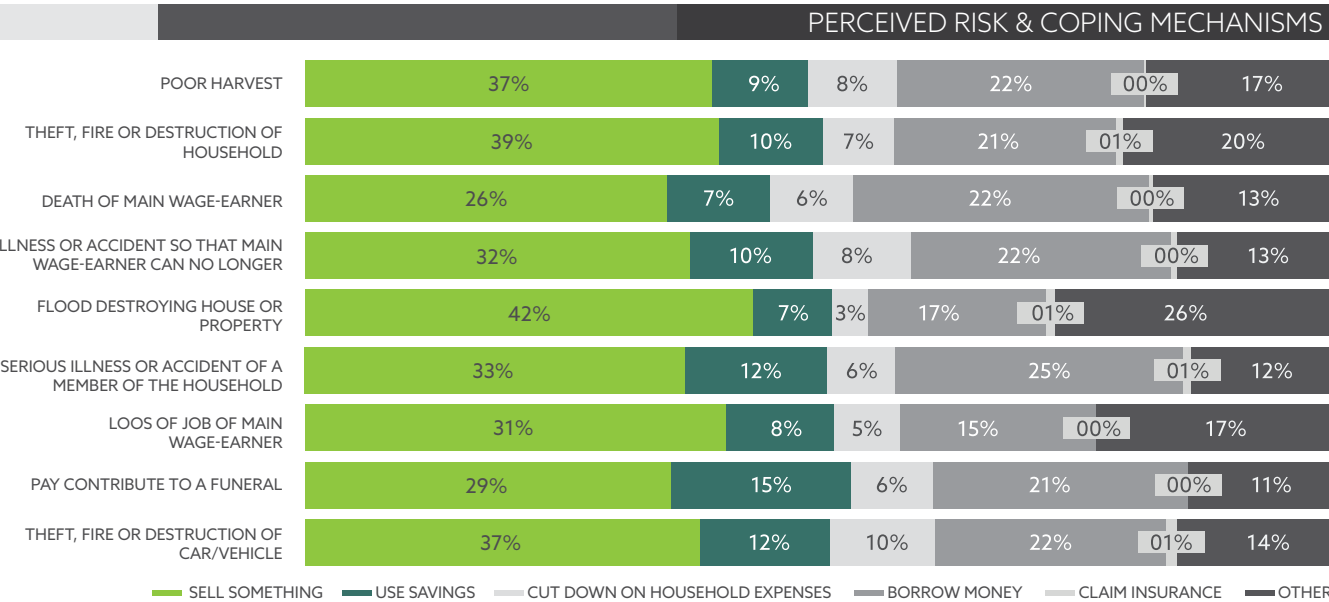
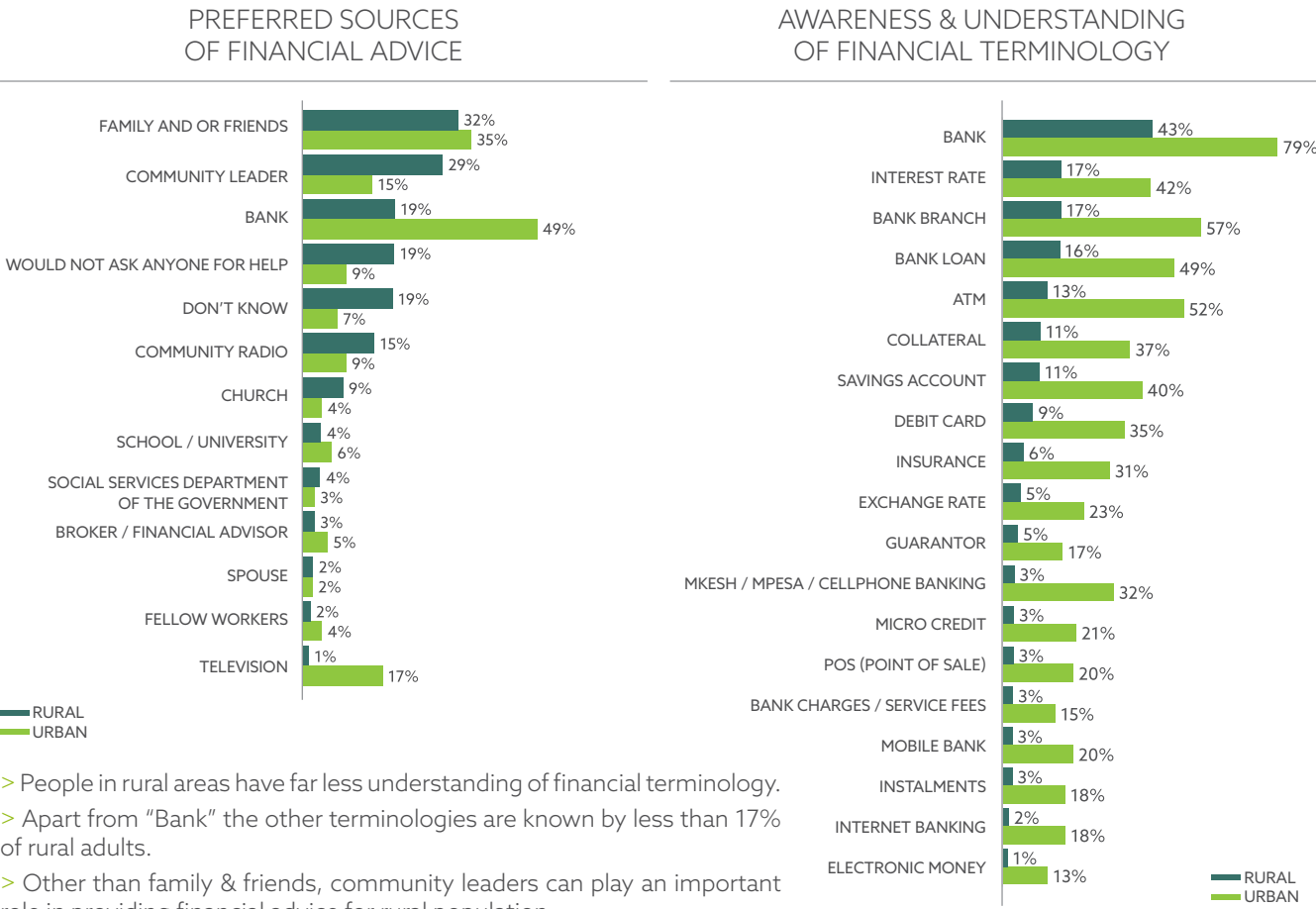
> Rural adults are most likely to access formal financial institutions’ access points by public transport and it still takes them more than 1h 30m to reach these, while urban adults access these in less than 40 min walking



> Both rural and urban people have difficulties in meeting documentation requirements (particularly proof of residence) for opening a bank account and/or applying for a loan

> Although 13% of adults in rural areas have houses made of concrete bricks or burnt clay bricks, only 1% have the respective title deeds

Levels of Financial Literacy



- > Clearly, insurance is not a common coping mechanisms in rural areas. The same trend was observed in urban areas.
- > Selling an asset is the main mechanism rural adults use to cope with unexpected expenses followed by borrowing money.

The FinScope Access Strand

“...THERE WAS AN IMPROVEMENT FROM 2009 TO 2014 IN THE LEVELS OF FINANCIAL INCLUSION...”

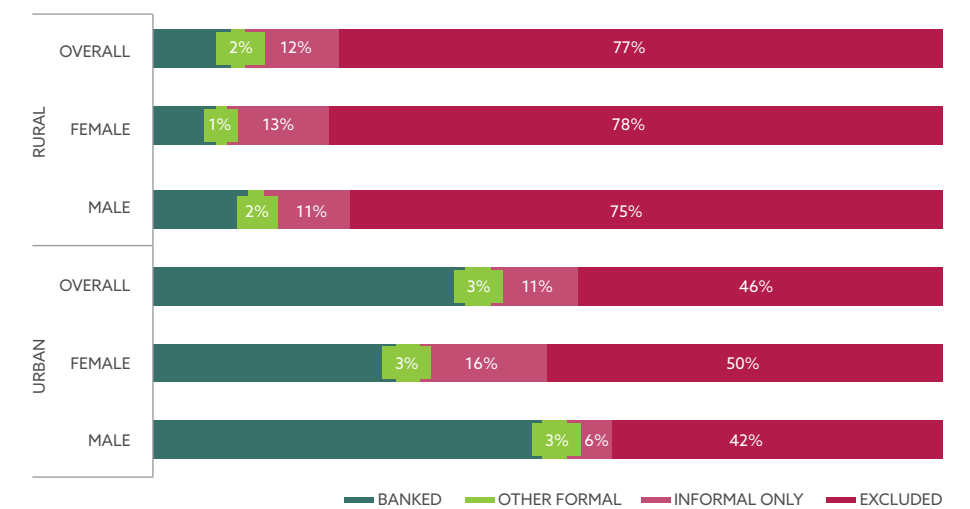
The Access Strand is used to understand the level of financial inclusion.

> Overall, there was an improvement from 2009 to 2014 in the levels of financial inclusion. However, the improvement was most felt in urban areas and by male adults which widens the gap between urban and rural areas as well as between men and women.

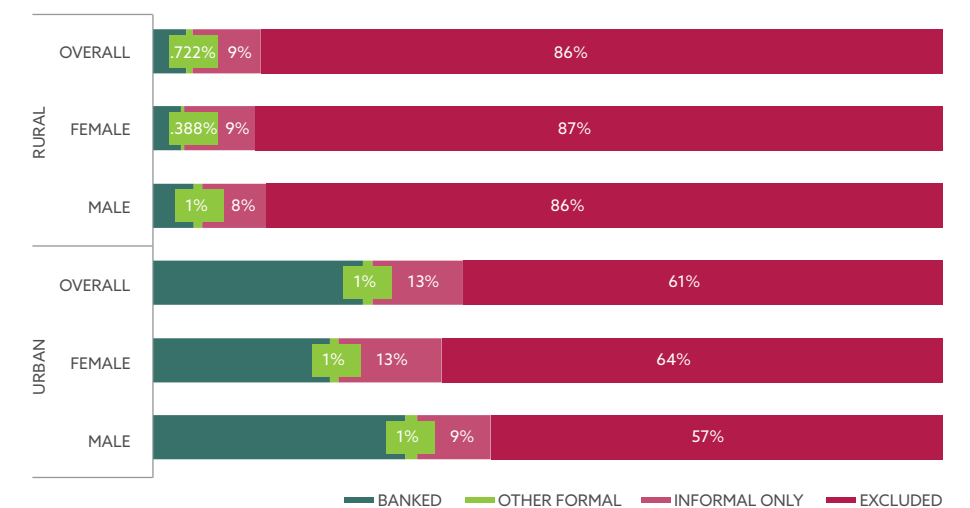
77% of rural adults in Mozambique are financially excluded

The FinScope Access Strand

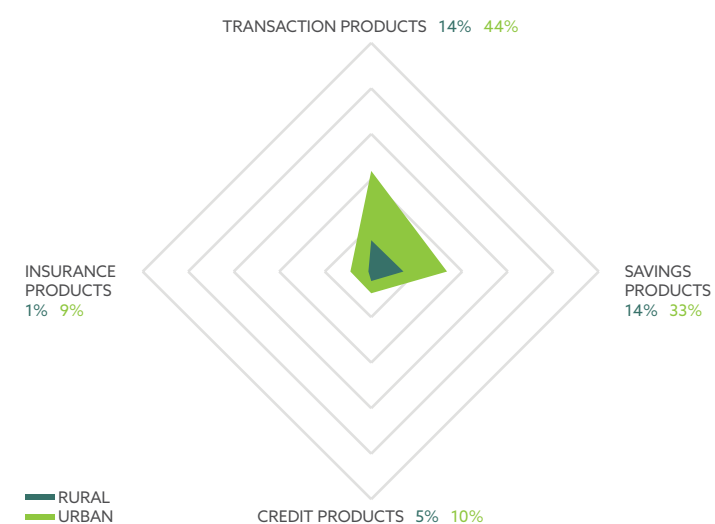
2014



2009



LANDSCAPE OF ACCESS



> There is a significant difference between rural and urban areas with regards to the proportion of banked adults (10%, 40%).

> 77% of rural adults in Mozambique are financially excluded (i.e. do not use any financial products, neither formal nor informal) compared to less than 50% in urban areas.

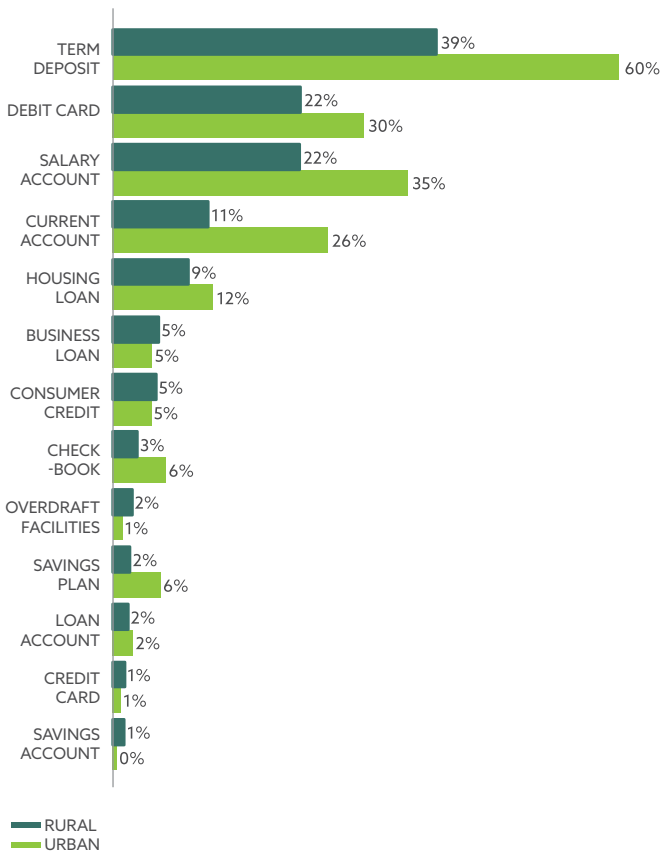
> There is a considerable gender difference in financial inclusion between rural and urban areas. Women is far less banked in rural areas than in urban areas (8%, 31%). However, the gender gap is smaller in rural than in urban areas.

> Apart from insurance where access is low for both rural and urban areas, access to transactional, saving and credit products are lower in rural areas than in urban areas.

The FinScope Access Strand

BANKING

MOST USED BANKING PRODUCTS



Although 22% use debit cards in rural areas, only 9% of them know what it means.

Most Used
Banking Products
Term deposit
urban
60%

TOP DRIVERS

10% OF RURAL ADULTS ARE BANKED

- > To keep money safe (32%)
- > Employer requirement (20%)
- > To save or accumulate money (20%)
- > To send & receive money (12%)
- > To access credit services (10%)

40% OF URBAN ADULTS ARE BANKED

- > To keep money safe (52%)
- > Employer requirement (32%)
- > To save or accumulate money (24%)
- > To send & receive money (21%)
- > To pay bills and expenses (13%)

TOP BARRIERS

10% OF RURAL ADULTS ARE BANKED

- > To keep money safe (32%)
- > Employer requirement (20%)
- > To save or accumulate money (20%)
- > To send & receive money (12%)
- > To access credit services (10%)

40% OF URBAN ADULTS ARE BANKED

- > To keep money safe (52%)
- > Employer requirement (32%)
- > To save or accumulate money (24%)
- > To send & receive money (21%)
- > To pay bills and expenses (13%)

Top Drivers
40% of urban
adults are
banked
To keep money
safe (52%)

TOP DRIVERS

31% OF RURAL ADULTS SAVE

- > To increase my income (37%)
- > Living expenses when you do not have money at that (37%)
- > For an medical emergency (27%)

42% OF URBAN ADULTS SAVE

- > To increase my income (50%)
- > Living expenses when you do not have money at that (33%)
- > For an emergency other than medical (21%)

TOP BARRIERS

69% OF RURAL ADULTS DO NOT SAVE

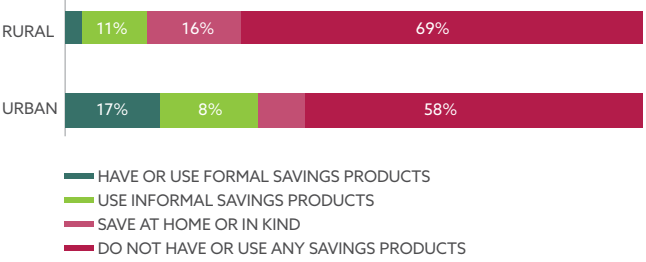
- > No money left over after living expenses (47%);
- > Never thought about saving (22%);
- > All money is put into the household pot (19%)

58% OF URBAN ADULTS DO NOT SAVE

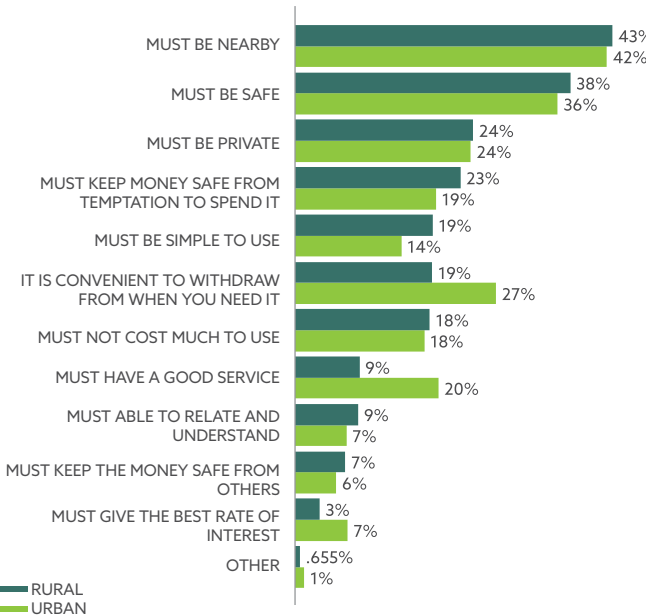
- > No money left over after living expenses (47%);
- > Never thought about saving (21%);
- > Do not have any income - so nothing to save (19%)

Top Drivers
31% of rural
adults save
To increase my
income (37%)

SAVINGS & INVESTMENTS



FACTORS CONSIDERED IN DECIDING WHERE TO SAVE

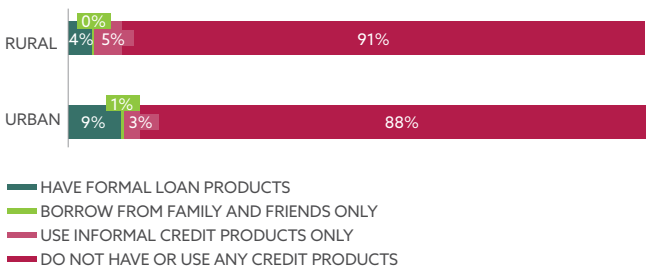


Factors
Considered in
Deciding
Where to Save
Must be nearby
urban 43%

The FinScope Access Strand

BORROWING AND CREDIT

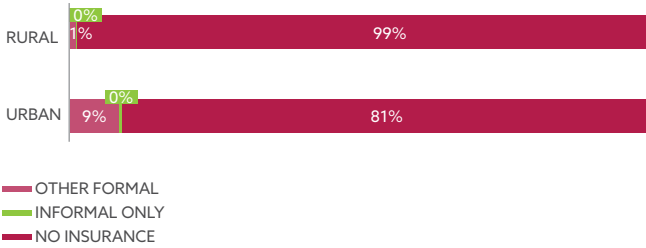
BORROWING & CREDIT ACCESS STRAND



- > Rural adults are most likely to rely on family and friends to borrow money
- > When deciding on where to borrow, rural and urban adults value similar factors, although with different magnitudes. While rural people value proximity (77%), convenience (23%) and low interest rates (11%), urban areas value proximity (62%), low interest rates (23%) and where their savings are (18%).

INSURANCE & RISK MANAGEMENT

INSURANCE & RISK MANAGEMENT ACCESS STRAND



- > Only 1% of rural adults have insurance
- > Life insurance (31%) and pension / retirement fund (21%) are the most common products among rural adults with insurance.
- > In urban areas like rural areas, life insurance (23%) and pension/retirement fund (24%) are the most common insurance products.
- > Barriers and drivers of rural and urban adults are almost the same, only the magnitude is different-

TOP DRIVERS

8% OF RURAL ADULTS HAVE LOANS

- > An emergency other than medical (43%)
- > Starting or expanding a business (35%)
- > Farming expenses such as seeds or fertilizer or fishing expenses such as nets or boats (22%)

12% OF URBAN ADULTS HAVE LOANS

- > An emergency other than medical (35%)
- > Starting or expanding a business (27%)
- > Building or rehabilitating dwelling (30%)

TOP BARRIERS

90% OF ADULTS ARE UNBANKED

- > Fear of owing money (30%)
- > Have not thought about borrowing (27%)
- > Do not need a loan (12%)

60% OF URBAN ADULTS ARE UNBANKED

- > Fear of owing money (33%)
- > Have not thought about borrowing (27%)
- > Do not need a loan (18%)

TOP DRIVERS

1% OF RURAL ADULTS HAVE INSURANCE

- > It is better to be safe than sorry (36%)
- > Being insured stops worrying (26%)
- > Cannot afford to lose the thing that is covered (22%)

9% OF URBAN ADULTS HAVE INSURANCE

- > It is required by law to have it (36%)
- > Being insured stops you worrying (30%)
- > It is better to be safe than sorry (25%)

TOP BARRIERS

99% OF RURAL ADULTS DO NOT HAVE INSURANCE

- > Has not heard about it (63%)
- > Has never thought about it (28%)
- > Does not know how it works (27%)

91% OF URBAN ADULTS DO NOT HAVE INSURANCE

- > Has not heard about it (38%)
- > Has never thought about it (30%)
- > Does not know how it works (24%)

- > 11% of rural adults claimed that they had received money during the last year and 9% claim that they had sent money. In urban areas 24% of adults reported that they had received and 19% that had sent money.

- > 45% of rural adults sent money irregularly while 54% receive money irregularly.

- > Sending (56%) and receiving (53%) money through a relative or friend is the most common way of remitting in rural areas.

- > Taxi, bus, other vehicle for a fee are used by 13% of rural adults who send money whilst 25% receive money in this way

- > Although 41% of rural adults send money through a bank, only 23% receive through a bank.

- > In urban areas bank is the most common way to send (88%) and receive (61%) money.

- > Another channel urban adults use to send (12%) and receive (23%) money is through a relative or friend.

- > Mobile money is still not widely used among urban and rural adults to send and receive money (only 1% of total adults use it).

TOP DRIVERS

0,5% OF RURAL ADULTS USE MOBILE MONEY

- > It is cheap (50%)
- > It is the only option accessible in the area (21%)
- > It is convenient (20%)

9% OF URBAN ADULTS USE MOBILE MONEY

- > It is convenient (43%)
- > It is cheap (31%)
- > It is suitable for clearing bills (22%)

TOP BARRIERS

99,5% OF RURAL ADULTS DO NOT USE MOBILE MONEY

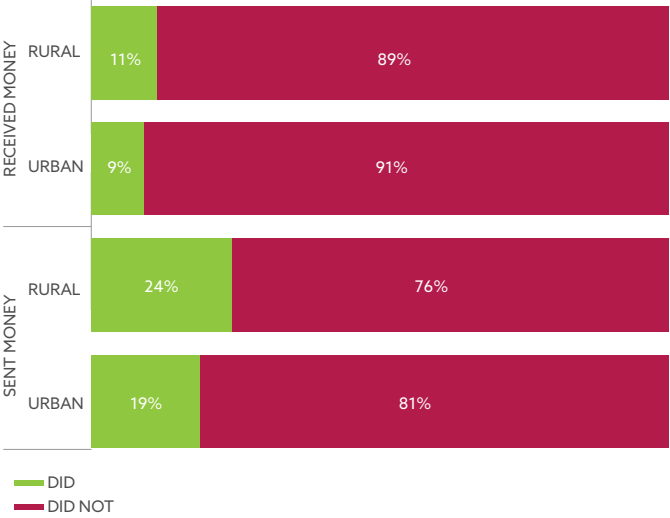
- > Does not know the service (89%)
- > Does not have enough information (7%)
- > No mobile money dealers in the area (3%)

91% OF URBAN ADULTS DO NOT USE MOBILE MONEY

- > Does not know the service (60%)
- > Does not have enough information (18%)
- > Have not thought of (10%)

The FinScope Access Strand

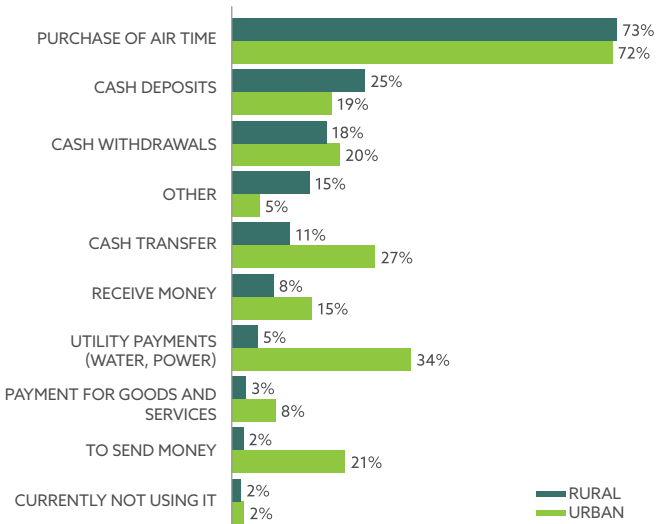
REMITTANCES



MOBILE MONEY

- > In rural areas only 11% of adults know about mobile money but merely 0,5% use it.
- > Although mobile money is better known by urban adults (40%) uptake is still low (8,9%).
- > Purchasing air time is the most common transaction conducted by mobile money users both in rural (73%) and urban areas (72%).

MOBILE MONEY TRANSACTIONS



Summary and Opportunities

MAIN REASONS FOR FINANCIAL EXCLUSION IN RURAL AREAS

LOW LEVELS OF INCOME:

Two thirds of rural population have a monthly income below 5.000 Mts: Not having enough money is the main barrier for banking.

SEASONALITY OF INCOME:

44% of the rural population rely on agriculture and fishing as a main source of income. These activities are highly seasonal. Very few rural adults (5%) are salaried, yet credit to individuals in Mozambique is mainly salary-based.

LOW LEVELS OF EDUCATION:

Most adults in rural areas (64%) only have primary school and the study shows a clear relationship between education and levels of financial inclusion .

LOW LEVELS OF FINANCIAL LITERACY:

Apart from "Bank", other financial terms are known by less than 17% of the rural adult population. Although 22% of rural adults claim to use debit cards, only 9% rural adults know what it means. Only 11% of the rural population use banks to send and receive money; 11% know about mobile money but only 0,5% use mobile services to send and receive money.

LIMITED COMPLIANCE WITH KYC REQUIREMENTS:

Only 40% of rural adults have an ID, 1% has a electricity or water bill (as a proof of residence) to open a bank account. On the other hand, 60% of the rural adult population have their own house but only 13% are made of concrete bricks and burnt clay bricks and only 1% have documents to prove asset ownership, inhibiting the use of their houses as collateral.

LONG DISTANCE TO A FINANCIAL INSTITUTION:

Rural adults are mostly likely to access banking formal financial structures using public transport, which, most of the time, take them more than 1h30 to reach (only 26% of bank branches in Mozambique are located in rural areas). This implies high transaction costs in using financial services.

LACK OF REQUIRED ASSETS:

For rural adults most significant assets are radio (47%), bicycle (45%) and mobile phones (39%).

POOR COPING MECHANISMS:

Despite the risks rural population is exposed to, insurance is not a common coping mechanisms for them. They sell something, use savings and borrow money to cope with unforeseen events, further increasing their vulnerability.

Summary and Opportunities

“...RURAL ADULTS ARE MOSTLY LIKELY TO ACCESS BANKING FORMAL FINANCIAL STRUCTURES...”

Summary and Opportunities

OPPORTUNITIES	
APPROPRIATENESS OF FINANCIAL PRODUCTS	ADEQUACY OF COMMUNICATION AND FINANCIAL EDUCATION
<p>> Most banking products are focused on salaried individuals, but in rural only 5% of adults are salaried. There are opportunities for financial institutions to develop financial products for non-salaried income earners, agriculture, business owners and those who do “biscatos” (odds jobs), taking into account:</p> <ul style="list-style-type: none">> Irregularity of their income.> Rapidity in credit disbursement required by their specific businesses.> Loan repayments aligned with cash flow.> Collateral requirements aligned with rural asset ownership.> Appropriate distribution channels to lower transaction costs . <p>> Lack of access to tap water (2.5%) and electricity (5%) in rural areas represent an opportunity to develop a financial product to satisfy these needs, for instance solar panel finance.</p> <p>> Due to the low penetration of insurance products, there is an opportunity to explore other mechanisms to mitigate risks in rural areas (savings) to prevent rural population to sell their assets and get credit to cope with emergencies and expected events.</p> <p>> Explore micro-insurance products using mobile platforms or agent banking.</p> <p>> Support mobile money operators to identify winning products in rural areas as it was the case in urban areas with the payment of services (34%) that is the second most popular transaction after airtime acquisition (around 74% for both rural and urban population).</p>	<p>> Conduct financial educations campaigns in rural areas to improve their understanding of financial terminologies and to clarify some misperceptions about financial institutions and their products. Considering the rural population demographic characteristics (e.g. low levels of education), financial education measures should take into account the following aspects:</p> <ul style="list-style-type: none">> Language: Local language and graphical language (cartoons).> Delivery channel: Radio and community leaders. <p>> Communication strategies by financial institutions to attract rural population should highlight the benefits that the population will derive from their services (emphasis on the rural population stated drivers to access banks or different products) and should address the barriers the rural population stated as barriers.</p> <p>> In addition, financial institutions can attract rural adults to banking through below the line (BTL) marketing using unconventional methods and delivery channels appropriate for the target group to promote products and services.</p> <p>> Given the rural population's limited understanding of financial institutions and its products all financial education efforts should be coupled with consumer protection measures that will empower them comfortable access and negotiate with financial service providers.</p> <p>> Develop programs to promote ASCAs. Although only 1.1% of rural adults participate in ASCAs, this is an important channel that could be used to conduct financial education campaigns and to link rural adults with formal financial institutions in a later stage.</p>

only 1.1% of rural adults participate in ASCAs

Summary and Opportunities



OPPORTUNITIES
ACCESSIBILITY OF FINANCIAL INSTITUTIONS
<p>> Diversify delivery channels to help rural population to reduce transaction costs (time and money) spent to reach a financial institution by using:</p> <ul style="list-style-type: none">> Agent banking: the use of commercial entities in rural areas that can be agents to the banks and provide a range of services available at the bank branches. Currently the regulation in Mozambique allows banking agents to provide all services provided by the bank except opening accounts (the agent can only receive opening account applications and forward it to a bank branch) and approve loan applications (the agent can only receive loan applications and send it to a bank branch for approval).> Mobile banking: uptake mobile banking in Mozambique has been very limited, but there is still a great potential for its expansion given the unmet demand for money transfer services (56% send and 53% receive money through friends and relatives).

money transfer services 56% send

money transfer services 53% receive money through friends and relatives

FOR MORE INFORMATION PLEASE CONTACT:



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