Analysis of Unbanked Mozambicans

FSDMoç

Key points

**ANALYSIS OF
UNBANKED MOZAMBICANS**

"THE TOTAL ADULT (+16) UNBANKED IS 11.6 MILLION..."

Who are the Unbanked

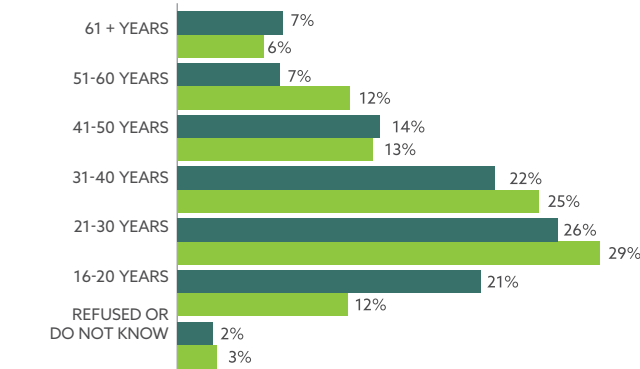"THE TOTAL ADULT (+16) UNBANKED IS 11.6 MILLION..."

Who are the Unbanked

The total adult (+16) unbanked is 11.6 million (80% of total adult population in Mozambique)

> 75% of unbanked adults lives in rural areas and the remaining 25% lives in urban areas.

> On average the unbanked have 35 years old. Around half (47%) have less than 30 years.

> 76% have some form of education, but 62% only have primary school.

> 55% of the unbanked are women while only 41% of the banked are women.

> Half of the unbanked (51%) have agriculture and fishing as the main source of income

> 70% earn less than 5.000 Mt per month, receiving on average 4.568,76 Mt. This is different from the banked adults where 51% earn less than 5.000 Mt per month and 10.939,35 Mt on average.
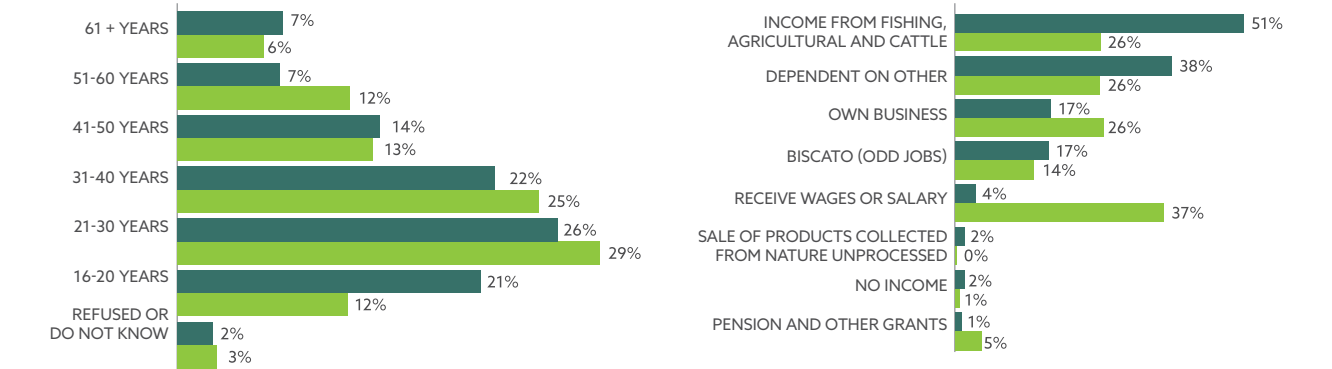
TETE	MANICA	NAMPULA	NIASSA	SOFALA	GAZA	CABO DELGADO	ZAMBÉZIA	INHAMBANE	MAPUTO PROVINCE	MAPUTO CITY
89%	86%	86%	82%	82%	82%	81%	80%	75%	67%	57%

AGE

Age group	UNBANKED	BANKED
61 + YEARS	7%	6%
51-60 YEARS	7%	12%
41-50 YEARS	14%	13%
31-40 YEARS	22%	25%
21-30 YEARS	26%	29%
16-20 YEARS	21%	12%
REFUSED OR DO NOT KNOW	2%	3%

- UNBANKED
- BANKED

SOURCES OF INCOME

Source	UNBANKED	BANKED
INCOME FROM FISHING, AGRICULTURAL AND CATTLE	51%	26%
DEPENDENT ON OTHER	38%	26%
OWN BUSINESS	17%	26%
BISCATO (ODD JOBS)	17%	14%
RECEIVE WAGES OR SALARY	4%	37%
SALE OF PRODUCTS COLLECTED FROM NATURE UNPROCESSED	2%	0%
NO INCOME	2%	1%
PENSION AND OTHER GRANTS	1%	5%

- UNBANKED
- BANKED

Who are the Unbanked

How the Unbanked Live

DEMOGRAPHICS

ACCESS TO BASIC AMENITIES

EDUCATION

	UNBANKED	BANKED
SUPERIOR	0%	1%
MEDIUM TECHNICIAN	0%	3%
BASIC TECHNICIAN	0%	2%
ELEMENTARY TECHNICIAN	0%	1%
SECONDARY ESG2	2%	20%
SECONDARY ESG1	10%	21%
PRIMARY EP2	18%	16%
PRIMARY EP1	34%	21%
LITERACY	10%	4%
DOESN'T KNOW	19%	5%
DID NOT GO TO SCHOOL	5%	6%

■ UNBANKED
■ BANKED

PERSONAL MONTHLY INCOME

	UNBANKED	BANKED
50.001 MT OR MORE	0%	1%
25.001 - 50.000 MT	1%	3%
5.001 - 25.000 MT	10%	37%
LESS THAN 5.000 MT	70%	51%
DON'T KNOW	15%	4%
REFUSED	5%	4%
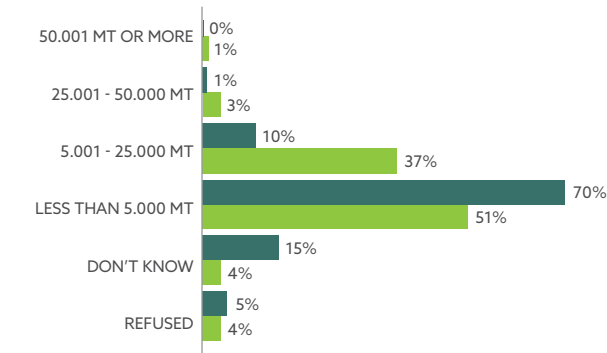
■ UNBANKED
■ BANKED

Personal Monthly
Income
70%
Less than
5.000 Mt

ACCESS TO BASIC AMENITIES

	BANKED	UNBANKED
ACCESS TO ELECTRICITY	62%	18%
ACCESS TO PIPED WATER	41%	12%
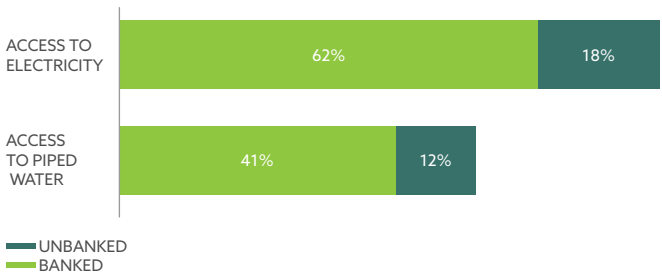
■ UNBANKED
■ BANKED

> Unbanked adults have poor access to pipped water (12%, 41%) and electricity (18%, 62%), than banked adults.

> Radio (46%), mobile phone (44%) and bicycle (40%) are the assets most owned by unbanked adults, while banked adults own mobile phones (82%), radio (56%) and TV (51%).
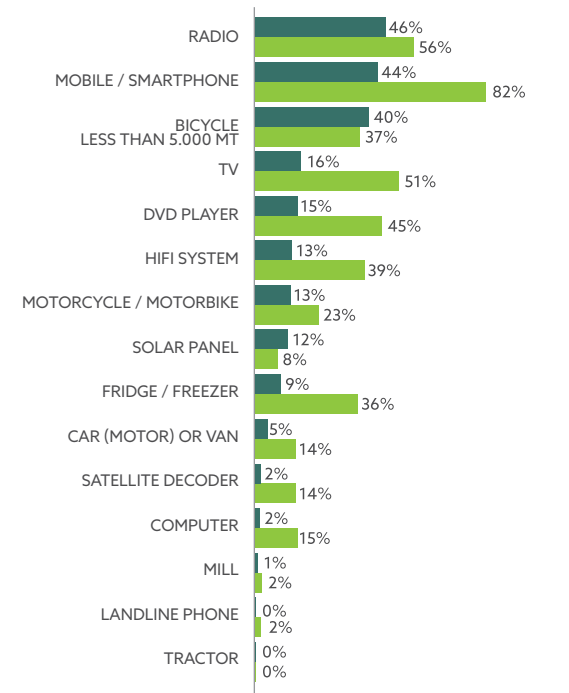
> Bicycle and solar panels are most owned by unbanked than banked adults.

> Rural adults are more dependent on their partners to make financial decisions.

> The majority of both unbanked and banked take financial decisions in consultation with their partners.

> Housing conditions of the unbanked are more precarious as the majority of them live in huts, with grass roofs and adobe brick walls.

HOUSEHOLD OWNERSHIP OF ASSETS

	UNBANKED	BANKED
RADIO	46%	56%
MOBILE / SMARTPHONE	44%	82%
BICYCLE	40%	37%
TV	16%	51%
DVD PLAYER	15%	45%
HIFI SYSTEM	13%	39%
MOTORCYCLE / MOTORBIKE	13%	23%
SOLAR PANEL	12%	8%
FRIDGE / FREEZER	9%	36%
CAR (MOTOR) OR VAN	5%	14%
SATELLITE DECODER	2%	14%
COMPUTER	2%	15%
MILL	1%	2%
LANDLINE PHONE	0%	2%
TRACTOR	0%	0%

LESS THAN 5.000 MT

■ UNBANKED
■ BANKED

TYPE OF HOUSING

UNBANKED

BANKED

ROOF
GRASS (65%)

ROOF
ZINC (66%)

WALLS
ADOBE BRICKS (78%)

WALLS
CONCRETE OR ADOBE BRICKS (54%)

TYPE OF HOUSE
HUT (56%)

TYPE OF HOUSE
CONVENTIONAL HOUSE (51%)
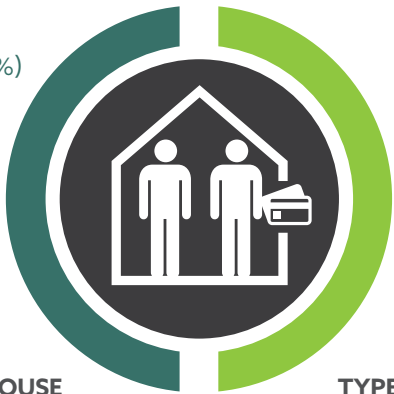
FINANCIAL DECISION MAKING

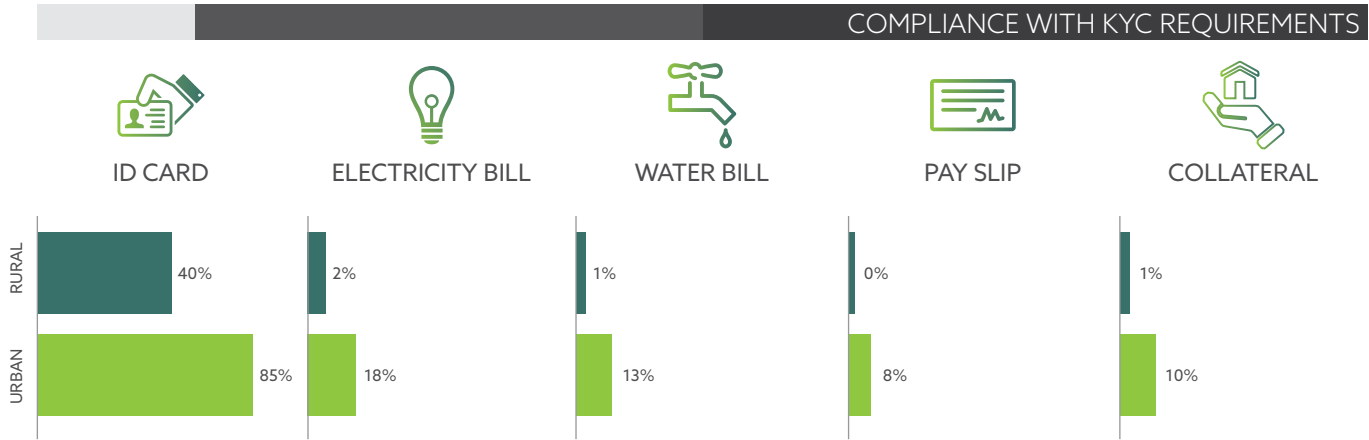|	UNBANKED	BANKED
MAKE DECISION IN CONSULTATION WITH PARTNER OR SPOUSE	51%	56%
MAKE DECISIONS ALONE	25%	25%
MAKE DECISION IN CONSULTATION WITH OTHER FAMILY OR HOUSEHOLD MEMBERS	15%	15%
NOT INVOLVED IN DECISION MAKING	9%	3%
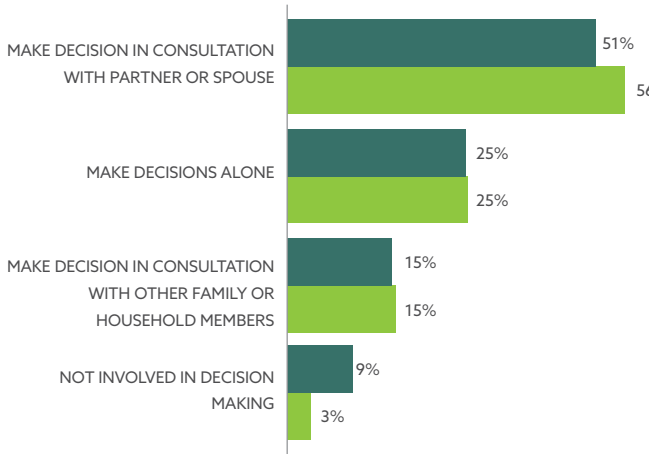
■ UNBANKED
■ BANKED

Access and Eligibility

Access and Eligibility

"...UNBANKED PEOPLE HAVE MORE DIFFICULTIES IN MEETING DOCUMENTATION REQUIREMENTS..."

		ACCESS TO INFRASTRUCTURE	
		UNBANKED	BANKED
NEAREST MARKET	Time	Average : 33 minutes < 1 hour: 83% > 1 hour: 17%	Average : 26 minutes < 1 hour: 88% > 1 hour: 12%
	Transport	walk	walk
MONEY LENDER (LOAN SHARK)	Time	Average : 51 minutes < 1 hour: 71% > 1 hour: 29%	Average : 38 minutes < 1 hour: 82% > 1 hour: 18%
	Transport	walk	walk
BANK BRANCH	Time	Average : 1h 15 minutes < 1 hour: 50% > 1 hour: 50%	Average : 53 minutes < 1 hour: 70% > 1 hour: 30%
	Transport	public transport	walk
ATM	Time	Average : 1h 19 minutes < 1 hour: 53% > 1 hour: 47%	Average : 53 minutes < 1 hour: 71% > 1 hour: 29%
	Transport	public transport	walk
FINANCIAL INSTITUTION OFFICE	Time	Average : 1h 20 minutes < 1 hour: 47% > 1 hour: 53%	Average : 54 minutes < 1 hour: 70% > 1 hour: 30%
	Transport	public transport	walk

> The majority of the unbanked adults access formal financial institutions' access points by public transport and it still takes them more than 1h15 to reach these, while banked adults access in less than 53 min walking.

COMPLIANCE WITH KYC REQUIREMENTS

	ID CARD	ELECTRICITY BILL	WATER BILL	PAY SLIP	COLLATERAL
RURAL	40%	2%	1%	0%	1%
URBAN	85%	18%	13%	8%	10%

REQUIREMENTS FOR OPENING A BANK ACCOUNT
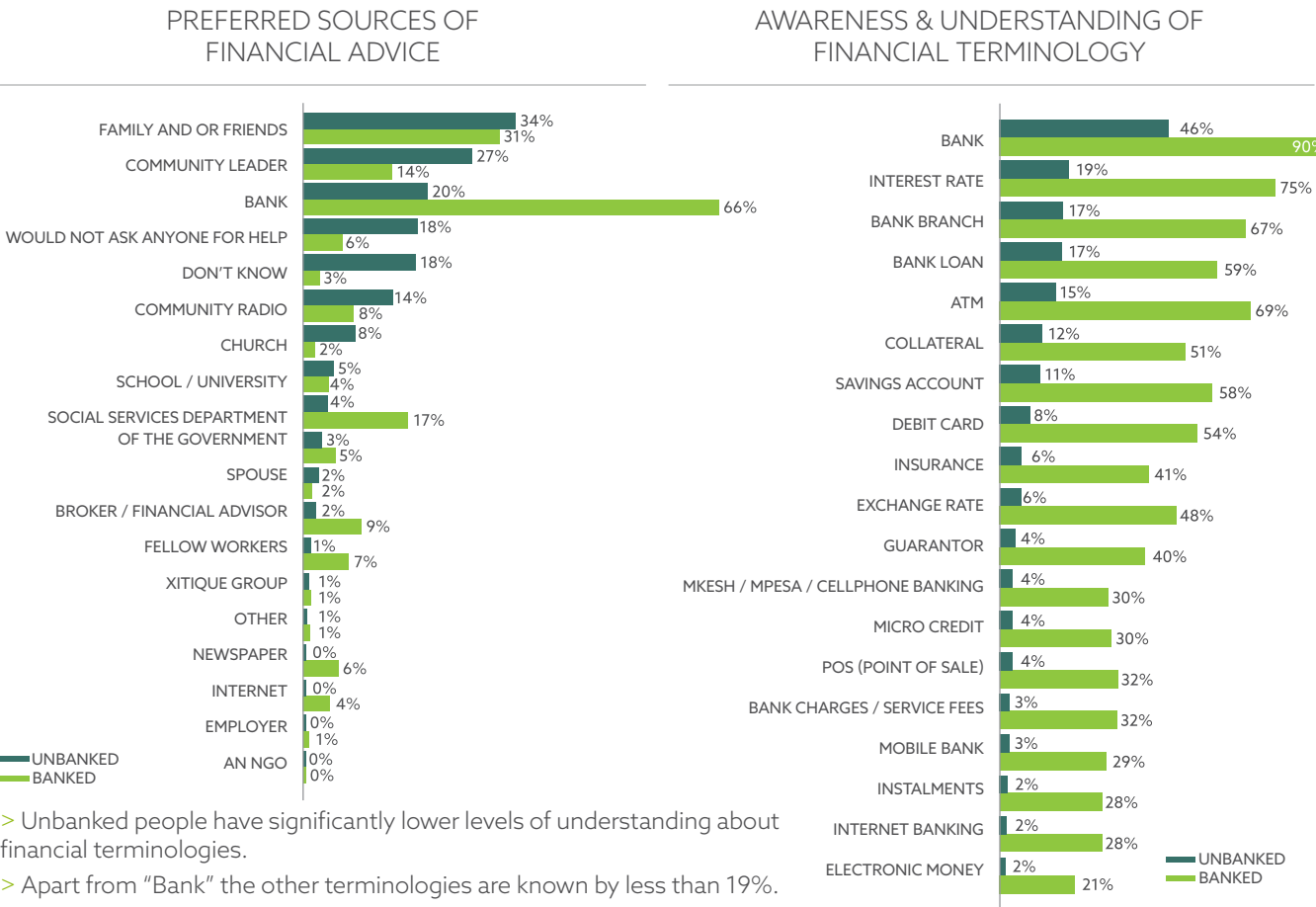
REQUIREMENTS FOR APPLYING FOR A LOAN

> Z (particularly proof of residence) for opening a bank account and/or applying for a loan.

> Although 15% of the banked adults do not have an ID card they have a bank account. They might have opened a bank account with elector card or other documents accepted by the anti-money laundering and combating the financing of terrorism regulations.
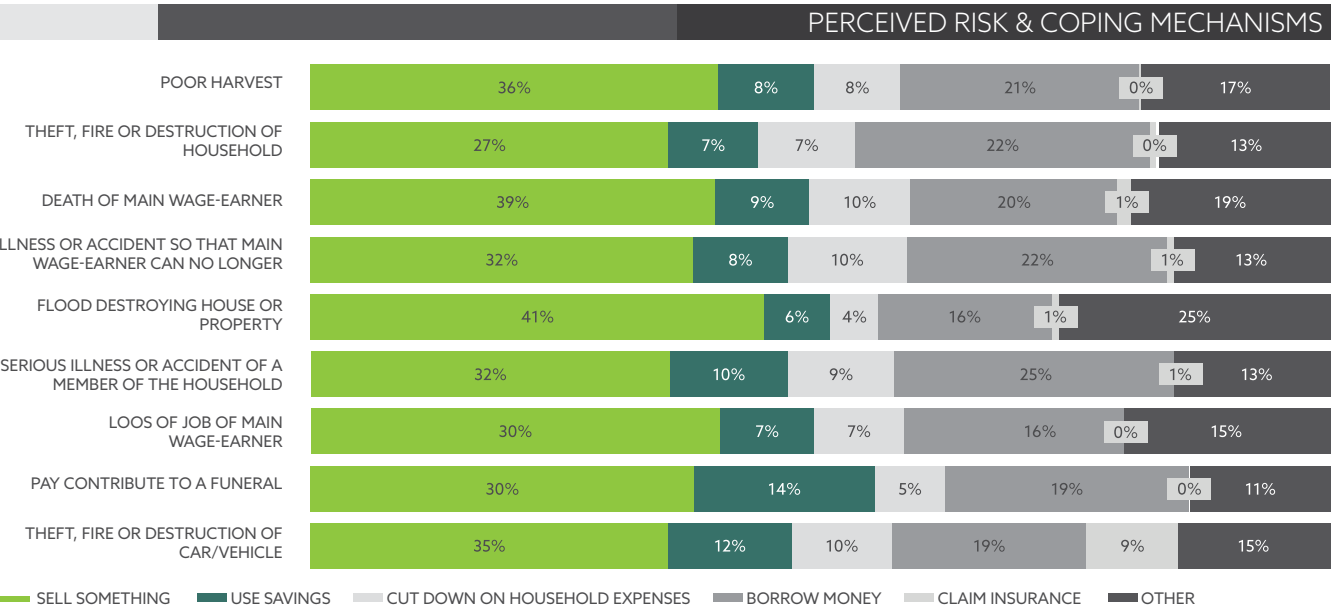
Levels of Financial Literacy
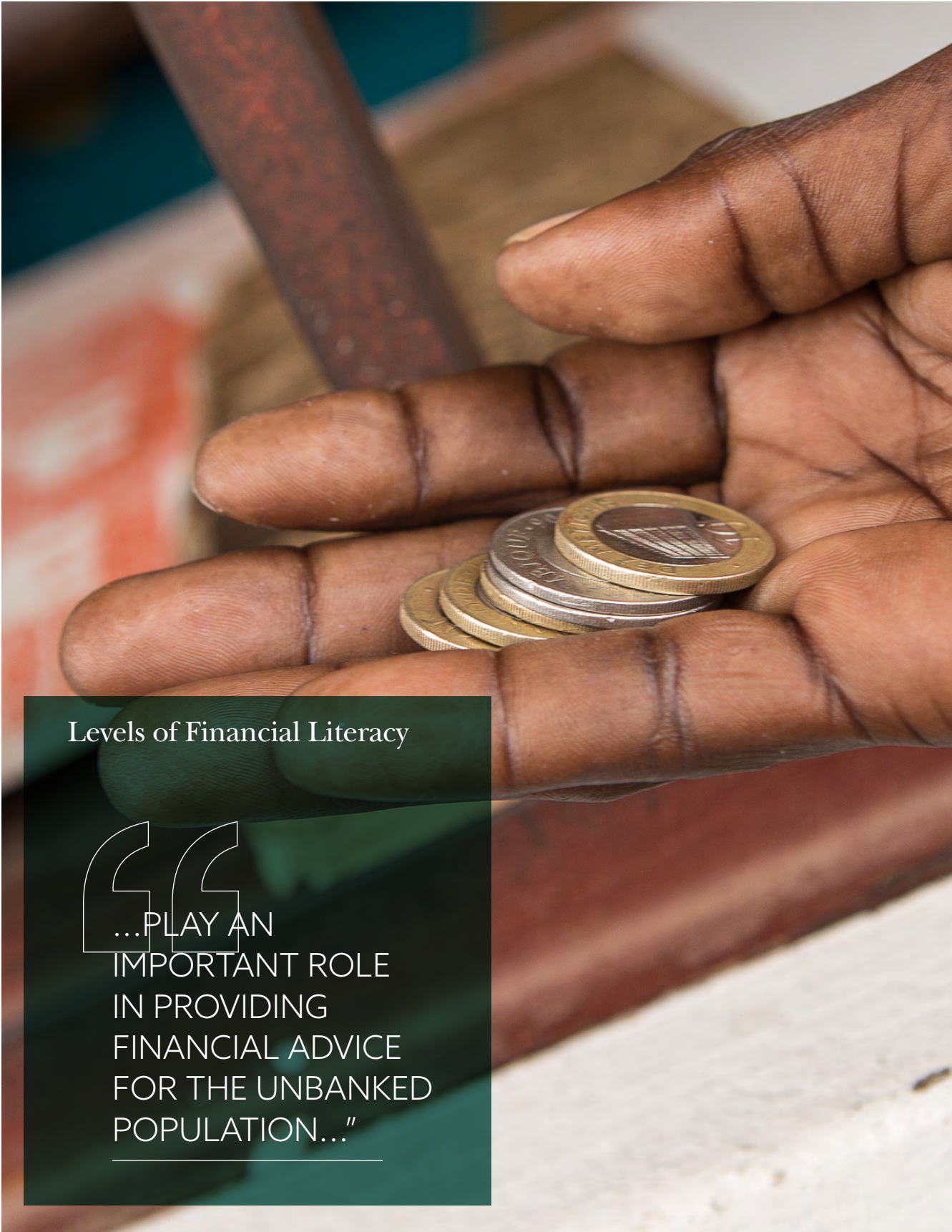
Levels of Financial Literacy

" ...PLAY AN IMPORTANT ROLE IN PROVIDING FINANCIAL ADVICE FOR THE UNBANKED POPULATION..."

PREFERRED SOURCES OF FINANCIAL ADVICE

Source	UNBANKED	BANKED
FAMILY AND OR FRIENDS	34%	31%
COMMUNITY LEADER	27%	14%
BANK	20%	66%
WOULD NOT ASK ANYONE FOR HELP	18%	6%
DON'T KNOW	18%	3%
COMMUNITY RADIO	14%	8%
CHURCH	8%	2%
SCHOOL / UNIVERSITY	5%	4%
SOCIAL SERVICES DEPARTMENT OF THE GOVERNMENT	4%	17%
SPOUSE	3%	5%
BROKER / FINANCIAL ADVISOR	2%	2%
FELLOW WORKERS	2%	9%
XITIQUE GROUP	1%	7%
OTHER	1%	1%
NEWSPAPER	1%	1%
INTERNET	0%	6%
EMPLOYER	0%	4%
AN NGO	0%	1%
	0%	0%

AWARENESS & UNDERSTANDING OF FINANCIAL TERMINOLOGY

Terminology	UNBANKED	BANKED
BANK	46%	90%
INTEREST RATE	19%	75%
BANK BRANCH	17%	67%
BANK LOAN	17%	59%
ATM	15%	69%
COLLATERAL	12%	51%
SAVINGS ACCOUNT	11%	58%
DEBIT CARD	8%	54%
INSURANCE	6%	41%
EXCHANGE RATE	6%	48%
GUARANTOR	4%	40%
MKESH / MPESA / CELLPHONE BANKING	4%	30%
MICRO CREDIT	4%	30%
POS (POINT OF SALE)	4%	32%
BANK CHARGES / SERVICE FEES	3%	32%
MOBILE BANK	3%	29%
INSTALMENTS	2%	28%
INTERNET BANKING	2%	28%
ELECTRONIC MONEY	2%	21%

> Unbanked people have significantly lower levels of understanding about financial terminologies.

> Apart from "Bank" the other terminologies are known by less than 19%.

> Other than family & friends, community leaders play an important role in providing financial advice for the unbanked population.

PERCEIVED RISK & COPING MECHANISMS

Risk	SELL SOMETHING	USE SAVINGS	CUT DOWN ON HOUSEHOLD EXPENSES	BORROW MONEY	CLAIM INSURANCE	OTHER
POOR HARVEST	36%	8%	8%	21%	0%	17%
THEFT, FIRE OR DESTRUCTION OF HOUSEHOLD	27%	7%	7%	22%	0%	13%
DEATH OF MAIN WAGE-EARNER	39%	9%	10%	20%	1%	19%
ILLNESS OR ACCIDENT SO THAT MAIN WAGE-EARNER CAN NO LONGER	32%	8%	10%	22%	1%	13%
FLOOD DESTROYING HOUSE OR PROPERTY	41%	6%	4%	16%	1%	25%
SERIOUS ILLNESS OR ACCIDENT OF A MEMBER OF THE HOUSEHOLD	32%	10%	9%	25%	1%	13%
LOOS OF JOB OF MAIN WAGE-EARNER	30%	7%	7%	16%	0%	15%
PAY CONTRIBUTE TO A FUNERAL	30%	14%	5%	19%	0%	11%
THEFT, FIRE OR DESTRUCTION OF CAR/VEHICLE	35%	12%	10%	19%	9%	15%

> Poor harvest, death of the household breeder and theft and fire destroying house or property are the higher risks perceived by the unbaked population. To cope with these and other unexpected events they sell something and borrow some money.

The FinScope Access Strand

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

> Overall there was an improvement from 2009 to 2014 at in the levels inclusion although the improvement was most felt by male.

> 67% of adults in Mozambique are financially excluded, i.e. do not use any financial products, neither formal nor informal. However, 80% are unbaked.

> Although financial exclusion difference between women (69%) and men (64%) is only 5 percentage points, the difference between banked adults is higher, with 24% of men banked against 16% of women banked.

> Northern and central provinces have more unbanked population. On the other hand, most of the rural population is unbanked (90%).

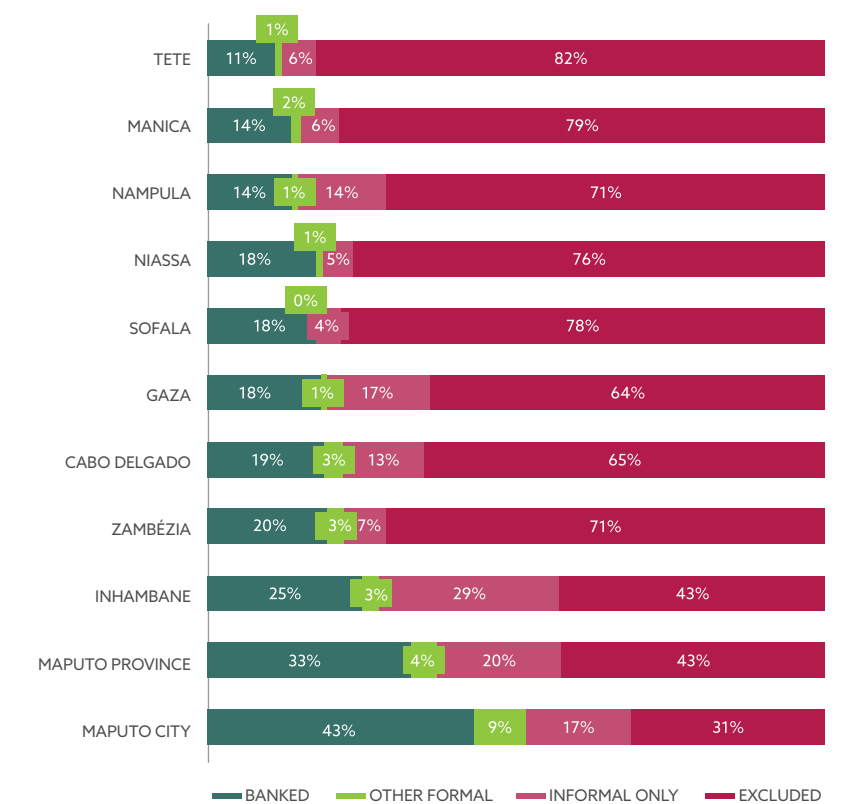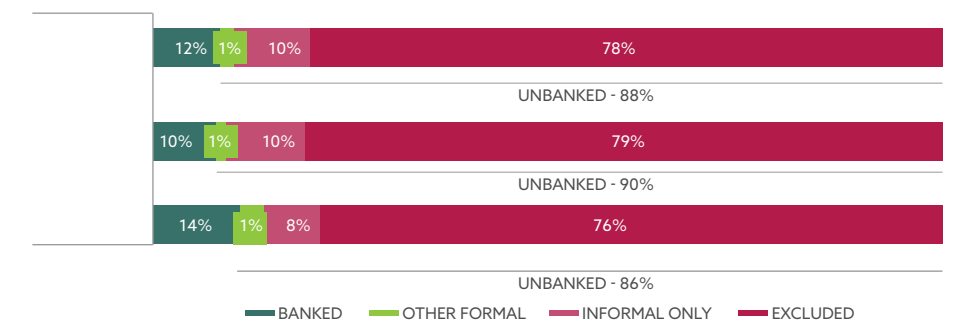> Not enough money (65%) and distance (20%) are the main reason for not having a bank account.

2014

	BANKED	OTHER FORMAL	INFORMAL ONLY	EXCLUDED	
TOTAL	20%	2%	12%	67%	
				UNBANKED - 80%	
FEMALE	16%	1%	14%	69%	
				UNBANKED - 84%	
MALE	24%	2%	9%	64%	
				UNBANKED - 74%	

2009

	BANKED	OTHER FORMAL	INFORMAL ONLY	EXCLUDED	
	12%	1%	10%	78%	
				UNBANKED - 88%	
	10%	1%	10%	79%	
				UNBANKED - 90%	
	14%	1%	8%	76%	
				UNBANKED - 86%	

■ BANKED ■ OTHER FORMAL ■ INFORMAL ONLY ■ EXCLUDED

Province	BANKED	OTHER FORMAL	INFORMAL ONLY	EXCLUDED
TETE	11%	1%	6%	82%
MANICA	14%	2%	6%	79%
NAMPULA	14%	1%	14%	71%
NIASSA	18%	1%	5%	76%
SOFALA	18%	0%	4%	78%
GAZA	18%	1%	17%	64%
CABO DELGADO	19%	3%	13%	65%
ZAMBÉZIA	20%	3%	7%	71%
INHAMBANE	25%	3%	29%	43%
MAPUTO PROVINCE	33%	4%	20%	43%
MAPUTO CITY	43%	9%	17%	31%

■ BANKED ■ OTHER FORMAL ■ INFORMAL ONLY ■ EXCLUDED

The FinScope Access Strand

"...NORTHERN AND CENTRAL PROVINCES HAVE MORE UNBANKED POPULATION. ..."

80% of adults in Mozambique are unbaked

The FinScope Access Strand
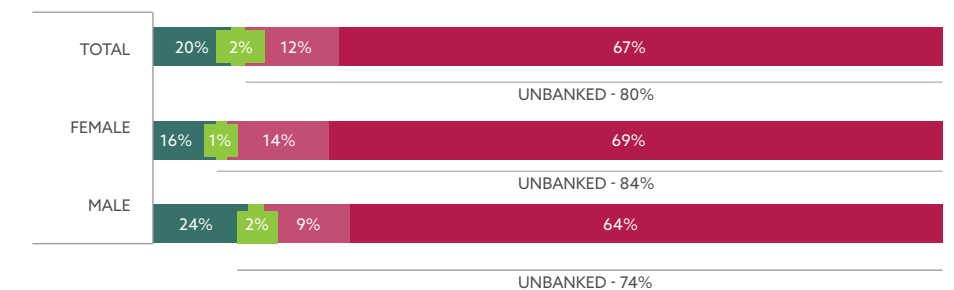
RURAL: 10% | 2% | 12% | 77%
URBAN: 40% | 3% | 11% | 46%

- BANKED
- OTHER FORMAL
- INFORMAL ONLY
- EXCLUDED

REASONS FOR NOT HAVING A BANK ACCOUNT

Reason	%
DO NOT HAVE ENOUGH MONEY TO AFFORD IT	65%
THEY ARE TOO FAR AWAY	20%
THEIR ACCOUNTS ARE NOT FOR PEOPLE LIKE THEM	11%
DOES NOT UNDERSTAND HOW BANKS WORK	10%
DO NOT UNDERSTAND BENEFITS FROM HAVING AN ACCOUNT WITH THEM	8%
CANNOT MAINTAIN THE MINIMUM BALANCE	7%
DOES NOT HAVE THE REQUIRE DOCUMENTS	6%
DOES NOT KNOW HOW TO APPLY	6%
OTHER	5%
DOES NOT NEED IT	5%
TRANSPORT IS TOO EXPENSIVE	4%
DOES NOT KNOW	12%
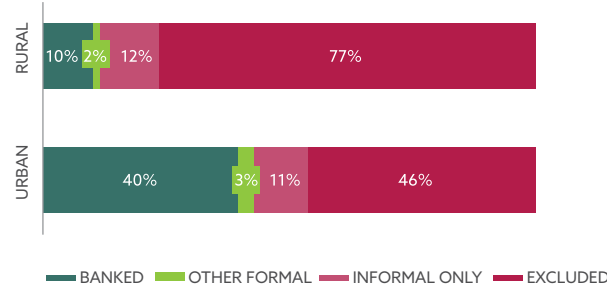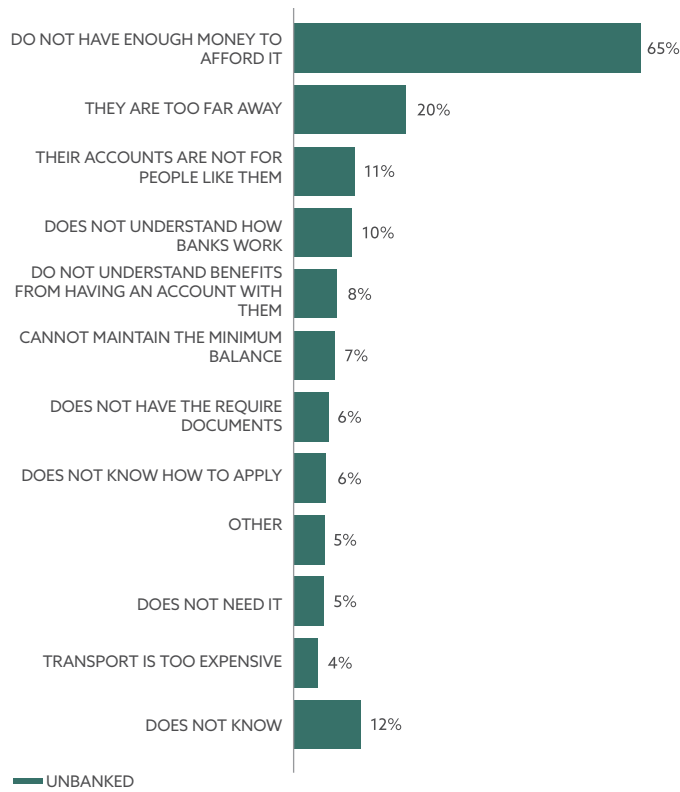
- UNBANKED

Reasons for not Having a Bank Account 65 % Do not have enough money to afford it

Unbanked Population Needs

REASONS FOR SAVING

UNBANKED
> To increase income (38%)
> Living expenses (35%)
> Medical emergency (25%)
> Other emergency (18%)

BANKED
> To increase income (50%)
> Living expenses (36%)
> Medical emergency (23%)
> Other emergency (19%)

USE XITIQUE PAYOUTOF

UNBANKED
> Household goods (31%)
> Saved it (27%)
> Food (21%)

BANKED
> To increase income (50%)
> Living expenses (36%)
> Medical emergency (23%)
> Other emergency (19%)

REASONS FOR HAVING A LOAN

UNBANKED
> Emergency other than medical (51%)
> Start/expand a business (45%)
> Living expenses (27%)
> Medical expenses (25%)

BANKED
> Emergency other than medical (29%)
> Build/rehabilitate dwelling (28%)
> Start/expand a business (19%)
> Household goods (17%)

REASONS FOR HAVING A LOAN WITH CBG

UNBANKED
> Agricultural inputs (38%)
> Stock for business (24%)

BANKED
> Emergency other than Stock for business (42%)
> Household goods (18%)
> Paid debts (17%

MONEY SPEND LAST 12 MONTH

Category	UNBANKED	BANKED
CHAPA/BUS FARES	48%	71%
CLOTHING (INCLUDING CAPULANA)	48%	54%
DOCTORS/MEDICINES FROM A PHARMACY, CLINIC OR HOSPITAL	42%	50%
PHONE (CONTRACT OR PREPAID)	30%	70%
CLEANING PRODUCTS FOR THE HOME	27%	48%
BARRACA	22%	28%
DONATIONS TO ORGANIZATIONS / RELIGIOUS GROUPS	11%	13%
BEAUTY SALON / PARLOR	8%	27%
FUEL (GASOLINE / DIESEL)	5%	21%
BAR	4%	15%
TAXI (NOT CHAPA)	3%	9%
DISCO / NIGHTCLUB	1%	5%
FOOD AT RESTAURANT	1%	7%
WAGES OF WORKERS	1%	8%
PENSION	1%	3%
HOTEL	0%	2%

- UNBANKED
- BANKED

> Transport (48%), clothes (48%) and medical expenses (42%) are the categories on which most unbanked spend their money.

> Medical emergency, living expenses and education are the most common needs for which the unbanked use/ need financial products and services.

Money Spend Last 12 month 48% Chapa/bus fares

Unbanked Population Needs

Unbanked Experience with
Non-Bank Financial Services & Barriers

REASONS FOR RECEIVING MONEY

UNBANKED
> General expenses (56%).
> Food (40%).
> Education (19%).
> Health (15%).

BANKED
> General expenses (57%).
> Food (23%).
> Education (19%).
> Emergency (13%).

REASONS FOR HAVING INSURANCE

UNBANKED
> Required by law (20%).
> Worried about theft (8%).
> Other (8%).

BANKED
> Required by law (35%).
> Insurance stops worrying (32%).
> Better safe than sorry (30%).

REASONS FOR HAVING FAMILY SHARING ACCOUNT

UNBANKED
> Funerals (100%).
> Health (58%).
> Education (48%).
> Weddings (40%).

BANKED
> Funerals (83%).
> Health (30%).
> Accidents (28%).
> Education (19%).

Reasons for Having Insurance Required by law (20%)

WHAT STOPS THEM FROM SAVING

UNBANKED
> No income (20%).
> Never thought about it (23%).
> No money left over after living expenses (47%).

BANKED
> No money left over after living expenses (49%).
> Never thought about it (16%).
> All my money is put into the household pot (15%).

> Most unbanked do not save in any form. Those who save, do it at home or in a secret place.

> Other mechanisms of saving are livestock and deposit made regularly with a savings group or collector .

> When considering a saving mechanism unbaked adults value proximity, security and privacy.

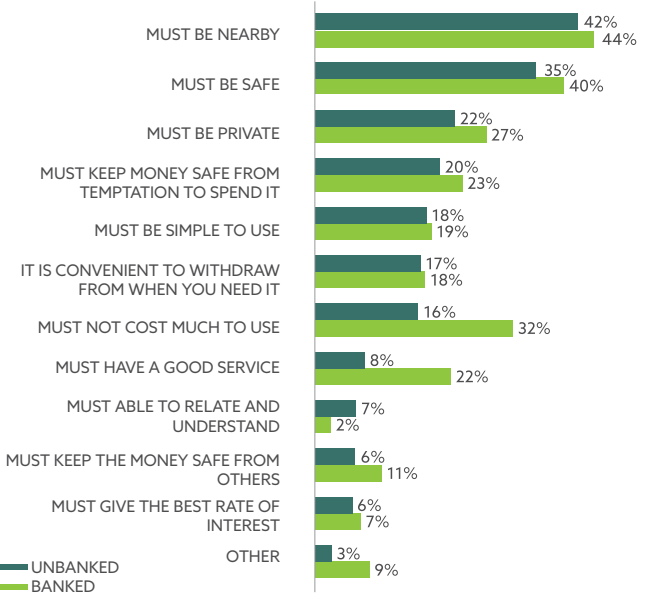> Lack of money to save and never thought about saving are the main barriers to save for the unbanked.

What Stops Them from Saving No money left over after living expenses (47%)

SAVINGS & INVESTMENTS

SAVINGS & INVESTMENTS ACCESS STRAND

UNBANKED	13%	14%	73%
BANKED	36%	16%	11%	37%

- HAVE OR USE FORMAL SAVINGS PRODUCTS
- USE INFORMAL SAVINGS PRODUCTS
- SAVE AT HOME OR IN KIND
- DO NOT HAVE OR USE ANY SAVINGS PRODUCTS
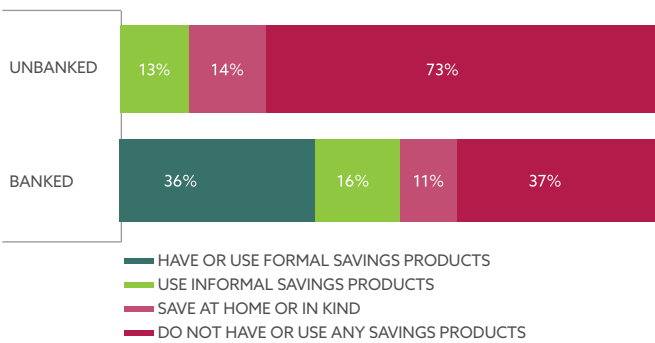
FACTORS CONSIDERED TO SELECT SAVING MECHANISM

| Factor	UNBANKED	BANKED
MUST BE NEARBY	42%	44%
MUST BE SAFE	35%	40%
MUST BE PRIVATE	22%	27%
MUST KEEP MONEY SAFE FROM TEMPTATION TO SPEND IT	20%	23%
MUST BE SIMPLE TO USE	18%	19%
IT IS CONVENIENT TO WITHDRAW FROM WHEN YOU NEED IT	17%	18%
MUST NOT COST MUCH TO USE	16%	32%
MUST HAVE A GOOD SERVICE	8%	22%
MUST ABLE TO RELATE AND UNDERSTAND	7%	2%
MUST KEEP THE MONEY SAFE FROM OTHERS	6%	11%
MUST GIVE THE BEST RATE OF INTEREST	6%	7%
OTHER	3%	9%

- UNBANKED
- BANKED

Savings & Investments Access Strand 73% Unbanked

Unbanked Experience with Non-Bank Financial Services & Barriers

INSURANCE & RISK MANAGEMENT

INSURANCE & RISK MANAGEMENT ACCESS STRAND

UNBANKED: 0% | 100%
BANKED: 17% | 0% | 83%

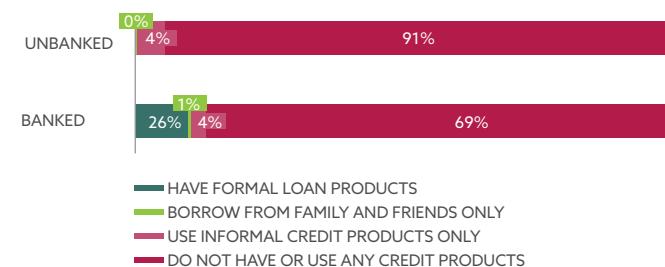- OTHER FORMAL
- INFORMAL ONLY
- NO INSURANCE
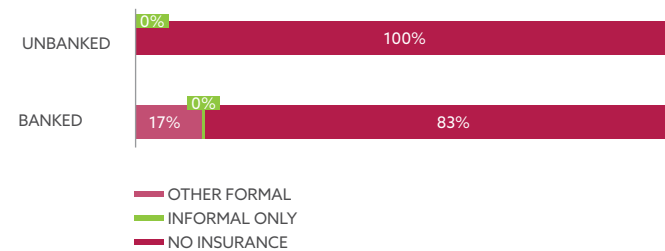
> Informal funeral association (56%), pension/ retirement fund (39%) and Travel insurance (14%) are the most common types of insurance used by the unbanked adults that have insurance.

> Life insurance (27%), funeral insurance covered by employer (20%) and pension/ retirement fund (23%) are the types of insurance used by banked adults that have insurance.

> Barriers for having insurance for the unbanked and banked adults are the same, only the magnitude of not knowing about insurance is much higher within the unbanked.

BORROWING AND CREDIT

BORROWING & CREDIT ACCESS STRAND

UNBANKED: 0% | 4% | 91%
BANKED: 26% | 1% | 4% | 69%

- HAVE FORMAL LOAN PRODUCTS
- BORROW FROM FAMILY AND FRIENDS ONLY
- USE INFORMAL CREDIT PRODUCTS ONLY
- DO NOT HAVE OR USE ANY CREDIT PRODUCTS

> 4% of the unbanked had a loan refused, of which 61% were never given a reason for the refusal, 9% was refused because they did not have an account at the bank and 9% did not have a formal employment.

> Loans from family and friends are the most common type of loan (67% of those who have a loan). Unsecured loan (15%) and group loans (8%) are the other types of loans used by the unbanked.

WHAT STOPS THEM FROM HAVING INSURANCE

UNBANKED
> Has not heard about it (60%).
> Has never thought about it (28%).
> Does not know how it works (26%).

BANKED
> Has not heard about it (33%).
> Has never thought about it (32%).
> Does not know how it works (25%).

What Stops Them from Having Insurance Has not heard about it (60%)

WHAT STOPS THEM FROM HAVING LOANS

UNBANKED
> Have not thought about borrowing (27%).
> Fear owing money (32%).
> Do not need a loan (13%).

BANKED
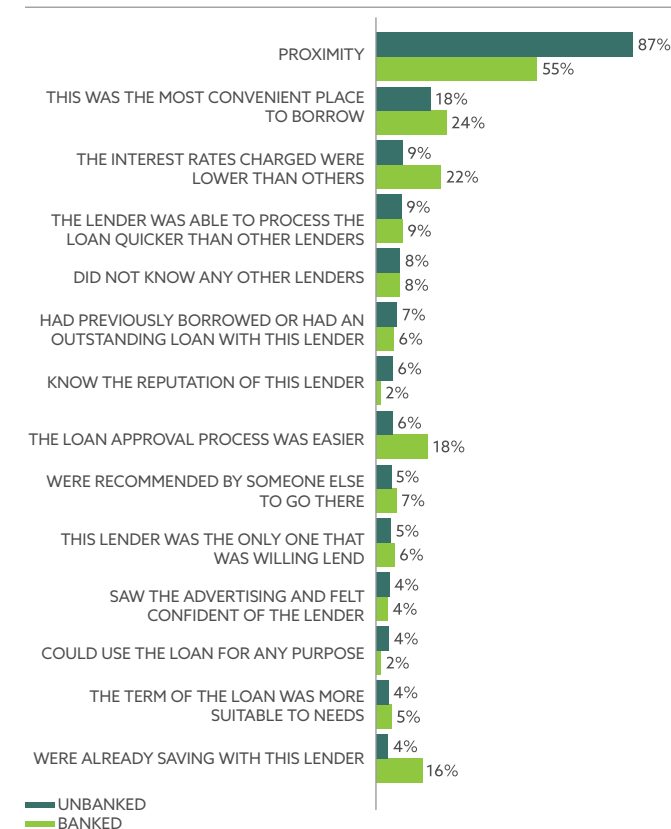> Have not thought about borrowing (30%).
> Fear owing money (27%).
> Do not need a loan (20%).

What Stops Them from Having Loans Fear owing money (32%)

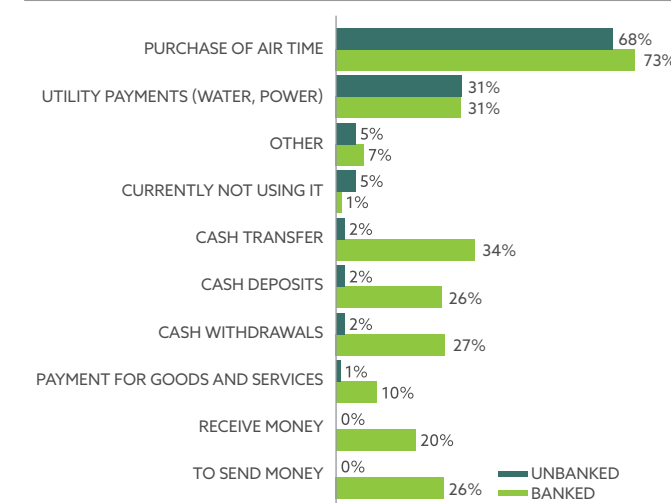# Unbanked Experience with Non-Bank Financial Services & Barriers

BORROWING AND CREDIT

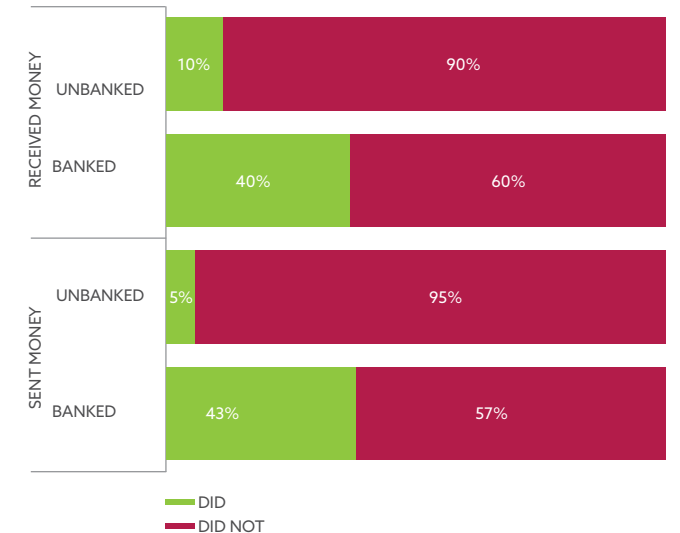### FACTORS CONSIDERED IN DECIDING WHERE TO SAVE

	UNBANKED	BANKED
PROXIMITY	87%	55%
THIS WAS THE MOST CONVENIENT PLACE TO BORROW	18%	24%
THE INTEREST RATES CHARGED WERE LOWER THAN OTHERS	9%	22%
THE LENDER WAS ABLE TO PROCESS THE LOAN QUICKER THAN OTHER LENDERS	9%	9%
DID NOT KNOW ANY OTHER LENDERS	8%	8%
HAD PREVIOUSLY BORROWED OR HAD AN OUTSTANDING LOAN WITH THIS LENDER	7%	6%
KNOW THE REPUTATION OF THIS LENDER	6%	2%
THE LOAN APPROVAL PROCESS WAS EASIER	6%	18%
WERE RECOMMENDED BY SOMEONE ELSE TO GO THERE	5%	7%
THIS LENDER WAS THE ONLY ONE THAT WAS WILLING LEND	5%	6%
SAW THE ADVERTISING AND FELT CONFIDENT OF THE LENDER	4%	4%
COULD USE THE LOAN FOR ANY PURPOSE	4%	2%
THE TERM OF THE LOAN WAS MORE SUITABLE TO NEEDS	4%	5%
WERE ALREADY SAVING WITH THIS LENDER	4%	16%

- UNBANKED
- BANKED

MOBILE MONEY

MOBILE MONEY TRANSACTIONS

	UNBANKED	BANKED
PURCHASE OF AIR TIME	68%	73%
UTILITY PAYMENTS (WATER, POWER)	31%	31%
OTHER	5%	7%
CURRENTLY NOT USING IT	5%	1%
CASH TRANSFER	2%	34%
CASH DEPOSITS	2%	26%
CASH WITHDRAWALS	2%	27%
PAYMENT FOR GOODS AND SERVICES	1%	10%
RECEIVE MONEY	0%	20%
TO SEND MONEY	0%	26%

- UNBANKED
- BANKED

REMITTANCES

RECEIVED MONEY
UNBANKED: 10% | 90%
BANKED: 40% | 60%

SENT MONEY
UNBANKED: 5% | 95%
BANKED: 43% | 57%

- DID
- DID NOT

> Although Mobile Money is known by banked adults (48%) is not very used (12%).

> Only 14% of unbanked adults knows about mobile money and 1,1% use it.

> Purchasing air time is the most common transaction. Only the banked adults use mobile money to send (26%) and receive (20%) money.

> 41% of the unbanked have a normal cell phone and 5% have a smartphone (with internet access). 61% of those that have a cell phone (normal or smartphone) uses the cellphone to send and receive messages.

TOP BARRIERS

UNBANKED
> Does not know the service (86%).
> Does not have enough information (8%).
> Do not have a phone (3%).

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

Unbanked Experience with
Non-Bank Financial Services & Barriers

Unbanked Segments

> As the rest of the population, the unbanked have financial needs in four categories:

LIFE CYCLE NEEDS: The main drivers for being involved in family sharing account are to deal with funeral expenses (100%), education (48%) and wedding (40%). On the other hand, around 20% of the unbanked that receive money use it for education purposes.

EMERGENCY: Medical and non-medical emergencies are among the top drivers of savings (25%;18%), loans (25%; 57%) family sharing account (58%;0%) and receiving money (15%;0%).

OPPORTUNITIES: 45% of the unbanked used loans from different sources to start/expand their business. People involved in ASCAs request loans to buy agriculture inputs (38%) or buy stock for their business (24%).

MONEY MANAGEMENT: Unbanked people use different mechanisms to smooth their income. The main drivers for savings "to increase their income" (38%) and for living expenses (35%). Living expenses are also one of the drivers for loans (27%). As for xitique, 31% use it to buy household goods, 27% to save and 21% to buy food. General expenses and buying food are also the main uses of the money received (58% and 40% respectively).

Clearly there is a mismatch between the needs and the product offering from the financial institutions.

> The main drivers for savings "to increase their income" (38%) and for living expenses (35%).

LOCATION: 75% of the unbanked population live in rural areas where only 11% of bank branches are located.

LOW LEVELS OF INCOME: 70% of unbanked adults receive a monthly income below 5.000 Mts.

TYPE OF INCOME: 51% of unbanked population work in agriculture that is a seasonal activity and 38% are dependent on others. Only 4% are salaried.

LOW LEVEL OF EDUCATION: Most of the unbanked (62%) only have primary school yet the study shows a clear relationship between education and levels of financial inclusion.

LOW LEVEL OF FINANCIAL LITERACY: "Bank" is the most (46%) known financial terminology by the unbanked adults. Other terms are known by less than 19%.

LIMITED COMPLIANCE WITH KYC REQUIREMENTS: only 42% of rural population have an ID, few have electricity (2%) or water bill (1%) as a proof of residence to open a bank account.

LONG DISTANCE TO A FINANCIAL INSTITUTION: To reach a financial institution, unbanked adults face 2 problems, the cost to get there and the time spent to access it. It takes more than 1 hour for them to reach a bank, an ATM or a financial institution office and they need to use a public transport which increases the cost to access a financial institution.

LACK OF REQUIRED ASSETS: The assets owned by the unbanked adults do not meet bank requirements. Radio (46%), mobile phones (44%) and bicycle (40%) are the assets most owned by unbanked adults. The houses owned by unbanked are mainly huts with adobe bricks and grass roof, that are not eligible as collateral by financial institutions.

POOR COPING MECHANISMS: Despite the risks unbanked 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.

> Need for satisfy basic needs: most of the unbanked population spend most of their time trying to satisfy their basic needs, limiting their capacity to engage in income generating activities (e.g 85% use firewood to cook).

> For life cycle events, flexible savings and credit are the best product options. Given the fact that proximity and security are the most valued factors by the unbanked population, ASCAs, mobile money and agent banking seem to be the most appropriate solution (e.g. 41% of the unbanked have cellphone).

> Emergencies medical and non-medical pose an opportunity to explore low premium micro-insurance products to a large group of the unbanked population. On the other hand, covariant risks such as floods or drought that affect crops can also be mitigated by savings products mentioned above.

> Credit products can be offered to meet opportunity needs provided that the product is aligned with their requirements (proximity and convenience). Given that more than half of the unbanked work in agriculture there are opportunities to expand credit and financial services to smallholders that are involved in outgrower schemes since they already have some credit culture and have needs to engage in other income generating activities due to the seasonality and risks in agriculture.

> Money management needs can be met by savings' products that allow deposits of small amounts (on average xitique members save 350 Mt monthly) and are convenient, i.e., mobile money and agent banking.

> All of these opportunities would require financial literacy measures.

> 75% of the unbanked population live in rural areas where only 11% of bank branches are located

Unbanked Segments

	Wage		Own Business/Biscato		Agriculture	
	Urban	Rural	Urban	Rural	Urban	Rural
% Population	1%	1%	6%	14%	3%	26%
Population	137.572	168.419	898.194	1.985.951	423.421	3.743.508
Personal Monthly income	·< 5.000 MT - 79% ·5.001 - 25.000 MT - 10%	·< 5.000 MT - 70% ·5.001 - 25.000 MT - 24%	·< 5.000 MT - 72% ·5.001 - 25.000 MT - 13%	·< 5.000 MT - 70% ·5.001 - 25.000 MT - 12%	·< 5.000 MT - 64% ·5.001 - 25.000 MT - 10%	·< 5.000 MT - 68% ·5.001 - 25.000 MT - 13%
Age category	·16—20 - 17% ·21-30 - 38%	·21-30 - 30% ·31-40 - 29%	·21-30 - 30% ·31-40 - 20%	·21-30 - 27% ·31-40 - 26%	·21-30 - 26% ·31-40 - 25%	·21-30 - 26% ·31-40 - 26%
Gender	·Male 64% ·Female 36%	·Male 38% ·Female 62%	·Male 44% ·Female 56%	·Male 51% ·Female 49%	·Male 50% ·Female 50%	·Male 51% ·Female 49%
Highest level of education	·Primary EP1 36% ·Secondary ESG1 28%	·Primary EP1 25% ·Primary EP2 22%	·Primary EP1 30% ·Primary EP2 24%	·Primary EP1 35% ·Primary EP2 20%	·Primary EP1 32% ·Primary EP2 14%	·Primary EP1 36% ·Primary EP2 15%
Types of documents have	·ID document 79% ·None 20%	·ID document 57% ·None 36%	·ID document 60% ·None 38%	·ID document 41% ·None 58%	·ID document 52% ·None 48%	·ID document 36% ·None 64%
Distance to Bank Branch	Average 00:34:54 < 1 hour 82% > 1 hour 18%	Average 01:43:03 < 1 hour 25% > 1 hour 75%	Average 00:38:24 < 1 hour 74% > 1 hour 26%	Average 01:33:58 < 1 hour 33% > 1 hour 67%	Average 00:47:23 < 1 hour 68% > 1 hour 32%	Average 01:30:30 < 1 hour 41% > 1 hour 59%
Distance to other financial institute	Average 00:35:38 < 1 hour 83% > 1 hour 17%	Average 01:30:09 < 1 hour 34% > 1 hour 66%	Average 00:45:23 < 1 hour 73% > 1 hour 27%	Average 01:32:45 < 1 hour 35% > 1 hour 65%	Average 01:00:13 < 1 hour 67% > 1 hour 33%	Average 01:38:01 < 1 hour 35% > 1 hour 65%
Distance to an ATM	Average 00:29:58 < 1 hour 91% > 1 hour 9%	Average 01:44:32 < 1 hour 35% > 1 hour 65%	Average 00:38:23 < 1 hour 83% > 1 hour 17%	Average 01:36:36 < 1 hour 40% > 1 hour 60%	Average 00:58:50 < 1 hour 73% > 1 hour 27%	Average 01:38:09 < 1 hour 36% > 1 hour 64%

Looking to the unbanked that have regular income (wage), have own business or are involved in agriculture (main activity in rural areas) we have identified the following opportunities:

> A quarter (24%) of rural waged unbanked have income between 5,000 and 25,000 Mt and 59% are relatively young (less than 40 years) and about half have primary education, 57% have ID and 66% have a cellphone. This group could benefit from mobile money products.

> Understanding the characteristics and reasons why urban waged unbanked do not have a bank account may inform product design for this segment.

> For the rural agriculture unbanked there are opportunities to promote links between NGOs and other stakeholders involved in increasing productivity and access to markets to smallholders with financial institutions to help them migrate from subsistence to commercial agriculture. Promoting the "Farming as a Family Business" concept and help its dissemination would allow smallholders not only to increase their income but also reduce their vulnerability to risks (around half of the unbanked perceive the death of the bread winner as the second most severe risk they face).

FOR MORE INFORMATION PLEASE CONTACT:

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