

FinScope Consumer Survey Malawi 2014



Malawi Government



Introduction

The Government of Malawi has increasingly recognised that access to financial services can play an important role in poverty alleviation and in decreasing the vulnerability of poor people. As such, financial inclusion is acknowledged as an important part of the 2012 Malawi Growth and Development Strategy and to achieve the 2015 Millennium Development Goals (MDGs). However, limited access to finance has been identified as a major constraint in Malawi both for individuals as found in the 2008 FinScope Consumer Survey, and for small business owners according to the FinScope MSME Survey 2012.

The FinScope Surveys in Malawi not only enabled the assessment of the landscape of financial access, but also provided a benchmark for repeat surveys that will enable the impact of access related policy interventions to be assessed. This brochure summarises the findings of the repeat FinScope Consumer Survey 2014 and as such will address the information needs that would enable the Government of Malawi to develop and monitor evidence-based policies and regulations which will help extend the reach of financial services in Malawi.

FinMark Trust developed the FinScope Survey as a research tool to assess financial access in a country and to identify the constraints that prevent financial service providers to reach the financial un-served and under-served. The FinScope Survey is a nationally representative survey of how individuals source their incomes, and how they manage their financial lives. It also provides insight into attitudes and perceptions regarding financial products and services. It must be noted that it is a consumer perception study. Respondents are not asked to provide proof of accounts held, and figures are not based on supply-side numbers provided by financial institutions or regulatory authorities. To date, FinScope Consumer Surveys have been conducted in 18 countries.

Objectives

The FinScope Consumer Survey has the following objectives:

- To measure the levels of financial inclusion (i.e. the proportion of the population using financial products and services – both formal and informal)
- To describe the landscape of access (i.e. the type of products and services used by financially included individuals)
- To identify the drivers of, and barriers to the usage of financial products and services
- To compare survey results with the first FinScope Consumer Survey in Malawi (2008) and to provide an assessment of changes and reasons thereof (including possible impacts of previous interventions to enhance access)
- To stimulate evidence-based dialogue that will ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion strategies



Partnering for a common purpose

FinScope Malawi is designed to involve a range of stakeholders engaging in a comprehensive consultation process, thereby enriching the survey and ensuring appropriateness and buy-in. The survey was carried out under the auspices of the Ministry of Finance and fully funded by FinMark Trust.

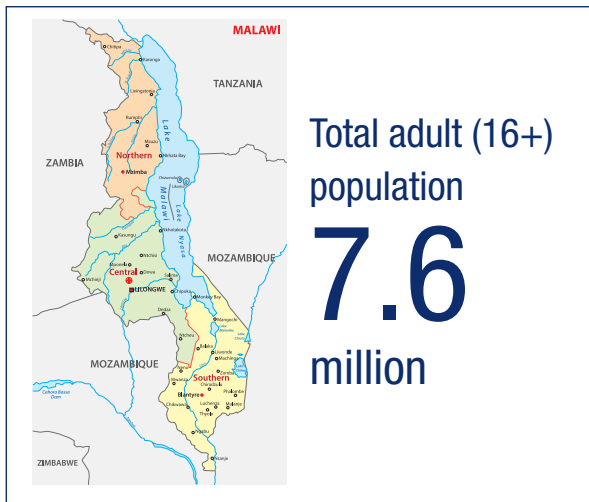
A Steering Committee chaired by the Ministry of Finance was set up which comprised representatives from FinMark Trust, Reserve Bank of Malawi, Ministry of Industry and Trade, Ministry of Economic Planning and Development, Ministry of Agriculture, Ministry of Education, Ministry of Gender, Malawi Microfinance Association, UKAid/DFID, USAID, EU, World Bank, UNDP/UNCDF, AfDB, and FHI360.

Methodology

Following a multi-stage sampling process and a comprehensive listing exercise (listing almost 116 000 households in 503 Enumeration Areas), a total of 3005 face-to-face interviews were conducted by Millennium Consulting Group (MCG, from November 2013 to March 2014). The sample was drawn by MCG using the sampling framework provided by the National Statistical Office of Malawi.

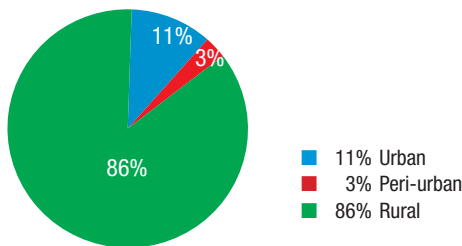
The weighting of the data was conducted by Dr. Ariane Neethling. The sample is representative on national, urban/rural, and regional levels. Quality control and field checks were conducted by MCG, Steering Committee members, FinMark Trust, and the Local Project Coordinator.

Understanding the lives of Malawians

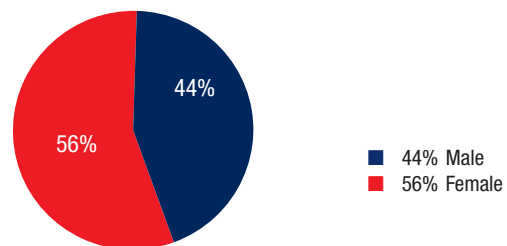


- 86%** reside in rural areas
- 41%** are under 30 years of age (FinScope Survey, defined as not economically active)
- 78%** have primary education or lower
- 41%** personally earn less than MK10 000 per month (1 USD = MK420
Farming remains the most important source of income (43%) and overall 91% of Malawian households are involved in farming (tobacco, maize and groundnuts bring most income for the 61% households that sell their produce)
- 10%** only receive a regular salary

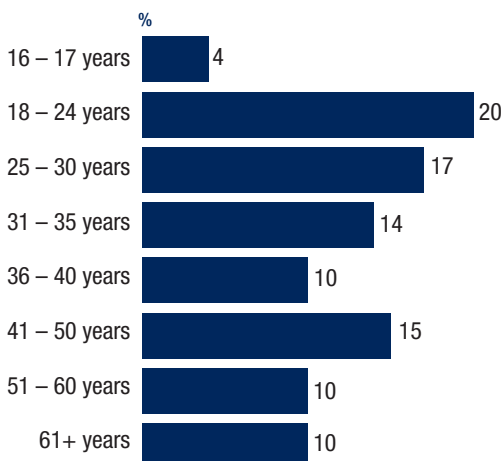
Urban/rural



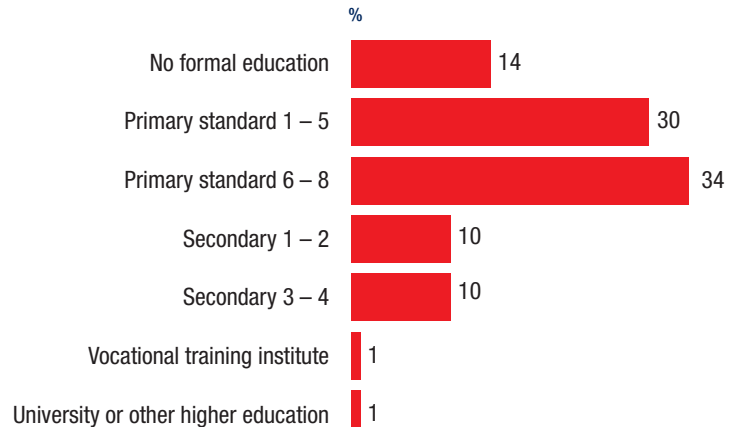
Gender



Age



Education



Understanding the lives of adult Malawians

Access to infrastructure

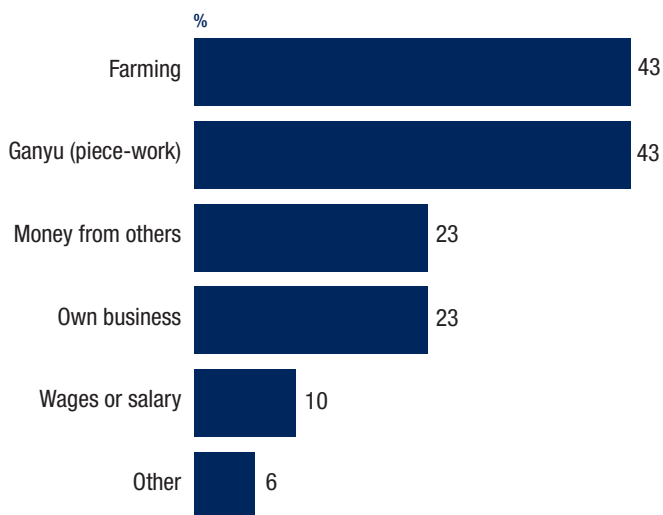


Number of individuals with access to piped water
(inside dwelling or yard/plot)
9.5% (= 723 000)

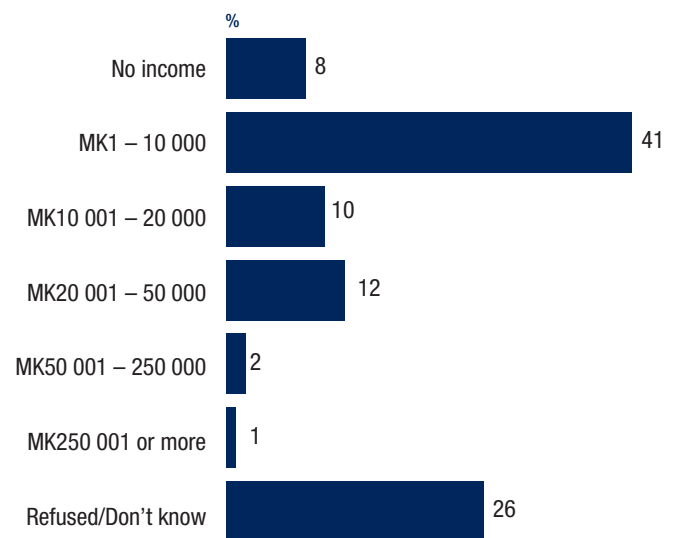


Number of individuals with electricity
(for cooking or lighting)
9.3% (= 708 000)

Sources of income



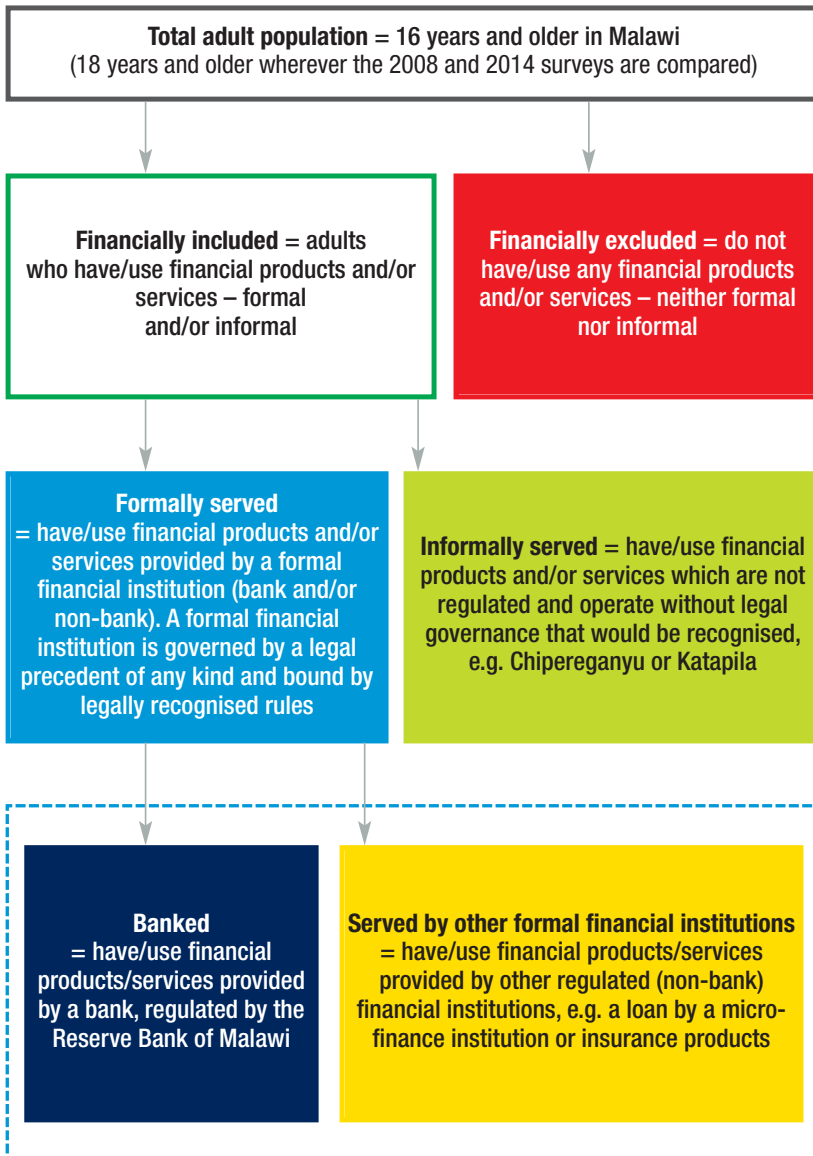
Personal monthly income



1 USD (average) MK420 (at the month of March 2014 during the analysis period)

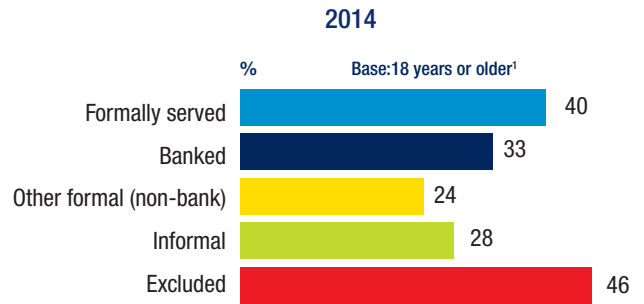
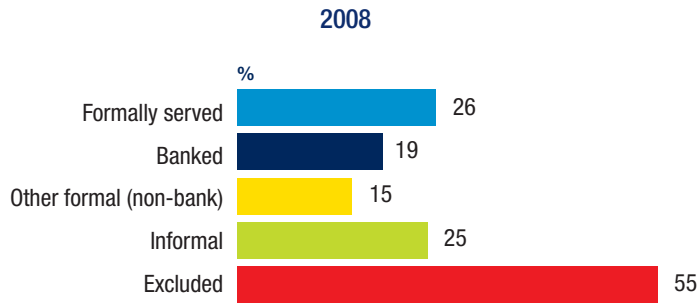


Analytical framework

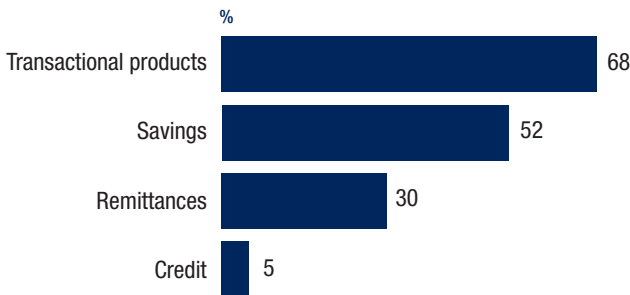


Overview

- 40% of adults (18 years and older) are formally served, including both banked and other formal (non-bank) financial products/services [= increased considerably, 26% in 2008]
- 33% are banked [= increased significantly, 19% in 2008]
- 24% have/use other formal (non-bank) products/services [= increased, 15% in 2008];
- 28% have/use informal mechanisms to manage their finances [= increased slightly, 25% in 2008]
- 46% have/use no financial products/services to manage their finances. If they save, they keep their money at home, and if they borrow they only rely on family and friends [= decreased, 55% in 2008]



What drives banking?

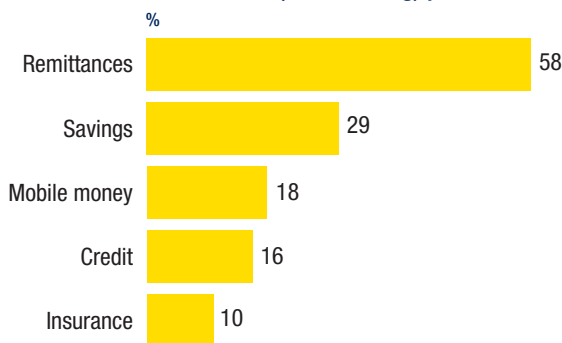


Overlaps

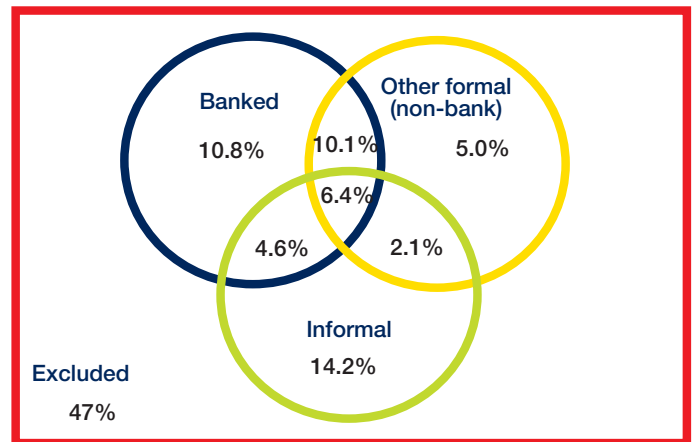
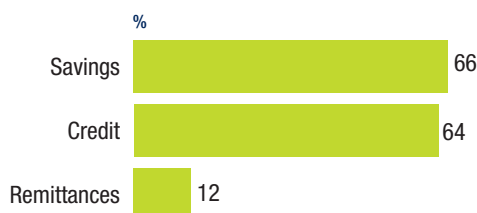
Consumers generally use a combination of financial products and services to meet their financial needs – someone could have a bank account and also belong to a burial society.

- Only 10.8% of adults rely exclusively on banking services
- 6.4% use a combination of bank, other formal (non-bank) and informal mechanisms to manage their financial needs, thus indicating that their needs are not fully met by the one sector alone

What drives the use of other formal (non-banking) products?



What drives the use of informal products?



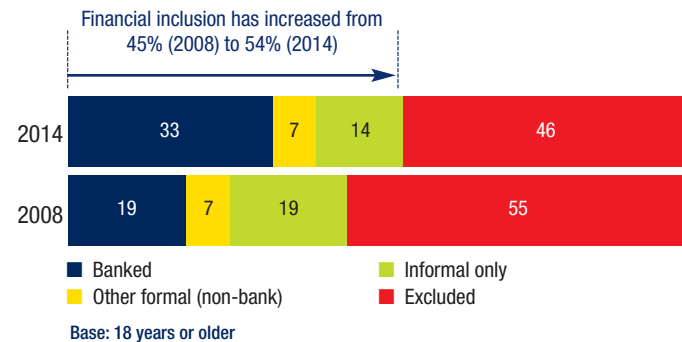
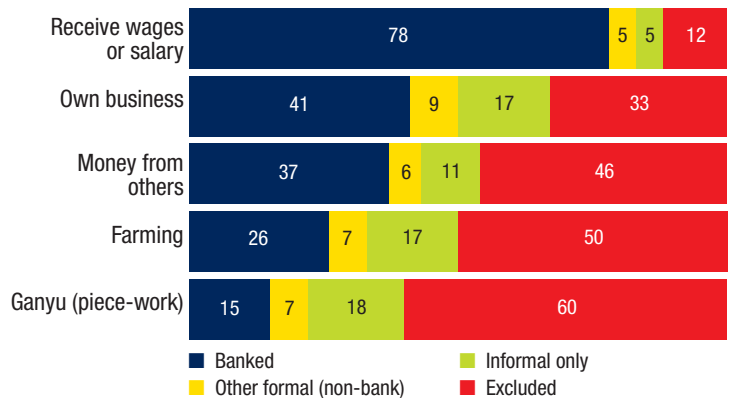
¹ Please note that in 2008 adults aged 18 years and older were included in the survey, while in 2014 adults aged 16 years and older are included. However, for comparison purposes, the base of 18 years and above is used whenever the 2008 and 2014 surveys are compared.

Access Strand

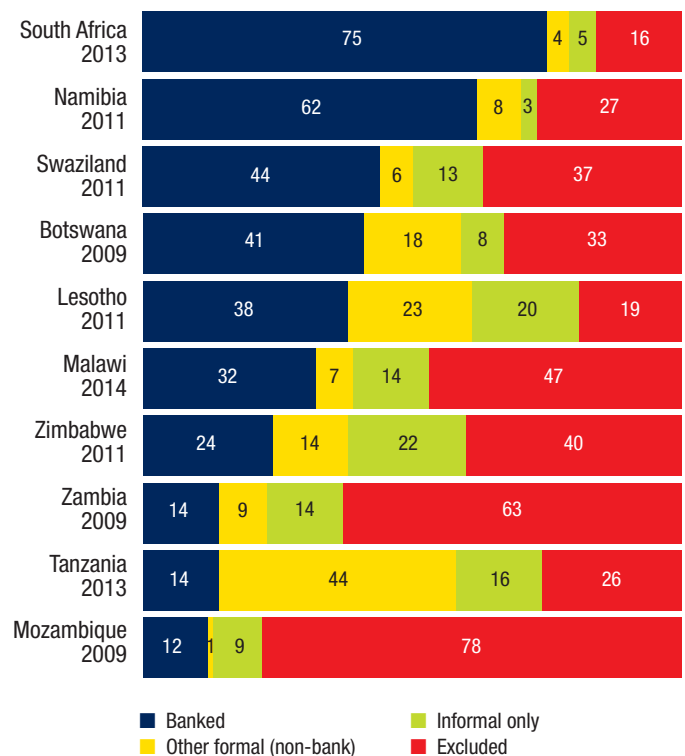
In constructing this strand, the overlaps in financial products/services usage are removed, resulting in the following segments:

- Financially excluded adults, i.e. they do not use any financial products/services – neither formal nor informal – to manage their financial lives (46%)
- Adults who have/use informal mechanisms only but NO formal products/services (14%);
- Adults who have/use formal non-bank products/services but NO commercial bank products (7%) – they might also have/use informal mechanisms
- Adults who have/use commercial bank products/services (33%) – they might also have/use other formal and/or informal mechanisms

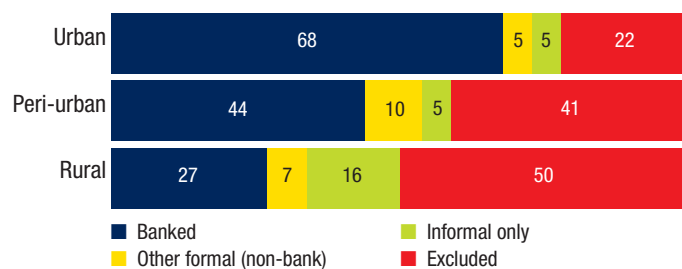
Access Strand by source of income



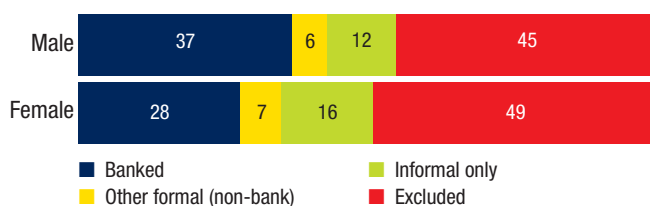
Access Strand across the SADC region where FinScope is implemented



Access Strand by location



Access Strand by gender



Key findings

Comparing the Access Strand by location, gender, and sources of income reveals that levels of financial inclusion (including product uptake of both formal and informal products/services) are higher:

- Among adults residing in urban areas (78%) compared to adults residing in peri-urban (59%) and rural areas (50%)
- Among males (55%) compared to females (51%)
- Among adults receiving a wage/salary (88%), compared to adults with other main income sources which are more irregular of nature, such as farming (50%) and ganyu (40%)

Banking

Banking status

- The banked population has increased since 2008 – from 19% (about 1 153 809 million) in 2008 to 33% (about 2 390 605 million) in 2014
- Banking is largely driven by transactional products/services
- The level of indirect access to banking remains high in Malawi – 24% of banked adults make use of bank accounts that are not registered in their names (compared to 22% in 2008)

How many adults (18 years or older) are banked?

	2008	2014
No. of banked adults in Malawi	1 153 809 (19%)	2 390 605 (33%)
No. of previously banked adults in Malawi	165 086 (3%)	399 690 (5%)
No. of never banked adults in Malawi	4 734 251 (78%)	4 447 200 (62%)
No. of unbanked adults in Malawi	4 899 337 (81%)	4 846 890 (67%)
Total population size	6 053 146	7 266 495

Base: 18 years or older

Banking figures improved, mainly due to an increased uptake of the following products:

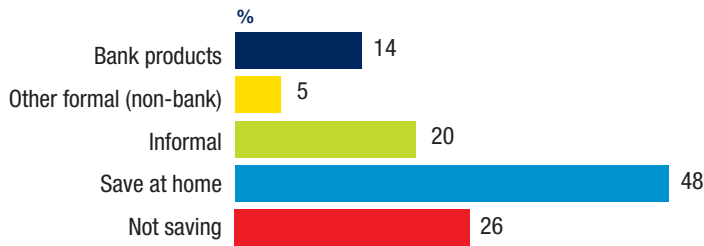
- Savings account with ATM: 640 000 to 1.1 million
- Receive income into bank account: 273 000 to 578 000
- The Makwacha card PIN protected online debit card allowed 500 000 cardholders to buy goods at the merchants stores

<p>33% of adults are banked</p> <p>Drivers</p> <p>Banked people opened their bank accounts mainly to:</p> <ul style="list-style-type: none"> ■ Receive salary/deposit money from an employer (20%) ■ Keep money safe from theft (17%) ■ Receive money from others who deposit into the bank (15%) <p>Banked population have done the following activities with their bank accounts in the past 12 months prior to the survey:</p> <ul style="list-style-type: none"> ■ Withdrawn cash from bank account (47%) ■ Deposited cash into bank account (37%) ■ Received transfers from someone else into their bank account (36%) ■ Requested statements (14%) ■ Used cashpoint to pay bills (11%) 	<p>67% of adults are not banked (Neither direct nor indirect)</p> <p>Barriers</p> <p>Main barriers to banking relate to monetary reasons (affordability):</p> <ul style="list-style-type: none"> ■ Insufficient income to justify it (63%) ■ Income coming in, but insufficient balance after expenses (21%) <p>Only 4% reported that banks are too far away or transport is too difficult despite the fact that Malawians take on average 77 minutes to reach the nearest bank branch (accessibility to bank branches has improved – in 2008 it took on average 83 minutes to reach the nearest bank branch). However, the cost to travel to the nearest bank branch could be integrated into the affordability issue.</p>
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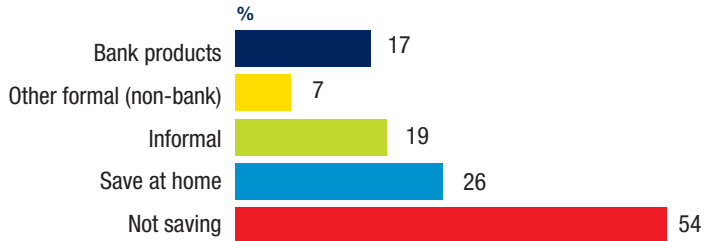


Savings and investments

Overview 2008



Overview 2014



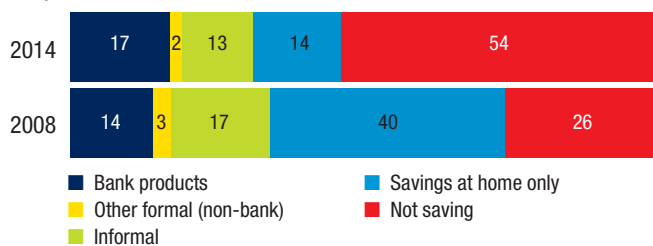
Base: 18 years or older

Savings Strand

In constructing this strand, the overlaps in savings product/services usage are removed:

- 54% of adults in Malawi do not save [= increased, 26% in 2008]
- 14% keep all their savings at home, i.e. they do not have/use formal or informal savings products or mechanisms [= decreased significantly, 40% in 2008]
- 13% only rely on informal mechanisms such as savings groups (they might also save at home, but they do not have/use any formal savings products) [= decreased, 17% in 2008]
- 2% have/use other formal non-bank savings products (they might also have/use informal savings mechanisms and/or save at home, but they do not have/use savings products from a commercial bank) [= decreased, 3% in 2008]
- 17% have/use savings products from a commercial bank (they might also have/use other formal and/or informal mechanisms, and/or save at home) [= increased, 14% in 2008]

Base: 18 years or older



46% of adults save
(mainly at home/secret place)

Drivers

Malawians mainly save:

- To cover living expenses (41%)
- To keep the money safe (19%)
- For farming purposes (14%)
- To cover medical expenses/emergencies (13%)

54% of adults do not save
(26% in 2008)

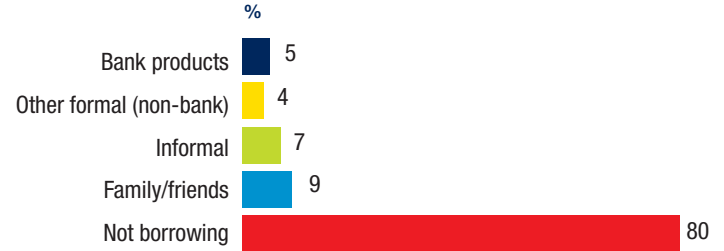
Barriers

Malawians do not save mainly due to monetary reasons (affordability):

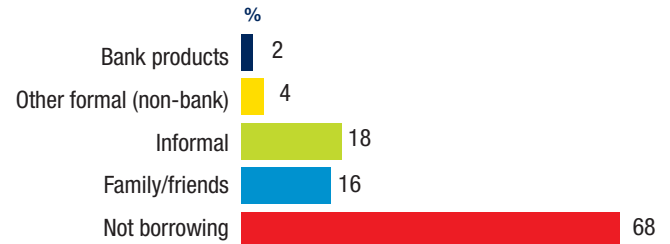
- No money left over after living expenses (71%)
- Do not have any income (17%)

Borrowing and credit

Overview 2008



Overview 2014



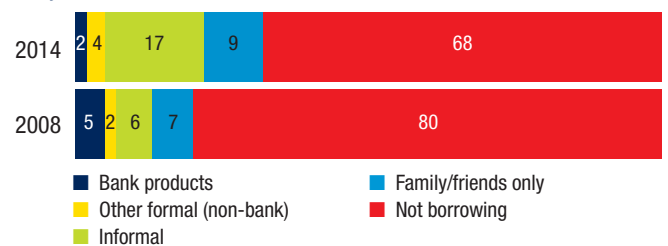
Base: 18 years or older

Credit Strand

In constructing this strand, the overlaps in credit/loan product/services usage are removed:

- 68% of adults in Malawi claimed that they did not borrow or took goods on credit in the past 12 months [= decreased, 80% in 2008]
- 9% only rely on friends and family, i.e. they do not have/use any credit products (neither formal nor informal) [= increased, 7% in 2008]
- 17% rely on informal mechanisms such as VSL groups (they might also borrow from friends and family, but they do not have any formal credit products) [= increased, 6% in 2008]
- 4% have/use formal non-bank credit products (they might also have/use informal mechanisms, but they do not have/use credit products from a commercial bank) [=increased, 2% in 2008]
- Only 2% have/use credit/loan products from a commercial bank (they might also have/use other formal and/or informal mechanisms, or borrow from friends and family) [=decreased, 5% in 2008]

Base: 18 years or older



32% of adults borrow
(mainly from informal sources, family and friends)

Drivers

Similar to the reasons for savings, Malawians mainly borrow to pay for:

- Living expenses (53%)
- Farming expenses (16%)
- Medical expenses (14%)

56% of adults do not borrow
(80% in 2008)

Barriers

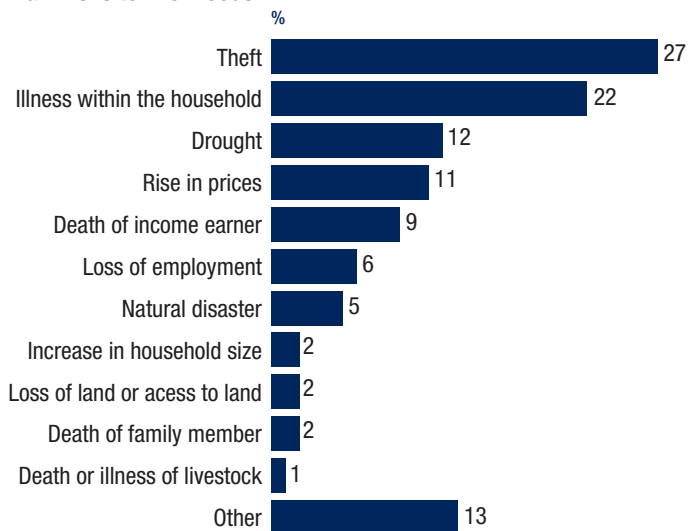
Malawians do not borrow because:

- They fear indebtedness (49%)
- They are concerned they will not be able to pay it back (27%)

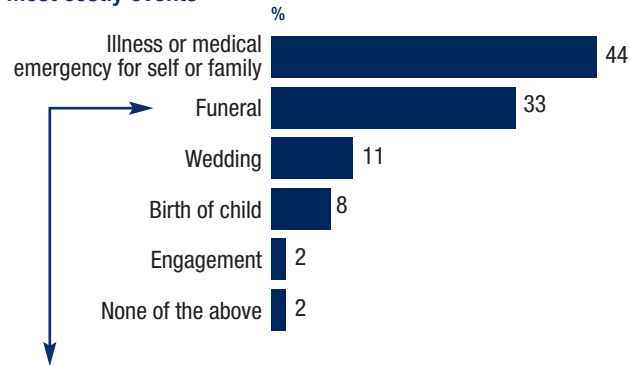
Insurance and risk management

- 97.8% of adults in Malawi do not have any kind of financial product covering risk
- 2.2% (= about 171 000 individuals) have some financial product covering defined risk
- The absolute number increased slightly by about 8 000 individuals BUT the proportion of the adult population that have/use insurance decreased slightly from 2.7% to 2.2% due to population growth
- Increase in life insurance, decrease in medical insurance

Main risks to livelihoods



Most costly events



19% (1.4 million) individuals are from households that experienced 1 or more deaths in the past year prior to the survey

Medical expenses are also a main reason for savings (13%) and borrowing (15%)

2% of adults have insurance

Drivers

Product uptake is driven by:

- Life insurance
- Motor vehicle insurance
- Medical insurance

98% of adults do not have insurance

Barriers

Main barriers to the uptake of insurance relate to:

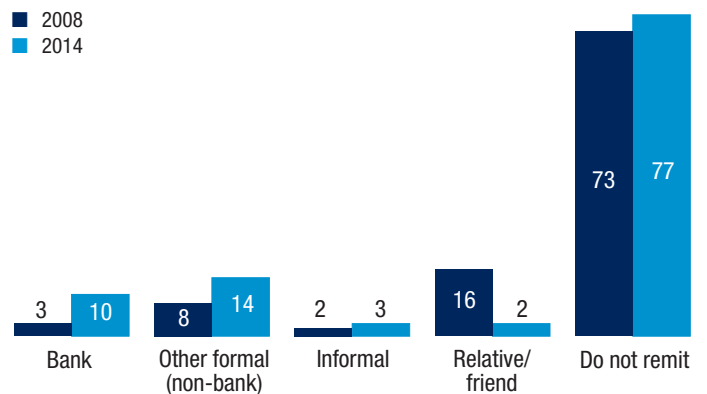
- Lack of awareness/knowledge (have not heard about it, don't know where/how to obtain it)
- Affordability

Remittances

Incidence of remittances

- 23% (1.7 million up from 1.6 million in 2008) of adults in Malawi either sent or received money to or from family members, parents, and children usually on a monthly basis
- 39% (675 000) of adults who sent or received money to or from people living outside of Malawi

Remittance channel



Base: 18 years or older

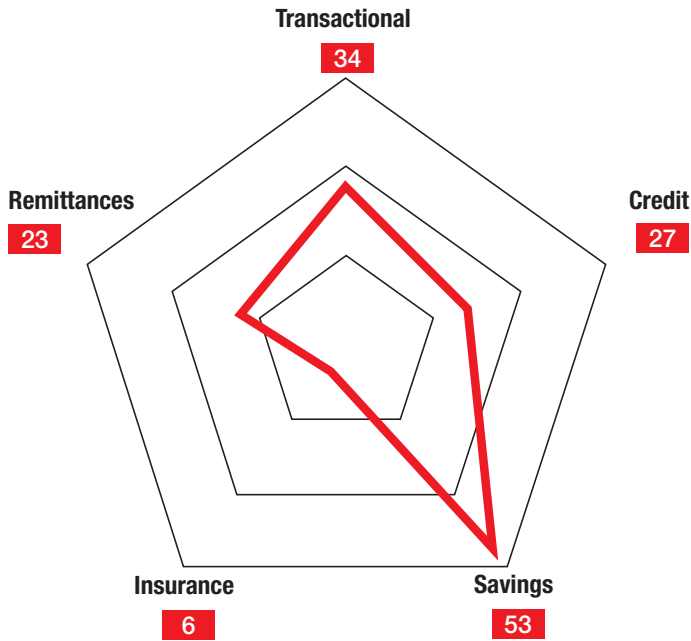


Landscape of Access

The Landscape of Access is used to illustrate the extent to which financially included individuals have/use financial products/services (excluding those borrowing from family/friends and those who save at home/hiding in secret place).

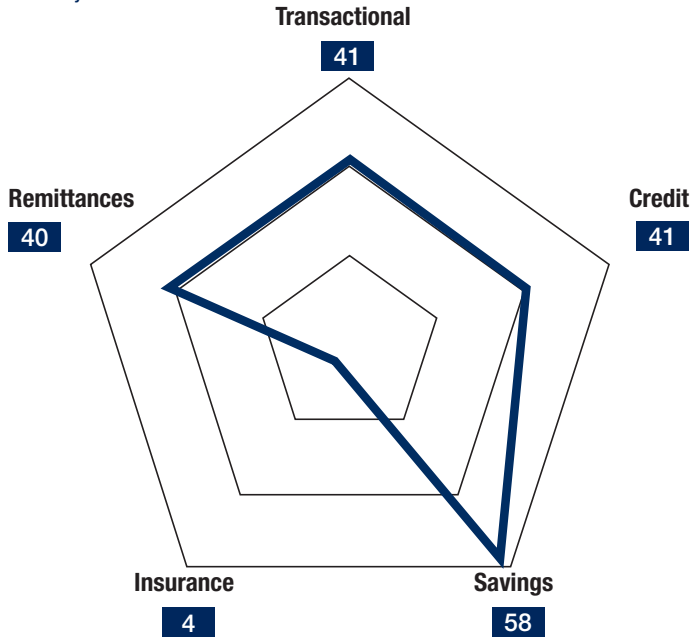
2008

Base: 18 years or older



2014

Base: 18 years or older



Mobile money

- 20% (1.5 million) know about mobile money, but only 4% (325 000) actually use it – either as registered user (3%) or using another person's mobile account (1%)
- Every second adult in Malawi (50%) owns a cellphone

4% of adults use mobile money services

Drivers

Malawians mainly use mobile money services to:

- Purchase air time (32%)
- Withdraw cash (25%)
- To send (14%) or receive (12%) money

96% of adults do not use mobile money services

Barriers

Malawians do not use mobile money services mainly because:

- They are not aware of mobile money (80%)
- They do not have enough information about mobile money (9%)



Summary

- Minor changes in the population profile
 - Increase in rural population from 84% to 86%
 - Increase in female population from 52% to 56%
- Small improvements in education: percentage of people with formal education increased from 80% to 86%
- Small improvements in access to infrastructure:
 - Access to piped water increased from 8.7% to 9.6%
 - Access to electricity (for cooking or lighting) increased from 8.8% to 9.3%
 - Average time taken to reach a bank branch reduced from 83 minutes to 77 minutes
- Farming remains the most important source of income (although it decreased from 60% to 43%)
- Financial inclusion increased by 9 percentage points from 45% (2008) to 54% (2014) mainly due to the increase in the formally served
- Malawians are more likely to save (46%) than to borrow money (32%), despite low levels of income (41% earn less than MK10 000 a month (1 USD = MK420))
- Malawians save and borrow for similar reasons: living expenses, farming and medical expenses
- Importance of informal mechanisms, community, friends and family when dealing with finances – formal financial institutions are not the preferred place to store savings or to borrow money from (BUT decrease in investing through livestock, farming equipment, and business)
- Remittance: decreased by 4 percentage points from 77% to 73% (BUT remittances through formal channels increased)
- Although 20% know about mobile money, only 4% actually use it

Key reasons for financial exclusion:

- Lack of income and affordability of financial products/services
- Lack of awareness of financial products (especially insurance)

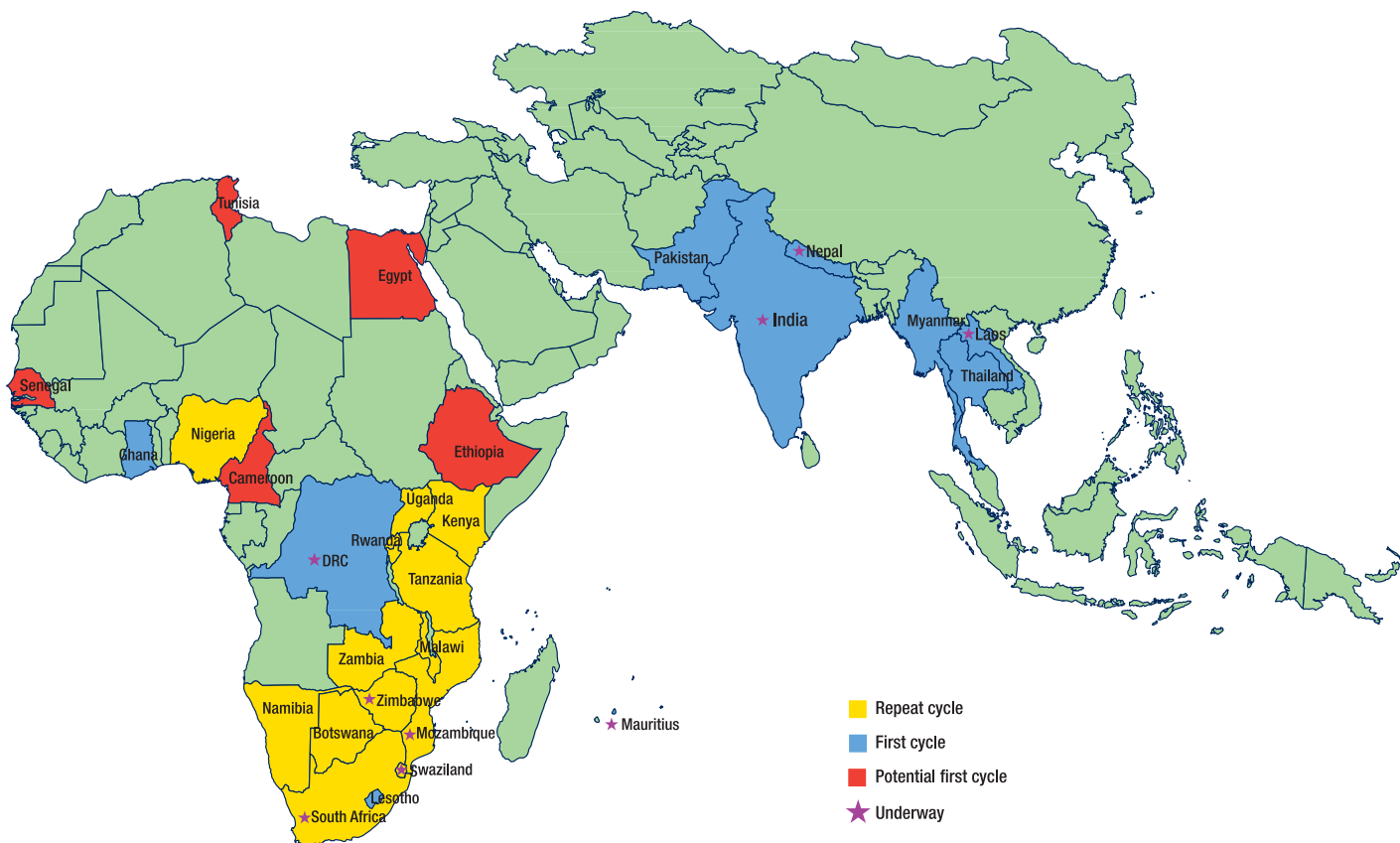
FinScope Malawi 2014 showed that there have been a number of improvements compared to 2008, including the following:

Category	Changes (2008 to 2014)	Drivers	Barriers
Banking	Increased by 14 percentage points From 19% to 33%	To receive money and to save	Affordability: Low/insufficient income
Savings and investments	Decreased by 28 percentage points From 74% to 46% (mainly those who save at home) BUT increase in formal savings from 16% to 19% and surge in VSL usage	Saving for living expenses and medical	Affordability: Low/insufficient income
Borrowing and credit	Increased by 13 percentage points From 20% to 32%	Borrowing for living expenses, developmental purposes (farming, business, education and medical)	Fear of indebtedness/inability to pay it back
Insurance and risk management	Increased in absolute numbers by 8 000, but slight declined by 0.5 percentage points from 2.7% to 2.2% due to population growth (increase in life insurance, decrease in medical insurance but still important)	Mainly life, medical and motor insurance Illness = main risk and most costly	Lack of awareness/knowledge Affordability

FinScope footprint

FinScope Consumer Surveys have been completed in 18 countries. This allows for cross-country comparison and sharing of findings which are key in assisting on-going growth and strengthening the development of financial markets.

FinScope Malawi 2014 contains a wealth of data based on a nationally representative sample of the adult population of Malawi.



Contact

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www.finscope.co.za

FinMark Trust, an independent trust based in Johannesburg, South Africa, was established in 2002, and is funded primarily by UKaid from the Department for International Development (DFID) through its Southern Africa office. FinMark Trust's purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration'. This is done by promoting and supporting financial inclusion, regional financial integration, as well as institutional and organisational development, in order to increase access to financial services for the un-served and under-served. In order to achieve this, FinMark Trust commissions research to identify the systemic constraints that prevent financial markets from reaching out to these consumers and by advocating for change on the basis of research findings. Thus, FinMark Trust developed the FinScope tool, including both the FinScope MSME Survey and the FinScope Consumer Survey.