

Press release: January 2009

Editorial contact: FinMark Trust

Mark Napier (082 456 5036)

Darrell Beghin (082 497 5017)

TNS Research Surveys

Neil Higgs (011 778 7500)

Rob Powell (011 778 7500)

Banking comes to more people

Although the growth in the number of people who use banking services slowed last year compared to the year before, that growth has been dramatic in recent years.

FinScope South Africa 2008, a comprehensive survey of financial use and behaviour, shows that year-on-year growth of banking penetration between 2006 and 2007 was around 20%, and this slowed to 5% from 2007 to 2008. This represents more than one million people entering the banked market in the context of a population growth of 1% during this period.

In 2008, almost 63% of adult South Africans were banked, with a further 8% having been previously banked. The remaining 30% have no experience of the banking sector. Banking penetration is highest in the white market (94%), and lowest in the coloured and black markets (61% and 57% respectively).

Formal banking – a closer look at the numbers

The proportion of each population group banked in 2006, 2007 and 2008 is shown below:

	2006	2007	2008
Total	51% (15 869 000)	60% (19 040 000)	63% (20 000 000)
Black	45% (10 700 000)	56% (13 500 000)	57% (14 000 000)
White	91% (3 150 000)	95% (3 350 000)	94% (3 400 000)
Coloured	53% (1 600 000)	54% (1 600 000)	61% (1 855 000)
Indian/Asian	58% (500 000)	75% (650 000)	84% (780 000)

The table indicates that the black and Indian/Asian market had high growth over the period with the sheer numbers in growth coming mainly from the black population. However, the Asian market is unique in having sustained high levels of growth between 2006 and 2007 as well as 2007 and 2008.

The Financial Sector Charter

One of government's mandates is to improve access to financial products and services, particularly among the previously disenfranchised. This intent was formalised by the Financial Sector Charter, signed in 2003. The charter aims to ensure that the benefits of access to financial services – the ability to receive, store and transmit money safely, to protect against risk and to borrow to acquire and invest – are available to a broad spectrum of South Africans.

Access is defined as having the ability to use basic banking services within a 20 km distance from one's home. Although access to financial services cannot be equated to uptake of services, a certain level of entry into the banking sector should be evident as access increases. The charter's access targets

include the commitment to ensure that 80% of LSM 1-5¹ have effective access to first-order retail banking products² by 2008.

To assess whether or not the targets set by the charter have been achieved, penetration of banking among key LSM groups needs to be investigated. However, it is important to note that the size of the LSM groups is dynamic. An increase in affluence signals a movement up the LSM spectrum. The actual size of LSM 1-5 is declining. In 2007, it represented 53%³ of the population. In 2008, it accounted for 50%³ of the population, or close to sixteen million people.

Banking penetration by LSM⁴ is tabulated below:

	2006 %	2007 %	2008 %
LSM 1-5	35	44	49
LSM 1-2	21	27	31
LSM 3-4	35	40	50
LSM 5	54	63	58
LSM 6-7	70	75	71
LSM 8-10	90	94	94

Although it is difficult to measure access to financial services accurately, considering usage as a proxy, great strides have been made.

The banked population – financially savvy or at sea?

Although banking penetration has grown at an impressive rate, the uptake in banking does not always correlate directly with knowledge of financial matters or appropriate financial management. The responses of banked South Africans to questions about which financial areas they would most like to be educated on, or informed about, indicate that sound money management cannot be assumed. As in 2007, the most pressing areas in which education is desired are how to make effective use of savings products (31%), how to manage and draw up a budget (30%) and how interest rates are calculated (29%).

Banking products used – and how they are used

Although being formally financially active is important, a more detailed picture of how South Africans manage their finances is gained from looking at actual product usage. Entry-level banking products, such as ATM cards and savings/transaction accounts, are the main banking products used. The table below shows the penetration of various product types, by total population and by race. It also highlights differences in the penetration of products from 2007 to 2008.

	Total %		Black %		White %		Coloured %		Indian/ Asian %	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
ATM card	55	58	51	54	83	84	50	57	70	79
Savings/Transaction a/c	43	38	40	33	66	61	42	39	51	67
Debit card	25	27	21	22	55	59	19	27	30	51
Current or cheque a/c	8	9	3	4	41	38	7	7	18	28
Credit card	9	9	4	4	42	42	5	7	20	27
Mzansi account	10	11	12	13	2	5	5	9	2	2
Post Bank a/c	4	2	5	3	2	2	2	2	3	2
Savings book	3	3	3	2	6	5	3	3	2	4
Fixed deposit bank a/c	3	4	2	3	11	15	2	5	8	10
Personal garage card	2	3	0	1	17	18	1	1	6	9
Money market account	1	1	0	0	4	7	0	0	2	4
Cellphone banking	4	4	3	2	8	13	3	1	4	15

¹ LSM or Living Standards Measure is a categorisation ranging from 1 to 10 used extensively by marketers and advertisers as a means to segment the population. It is crude proxy for wealth, with the lower LSM groups comprising the most impoverished end of the spectrum. LSM figures are based on SAARF's 2005 algorithm.

² First-order retail products and services include transaction services

³ Using the 2006 LSM algorithm

⁴ Based on the 2005 LSM algorithm

As in previous years, use of ATM cards and savings/transaction accounts dominate. However, product use does not appear to grow or decline consistently across the race groups. Other than in the white market, ATM card use has risen substantially in all race groups. A different trend is evident when considering savings/transaction accounts. Incidence of this product type has decreased since 2007, other than in the Indian/Asian market. Although use of debit cards is fairly stable since 2007 in the black market, it has increased significantly amongst other race groups. Good growth in cellphone banking has occurred in the white and Indian/Asian markets. Consistent with white adults enjoying the highest average income levels, their penetration of the banking market is more established, and they have the highest number of formal financial products.

As in 2007, cash withdrawals (99%) and cash deposits (56%) are the most frequent transactions, followed by balance enquiries (48%) and requests for statements (39%). Balance enquiries and statement requests have increased significantly since 2007, where cash withdrawals were at 59% and cash deposits 32%. One possible reason for this may be that South Africans are feeling more financially stretched this year than last, and as such are more observant of their bank balances. The primary channel for deposits continues to be in the branch, whereas there is comfort in making withdrawals at an ATM. Airtime is most likely to be bought in a supermarket or shop.

A closer look at Mzansi

The Mzansi account was launched in 2004 and is the banking sector's attempt to fulfil commitments made in the Financial Services Charter. The awareness level of the Mzansi account in the total population is 66%, showing a continued increase from the 62% recorded in 2007 and 55% in 2006. Although a significant portion of the population is therefore aware of the offering, it is encouraging that awareness is highest in the black market at 74%, the sector that comprises the majority of LSM 1-5. In LSM 1-5 specifically, 70% of adults are aware of Mzansi.

This entry-level bank account continues to be successful in achieving its aim of drawing previously unbanked people into the banking sector. However, its growth has slowed dramatically from levels seen in the past. Penetration of the account grew by 10% from levels recorded in 2007, representing over 470 000 new Mzansi account holders. As the table below indicates, Mzansi is most prevalent in the black market, but good growth occurred in the coloured and white markets between 2007 and 2008. The table indicates the race divisions among Mzansi account holders.

Race	2007 %	2008 %
Black	92	87
White	2	5
Coloured	5	8

Sixty eight percent of Mzansi users opened a Mzansi account as their first bank account. An additional 9% had an existing account changed to a Mzansi account by their bank.

When probed as to their motivation for opening a Mzansi account, most account holders claim to have made this decision independently (61%). A further 17% claim to have been encouraged by friends and family to take out the account and 13% opened the account because their employer wanted them to do so for salary purposes. Eight percent opened the account to receive a government payment such as a child grant or other benefit. These individuals are likely to represent some of the most impoverished in our society and account for more than 350 000 people.

It is also worthwhile to ascertain the penetration of Mzansi among South Africans who are banked. Among this specific population, Mzansi account holders represent 17.5% of the entire banked market, up from 16% in 2007 and 12% in 2006. Among black adults who are banked, penetration is over one in five banked adults (22%). In LSM 1-5 specifically, Mzansi accounts for 28% of accounts held. These figures illustrate the inroads Mzansi has made in the market.

However, although awareness and penetration of Mzansi show positive trends, real knowledge of the product could be improved. Among those aware of it, over half claim not to know enough about it.

This lack of knowledge is illustrated by the fact that only 61% claim that it has the cheapest fees in the market. Fifty-seven percent agree with the statement that the fees are clear and easy to understand. The account also has some negative connotations. It is still believed to be a “poor person’s bank account” by 51% of those aware of it, and 42% still believe that, even with Mzansi, banking charges are still not affordable. On the positive side, 89% perceive Mzansi to be an account for all South Africans.

Summary

Banking penetration continued to grow between 2007 and 2008, although at a much lower rate than in previous years. Usage behaviour tends to be quite basic and as such the depth of banking use and knowledge could be greatly improved. This is likely to happen over time, as experience and comfort with banking grows.

Although continued work is required to educate consumers on the nature of Mzansi, the offering has been very successful. The need for such an offering is evident in the fact that almost one in five banked adults, have such an account.

FinScope was launched in 2003 by the FinMark Trust. It was an attempt to establish credible benchmarks for the use of, and access to, financial services in South Africa. It was designed to highlight opportunities for innovation in products and delivery. The findings in 2003 and subsequent years have identified barriers to access for low income people and provided insights for policymakers, in both the public and private sectors, who wish to remove or reduce the barriers. For more information see: <http://www.finscope.co.za>

FinScope SA 2008, a study to monitor use and perceptions of the financial sector in South Africa, was conducted by TNS Research Surveys, South Africa’s leading marketing insights company, on behalf of FinMark Trust and syndicate members. Face-to-face interviews were conducted among 3 900 South African residents aged 16 years and older, between August and October 2008. A nationally representative sample was drawn, which was weighted and benchmarked to the 2008 mid-year estimates based on 2007 Community Survey estimate information.

The 2008 South African syndicate members are: Absa, First National Bank (FNB), Liberty Life, Metropolitan Life, National Treasury, Nedbank, Old Mutual, Sanlam, Standard Bank and Teba Bank.

About TNS

TNS is a global market information and insight group.

Its strategic goal is to be recognised as the global leader in delivering value-added information and insights that help its clients make more effective business decisions.

TNS delivers innovative thinking and excellent service across a network of 80 countries. Working in partnership with clients, TNS provides high-quality information, analysis and insight that improves understanding of consumer behaviour.

TNS is the world’s leading provider of customised services, combining sector knowledge with expertise in the areas of Product Development & Innovation, Brand & Communications, Stakeholder Management and Retail & Shopper. TNS is a major supplier of consumer panel, media intelligence and audience measurement services.

TNS is the sixth sense of business™.

www.tnsglobal.com

The Kantar Group

The Kantar Group is one of the world's largest research, insight and consultancy networks. By uniting the diverse talents of more than 20 specialist companies - including the recently-acquired TNS - the group aims to become the pre-eminent provider of compelling and actionable insights for the global business community. Its 26,500 employees work across 80 countries and across the whole spectrum of research and consultancy disciplines, enabling the group to offer clients business insights at each and

every point of the consumer cycle. The group's services are employed by over half of the Fortune Top 500 companies. The Kantar Group is a wholly-owned subsidiary of WPP Group plc. For further information, please visit www.kantargrouptns.com