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The number of people banked in South Africa has increased by 20 percent - but use of products remains limited

FinScope™ South Africa 2007, a comprehensive survey of financial use and behaviour, shows that the number of South Africans over the age of 16 who are banked has reached 60%, representing more than 19 million people out of a total adult population of 31.6 million. An additional three million people opened accounts between 2006 and 2007, increasing the number of people banked by almost 20%. In 2006, 51% of the population was banked, up from 46.5% in 2005.

This represents a real growth in the banking sector, with increases significantly exceeding what would be expected as a result of population growth - the number of adults increased by only 450 000 (1,45%) over the period 2006 to 2007.

Where is this growth coming from?

Growth in bank account use has come from the black population, from people living in informal urban areas and from people earning between R500 and R999 a month. Unquestionably, Mzansi accounts were a driving force behind this substantial increase - one in 10 adult South Africans now has an Mzansi account, well over a million more than in 2006.

Further, there has been a major increase in the number of people who say they use someone else's account.

The proportion of each population group banked in 2006 and 2007 is:

	2006	2007
Black	45% (10 700 000)	56% (13 500 000)
White	91% (3 150 000)	95% (3 350 000)
Coloured	53% (1 600 000)	54% (1 600 000)
Indian/Asian	58% (500 000)	75% (650 000)

The black and Indian/Asian market had high growth over the period with the sheer numbers in growth coming mainly from the black population.

Financial Sector Charter

One of government's mandates is to improve access to financial products and services, particularly among the previously disenfranchised. The Financial Sector Charter, signed in 2003, formalised this

and aims to broaden financial access. The charter's access targets include the commitment to ensure that 80% of LSM 1-5¹ has effective access to first-order retail banking products by 2008.

LSM 1-5 accounts for 57% of the adult population, and as this sector had the largest percentage growth much of the increase in the banked population is new entrants moving into the banking sector from this LSM grouping. In addition, as Mzansi accounts for about 26%, or more than two million accounts held within LSM 1-5, this highlights the great strides this product has made over the last 12 months. Between 2006 and 2007, some 1,14 million bank accounts were opened by people in LSM1-5 bringing the percentage of people banked in the segment to 44%. Almost 800 000 new Mzansi accounts were opened by people in LSM 1-5.

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

Although the incidence of being banked correlates with wealth, it is nevertheless interesting that 6% of adults in LSM 8 -10 remain unbanked.

Gender issues are also noteworthy. In the 2005 study, more males than females were banked (50% compared to 44%). In 2006, this imbalance appeared to be rectifying itself, with the figures for 2006 indicating that 52% of males and 50% of females were banked. This remains true in 2007, with little difference found in penetration figures by gender: men (61%) and women (59%). In short, the gender gap in banking appears largely to have been closed.

Using someone's else's account

Although there has been tremendous growth in the banking sector, the number of people actually using a bank account is probably higher than the figures indicate. Many people who are not formally banked use someone else's bank account. Nine percent of people who are unbanked fall into this category, (about 1.1 million people), up from 3% in 2006. Although not technically "banked", these people can clearly be said to have access to banking.

Interestingly, this is highest among the white population, where 24% of unbanked white people use someone else's bank account.

Banking products used - and how they are used

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 pen of products from 2007 to 2006.

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 the 2005 algorithm.

	Total %		Black %		White %		Coloured %		Indian/Asian %	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
ATM card	48	55	42	51	87	83	47	50	54	70
Savings/Transaction a/c	38	43	34	40	63	66	43	42	46	51
Debit card	15	25	11	21	45	55	16	19	16	30
Current or cheque a/c	7	8	2	3	38	41	7	7	10	18
Credit card	7	9	2	4	37	42	8	5	11	20
Mzansi account	6	10	7	12	4	2	2	5	0	2
Post Bank a/c	4	4	4	5	2	2	2	2	0	3
Savings book	3	3	3	3	5	6	4	3	5	2
Fixed deposit bank a/c	3	3	2	2	11	11	3	2	5	8
Personal garage card	2	2	0	0	13	17	2	1	2	6
Money market account	1	1	0	0	4	4	0	0	0	2
Cellphone banking	1	4	1	3	7	8	2	3	0	4

The figures confirm that the largest growth in the banking sector has been in the black and Indian/Asian communities. The attractiveness of debit cards is also evident across markets, as demonstrated by the growth in use of this product across all race groups, although some of this apparent growth may be attributable simply to the fact that more people now know what a debit card is. The data also demonstrates that the banking products held and subsequent banking behaviour is far more involved in the white market than for the other race groups, particularly those in the black and coloured communities.

The number and sophistication of products used increases by LSM, as highlighted in the table below:

	Total %	LSM 1-5 %	LSM 1-2 %	LSM 3-4 %	LSM 5 %	LSM 6-7 %	LSM 8-10 %
ATM card	55	40	24	36	58	70	85
Savings/Transaction a/c	43	31	21	28	44	54	67
Debit card	25	14	8	13	19	34	51
Current or cheque a/c	8	1	0	0	2	6	35
Credit card	9	0	0	0	1	8	39
Mzansi account	10	11	4	10	18	10	4
Post Bank a/c	4	5	3	4	6	5	3
Savings book	3	2	1	2	2	4	6
Fixed deposit bank a/c	3	1	0	1	1	4	11
Personal garage card	2	0	0	0	0	1	14
Money market account	1	0	0	0	0	0	3
Cellphone banking	4	0	0	0	1	6	10

In the market as a whole, cash withdrawals (98%) and cash deposits (53%) are the most frequent transactions, followed by the request for balance enquiries (32%) and statements (25%).

Desired information/education on financial matters

Although the banking sector has grown at an impressive rate, an uptake in banking does not always directly correlate with knowledge of financial matters or appropriate financial management. The most pressing areas in which education is desired are how to make effective use of savings products (29%), how interest rates work (27%), how to draw up and manage a budget effectively (24%), and how interest rates are calculated (21%).

Summary

Between 2006 and 2007, the number of banked South Africans grew at a remarkable rate. What is particularly encouraging is that the greatest growth has been in the poor segments of society. However, for most of the banked population, their use of financial products remains limited, and more complex savings and investment vehicles are not part of their financial management tools. While this is largely driven by financial constraints, which do not allow for surplus money over and above that required to meet basic needs, an improvement in financial knowledge and management abilities would ensure optimum financial management should financial circumstances change.

FinScope™ was launched in 2003 by the FinMark Trust. It establishes 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™ South Africa 2007, 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 September and November 2007. A nationally representative sample was drawn, which was weighted and benchmarked to the 2007 mid-year estimates based on the Census 2001 estimate information.

The 2007 South African syndicate members are: Absa, African Bank, First National Bank (FNB), Liberty Life, Metropolitan, National Treasury, Nedbank, Old Mutual, Post Office, Zurich, Sanlam and Standard Bank.