

FinScope  
*Consumer  
Survey  
Highlights*



# Madagascar 2016

## ***Partnering for a common purpose***

The FinScope survey is a research tool which was developed by FinMark Trust. It is a nationally representative survey of how individuals source their incomes, and how they manage their financial lives.

The FinScope survey is dynamic and the content is evaluated by a number of stakeholders including the private sector, NGOs and Government to ensure that the most relevant consumer data is collected. It also forms an important component of the Making Access Possible (MAP) methodology.

Making Access Possible (MAP) is a diagnostic and programmatic framework to support expanding access

to financial services for individuals and micro- and small- businesses. The MAP methodology and process has been developed jointly by UNCDF, FinMark Trust and Cenfri to foster inclusive financial sector growth. At country level, the core MAP partners collaborate with Government, other key stakeholders and donors to ensure an inclusive, holistic process. MAP Madagascar represents a partnership between the Ministry of Finance, UNCDF, FinMark Trust, Cenfri, and the Institute of National Statistics (INSTAT) for the Development of a Strategic Framework for Financial Inclusion in Madagascar.

This pocket guide represents some of the key market data on financial inclusion. Additional deeper dives on key thematic areas can be found on the data dashboards on agriculture, youth and financial literacy.

### ***The cover symbol***

*Through the MAP programme, we hope to effect real change at country level and see the impact of financial inclusion on broader national growth and development. The cover graphic features a flower synonymous to Madagascar, which is the pointsettia. The flower symbolises growth and development while the circle represents inclusive growth. Each flower is an example of the successful growth in a unique environment. By combining the flower with the currency symbol of Madagascar we represent the characteristics of the country, linking financial inclusion with successful growth.*



Empowered lives.  
Resilient nations.



## ***Introduction***

The Malagasy economy is not diversified and economic growth is focused on a few sectors and regions qualified as growth poles due to their high population density, proximity of major projects and their access to markets. Many regions where the poverty rates are high, have low priorities in development programs and weakened economic performance.

The Malagasy Government identifies the fight against poverty through inclusive growth as its main objective and designed a strategy outlined in the Politique Generale de l'Etat (PGE) and translated into a National Development Program (2015-2019). In addition, a National Financial Inclusion Strategy (NFIS) 2013-2017 is in place with the main objective to improve access to the population to financial services, meet all their needs and ensure economic growth including that of income and financial security.

In this endeavor, the Malagasy Government together with the MAP partners lead the implementation of MAP with the first step of implementing a FinScope survey.

## ***Methodology***

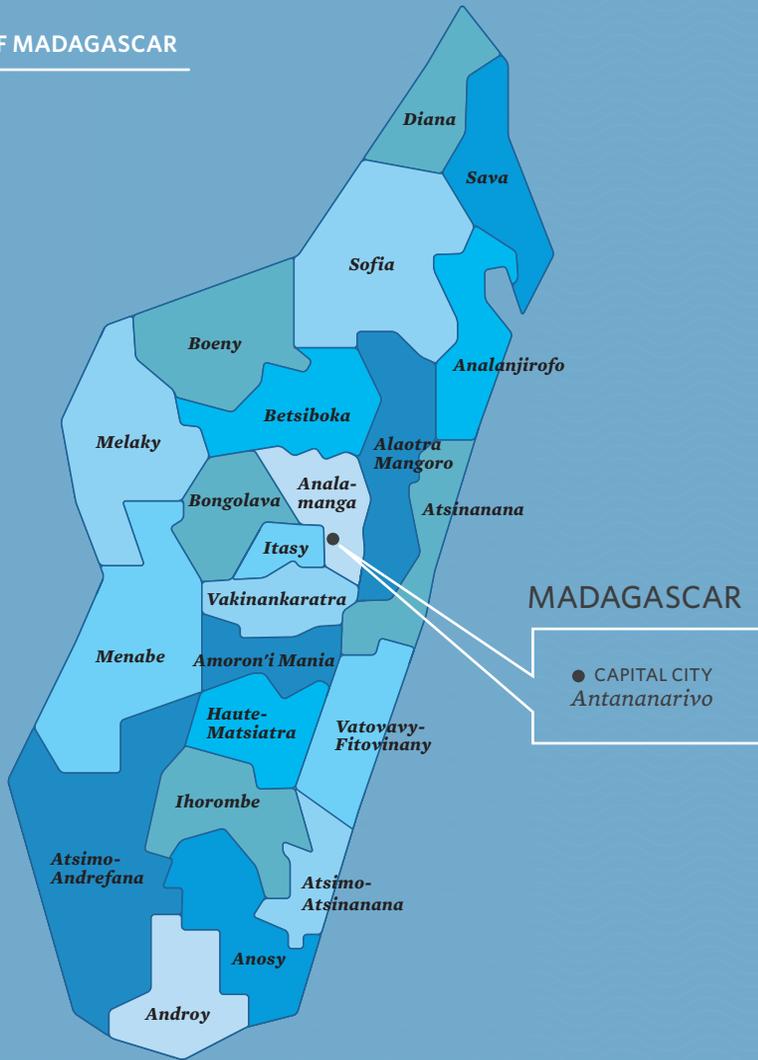
- According to the listing conducted by INSTAT, the total adult population is estimated to be 11 million
- Nationally representative individual-based sample of the adult population aged 18 years and older at regional and urban/rural level
- Sampling frame and data weighting conducted by the INSTAT and weighted to the INSTAT estimates and validated against census data in 1993 and projections, General Population and Housing Census and Millennium Development Goals survey 2013
- 5 040 face-to-face interviews conducted by INSTAT (September 2015 - April 2016)

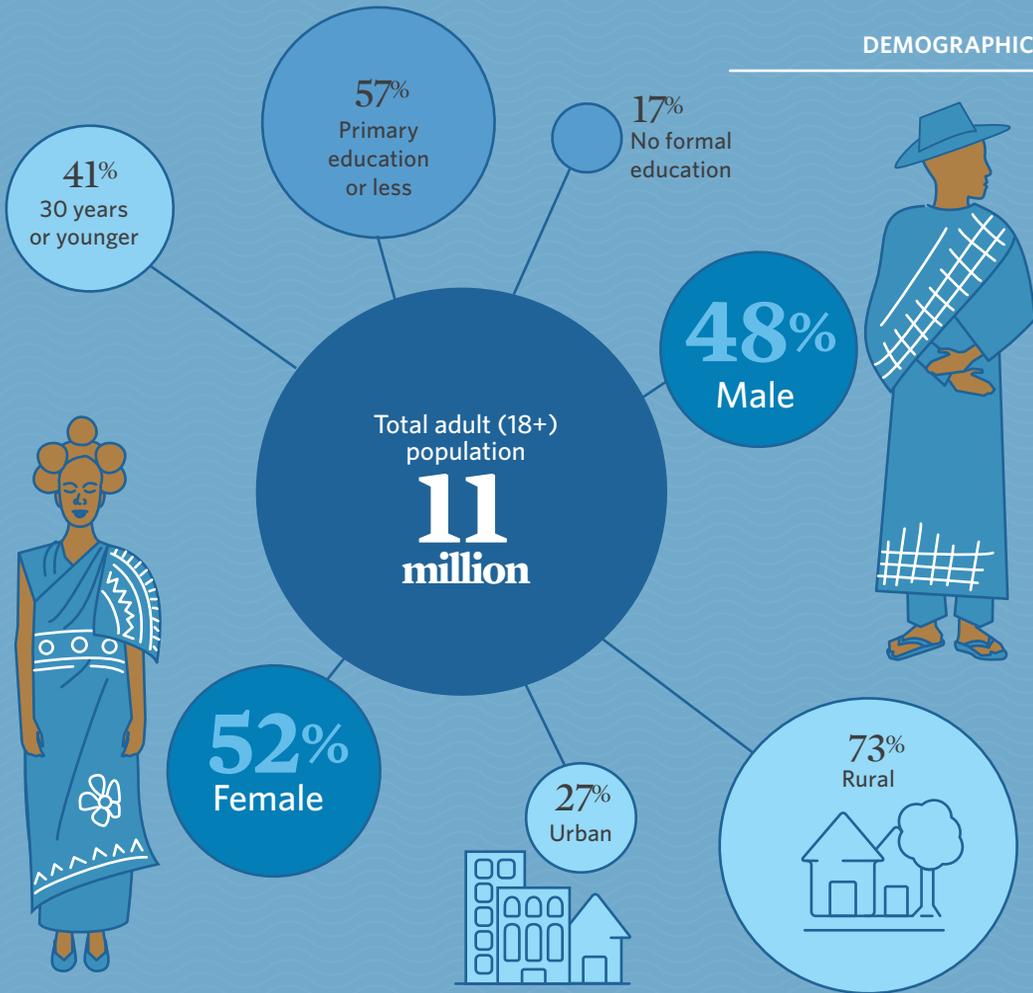
## ***Survey objectives***

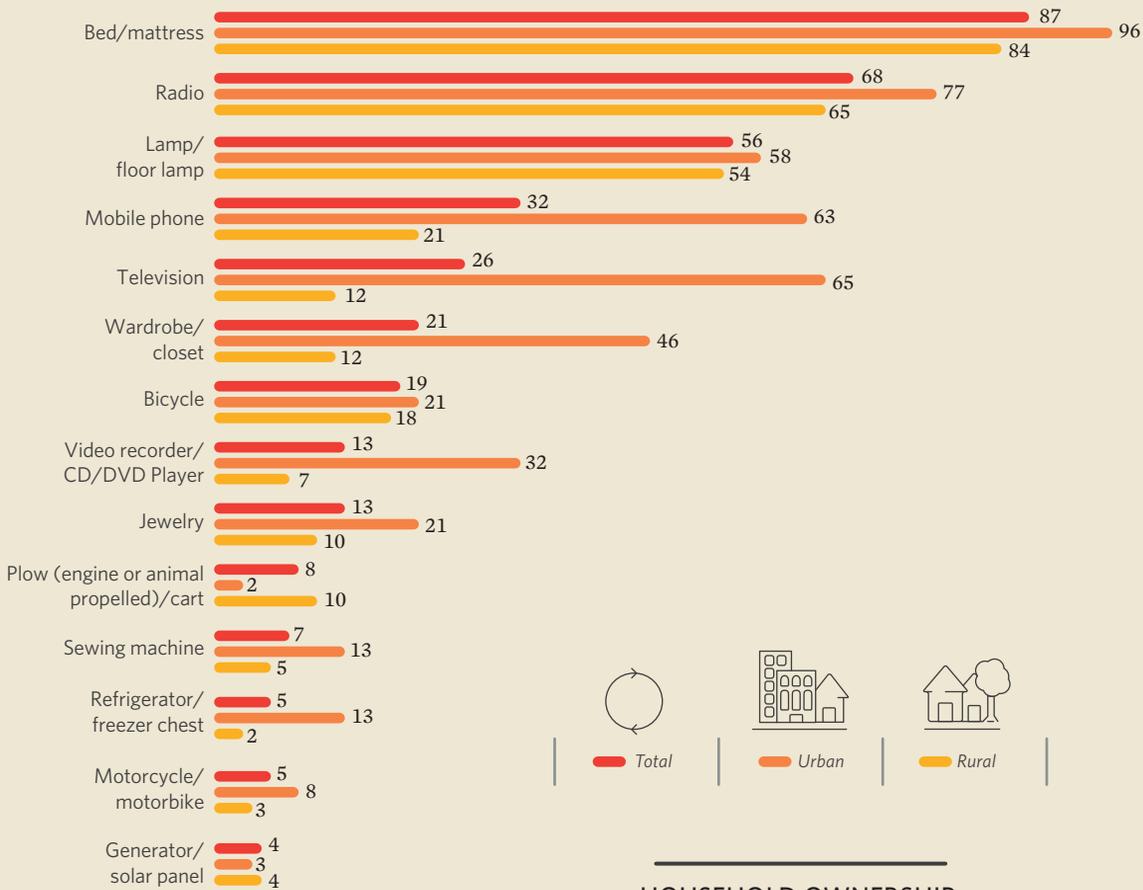
The objectives of FinScope Consumer Survey Madagascar 2016 were to understand the adult population in terms of:

- Livelihoods and how they generate their income
- Their financial needs and demands
- Their financial perceptions, attitudes, and behaviours
- Their demographic and geographic distribution
- Current levels of access to, and utilisation of, financial services and products

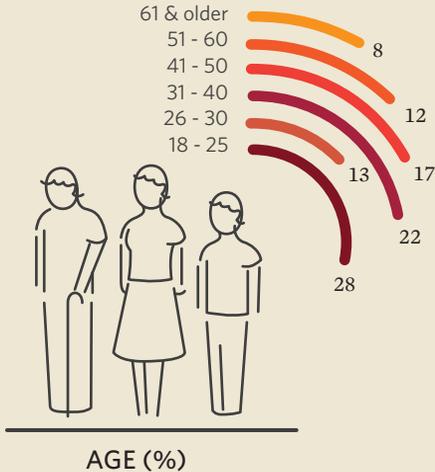
# REGIONS OF MADAGASCAR





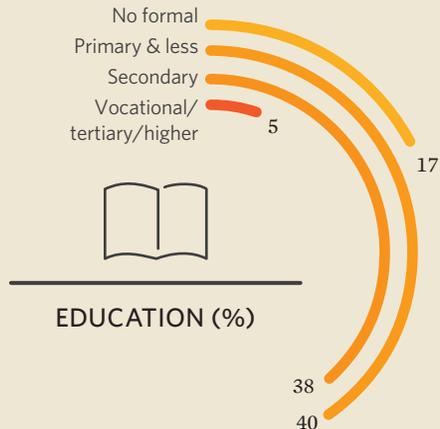


**HOUSEHOLD OWNERSHIP OF ASSETS (%)**



- Using 35 years and below for the youth group, there is a higher proportion of youth in the rural areas (75%) versus seniors (72%)

- Education is largely skewed towards urban adults with 2 out of every 3 rural adults having primary education or less while only 1 in 3 for urban adults



## AGRICULTURE

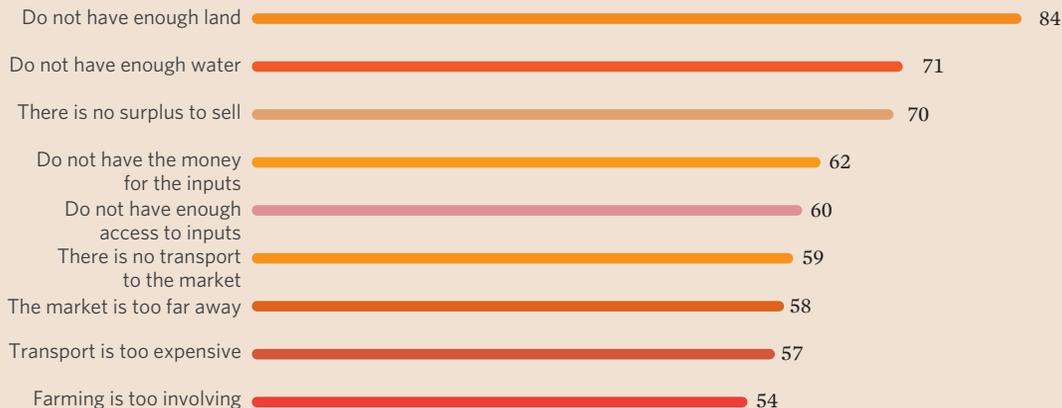
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**71%** of Malagasy households are involved in farming

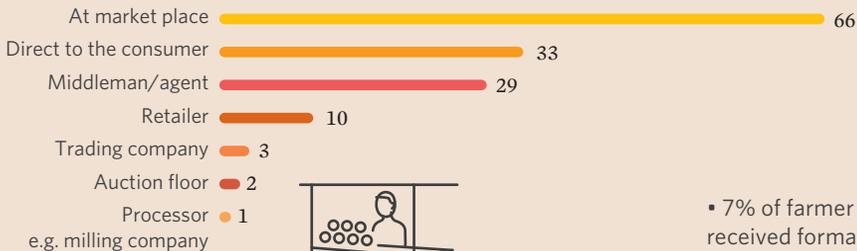
- 18% of farmer households are commercial, 9% are fully commercial and 73% both consume and sell their produce

- Land size, lack of water and low productivity are the main barriers to commercialisation



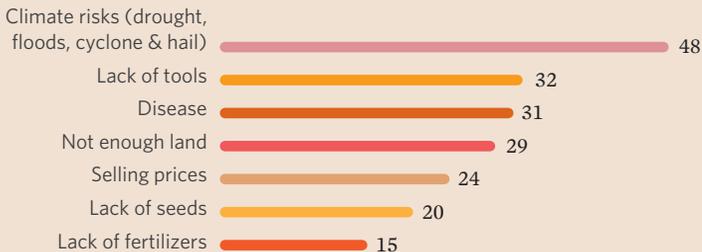
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### BARRIERS TO COMMERCIALISING (%)



### MARKET FOR THOSE SELLING CROPS/PRODUCE (%)

- 7% of farmer households received formal training/technical assistance mainly in agricultural, fishing and livestock techniques with most having had it free of charge



### FARMING PROBLEMS EXPERIENCED (%)

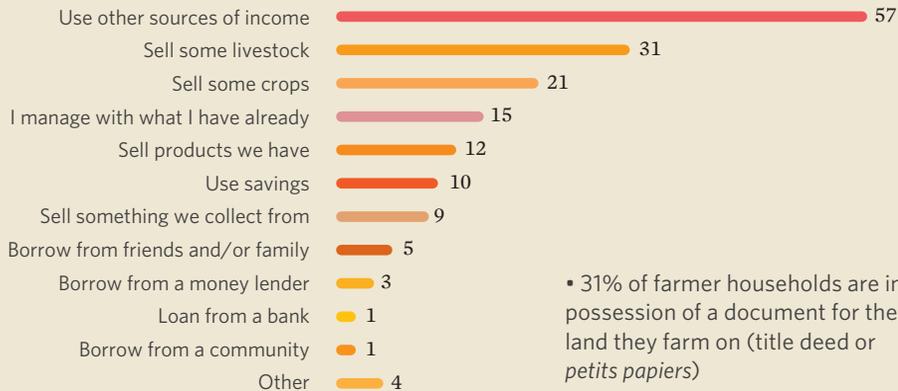
- Drought and natural disasters and product spoilage and lack of tools are the main problems for farmers

## AGRICULTURE

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### SOURCE OF FARMING INPUTS (%)



▪ 31% of farmer households are in possession of a document for the land they farm on (title deed or *petits papiers*)



PERSONAL MONTHLY INCOME (%)

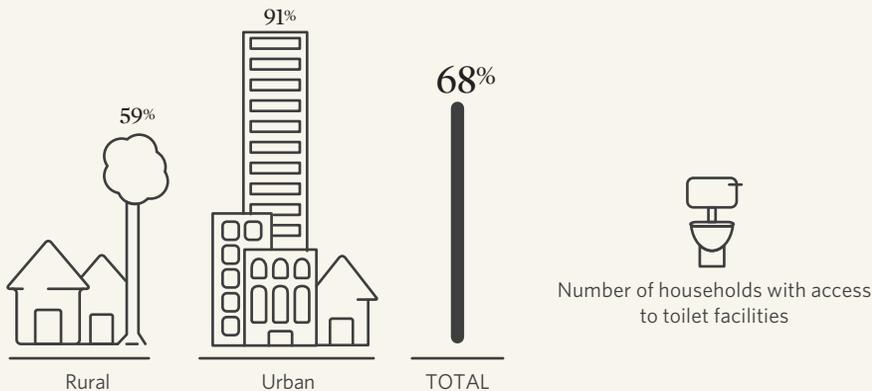
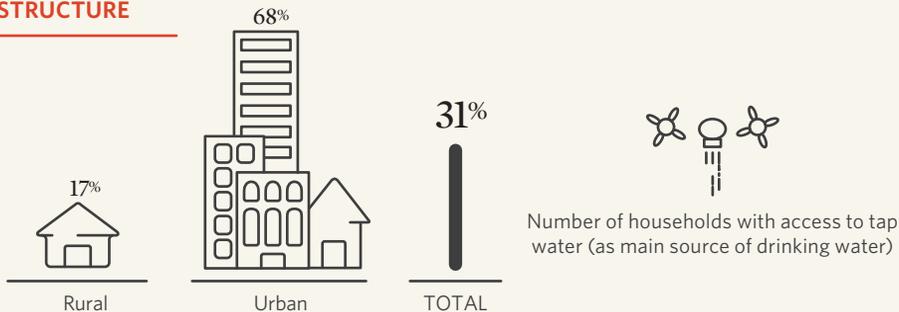
(USD 1 = 3,250Ar)



PRINCIPAL INCOME SOURCE (%)

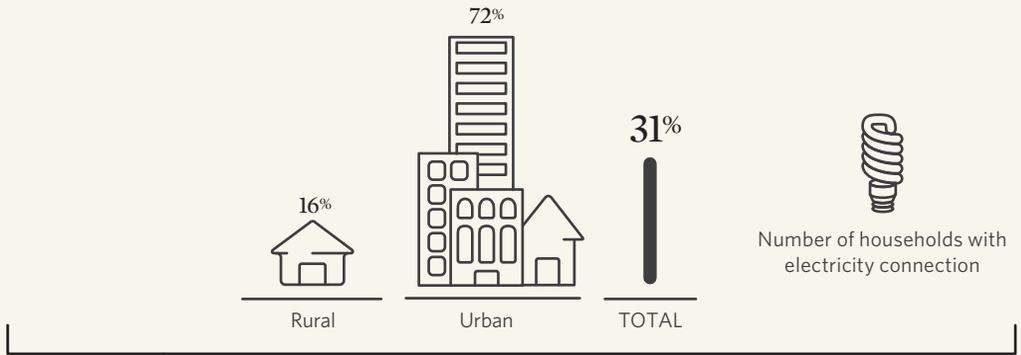
- Nearly half of the adult population depends on farming as the main income
- The informal economy provides the main source of income for the 56% of adults and 10% are dependants relying on remittances and assistance
- 66% of adults personally earn 100,000Ar (≈\$31) or less per month while 95% live under 400,000Ar (≈\$123) per month (including 1% that claim to have no income)

## INFRASTRUCTURE

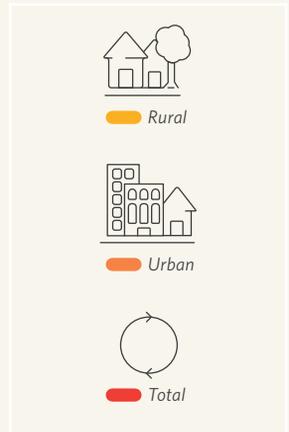
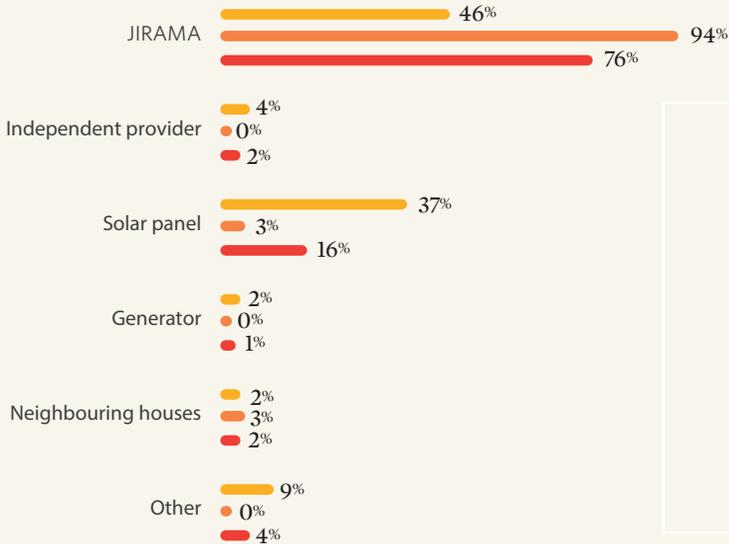


### Type of toilet

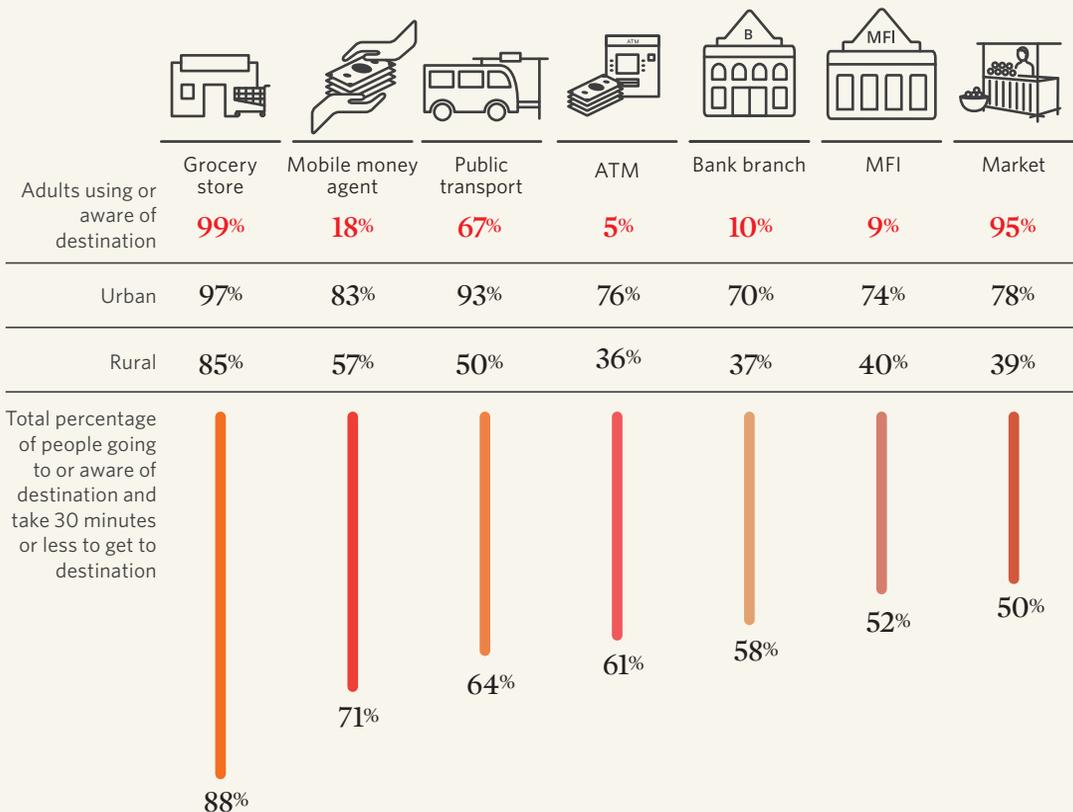


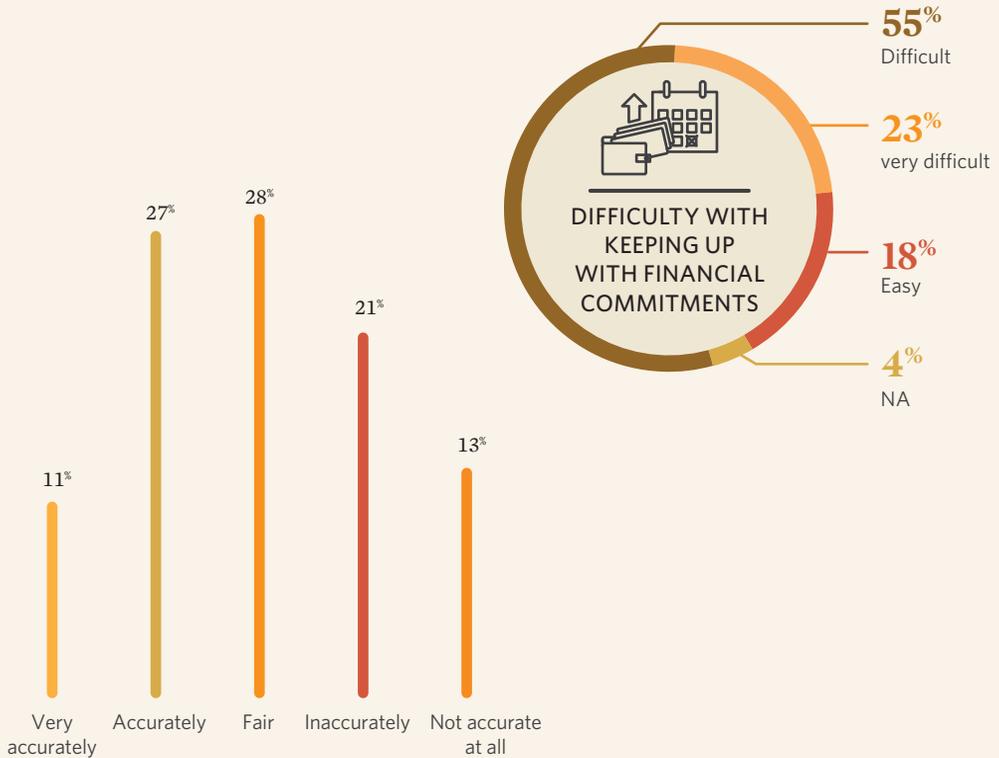


Sources of electricity



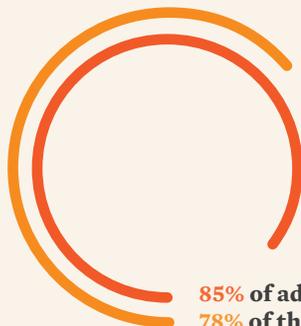
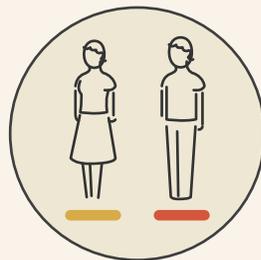
## INFRASTRUCTURE





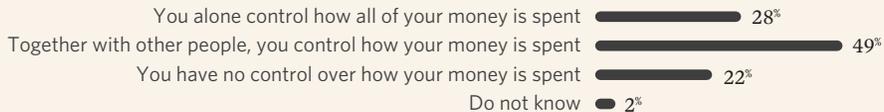
ACCURACY IN ACCOUNTING  
FOR MONTHLY EXPENDITURE

## GENDER SPLIT



Generally, women have more control over the expenditure of their money with more of them controlling money alone than their male counterparts

## TOTAL



*Desired financial education*



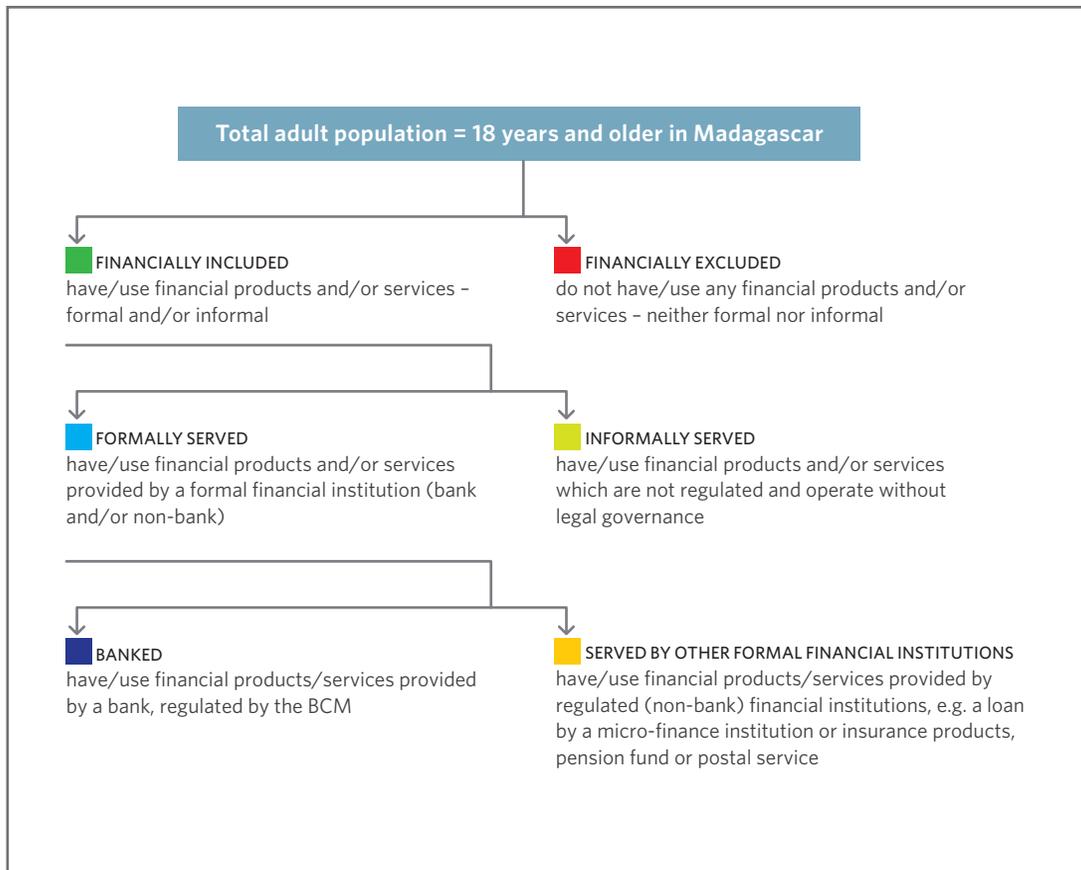
**58%** of adults felt they needed more information about managing money



*Mechanisms for paying for planned major expenses*

- 23% of adults are expecting a major event in the next 12 months

## Defining financial inclusion by category



'Formal' is a category classifying products or services as regulated or supervised by a formal institution like the Central Bank of Madagascar (BCM) or any other formal regulator/agency. This is also synonymous to 'other formal' or 'other formal non-bank' to differentiate it from the banked which are mostly commercial and development banks regulated by the BCM.

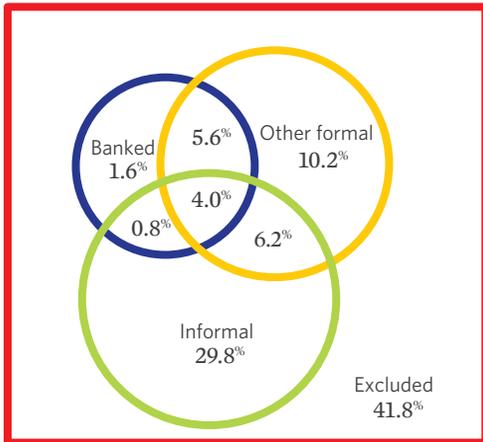
The penetration levels presented in FinScope represents current ownership or usage of products/service unless where specifically

mentioned e.g. remittances. Hence, the penetration levels of the formal particularly MFIs may be under-reported with regards to access to credit or savings. Further, the FinScope survey was carried in a non-farming season where most farmers, who are a big market for MFIs, usually would borrow to finance their farming inputs may not currently have the need to borrow. For market sizing purposes, the FinScope dataset has those that have accessed these services in the past. These individuals are not included in the FinScope definition but are included in the national statistics.

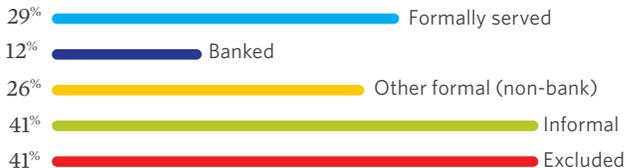
### Overlaps

"Consumers generally use a combination of financial products and services to meet their financial needs"

- 2% of adults rely exclusively on banking services yet 10% rely exclusively on other formal mechanisms
- 11% use a combination of banked, and/or other formal and/or informal mechanisms to manage their financial needs, thus indicating that their needs are not fully met by the formal sector alone
- One third of the adult population only rely on informal mechanisms such as saving in livestock, solidarity systems to save or borrow money or cover risk



Note: Due to rounding off numbers of 'Banked' and 'Other formal' the 'Excluded' population is 41%



- 29% of adults are formally served, including both banked and other formal non-bank products/services

- 12% of adults are banked

- 26% of adults have/use other formal non-bank products/services (21% being served by MFI)

- 41% of adults have/use

informal mechanisms for managing their finances

- 41% of adults are financially excluded

### Overall Financial Access Strand



In constructing this strand, the overlaps in financial product/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 (41%)

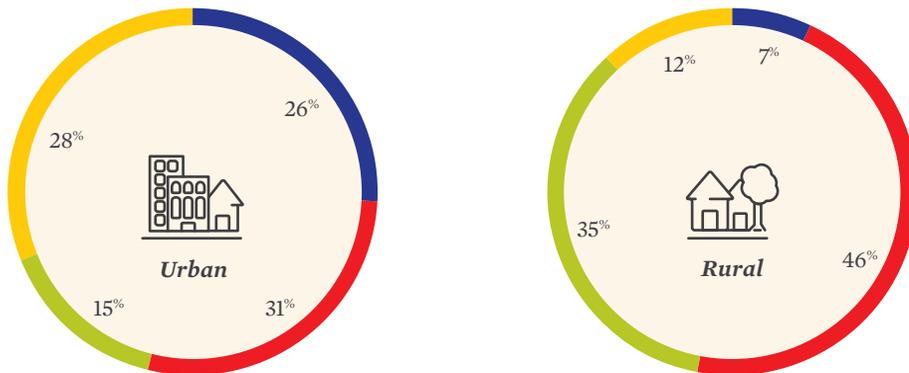
- Adults who have/use informal mechanisms only but no formal products/services (30%)

- Adults who have/use other formal non-bank products/

services but NO commercial bank products (17%) – they might also have/use informal mechanisms

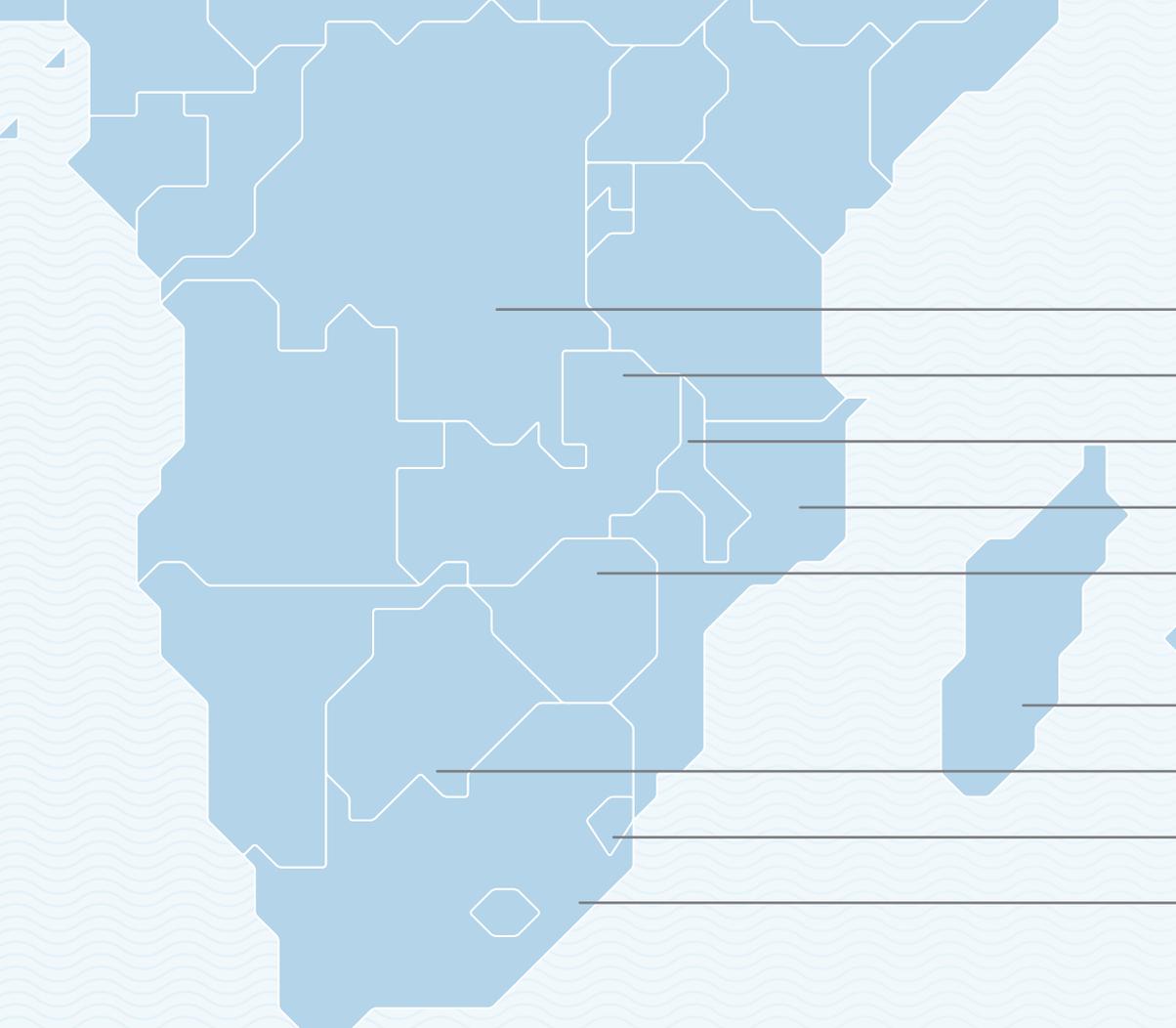
- Adults who have/use commercial bank products/services (12%) – they might also have/use other formal and/or informal mechanisms

Access Strand by Location

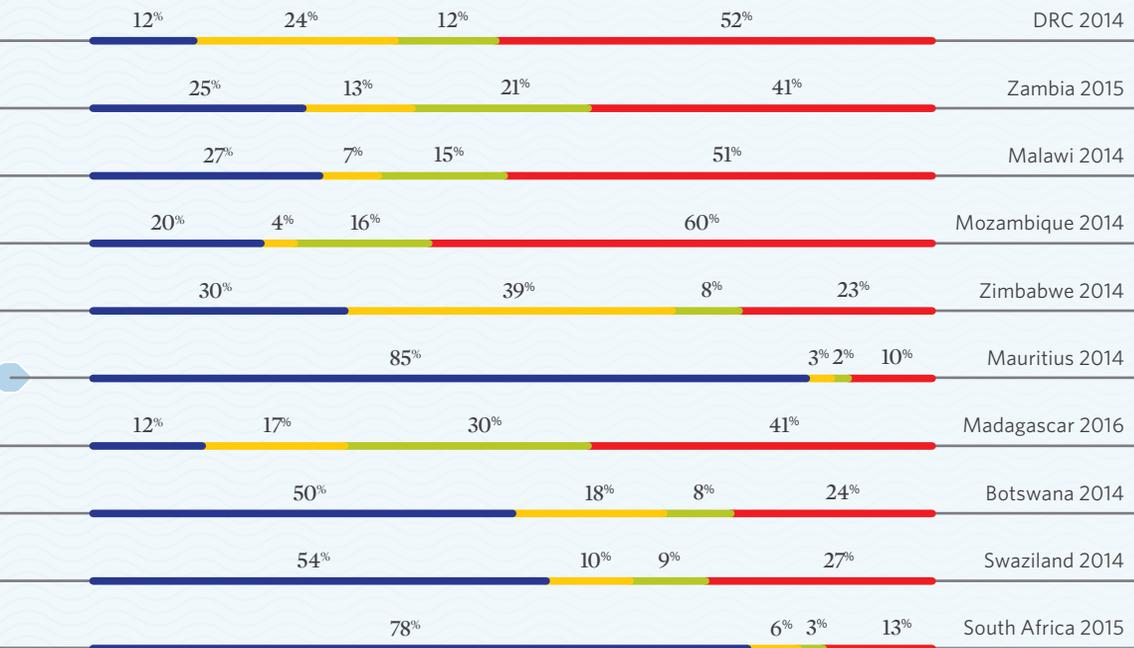


Access Strand by Gender





*Country comparison of the  
Access Strand in SADC*



Banked

Other formal  
(non-bank)

Informal  
only

Excluded

## How many adults are banked?



12%

- Number of adults using product
- Number of adults not using product

88%

## What products/services are driving the banked customers?

Current/  
check account



29%

Savings book



23%

Debit card/  
ATM



23%

Savings account



15%

Salary deposit



8%

Cellphone  
banking



8%

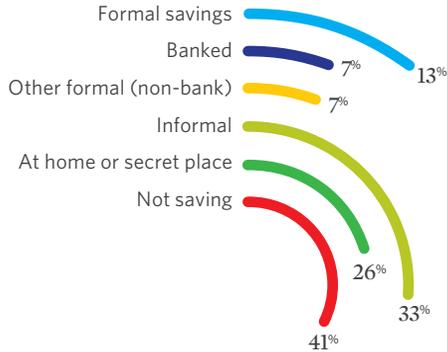
Home loan



3%

**Savings and investments**

Informal is mainly driven by livestock



**Savings Strand**



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

- 41% of Malagasy were not saving at the time of the survey
- 15% keep all their savings at home, i.e. they do not have/ use formal or informal savings products or mechanisms

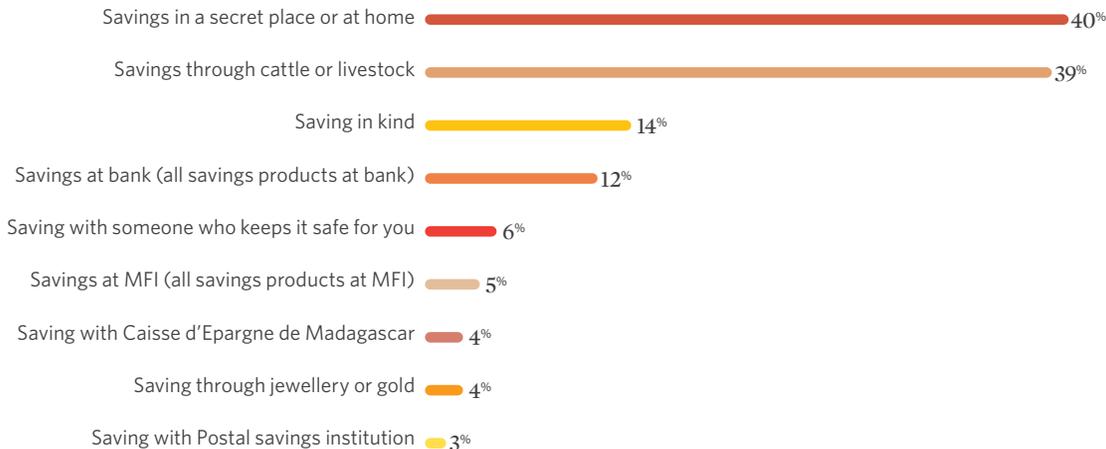
- 31% rely on informal mechanisms such as livestock (they might also save at home, but they do not have/use any formal savings products)
- Only 6% have/use formal non-bank savings products (they might also have/ use informal savings mechanisms, but they do not have/use savings products

from a commercial bank) eg Caisse d'Epagne de Madagascar or pension through employer (CNAPS)

- 7% have/use savings products from a commercial bank (they might also have/ use other formal and/or informal mechanisms, or save at home)

## Savings and investments

### Saving mechanisms



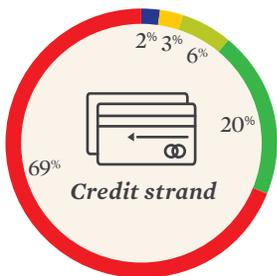
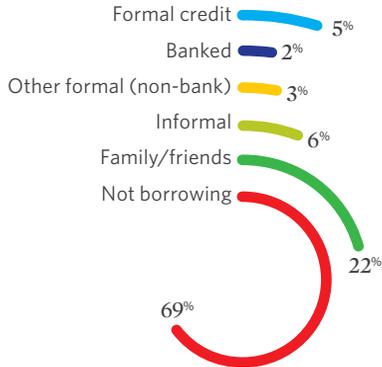
Rural



Urban



**Borrowing and credit**



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

- 69% claimed not to borrow at the time of the survey, neither from friends/family nor from formal/informal financial services providers
- 20% borrow only from friends and family, i.e. these individuals do not have/use formal or informal credit/loan products or mechanisms
- 6% rely on informal mechanisms such as informal money- lenders (they do not have any formal financial credit/loan products, but they might also borrow from friends and family)
- 3% have/use credit/loan products from other formal (non- bank) institutions, but do not have credit/loan products from a bank (they could also use informal credit/loan products and/or borrow from friends and family)
- 2% of adults have/use credit/ loan products from a commercial bank (however, they could also have other credit/loan products and/or borrow from friends and family but the defining characteristics are that they borrow from a bank)

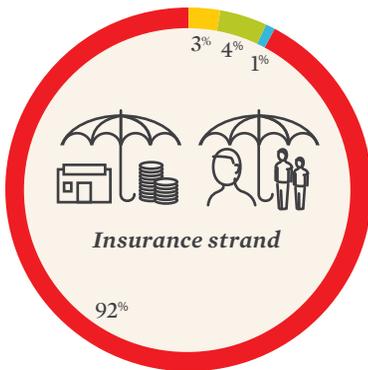
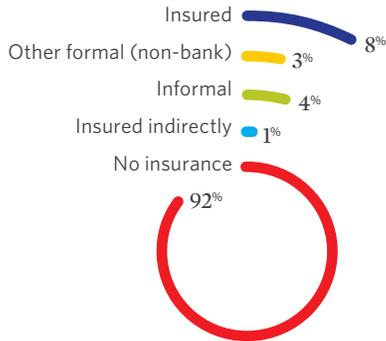
## Borrowing and credit

Borrowing mechanism	Total %	Population (approximation)	Urban %	Rural %
Borrow from friends/family	73	2 500 000	62	77
Borrow from MFI (currently)	10	320 000	13	8
Borrow from bank (all credit products from bank)	5	180 000	13	3
Borrowing from employer / colleague	4	150 000	4	4
Got goods in advance from agricultural buyer	2	78 000	-	3
Borrow from money lender	1	45 000	1	2
Borrow from savings group	1	40 000	-	1

*The borrowing mechanism access is of those currently owing and does not necessarily reflect total access in the past 6 months which would be much higher for MFI (approximately 1,6 million adults).*



**Insurance and risk management**

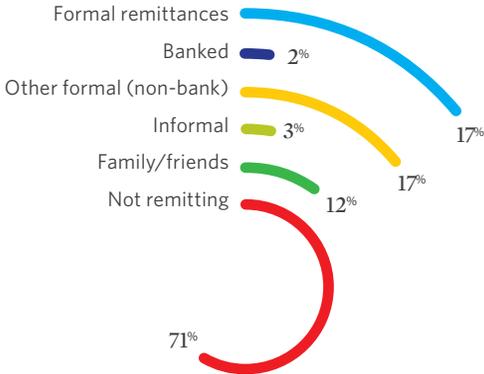


**20%** agree that they do not know enough about insurance

- Only 8% of adult Malagasy have insurance
- Of those formally insured, motor vehicle insurance (27%), pension fund (16%), and medical aid/ health fund (10%) are the popular products driving formal insurance
- Of those informally insured, the dependency on a community or solidarity system (41%) was the main driver of informal insurance
- The main barrier to insurance uptake despite a majority of adults stating that they face risk is awareness and literacy of the benefits or even knowledge with 20% agreeing that they do not know enough about insurance

## Remittances

Overview of those that claimed to remit over the past 12 months



- 21% of adults received money while 16% sent money in the last 12 months

- More females receiving money (24%) than males (18%)

- 29% of adults remitted within Madagascar and only 2% remitted outside

- 13% of adults own mobile money services while 17% use mobile money services

Of those who use mobile money services (17%):

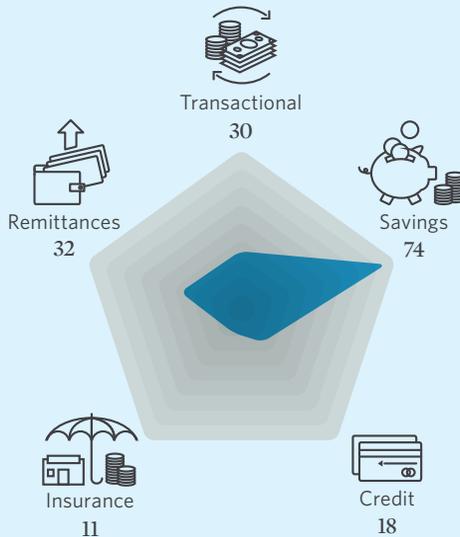
- 80% use it to remit

- 73% transact through mobile money (pay utility bills, buy airtime, etc.)

- 12% use it to keep money

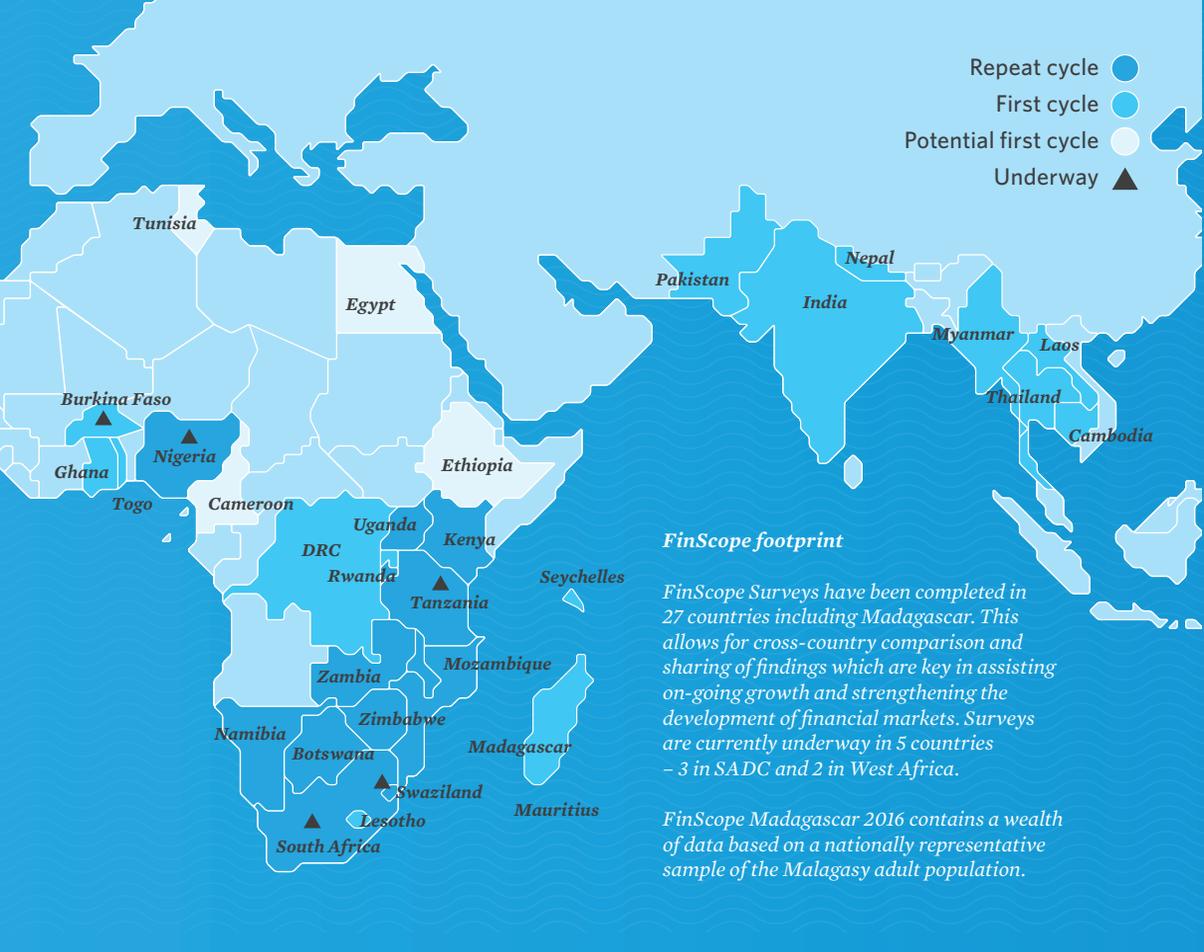
## Remittances strand





### ***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)



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