Financial Inclusion Strategy for Swaziland

SADC DFIs Forum
Presentation Outline

- Background
- The Journey
- Definition
- Financial Inclusion Landscape
- Barriers to Financial Inclusion
- Financial Inclusion Strategy
- Conclusion
Background

- 64 percent of the Swazi adults formally served, and a significant number are excluded.
- Key access barriers are low affordability and sometimes onerous documentation requirements.
- 6% of the MSME sector had a loan from a formal financial institution (Fin Scope Swaziland, 2014).
- 57% of the entrepreneurs relied on friends and relatives to obtain money to support their businesses (UN, 2012).
- Financial Inclusion agenda can be an enabler for 7 out of the 17 Sustainable Development Goals (SDGs).
- Financial inclusion is a developmental approach in which to assist the private financial system identify market opportunities to provide affordable and appropriate financial products and services.
Financial Inclusion Journey for Swaziland

- Micro Finance Unit Established
- Collaboration with Finmark Trust and AFI
- Demand-side Data and MAP Financial Diagnostic Study
- Financial Inclusion Task Team
Financial Inclusion Definition

- The delivery of financial services and products in a way that is available, accessible and affordable to all segments of society.
- Financial Inclusion plays a pivotal role in combatting poverty and contributing to inclusive economic growth.
Dimensions of financial inclusion

- **Access**: the combination of both the availability and appropriateness of financial products and services;
- **Usage**: the frequency of interaction with the product or service; and
- **Quality**: the combination of product fit, value add, convenience and risk.
Financial Exclusion

Inclusion should focus on involuntary exclusion, which results from low incomes and high risk profiles of the un- and underserved segments of society.
Financial Inclusion Landscape

Informal Sector
- Main Source of Income
- Poor Monthly Incomes

Irregular Income
- Irregular Jobs
- Dependence on Family or State

Severe Budget Constraint
- Struggling to Make Ends Meet
- Inconsistent & Informal Income Sources
Barriers to Financial Inclusion

**Demand**
- Irregular Income Streams
- Inadequate Information

**Supply**
- Lack of Credit Reporting Systems
- Lack of Understanding of the SMEs
- Poor Infrastructure

**Regulation**
- Un-coordinated policies on financial inclusion
- Weak Consumer Protection & Financial Literacy Programs

**Dimensions**
- Proof of Income
- Confirmation of Employment
- Proof of Residence
- High Cost of Credit
- High Bank Charges
- Financial Capability
## Target Market Segmentation and Needs

<table>
<thead>
<tr>
<th>Salaried Workers</th>
<th>Informal Employees &amp; Self-Employed</th>
<th>Irregular Income Earners</th>
<th>Private &amp; State Dependents</th>
</tr>
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<tbody>
<tr>
<td>Not Primary Target Market</td>
<td>Support the Target Groups</td>
<td>Credit or Savings (Asset Accumulation)</td>
<td>Store Irregular Income Safely</td>
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<tr>
<td>Efficient Transaction &amp; Insurance Mechanisms</td>
<td>Risk Mitigation</td>
<td>Efficient Payments Mechanisms</td>
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<td>Savings &amp; Credit</td>
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National Financial Inclusion Strategy

- Significant role of the financial services sector in contributing to economic growth, as well as the potential for financial inclusion to contribute to poverty alleviation.

- Financial services enable the poor people to sustain livelihoods and improve living conditions by helping to stretch small, irregular and uncertain incomes to pay for expenses and secure investment opportunities.

- The supportive infrastructure and systems that would ease access to credit for a well-prepared MSME sector to contribute to employment creation and foreign exchange earnings.

- Improved access to finance is regarded as pro-growth and also a means to reduce income inequality and poverty.
Financial Inclusion Objectives

- Conducive Environment
- Regulation & Licensing
- Responsive & Affordable Financial Products
- Affordable Product Pricing
- Financial Inclusion Database
- Reporting & Information Management
- Access and the Participation of all Groups
- Gender Equality
- Financial Education and Awareness
- Financial Capability
Financial Inclusion Vision

- Increase the depth of Financial Inclusion, growing the percent of adults with access to two or more formal products from 43% to 75%, and reducing the excluded from 27% to 15%, by 2022 by:
  - Growing mobile money and remittances;
  - Deepening bank reach;
  - Getting credit basics right;
  - Ensuring risk management products are available; and,
  - Enabling alternative channels to serve the poor.
Specific Strategies

- Establish the Financial Inclusion Co-ordination Agency
- Grow the E-money to Transact & Save
- Low Cost Remittances to Support Vulnerable Groups
- Expand Insurance to better Manage Risk
- Expand Productive Credit and Protect Consumers
Expand Productive Credit and Consumer Protection

▪ Improve the *coordination and re-capitalization* for Development Credit Providers (DCPs) to address the MSME market needs;

▪ Expand opportunities for improving the *credit market* to formalise and extend reach and better protect consumers.

▪ Promote products such as *savings sub-wallets* for specific goals to encourage savings, particularly through the SACCOS, MFPs and the Building Society.

▪ Strengthen the role and capacity of *accumulating or rotating savings groups* in providing a community-level savings and credit option for the target clientele.
Strategic Focus

**Rural Finance**
- E-money, Agent & Mobile Banking
- Financial Literacy & Consumer Protection
- Government Lending/Grant Programs
- Demand-side Data

**SME Finance**
- Access to Business Data
- Business & Financial Skills
- Segmentation & Scoring of Entrepreneurs
- Credit Infrastructure

**Micro Finance**
- Operationalize Micro Finance Policy
- Re-Capitalization Facility
- Micro Finance Register
- State of Micro Finance

**Agriculture Finance**
- Appropriate & Affordable Financial Products
- Value Chain Finance
- Screen & Score Commercial Farmers
- State of Micro Finance

**Women & Youth**
- Desegregate Data
- Impact Monitoring
Institutional Framework

- **Financial Inclusion Council**
  - High level Policy Guidance

- **Financial Inclusion Technical Committee**
  - Technical Guidance

- **Working Groups**
  - Co-ordination & Data Collection
Monitoring and Evaluation

Expected Outcome

- Ensure **increased** and **permanent access** to and **usage** of financial services and products by the population.

Strategic Goals

- Increased and sustainable **access to and usage** of financial services and products
- Quality **financial services and products** available that match the needs of the target clientele of the NFIS
- Improved environment for financial inclusion
Conclusion

- Initiate the **review of this Strategy** annually through the assessment of targets, evaluation of indicators in relation to national development plans.

- Conduct and issue the annual **State of Financial Inclusion Report**
Thank you for your Attention