

# **Factors that influence the socio-economic impact of financial inclusion programmes in a South African financial institution**

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**A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration**

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## **ABSTRACT**

Financial inclusion programmes are not naturally structurally aligned with the socio-economic needs of the society in which they are implemented. This is due to them primarily being driven from a business and legislative context. Financial inclusion programmes are also subject to adverse selection, resulting in product take-up being most attractive for funeral policies, credit life, and borrowing. Global interest has however increased the scope of programmes such that access to finance has been identified as a catalyst for development, and consequentially, good global corporate citizenry.

Based on the literature review, a qualitative model was generated making use of fuzzy cognitive mapping (“FCM”). The FCM was formulated to explore the effects of the circumstantial psychographic and demographic influencing factors of participants in the shaping of and participation in the programmes. The model is based on a multi-faceted causally linked framework of all the identified drivers for the configuring of sustainable and impactful financial inclusion. In-depth, semi-structured interviews with 11 opinion-leader / expert respondents, over 20 hours, were used, together with primary and secondary data and ethnographic content analysis to update the FCM.

Factors verified against the theoretical model yield a set of results that comply with and which confirm the observations expressed in the literature, interviews and the source data. Some of the elements that may influence the socio-economic impact of financial inclusion programmes have been identified as business enablement; the legal, political and regulatory framework; product/programme features; accessibility; social capital and standing; and affective, cognitive and conative factors.

Key words: access to finance or financial services, demand-side factors, demographics, financial inclusion, fuzzy cognitive mapping, psychographic factors, socio-economic, transformation and supply-side factors.

## DECLARATION

I, Amanda Sibongile Khoza, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

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Signed at Johannesburg, South Africa

On the ..... day of ..... 20.....

## **DEDICATION**

In loving memory of my father,

Themba Ernest Khoza

and

my most beloved, always remembered, dearest brother and friend,

David Khehla Khoza

## **ACKNOWLEDGEMENTS**

I wish to express my sincere thanks to:

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“Ngi Babaz’ Amandla eNkosi”

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# CHAPTER 1. INTRODUCTION

## 1.1 Purpose of the study

The purpose of this research is to determine and understand the factors that influence the socio-economic impact of financial inclusion programmes, using a qualitative model by focusing on a specific case site.

## 1.2 Context of the study

In 2002, global leaders met and set the Millennium Development Goals (“MDGs”) and placed the eradication of poverty and extreme hunger as the first goal (Thorat, 2006). In order to achieve on the MDGs, financing for development and strategies for sustainable, inclusive business development have been put forward as critical for international cooperation (Binagwaho & Sachs, 2005). Financial development is therefore considered necessary for improved global economic welfare, income growth and poverty reduction (Claessens & Feijen, 2007). South Africa forms part of the MDGs international co-operative membership and moreover, looks to its own developmental imperatives to drive local growth. The financial crisis of 2008 aggravated the progress on the achievement of these goals such that financial institutions and policy makers established financial access as an essential catalyst to stimulating economic recovery and development (Arora, 2010).

### 1.2.1 *Definition and context of financial inclusion*

Financial institutions serve as the entry point of access to financial services; and economic participation is primarily driven from the financial industry. The literature provides several definitions for ‘financial inclusion’, which is defined in the United Nations Capital Development Fund (“UNCDF”) and United Nations Department of Economics and Social Affairs (“UNDESA”) *Blue Book* as encompassing the following characteristics (UNCDF & UNDESA, 2006):

- Multiple financial service providers for cost-effectiveness and variant supply.
- Reasonable cost of a broad range of products and services.
- Sound and prudent management, regulation, systems and standards.
- Sustainable financial institutions that deliver the products and services.

Financial inclusion is seen as formal access to financial services; however, there are parallel informal financial systems that allow beneficiaries and participants to achieve indirect inclusion. The study focuses on formal financial inclusion as a case site study, and yet is cognisant of the impact of informal systems that may create opportunities for formal inclusion, or may form potential barriers that are essentially self-excluding mechanisms.

For purposes of this study, 'beneficiaries' and 'participants' are defined as those who benefit from and participate in financial inclusion programmes.

### **1.2.2 *Financial inclusion as socio-economic development***

Socio-economic impact is evaluated based on human development as it relates to social and economic welfare (Edwards, 2000). It includes both quantitative and qualitative measures as they relate to development in communities in the form of changes in housing, geographic location, income, literacy, inequality, quality of life, access to services and increased social equity (Edwards, 2000). Financial inclusion refers to increased access to financial services and using income to acquire housing, impact quality of life, advance literacy and improve community social equity (Sarma & Pais, 2011). We learn from Sarma and Pais (2011) that the financially excluded are often socially excluded and remain on the margins of society; lacking access to products and services that would enable them to improve their livelihoods. Sarma and Pais (2011) conduct research wherein they analyse the relationship between a constructed Index of Financial Inclusion and the Human Development Index; which concludes that financial inclusion and human development are closely correlated. It can thus be surmised that the outcome of financial inclusion should have a socio-economic developmental impact. In other words, socio-economic impact is the outcome when financial inclusion is achieved. Impact is measured both

quantitatively (spend and number of access products acquired) and qualitatively (literacy, perceptions, quality of life and accessibility) (Edwards, 2000).

### **1.2.3 *The South African political and socio-economic context***

Research conducted by Grundling (2011), proposes that markets work when individuals are able to use them; which also suggests that individuals have the means to use them. Sen (1999) expounds that the nature and consequences of socio-economic under-development are characterised in the limitations placed on the poor's ability to participate in economic and political systems. In South Africa, legislative and historic exclusion limited the economic participation of a large demographic of the population which are known as previously disadvantaged and who make up the majority of low-income households.

The 20<sup>th</sup> century in South Africa was characterised by prejudicial practices that were institutionalised by government and evidenced in social and commercial systems of apartheid - a racist political policy of segregation and discrimination (Merriam-Webster, 2015). Black people, who were predominantly from low-income households, were marginalised from the formal financial sector as a result of perpetuated inequalities and restrictive business structures. These contiguous practices created a social demographic profile of low-income households constrained from employment, education, and by residential restrictions that affected income and access levels. According to Schoombee (2000), financial inclusion would've meant directing access to low-income households which was not deemed a business imperative by banks during this era. Financial exclusion was for that reason, a business decision; these poorer households were considered to be generally high risk, had no collateral, were intermittent and infrequent consumers and their custom was associated with high operating costs; excluding them made financial business sense (Schoombee, 2000, 2004). It is thus surmised that these exclusionary legislative measures, resulted in vast inequalities and caused large segments of the population to be constrained from effectively contributing to the economic development of the country.

#### **1.2.4 Policy driven financial inclusion context**

In 2014, the South African government prioritised national development as proposed in the National Development Plan (“NDP”) which was formulated in 2011 (National Planning Commission, 2012). Consequently, it is a country imperative to address socio-economic differences using legislation under the broad term of transformation as encapsulated in various legislation and the NDP (National Planning Commission, 2012). Transformation is a socio-economic empowerment policy of redress and sustainability - driven by the Department of Trade and Industry and the Presidency - which aims to increase economic participation of the broader South African population. Due to race-related exclusion practices of apartheid, the racial bias in the socio-economic circumstances of South Africans situates Black people as experiencing the most disempowerment.

Poverty, economic circumstance and social arrangement that are racially-skewed inform policies of restoration – they are known as transformation charters and codes. As a matter of country policy, the government formulated redress strategies as defined within the Constitution of the Republic of South Africa (1996). It is a political priority to reduce high levels of societal and economic inequality that South Africa faces. The study will look to transformation codes as defined to achieve socio-economic development as a redress mechanism. Every organ of state and its clients, partners and suppliers, subscribes to their own sector transformation codes or the Broad-Based Black Economic Empowerment Act (2003) (“B-BBEE”) Codes of Good Practice (Republic of South Africa, 2004). According to the B-BBEE Strategy Document, programmes that address empowerment are to be implemented for sustainable, long- term impact based on clearly articulated and sound economic principles (Balshaw & Goldberg, 2005).

#### **1.2.5 BEE and the FSC for financial services companies**

The Black Economic Empowerment transformation framework applicable to financial institutions is found in the Financial Sector Code (“FSC”) (Republic of South Africa, 2012). Though the FSC was gazetted in 2012, the Financial

Sector Charter Council was established in 2004 as an industry body consisting of representatives from the financial sector which includes black business and professionals, the Nedlac Community, the government, and Labour constituencies (FS Council, 2005; Republic of South Africa, 2012). The policy that drives financial inclusion in South Africa for the financial sector is outlined in the FSC, therefore this report will use the definition of financial inclusion programmes as defined in the FSC Access to Financial Services scorecard as it relates to members of the Banking Association of South Africa (Republic of South Africa, 2012). The Financial Services Sector Code of the Republic of South Africa (2012) defines the Access to Financial Services programmes for low-income households based on the access method as follows:

- Access points for transacting, service and sales;
- Affordable housing origination;
- Banking densification;
- Consumer education;
- Electronic access; and
- Product related access.

The Financial Services Sector Code of the Republic of South Africa (2012) segments 'low-income households' as expressed by the Living Standards Measure 1-5 market and targets that 80% of this market must be enabled access to savings and transactional products. The Living Standards Measure ("LSM") groups people according to their standard of living (Haupt, 2006). It is a composite statistic of household ownership of various household durables together with access to various basic services such as running water, flushable toilets or domestic help. Households that fall into the LSM 1-5 category are considered to be low-income and include those who are poor. Though the broad classification of the poor is ascribed to LSM 1-5, based on the definition of LSM, it is accepted that some in the segment may not be poor or vulnerable, but rather, may not have accumulated household durables. It stands to reason that these lower LSMs are measured based on their asset holdings and not on universal measures of poverty such as access to housing, security, education and employment; however we accept this segmentation does include the poor

and is relied on in the South African context as defined in the FSC (Ferreira & Lugo, 2013; Republic of South Africa, 2012). In order to achieve on the MDGs and more especially, local developmental goals this segment forms the target market for financial inclusion as a means of poverty reduction and inequality alleviation. In most instances of practice, it would be costly and impossible to determine whether financial inclusion programmes participants' living standards fall into this category of LSM 1-5. Thus, adherence to the LSM segmentation is not a strictly applied requirement by the FSC or its members. Practically, BEE verification agencies who audit adherence to the FSC, rather refer to income levels of between R0 and R15,000 per month as a better grouping of this target market. The case site identifies low-income households as those with income levels between R0 and R8,000. Programmes reviewed in this study will be those that primarily target participants within these income ranges. In the South African context, the majority of this group consists of the Black race demographic thus aligning with the requirements of Black Economic Empowerment which mandates access for Black people (Balshaw & Goldberg, 2005; FinScope, 2014a; Republic of South Africa, 2004, 2012).

The political landscape of South Africa in the last 20 years, has triggered a focus on Black Economic Empowerment ("BEE") (Jack & Harris, 2007). These public policy frameworks have been put in place to drive rigorous financial inclusion activity. Within this context, financial institutions have had to consider the potential of new and emerging markets and those who would benefit from BEE. Against the backdrop of historical reluctance from financial institutions to target low-income households as clients, these institutions recognised the moral, social, business and economic imperative of financial inclusion in South Africa (Ludwig, 2006; Schoombee, 2000).

### **1.2.6 *Psychographic and demographic factors***

In the South African context, financial institutions develop and drive financial inclusion programmes, based on multiple objectives. These include, but are not limited to: policy requirements, business goals; and good corporate citizenry. This requires a balance that empowers and benefits all stakeholders

appropriately. However, balancing business objectives, legislative requirements and social-advancement priorities in programme structuring and implementation is no easy feat.

A study conducted by the University of Cape Town found that there are disparities between *inter alia* the levels of literacy, unemployment, disposable income and geographic reach, on the success of financial inclusion interventions (UCT, 2014). It has been found that these and other socio-economic factors engender or inhibit financial inclusion programme implementation and impact (Holden, 2010a; Holden, Kock, & Mohan, 2010b). Thus inclusion may be affected by the incongruence between participants' financial or socio-economic needs, attitudes to financial institutions, gender positioning in communities or their own basic literacy levels. Psychographic and demographic profiles of beneficiaries and participants in financial inclusion programmes provide insights into the analysis that should aid in more constructive programmatic structuring and decision-making (UCT, 2014). Misaligned practices tend to detract from policy achievement if financial attitudes, interests, values and perceptions are not considered. In addition, understanding the challenges and barriers that participants face in accessing finances assists in creating platforms and opportunities for greater reach and inclusion.

The study explores socio-economic development as the primary objective for financial inclusion; therefore, understanding the extent to which this is actually achieved is important. For purposes of this study, it is important to understand the prevailing context, the rationale for the programmes as implemented by this financial institution, as well as to analyse how these programmes are structured. Owing to the nature of the research it is conducted using the case study method, (Babbie & Mouton, 1998; Bryman, 2012). Beneficiaries and participants were not interviewed, thus any observations regarding psychographics or demographics are based on the researcher's interpretation of the source data as well as the opinions of the respondents.

## **1.3 Problem statement**

### **1.3.1 *Main problem***

The research problem is to determine why financial inclusion programmes were introduced, factors that influence the socio-economic impact of the programmes and how they are and can be structured using a qualitative model, in a financial institution.

### **1.3.2 *Sub-problems***

The first sub-problem is to identify the reasons for introducing financial inclusion programmes.

The second sub-problem is to identify factors that influence on the socio-economic impact of financial inclusion.

The third sub-problem is to determine the financial inclusion programmes' effect on socio-economic impact;

The fourth sub-problem is to use a qualitative model to establish how the programmes can be optimally structured to achieve socio-economic impact.

## **1.4 Significance of the study**

The study partially fills a gap. This study will provide a tool to financial inclusion managers to aid in decision-making when considering the structuring of their programmes. Much has been published on the emotions and cognitions behind financial decisions and the socio-economic developmental impact in the increase in financial inclusion (Anderson & Billou, 2007; Anderson & Kupp, 2008; Arora, 2010; Bashir, Arshad, Nazir, & Afzal, 2013; Holden, 2010a; Rasheed & Arshad, 2009; Weiser, 2007; Yunus, 2007). However, nothing was found that either links these two concepts or attributes them as factors that may influence the design of financial inclusion programmes and the extent such

design contributes to or may inhibit socio-economic impact from a South African financial institution's perspective.

The study could provide limited guidance to other financial institutions. The research has both theoretical and practical significance for financial inclusion programme providers. The manner in which financial inclusion programmes may be structured provides a means to determine the competitive advantage these programmes can offer providers. Since the inception of legislation that provides guidance on basic requirements for financial inclusion programmes, there has been a proliferation of programmes by financial institutions, advisers and industry bodies. Monitoring and evaluation has been added to the programme structure, however this process is retrospective rather than proactive. This research will provide valuable information in helping these interest bodies to address questions they may have on first designing their programme, and further for informing practice. It must be noted, however that the findings of this research have been applied to a specific case site which may limit its guidance.

The study could provide guidance to the case site financial institution. The financial inclusion programmes can be adaptable by understanding how and why the programmes were initially implemented. The case site may want to understand the attitudes, behaviours and socio-economic circumstances of participants in their financial inclusion programmes. The crafters of these financial inclusion programmes may gain insights on ways to align their objectives, product development and program delivery with various stakeholders in the context of socio-economic development. Future programme offerings may be designed to further understand the rationale for the programmes and why certain elements were chosen, how the programmes can form part of the generic suite of accessible programmes and guide implementation and strategic intent.

## **1.5 Delimitations and limitations of the study**

### **1.5.1 *Delimitations***

The delimitations applicable to this research are listed below.

- The research will be done from the perspective of the financial institution that implemented the financial inclusion programmes and not from the perspective of the participants in the financial inclusion programmes. Beneficiary statistics will be analysed, however no programme participants will be interviewed.
- Being a case study and not comparative research, no attempt will be made to investigate financial inclusion programmes from other financial institutions or financial inclusion programme providers. The scope of the research will focus on the financial inclusion programmes of the financial institution (the Bank), specifically within the Insurance Brokers unit and Inclusive Banking, a unit within Personal and Business Banking of the Bank. These cover generic banking programmes as well as bancassurance programmes provided by the Bank.

### **1.5.2 *Limitations***

The limitations applicable to this research are listed below.

- Only financial sector financial inclusion programmes from a financial institution perspective will be included in this research. Limited generalisation can be made if the research is informed by theory and contributes to theory building (Rowley, 2002). Assertions are further made that theory building that shows patterns rather than population generalisations can be defined for limited generalisation purposes in qualitative case study research (Amaratunga & Baldry, 2001; Grünbaum, 2007). “A scientific discipline without a large number of thoroughly executed case studies is a discipline without systematic production of exemplars, and a discipline without exemplars is an ineffective one” (Flyvbjerg, 2006:219).

- Recognition is given to the fact that financial inclusion is a process identified by various stakeholders as necessary for socio-economic development (Sarma, 2008; Sen, 1999). For purposes of this case site study, the legislative focus will be on the specifications as set out in the context of the South African regulatory environment.
- The research focuses on financial inclusion through financial programmes and not through other mechanisms; such as through marketing, lotteries, inheritances, competitions or social welfare; including to which the case site may be a contributor.

## 1.6 Definition of terms

The following definitions are relevant to this research:

Access to finance or financial services can be defined as the “availability of a supply of appropriate quality financial services at reasonable costs” (Claessens, 2006).

Consumer education is the banner under which financial literacy and financial education fall (ASISA, 2012).

Demographics is the study of a population based on factors such as age, race, gender, economic status, level of education, income level and employment (Merriam-Webster, 2015).

Financial capability is the aptitude or having the ability to make appropriate financial decisions with acquired financial knowledge.

Financial education is a process of imparting financial knowledge or literacy through training or other awareness or learning processes.

Financial exclusion is defined as the inability to access necessary financial services in an appropriate form (Sinclair, 2001).

Financial inclusion involves appropriateness of, opportunity to, and the ability of access to financial products and services; and having the confidence to make

informed decisions about organising ones financial circumstances in society effectively (Regan & Paxton, 2003).

Financial inclusion programmes are products, services, structures and interventions that enable and enhance financial inclusion.

Financial literacy is defined as the set of skills and knowledge that create financial awareness and understanding (Thilakam, 2012).

Psychographics is the classification of people according to personality, values, opinions, attitudes, interests, and lifestyles (Merriam-Webster, 2015).

Socio-economic is defined as that which relates to or combines social and economic factors; how economic activity is shaped or influenced by social markets and human dignity (Merriam-Webster, 2015).

## **1.7 Assumptions**

It was assumed that the subject of financial inclusion is sufficiently known by the interview respondents to ensure the success of the study. It is further assumed that the respondents will fairly reflect the views of various interest bodies in financial inclusion programmes that they represent. Furthermore, respondents were selected from key decision-makers within the financial services industry and the case study site institution, which increased the probability of knowledge of the concepts referred to in this report.

## **CHAPTER 2. LITERATURE REVIEW**

### **2.1 Introduction**

This chapter outlines the literature on the reasons for the introduction of financial inclusion programmes as well as factors that influence the socio-economic impact of the programmes. The review allows for a thorough survey, perusal and analysis of relevant literature such that the researcher can have a deeper insight into the topic as well as to find possible answers to the emergent propositions and research questions.

Global research conducted by Mendelson (2012c) indicates that all stakeholders stand to benefit from: a financially literate and capable population; consumers would make productive use of their money through interest savings; government would have a reduced social benefit burden; financial institutions would have a more knowledgeable client base; and employers would have productive employees who have reduced financial distress. Economic development requires increased access to financial services for all; policymakers thus acknowledge that financially educated consumers make better financial decisions and choices, which has a positive impact on the economy. However, financial products are complex and difficult to understand.

Rapid financial deregulation from the 1970s spurred unrestrained financial innovation up to the 1990s. This led to under-priced risk in the period preceding the financial crisis (Boz & Mendoza, 2010). The unprecedented complexity in financial products and the ensuing panic of 2008 dried up credit markets (Cochrane, 2009). Poor financial decisions and heightened financial distress also meant it was inevitable that the financial system would not hold together (McCarthy, 2011). Though financial inclusion programmes predate the global financial crisis, the crisis escalated the need for more fervent effort to drive financial inclusion as a means that contributes to economic recovery and development. As a result, growth in regulation and government intervention in financial markets has changed the governance procedures in the financial system and those related to financial inclusion.

A regulated financial market may contribute to financial inclusion in a number of ways: policy makers seek to ensure fair practices, market stability and socio-economic impact. Various policy frameworks present specific objectives around financial inclusion, carry a global mandate of best practice and are also country-specific. In South Africa, the National Credit Act requires the National Credit Regulator to promote the development of an accessible credit market for low-income persons and remote, isolated or low-density communities (Goodwin-Groen & Kelly-Louw, 2006; Republic of South Africa, 2005). The country's National Development Plan's Policy Priority 3 states that expanding access through financial inclusion, sustainable and inclusive economic growth and development, will be aided by improving access to financial services for the poor, vulnerable and those in rural communities (Republic of South Africa, 2011).

The financial services sector has its own mandate to contribute to financial inclusion through the implementation of the transformation objectives of the Financial Sector Code (Republic of South Africa, 2012). It focuses on socio-economic development through greater access for the poor and the promotion of Broad-Based Black Economic Empowerment. It is government's view that these objectives can be achieved without undermining financial stability or promoting reckless credit practices (National Planning Commission, 2012). This supports a collaborative approach that also links financial inclusion practices and programme implementation to retirement preparedness thus potentially reducing the burden on social welfare support (Lusardi & Mitchell, 2009).

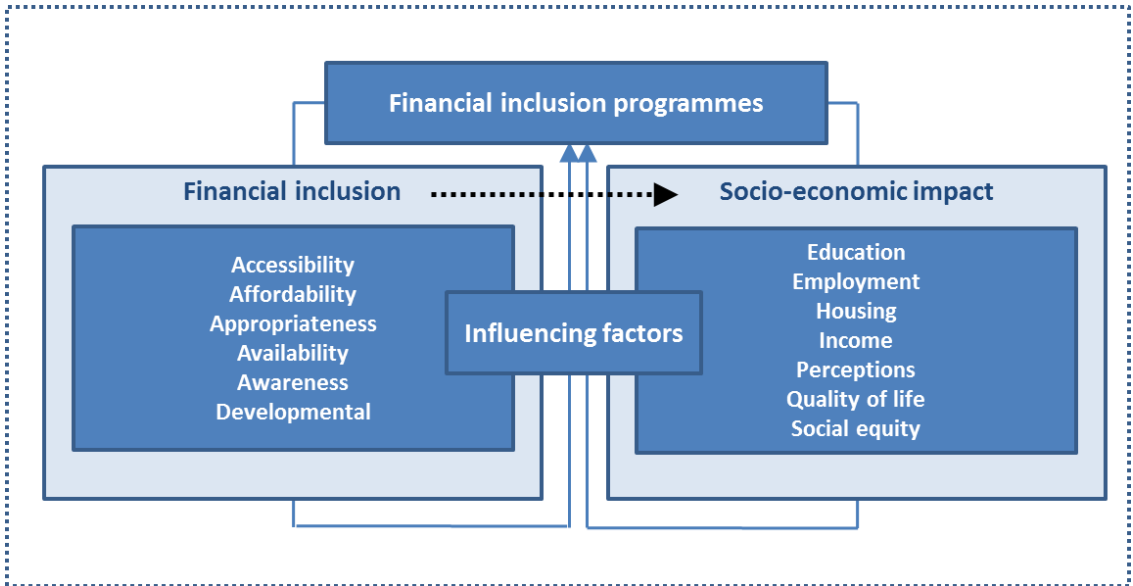
Despite a global drive for financial inclusion, in a sophisticated global financial market it still remains that there are 2-3 billion people in the world known as the un(der)served and un(der)banked, that do not participate in formal financial services (Mendelson, 2012a). In order to capture this untapped base, financial institutions look to markets and market segments that will become majorities and predict how the lifecycles of those emerging majorities will develop (Mendelson, 2012c). Without an in-depth appreciation of these markets and an incorporation of this understanding into programme structuring, financial

inclusion programmes will not be robust enough to achieve socio-economic impact. From the research, we know that these market segments are empowered to be consumers of financial products through the programmes (Mendelson, 2012a, 2012b, 2012c). An approach to knowing these consumer segments is thus a more sustainable requisite to programme structuring and implementation. Broadly, the principles that emerge are those of creating awareness and understanding, the appropriateness of programmes for these segments, the accessibility and availability of financial services in terms of reach, product affordability and the developmental impact nature of inclusion.

A comprehensive understanding of the financial inclusion landscape is required to ensure appropriate programme inputs are considered. It is worth noting, therefore, that financial inclusion does not consist of only formal interventions; alternative financial social structures, though informal, also allow for financial inclusion. Rotating Savings and Credit Associations (ROSCAs) are informal collective schemes which help to maximise savings by a socially supervised commitment to regular pay-ins. ROSCAs are used in the Philippines for furnishing their houses, Vietnamese fishermen use them to finance fishing gear and South Africans use them to run funeral and annual grocery funds (Mendelson, 2012a). In South Africa, the ROSCAs are known as stokvels - these are essentially savings clubs or informal financial institutions.

The purpose of this research is to determine and understand the factors that influence the socio-economic impact of financial inclusion programmes, using a qualitative model. More specifically, the intent is to identify, analyse and interpret these factors with the view towards determining best practice in structuring sustainable and impactful programmes. For the sake of simplicity, only the factors that are considered to have the most influence will be listed and referred to in this study. Even after this simplification, the interaction between all the elements remains complex and difficult to quantify, and therefore, fuzzy cognitive mapping (“FCM”) will be used to generate the qualitative model. The socio-economic impact will be determined from the extent of usage and participation in the programmes by focusing on a specific case site.

The researcher has conceptualised the problem statement and literature review in a diagram as set out in Figure 1. The diagram shows financial programmes structured on the basis of seeking to achieve socio-economic impact through programmes structured in the context of the broad principles as introduced from the research by (Mendelson, 2012a, 2012b, 2012c). Psychographic as well as demographic factors appear to exist outside of the initial programme development phase. Regulatory frameworks appear to contribute to financial inclusion. The question that arises is to whether these programmes do have an expected socio-economic developmental impact in their implementation without an integrated approach of all financial inclusion factors in programme structuring.



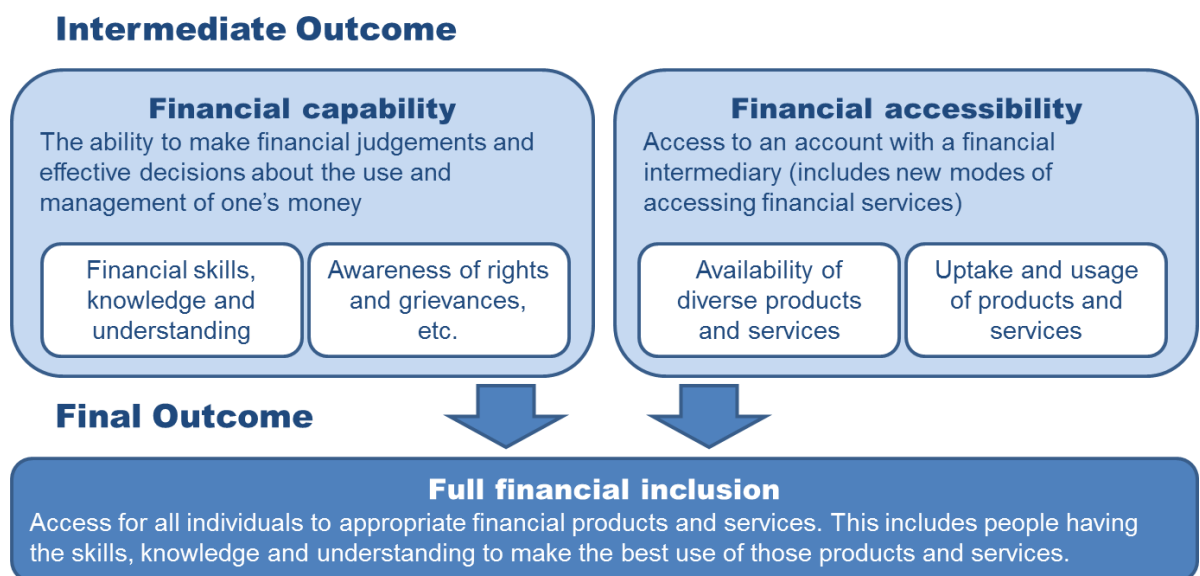
**Figure 1: Concept diagram on financial inclusion programmes and socio-economic impact based on research findings**

Throughout the literature review, research questions are indicated as and when they flow from the review. The literature review starts with a definition and background discussion on financial inclusion as a concept. Section 2.3 sets out the supply-side factors by tracing global imperatives and local imperatives for access to financial services. Section 2.4 identifies the demand-side factors in financial inclusion attainment or inhibition. This is followed by section 2.5 which looks into the programme structure of financial inclusion programmes. Each

section (2.3 through 2.5) is concluded with a hypothesis or the development of research questions.

## 2.2 Definition and background of topic

As discussed in section 1.2.1, financial inclusion refers to the availability, access and use of formal financial services by those who were previously excluded (Sarma, 2008). Financial services are about managing money through space (payment systems and remittances) and time (saving, borrowing and insurance) (Mendelson, 2012a). Financial inclusion is explained by Mendelson (2012c) in two parts: an intermediate outcome as it relates to acquiring financial knowledge and access to finance; and the final outcome, being full and embedded inclusion into the financial system. Figure 2 reflects this graphically by showing that the intermediate outcome results in the participant acquiring financial decision-making ability and accessing diverse financial products. Therefore a combination of financial capability and access to finance will result in full inclusion according to the research by Mendelson (2012c)



**Figure 2: Financial inclusion and its component parts (Mendelson, 2012c)**  
*Adapted.*

The research will use and refer to ‘financial inclusion’ and ‘access to finance / financial services’ interchangeably, for ease of reading.

## **2.3 PART ONE: A global and local imperative for financial inclusion**

### **2.3.1 *Global support for financial inclusion reform***

Notwithstanding financial inclusion efforts being at the fore of international discourse, the research continues to show a large segment of the global population remaining outside of the system of inclusion (Chaia et al., 2013; FinScope, 2014a; Nuñez, Owen, & Riccio, 2014; Ssewamala, 2014; Xu & Zia, 2012). It is observed that those left out of the financial system continue to face financial hardship and inconvenience. This is as a result of a combination of low levels of wealth and asset holding by the majority of potential economic citizens, and an unyielding risk-averse financial system (Chaia et al., 2013; Nuñez et al., 2014). In turn, governments around the world have prioritised financial inclusion as seen in policy development, regulatory reform and the introduction of various inclusion programmes (Arora, 2010). The G20’s Maya Declaration in 2013 further reiterated the commitment by 50 countries to advance financial inclusion (US Embassy, 2013).

The Millennium Development Goals (“MDGs”) strive to reduce poverty as an overriding objective, wherein according to Thorat (2006), the financial sector is a key role-player. Poverty is generally viewed as the absence of income and other capabilities; including security, education, political influence and financial access (Sen, 1999). Those in poverty make up the world’s largest demographic and form the base of what is popularly known as ‘the bottom of the pyramid’ (“BOP”), and the extent of financial opportunity is reflected within this social grouping (Anderson & Billou, 2007). Thorat (2006) asserts that this presents a business opportunity for financial services providers as not all of those that are unbanked are living in extreme poverty or don’t have access to some form of income. It could also inform business strategy through shared value and social

impact; realising business goals whilst achieving on a mutually beneficial outcome. When businesses are able to see social problems as representing business opportunity, it can cautiously be said then, that financial inclusion is not entirely social responsibility, but also an opportunity for increased consumerism.

It has been presented that 'the bottom of the pyramid', is primarily a grouping of the world's poor (Hart & Prahalad, 2002; Prahalad, 2009). Sen (1999) argues that for development to occur, certain freedoms must be afforded those that are poor. These freedoms include economic and social arrangements, political and civil rights and getting out of economic poverty (Sen, 1999). Addressing these liberties though, requires specific strategies. Kempson, Atkinson, and Pilley (2004) posit that social exclusion is a problematic consequence of prevailing financial exclusion. Linking to Sen (1999), it is necessary to find ways to serve BOPs for poverty reduction and economic development to occur (Demirguc-Kunt & Klapper, 2012; Yunus, 2007).

### **2.3.2 Roadmap: from financial exclusion to inclusion strategies**

The MDGs, which include poverty and inequality reduction, cite access to finance as a means to advance BOP groups of people so that they can be introduced into the mainstream economy (Arora, 2010; Yunus, 2007). In formulating strategies to support inclusion, it is worthwhile to have an understanding of what financial inclusion outcomes can extend to which includes (Regan & Paxton, 2003):

- Social inclusion and neighbourhood renewal strategies;
- The eradication of child poverty;
- The ability to tackle pensioner poverty;
- The prevention of poverty; and
- Delivery of the Government's welfare strategy overall.

As BOP customers' financial concerns are addressed, strategies to combat social and financial exclusion are developed. In the research conducted by Anderson and Billou (2007), a 4As approach to serving these customers was

formulated. The 4As framework in the research consists of characteristics that products and services must have in order to deliver to BOP consumers. These are listed as (Anderson & Billou, 2007):

1) Acceptability:

Is the willingness to consume the financial product or service. Some products are repackaged from the affluent range and may not have been suitably adapted to meet BOP consumer needs.

2) Affordability;

Is the ability to afford the financial product or service. Unemployment and limited financial resources constrain affordability for BOP consumers.

3) Availability;

Is the ability to acquire and use a financial product or service. Limited branch/ATM and distribution channels in rural and per-urban areas pose a particular challenge.

4) Awareness.

Is being aware and knowing about the financial product or service. Understanding complex financial products and terms further adds to marketing to and soliciting sales from BOP consumers.

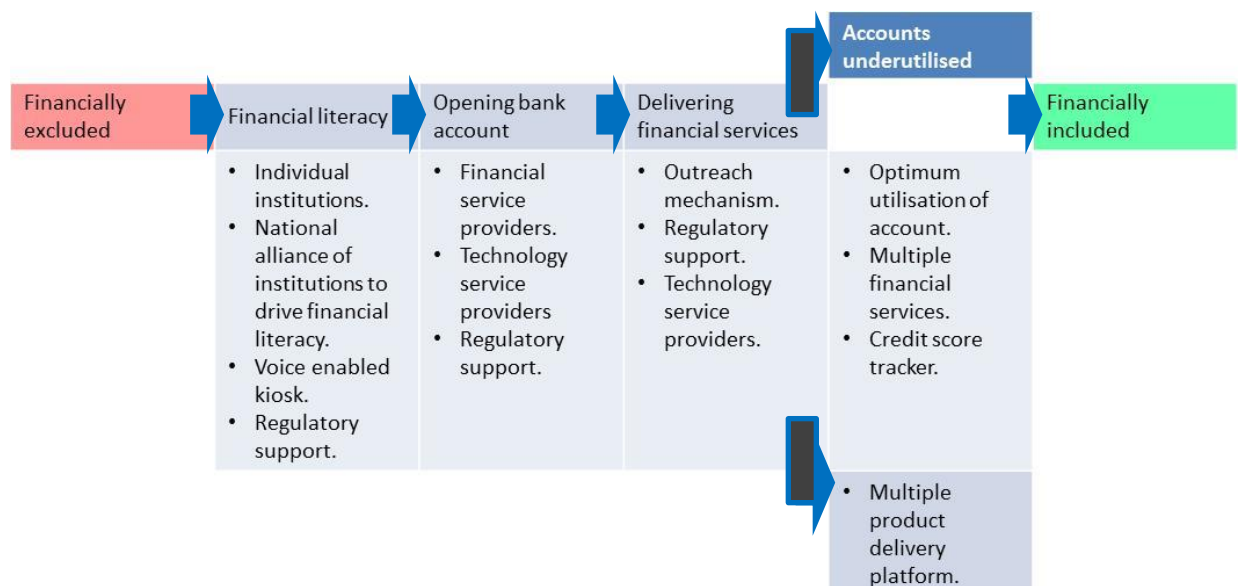
These, form the basis of most financial inclusion programmes and interventions and the FSC lists them as follows (Republic of South Africa, 2012):

- Affordability and fair value;
- Appropriateness;
- Non-discrimination;
- Physical access; and
- Simplicity and understandability.

This confirms that financial inclusion strategies drive a process and are not an event in time. It is thus critical to understand the process to achieving financial inclusion within multiple frameworks, strategies and interventions. Table 1 below sets out the financial inclusion process as described by NCR and Frost & Sullivan (2009).It depicts the process as starting from financial exclusion and

tracks incremental actions that add up to being financially included. The constituted lifecycle is multi-phased: awareness and knowledge form the initial phase. The second phase requires engaging with financial services providers by opening a basic bank account for transacting – it provides access to financial services. Opening a bank account is a fundamental financial inclusion metric and is important, however access to credit is the weightier part of inclusion (Dev, 2006; Yunus, 2007). This is because it could counter having to deal with high-interest charging and unscrupulous money-lenders which often inevitably leads to debt entrapment and doesn't advance the cause for inclusion.

**Table 1: Financial inclusion lifecycle**



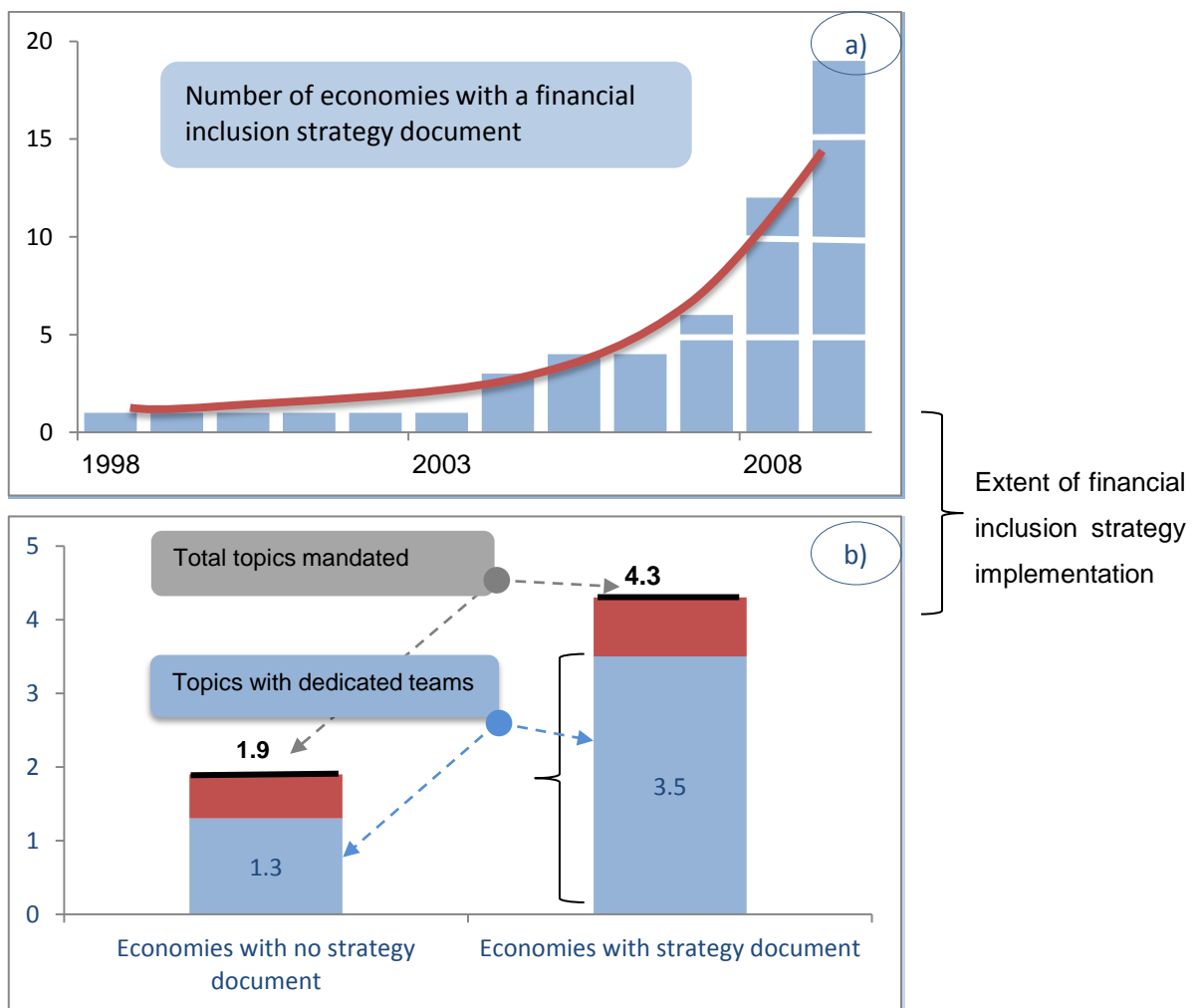
Source: (NCR & Frost & Sullivan, 2009)

The third process from Table 1 includes a combination of regulation and business enablement in the delivering of financial services. Lastly, increased and regular use of the bank account through utilising and accessing multiple available product platforms concludes the financial inclusion process.

While global initiatives were devised to drive inclusion; developing countries became the place where most of these initiatives were to be driven from and governments began to engage on ways to reduce poverty and inequalities within their countries. Therefore in Africa particularly according to B. Porter (2011), except for 4 countries, all have a national strategy. B. Porter (2011) also

discovered that the more specific initiatives were, those countries with strategies assigned more resources as shown in Figure 3.

In Figure 3, the top graph a) shows there has been a global exponential growth of national strategies being introduced, with most of these strategies formulated after 2004, and specifically from 2008 (B. Porter, 2011). This confirms the assertion made in section 1, of the evident growth and focus in strategies following the global financial crisis of 2007-2008. The existence of a strategy though does not assume adequate and appropriate implementation.



**Figure 3: Financial access database 2010: CGAP/World Bank - Financial Inclusion (Porter, 2011)**

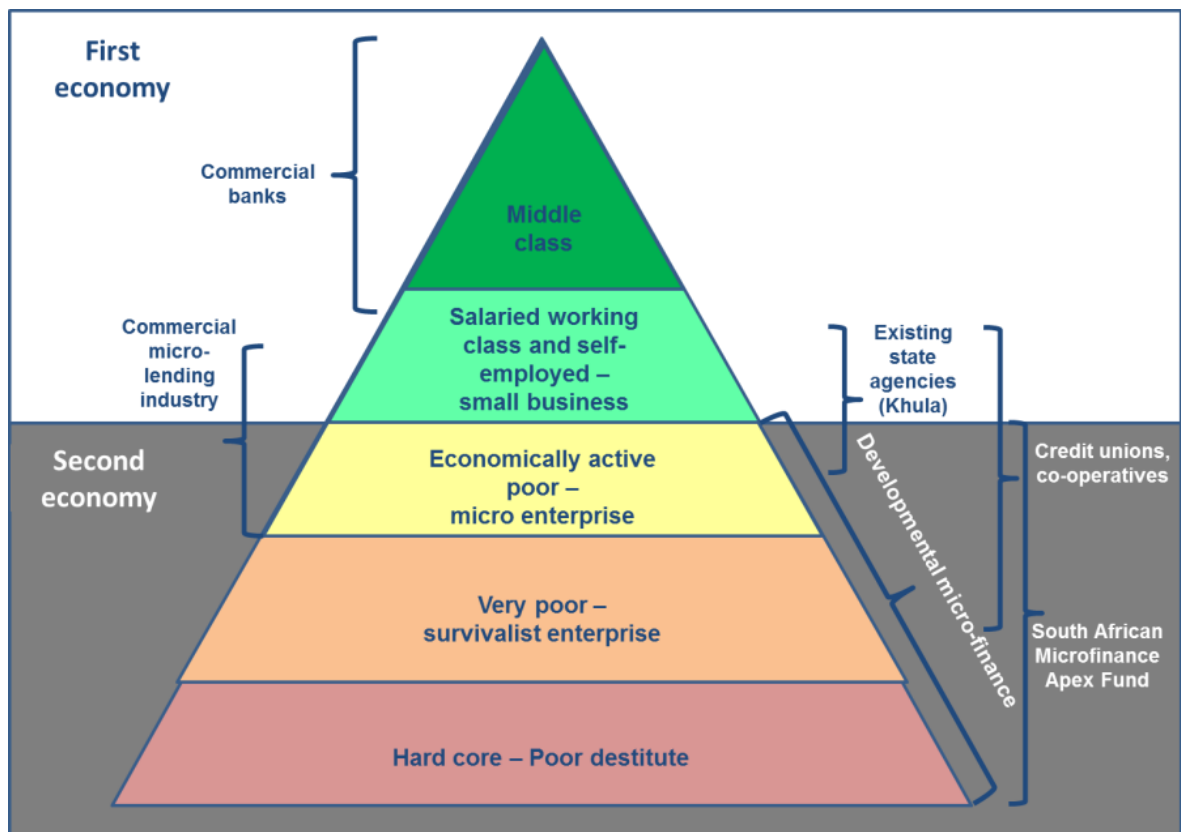
The bottom graph b) in Figure 3 therefore further expounds on the extent of strategy implementation by showing that those economies which committed additional resources derived expanded mandate capacity for broader financial

inclusion. National strategies are thus more effectively driven where there is specific intermediation.

### **2.3.3 *Social dialogue on policy intermediation***

In drafting strategies and solutions for financial inclusion the country context becomes relevant. Emanating from an era of legislative social and economic exclusion in South Africa, poverty has resulted in those financially excluded remaining on the fringes of the formal sector as banks deliberately chose not to deal with them (Schoombee, 2000, 2004). Some of the tensions that arose between the banks and the government during this period, revealed how banks were wary of servicing what was to them a high risk market that was socially unstable and therefore economically unreliable (Kempson et al., 2004; Schoombee, 2000, 2004). Then, after this era of deliberate exclusion, it became apparent that it was necessary to pursue more inclusive practices. Government's response was to introduce various financial inclusion discussions in an attempt to compel banks to lend through the introduction of Community Reinvestment Act-type legislation (Tomlinson, 2005).

In 2004, the economy remained vividly divided in two which then President, Thabo Mbeki, described as the inequalities between the rich and poor - the first and second economy shown in Figure 4 (Kirsten, 2006; Porteous & Hazelhurst, 2004). Though the middle class has grown, the two economies continue to prevail in the current economic landscape (FinScope, 2014b).



**Figure 4: The first and second economies (Kirsten, 2006)**

Figure 4 shows these two economies segmented according to the extent of access to financial services. The ‘first economy’ is made up of the middle class and salaried working class who have access to commercial and micro-lending institutions. The second economy, on the other hand, appears largely un(der)served except for government interventions to extend credit as a means of financial inclusion (Kirsten, 2006).

With little to sparsely available financial products and literacy, Porteous and Hazelhurst (2004) highlight how exclusion, not serving the financial needs of the poor, is a sign of a dysfunctional financial system. In the South African context, financial institutions are seen as key-role players to drive access given their historic aversion to serve the second economy (Porteous & Hazelhurst, 2004; Schoombee, 2000). Due consideration of providing basic financial services to previously disadvantaged individuals therefore ranks high on the country’s national agenda. Mobilising the resources of society through social partnerships for the greater good is a necessary part of national economic development.

Ehrbeck, Pickens, and Tarazi (2012:56) refer to the need for “financially inclusive ecosystems” which place a burden on a bigger governmental role. A collaborative effort between government and financial institutions therefore became even more compelling.

The G20 principle of cooperation between private and public sector entities is a fundamental element in financial inclusion strategies (World Bank, 2008). Social dialogue is a negotiation process wherein participants jointly formulate and agree on policy and related activities. South Africa’s historic exclusion practices necessitated social dialogue between the financial industry and government to collaboratively address ways to support a growing economy with requisite participation of all citizens of the country. A reciprocal response of the banks to embark on a process aimed at transforming the entire financial sector, including increasing investment and the extension of credit to low-income households, was eventually negotiated (Balshaw & Goldberg, 2005). This transformation scorecard for financial services was first discussed in 2004 and was finally gazetted in 2012 (Republic of South Africa, 2012).

#### ***2.3.4 Regulatory considerations in financial inclusion practices***

The South African financial sector’s regulatory environment was resilient and steadfast during the recent 2007-2008 financial crisis that impacted global economies. However, there were lessons learnt therefrom, resulting in financial regulation and supervision in South Africa undergoing extensive reform post the financial crisis which directly impacts on financial inclusion (Bird, 2013). Strategies have not only been driven from a social dialogue perspective; government policies and legislation have also sought to increase access within a closely regulated and administered environment. Regulation has a two-fold impact: it increases compliance and monitoring costs from the financial institutions’ perspective, however, it also allows for increased consumer protection and access to finances. Finding the right balance between regulation and access thus impacts on the socio-economic developmental impact of financial inclusion practices (Bird, 2013; Napier, 2006; OECD, 2006).

The various articles of legislation and policy in South Africa which reflect the legal and regulatory framework from a banking and bancassurance perspective include, but are not limited to:

- CPA: Consumer Protection Act (Republic of South Africa, 2008)  
The CPA sets out consumer rights and supplier obligations.
- FAIS: Financial Advisory Intermediary Services Act (Republic of South Africa, 2002)  
FAIS validates intermediary qualifications by requiring financial service providers to comply with fit and proper requirements.
- FICA: Financial Intelligence Centre Act (Republic of South Africa, 2001)  
The FICA aims to fight financial crime, money laundering, tax evasion and terrorist activities.
- NCA: National Credit Act (Republic of South Africa, 2005)  
The NCA was enacted to regulate consumer credit and practice in providing consumer credit.
- TCF: Treating Customers Fairly policy  
The focus is on consumer protection, market conduct and fair and appropriate financial access. It does not have a launch date but already forms a large part of financial service conduct.

### ***2.3.5 Addressing sub-problem 1 with proposition 1***

The following proposition has been identified regarding the reason why financial inclusion programmes are introduced.

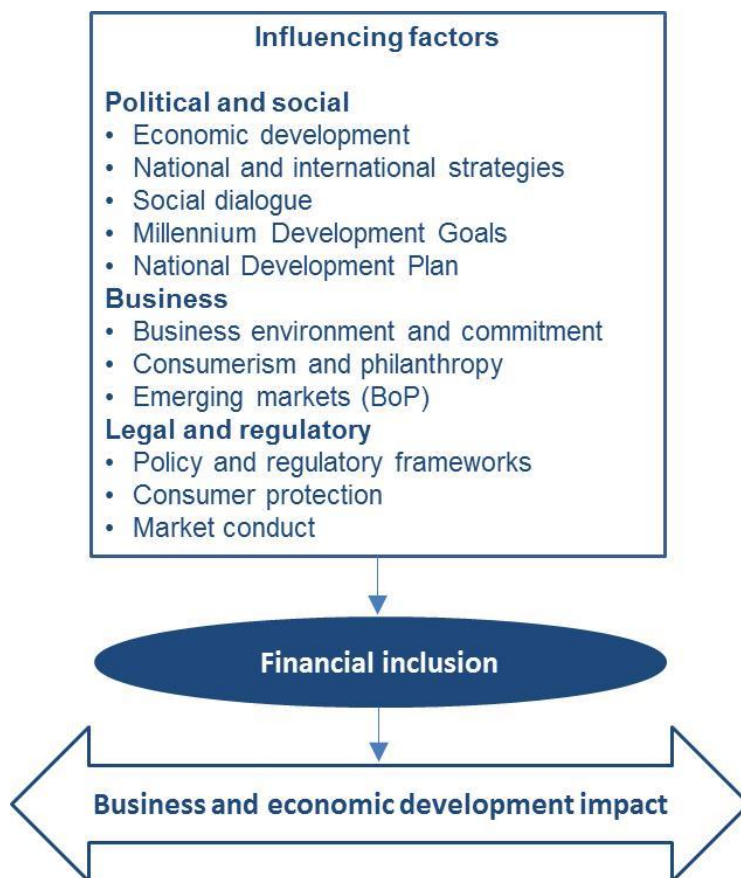
#### **Proposition 1**

**The reasons why financial inclusion products were included are linked to a global and local imperative for economic development and poverty reduction. This has been supported by business structure and regulatory, political and social frameworks of enablement.**

#### **Diagrammatic explanation of proposition**

At this point in the literature review, it is possible to isolate the factors that influence financial inclusion from a reason why the financial inclusion programmes were introduced point of view. The researcher has consolidated the factors into Figure 5 which illustrates, the influencing factors being three-fold:

- 1) Business;
- 2) Legal and regulatory; and
- 3) Political and social dialogue.



**Figure 5: Factors that influenced the introduction of financial inclusion programmes – consolidation of research findings**

In Figure 5 we see how these three factors relate when combined to influence financial inclusion and result in economic and business developmental impact. These are supply-side factors from a regulatory framework and business enablement perspective. It is deduced then that these three broad headings are the key reasons financial inclusion programmes would typically be introduced

and the impact was primarily for business benefit and economic development. A closer analysis reveals that financial activity is perpetuated by economic development which in turn generates income. It can be said then that there is also a socio-economic impact derived from these three broad factors. Their indirect intent develops into the reduction of poverty and derives financial inclusion, in the process of increasing economic development. However, in isolation and absence of the factors discussed in section 2.3, the question arises as to whether financial inclusion programmes are structured optimally for deliberate, specific, purposeful and sustainable socio-economic impact.

## **Summary**

In summary, the inference from the literature is that business, regulators and policy-makers influence why the programmes were introduced. Business' strategic intent encapsulates risk management; profit achievement; cost management and prudent practices. The key sources of the research are: AFI (2010); Anderson and Billou (2007); Arora (2010); Balshaw and Goldberg (2005); Bird (2013); Dev (2006); Ehrbeck et al. (2012); Republic of South Africa (2012); Goodwin-Groen and Kelly-Louw (2006); Kempson et al. (2004); Kempson and Whyley (1999); Kirsten (2006); Lusardi and Mitchell (2009); McCarthy (2011); Mendelson (2012a); Mendelson (2012b); Mendelson (2012c); NCR and Frost & Sullivan (2009); Porteous and Hazelhurst (2004); B. Porter (2011); Regan and Paxton (2003); Schoombee (2000); Schoombee (2004); Thorat (2006); Tomlinson (2005); Republic of South Africa (2011).

## **2.4 PART TWO: Psychographic and demographic factors affecting financial inclusion**

### **2.4.1 *Behaviour and attitude to financial services engagement***

Potential participants in financial inclusion programmes are compelled and constrained by non-financial influences. Participants seek ways to be personally responsible for their finances; it is a sensitive and personal desire for validation and personal attainment through agency with one's finances. Attitudinal factors (such as whether an individual is pro-credit or anti-debt, or whether they see credit as useful but problematic or not) are important and significant predictors (McCarthy, 2011). This suggests that behavioural factors may impact financial distress and choices more than only providing suitable and appropriate financial inclusion programmes. As personality develops from social, cultural and historical influences, it ultimately impacts on financial behaviour (Elkind, 1970; Holden, 2010a). Considering attitudes and values thus has a direct influence on whether financial inclusion programmes are optimally structured for appropriate impact.

Holden et al. (2010b) quotes Piaget's Theory on psychoanalysis theory which assumes that people's relationship with and attitude towards money is a juxtaposition of managing coming into your identity (pleasure principle), and desiring or pursuing money within acceptable social norms (morality principle) (Piaget, 1983). The attitude towards money is presented in the literature as follows (Holden, 2010a; D. W. Krueger, 1986; Piaget, 1983):

- *Fear of autonomy*: by relinquishing agency in decision-making and relegating it to someone else who will bear the consequence.
- *Fear of risk*: being paralysed into inaction for fear of the uncertain or perceived to be likely negative outcome.
- *Fear of wealth*: as deemed socially crass and thus shameful or associated with ill-gotten means or at the expense of broader society.

Behavioural finance provides insights into investor behaviour that can't be explained away with traditional theories (Barber & Odean, 1999). Rationally,

one can say that the poor understand the value and relationship of commitment and money - they look for ways to save. From an aspirational perspective they want to educate their children, have safe housing and be buried with dignity (Mendelson, 2012a). However, multiple expenditure shocks (illness, robbery, retrenchment and death) can tip the poor very close to the edge, which explains, according to Mendelson (2012a), risk aversion attitudes. Volatility and instability affect financial decisions and lead to behaviour that exacerbates financial distress (McCarthy, 2011). In behavioural finance research we find that the heuristic of *loss aversion* says that our behaviour is often guided by the desire not only to optimise gains but to avoid losses (Nofsinger, 2011). Though financial inclusion programmes may intend to improve behaviour to achieve financial inclusion aims, McCarthy's (2011) research reveals that policies and programmes do not typically incorporate these aspects of financial behaviour. This is owing to impact measures of improvements in the level of financial capability due to long-term understanding of changes in behaviour and attitude towards money, being inherently difficult to quantify, measure and analyse (Atkinson, 2008).

Based on ones experiences with money and financial outcomes such as exercising undue caution or greater impulsiveness; it can be argued that low-income groups ascribe to the same social aspirations of the middle-class, but the strength of these aspirations is dependent on the likelihood of being attained (Holden, 2010a). Uncertainty, confidence, emotion and narratives affect cognitive and conative reasoning (Chong & Tuckett, 2014). This is reflected in pessimism or optimism of the potential of success in life choices such as gaining higher education, employment or improving social class. Existing literature suggests that once behaviour is associated with a consequence, whether to reinforce or to punish, the likelihood of the behaviour continuing changes. Skinner (2014) postulates on secondary and primary reinforcers that drive behaviour: determining that primary reinforcers such as food are attained through the power of a secondary reinforcer that being money.

### **2.4.2 Awareness of financial inclusion inhibitors**

For effective redress of the disparities in economic participation, limited institutional access to finance has already been identified as the core problem that needs to be addressed. From the perspective of low-income households, mistrust, misrepresentation, and undignified and demeaning inclusion practices are deemed as factors for self-exclusion (Beck & Demirgüç-Kunt, 2008; Kempson & Whyley, 1999). This research also highlights restrictive business practices that may also have caused some exclusion; as well as opting out which is seen in turnover numbers of those that previously did have access to financial services and exited the system (Kempson et al., 2004; Kempson & Whyley, 1999). These turnover rates arise from accounts being opened and being left dormant or even being completely closed. Anderson and Billou (2007) have put forward the argument for deliberate exclusion by institutions as consisting of constraints that plague those in poverty to be *inter alia* corruption, infrastructure challenges, illiteracy, limited regulation, political conflict and religious conflict. These constraints are given more granularity in Kempson and Whyley (1999), and are listed as:

- Culture and language barriers;
- High cost to access;
- Illiteracy including financial illiteracy;
- Insufficient, inadequate and inappropriate product offering;
- Poverty, population size and big family priorities; and
- Unemployment levels.

There is a contrarian institutional argument that asks whether these factors actually exclude individuals, or whether individuals self-exclude (Beck & Demirgüç-Kunt, 2008; Kempson & Whyley, 1999). Given these unfavourable elements, financial inclusion programmes need to consider these inhibitors in the design of programmes such that they can minimise their influence on successful and positive impact.

### **2.4.3 Understanding client needs – know your customer**

Consumers in specific communities are not necessarily homogenous. Knowing who the customers for financial services in low and middle-income countries are and what their needs over their financial life-cycles are, is an important input to more effective programme structuring (Mendelson, 2012a). Asking this question is not to give an empirical evidence answer, but rather to have a greater understanding of the socio-economic circumstances of those that are financially excluded and how they manage their finances. With the emergence of consumerism, understanding consumption and the consumer more closely is recognised as a sociological practice of freedom of choice (Hodgson, 2002). Without knowing your customer, “productionist bias” prevails in programming and customer needs and demands are ignored (Hodgson, 2002:319). In spite of this however, sophisticated market segmentation does not fully account for why consumers make the choices they do; subjectivism is not easily quantifiable.

Know your customer (“KYC”) in South Africa is enforced to combat money laundering activity (FICA, Republic of South Africa, 2001). The legislation requires that certain individual information needs to be verified and validated, specifically requiring the following documentation (FICA, Republic of South Africa, 2001):

- Green identity book to verify their date of birth; full names; nationality; and identity number.
- Proof of residence to verify the residential address.
- Tax document to verify the income tax number.

KYC requirements may add costs to both the financial institution as well as the customer thus becoming a barrier to financial access. Some of the challenges experienced include having to validate ones identity and the cost of remoteness affecting accessibility. To prove eligibility also causes some exclusion and frustrates the inclusion process. For banks, the verification process for small banked amounts common to this population group, or small amount transactions does not justify the cost of implementing these conditions. To encourage financial inclusion, it is important to be reasonable and not make

the process cumbersome, costly and disproportionate to the transactional needs of customers and the money laundering controls encompassed in the legislation (Alexandre, Mas, & Radcliffe, 2011; De Koker, 2011; Republic of South Africa, 2001).

#### **2.4.4 Tools and means for financial inclusion – the informal market**

Putnam (1995:67) defines social capital as “the sum of informal social networks, formal social networks and social trust”. Endogenous group membership is centred on ethnicity and gender whilst exogenous factors of groups include location and unemployment. In developing social capital, “organic solidarity” defined as group trust and enablement, adds value to individual agency and group membership (Ferragina, 2013). When low-income households navigate social structures in their communities, they also determine which financial instruments should be selected that will enhance their livelihoods. The poor have access to and use a broad range of financial instruments with credit being the most prevalently accessed (Collins, 2005). South African low-income households and their patterns of financial behaviour are set out in ‘*Financial Diaries*’ research conducted regionally (Collins, 2005, 2008).

Low-income households face poverty, limited income and unemployment, but these households engage in financial activity using a broad range of recognised instruments and contacts. Even though micro-finance has been the primary form of providing credit to low-income households by the formal financial sector, it does not necessarily meet their needs. Also, due to less favourable credit-worthiness, the poor find themselves in less risky debt environments compared to the debt book in formal institutions but may find themselves indebted to moneylenders, stokvels or relatives in a non-regulated but more accessible environment (Collins, 2008; Mashigo & Schoeman, 2010). As the informal financial system prevails it is an indication of the importance and the need for financial inclusion.

This necessitates further analysis of the microfinance industry – a credit financing access method that often comes at an exorbitant cost to the poor.

Most large amounts of loans are raised through stokvels or moneylenders (Collins, 2005, 2008). Stokvels are social and economic arrangements for saving, groceries, funeral support and entertainment; which play an important role in communities based on trust, loyalty, reputation and social networks. These structures rely on behaviours and social pressures to act as collateral, and they monitor trust by closely watching the regularity of contributions made (Mashigo & Schoeman, 2010). Then we have the moneylenders who charge high interest rates that trap borrowers into long-term debt relationships. These informal, unregistered money lending systems colloquially known as loan sharks or *mashonisas* are not subject to the affordability checks and interest rate ceilings imposed through the National Credit Act (Republic of South Africa, 2005; Siyongwana, 2004). When these loans are not paid as agreed to, the loan can become a dangerous burden resulting in threats and exploitation (Siyongwana, 2004). With present fears of being physically harmed, borrowers are compelled to continuously pay the compounding interest and be trapped in a cycle of indebtedness attached to the outstanding capital amount. This poses an ethical dilemma – as the informal market achieves financial inclusion, sometimes it may come at a very high cost.

The use of informal financial tools is the most distinguishable characteristic of low-income households. The lack of sufficient formal financial tools or services for the poor; means that they often revert to using inefficient high cost, high risk methods which further entrenches poverty when they are faced with lifecycle challenges (Jefferis, 2007). The informal tools used are not often matched to low-income household customer needs, therefore these informal financial inclusion programmes may not adequately be structured for optimising inclusion and effecting positive socio-economic impact (Mendelson, 2012b). Understanding customer loan needs hence presents an opportunity for the banks and institutions; providing affordable credit lines will foster access to financial services for the marginalised. Creating better access tools such as efficient saving and loan arrangements contributes positively to financial inclusion.

#### **2.4.5 The geography of access to financial services**

Access is generally measured by determining proximity to financial services through traditional means such as brick and mortar infrastructure – by knowing the number of available ATMs and branches. It also includes availability and cost of transport or product availability through non-traditional ways using technology. In rural areas, for most banks, it does not make business sense to open a branch for small and intermittent transacting. Focused access is enabled in urban and semi-urban areas to reduce transaction costs (Allen, Otchere, & Senbet, 2011). The challenge is creating rural accessibility to this demographic that will otherwise not see value in being banked. In Ghana, rural banks have been used to address this challenge with a penetration of 129 branches in seeking to deepen and broaden economic participation (Allen et al., 2011). However, physical barriers are not the only deterrents; eligibility and affordability play a key role. Also, limited disposable income in these households renders them excluded as they face multiple burdens that come with unemployment.

The number of users of financial services is another proxy that measures penetration and reach. Usage of financial services is an easier measure to consider - there are instances where individuals may have access but choose not to use it. Based on an analysis of usage, therefore, a study conducted by Chaia et al. (2013) concluded that ‘half the world is unbanked’. From Table 2 we can see that most of the unbanked population based on percentage of total population is based in Sub-Saharan Africa. OECD countries are mostly banked with 92% using formal or semi-formal financial services. The region with the highest number of people that are unbanked based on population size is in East and Southeast Asia with nearly 900 million adults outside of the system whilst Sub-Saharan Africa has the most unbanked people at 80% of total population.

**Table 2: Adult population who do not use formal or semiformal financial services. Adapted from Chaia et al. (2013)**

Region	Population size	% of total population
Sub-Saharan Africa	326 million adults	<b>80%</b>

Region	Population size	% of total population
Middle East	136 million adults	67%
Latin America	250 million adults	65%
East Asia, Southeast Asia	<b>876 million adults</b>	59%
South Asia	612 million adults	58%
Central Asia and Eastern Europe	193 million adults	49%
High income OECD countries	60 million adults	8%
Total for the World	2,455 million adults	53%

Discussions on the large population of adults that are unbanked assumes that financial inclusion is driven from the premise that these adults need the programmes and products created for them (Schwittay, 2011). A proliferation of micro-financing institutions further affirms this view that the poor need rescuing and micro-finance is good corporate citizenry; there is a certain crassness to link this to profit maximisation or business opportunity of which the latter may well be the more true intent (Schwittay, 2011). In summary, there are multiple drivers to the implementation of financial inclusion programmes to achieve socio-economic developmental impact. Knowing who the participants are, where they are and what they need is an important programme input. Additionally, addressing infrastructural, literacy, language and other access challenges will enhance programme structuring and encourage economic and sustainable growth. The moral dilemma of chasing money as opposed to doing good that arises is beyond the scope of this study, which speaks to the value of financial inclusion programmes for society.

#### ***2.4.6 Addressing the second sub-problem through proposition 2***

The second sub-problem is to identify factors and their influence on socio-economic impact in financial inclusion.

#### **Proposition 2**

The literature confirms the factors that have been identified as having an influence on the socio-economic impact of financial inclusion programmes being: demographic; psychographic; and accessibility.

### Diagrammatic explanation of proposition

Demographical aspects cited encompassed literacy levels, gender profiling and employment levels as shown in Figure 6. The accessibility factors are infrastructure, transport limitations and geographic limits to access as well as urban and rural disparities. The psychographic features were levels of trust, attitudes to financial services, managing own financial circumstances and included cultural and language barriers.

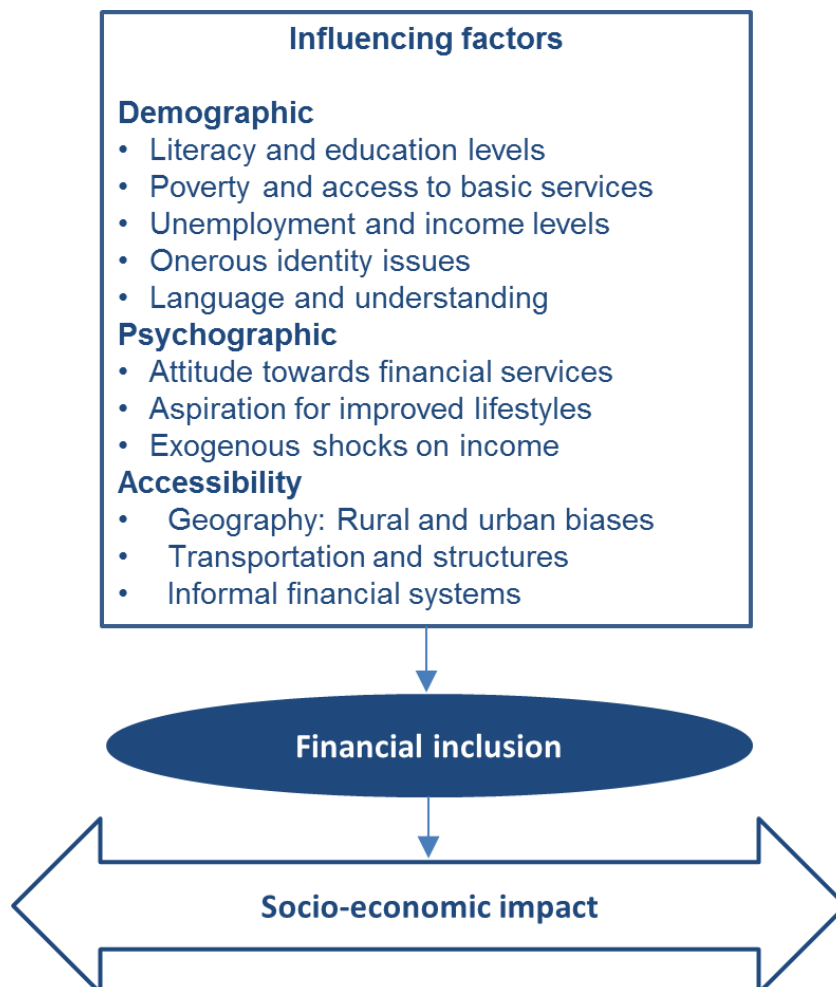


Figure 6: Factors that may influence socio-economic impact

## **Summary**

In summary, factors that are not driven by business and government need to be considered if holistic and targeted socio-economic impact must be derived. Through the consideration of the needs, wants, attitudes and circumstances of beneficiaries and participants, more effective financial inclusion may be achieved. The key sources of the research are: Alexandre et al. (2011); Atkinson (2008); Barber and Odean (1999); Beck and Demirgüç-Kunt (2008); Chong and Tuckett (2014); Republic of South Africa (2008); Collins (2005); Collins (2008); De Koker (2011); Elkind (1970); (Republic of South Africa, 2002); (Republic of South Africa, 2001); Hodgson (2002); Holden (2010a); Holden et al. (2010b); Jefferis (2007); Kempson and Whyley (1999); Kempson et al. (2004); (D. Krueger, 1986); Mashigo and Schoeman (2010); Mendelson (2012a); Mendelson (2012b); (Republic of South Africa, 2005); McCarthy (2011); Nofsinger (2011); Piaget (1983); Siyongwana (2004); Skinner (2014).

## **2.5 PART THREE: Structuring robust and optimal financial inclusion programmes**

### ***2.5.1 Customised solutions as an option: the KGFS model***

Since the financially excluded are unorganised, it is up to the financial institutions to consider ways of organising them through the way that financial inclusion programmes are designed (Srinivasan, 2007). How the programmes are structured and what elements are included or omitted will determine the optimal way they can achieve the desired positive socio economic impact.

Best practice shows that customised financial inclusion programmes are most likely to result in a specified, desired outcome. The Kshetriya Gramin Financial Services (“KGFS”) model uses a customised wealth management approach (Ananth, Chen, & Rasmussen, 2012). The KGFS model is an agent-based model that partners with financial institutions such as banks, insurance companies, mutual funds, and pension funds to offering greater access to a

broad range of services. Each KGFS institution and branch is allocated a catchment area to enrol as many customers as possible. The model identifies household financial needs and goals and then provides the appropriate products without any preconceived biases of what that household may need. The customised solutions are presented within these four categories in **Error! Reference source not found.** (Ananth et al., 2012).

**Table 3: The KGFS Model in India**

PLAN	GROW	PROTECT	DIVERSIFY
<ul style="list-style-type: none"> <li>• Recurring deposit</li> <li>• Savings account</li> <li>• Remittance</li> <li>• Jewel loan</li> <li>• Joint liability group loan</li> <li>• Emergency loan</li> </ul>	<ul style="list-style-type: none"> <li>• Enterprise working capital loan</li> <li>• Enterprise term loan</li> <li>• Education loan</li> <li>• Livestock loan</li> <li>• Housing loan</li> <li>• Crop loan</li> </ul>	<ul style="list-style-type: none"> <li>• Personal accident insurance</li> <li>• Term life insurance</li> <li>• Shopkeepers policy</li> <li>• Livestock insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Pension</li> <li>• Gold investment</li> </ul>

Ananth et al. (2012) elaborates on the KGFS model in Table 3 which shows that the first category, 'plan', is to assist customers in managing their short-term liquidity. The second category, 'grow', meets customer income growth and expense reduction objectives. The third component, 'protect', is for insurance and risk mitigation needs. Finally, the fourth part, 'diversify', has investment and inflation-linked products as options.

Enrolment into the KGFS model aims to meet and achieve on customer financial well-being. Included in the model are other benefits such as online banking, risk sharing and product integration (Ananth et al., 2012). The challenges in enrolment include *inter alia*, accessibility with those closest to branches most likely to enrol. Perceptions on who makes up the target market, especially those that don't want to be associated with a *poor people's bank*, also tend to not enrol. On the positive, increased enrolment occurs when there

is brand and process familiarity from increased penetration levels as well as improved processes learnt from previous implementation mishaps.

The KGFS model is replicated with great success in India, despite the complexity it introduces, as it has been found to inform better client engagement (Ananth et al., 2012). In the Tamil Nadu KGFS process, 60% of enrolled households have purchased the pension insurance product and 84% of product uptake is multi-product (Ananth et al., 2012). The multi-product approach reduces costs as economies of scope factor in. Studies of whether financial well-being is achieved have not been concluded – like other financial inclusion programmes, monitoring and evaluation is a relatively new programme assessment process. We can only postulate that customers must find personal value in the programme from increased enrolment whilst financial value is indeterminate. The challenge is how transferable this model is, as it is applied in different geographic areas with linguistic, rural, coverage and regulatory differences and possible limitations.

### ***2.5.2 Innovation for scalable access: Mzansi, Fundisa and Zimele***

Innovation is required for enabling scalable and platform-independent technology as a way of ensuring appropriate reach is achieved (Khan, 2012; B. Porter, 2011; Weiser, 2007). Research further suggests that self-service technology options are necessary structural considerations to create scalable and sustainable financial inclusion programmes (NCR & Frost & Sullivan, 2009). Recent innovations in financial services in South Africa were seen to be liberalising when three key initiatives for financial access were introduced:

1. The Fundisa fund (“Fundisa”) - an education unit trust saving vehicle.
2. The Mzansi account (“Mzansi”) - a banking account for the poor.
3. The Zimele approval (“Zimele”) – which lists insurance products minimum standards for the poor.

These initiatives were mostly devised after social dialogue where public-private partnerships were formed to collectively drive increased financial inclusion for low-income households.

i. **The Fundisa fund**

Collaboration for financial inclusion has not been limited to typical financial products such as banking and insurance. Fundisa was launched in November 2007 as a tertiary education saving initiative which was pioneered through a collaborative effort between the government and the Association for Savings and Investments in SA (“ASISA”) (M. Porter, 2012). The Fundisa fund works as follows (M. Porter, 2012):

- Eligibility:  
South African citizens;  
The account opener need not be related to the beneficiary;  
Study must occur before age 35; and  
The course studied must be through a recognised public college or university.
- Government subsidises parent contributions limited to R200 per month.
- Funds saved form part of a unit trust investment vehicle.
- Direct payments into the tertiary institution do not incur tax.
- Any lapses or stopping to contribute will result in the contributor losing all subsidies that have accrued.

Despite these restrictions, studies show that saving for 18 years is an avenue for low-income households to enable and improve their households’ education potential. A study on investment returns shows that raising saving levels and staying in the market for the long-term allows the investment to gain compound returns to the tune of 12.3% annualised return over the eighteen years (Flash, 2010; M. Porter, 2012). The Fundisa initiative is also appealing to low-income households because of its matched savings bonus payments and the social inclusion aspect of it enabling tertiary education access which is generally limited for these households (Ssewamala, 2014).

ii. **The Mzansi account**

According to Kirsten (2006), the *Mzansi* bank account was introduced by the banks and the national post office. It was in response from a call of government

to drive financial inclusion. In 2004, the banking community collectively launched a low cost national bank account (Kirsten, 2006). Access was granted through the Post Bank and the four major banks: Standard Bank, First National Bank; ABSA and Nedbank. Post Bank users are typically from low-income and remote households who find traditional banking inaccessible due to spatial and geographic challenges. Most Mzansi account holders are first-time bank users who require only a valid identity document to open an account (Kirsten, 2006). This relative ease of engagement meant that the introduction of Mzansi increased financial inclusion with 3.3 million people banked via Mzansi within 2 years of the account being availed (Porteous, 2007). Though the transaction features are limited to simple banking services such as deposits, withdrawals, transfers and debit card payments, these features make up the majority of the types of transactions customers typically use (World Bank, 2008). It was feared, at initial launch, that account cannibalism would result from general customers opting for the Mzansi despite being eligible for the more expensive financial products (Porteous, 2007). In spite of the relative success of the Mzansi bank account initiative in terms of account take-up, 37 per cent of 33 million South African still did not have a bank account by 2010, and only 40 per cent had a formal long-term insurance product (National Treasury, Republic of South Africa, 2011). Mzansi was a noble access gesture which many accessed but with limited activity noted on the accounts, therefore, over time banks have created other banking products as a means to increase financial inclusion (National Treasury, Republic of South Africa, 2011).

### iii. **The Zimele approval**

As part of the drive for financial inclusion, the Financial Sector Council and the long-term insurance industry developed minimum access standards to categorise access initiatives (ASISA, 2009). These are called the *CAT* standards and their basic requirement is that products must have fair **C**harges, easy **A**ccess and decent **T**erms (ASISA, 2012; Republic of South Africa, 2012). Insurance products must meet these standards to get the Zimele stamp of approval.

Most households' and individuals' purchases of Zimele compliant products are funeral covers (Eksteen, 2009). This links to how, at the very least, low-income households' want for a dignified burial; it has a more emotive attachment to the reason for purchase rather than an access one. A review of the micro-insurance market reflects that funeral insurance is most prevalent on the market. Following from the Zimele approval, insurance products are recommended to be distributed within the following parameters:

- All the benefits to be capped at R50 000 per individual risk per annum.
- The term of the contract must not exceed 12 months.
- Micro-insurance products to be limited to risk only. This is primarily funeral insurance and credit life for this market.
- The terms and conditions must be understandable and simply worded.

According to Chummun and Bisschoff (2015) customised distribution channels are required to reach the vast majority of the microinsurance market. Financial institutions need to understand the needs of these customers and develop as well as market suitable products (Chummun & Bisschoff, 2014).

### **2.5.3 Access to affordable housing**

Housing represents shelter, safety and ownership, and is an important element of low-income existentialism. Asset building in the form of acquiring affordable housing is important for heightened financial inclusion (Goebel, 2007). The South African government has focused on low-cost housing since after 1994, the age of South African democracy, in order to assist in improving the lives of those who lack formal shelter (Goebel, 2007). With increased urbanisation as a result of people moving closer to economic opportunities, limited access to space and employment presents a housing challenge of immense proportions. In order to tackle these challenges, public discourse was initiated for community participation in housing development (Miraftab, 2003). One of the key reasons for this call is to enable communities to directly influence the improvement of their immediate living conditions – which is pursuant to empowering and effective strategies (Miraftab, 2003). Insights from the institutionalised

community participation, parallel to the importance of social connections discussed in section 2.4.4, highlights the leverage one can get from using social structures to enhance financial inclusion (Miraftab, 2003).

There is a three million housing backlog that South Africa faces according to a 2005 assessment report written by Pillay and Naudé (2006). It is for this reason that government has concentrated on finding ways to close this gap. The noble intent to house the poor, though, has come with its own challenges as construction companies built poor quality houses and new owners rented out their subsidised homes to make some money (Goebel, 2007). Quality and quantity became the primary challenge. Reliance was then placed on banks to provide low-cost housing loans, but without a social compact, the projects suffer (Miraftab, 2003). In addition, some households do not qualify for credit from these financial institutions making it even more difficult to increase the scale of housing access. Loss of income, unemployment and rising interests only exacerbate the problems in this sector (Tomlinson, 2007). When the economy hit an economic slump in the mid-1990s, almost 15% of borrowers from this group defaulted on their loans valued at over R10 billion; creating a further impediment on banks' interest in providing access to affordable housing (Pillay & Naudé, 2006). Banking's traditional mortgaging practices did not support the emerging low-income market and perpetuated marginalisation of this grouping (Tomlinson, 2007).

Perceptions of low-income households on accessing low-cost housing from traditional banks are impeded by distrust, worry upon possible default, threat of repossession, and fear that the banks would come after them (Pillay & Naudé, 2006). Self-exclusion because of these factors or eligibility exclusion shows a shortcoming in the provision of low-cost housing loans (Pillay & Naudé, 2006). As an alternative to formal housing, the proliferation of informal settlements within proximity of urban areas has heightened the critical need for housing in South Africa (Tomlinson, 2007). Through the transformation policy for financial services, the banks have committed to providing low-cost housing for individuals who earn between R1,500 and R7,500 (FSC, Republic of South Africa, 2012). The sincerity in this commitment is being tested as the cost of the

cheapest house is R120,000 meaning only individuals who earn between R5,000 and R7,500 can afford these loans. It appears that policy and commitments will empower some whilst others will remain on the fringes of mainstream society (FSC, Republic of South Africa, 2012). Socio-economic development is possible for some and survival may be the mainstay for others.

#### **2.5.4 The significance of financial literacy and learning**

Financial literacy is the cornerstone of financial inclusion as without knowledge there is no financial capability. It is therefore the most actively researched financial inclusion programme (Bashir et al., 2013). The lack of financial knowledge has been found to lead to a lack of financial planning, especially for the long-term (Lusardi & Mitchell, 2007). In conducting financial education programmes, it has been revealed that hopelessness, basic illiteracy and financial dissatisfaction may inhibit financial literacy and therefore financial inclusion (Murphy, 2013). Just as it is suggested that financial literacy is required for basic financial competence, it is also an indicator of potential and possible financial participation (Rasheed & Arshad, 2009). Improving financial literacy can *inter alia* help stimulate savings, promote financial inclusion, reduce over-indebtedness and reduce poverty (Mendelson, 2012c). It is for this reason therefore, that policymakers have made financial literacy a prominent feature of any social dialogue around financial inclusion (Lusardi & Mitchell, 2007; Republic of South Africa, 2012).

When information is presented, people will either assimilate (integrate into existing cognitive structure) or accommodate (change it such that it makes sense). Learning theory suggests that behaviour can be learned, changed and removed within various contexts, conditions or the use of stimuli (Skinner, 1954). Positive reinforcement is seen to be a better catalyst than punishment, and will thus be more effectual (Skinner, 1954, 2014). Positive reinforcement such as reward may thus affect learning theory through short or long time lapses. For example, immediacy in reward is linked to impulsive financial decisions, therefore, to encourage saving which is a long term process, short

term gains should be emphasised to signal some associated reward (Skinner, 1954, 2014).

Literature records that our recollection capacities are limited, thus expecting recall to spur on action based purely on using financial literacy as a singular means of inclusion, is ineffective and unsustainable (Skinner, 1954, 2014). Sometimes financial education material assumes that the learner is rational and will be able to make decisions based on the content. However, realistically, the decision-making process will require consideration of the type of information, absorption of information, variation of preferences and time constraints. In addition, emotions, upbringing, social influences and context also shape what is valued in the decision made as well as the type of decision that is made (Holden, 2010a; Skinner, 1954, 2014). Remembering is a requisite for conscious being, thus understanding learning theory enables us to re-engineer learning such that it triggers positive behaviour.

Lusardi and Mitchell (2007) infer that there is a direct correlation between levels of basic education, and the level of financial literacy, which promotes financial awareness on understanding simple financial calculations. Furthermore, Rasheed and Arshad (2009) concur and argue that financial instruments are complex and the concomitant financial vocabulary is difficult for participants, potential investors and buyers to understand. There are times in people's lives when they are likely to be more receptive to financial education, information or guidance: these are sometimes known as 'teachable moments' (Mendelson, 2012c). Examples include couples who are planning to get married, divorcing, having a baby; students facing challenges of managing own finances; people starting work; people approaching retirement.

### ***2.5.5 Sustainable and fair business practices for inclusion***

The FSC requires that access to finance is implemented to measure the extent to which enterprises substantially increase effective access (Republic of South Africa, 2012). This is a socio-economic developmental policy that encourages inclusive financial services in South Africa. The continued use of fringe financial

services that exacerbate poverty rather than encourage inclusion can be combatted through structured interventions that are friendly and customised to individuals' needs (Kempson et al., 2004). Considering all elements that may affect the success of financial inclusion and its intent is necessary for a robust, holistic and sustainable process.

In the South African financial institutions context, integrating and aligning customer practices, such as treating customers fairly, a policy of customer protection that is recommended (AFI, 2010; World Bank, 2008). This is described as ensuring financial capability and consumer protection as components of a strategy for responsible financial inclusion. This type of strategy can lead to social impacts that manage risks and the interests for multiple stakeholders – at the individual, institution, sector, and economy-wide levels.

#### ***2.5.6 Addressing the third sub-problem through research question 1***

The third sub-problem is to determine how the financial inclusion programmes are structured.

##### **Research question 1:**

**What programmes exist and are customised for low-income households; which structural elements are used in the programmes; and why were they chosen?**

This section sought to answer which of the factors identified are the most influential and can be considered the key drivers of enhanced programmatic financial inclusion. The final concept diagram seen in Figure 7 which draws on all the literature illustrates supply-side and demand-side factors identified from the literature that may influence programme structuring. However, the main problem is that the literature appears to indicate that despite the existence of these factors, the common programme structuring approach does not

holistically consider the demand-side factors. Following this assessment, the causal relationship of the various factors was incorporated into a qualitative model that can be used to ascertain and shape an improved programme structuring approach to ensure socio-economic impact.

## **2.6 PART FOUR: An integrated programming approach**

### ***2.6.1 Suggestions on programme features***

The research on optimally structured programmes and their scalability is limited as most of these programmes where they exist are customised for their environments (Ananth et al., 2012). Weiser (2007) lists ways in which programmes for the low-income market can be successfully implemented as follows:

- Collect information from and understand the local market;
- Ensure that the business operating structure and model is adaptable to include this information;
- Commit to successful implementation by assigning management responsibilities and ensuring appropriate change management;
- Collaborate with groups and stakeholders that have an interest in the success of the programmes; and
- Invest in deliberate processes to enable the environment.

Additional research conducted in 2012 assessed existing products and programmes and identified convenience, accessibility, affordability and appropriateness as necessary programme features (Mendelson, 2012b, 2012c). This is premised from an assessment of poor people's needs thus reaffirming the opportunity and necessity to understand communities in programme structuring. The NCR Corporation, a New York Stock Exchange listed consulting firm also put forward suggestions on what programme and product factors should be incorporated, namely (NCR & Frost & Sullivan, 2009):

- Having a simple savings account;

- Providing microfinance and microcredit;
- Credit card provision; and
- Giving remittance access.

In the South African context, this needs to be further augmented with credit life, funeral policy and affordable housing access in order to make financial services relevant to the local target market.

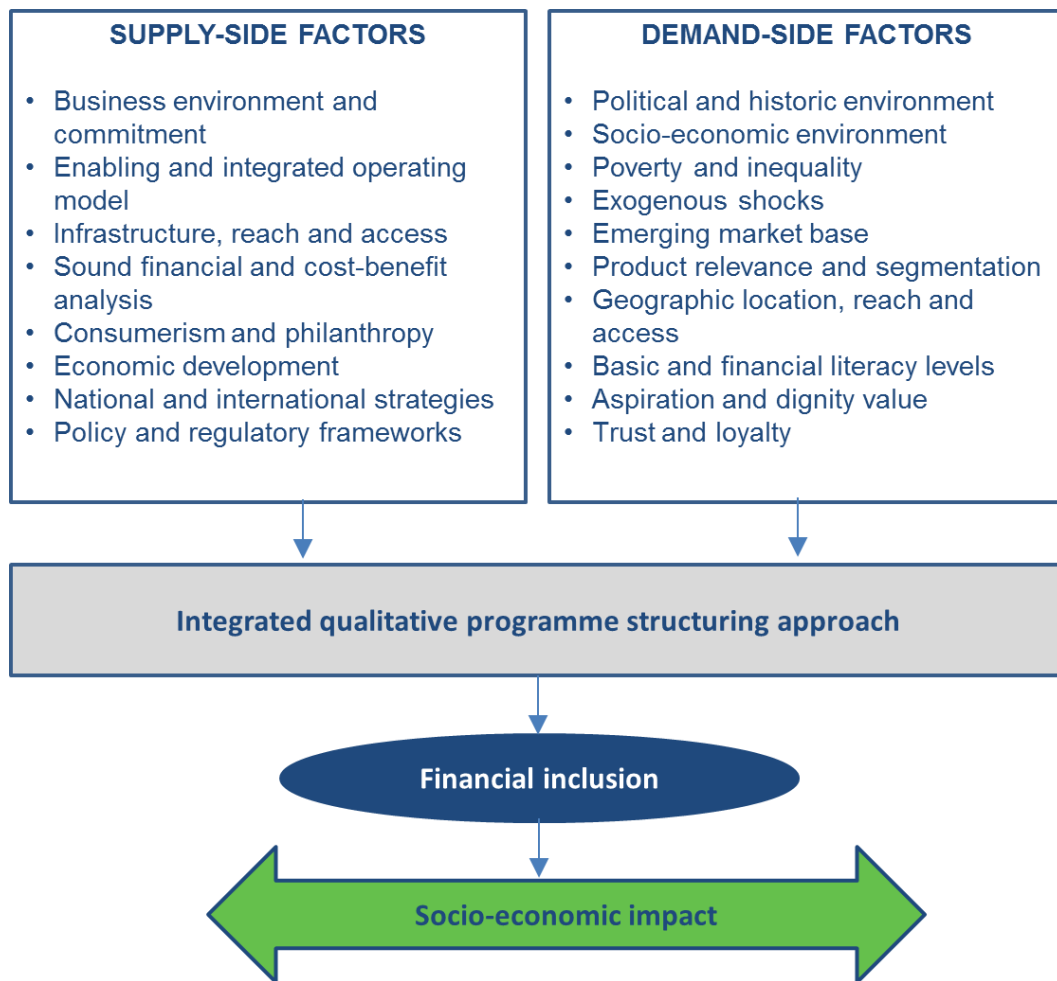
### **2.6.2 Addressing the fourth sub-problem through research question 2**

The fourth sub-problem is to use qualitative model to establish how the programmes can be optimally structured to achieve socio-economic impact.

#### **Research question 2:**

**How can the programmes be customised for low-income households; which structural elements should be used in the programmes; and why must they be chosen?**

The researcher's concept diagram in Figure 7 shows the inclusions of all the factors and forms the basis of the draft FCM as a qualitative model for financial inclusion. It is thus postulated that should the demand - and supply-side factors be integrated using the qualitative model, then the programme structure will result in financial inclusion that has a desired socio-economic impact. This is tested in the research methodology section in the next chapter.



**Figure 7: Concept diagram illustrating an integrated financial inclusion programming approach**

## 2.7 Conclusion of the literature review

Financial inclusion is a mechanism identified as necessary to achieve on economic development, poverty alleviation and inequality reduction. Financial inclusion in this review was assessed based on the value created for beneficiaries and participants in the financial inclusion programmes. Collaborative efforts from the public and private sector are required to accelerate the pace of inclusion for low-income households. Driven by political imperatives, social dialogue facilitates a joint view to tackle socio-economic development within the South African context. Legislated and voluntary targets have increased the development of initiatives to increase financial inclusion. It

was recognised that the reasons behind the introduction and implementation of access to finance programmes is drive by the following supply-side factors:

- Global and local imperatives – Millennium Development Goals to address inequality and poverty alleviation.
- Economic development goals to spur on economic growth and increase economic participation.
- Political and social imperatives within the South African context where exclusionary practices had left a majority of the population outside the financial system.
- Business objectives to participate in growing consumerism as seen in emerging markets of new consumers and being a good corporate citizen and enabling economic development.
- Regulation and legislation, both collaborative and directive, to support and provide guidance and parameters of financial activity.

It was found that these factors influence programme structuring and implementation and should be enabling as follows

- Have clear financial inclusion objectives that meet both regulatory and business goals.
- Meet standards that are normalised for the industry whilst incorporating global best practice.
- Not be cumbersome in implementation – achieve on risk management when on-boarding new participants within reason for the target market.

With a clear top-down approach to financial inclusion programme inclusion, the literature further revealed that it is necessary to consider demand-side factors for socio-economic development. Without knowing the customer needs, programmes introduced may not achieve on positive socio-economic developmental objectives. Additional research identified psychographic and demographic factors that could influence financial inclusion. In reviewing these factors, the aim was to determine whether psychographic factors affect the way consumers make decisions. These factors include affective, cognitive and conative elements; social circumstances; accessibility of programmes; and

programme features. These demand side factors revealed that participants are constrained by exclusionary practices that exacerbated prevailing levels of poverty, unemployment and illiteracy.








Learning theory also revealed additional factors that impact on the success of financial inclusion. These include personality types and the process of knowledge assimilation. The participants also have aspirations similar to those with higher incomes to improve their standard of living, be able to provide for their families and to be buried with dignity. They have a particular relationship with money which is enabling and deemed a source of identity. So a level of trust is required for them to transact with their money and financial institutions have historically deliberately shown their mistrust of these households. As a result, an informal market of inclusion forms the basis of many participants' inclusion profiles. Social networks formed savings clubs known as *stokvels* where participants contribute on a regular basis in order to save for groceries, funerals, entertainment or other personal expenses. However, with limited access to income due to high unemployment levels, endogenous expenditure shocks have elevated the need for credit as being most critical. This unfortunately has come with microfinancing options in the form of *mashonisas* or loan sharks that are unregulated and exploitative. As participants have sought ways to access credit and loans, the cycle of indebtedness triggered by the high interest rates charged by moneylenders has perpetuated exclusion from the formal financial markets. Understanding the circumstances of participants thus requires assessing their needs and their contexts.

Clear themes emerge from the literature review on the influencing factors which are summarised as follows:

- A legal political and regulatory framework;
- Accessibility;
- Affective, cognitive and conative;
- Business enablement;
- Product and programme features; and
- Social capital and standing.

A draft fuzzy cognitive map (“FCM”) with the main concepts is depicted in Figure 8 and was modelled from the literature. The size of the node indicates the depth of influence and the direction of the arrow shows the direction of influence. A solid black line indicates a positive relationship whilst a dotted red line is a negative relation. The nodes are grouped into coloured themes as follows (Table 4):

**Table 4: Colour coded themes for integrated analysis**

Colour theme		Theme/ factor
Blue		Legal, political and regulatory
Brown		Affective, cognitive and conative
Burnt orange		Accessibility
Green		Business enablement
Orange		Social standing
Teal		Product/ programme features
Yellow		Financial inclusion impacts

We can summarise the literature as visualised in the map as follows:

- All the nodes influence the extent of financial inclusion. Financial inclusion aims to achieve socio-economic development as discussed in section 1.2.2. Therefore financial inclusion is seen as socio-economic development for purposes of the research.
- *Business enablement* is shown as the biggest node. This tells us that it is business that drives financial inclusion and thus has the biggest influence on achieving access to finance. This node also influences how products and programmes are structured.
- *Social capital and standing* is the next biggest node. This tells us that social networks such as stokvels as discussed in section 2.4.2 influence inclusion next most significantly. The importance of “using social connections and social relations” in achieving financial inclusion goals as well as balancing “what” versus “who” you know social paradigms (Lin,

2002). These paradigms address how society influences individuals and how they also influence it. The socio-economic environment also influences accessibility of financial inclusion programmes, hence the arrow directed at the accessibility node.

- *Legal* drivers influence what business can do and there is a political imperative to drive financial inclusion. Therefore the arrows for this node point to financial inclusion and business enablement.
- *Product and programme features* are influenced by business enablement and they in turn influence the extent of financial inclusion.
- *Affective, cognitive and conative* refers to an individual's thoughts, emotions and actions in this instance, as they relate to financial inclusion. Perceptions influence the extent of engagement with financial inclusion programmes as indicated in the direction of the node's arrow.



Further analysis and additional definitions are provided in the research methodology section of the report.

Financial inclusion is a developmental and social-cohesion goal that is multifaceted; and it is inferred that it is achievable when considering all these different influencing factors. For robust and sustainable socio-economic development to be achieved through financial inclusion programmes, a holistic approach is necessary. Without considering all these factors, the achievement on objectives will be limited.

## CHAPTER 3. RESEARCH METHODOLOGY

In this research a three-phased approach was followed. During the first phase a draft FCM was developed based on the literature review. The second phase consisted of semi-structured interviews, as well as generating scenarios with the purpose of interrogating the research material then confirming and finalising the FCM. The final phase consisted of utilising the key drivers of financial inclusion in developmental socio-economic impact within the FCM.

The methodology that was followed is set out in Table 5. This phased-approach that was taken is depicted in Table 5 as follows:

Phase 1: Used literature review to develop first draft FCM

- Identified influencing factors
- Developed model in Excel Visual Basic for Applications

Phase 2: Integrated all data into an FCM

- Conducted semi-structured interviews
- Collected data from case site
- Collected data from secondary sources
- Integrated the literature review, interview outcomes, primary data and secondary data
- Generated an FCM

Phase 3: Tested the model and concluded on propositions and research questions

- Clarified the propositions and research question from the literature review and secondary data
- Tested the applicability and validity of the model
- Made revisions where necessary

- Applied and updated final changes to model
- Produced final report on results

**Table 5: Research methodology outline**

	<b>STEPS</b>	<b>PROCESS</b>	<b>OUTPUT</b>
<b>PHASE 1</b>	Identifying factors & causality	Literature review	Influencing factors (nodes) of FCM identified
	Develop draft model	Visual depiction of nodes: mathematical model developed in Excel	Draft FCM from literature review
<b>PHASE 2</b>	Gather data	Semi – structured interviews with experts & content analyses	Summary of interviews
	Update model and integrate results	Updated draft model from literature based on qualitative data and interview results	Literature and interviews integrated FCM
<b>PHASE 3</b>	Finalise model	Finalise model based on outcome of integration, incorporating quantitative data and identifying key drivers of socio-economic impact	Enhanced Final FCM
	Conclude on propositions and research questions	Conclude on propositions and research questions based on updated FCM	Research report

## **3.1 Research methodology / paradigm**

### **3.1.1 *Qualitative research method***

The research is qualitative in nature. Qualitative research seeks to understand the complex nature of phenomena by describing it from the viewpoint of the participants within the phenomena (Leedy & Ormrod, 2001). The purpose of this research was to understand the complex phenomena of developmental socio-economic impact through financial inclusion programmes given numerous factors that influence their structuring and success. This is done from the perspective of senior role players within the case site and financial services industry. These experts are referred to in this research as 'respondents'. The intent of this study was to evaluate qualitative responses from respondents in order to develop a qualitative model of the impact of the financial inclusion programmes. To develop the model, the factors that influence financial inclusion impact as well as the causal relationships of these factors had to be understood. Qualitative analyses can test propositions about causation and not only reflect correlations as is the case with quantitative analyses and was therefore more appropriate for identifying causal relationships between the factors (Bryman, 2012).

This type of research is based on the interpretive epistemology and assists the researcher to better understand social, behavioural and organisational constructs and contexts (Rowley, 2002). The aim of this research on financial inclusion is to better understand the implementation of programmes in particular contexts which lends to qualitative case study methodology. Rich, complex data can then be interpreted and applied in the qualitative model for the case site and can provide deep insights in the research (Bryman, 2012). Qualitative research has the following characteristics that apply to this study (Bryman, 2012; Leedy & Ormrod, 2001):

- Explorative and interpretive in nature.
- A small, specific sample size based in volunteerism.
- A specific case site and context constitute the basis.

- Use of in-depth semi-structured interviews and multi-source data.

### **3.1.2 *Qualitative research method***

During the research material collection process, some quantitative data was collected. The quantitative data is analysed only to the extent that it enhances the qualitative results. Therefore, the number of products taken up of the products identified for access to financial services is an indicator that some form of socio-economic impact was derived. No additional quantitative analysis was conducted.

### **3.1.3 *Case study method***

The primary aim of case study research is the construction of theory (Riege, 2003). Case research is loosely defined as an investigation using interviews, observations and multiple sources of data within a particular context (Babbie & Mouton, 1998; Bryman, 2012). This method of research allows for in-depth exploration of a practical issue (financial inclusion programmes) in its real-life context ((Yin, 2014). The strength of the case study method is found in the richness of the data that can be obtained specific to a case site using multiple forms of data (Bryman, 2012). The method is a means to dynamically analyse a context for a predefined time period (Leedy & Ormrod, 2001; Yin, 2014).

According to Yin (2014), case research is appropriate when intending to get a general understanding of a particular case. In case research, both theory building (induction) and limited theory (deduction) occur (Riege, 2003; Yin, 2014).

## **3.2 Research design**

“A research design provides a framework for the collection and analysis of data” (Bryman, 2012:47). The literature review on financial inclusion revealed multiple related and unique findings on the successful or unsuccessful impact of the programmes from the perspective of multiple sources of data. The methodology employed for this study had to take this into account.

The literature review identified many constructs and their causal relationships that have been used to generate a qualitative model. The accuracy of the model was tested by conducting semi-structured interviews with a specific sample population of experts. Fuzzy cognitive maps were used to integrate the data and to analyse influences and links.

### **3.3 Qualitative model**

#### **3.3.1 *Fuzzy cognitive mapping (“FCM”)***

FCM is a methodology that is useful for modeling complex decision systems by describing the behavior in a system through concepts (Kosko, 1986; Xirogiannis & Glykas, 2004). The methodology has its roots in concept and cognitive mapping: concept mapping is a graphical illustration of relational and organized knowledge elements; and cognitive mapping is a concept map that reflects mental reasoning processes (Gray, Zanre, & Gray, 2014). FCM allows groups of respondents to collectively develop semi-quantitative models of defined issues which: (1) define the key parts to a system, (2) define the strength of relationships between these parts and (3) run “what if” scenarios on these models (Gray, Gray, Cox, & Henly-Shepard, 2013). The scenario testing process allows the respondents to determine how the system might change in variant conditions. The FCM process is iterative and represents collective knowledge. The FCMapper software was used to generate the models for this research (Bachhofer & Wildenberg, 2010).

Each component of the FCM is assigned labels which are referred to in the research analysis; each of these is described in Table 6 as follows:

**Table 6: Descriptions and measures of FCM components**

Measurement	Description	Measure
Concept	The number of themes or factors in the FCM.	Quantity reflects number of factors.
Connections	The number of connections between the factors in the system.	Quantity reflects degree of interaction.
Transmitter	Factors that influence others but are not influenced.	Number of influences between factors.
Receiver	Factors that receive influences from other factors in the system.	Number of factors influenced.
Ordinary	Factors that are transmitters and receivers.	Factors that influence and are influenced.
Centrality	Absolute value of overall influence or importance of factors.	Depth indicates extent of influence.
C/N	Number of connections divided by concepts.	Indicates degree of interconnectedness.
Complexity	Ratio of receivers to transmitters.	Indicates degree of resolution.
Density	Connections to all possible connections.	Depth indicates potential for management policies.

For the standard scenario calculation the logistic squashing function is used:

$$X = 1/(1+e(-1*X))$$

- Each node in the FCM represents a concept.
- Each arc or vertex (Ci, Cj) is directed as well as weighted, and represents a causal link between concepts, showing how concept Ci causes concept Cj.
- Each arc is weighted (Wi, Wj) and represents the extent of causality

$$W \begin{cases} W_{ij} > 0; & \text{expresses positive causality} \\ W_{ij} = 0; & \text{expresses no causality} \\ W_{ij} < 0; & \text{expresses negative causality} \end{cases}$$

A step by step process to FCMs using FCMapper is detailed as follows (Bachhofer & Wildenberg, 2010):

*Step 1:* Create a matrix in the MS Excel VBA based FCMapper with all factors indicating relative weightings and expressing signs of causality.

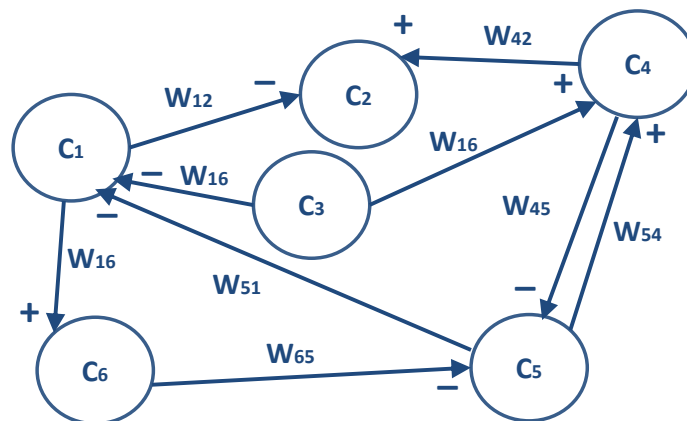
*Step 2:* The logical quashing calculation is used to calculate in-degree, out-degree, centrality, density, number of vertices and number of connections

*Step 3:* Define the design of thematic groups and place concepts into the groups.

*Step 4:* Transform settings into an edgelist format as used by Pajek (a program, for Windows, for analysis and visualization of large networks vertices; best suited for use with FCMapper).

*Step 5:* Produce and manipulate FCM output file.

A basic FCM structure is shown in Figure 9 below. It shows the concepts, links and weights in the FCM.



**Figure 9: A basic fuzzy cognitive map (FCM)**

The concepts are represented in the diagram by nodes with the causal link shown in arrows between the nodes (Bachhofer & Wildenberg, 2010; Xirogiannis & Glykas, 2004). The direction of the arrow points from the source concept to the influenced concept (Wildenberg, Bachhofer, Isak, & Skov, 2014). The arrows each have a sign which, according to Wildenberg et al. (2014), represents positive or negative causality or influence. Numeric values are also

assigned to each node in the matrix, and indicates an active concept or zero for an inactive node. A policy node has no causal arrow directed into it and can be switched on and off to build scenarios (Wildenberg et al., 2014).

One of the key advantages of FCMs is that they are relatively easy to compute which assisted the research process during interviews for communicating the draft map to the respondents. A visual representation was easy to explain and changes were updated during the interview. This was an advantage of using this research method. Other advantages including it being useful for modelling dynamic systems and including data into the systems and when information becomes available (Xirogiannis & Glykas, 2004). Knowing this allowed the researcher to update and incorporate additional insights obtained from the semi-structured interviews as they were provided.

The disadvantages of the FCM research process include not being able to get the results of the FCM in a quantitative form. Time as a factor is not identified which may lessen the scientific value of the FCM (van Vliet, Kok, & Veldkamp, 2010). Another disadvantage is that the subjective views and biases of the respondents also become encoded in the FCM (Özesmi & Özesmi, 2004). Despite these shortcomings, it is considered suitable for the research as it allows for easy identification of causal links and influences of factors in the study. The ability to relate the FCM process with relative ease and flexibility in updating and computing outweighs the disadvantages identified when answering the research problem. An FCM process allows for a body of shared knowledge to be created which experts can adjust and update in a participatory fashion.

## **3.4 Research instrument**

### **3.4.1 *Semi-structured interviews***

Qualitative research uses interviews as the primary data collection technique (Blumberg, Cooper, & Schindler, 2011). Semi-structured interviews were chosen as the data collection method in addition to the literature review. These

types of interviews allow the research to ask specific questions and then to allow the respondent's points of departure to be used by the researcher to probe further (Blumberg et al., 2011). Individual interviews were chosen so that time and availability constraints would be managed, to avoid dominant voices stifling other views and to ensure the individual's expertise is drawn out in the discussion.

The individual interviews were integrated such that a group view was generated for analysis and input into the FCM. van Vliet et al. (2010) describe integrated modelling as having four parts of participation:

1. Normative – participation allows for the group's views to be democratically reflected in the decisions made.
2. Instrumental – speaks to legitimising decisions for end users and creating relevance and credibility.
3. Substantive – the more information is integrated the better the information.
4. Social learning – which allows for active and insightful stakeholder participation.

It can be deduced that all four participation modes are linked to the need for relevance, credibility, legitimacy and creativity as expressed by van Vliet et al. (2010). This participation and integration aspect of the interview process added these four values to the study.

The advantages of semi-structured interviews include:

- The ability to adapt the interview process during the interview so that the researcher can probe responses, control the questions and follow up on ideas that are raised in the course of the interview (Blumberg et al., 2011).
- Non-verbal behaviour can be regarded as a valuable input to the interview as it allows for a skilled interviewer to seek clarification or reject further probing of a topic and appropriately make certain conclusions (Bryman, 2012)

- It provides an opportunity to cover an array of related topics and the social connection made may encourage the respondent to provide access to complex and relevant data for the study (Bryman, 2012).

The disadvantages of semi-structured interviews include:

- Time constraints from the perspective of the respondent as well as the researcher may not allow for a comprehensive data collection method (Bryman, 2012).
- Analysis can prove to be quite challenging as the researcher consolidates the interviews seeking to eliminate bias and omission of important data outputs (Bryman, 2012).
- The respondents levels of participation may be variant as they may not be equally articulate and perceptive to provide the same quality of data (Blumberg et al., 2011).

After consideration of the advantages and disadvantages of semi-structured interviews, it was determined that they represent the most suitable mode and source for input into the FCM. The flexibility in the process makes it suitable to apply as part of the FCM. To ensure that the disadvantages are addressed adequately, the researcher ensured that all interviews were the same length – specifically two hours each; the draft FCM was used as part of each interview and definitions were uniformly agreed to upfront so that emergent themes could be grouped fairly across the interviews; and certain information was asked as a standard set of documentation from each participant – for example, strategies and programme features. The introductory email also assisted in setting a common scene for the interviews.

### **3.5 Case site and interview sample**

#### **3.5.1 Case site**

The case site is Standard Bank, a bancassurance, public financial services company with more than 150 years in existence. The specific site for the research was conducted in the Inclusive Banking division of Personal Business

Banking as well as in the Insurance Brokers division. According to the case site research in its strategy document, the Inclusive Banking target segment represents the core of South Africa being approximately 80% of the total population.

In 2010 when the unit was formed, Inclusive banking's strategic focus was to create a business premised in the definition of access to finance. The main strategic objectives were to achieve on: accessibility, convenience, simplicity, affordability, dignity, security and sustainability. Upon a 2014 review of a 4 year period of existence to 2013, it was found that the unit met 6 of these objectives except for sustainability. This sustainability objective has been carried into its 2014 to 2016 strategy together with more focused customer-centric goals.

Access products and programmes are found in most of the banks in South Africa who sell the Mzansi account as well as their own group of products. The Inclusive Banking and Insurance Brokers units' financial inclusion programmes consist of a suite of products and programmes which are discussed in more detail in section 5. Formal approval was granted (during the research proposal stage) to conduct case research at the site. Conducting research at the site allows for a unique opportunity to contribute to academic and business research.

### **3.5.2 Interview sample**

The sample design was *purposive* as the researcher purposefully selected the respondents based on their expertise on the topic (Blumberg et al., 2011; Bryman, 2012). The objective was to select representative experts from the population who would be expected to provide normal perspectives and perceptions (Leedy & Ormrod, 2001). The people that were interviewed at the case site were individuals who play a key role in the design, implementation and/ or operation of the financial inclusion programmes. Industry experts were also interviewed to provide insights into policy formulation and industry trends and views. These names were not chosen randomly, but were specifically selected to provide a representative view of the sector, the policies of inclusion as well as the programmes of inclusion.

A total of 11 interviews were conducted which upon review of the case site representatives sufficiently covered all expert knowledge on the financial inclusion programmes. Additional interviews would not have revealed any new insights as most of the interviews reflected reiterations and collectively held views therefore it is assumed that they would not have added any additional value. As such, the sample size of 11 respondents with the required expertise interviewed is considered adequate to provide the required level of insight. The people that were interviewed (and their representative positions) are indicated in Appendix A on page 169.

### **3.6 Data collection**

The sources of data that were used were: semi-structured interviews (primary data); relevant observations and documentation from the case site (primary data); and appropriate supporting documentation from the industry (secondary data) (Bryman, 2012).

#### **3.6.1 Primary data sources**

##### **Semi-structured interviews**

Eleven semi-structured interviews were the primary data source. Three respondents were selected from the industry to ensure that all relevant expert insights could be incorporated in the study. This included a regulatory view, an industry perspective and an independent review input. From the case site, eight respondents were selected from within the business unit structure to ensure all expert insight could be incorporated into the study.

The first step was to acquire permission from the Chief Executive of the case site which was done telephonically and confirmed by email. Signed confirmation was received at the interview conducted with the Chief Executive. A review of the organogram of the case site was then done and potential respondents selected from the list. Selected respondents were initially contacted telephonically directly or through their personal assistants to make them aware of the permission received, brief insight into the topic and that they would be

receiving a formal invitation to participate in the study. A formal invite with a brief summary, and topical questions to be asked was then sent by email and acceptance was received electronically (Appendix B).

The interview roster (Appendix A), the interview protocol (Appendix C) and the interview questions schedule (Appendix D) and a draft FCM (Figure 8) were used as a basis to conduct the semi-structured interviews. The interviews were mostly conducted at the place of work of the respondent in order to put the respondent at ease and to limit any inconvenience that may be caused. Each interview was scheduled for a minimum of 2 hours per respondent. The semi-structured interviews followed a focused interview strategy.

- Permission to record the interview was requested.
- An opening statement included an explanation of the research objectives and scope was provided.
- Fuzzy cognitive mapping was explained as a tool that would be used to encapsulate the thoughts from the interview.

This was non-directive and open-ended allowing the discussion to follow the subjects' responses and views.

### **Documents and social setting observations**

At the case site, documents and videos relevant to the study were provided and collected. The list of the documents and videos are listed in Appendix E. These documents were reviewed together with the recordings to link the insights and themes as depicted in the data analysis and in the FCM. Respondents were assured of the confidentiality of sensitive company information. Any documentation that was provided electronically or at the case site was reviewed by the researcher and respondent to indicate which information should not form part of the research. It was determined that any excluded information did not minimise or limit the data analysis and the study.

### **3.6.2 Secondary data sources**

Documents that supplemented the study were collected from the secondary sites. These documents include public surveys such as the FinScope Consumer surveys (Doing Business, 2013; FinScope, 2014a, 2014b; Grundling, 2011). The secondary data documents are available publicly and no permission to maintain confidentiality was requested.

### **3.6.3 Data storage**

All the data that was collected was stored in a created case study data folder and includes:

- Interview recordings;
- Interview notes;
- Primary and secondary documents;
- Primary and secondary presentations;
- Booklets, manuals and reports; and
- Video recordings.

## **3.7 Data analysis and interpretation**

Data analysis and interpretation formed a crucial part of the research process during and after the data collection. Blumberg et al. (2011) state that the analysis process involves taking the collected data and reducing it to a controllable volume. The interpretation process involves taking this reduced data and interpreting it from the research question and making recommendations (Blumberg et al., 2011).

### **3.7.1 Data analysis**

A typical linear analysis process requires data analysis to follow data collection. Due to the nature of the research (case study in the interpretive paradigm using an FCM), data analysis and interpretation occurred during data collection (Bryman, 2012). The draft FCM (Figure 8) was used as a starting point for the

discussion. Changes as per the respondents' views were made directly on the visual representation of the FCM during the interview. Changes were either in the form of a positive or negative link added to a node making use of coloured pens or ticking to show repeated agreement from previous interviews. The propositions and research question were used as the framework for the data analysis. Answers to the research question were sought from relevant evidence from the case study folder.

A systematic process of analysis included identifying patterns, themes or biases in the data (Bryman, 2012). According to (Yin, 2014), analysis of qualitative data requires classifying the data into meaningful groups. Relationships recognised from these groupings are then analysed. Each factor (concept) in the FCM was allocated a unique code. The codes were used to organise the data in an electronic database. The nodes basically represented the categories or groupings of the classified data. These were based on similarities and differences as well as new insights from the respondents and depicted onto the FCM. Statistical analysis was not conducted.

### **3.7.2 Data interpretation**

The data was displayed in an organised manner to allow for easier interpretation given the multiple sources that were used. The data displays were mostly done in network format showing the relationships between the various elements confirmed and uncovered during the data collection process. The network format was aligned with the FCM which showed a visual representation of concepts and relationships using descriptive text (Kent & Argouslidis, 2005; van Vliet et al., 2010). Some of the interpretation occurred during the data collection process allowing for the incorporation of new ideas as they emerged.

## **3.8 Consistency matrix**

To ensure that the data collection, analysis and interpretation process followed a consistent and aligned process, a consistency matrix was followed. It ensured alignment of all elements in the research of the sub-problems, propositions,

research question, sources of theory and sources of data. This process enabled the researcher to comprehensively and adequately address the main problem of the research. The matrix used for this research can be found in Appendix G.

### **3.9 Validity and reliability**

Validity is concerned with whether the instrument “measures what it is supposed to measure” and whether it will lead to valid conclusions (Leedy & Ormrod, 2001:31). The validity of research is determined by its external and internal validity. External validity refers to the extent of the applicability of the results beyond the specific study; whilst internal validity is the extent to which the research design and the data produced allows the researcher to draw accurate conclusions about the relationships within the data (Creswell, 2013; Leedy & Ormrod, 2001).

#### **3.9.1 External validity**

External validity refers to generalisability allowing for applicability in other companies in other settings at other times. This implies that the sample is representative of the population and can thus be applied to different settings (Yin, 2014). However, Yin (2014) states that the intent of qualitative research is to interpret the event from the unique perspective rather than to be able to infer findings onto the population.

The purpose of case study research is to develop a deeper understanding and to add to theory-building of ill-defined phenomena (Yin, 2014). The ability to generalise case study findings to other populations can be enhanced through case study design that is informed by theory and by following case study protocol to certify this external validity (Rowley, 2002). Limited generalisations can be made in this research, as the interpretations were unique to the contexts and the perspectives of the participants. External validity is not claimed except to mention that there’s limited generalisability that is inferred (Leedy & Ormrod, 2001).

In this study, the validity criterion is *plausibility* requiring clarity in research design and rigour in the interpretation of findings (Baxter & Eyles, 1997). For this study, therefore, the researcher seeks to gain in-depth knowledge of the case site and does not intend to generalise except in a limited context. This is done through the use of various sources of data and finding commonality using triangulation.

### **3.9.2 Internal validity**

Internal validity refers to the extent to which the instrument allows inferences about the causal relationships between data elements (Bryman, 2012). In the interview process, the researcher inductively used enquiry to formulate patterns and meanings (Creswell, 2013). Baxter and Eyles (1997:510) put forward that “the consistency of the constructs of the social scientist with the constructs of common-sense experience of the social reality” is required in validity measures.

In order to ensure that the inferences were valid, *member checking* or a *respondent validation* technique was employed (Bryman, 2012). Each of the respondents was asked to confirm or corroborate the researcher’s findings as part of the data interpretation process. Confirmation was also elicited from the opening context statement which was derived from the literature review. This process allowed for some triangulation of data showing data convergence which is also a validity procedure (Bryman, 2012)

### **3.9.3 Reliability**

Reliability is described as instruments, responses and analyses being replicable (Bryman, 2012). Therefore, similar research should produce similar outcomes. Semi-structured interviews were the primary data collection source. In this study, the researcher formulated the questions and selected the respondents which may not be replicable in a different context. In addition to this, the research was conducted in the interpretive paradigm and the role of the researcher as well as the interpretations was intrinsic to the success of the study. Similar research is unlikely to yield the same results.

The following procedures followed by the researcher should however increase the likelihood of replication:

- Providing thorough context to the respondents before the interview commenced;
- Using a theoretical framework as a basis to the actual to connect, confirm or corroborate the views of the respondents;
- Using a systematic process during the interview in the form of context setting, theory information, fuzzy cognitive mapping; and
- Developing a categorisation process with clear definitions to add richness to the discussion on findings.

### **3.10 Conclusion**

This chapter described the chosen research methodology and the research process that was followed. The methodology described is qualitative research using case study research. The case site was defined and described to provide insights into the context within which the research data collection, analysis and interpretation would occur.

The researcher selected semi-structured interviews as the research instrument. This was done in a facilitated manner to ensure consistency in the data collection process. The respondents or participants in the interviews were selected from a group which was made up of members of the departments that implement financial inclusion programmes, regulators and policy opinion-leaders, research institutions. These formed the primary source of data for the research.

A fuzzy cognitive mapping (“FCM”) process was adopted to generate a qualitative model to address the propositions and research question as derived from the literature review. An FCM was used during the interviews to visually encapsulate the views of the respondents as they relate to financial inclusion from the case site’s perspective. Case site documentation was collected to enhance and support the views expressed in the interview. Industry

stakeholders also underwent a similar process to provide additional expert insights and knowledge.

A detailed discussion on data collection and storage methods was discussed. This supports the research instrument that was selected and introduces ethical and confidential considerations into the research process. Theory on data analysis and interpretation was discussed. This research does not follow a linear approach to analysis as the process ran concurrent to the data collection process. Strategies to minimise any gaps in external and internal validity as well as reliability were discussed.

The next section includes the use of the research methodology to adequately analyse and interpret the collected data.

# **CHAPTER 4. SUMMARY OF LITERATURE AND INTERVIEW RESULTS**

## **4.1 Introduction**

In the literature review, a number of factors were identified as having an influence on financial inclusion impact as discussed in sections 2.3, 2.4 and 2.5. These factors have been themed and grouped as follows:

- A legal political and regulatory framework;
- Accessibility;
- Affective, cognitive and conative;
- Business enablement;
- Product and programme features; and
- Social capital and standing.

These factors have been included into the qualitative model and are referred to as the policy or concept nodes of the FCM. The policy nodes and general or connections nodes could in turn affect some or all the concepts. In order to determine the likely impact of the programmes on socio-economic development a draft FCM was developed. This model integrates the factors and the relationship between them in a first draft FCM to be used as a basis for further research. The model is set out in Figure 8.

In this chapter the qualitative results of the research process from the literature and the interviews are presented in a sequential fashion. The supporting quantitative data that enhances the qualitative model will be discussed in the next chapter.

## **4.2 Structure of the case site**

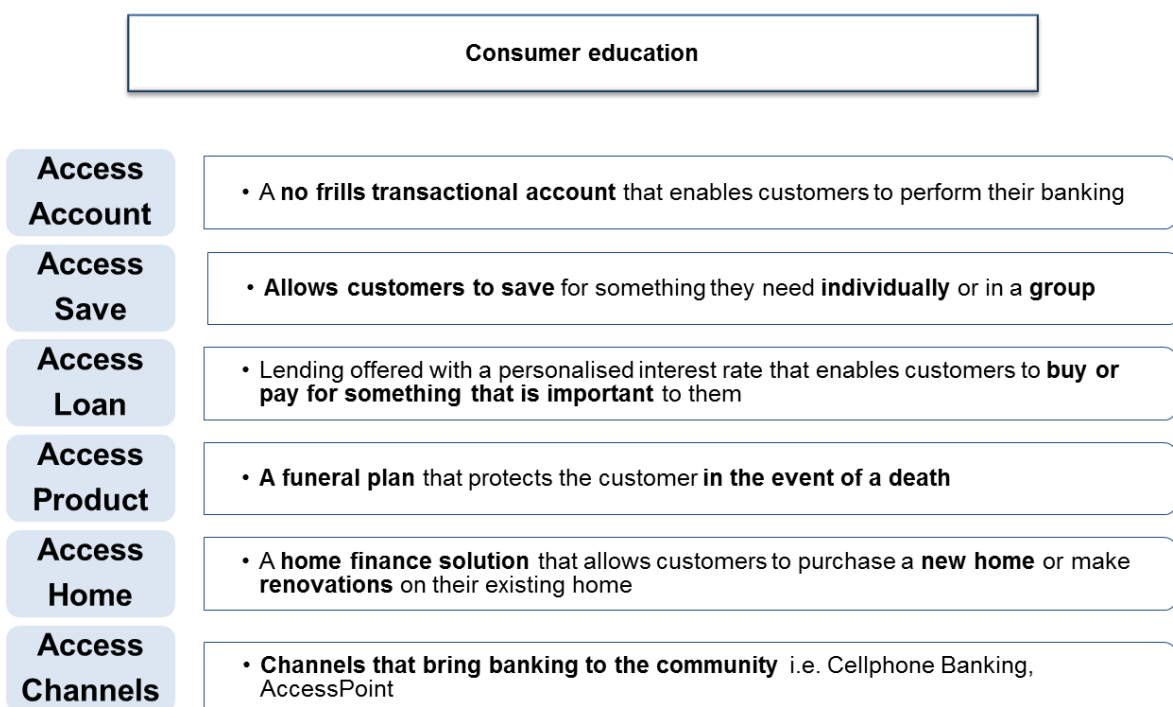
Inclusive Banking and Insurance Brokers measure access to the low-income market through their

- Distribution network reach;
- Accessibility to electronic channels;
- The number of active accounts;
- Affordable loans; and
- Consumer education.

It is structured to create ecosystems that interact easily for the benefit of customers. Its focus areas include:

- Solving for price sensitivity; and
- Solving for unmet needs.

The Access ecosystem is meant to incorporate all these elements in a simple and efficient way. The ecosystem is depicted in Figure 10 below.



**Figure 10: Inclusive banking ecosystem (source: the Bank)**

Figure 10 shows the different components of the financial inclusion programmes and products that the Bank offers. This part of the research, specifically in section 5.5, will expand on each component and assess the impact each has had in answering the research questions raised.

### **4.3 Outline of presentation of results**

The results of the research are presented sequentially with each driver identified in the literature review augmented with the commentary from the semi-structured interviews. For each proposition and research question, the key concepts, a matrix and an FCM are presented in this chapter.

#### **4.3.1 *Identified concepts***

From the literature review and confirmed by the semi-structured interviews, we find that there are five main concepts or nodes which can influence financial inclusion impact. These five concepts are:

- Legal, political and regulatory framework;
- Business enablement;
- Product/programme features;
- Accessibility ;
- Social capital and standing; and
- Affective, cognitive, conative.

Each concept is then broken down into sub-categories or connections and a matrix is constructed.

#### **4.3.2 *Matrix and FCM description***

##### **Matrix description and weightings determination**

The matrix reflects the weightings of the connections identified.

- The weightings' values range from -1 to 1. Each entry in the matrix represents an interaction between the concepts and connections listed in the left-most rows and top-most columns of the matrix.
- Reading across each row yields the effect the node has on other nodes. Positive weightings are shaded in light blue, whilst negative ones are shaded in red. All neutral or zero weightings are not shaded.

- During the interviews, the weightings were discussed. A tick was placed next to each confirmation – agreement was apportioned as 100%, 60% or 30% acquiescence.
- Literature concepts were used as prompts to determine whether a factor was deemed a negative or a positive relation. Each of these relations and the weightings were then aggregated as follows: Each weighting’s description is outlined in Table 7.

**Table 7: Matrix weighting descriptions**

<b>Weighting</b>	<b>Description</b>
1	high positive relation
0.6	medium positive relation
0.3	Low positive relation
0	no relation
-0.3	low negative relation
-0.6	medium negative relation
-1	high negative relation

### **FCM description**

The concepts are then depicted into a node-specific FCM per the semi-structured interviews and the results of the study of the case site as presented within a South African context. These concepts are tabled as having either a negative or positive influence on financial inclusion in the sections that follow. Positive influences are linked to the weightings greater than 1, whilst negative influences are linked to the weightings less than 1. The graphic illustration in the FCM digraph show positive links as black lines and negative links as dotted red lines. No lines indicate no link between those nodes or ‘no relation’. The size of each node indicates the relative extent of the influence – that is the bigger the node, the greater the influence on that node relative to the other nodes in the digraph.

## 4.4 Results pertaining to Proposition 1

### Proposition 1

The reasons why financial inclusion products were included are linked to a global and local imperative for economic development and poverty reduction. This has been supported by business structure and regulatory, political and social frameworks of enablement.

#### 4.4.1 Construct 1: Legal, political and regulatory framework

Financial inclusion programmes were introduced after political pressure challenged the banks' risk aversion to providing access to low-income households. Social dialogue with various stakeholders led to the financial services industry formulating policies to support the government's intent in financial legislation and regulations. This was further compelled by a global review and collective need for poverty reduction and provision of access to financial services as encapsulated in the Millennium Development Goals. The key legal, political and regulatory frameworks considered in the qualitative model are listed in Table 8. The concept, connections, brief descriptions and level of influence including the relevant references are shown in Table 8.

**Table 8: List of construct 1 factors**

Legal, political and regulatory	Comment/ description	Influence	Literature, context and case site references
Global citizenry	Commitment at global structures. South Africa as signatory.	Positive	(Binagwaho & Sachs, 2005) (Chaia et al., 2013); (Chibba, 2009)
Sustainability requirements	Global sustained economic development pursuit. South African 2030 strategy.	Positive	(National Planning Commission, 2012)
Socio-economic landscape	Assessment of the South African context.	Positive	(Republic of South Africa, 1996); (FinScope, 2014a); (FinScope, 2014b)

<b>Legal, political and regulatory</b>	<b>Comment/ description</b>	<b>Influence</b>	<b>Literature, context and case site references</b>
Transformation	Political pressure for redress in South Africa.	Positive	(FS Council, 2005); ABSIP Pinnacle Magazine
Political pressure	Global and local pressure based on current environment.	Positive	(Porteous & Hazelhurst, 2004)
B-BBEE	South African transformation legislation.	Positive	(Jack & Harris, 2007)
FSC guidance notes	Specific guidelines on FSC policy implementation.	Positive	(Republic of South Africa, 2012)
FICA requirements	Identifying customers of financial institutions.	Negative	(Republic of South Africa, 2001)
FAIS requirements	Practice to ensure qualified, fit and proper intermediation.	Negative	(Republic of South Africa, 2002)
TCF policy	A consumer protection policy for fair customer practices.	Positive	(AFI, 2010); (Bird, 2013); (Republic of South Africa, 2008)
NCA, Code of Business Banking	Financial services regulation with conduct parameters.	Positive	(Republic of South Africa, 2005)

#### **4.4.2 Construct 2: Business enablement**

*“The Bank is moving from legislated imperatives to a ‘so what?’ question of what needs to be done rather than this is what we have to do. It is about seeing the business opportunity within transformation activity solving for social problems”.*

*“Transformation is a fundamental change of practices, systems and processes to achieve a transformed organisation. This is seen in sustainable, visible diversity within the organisation, helping the market to change and enabling engagement with communities to happen.”*

*“Sustainability of the business is achievable if we drive inclusion”.*

These comments from the respondents reflect how the Bank is seeing the importance of financial inclusion for its own competitiveness and thus seeks to find ways that are mutually beneficial to stakeholders. As business began to have a view on the potential for increased consumerism, new strategies were formulated that would consider this emerging market. Action was taken at the

case site to introduce a business strategy that would focus on these emerging markets of consumerism as discussed in sections 2.3.1, 2.4.3 and 2.7.

The Inclusive Banking unit is a subdivision of Personal and Business Banking. The business area that sells the funeral policy and credit life products for inclusive banking customers is called Insurance Brokers. The key business enablement factors considered in the qualitative model are listed in Table 9. The concept, connections, brief descriptions and level of influence including the relevant references are listed in Table 9.







**Table 9: List of construct 2 factors**

<b>Business enablement</b>	<b>Comment/ description</b>	<b>Influence</b>	<b>Literature, context and case site references</b>
Good corporate citizenry	Local pressure to be a good corporate citizen	Positive	Contribution to FSC (Republic of South Africa, 2012)
Vision and strategy	Creating a business strategy for inclusion	Positive	PBB Group strategy
Operating model	Enabling operational model for inclusion	Positive	Access Points operating model
Integrated processes	Multifaceted process links to enable operating model	Positive	Inclusive Banking strategy
Profit objective	Business objective to achieve on profit making	Negative	PBB Group strategy
Cost	Cost of providing inclusive products	Negative	Inclusive Banking strategy
Risk management	Managing risk associated with inclusive unit	Negative	PBB Group strategy








The following colour coding depicted in Table 10 is consistently used throughout the report to integrate the analysis from the source documents, opinions of the respondents as well as the FCM outputs

**Table 10: Colour coded themes for integrated analysis**

<b>Colour theme</b>	<b>Theme/ factor</b>
Blue	Legal, political and regulatory

Colour theme		Theme/ factor
Brown		Affective, cognitive and conative
Burnt orange		Accessibility
Green		Business enablement
Orange		Social standing
Teal		Product/ programme features
Yellow		Financial inclusion impacts

The key factors that influence the success of these programmes as were incorporated in the research FCM model are set out in Figure 11 below.

Concept	Connection	Influence
Legal, political and regulatory		+ The legal requirements keeps implementation in check.
Legal, political and regulatory		- Risk management requires expertise and resources which increases cost
Business enablement		- Servicing low-income segments comes at a cost which gets passed on in the price.
Business enablement		- The unit has struggled to breakeven and has a long-term view to achieve this
Social capital and standing		+ Understanding social structures for business purposes
Business enablement		+ Leveraging off internal leadership capabilities
Business enablement		+ Business units integrated to achieve on the objectives of inclusive banking

**Figure 11: Factors from proposition 1**

According to the head of transformation, touch points are important for effective transformation which speaks to integrated processes within the business and then tailored to what the market needs. This shows that the Bank becomes

more appropriately geared to be more responsive to the market. Greater deliberation should be built into the structure of the products with appropriate themes and segmentation that creates greater effectiveness. Though compelled by legislative pressures, the Bank has taken the position that including these market segments into the core of its strategy makes business and sense for a company that operates in South Africa.

### **Sub-problem 1**

The first sub-problem is to identify the reasons for introducing financial inclusion programmes.

### **Proposition 1**

**The reasons why financial inclusion products were included are because of a global and local imperative for economic development and poverty reduction. This has been supported by business structure and regulatory, political and social frameworks of enablement.**

### **Conclusion**

It is established that business was moved by compelling legislation and political drivers to institute a unit for inclusive banking. As studies showed a significant emerging market (as outlined in sections 1.2.5, 2.1, 2.7 and 4.4.2) an opportunity to capture this market was advanced. It was also a business decision that transformation was a country imperative and that proactive participation from the Bank was warranted. Using the concepts and the connections presented in sections 4.4.1 and 4.4.2, a matrix was completed and is presented in Table 11. An FCM from the matrix was created to present the first proposition and is reflected in Figure 12.

**Table 11: Summary of first sub-problem and proposition 1**

	FINANCIAL INCLUSION	BUSINESS ENABLEMENT	Vision and strategy	Integrated processes	Operating model	Good corporate citizenry	Risk management	Cost	Profit objective	LEGAL, POLITICAL, REGULATORY	Business Banking	Global citizenry	Sustainability requirements	FAIS requirements	FICA requirements	FSC	TCF policy	Political pressure	B-BBEE	Transformation	Socio-economic landscape
<b>FINANCIAL INCLUSION IMPACTS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>BUSINESS ENABLEMENT</b>	<b>1.00</b>	0.00	0.30	0.00	0.60	0.30	0.30	0.60	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Vision and strategy	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Integrated processes	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating model	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Good corporate citizenry	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Risk management	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit objective	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>LEGAL, POLITICAL, REGULATORY</b>	<b>1.00</b>	1.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.60	0.30	0.30	-0.30	-0.30	0.30	0.30	0.30	0.00	0.00	1.00
NCA, Code of Business Banking	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Global citizenry	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sustainability requirements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FAIS requirements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FICA requirements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FSC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TCF policy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Political pressure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.60	0.00	0.00
B-BBEE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60	0.00	0.00	0.00	0.60	0.00
Transformation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30
Socio-economic landscape	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

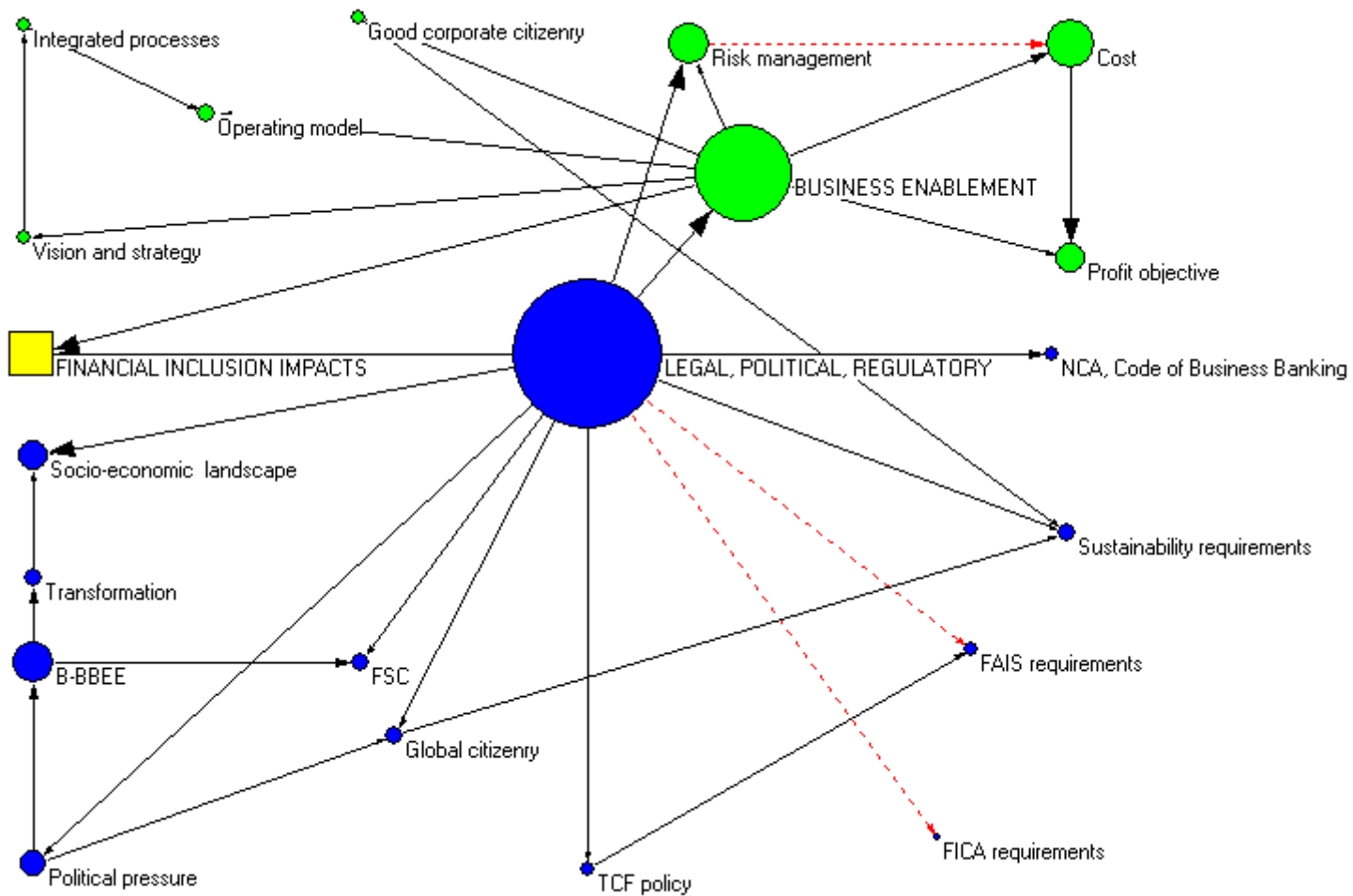


Figure 12: FCM developed from proposition 1

## 4.5 Results pertaining to Proposition 2

### Proposition 2

The literature confirms the factors that have been identified as having an influence on the socio-economic impact of financial inclusion programmes being demographic, psychographic and accessibility.

#### 4.5.1 Construct 3: Social capital and standing

Social connections and relations have an influence on individuals accessing financial services both formally and informally. The literature, specifically as detailed in sections 2.4.4 and 2.7, shows a parallel economy that low-income households depend on to save, get credit and insurance. Some of this access is done individually while group access forms an alternate way. The demographic profile of the target participants in terms of employment, literacy and house-ownership levels indicate the importance of these factors in relation to achieving financial inclusion impact. The key social capital and standing factors considered in the qualitative model are listed in Table 12. The concept, connections, brief descriptions and level of influence including the relevant references are shown in Table 12.

**Table 12: List of construct 3 factors**

<b>Social capital and standing</b>	<b>Comment/ description</b>	<b>Influence</b>	<b>Literature, context and case site references</b>
Formal employment	Being employed in the formal market with regular income.	Positive	Statistics South Africa
Unemployment	Being without a job or regular income.	Negative	Statistics South Africa
Expenditure shocks	Unplanned expenditure that has a significant immediate impact.	Negative	Bank account usage statistics
Access to money	Access to money from various quarters.	Positive	Bank account usage statistics
Affordability	The ability to buy access products.	Positive	Bank account usage statistics

<b>Social capital and standing</b>	<b>Comment/ description</b>	<b>Influence</b>	<b>Literature, context and case site references</b>
Demand	The demand for access products and programmes.	Positive	(Collins, 2005, 2008)
Identity	Documentation and access administration.	Positive	(Republic of South Africa, 2001)
Literacy	The ability to read, write and understand words and numbers.	Positive	Statistics South Africa
Stokvels	Savings groups for groceries, entertainment and funerals.	Positive	Bank analysis report; (Mashigo & Schoeman, 2010) (Siyongwana, 2004);
Social networks	Various social support networks in the community.	Negative	Stokvels and special products report
Hidden economy	An informal community financial sector.	Negative	Stokvels and special products report
Levelling effect	A reduction in variability of social structures.	Positive	Treasury report; (National Planning Commission, 2012)

#### **4.5.2 Construct 4: Affective, cognitive and conative**

Perceptions, upbringing, experiences and personal circumstances affect the way individuals relate with financial services. We found in sections 1.4, 2.4.1, 2.5.4 and 2.7 that behaviours, have a direct impact on decisions made. Though the beneficiaries and participants were not interviewed, the research suggests that learning, decisions and reinforcements can be inferred. As decisions are made, they are framed by these various factors which are grouped as affective, cognitive and conative for purposes of these studies.

Thinking through what to do with one's finances is linked to the emotional connection or disconnection these individuals have with money, financial services and their social connections. Thus behaviour and action needs to be understood within this personal context to conclude on how access programmes are perceived and received. The key affective, cognitive and conative factors considered in the qualitative model are listed in Table 13. The

concept, connections, brief descriptions and level of influence including the relevant references are shown in Table 13.

**Table 13: List of construct 4 factors**

<b>Affective, cognitive and conative</b>	<b>Comment/ description</b>	<b>Influence</b>	<b>Literature, context and case site references</b>
Trust	Confidence in the financial services market and system.	Positive	(Pillay & Naudé, 2006)
Mistrust	Lack of confidence in financial systems and markets.	Positive	(Pillay & Naudé, 2006)
Borrowing	Accessing money to fund expenses or assets.	Positive	Bank account usage reports
Saving	Putting aside money for planned expenses or assets.	Positive	Bank savings report
Dignity	Being worthy of honour or respect.	Positive	(UCT, 2014)
Aspirational	Desire for an improved or better lifestyle.	Positive	(Pillay & Naudé, 2006)
Default effect	The option one lands up with if they choose nothing.	Positive	Bank account usage reports; (UCT, 2014)
Ambiguity effect	When a decision is affected by limited information.	Negative	Bank account usage reports

The key factors that influence the success of these programmes as were incorporated in the research FCM model are set out in Figure 13 below.

Concept	Connection	Influence
Affective, cognitive, conative	Trust, mistrust	+ The legal requirements keeps implementation in check.
Affective, cognitive, conative	Aspiration, dignity	+ Values of participants must be considered in how they are engaged with
Social capital and standing	Experience	+ The experiences of social networks influence decisions for or against banking
Business enablement	Cost, price	- Costs have a direct impact on price and the perception of value
Affective, cognitive, conative	Borrow, save	- Decision whether to transact and engage depends on experience
Social capital and standing	Leveling, default	+ Some decisions are indirectly made for the participants without them choosing
Social capital and standing	Stokvels	+ Social networks indirectly include individuals into the formal market

**Figure 13: Factors from proposition 2**

Based on an interview held with the senior manager of customer financial solutions it was pointed out that in an area like Ivory Park, there are over 2000 businesses that exist but are not banked. Exclusion thus still exists on who is characterised as suitable for banking. The criteria for banking for informal businesses do not meet the minimum turnover amount means that these businesses though they have money in circulation it remains out of the system. Self-exclusion though does exist due to avoidance of taxes, or having a view of what pricing should be. This pricing view is informed by the power of word-of-mouth. So decisions can be made from other people's experiences. This is the power of social networks and social influences. Banking sometimes is seen as a grudge purchase and intention to pay for something is where value is perceived. Negative perceptions are also claimed to be the key reasons given to why individuals also switch banks.

## **Sub-problem 2**

The second sub-problem is to identify factors that influence on the socio-economic impact of financial inclusion.

### **Proposition 2**

**The literature confirms the factors that have been identified as having an influence on the socio-economic impact of financial inclusion programmes being demographic, psychographic and accessibility.**

### **Conclusion**

From the perspectives of the respondents, it is found that social, personal, behavioural and demographic factors may influence the uptake or participation in financial inclusion programmes. The results are not to claim completeness but to indicate those factors that have been included in literature to show the link to decisions around financial inclusion. Having a clear understanding of the potential customer and the challenges they face enables better possible engagement. Social structures may also influence individuals to be part of group decisions showing the power of these connections and relations. Dependence on these structures also influences participation. Using the concepts and the connections presented in sections 4.5.1 and 4.5.2, a matrix was completed and is presented in Table 14. An FCM from the matrix was created to present the first proposition and is reflected in Figure 14.

**Table 14: Summary of second sub-problem and proposition 2**

	FINANCIAL INCLUSION	SOCIAL CAPITAL AND STANDING	Identity	Demand	Formal employment	Unemployment	Expenditure shock	Literacy	Access to money	Hidden/ parallel e	Leveling effect	Stokvels	Affordability	Social networks	AFFECTIVE, COGNITIVE, CONATIVE	Trust	Mistrust	Dignity	Aspirational	Borrowing	Saving	Ambiguity effect	Default effect	
<b>FINANCIAL INCLUSION IMPACTS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
<b>SOCIAL CAPITAL AND STANDING</b>	<b>1.00</b>	0.00	1.00	0.00	0.00	0.00	0.00	1.00	1.00	0.00	0.60	0.00	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Identity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Demand	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Formal employment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unemployment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-1.00	0.00	0.00	0.00	-1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expenditure shocks	0.00	0.00	0.00	-1.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.60	0.00	-1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Literacy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Access to money	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hidden economy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Leveling effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Stokvels	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Affordability	0.00	0.00	0.00	-1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Social networks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>AFFECTIVE, COGNITIVE, CONATIVE</b>	<b>1.00</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60	-0.60	1.00	0.60	1.00	0.30	0.60	0.60	0.60	0.60
Trust	0.00	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mistrust	0.00	0.00	0.00	-0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dignity	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Aspirational	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Borrowing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Saving	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ambiguity effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Default effect	0.00	0.00	0.00	-0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

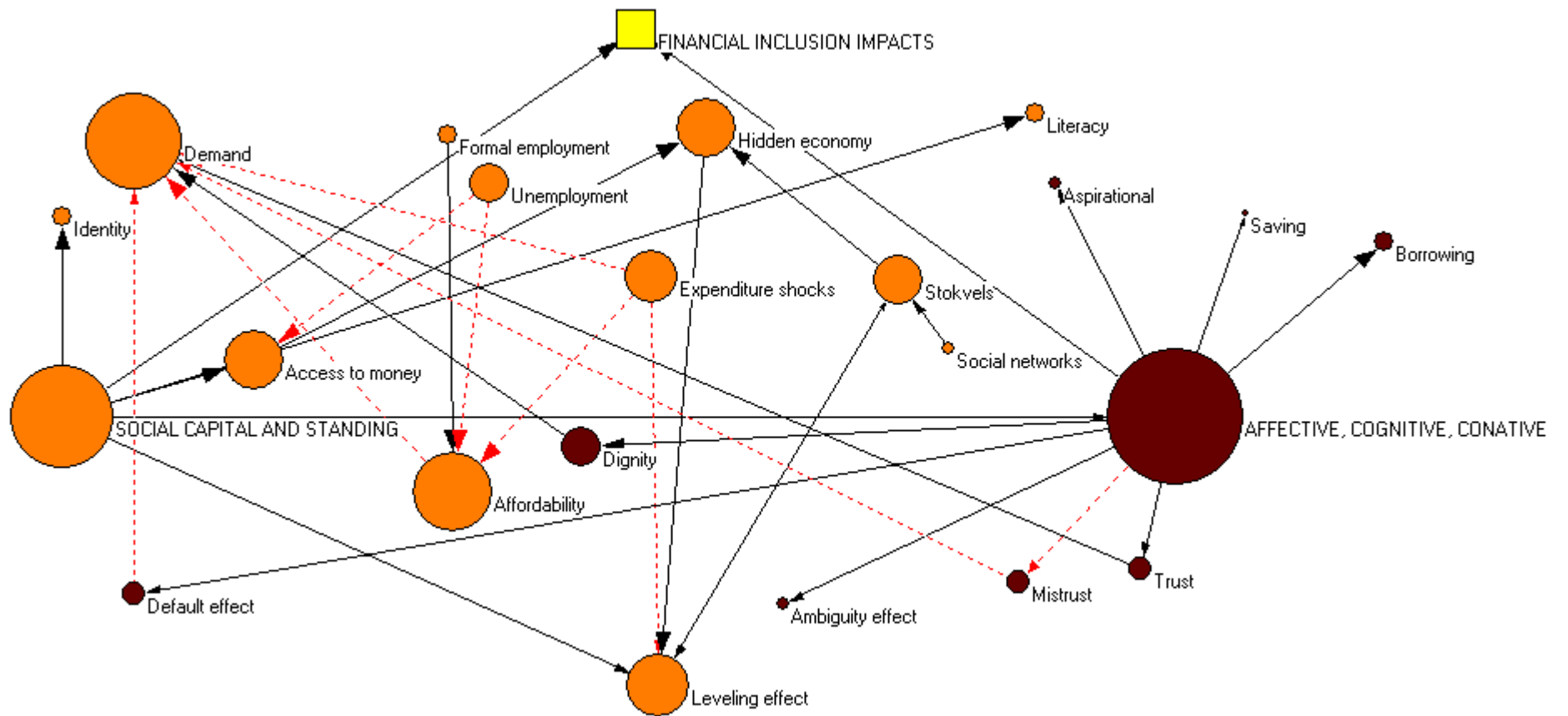


Figure 14: FCM developed from proposition 2

## 4.6 Results pertaining to Research Question 1

### Research question 1

**What programmes exist and are customised for low-income households; which structural elements are used in the programmes; and why were they chosen?**

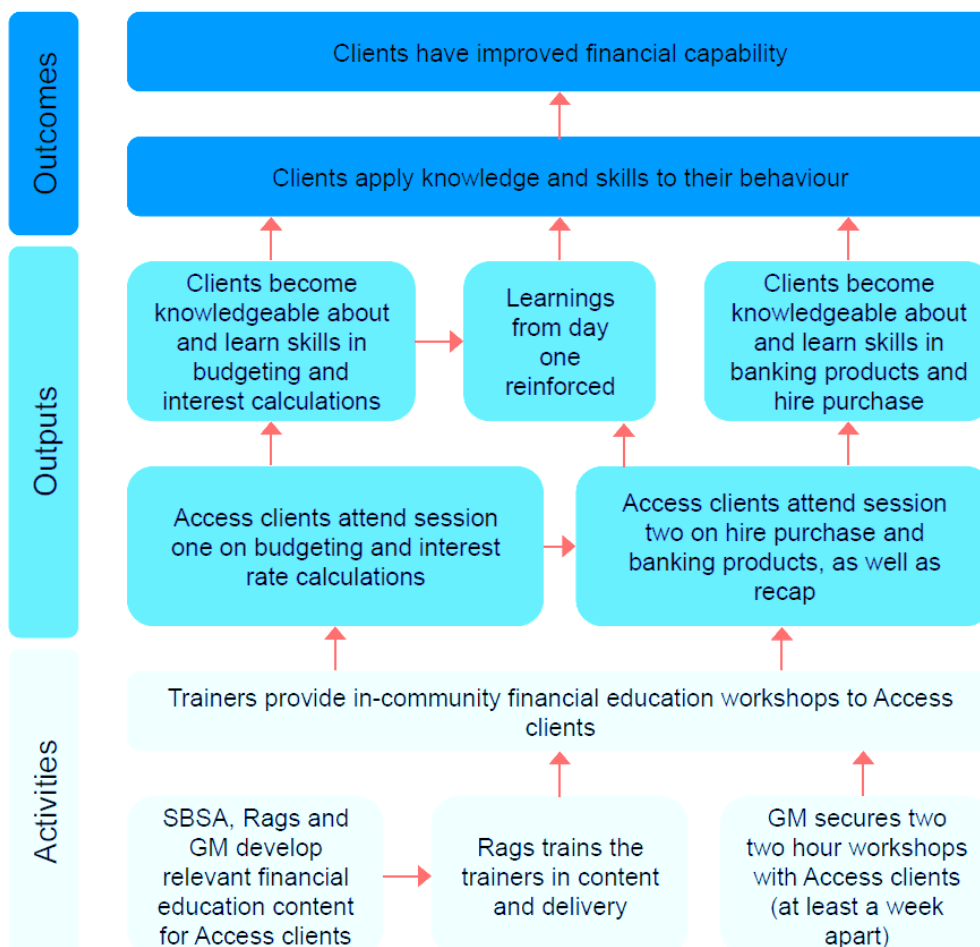
#### 4.6.1 *Construct 5: Product/programme features*

##### **The significance of financial literacy and learning**

In the literature review, section 2.5.4, financial literacy was identified as a significant component of financial inclusion. Before one takes up a product, it makes sense that they need some financial knowledge or awareness. The provision of free literacy is seen as charity by internal and external stakeholders. This view is torn down by the consumer education manager who admonishes that *“people see financial literacy as a CSI initiative and miss the link with business strategy”*. Therefore, the researcher affirms on this significance by isolating the programme factors associated with financial literacy separate from other access to financial services programmes. The Bank’s consumer education manager confirmed that the Bank views the literacy programmes as an entry-point for its Access clients. For the youth programmes, the primary objective is to create awareness which forms part of financial inclusion as planting this seed may spur action in the future. These initiatives are supported by the leadership team in the Bank confirmed in that *“business leaders have pet projects such as the SABC advertorial which shows business commitment”*. Employees of financial services companies also carry the impression that they are financially knowledgeable whereas that may not be the case. The Bank’s plans for its employees include *“possibly making the material compulsory e-learning internally to also increase employee financial literacy”*

For 2014, the financial literacy process was driven from a marketing department’s perspective to leverage awareness capabilities within the team. The activation campaigns enhanced the awareness process. In order to link the programme to individual financial behaviour, the attendance register includes a name, identity number and whether or not has a bank account confirmation. This allows for more effective delivery of the programme as the profile of attendees can be assessed and delivery can be customised accordingly. Strategic banking partners would also initiate the programme by suggesting a “Bank Day” to corporates as a way in, whilst ensuring the information is generic and no advice is given or products sold. Where questions would arise on specific product requests, the request would be referred to the Bank for future contact. This was done so as not to breach sector requirements.

The face-to-face training was conducted as shown in Figure 15:









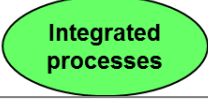
**Figure 15: Adult training process flow**

The Bank owns its own content and the topics are set out in Figure 16:



**Figure 16: Adult financial education topics (source: the Bank)**

The key factors that influence the success of these programmes as were incorporated in the research FCM model are set out in Figure 17 below.

Concept	Connection	Influence
Programme feature		+ Using a board game, radio, activations, digital methods simplifies the training process.
Programme feature		+ Students and low-income participants walk away with greater financial awareness.
Affective, cognitive, conative		- Some of the students struggled with English. Language in worksites detracts .
Social capital and standing		+ Partnerships with the schools enhanced reach and with the local community in activations.
Legal, political and regulatory		+ The FSC has encouraged sustained training being availed.
Business enablement		+ Leveraging off internal leadership capabilities
Business enablement		+ Use of the sales force and activation campaigns

**Figure 17: Factors from the financial literacy programmes**

### **Banking products for Access clients**

Broad-based financial inclusion from the banking sector’s perspective is guided by the requirements as laid out in the FSC’s transformational commitment (Republic of South Africa, 2012). These refer to banking electronic access, bank penetration and reach, range of products, access to affordable housing and provision of financial education. The roll out of these products and programmes aims to achieve on socio-economic development. Therefore, ensuring that the products and programmes have the appropriate features to achieve on this objective is important. The guidelines to support programmatic structuring include appropriateness, affordability, accessibility and availability (also described in the literature review sections 2.6.1). The key product/programme factors considered in the qualitative model are listed in Table 15. The concept, connections, brief descriptions and level of influence from the interviews and literature including the relevant references are shown in Table 15.

**Table 15: List of construct 5 factors**

<b>Product/ programme features</b>	<b>Comment/ description</b>	<b>Influence</b>	<b>Literature, context and case site references</b>
Aesthetics	Confidence in the financial services market and system.	Positive	(Pillay & Naudé, 2006)
Appropriateness	Lack of confidence in financial systems and markets.	Positive	(Pillay & Naudé, 2006)
Availability	Accessing money to fund expenses or assets.	Positive	Bank account usage reports
Simplicity	Putting aside money for planned expenses or assets.	Positive	Bank savings report
Product awareness	Being worthy of honour or respect.	Positive	(UCT, 2014)
Price	Desire for an improved or better lifestyle.	Positive	(Pillay & Naudé, 2006)
Ease of transacting	The option one lands up with if they choose nothing.	Positive	Bank account usage reports; (UCT, 2014)
Supply	When a decision is affected by limited information.	Negative	Bank account usage reports

#### **4.6.2 Construct 6: Accessibility**

The ability to access the banking products and programmes is often narrowed down to be the most succinct definition of financial inclusion. The accessibility is often referred to in terms of physical and/ or mobile availability as per the literature review in section 2.4.5. In the South African context, banks need to consider geographic location for access points as most access customers reside in rural and peri-urban areas that are previously un(der)served. Sometimes access makes up part of the product or programme feature. The key accessibility factors considered in the qualitative model are listed in Table 16. The concept, connections, brief descriptions and level of influence including

from the interviews and literature including the relevant references are shown in Table 16.

**Table 16: List of construct 6 factors**

<b>Accessibility</b>	<b>Comment/ description</b>	<b>Influence</b>	<b>Literature, context and case site references</b>
Location	Confidence in the financial services market and system.	<b>Positive</b>	(Pillay & Naudé, 2006)
Transport	Lack of confidence in financial systems and markets.	<b>Positive</b>	(Pillay & Naudé, 2006)
Mobile	Accessing money to fund expenses or assets.	<b>Positive</b>	Bank account usage reports

### **Sub-problem 3**

The third sub-problem is to determine the financial inclusion programmes' effect on socio-economic impact;

#### **Research question 1**

**What programmes exist and are customised for low-income households; which structural elements are used in the programmes; and why were they chosen?**

#### **Conclusion**

It is submitted that the product and programme features together with accessibility play a significant role in achieving on financial inclusion. Detailed features were identified during the interview and data collection process enabling the researcher to provide a comprehensive analysis for the study. Using the concepts and the connections presented in sections 4.6.1 and 4.6.2 a matrix was completed and is presented in Table 17. An FCM from the matrix was created to present the first proposition and is reflected in Figure 18.

**Table 17: Summary of third sub-problem and research question 1**

	<b>FINANCIAL INCLUSION</b>	<b>RAMME FEATURES</b>	Aesthetics	Appropriateness	Availability	Simplicity	Product awareness	Price	Ease of transacting	Supply	<b>ACCESSIBILITY</b>	Location	Transportation	Mobile
<b>FINANCIAL INCLUSION IMPACTS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>PRODUCT/PROGRAMME FEATURES</b>	<b>1.00</b>	0.00	0.60	1.00	0.60	1.00	0.60	-1.00	1.00	0.30	0.00	0.00	0.00	0.00
Aesthetics	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Appropriateness	0.00	1.00	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Availability	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00
Simplicity	0.00	1.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Product awareness	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Price	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ease of transacting	0.00	0.00	0.00	0.00	0.00	0.00	-0.60	0.00	0.00	0.00	0.00	-0.60	0.00	0.00
Supply	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ACCESSIBILITY</b>	<b>1.00</b>	1.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	1.00	0.00	0.60
Location	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.60	0.00
Transportation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60	0.00	0.00
Mobile	0.00	0.00	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

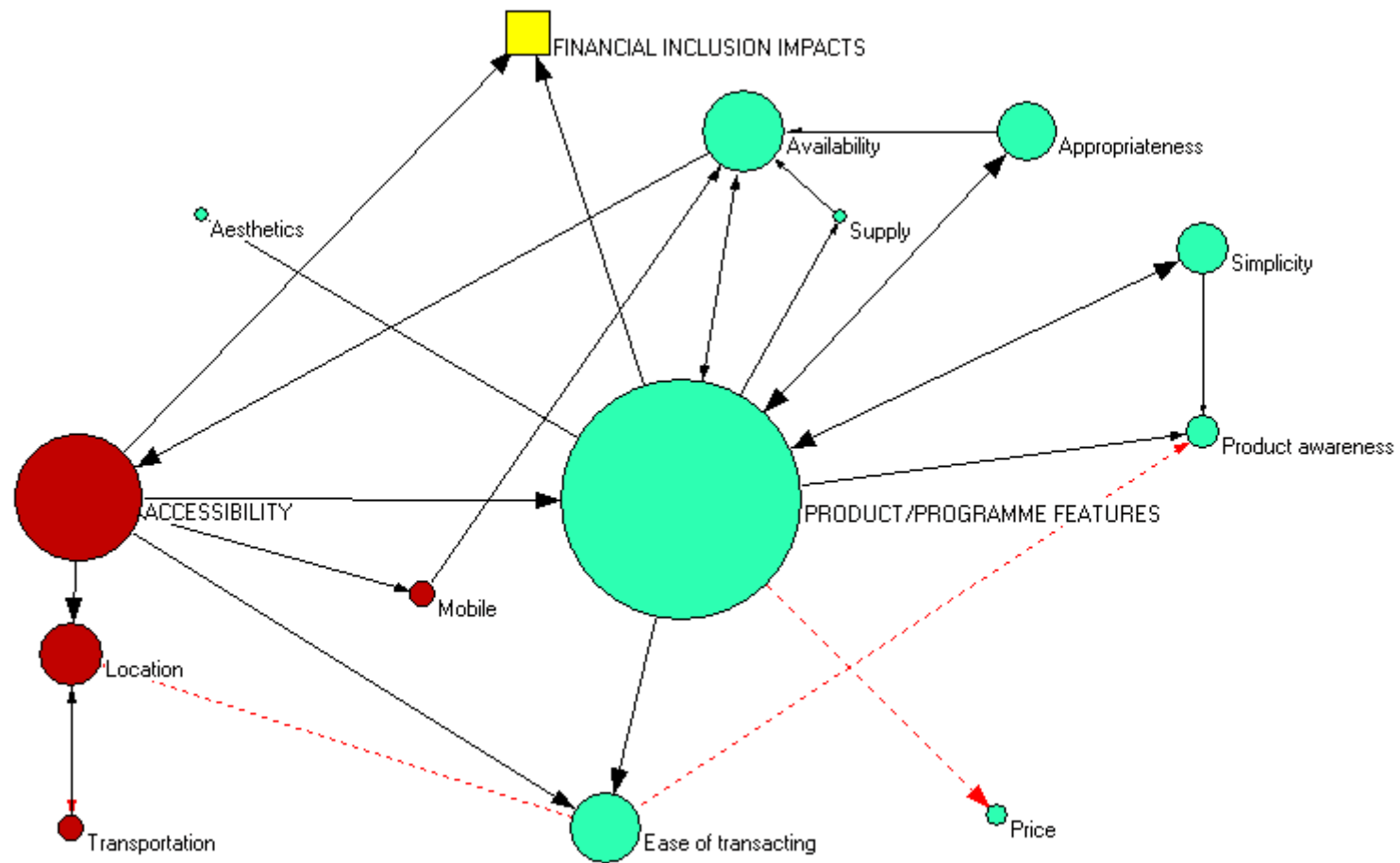


Figure 18: FCM developed from research question 1

## 4.7 Results pertaining to Research Question 2

### 4.7.1 *Using a qualitative model to optimise programme structuring*

#### **Sub-problem 4**

The fourth sub-problem is to use a qualitative model to establish how the programmes can be optimally structured to achieve socio-economic impact.

#### **Research question 2**

**How can the programmes be customised for low-income households; which structural elements should be used in the programmes; and why must they be chosen?**

The limited research available on a consolidated view of the factors described in the literature review indicates that this research may fill a gap, albeit in a limited manner. The variables that were derived were themed and grouped in the qualitative modelling process to determine how they interact with each other. The variables selected in the draft FCM were validated by each of the participants with financial literacy ranking highest as a barrier or enabler to financial inclusion. The views of the participants were captured individually and integrated into a single FCM.

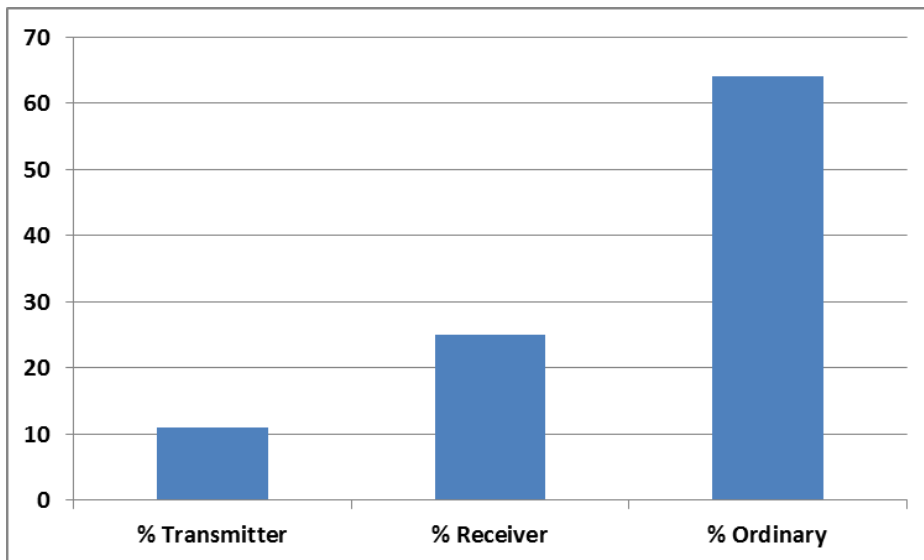
Six constructs were presented together with the associated matrices and FCMs. A model was then generated which incorporated all the possible factors that have a relation to socio-economic impact. Interview comments formed part of the modelling together with supporting data and literature. The modelling approach helps to frame the discussion and orient the respondents towards discussing how the factors influence each other and influence the achievement on financial inclusion.

From the research methodology section the researcher indicated that the data collection process was iterative with the data interpretation happening

concurrent to collection. Therefore, during the interviews, the model was updated and each subsequent discussion was based on a newer version of the study's FCM. In this section the consolidated findings are presented and discussed.

The draft FCM was generated from the literature review. From the draft FCM shown in Figure 8, we see that the literature placed a lot of emphasis on the legal, political and regulatory factors as being second in importance to the programme and product features factors. We see that in Figure 20, after incorporating the views of the respondents, this view is confirmed, but that perceptions and views of participants also increase. One of the key comments made was that participants care about how the Bank makes them feel.

We learn from Table 7 that a *transmitter* measures factors that influence others but are not influenced. From Figure 19 we see that the relative value of the transmitter nodes is 10.938% comprising 7 factors of the FCM. *Receiver* modes measure factors that receive influences from other factors in the system and their relative value is 25.000% consisting of 16 factors. Most of the nodes, 41 of them, are *ordinary* with a relative value of 64.063%; these nodes have the characteristic of being both *transmitter* and *receiver* nodes. A total number of 121 connections were found.



**Figure 19: Relative values of the nodes for the results FCM**

In the literature and interviews integrated FCM of Figure 20 we see the following differences to the draft FCM of Figure 8

- All the concepts increase except for business enablement as a policy node. In business enablement we note that as the opportunity for consumerism is appreciated, the business gears up for this. We see this in the increase in the integrated processes and operating model. This has a direct influence on the profit objective node which also increases.
- An additional node in the product and programme features is the product education node. This was extracted from the interviews as a key awareness principle by the Bank upon product take up by Access clients. This node is also substantially bigger than the other nodes indicating its importance in influencing socio-economic impact as financial inclusion in the model.
- The extent of influence of South Africa's history on how financial inclusion is driven is seen more clearly in its negative relation with the socio-economic landscape in the integrated model. This influence expands the socio-economic landscape node as well.
- In the interviews, the research learnt that language is not a significant barrier when conducting training or producing product material.

AccessAgents and the sales force are usually from the local communities and speak the languages in those areas. Hence the reduction in the depth of this node.

- Access to money increases and reflects the literature and interview comments about the importance of social networks. Support from family, relatives and community structures provide capacity for Access clients to draw on these networks.
- The increase in AccessLoan clients and the business of money lenders has been consolidated into the borrowing node. We learn that the social networks also help as money lenders and not just as money givers.

From the discussion points we have determined that the generated model provides a tool that can be used to answer research question 2 when designing financial inclusion programmes. In the next chapter the literature and interviews are supported by quantitative data using the modelling approach combined with the results that were presented in this chapter.

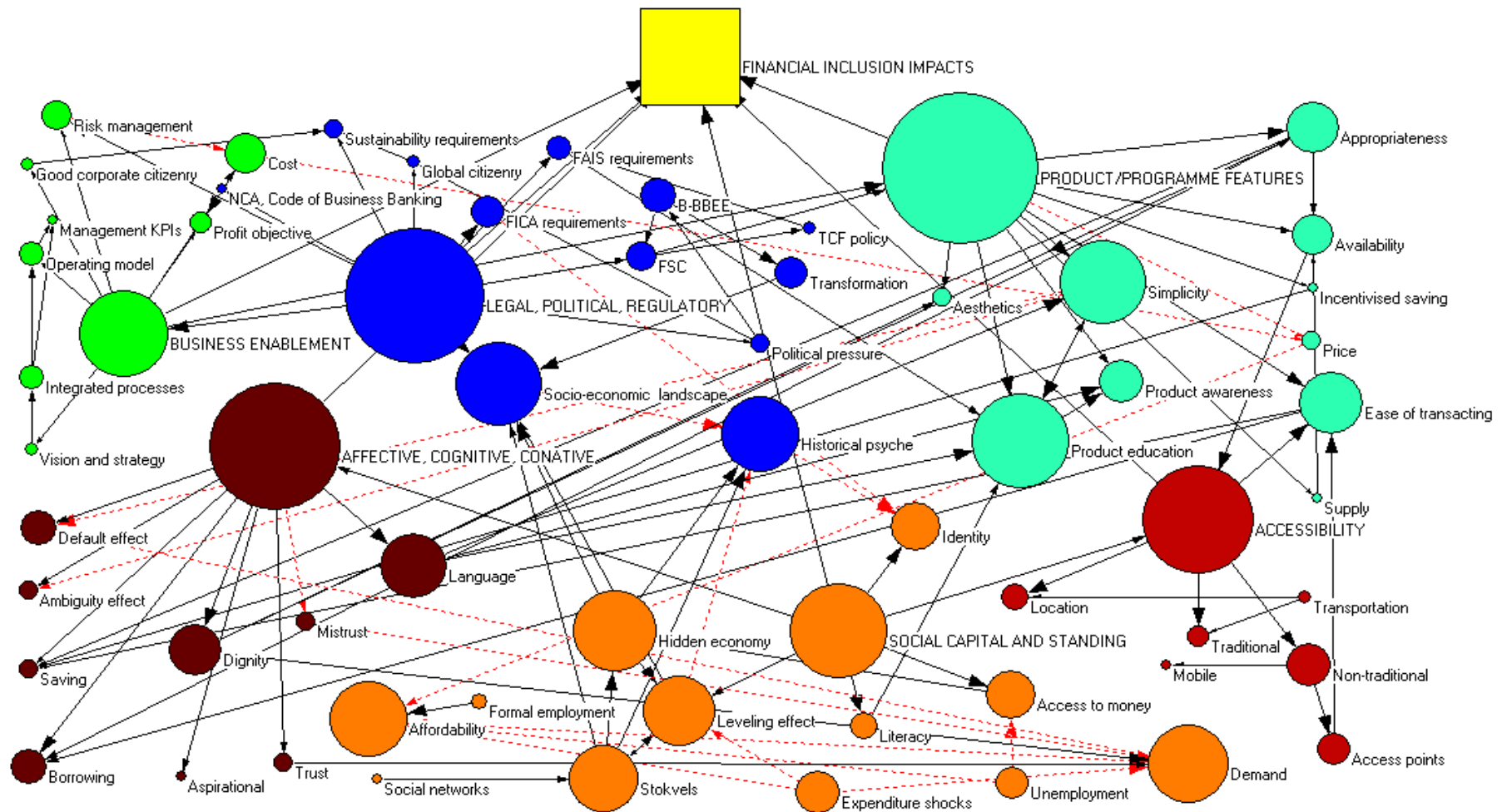


Figure 20: Literature and interviews integrated FCM

## **CHAPTER 5. ENHANCED AND FINAL FCM**

### **5.1 Introduction**

Eleven interviews were held with relevant role players from the case site as well as from the financial services industry. The draft FCM developed from the literature was used as the basis for the discussion. It is found in Figure 8. The research problem is to determine why financial inclusion programmes were introduced, factors that influence the socio-economic impact of the programmes and how they are and can be structured using a qualitative model, in a financial institution. The results are discussed in a combined manner for the propositions whilst ensuring the main research problem is addressed.

### **5.2 Outline of discussion of results**

Proposition 1 and 2 are briefly discussed in the context of the financial inclusion programmes from the Bank. Research question 1 and 2 are discussed more comprehensively whilst incorporating the findings from proposition 1 and 2. All the results are then consolidated at the end of the chapter and the final FCM generated from the research is presented.

### **5.3 Discussion of results pertaining to Proposition 1**

#### **Proposition 1**

**The reasons why financial inclusion products were included are linked to a global and local imperative for economic development and poverty reduction. This has been supported by business structure and regulatory, political and social frameworks of enablement.**

### **5.3.1 Construct 1: Legal, political and regulatory framework**

The Bank views its transformation process as relevant, responsive and reflective of the environment it operates in. It believes that black economic empowerment is not only an imperative for South Africa but also critical for the business to remain competitive. The Bank's contribution to the process is found in its holistic transformation strategy – looking for opportunities in the Bank to see how implementation can be more relevant.

The Bank is bound to comply with various legislations that may or encourage financial inclusion. FAIS ensures qualified individuals relay financial information, FICA requires confirmation of identity details and the CPA requires specific conditions of engagement (Republic of South Africa, 2001, 2002, 2008). These are risk management regulations that add a cost layer to services and products as well as drag out on-boarding processes. They should be seen as best practice rather than a cost to doing business. More stringent legislation that will come into effect on 1 May will affect how the Bank implements its transformation and BEE strategies. Management KPIs must reflect this change in order to sustain how well the business has performed in its scorecard thus far. Penalties will publicly reflect how committed the Bank is to transformation. However, once these are embedded into 'business as usual' practices, they will become more scalable and smoothed out into the business.

From the interviews, it was revealed that it is very hard to achieve big transformational acts. Therefore it is important, when you want to have big social interventions and you want to change things, to have regulatory frameworks. Otherwise, though you may find that people may not be principally against it, it is important to regulate the 'how' of implementation. A balance between the stick and carrot approach is needed so as to encourage certain behaviour to achieve on financial inclusion and transformation. The Bank measures its transformation progress against the industry code and achieves a level 2 recognition level of 93% (Republic of South Africa, 2012). For the Access to financial services component of the scorecard, the achievement of the Bank is set out as follows:

**Table 18: Access to financial services scorecard 2014**

	Target %	Available points	Achieved target	Verified results
<b>Category</b>				
<i>Geographical access</i>				
Transaction point	85.00	1	63.75	0.78
Service point	70.00	1	70.06	1.00
Sales point	60.00	2	74.96	2.00
Electronic access	5.00	1	15.14	0.80
<i>Other</i>				
Banking densification	100% per 1500	2	94.00	1.88
Product related access	SBSAs	3	3950	3.00
Affordable housing origination	R8,755m	2	R13,384m	2.00
Consumer education	0.3% of NPAT	2	0.20%	1.60
<b>Total score</b>		<b>14.00</b>		<b>12.63</b>

From Table 18 we can see real impact that has been achieved. The Bank has achieved more than 50% achievement on it

### **5.3.2 Construct 2: Business enablement**

The Bank has been involved in social dialogue when the FSC had its initial discussions on getting involved in changing the socio-economic landscape of the country. The Bank had always been proactive about transformation and with challenges in the mining industry at the time, there was a sense that if nothing was done, financial services would be in trouble and regulation would be imposed on the industry. In 2002, it felt that “business was not taking transformation seriously” (FS Council, 2005; Porteous & Hazelhurst, 2004). The Bank or business generally acts in self-interest, however given the history of the country with its social issues, it was necessary to consider participating social dialogues as discussed in section 2.3.3. The ex-CEO of the Bank referred to reflections of how there were individuals who were sitting in Robben Island whilst he was studying in Oxford and thus it made sense to participate in a process of determining what redress in the country would look like.

From this proactive involvement in social dialogue, it is clear that business does want to contribute to social change. The Bank has always had a strategy to bank poor people and people in the black areas. To extend its intent, transformational commitments, the Bank organised itself internally to achieve on these commitments. The Inclusive Banking unit's journey and formation stems from this good corporate citizenry and business intent. It is not the view of the Bank to create a Group strategy and retrofit it into the rest of the Group. Rather it is to foster a collaborative process that is more enabling and encouraging of leadership commitment. The Inclusive Banking unit sees itself as creating solutions for social problems for specific segments. The customer segments are

- R3,000 – R8,000 income:
  - 2.5 million people - individuals who have reached their earnings potential
  - 4.5 million people – individuals on an upward earnings trajectory
- <R3,000 income:
  - 16 million people – who have limited access to funds

Sustaining this customer base remains challenging as the Bank discovered that despite having reduced pricing to customers, it continued to experience a high inactive base (40%). Activity is defined as one customer initiated value transaction in a month. The number of active rather than the number of existing accounts is critical to determine whether programmes are achieving on socio-economic outcomes.

### **5.3.3 Findings from construct 1 and 2**

The socio-economic impact is the increased drive to implement transformational interventions that legislation and proactive business activity has generated. Though business exists to derive a profit, it saw the critical importance of creating products and programmes to increase financial inclusion. These products and programmes are shaped by legislation; however, business has sought ways to embed social problem solving as part of its Inclusive Banking strategy. Measurable impact is also seen the success of the Bank with

achieving more than 90% on its BEE targets. This indicates how the Bank has achieved on accessibility with 92% achievement for this category. How this is achieved will be elaborated on in section 5.5.1. This achievement is an indication of positive and successful financial inclusion.

TCF is a new business process that requires business to abide by the broad principle of treating customers fairly. As financial institutions formulate ways to determine what that means for their businesses, fair business practice will be in the spotlight. The Bank has undergone extensive strategic planning to ensure readiness for change management and roll out of TCF programmes throughout the Bank. This will have a direct impact in the way the Bank and its representatives treat and engage with its Access clients.

## **5.4 Discussion of results pertaining to Proposition 2**

### **Proposition 2**

**The literature confirms the factors that have been identified as having an influence on the socio-economic impact of financial inclusion programmes being: demographic; psychographic; and accessibility.**

#### **5.4.1 Construct 3: Social capital and standing**

Low-income households naturally form their own segments or groups such as stokvels, church groups and other social networks. Blockages from having pre-conceived views about these segments stall the success of transformation. Survivalists have learnt to lean on each other to make it through rather than focus on self-preservation, therefore understanding this point of reference is an opportunity to better know this market segment.

In section 5.3.2 the challenges of account inactivity was discussed. To determine ways to manage this challenge, analysis was then conducted which revealed that

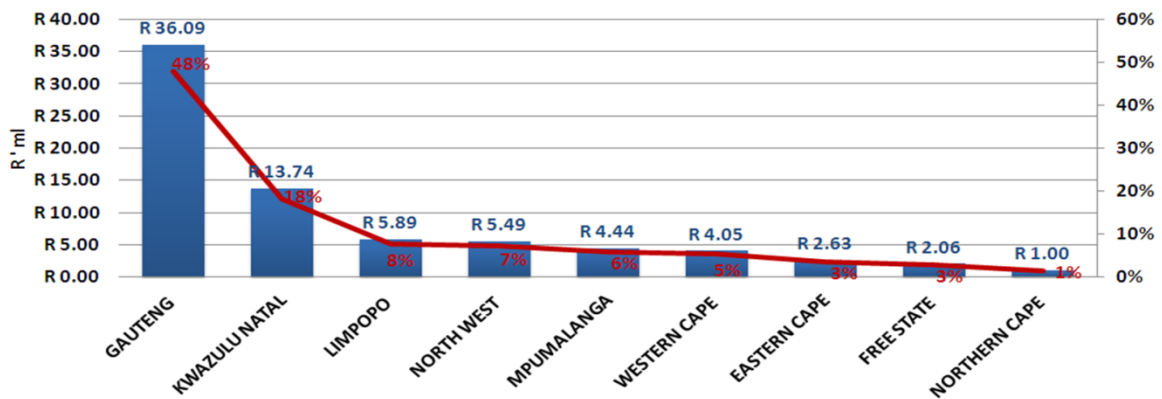
- Lower pricing does not create a competitive advantage.
- Not all customers are homogenous or require traditional banking products.
- Customer perspectives need to be incorporated into programmatic structuring.

This again confirms the discussions in sections 2.4.3 and 2.4.4 that knowing the customer within their context enables financial inclusion more than pre-determining why they do the things they do.

The Bank commissioned and conducted research on group savings which showed that group savings existed initially because of socio-economic structural challenges. However, some have evolved into investment clubs with membership biased towards Black people and the unbanked equalling 40% of the population. Premised on the concept of organic solidarity and having a common goal, some of the other reasons for existence of these savings groups include:

- Perceived Savings barriers;
- Low income levels;
- Lack of trust on banks; and
- Social attitudes towards savings.

In 2011, there were over 800 thousand stokvels in South African with a known value of over R44 billion. This shows how this informal market must be connected to the formal market as research indicates that 80% of those in stokvels are employed. They see these groups as social clubs and a more trustworthy way of saving. This calls for increased savings product awareness presents as it presents and alternative savings opportunity for the Bank to capture this market. Most of these monthly takings are deposited into a formal bank account thus integrating the informal market into the formal market. By 2009, most of the big banks had a group savings account offering aimed at the stokvels market. The following statistics in Figure 21 for the Bank, indicate how big a contribution this market brings though the Bank identifies itself as a laggard in market size in this space



**Figure 21: Society scheme demographics distribution 2013 (source: the Bank)**

From Figure 21 we can see that the total book size of the Bank's society scheme is approximately R1.1 billion. The book balance growth and average balance per account growth has been flat, around 0.3 and 0.4% respectively (2011 to 2012). This presents itself as an opportunity for the Bank to increase its market size by increasing awareness of its products and integrating group and individual savings opportunities.

#### **5.4.2 Construct 4: Affective, cognitive and conative**

The target market in South Africa is mixed –due to the unemployment rate both educated and uneducated individuals make up the R0-R8,000 market. An assessment of the relationship with money that was discussed in section 2.4.1 also informs us that there is some form of financial literacy that exists within the social constructs of bartering, exchanges of labour and goods in the low-income segments. Conversing on financial matters however remains complicated due to the complexity in financial jargon and products structures. Therefore, the complexity of financial literacy must not be ignored, as the less one knows the more one distrusts. It is important to bear this in mind when financial inclusion programmes are introduced.

The emerging market are ardent social media users - keen to upgrade to the latest smartphones so as to have better access to it; also feeds into their aspirations. Even something as seemingly simple as the colour of a bank card

affects the way the participants choose to engage with the Bank. It is for this reason that the Bank has decided to present the Access accounts as of the same quality embodied in the Bank's other accounts. Though the number and sophistication of other accounts may be greater, the quality and perceived value to the customer must be the same.

#### **5.4.3 Findings from construct 3 and 4**

The socio-economic impact is the market capture as evidenced in the Bank's society scheme. It is possible that without this product, these customers and potential customers would not be banked as an individual's banking value is lower than that of group savings'. The emotional connection one has with the bank will influence the participants' engagement with the Bank. Reputation and experiences are easily relayed back to communities and word-of-mouth can make or break the brand. Low-income household aspirations should not be ignored as these present an opportunity for engagement.

### **5.5 Discussion of results pertaining to Research Question 1**

#### **Research question 1**

**What programmes exist and are customised for low-income households; which structural elements are used in the programmes; and why were they chosen?**

#### **Introduction to discussion of results**

The Bank employs a number of initiatives in its Inclusive Banking and Insurance Brokers units that target individuals who fall within the R0-R8,000 income brackets. These programmes have been implemented with some success and have also been reviewed to improve on their features. This section is dedicated specifically to the products and programmes that were reviewed during the research process and are discussed in relation to the literature review and the outcomes of the primary and secondary data.

### **5.5.1 Construct 5: Product/programme features**

The research findings seek to determine the link between implemented programmes (actual programme and interview outcomes), supporting primary and secondary data and the literature review. The findings will also determine socio-economic impact as described in sections 1.2.1 and 1.2.2.

#### **Consumer education**

This section of the discussion is in reference to section 2.5.4 in the literature review.

The programme discussed in this section is the consumer education programme. Consumer education is a term used in the Financial Sector Code and refers to financial literacy initiatives (Republic of South Africa, 2012). The literature review in section 2.5.4 identified financial literacy as the most significant part of basic financial inclusion. Therefore, a significant investment of R20 million was committed. The Bank's consumer education strategy was finalised in June 2012 with an implementation plan from July 2012 to December 2014. The core principles of the bank's consumer education strategy are summarised as follows:

- *Quality content*: material should be written, revised and reviewed by content specialists to maintain the quality of the programme to a high standard.
- *Appropriate messaging*: in keeping with the sector code requirements, the content must be simple, relevant and appropriate to the audience it will be delivered to.
- *Appropriate target groups*: the Bank seeks to contribute to the broader development of vulnerable and the underserved such as youth, women and low-income groups.
- *Fairness and transparency*: the Bank will use generic messaging not specific to the Bank's products but will emphasis key messages where links to the Bank can be derived.

- *Innovation*: a multi-media approach of delivery is used by the Bank not limited to face-to face and mobile messaging channels.
- *Phased implementation*: this approach allows the Bank to first test applicability of the programme before having a full-scale roll out that might be inefficient or ineffective.
- *Integrated approach*: the Bank incorporates the consumer education programme into the core service delivery increasing clients' knowledge of key financial issues to enable less risky financial decision-making.
- *Monitoring and evaluation*: reporting at this level allows the Bank to assess the extent of impact of the programme which contributes to financial inclusion success.

The two-pronged programme roll out targeting youth and adults is set out in the section that follows with each part discussed separately. A research findings and comments section is included after each of these sections.

Table 19 shows the one part of the consumer education strategy, students and the youth as the target audience. It shows the target audience and a brief explanation of the applicable intervention for the group.

### Consumer education PART 1

**Table 19: Students as the target audience**

<b>Target audience</b>	<b>Bank intervention</b>
Students: Grades 8-12	<p><b>Content:</b></p> <p>Relevant messaging linked to 'teachable moments' as students enter high school and prepare for post-school financial engagement.</p> <p><b>Topics:</b></p> <ul style="list-style-type: none"> <li>• Needs and wants;</li> </ul>

Target audience	Bank intervention
	<ul style="list-style-type: none"> <li>• Budgeting and saving;</li> <li>• Myth busters; and</li> <li>• Basic banking</li> </ul> <p><b><i>Initiatives:</i></b></p> <p>1. The Bank participates in the ‘Teach Children to Save’ initiative conducted through the Banking Association of South Africa (“BASA”) and has done so for the last 6 years.</p> <p>2. ‘Winning Teams’ is the Bank’s programme – it involves training teachers on how to deliver the programme’s content in class and to facilitate a board game-based training process.</p> <p><u><i>Target audience:</i></u> Grade 11 learners from 603 schools</p> <p><u><i>Objectives:</i></u> 90% school participation rate and 50% of participating learners should demonstrate a minimum of 30% improvement</p>

### 1) *Teach Children to Save*

The ‘Teach Children to Save’ programme’s total reach was 7,500 for 2014. Provincial heads and change management teams roll it out nationally using BASA material and volunteerism to resource the programme. It is marketed extensively amongst youth and 2014 was an opportunity to link training to topical country themes such as 20 years of democracy see APPENDIX F. The material content uses the ‘teachable moments’ format which is supported by the literature referenced in section 2.5.4.

### 2) *Winning Teams: Don’t just Dream It Plan It*

In 2013, the ‘Winning Teams’ initiative reached 397 schools. Only 190 schools submitted baseline and endline surveys which assess financial literacy

improvement before and after the training. From these, the monitoring and evaluation report indicated that 20% achieved an improvement.

### ***Research findings on the student training***

A number of things emerged in the research:

- Training at this level is conducted through a one-lesson interphase which is not long enough to instil messages. Incorporation in the school curriculum will increase frequency of delivery and extend awareness in the youth for future possible engagement. More regular frequent messaging techniques will be more impactful.
- The training is dependent on third parties, that is, the Bank has little control over the implementation as it is delivered directly to the schools for them to implement. There is dependency on partnerships, commitment and support from the Department of Basic Education. The teachers are not able to deliver the material in a sustainable and consistent manner due to time constraints, shifting resources and capacity issues. We determined in section 2.4.4 that 'organic solidarity' heightened infiltration of financial inclusion programmes though greater impact requires evaluation of greater implementation and partnership effectiveness.
- There is no clear link between product take-up post the programme implementation as the primary aim is to increase awareness for this target audience.
- The 'Winning Teams' programme has since been terminated.
- The socio-economic impact is the increased awareness the programme has achieved. Without this financial literacy programme, students would not be aware of financial terms and what is required to reach financial capability. Most of these students do not have financial role-models at home, thus the programme achieves on this element of financial inclusion.

Table 20 shows the second part of the consumer education strategy, with adults as the target audience. It shows the target audience and a brief explanation of the applicable intervention for the group.

## Consumer education PART 2

**Table 20: Adults as the target audience**

<b>Target audience</b>	<b>Bank intervention</b>
<p>Survivalists: Access clients with income of &lt; R3,000</p>	<p><b>Content:</b></p> <p>Money management; lotto tickets; keeping copies of all documentation; being proactive and asking questions; insuring for death and funerals</p> <p><b>Topics:</b></p> <ul style="list-style-type: none"> <li>• Needs and wants;</li> <li>• Budgeting and saving;</li> <li>• Myth busters; and</li> <li>• “Dos and don’ts”.</li> </ul> <p><b>Delivery method/ characteristics:</b></p> <ul style="list-style-type: none"> <li>• Through the M7 field team. M7s are the sales force representatives deployed in each access area.</li> <li>• SMS Transaction Intercept to a small sample of existing customers.</li> <li>• Use colloquial money or access area terminology, eg. “imali” (meaning: money) or “mahala” (meaning: free).</li> <li>• Use of activations or local awareness campaigns in access areas wherein skits or plays are conducted as</li> </ul>

<b>Target audience</b>	<b>Bank intervention</b>
	part of the training process. <ul style="list-style-type: none"> <li>• Use of radio for call-ins or sms-ins as well as radio plays on financial topics.</li> </ul>
Earners: Access clients with income < R3,000 < R8,000	<p><b>Topics:</b></p> <ul style="list-style-type: none"> <li>• Interest rates and the cost of borrowing;</li> <li>• Loan management (rights and responsibilities);</li> <li>• Long-term saving, including retirement saving: pension schemes and alternatives;</li> <li>• Other banking products: advanced savings accounts, credit cards, etc.</li> </ul> <p><b>Delivery method/ characteristics:</b></p> <ul style="list-style-type: none"> <li>• Transaction intercept: Contact the clients almost immediately following any transaction through SMS.</li> <li>• Targeted training: Provide mandatory or incentivised training for clients.</li> <li>• Demand Driven SMS query system.</li> <li>• Explain the complex terms in as simple a manner as possible.</li> </ul>

### ***Research findings on the adult training***

A number of things emerged in the research:

- Leveraging on internal capabilities through the M7 sales force and internal social media (“yammer” – see Appendix H),
- The topics are appropriate and additional topics such as wills, estate planning and foreign nationals are being added to keep the information relevant.

- The use of radio and activation campaigns increased awareness in a relevant, appropriate and simple manner using language that was understandable. This ties up with what the sector code requires.
- However, it appears that the FSC is limiting corporates with restrictions on content and product information. As the financial inclusion objective is to enable transacting, it means a captured market is being allowed to walk away which translates into a missed opportunity. Leads and inclusion should be intertwined; by providing immediate information, an individual can be included.
- The socio-economic impact is the increased awareness the programme has achieved. Without this financial literacy programme, these customers and potential customers would not be able to understand how to manage their finances or to open a bank account.
- In assessing whether impact was achieved the following guidelines from the BASA were considered -
  - Quality and frequency of the education:* the programmes form part of the teaching curriculum and frequent volunteerism.
  - Relevance of education to the target population:* the programmes use 'teachable moments' relevant to the target audience.
  - Opportunity to use this education:* this programme was implemented primarily to increase awareness as students don't have limited access to money.
  - Context in which people exercise their financial behaviours:* the 'teachable moments enhance spending of limited resources.
  - Appropriateness of financial education products on offer:* the board game is simple to engage with.
  - Collaboration and Partnerships:* teachers and education departments are partnered with.

### **AccessAgents**

AccessAgents are mobile sales agents that facilitate the opening of accounts and activation of products in the un(der)banked areas. Using a simple handheld

device with a barcode reader, potential customers need only bring their identity documents and have their photo taken.

### **AccessAgents**

The Bank offers a range of AccessAccounts which are transactional accounts. The full range of additional account options are provided in Table 21. These are discussed in greater detail in the sections that follow.

**Table 21: Inclusive Banking accounts (source: the Bank)**

		2013	2012	2011
<b>Transactional and savings accounts</b>				
Number of AccessAccounts		6 765 706 <sup>1</sup>	996 870	N/A <sup>2</sup>
Number of AccessSave accounts		582 198	301 053 <sup>3</sup>	N/A <sup>2</sup>
Value of AccessSave	Rm	440	84	N/A <sup>2</sup>
<b>Loan accounts</b>				
Number of AccessLoan accounts		377 989	450 724	NA <sup>2</sup>
Value of personal loans granted during the year	Rbn	1,6	3,7	2,4
Our loan exposure	Rbn	2,9	3,3	N/A <sup>2</sup>
% of customers that also hold an AccessAccount	%	73	80	N/A <sup>2</sup>
<b>Insurance policies</b>				
Number of funeral plan policies		1 145 204	1 133 201	1 106 498
Number of Level Life policies		50 072	N/A <sup>4</sup>	N/A <sup>4</sup>
Number of debt protection plan policies		369 547	459 106	308 685
Number of AccessCard protection plans		6 374	N/A <sup>4</sup>	N/A <sup>4</sup>
<b>Society schemes</b>				
Number of society schemes (stokvels)		63 978	65 953 <sup>3</sup>	58 471 <sup>3</sup>
Value of society schemes (stokvels)	Rm	1 252	1 089	962

<sup>1</sup> Increase is largely due to E Plan, Mzansi Blue and Mobile Banking accounts being integrated into the AccessAccount product.

<sup>2</sup> The AccessBanking suite of products was launched in 2012.

<sup>3</sup> Restated.

<sup>4</sup> Launched in 2013.

### **AccessSave**

The Bank offers a seven-day notice account to encourage savings. This is a transactional account that is competitively priced. Monthly income, payments, debit orders and card swipes are some of the transactions allowed on the account. The Bank holds a book over R440 million showing the socio-economic contribution the Bank provides to the South African low-income landscape.

### **Accessible insurance products**

The Bank sells risk products that comply with the Access to Finance requirements of the FSC in the form of insurance products; specifically funeral policies and life assurance. The funeral policies product range has seven plans on offer which cover from R6,000 to R50,000. There is also a monthly benefit pay out ranges which from R1,200 to R2,000 per month for six to twelve months.

In 2013, claims of R578 million were paid. The ease of transacting and accessing these products allow Access clients to engage more effectively with the Bank. It takes about ten minutes to activate and access an insurance product. The number of accounts held was in excess of 1.5 million (see Table 21).

### ***AccessLoan***

Affordable loans are offered to Access clients in keeping with strict credit provision legislation. Responsible lending practices are an important tenet of loan granting and within the context of the risk appetite within the Bank for this market segment. In tough economic conditions, the risk of default increases and it is expected that low-income loans will experience the biggest impact. Scaled living standards in tough market conditions have seen the loan exposure decrease by 12% to R2.9 billion (see Table 21). It is the view of the respondents, however, that if the programme be structured correctly, then any market forces should be felt across the whole loan book and not only on this book.

### ***Affordable housing***

Access to housing is a key measure of socio-economic impact. Improved living conditions improve the environment, the community's morale and energise communities to want to contribute to improving their lives and their surroundings. As households accumulate assets, it contributes to sustainable community development. The Bank has a successful programme of providing sustainable housing solutions to customers that don't qualify for traditional mortgage funding. With a market share of 35%, the Bank finances 1 in 3 houses in this market.

Individuals who qualify for ‘affordable housing’ loans have an income between R5,000 and R18,000 per month. This affords individuals access to housing valued at between R350,000 and R550,000. Financing enablers include looking at combined household income as well as other family members’ contributions towards expenses. In keeping with the requirements of credit granting regulation, the Bank looks at affordability and indebtedness and ensures that fair lending practices are in place that support, enable and protect their customers. A view of the affordable housing accounts can be seen in Table 22.

**Table 22: Affordable housing (source: the Bank)**

		2013	2012	2011
<b>Affordable housing loans</b>				
Total number of affordable housing accounts held		94 152	89 487	76 176
Number of affordable housing loans financed during the year		12 220	12 537	9 500
Total number of pension-backed lending accounts		12 325	13 660 <sup>1</sup>	13 907
<b>Affordable housing loans financed</b>				
Total finance disbursed to affordable housing	Rbn	4,4	4,0	4,1
<b>Borrower education</b>				
Borrower education spend	R	398 772	96 609	N/A <sup>2</sup>
Number of customers receiving borrower education		848	205	N/A <sup>2</sup>

<sup>1</sup> Restated.

<sup>2</sup> Not available.

Predatory lending practices that were discussed in section 2.4.4 are rife in low-income communities and perpetuate the preying on of uninformed borrowers. The Bank ensures that each loan that is awarded has product education as a prerequisite to transferring the funds. Product or borrower education ensures that customers understand their obligations. A new homeowner may not know that the mortgage bond is not the only expense and that one also needs to budget for rates and taxes and for unforeseen maintenance and other household expenses. Historically people boycotted essential services so it may be that these practices of non-payment may perpetrate a process of exclusion.

### ***Instant Money***

This is a money transfer process that can be originated from an existing account holder’s account and transferred to a Spar retailer or withdrawn from

any ATM via the card-less process. It basically allows people who cannot afford bank accounts to be able to still transact by receiving and storing money.

### **5.5.1 Construct 6: Accessibility**

#### ***AccessPoints***

AccessPoints as a business intervention was first conceived in 2010 and rolled out as Project Melville. The strategic motivation was to transform the Bank's traditional distribution channels in order to reach the mass informal market by improving on accessibility. In 2011 the Bank Shop Distribution Channel Establishment Project was rolled out. The mass market was split into two potential segments

#### Primary

- Cash payment originators;
- Low-income earners;
- Social grant/ cash payment recipients; and
- Inconsistent income earners

#### Secondary

- Self-selecting clients;
- Informal businesses; and
- Youth (16-18 year olds).

The bank shops were essentially small retailers that were equipped with transacting capability using access terminals. As the Bank improved on these projects, AccessPoints became the key retailer distribution channel that the Bank adopted, and which at the time of this research, offered an enhanced value proposition for the customer, retailer and the Bank.

The value proposition for each of the stakeholders is presented in Table 23 below.

**Table 23: Stakeholder value propositions for AccessPoints (source: the Bank)**

	Customer	Retailer	Bank
Product			
Prepaid electricity	<ul style="list-style-type: none"> <li>Extended hours of trade.</li> <li>Savings on transport costs</li> </ul>	<ul style="list-style-type: none"> <li>Increase foot traffic flow</li> <li>Additional revenue stream</li> </ul>	<ul style="list-style-type: none"> <li>Margin on electricity</li> <li>Drive customer behaviour</li> </ul>
Cash in & cash out	<ul style="list-style-type: none"> <li>Real time money access</li> <li>Local community accessibility</li> </ul>	<ul style="list-style-type: none"> <li>Supported by Bank's brand</li> <li>Competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>Reduce infrastructure costs</li> <li>Expand access</li> </ul>
Balance enquiry	<ul style="list-style-type: none"> <li>Convenient accessibility</li> <li>Extended trade hours</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced product range</li> <li>Meet consumer demand</li> </ul>	<ul style="list-style-type: none"> <li>Queue reductions</li> <li>Establish bank presence</li> </ul>

Measuring the extent of access requires a quantitative analysis of number of distribution channels.

**Table 24: Distribution channels (source: the Bank)**

Total branches and service centres in South Africa <sup>1</sup>		726	721	703
<b>Access in underbanked areas</b>				
Number of AccessPoints in communities		3 913	6 813	9 716
Number of active AccessPoints in communities	%	71	85	51
Number of transactions through AccessPoints		28 171 100	22 446 113	12 053 331
Number of AccessBanking Centres		106	100	68
Number of Extended Hours Outlets		37	88	N/A <sup>2</sup>
Number of Inclusive Banking agents		100	1 500	1 540
<b>LSM 1-5 areas (income of less than R5 000 a month)</b>				
Number of branches, service centres and AccessBanking Centres		143	136	N/A <sup>1</sup>
% of ATMs	%	38	34	35

<sup>1</sup> Includes AccessBanking Centres.

<sup>2</sup> Not available.

In section 2.4.5, the literature expounded on the importance of geography and location as key impediments to accessibility. Through the AccessPoints strategy, the Bank has been able to reach individuals in peri-urban and rural areas.

### **5.5.2 Findings from construct 5 and 6**

- The socio-economic impact is the increased financing, product take-up and accessibility the programmes have achieved.
- The number of access accounts from 2011 to 2013 shows the socio-economic impact the Bank has achieved. In Table 21 the various accounts available have generally seen growth in number. The loan accounts offering is one area that is affected by the risk management practices of the Bank. A deliberate effort to reduce the loan exposure has been put in place.
- In 2013, the Bank financed over R4 billion worth affordable housing loans equating to in excess of 12,000 loans with 81% of this being for new homeowners. This shows a significant impact on socio-economic development.
- In line with ensuring product relevance, the Bank enables low-income earners who have access to a retirement fund to access pension-backed lending. This unit managed to provide loans to the value of R370 million.
- This impact is quantified in the over 80 million transactions worth more than R1.5 billion rand for the annual period ended December 2014 that were made at AccessPoints.
- With over 4,000 AccessPoints nationwide and more than 70% of these active, reach has been substantially established. This number is further substantiated in relation to ATM presence as by 2013 38% of these were in low-income areas.
- 66% of the retailers are small informal businesses which would typically not have had access to or be associated with a big bank. This partnership enhances the value of the Bank's brand as well as that of the retailer's.

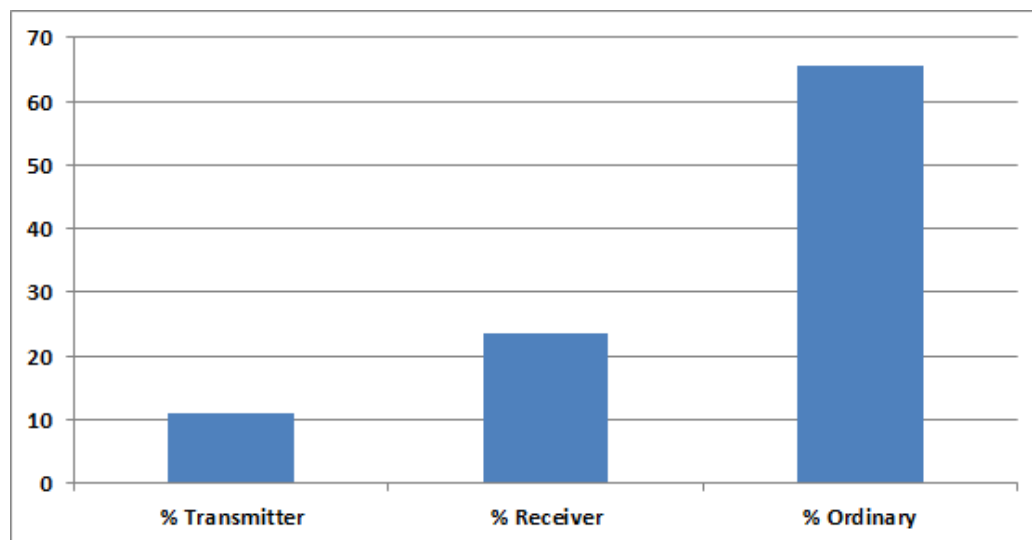
## 5.6 Discussion of results pertaining to Research Question 2

### Research question 2

**How can the programmes be customised for low-income households; which structural elements should be used in the programmes; and why must they be chosen?**

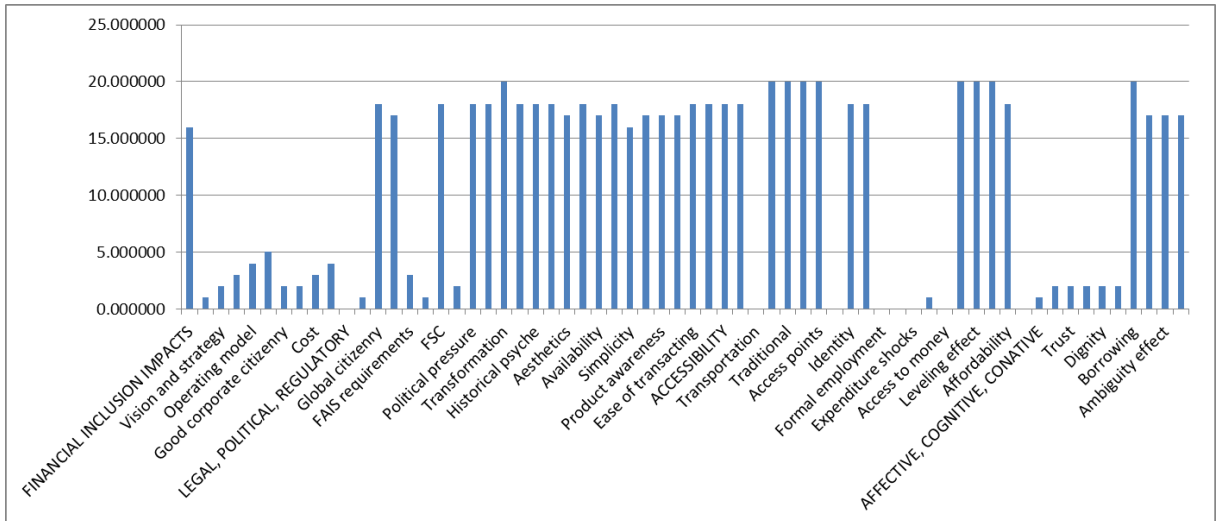
#### 5.6.1 Final FCM after determining key drivers

In the final FCM shown in Figure 25, the relative value of the transmitter nodes is 10.938% comprising 7 factors of the FCM. As indicated in Table 6, *receivers* are factors that receive influences from other factors in the system. The relative value of the *receiver* is 23.438% consisting of 15 factors. Per Figure 22, most of the nodes, 42 of them, are *ordinary* with a relative value of 65.625%. A total number of 125 connections were found.

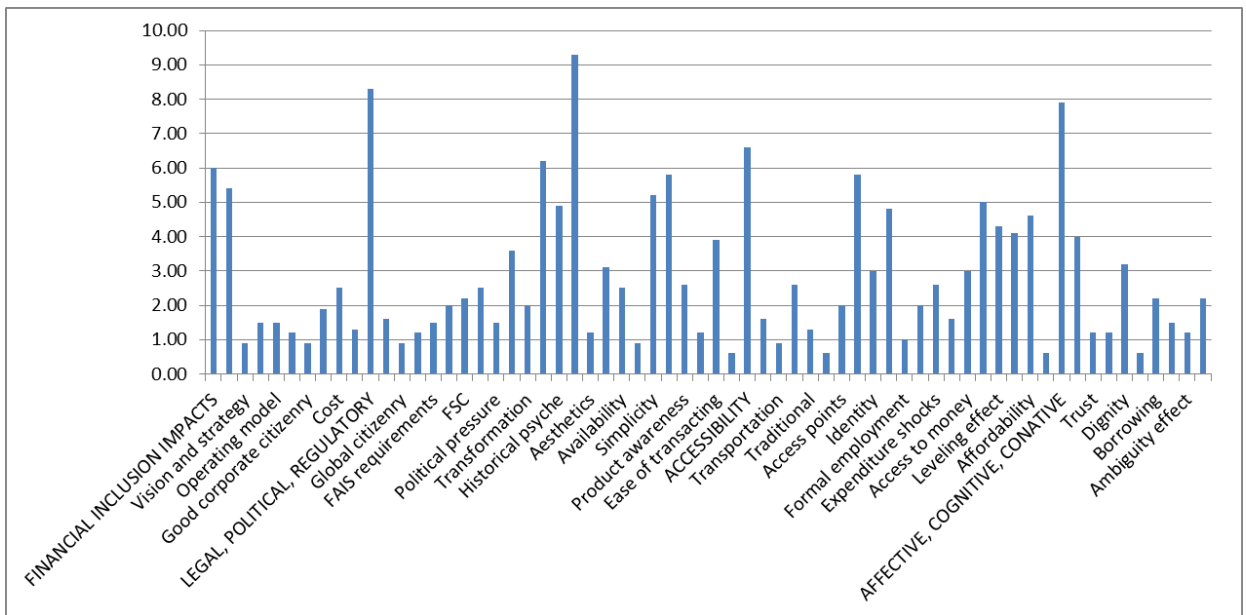


**Figure 22: Relative values of the nodes for the final FCM**

The total number of iterations required for the FCM to balance did not exceed 20 per node as shown in Figure 23.



**Figure 23: Iterations for final FCM**



**Figure 24: Measure of centrality in the final FCM**

*Centrality* measures the Absolute value of overall influence or importance of the factors. Programme and product features have the most depth with the highest *centrality* which confirms the views expressed that financial inclusion success

can be met if the products are appropriate and relevant. Affective, cognitive and conative factors have the next highest absolute value of influence – how individuals are framed, how they think, how they perceive and engage with financial inclusion factors impacts on the success of the programmes. Finally, the next significant factor is in how enabling the regulatory environment that business operates in is. Policy makers should be cognisant of these when drafting policies to ensure that legislated financial inclusion is not deemed a grudge purchase or act by the various stakeholders in the system.

In Figure 25 we thus see how the programme/ product features node is the biggest influence on financial inclusion as seen in the size of the node relative to the others. Within that, product education and simplicity are important as it empowers the consumer to understand the spend implications and underlying conditions associated with products. As a node related to literacy, it shows that the more specific that financial knowledge is, the more relevant it is to customers.

The next important depiction is the governance frameworks. An enabling legal, political and regulatory environment as well gives due consideration to ensuring appropriate governance and protectionist structures are in place when driving access. Using international guidelines, the legislation is also linked to addressing the socio-economic and historical psyche challenges specific to South Africa.

An appreciation of personal, social and geographic circumstances make up the next biggest nodes. When structuring products and programmes, they should not be done in isolation of “knowing your client”.

In the enhanced FCM depicted in Figure 25, we see the following differences to the literature and interviews integrated FCM of Figure 20

- That the political pressure and B-BBEE nodes have increased. This is based on the new BEE Codes that have more onerous and stringent targets expecting business to make greater commitments for BEE.
- The TCF node also increases whilst the NCA node decreases. As business strives to incorporate the treating customers fairly principles

into business practices, these enhance the credit regulations for customer protection.

- Management KPIs also show a slight increase. Linked to the change seen in the latter point on TCF, accountability is broadened.
- As management improves on managing these governance requirements, the risk management factor increases which impacts on cost as resourcing with risk experts increases overheads which has an impact on price.
- Management has committed to aiming to keep the prices of access products as low as possible and instead finding more innovative ways to roll out access rather than transfer overhead costs to access clients.

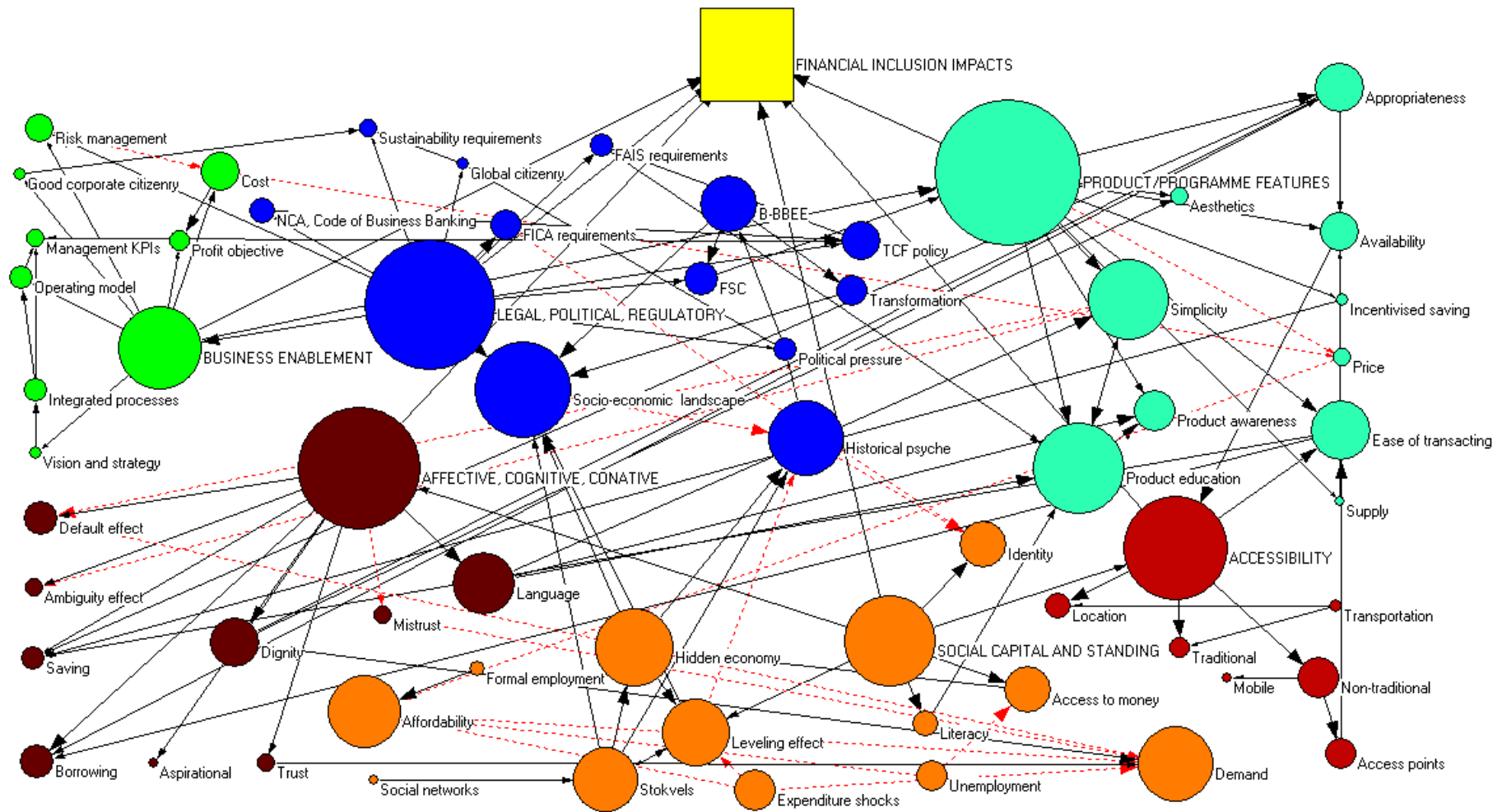


Figure 25: Enhanced Final FCM

## **5.7 Summary and conclusion of the results**

The Bank's strategy to include 'myth busters' in its consumer education training whilst increasing social corporate investment in these areas will improve perceptions of the Bank and graduate them to being an important social network in the community. The value propositions for the retailers as AccessPoints overlap into extending retailer trust to trust in the Bank.

Therefore, this strategy of the bank coming to its customers ensures that participants begin to view accessing the Bank as an exercise of convenience, but also as indicating that they are also of importance and their customer matters based on the services that are offered and are accessible in these communities. The qualitative model forms a knowledge portal which can be used as a tool to answer how to structure financial inclusion programmes to ensure adequate stakeholder considerations such that the programmes are structured optimally and reflect the following key characteristics:

- Appropriateness;
- Accessibility;
- Affordability; and
- Availability.

## **CHAPTER 6. CONCLUSIONS & RECOMMENDATIONS**

### **6.1 Introduction**

The first section of CHAPTER 6 provides for a conclusion to the research study by summarising the research findings. The next section provides recommendations based on the significance of the study as discussed in section 1.4. The recommendations relate to financial inclusion socio-economic impact as they link to well-structured programmes that encompass all stakeholder participations and contributions. The chapter concludes with suggestions for further research that can be conducted.

### **6.2 Conclusions of the study**

The purpose of this research is to determine and understand the factors that influence the socio-economic impact of financial inclusion programmes, using a qualitative model. The research was to understand the financial inclusion environment from a case site's perspective and to generate a practical model of measurable and enhanced socio-economic impact. Though the literature revealed why the financial inclusion programmes were included, how they were implemented appeared disjointed which minimised possible impact. It was then necessary to consider multiple factors that drive and influence financial inclusion to achieve on the underlying socio-economic impact.

#### **6.2.1 *Proposition 1: Government's perspective***

**The reasons why financial inclusion products were included are linked to a global and local imperative for economic development and poverty reduction.**

The international community has made commitments to financial inclusion that require local governments to act and contribute to this commitment (Ardic, Heimann, & Mylenko, 2011; Chaia et al., 2013; B. Porter, 2011; US Embassy, 2013). The local government has enacted and drives specific legislation that impacts on financial access. The South African government and industry regulation and legislation is enabling of financial inclusion by compelling access activity. The proposition of regulatory influence is confirmed in the literature review as well as the FCM exercise at the case site. This legislation impacts financial inclusion as reflected in the final FCM as follows:

- Transformation legislation that encourages financial inclusion and has a high positive impact (Republic of South Africa, 2004, 2012).
- The anti-money laundering legislation requires individuals to confirm their identity and place of residence has a low negative impact (Republic of South Africa, 2001).
- Consumer protection legislation all positively impact financial inclusion indicating customer wariness and government assurance through legislation is important to participants (Republic of South Africa, 2002, 2005, 2008)

### **6.2.2 Proposition 1: Business perspective**

**The reasons why financial inclusion products were included has been supported by business structure and regulatory, political and social frameworks of enablement.**

As a consequence of compliance, business formulates business objectives to derive some value from the regulation. Therefore, this part of the proposition is linked to the previous response as the outcomes are interrelated. Compliance can contribute to creating optimised operations for business benefit. By improving on internal structures, leveraging on and integrating capabilities, linking management responsibilities and aligning business strategies then shared value is created. The Bank ensures regulatory compliance and has created business infrastructure and strategies that specifically aim to achieve on access. In the FCM analysis it was found that business enablement is also a positive contributor to financial inclusion.

Together, the regulatory framework and business enablement factors in the FCM model confirm the proposition that these factors are the reason why financial inclusion programmes were introduced and implemented.

### **6.2.3 *Proposition 2: Social perspective***

**The literature confirms the factors that have been identified as having an influence on the socio-economic impact of financial inclusion programmes being: demographic; psychographic; and accessibility.**

The demographic, psychographic and access factors that affect participation in financial inclusion programmes were considered. Understanding participant needs and expectations goes a long way in knowing your customer. The Bank commissioned research on their customer base profile, not direct surveys, to get a sense of the challenges that this grouping faces. It was found from the research, literature review and FCM that the Bank does not know enough upfront and that some of the discoveries happen when the programmes are being implemented. Any amendments are reactionary. Social connections and networks have a direct evidential influence. The proposition was thus confirmed as being valid that these factors do influence the extent of access.

### **6.2.4 *Aligning the perspectives***

When considering the aforementioned factors: government authorities, businesses practices and societal aspects, the FCM indicated incongruence and non-integrative influences on financial inclusion. By aligning these factors, we can better assess the socio-economic impact they have on access to financial services. Hence the need to enhance the FCM with actual products and programmes' features and to determine how those factors influence programmatic structuring and vice versa.

### **6.2.5 *Research question 1: Integrated structuring***

**What programmes exist and are customised for low-income households; which structural elements are used in the programmes; and why were they chosen?**

The research indicated that the programmes require that the aforementioned factors in section 6.2 be considered in order for effectiveness to be derived. The programmes that exist include access points, access loans, affordable housing, funeral policies, credit life policies, product education and consumer education aimed at low-income households or access customers. The key characteristics included are appropriateness, affordability, accessibility and availability. They were primarily chosen based on legislative requirements but also based on strategic goals to achieve on inclusive banking imperatives.

### **6.2.6 *Research question 2: Generating a model for optimal programme structuring***

**Research question 2**

**How can the programmes be customised for low-income households; which structural elements should be used in the programmes; and why must they be chosen?**

Proper design ensures that both the programme objective and customer satisfaction is achieved. By incorporating all the factors into a single FCM we were able to see a bigger impact on financial inclusion achievement as seen by the bigger box representing socio-economic impact of the programmes. When any of the factors are omitted, the extent of impact is incomplete and minimised thus inclusion of all supply and demand factors into the model was confirmed.

### **6.2.7 *Conclusion on the main problem***

Two propositions and two research questions were explored and the following key drivers of enhanced and impactful financial inclusion have been identified:

- Legal, political and regulatory enabling factors
- Business enablement factors.
- Programme and product feature factors..
- Social capital and standing factors
- Affective, cognitive and conative factors.

An important objective and outcome for the success of integrated financial inclusion programming is to achieve socio-economic development and meet participant needs. This must not be at the expense of all other stakeholders so as to ensure continued support, advocacy and commitment to delivering the programmes and products. The generated qualitative model forms a knowledge portal which can be used as a tool to answer how to structure financial inclusion programmes to ensure adequate stakeholder considerations such that the programmes are structured optimally

### **6.3 Recommendations**

Financial inclusion is complex, has multiple stakeholders and has a global and local critical imperative. Strategists, policy makers and implementers of financial inclusion programmes should consider the influential factors or key drivers that impact on socio-economic impact. It is important to understand financial inclusion from the perspective of business which ultimately implements the programmes. If socio-economic impact is the only driver, philanthropy will limit the extent of commitment as organisations operate in specific contexts.

#### **6.3.1 Collaborative government role**

The first key driver identified in the research relates to a global and local context that reflects a large population that remains on the fringes of financial access. As governments seek to sustain and enhance economic growth, they look to public policy and private-public partnerships. It is anticipated that these will benefit government and citizens, whilst creating a business environment that is conducive to transformation. Government cannot increase employment and access to financial services without partnerships. Social dialogue must thus remain an important

contributory factor to shared value objective making between the private and public sector. Certain incentives for volunteered rather than forced commitment will make these contributions to be accepted more wholeheartedly with clear sight of business benefit, than to be seen as grudge commitments. Allowing for brand strength as a catalyst for trust enhances financial inclusion. A balance must be achieved with sales versus inclusion objectives to achieve a win-win for both goals.

### **6.3.2 *Integrated business modelling***

Secondly, it is important that business ensures that it is structured to deliver on the socio-economic objectives as well as the business objectives of financial inclusion. Aligned management KPIs, integrated operating models and linkages to the overall business strategy may ensure better traction and greater likelihood of success. Socio-economic impact is often seen as an emotional purpose statement rather than a lived business culture. Therefore, to achieve better integration, a committed culture to the intent of financial inclusion is most likely to lead to success. Culture changes and embedding is best achieved through strong leadership. Thus, strong leadership buy-in, understanding and commitment will propel an integrated process that supports performance linked to achieving on the success of financial inclusion.

### **6.3.3 *Social democracy approach***

The third key driver is to get input from the target market such that business and government do not assume the needs of these groupings but rather understands how the financially excluded include or exclude themselves. True customer-centricity gives a voice to the target market to ensure that product and programme planning is aligned to customer needs. The target market will not only determine the appropriate products and programmes to be sold and delivered, but also the marketing, accessibility and distribution strategy. The use of technology can ease the opinion collection process quite extensively making it scalable and more representative. When there is misalignment with customer viewpoints, the business and government may waste resources, not be able to track and achieve impact and create negative perceptions and views on financial inclusion as a phenomenon. Being cognisant of the non-homogeneity of low-income households enhances

customer knowledge. Social entrepreneurs are usually knowledgeable about community structures, needs and wants, therefore collaboration with these entrepreneurs can also provide valuable insights and input to achieving financial inclusion penetration.

In order to deliver on effective public policy, business, government and society contributions are needed. In order for these programmes to be successful, ensuring the views, opinions, circumstances, objectives, needs and wants of stakeholders through variant contributions are considered from all quarters to aid achievement. The use of social dialogue, social knowledge gathering and social technology platforms such as social media and mobile, make democratic and involved engagement more acceptable. Focus group FCM generation for various stakeholders can be enabling if implemented to create a knowledge eco-system that can enhance financial inclusion planning, policy-making, business operations and social expectations.

#### **6.3.4 *Disruptive innovation in financial inclusion***

Traditional branch and retailer distribution channels as well as mobile banking have made substantial in-roads in enabling access to financial services. However, providers continue to experience low profitability against high costs and low margins which is an inefficient inclusion process. Disruptive innovation is a process which Yu and Hang (2010) view as being associated with innovation not only in technologies but also in business and service models. As banks review the success of their current product, programme and service offerings, they should consider if customers still derive the same utility from these offerings. Where satisfaction is seen in decline, it presents an opportunity for new innovations to be introduced. Some of these 'innovations' could even be how the market is accessed or how access is achieved which could include contributing to basic education as access clients seek to be valued as having agency in their financial inclusion. Therefore, in parallel to ensuring accessibility, availability, appropriateness and affordability of programmes and products, contributing to social inclusion may inadvertently lead to financial inclusion.

### **6.3.5 *Integrated access, awareness, distribution and implementation approach***

After considering stakeholder engagement, infrastructural as well as product and programme features for inclusion must be closely reviewed. In the context of South Africa, access for peri-urban and rural households is limited. Though access is increased through retailer banks and the use of infrastructure, security measures for customers need to be improved. Even if business provides the means to access, where there are security concerns from escalating crime levels due to unemployment, lack of education and lack of housing, access will remain a thinly defined process. Accessibility must become a feature of the programme or product - convenience and ease of access are likely to lead to better inclusion. Feedback loops with the target market and programme implementers must be maintained.

An FCM is appropriate for analysis and providing decisions within complex systems. Using an FCM, the following actions should be considered:

- Obtain multi-stakeholder insights and key leadership commitments.
- Conduct a social due-diligence as one would for a generic business product or programme.
- Use consulted on inputs to develop an implementation, awareness and distribution plan.
- Allow for regular and consistent monitoring and evaluation practices to measure impact.

## **6.4 Suggestions for further research**

During the research, a qualitative socio-ecological systems model was developed using fuzzy cognitive mapping. Future research should cover an integration of quantitative research with the qualitative research.

### **6.4.1 *Monitoring and evaluation***

There is limited data in South Africa on the success of products and programmes hence this research used inference for conclusions that may not be directly

attributable to the case site. This limitation means there is scope to review progress of financial inclusion programmes from multiple perspectives: business government and society. As monitoring and evaluation is a new policy requirement, repeated or continuous evaluations are necessary. Therefore, future research must provide trend analysis that assesses impact and captures the evolution of financial inclusion.

#### **6.4.2 *Additional influencing factors***

The study revealed 5 key factors that influence on the socio-economic impact of financial inclusion programmes. Including interviews from beneficiaries and participants of financial inclusion programmes and products would increase the scope and provide further insights into the research. Extensive research on specific products and of social settings exists. Since the momentum for financial inclusion is a global and local imperative, more comprehensive understanding is required to achieve on the underlying socio-economic objective. Exploring additional factors that may also impact on access must be researched especially in financial inclusion programmes other than financial literacy which is already the most researched programme.

#### **6.4.3 *Scaling up the FCM model***

Research on modelling financial inclusion using concept or cognitive maps is limited making room for increased opportunities in this area. Generating a model that can be used as part of further research will allow for a visual depiction of multi-stakeholder insights and group knowledge creation as well as decision-making. The model may be scalable by using the FCM more broadly than what a specific case site might reveal. This broader research may show certain trends or differences that can enhance the scope of future research. Therefore, continuing to model these complex systems may contribute favourably to efficient and effective policy making and business enablement.

#### **6.4.4 *Easing on policy constraints***

The FSC places very strict conditions and parameters on what constitutes claimable financial inclusion (Republic of South Africa, 2012). For financial literacy, for example, claimable training is limited to low-income households. This financial inclusion initiative is an incentive for financial institutions as a contribution to transformation. The incentive is limited in this regard as there are many financial inclusion opportunities that are omitted in this range of what is claimable. The financial industry however has regulations that place a large number of individuals on retirement fund boards as trustees who have little financial knowledge. Some of these individuals fall outside of the low-income household bracket. This means that since they do not qualify for this training it is not claimable and the resulting effect is that there are low levels of trustee training where there is no incentive to train. This low-income limitation thus excludes many people who could benefit from the training. As one of the objectives of financial inclusion to achieve on increased financial knowledge, an opportunity to ensure more overall effective engagement with financial services companies is lost. Social dialogue to review these constraints or research to find ways to ease policy limitations may enable and enhance financial inclusion practices.

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## APPENDIX A: List of interview respondents

<b>Area of expertise</b>	<b>Title</b>	<b>Brief biography</b>
Industry body	Senior Policy Officer	Member of FS Council and ASISA and involved in final and amended drafts of FSC
Industry body	Chief Operating Officer	Manages the FSB consumer education foundation
Consultancy	Senior Research Council	Consults/ does M&E on the consumer education programme for the Bank
Case site	Ex-Chief Executive: Standard Bank Group	Initiated and co-wrote the first draft of the FSC
Case site	Head of Transformation	Integrates all transformation strategies in the Bank
Case site	Chief Executive: Personal and Business Banking (Inclusive Banking)	Member of the Banking Association of South Africa representing Standard Bank
Case site	Head of Inclusive Banking	Heads up unit with all access related strategies
Case site	Senior Manager: Customer Facing Solutions (Inclusive Banking)	Responsible for customer-centric strategy part of inclusive banking
Case site	Senior Manager: Retailer Value Proposition (Inclusive Banking)	Responsible for Access Points strategy
Case site	Manager: Consumer Education (Marketing)	Manages financial education programme for the Bank
Case site	Manager: Insurance and Credit Life Policies (Insurance Brokers)	Responsible for funeral policies and credit life

## **APPENDIX B: Email to respondents**

Good Morning,

I am in my final year MBA at Wits Business School focusing on Finance and Strategy. I am currently writing my thesis on the topic:

***Factors that influence the socio-economic impact of financial inclusion programmes in Standard Bank.***

I have been given permission to use the Bank as a case study by Ms xxx xxx the CE of Personal & Business Banking. I am requesting an opportunity to interview you as a subject matter expert/ participant on financial inclusion – from an industry knowledge or business implementation perspective. My research questions are set out broadly below but are not limited to these:

1. Research question 1:
  - Why are financial inclusion programmes implemented?
  - What is the driver for implementation and consideration?
2. Research question 2:
  - What factors influence the socio-economic impact of the programmes?
  - What does impact, monitoring and evaluation analysis reveal?
  - Which programmes are the most efficient and effective; and why?
3. Research question 4:
  - What organisational infrastructure supports the programmes?
  - Are the programmes integrated into business in any way?
4. Research question 5:
  - Which structural elements are used in the programmes, why are they chosen and why are other structural elements not chosen?

I am contactable on my company email address and my landline and cellphone numbers (herein below). Kindly confirm your availability for the interview and I will arrange such accordingly.

My supervisor at Wits Business School is Professor xxx xxx. She can be contacted on xxx-xxx-xxxx.

Thanks and kind regards

Amanda Khoza

xxx-xxx-xxx

Amanda.khoza@xxxxxxx.co.za,

## APPENDIX C: Interview protocol

Topic presented to interview respondent: *Factors that influence the socio-economic impact of financial inclusion programmes*

### Details of the respondent

Name:

Organisation:

Unit:

Title:

Responsibilities:

Telephone number:

Email Address:

Date:

Time:

Venue:

Duration of interview

Documents required:

- Context of study and summary of research
- Explanation of FCM process
- Printed concept FCM as research tool
- Recording sheet and instrument (recorder)
- Interview discussion schedule to guide questions (not strictly adhered to)

## APPENDIX D: Interview discussion guide

Interview question	Proposition / Research question
<p>What triggered the interest in financial inclusion as part of the business activity?</p> <ul style="list-style-type: none"> <li>• Research states that there are risks associated with financial inclusion for low-income households, has this been resolved?</li> <li>• What was the trigger for the introduction of financial inclusion programmes in this organisation? When was this?</li> <li>• What products and services do you have as part of your financial inclusion programmes?</li> <li>• What is the main objective of these programmes (social, business, political)?</li> <li>• Do you think implementation should be bound by legislation? Why? Why not?</li> <li>• Is there sufficient regulation or is more needed?</li> <li>• To what extent were you involved in the social dialogue in crafting the legislation on financial inclusion programmes?</li> <li>• Who (should) take(s) key accountability for financial inclusion? Consider leadership, government, NGOs, industry, regulators etc... Why?</li> <li>• Do you think there is room for new dialogue on financial inclusion programmes? What should be the leading discussion? What should be the thought leadership on implementation?</li> </ul>	<p><u>1:</u></p> <p>Why were the financial inclusion programmes implemented?</p>
<p>What do you think are the factors that influence socio-economic impact?</p> <ul style="list-style-type: none"> <li>• Comment on the financial literacy</li> <li>• Comment on financial product/services complexity</li> <li>• What is the impact of the costing and fee structure in limiting access?</li> <li>• Comment on the legal framework – does it enable or inhibit true financial inclusion that can impact development</li> <li>• Does the urban and rural makeup of the South African public affect successful delivery of</li> </ul>	<p><u>2:</u></p> <p>What factors influence the socio-economic impact of the programmes?</p>

Interview question	Proposition / Research question
<p>financial inclusion programmes</p> <ul style="list-style-type: none"> <li>• Where and how are your products and services delivered?</li> <li>• With the increased interest in social media and use of technology, do you think South Africa can/should use this mode as a delivery channel for financial inclusion? Consider urban/ rural split, socio-economic profile, expense of data.</li> <li>• Do financial institutions have the right, unbiased, non-conflicted position in driving financial inclusion for socio-economic impact?</li> <li>• Is there a (possible) social cost given your position? Is there a (possible) business cost given your position?</li> </ul>	
<p>Financial programmes are often implemented within a certain organisational infrastructure context – what is it for the business?</p> <ul style="list-style-type: none"> <li>• Do the risks that come with access to low-income households affect the structure of the programmes?</li> <li>• Do you leverage on existing infrastructure or is this a separately run process? Consider integrated processes.</li> <li>• What infrastructure exists that creates competitive advantage?</li> </ul>	<p><b>3:</b></p> <p>What organisational infrastructure supports the programmes</p>
<ul style="list-style-type: none"> <li>• What social/economic research do you do before the delivery to these areas? Do you factor this into the structure of the programmes? What are these factors that you include?</li> <li>• Do you collaborate in the crafting of the programmes? Do you see them as structured to drive business growth (competitive advantage) or as a good corporate citizenry act (socio-economic developmental impact)?</li> <li>• Do you consider profitability and or marketing as a key element? Weight the structural importance.</li> <li>• Would you focus all activity into this market and if not, what portion makes business sense for all your stakeholders (regulators, shareholders, employees, brand)?</li> <li>• What specific structural elements are included in</li> </ul>	<p><b>4:</b></p> <p>Which structural elements are used in the programmes?</p> <p>Why were these specific structural elements chosen</p> <p>Why were the other structural elements not chosen?</p>

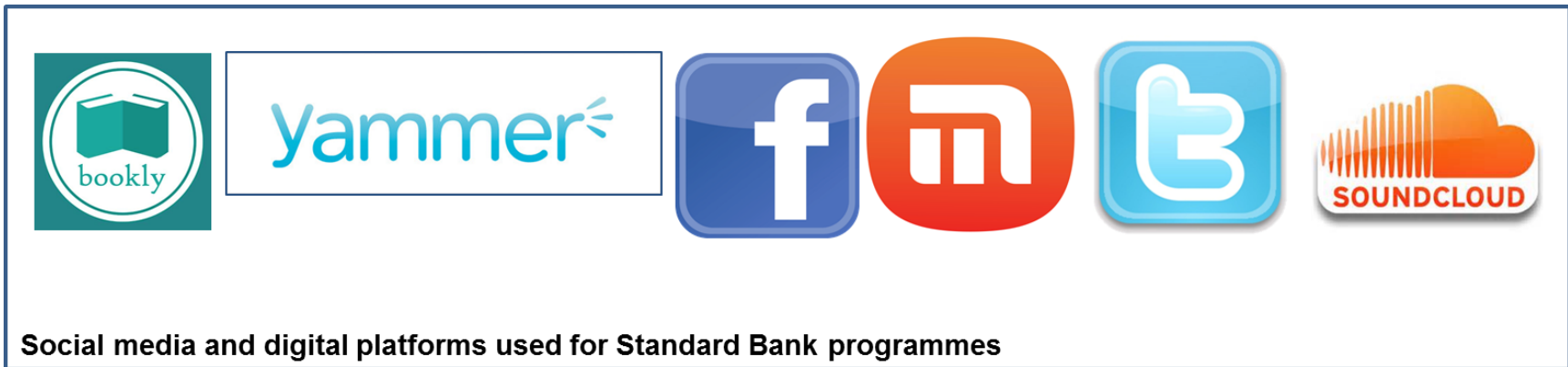
<b>Interview question</b>	<b>Proposition / Research question</b>
<p>the programme engineering process?</p> <ul style="list-style-type: none"> <li>• Can strategists, policy makers and business owners agree on the structural elements collectively? Can each role-player's objectives be equally considered? Where does the balance of favour lie? Where should the balance of favour lie?</li> <li>• Are there best practices that have been uncovered since inception?</li> <li>• What new considerations will be implemented?</li> <li>• What can never work in the South African context? What has not worked?</li> <li>• What works best in the South African context?</li> </ul>	

## APPENDIX E: Data collection schedule

TITLE	TYPE OF DATA	CONTENT DESCRIPTION
<b>Primary data sources</b>		
Semi-structured interviews	11 Recordings	Recordings of interviews held with experts from the case site and the financial services industry
FSC scorecard 2014/2015	Document	Audit report on the performance of the bank on its FSC verification
Access ecosystem	Document	Access suite of products available for access clients as defined as R0-R8000 income range
Competitor analysis and savings	Document	Competitor analysis and best practice Group savings propositions
Inclusive banking strategy 2014	Presentation	History of inclusive banking as well as strategic innovations and objectives (2014-2017)
PBB Group strategy 2014	Document	Strategy to 2017 for the whole unit as presented to the Board
Group savings	Presentation	Savings trends as reflected in group savings products such as stokvels and other schemes
Access point journey	Presentation	History of the access point programme as well as the servicing model
Access point operating model	Document	Outline of the operating model for the access point programme presented as a manual
Funeral policy	Document	Terms and conditions for accessing the funeral policy for compliant products
Debt protection plan	Document	Terms and conditions for accessing credit life for compliant products
Financial education strategy	Presentation and Document	Strategy for the Bank for the period 2012-2014 for consumer financial education
Financial evaluation report	Documents	Evaluation of impact, process and implementation process of the programme
WalletWise	Booklet	Booklet given to participants of the consumer financial education programme
WalletWise advertorial	Document	Advertisement of the WalletWise programme for the financial awareness programme
WalletWise alternatives	Document	Write-up on various options one can use to use your money more wisely
Financial education	10 video clips	Video clips of various communications awareness

TITLE	TYPE OF DATA	CONTENT DESCRIPTION
<b>Primary data sources</b>		
2013 BEE Report	Annual report	Access products usage and statistics.
<b>Secondary data sources</b>		
Semi-structured interviews	3 Recordings	Input from industry experts on the topic, industry and case site
Stokvels the hidden economy	Document	Research commissioned by the Bank to understand the group savings landscape
Special products report 2009	Document	FinScope research on stokvels
The stokvel sector	Document	Research conducted by the Wits Business School on stokvels
Connecting with survivors 2014	Presentation	Research commissioned by the University of Cape Town to understand the segment of survivalists
Emerging market	Document	An analysis report on emerging market segments as potential markets for engagement
Expenditure patterns 2011		Research conducted by UNISA to understand household income and expenditure patterns
FinScope reports	Documents and presentations	Various reports based on consumer surveys
FSB financial literacy	6 booklets	FSB booklets on their MoneyWise programme on financial literacy
FSB TCF report	Document	TCF implementation update and baseline study feedback report
OECD and HSRC	Documents	Various studies commissioned by the FSB to understand the financial literacy landscape
Financial literacy report	Document and presentation	FSB report on financial literacy in the industry
ABSIP Pinnacle Magazine July 2013	Magazine	ABSIP magazine special edition feature of Jacko Maree as a transformational leader in the financial services sector

**APPENDIX F: Consumer education advertorials, posters and media channels**



**Social media and digital platforms used for Standard Bank programmes**

# Be WalletWise and save for the future

Managing your finances and planning for big future expenses such as buying a car, putting a deposit down on a house, putting your children through school or university as well as your retirement is important.

You should start putting money away for these eventualities, even if you're not yet sure what this future will be.

A bank can help you decide how best to manage your money.

Become **WalletWise** by managing your finances throughout all your life stages:

## During one's twenties

People start thinking about long-term planning or a long term investment – this form of savings takes place over a long period exceeding 60 months depending on the financial institution. Depending on the product selected, a long term investment will gather more money or interest over time when left in a bank, than a short term savings plan.

With the help of a bank consultant, young adults can set down some life goals, start to build extra money towards achieving these goals and draw up a will (a document that says how a person's money and possessions will be divided up among family and friends when they die). A bank consultant can also give advice on how best to manage your money when a person becomes disabled or is diagnosed with a disease. Major expenses during this decade of one's lifetime may include buying a motor vehicle or getting married, both of which may require bank loans.

## During one's thirties

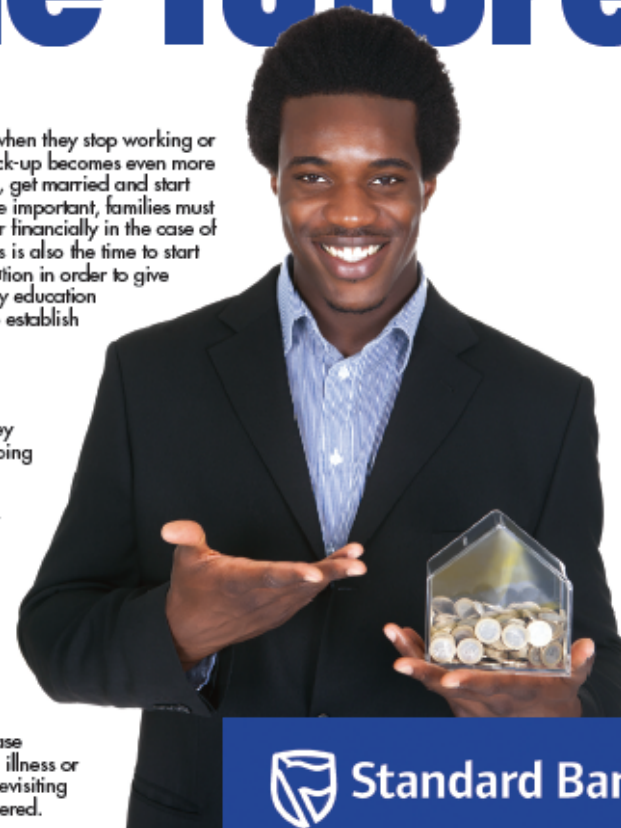
People should start to save for when they stop working or they retire. Having financial back-up becomes even more important as people buy homes, get married and start families. Because loved ones are important, families must ensure that they are looked after financially in the case of unexpected illness or death. This is also the time to start saving for your children's education in order to give them the best school and tertiary education possible so that they are able to establish themselves later in their lives.

## During one's forties

Those who look after their money from a young age will start reaping the rewards in their forties. This is the ideal time to plan to pay off your home and step up your retirement planning. If carefully planned, the money saved for your retirement one day, will continue to grow even with inflation.

## During one's fifties

People need to ensure they are adequately covered for worst case scenarios such as death, critical illness or disability. Estate planning and revisiting ones' will should also be considered.



 Standard Bank

**APPENDIX G: Consistency matrix**

<b>RESEARCH PROBLEM:</b> The research problem is to determine why financial inclusion programmes were introduced, factors that influence the socio-economic impact of the programmes and how they are and can be structured using a qualitative model, in a financial institution.					
<b>Sub-problem</b>	<b>Literature Review</b>	<b>Hypotheses or Propositions or Research questions</b>	<b>Source of data</b>	<b>Type of data</b>	<b>Analysis</b>

<b>RESEARCH PROBLEM:</b> The research problem is to determine why financial inclusion programmes were introduced, factors that influence the socio-economic impact of the programmes and how they are and can be structured using a qualitative model, in a financial institution.					
<b>Sub-problem</b>	<b>Literature Review</b>	<b>Hypotheses or Propositions or Research questions</b>	<b>Source of data</b>	<b>Type of data</b>	<b>Analysis</b>
The <u>first</u> sub-problem is to identify the reasons for introducing financial inclusion programmes.	(Arora, 2010) (Schoombee, 2000) (Tomlinson, 2005) (Republic of South Africa, 2012) (Kempson et al., 2004) (Kempson & Whyley, 1999) (Dev, 2006) (NCR & Frost & Sullivan, 2009) (World Bank, 2008) (ASISA, 2012) (Republic of South Africa, 2004)	Proposition 1 The reasons why financial inclusion products were included are linked to a global and local imperative for economic development and poverty reduction. This has been supported by business structure and regulatory, political and social frameworks of enablement.	Case site:  Interviews (interview schedule using open-ended questions)  Observations (by researcher during interviews)  Documents (programme data, legislation, articles)	Interviews  Observations  Documents  Videos	Logical order, classification and pattern identification.  Data analysis  FCM  Matrices

<b>RESEARCH PROBLEM:</b> The research problem is to determine why financial inclusion programmes were introduced, factors that influence the socio-economic impact of the programmes and how they are and can be structured using a qualitative model, in a financial institution.					
<b>Sub-problem</b>	<b>Literature Review</b>	<b>Hypotheses or Propositions or Research questions</b>	<b>Source of data</b>	<b>Type of data</b>	<b>Analysis</b>
The <u>second</u> sub-problem is to identify factors that influence on the socio-economic impact of financial inclusion.	(Atkinson, 2008) (Lusardi & Mitchell, 2007) (McCarthy, 2011) (Republic of South Africa, 2012) (Mendelson, 2012a) (Murphy, 2013) (Jefferis, 2007) (Regan & Paxton, 2003) (NCR & Frost & Sullivan, 2009) (Rasheed & Arshad, 2009)	Proposition 2 The literature confirms the factors that have been identified as having an influence on the socio-economic impact of financial inclusion programmes being: demographic; psychographic; and accessibility.	Case site  Interviews (interview schedule using open-ended questions)  Observations (by researcher during interviews)  Documents (programme data, legislation, articles)	Interviews  Observations  Documents  Videos	Logical order, classification and pattern identification.  Data analysis  FCM  Matrices.

**RESEARCH PROBLEM:** The research problem is to determine why financial inclusion programmes were introduced, factors that influence the socio-economic impact of the programmes and how they are and can be structured using a qualitative model, in a financial institution.

Sub-problem	Literature Review	Hypotheses or Propositions or Research questions	Source of data	Type of data	Analysis
<p>The <u>third</u> sub-problem is to determine the financial inclusion programmes' effect on socio-economic impact;</p>	<p>(Republic of South Africa, 2012)            (Mendelson, 2012a)            (ASISA, 2012)            (WorldBank, 2008)            (Srinivasan, 2007)            (AFI, 2010)            (Khan, 2012)            (Weiser, 2007)            (Porter, 2011)            (Tomlinson, 2005)            (Kempson et al., 2004)</p>	<p>Research question 1:            What programmes exist and are customised for low-income households; which structural elements are used in the programmes; and why were they chosen?</p>	<p>BEE scorecards            Socio-economic profile data            Survey and economic fundamental stats            Documents (programme data, legislation, articles)            M&amp;E reports            Data sources integrated</p>	<p>Qualitative            Interviews            FCM</p>	<p>Logical order, classification and pattern identification.            Data analysis            FCM            Matrices</p>

**RESEARCH PROBLEM:** The research problem is to determine why financial inclusion programmes were introduced, factors that influence the socio-economic impact of the programmes and how they are and can be structured using a qualitative model, in a financial institution.

Sub-problem	Literature Review	Hypotheses or Propositions or Research questions	Source of data	Type of data	Analysis
<p>The <u>fourth</u> sub-problem is to use a qualitative model to establish how the programmes can be optimally structured to achieve socio-economic impact.</p>	<p>(Republic of South Africa, 2012) (ASISA, 2012) (Republic of South Africa, 2004)</p>	<p>Research question 2:  How can the programmes be customised for low-income households; which structural elements should be used in the programmes; and why must they be chosen?</p>	<p>Case site  Interviews (interview schedule using open-ended questions)  Observations (by researcher during interviews)  Documents (programme data, legislation, articles)</p>	<p>Case site:  Interviews (interview schedule using open-ended questions)  Observations (by researcher during interviews)  Documents (programme data, legislation, articles)</p>	<p>Logical order, classification and pattern identification.  Data analysis  FCM  Matrices</p>

