



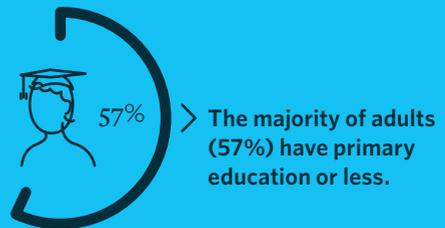
Farmers, rural adults and the youth possess low financial literacy skills in Madagascar



The majority of adults (57%) have primary education or less. The level of education has implications on financial literacy. Formal education systems provide numeracy and comprehension skills. This includes a general awareness of formal financial products, how they work and skills such as budgeting. The implicit knowledge gained from educational systems also improves the comprehension of financial terms of new products on new platforms enabling a transition from traditional financial practices (saving in kind, postal saving book, etc.) to contemporary options (annuities, policies, etc.).

About 8% of the adult Malagasy have received technical assistance training mainly on farming or agriculture channels with only 6% of them being financial education programs and 3% on farm management.

With generally low levels of income - 70% living on under \$2 a day, control over finances become imperative. FinScope reveals that at least three in four adults have control over how their money is spent. More females (79%) agreed to have control over their money than males (75%). However, more female adults confirmed to have higher proportion of running out of money for basic needs such as food or medicine (10%) than males (7%).

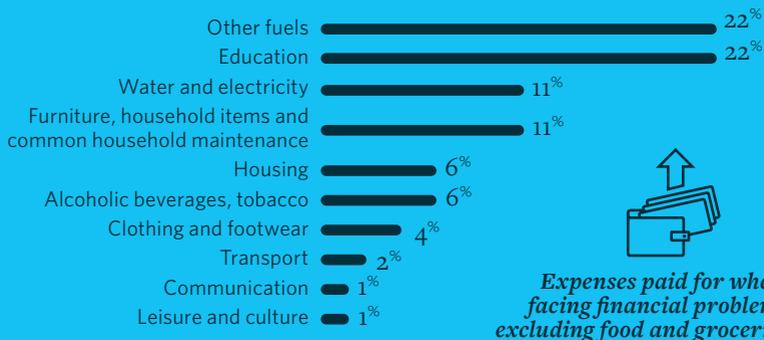


Demographics

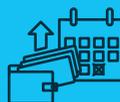
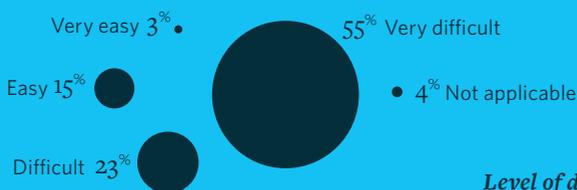
You control how all of your money is spent
Together with other people, you control how your money is spent e.g. as part of the family
You have no control over how your money is spent
Do not know

Level of control over how money is spent





Expenses paid for when facing financial problems excluding food and groceries



Level of difficulty with keeping up with financial commitments

Coping with financial commitments is difficult for almost four in five adults (78%).

This is inherent in low and irregular income. The link between income levels and level of difficulty with coping with financial commitments proves to be an inverse one for Malagasy adults. Few adults (18%) claim coping with financial commitments easy to very easy.

Energy (fuels) and education are priority expenses during financially stressful times.

Transport and communication ranked very low indicating that adults prioritised education over housing and recreational items such as tobacco or alcohol. This is despite the higher usage of mobile phones (35%).

About 23% of adults expected to have a major expense or event in the next 12 months.

These events included higher education bills, weddings, ceremony such as traditional festivals, etc. When planning

for future events, sufficient financial literacy suggests that an individual plans a way to settle the events' expenses. Of those expecting major events, the most popular mechanism anticipated to be used was savings with three in five of these adults. Other mechanisms mentioned were 'selling something to cover the costs' (15%), relying on family or friends (11%) and only 5% planning to borrow elsewhere and 2% borrowing from the bank. This indicates that savings form an integral part of future planning, key in financial behaviour.

One in ten adults claimed to have funeral provisions for their burial.

Of these, savings (72%) were the main mechanism to pay for funeral expenses, followed by solidarity systems (28%). This can also be largely related to belief systems concerning funerals and death more than it would be about financial behaviour.

Madagascar

FINANCIAL LITERACY



The financial literacy score

Several questions were used to create three broad determinants of financial literacy namely financial behaviour, financial perception and financial awareness. Each of these determinants comprised of a set of questions with each positive (or correct) response being a score of one and no point for a negative (or wrong) response. These were scaled to a total of 100%. Financial behaviour had 10 questions, financial perception with 5 and financial awareness with a total of 8. Thus, the weighting of these determinants to the total financial literacy score was implicit.

This allowed the creation scores and then in turn, bands with low, medium and high categories. More information on the creation of the scores is available from the FinScope Consumer Survey Madagascar 2016.

The mean scores indicate that the Malagasy have relatively higher degree of financial awareness (73%) than financial behaviour (46%) or financial perception (43%). Bands were created to distinguish those with low, medium and high levels of financial literacy for each determinant.

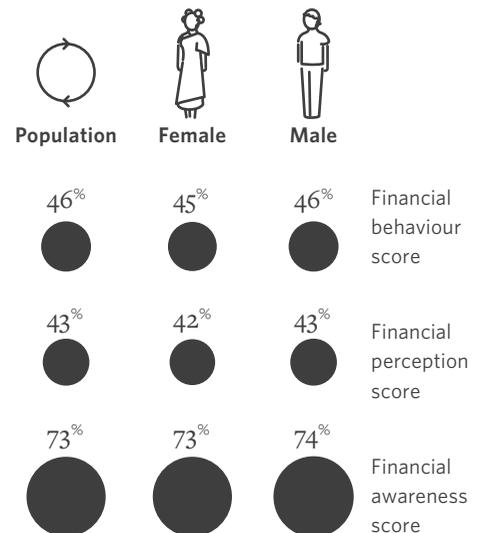
The Malagasy have relatively higher degree of financial awareness (73%) than financial behaviour (46%) or financial perception (43%).



> **54% is the average financial literacy score of all Malagasy adults**

Informal product usage is negatively related to financial literacy.

Overall, adults with low financial literacy have lower formal products and higher informal products. Consequently, low and moderately literate adults mainly rely on friends and family to meet their financial needs. The data shows that friends and family are an integral financial source to all adults with the highest uptake in credit, moreso amongst the highly literate. The use of bank credit or savings is largely taken up by those with higher literacy while the use of mobile money is more popular amongst those with moderate to high financial literacy.



*Determinants of financial literacy score (mean)
Total score obtainable 100%*

Financial literacy score

Financial behaviour band

Half of adult Malagasy scored low in the financial behaviour score. The financial behaviour band showed significant variations in the individuals' location, main income source groups, type of financial access and education. Low financial behaviour skills are mainly possessed by adults in rural areas, those with low education levels (primary and less), dependents, farmers and the youth.

The score suggests that interventions directed at these groups can improve their literacy. A small proportion of farmers (being the lowest) and the youth have high behavioural skills.

Financial awareness band

One in ten adults have low financial awareness indicating moderate to high levels of financial awareness. Almost half (49%) of adults scored medium, while 42% scored high levels of awareness. The segments that scored differently amongst the adults were the rural adults, those with primary education and less and farmers. Those with low financial awareness, about 1 million, were the most financially excluded with only 1% of them being formally included, 36% having informal products only and the rest (63%) being excluded. In terms of financial inclusion, those with high financial awareness are more likely to be banked or have/use other formal products and services than those with moderate levels of awareness. Those

FINANCIAL BEHAVIOUR			
	Low	Medium	High
Area			
Urban	44	30	26
Rural	53	28	19
Education			
No formal	67	20	13
Primary & less	53	29	18
Secondary	43	30	27
Vocational/tertiary/higher	27	34	39
Age			
Youth	53	28	19
Senior	48	29	23
Target groups			
Salary	26	36	38
Self-employed (registered and unregistered)	43	27	30
Dependents	57	25	18
Farming	55	28	17
Informal	49	31	20
Financial Access Overall			
Banked	24	34	42
Other formal	33	32	35
Informal	39	34	27
Family, friends or at home	38	35	27
Financial Access Strand			
Banked	6	14	24
Other formal	13	19	22
Informal	25	36	32
Excluded	56	31	22

with low awareness highly use family or friends to cope with their financial needs.

Financial perceptions (attitudes) band

Three in five adults scored low on financial perceptions. Perceptions around financial products or services differ amongst adults. However, the scores and subsequently bands, were created in assigning positive attitudes or perceptions in the statements given. Prioritising short-term desires over long-

FINANCIAL AWARENESS			
	Low	Medium	High
Area			
Urban	2	35	63
Rural	13	54	34
Education			
No formal	22	64	14
Primary & less	11	55	34
Secondary	3	39	58
Vocational/tertiary/higher	0	25	75
Age			
Youth	10	51	39
Senior	10	47	43
Target groups			
Salary	1	30	69
Self-employed (registered and unregistered)	4	47	49
Dependents	8	41	51
Farming	13	56	31
Informal	8	42	50
Financial Access Overall			
Banked	0	32	67
Other formal	0	37	63
Informal	9	54	38
Family, friends or at home	6	51	43
Financial Access Strand			
Banked	0	8	19
Other formal	1	13	24
Informal	36	35	22
Excluded	63	44	35

term stability would score negatively on an individual's financial literacy overall. The underlying issues are rather very difficult to understand as the socio-economic, political welfare, information and experiences to the adult play significant roles in shaping perceptions or attitudes. One in five adults scored high on perceptions, with very little differences between males and females. As with other scores, financial perception showed low levels in rural areas, those with primary education and less, farmers, dependents and self-employed and amongst the youth.

FINANCIAL PERCEPTION

	Low	Medium	High
Area			
Urban	42	21	37
Rural	67	17	16

Education

No formal	78	11	11
Primary & less	64	18	18
Secondary	53	19	28
Vocational/ tertiary/higher	35	27	38

Age

Youth	63	18	19
Senior	58	18	24

Target groups

Salary	29	22	49
Self-employed (registered and unregistered)	56	20	24
Dependents	56	20	24
Farming	56	20	24
Informal	54	16	30

Financial Access Overalls

Banked	38	27	35
Other formal	45	24	31
Informal	62	18	19
Family, friends or at home	61	19	19

Financial Access Strand

Banked	8	18	20
Other formal	13	21	22
Informal	34	26	23
Excluded	45	35	35

FINANCIAL LITERACY

	Low	Medium	High
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Skipped a meal because you didn't have food

Sometimes/often	22	11	7
Rarely	21	15	20
Never	57	74	75

Not been able to send children to school because of lack of money for transport or uniform or other school costs

Sometimes/often	14	9	5
Rarely	10	10	9
Never	71	77	81
Don't know	6	4	4

Gone without medical treatment or medicine because did not have money

Sometimes/often	25	16	9
Rarely	26	22	19
Never	49	62	73
Do not know	1	0	0

Difficulty in keeping up with financial commitments

Very Easy/Easy	13	21	24
Difficult	53	55	58
Very difficult	29	21	17
Not applicable	6	4	2

Frequency of running out of money for basic needs

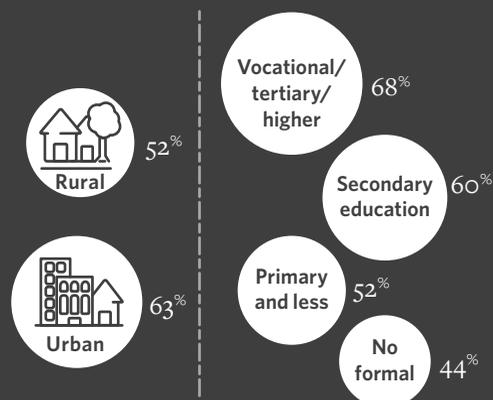
Always	1	0	0
Most times	13	7	2
Not often	29	20	17
Never	58	73	81

FINANCIAL LITERACY

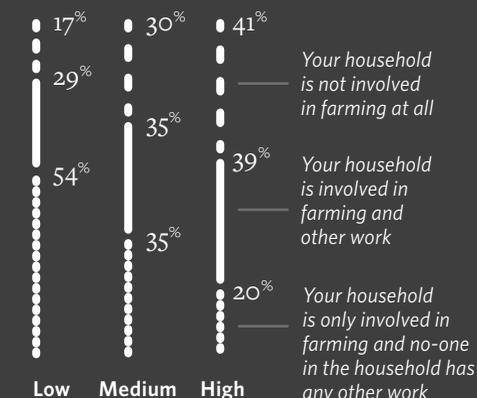
	Low	Medium	High
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Target groups

Salary	6	36	58
Self-employed (registered and unregistered)	28	42	31
Dependents	35	38	26
Farming	47	38	15
Informal	30	41	29



Financial literacy score (mean) by demographics and education level



Financial literacy band by household involvement in farming

Financial literacy band

Over one in three adults have low financial literacy.

The financial literacy score was obtained by totaling the financial behaviour, awareness and perceptions score. The average financial literacy score of the Malagasy is 54%. No variations were noted amongst the gender groups, while significant differences between urban and rural areas, education categories, those involved in farming and dependents. The financial literacy score was also segmented to form the financial literacy band.

A positive relation seems to be present in ease of financial livelihoods and financial literacy.

The financial literacy score reveals that adults with higher literacy scores tend to experience less poverty symptoms such as skipping a meal due to a lack of money - 7% for those with high literacy versus 22% of those with low financial literacy. Findings also show that as adults have higher financial literacy they generally fair better with poverty and keeping up with financial commitments.

Financial literacy is much lower amongst adults mainly dependent on farming for their main income source.

Farmers scored relatively much lower than other income groups in financial literacy indicating a segment that needs to be targeted with financial education training that is embedded in the way they conduct their farming activities.

	Low	Medium	High
 Radio	58	72	79
 Television	9	29	46
 Newspaper	2	9	20
 Magazine	2	5	6
 Internet	1	3	5

Radio is the most effective channel for those with low and medium levels of financial literacy.

Interventions targeted at a mass population can be channelled through different communication channels to reach the audience effectively. There is low readership of newspapers, magazines or use of the internet amongst those with low financial literacy. This is highly linked to location as most adults are in the rural areas with generally low educational attainments.

Financial literacy band by media access (past month)

Low education levels: Financial literacy is largely embedded in the acquisition of general education. A general emphasis on education systems with components of financial education at very basic levels such as primary schooling can prove fruitful. Tackling this with low educational attainments amongst most adults would imply a long term focus. Facing the current state of educated adults, programs channelled at improving the behavioural aspects of financial literacy can be expanded on. Interventions are discouraged to rely on basic education skills such as numeracy and comprehension. These should be designed in ways that depend less on formal educational skills.

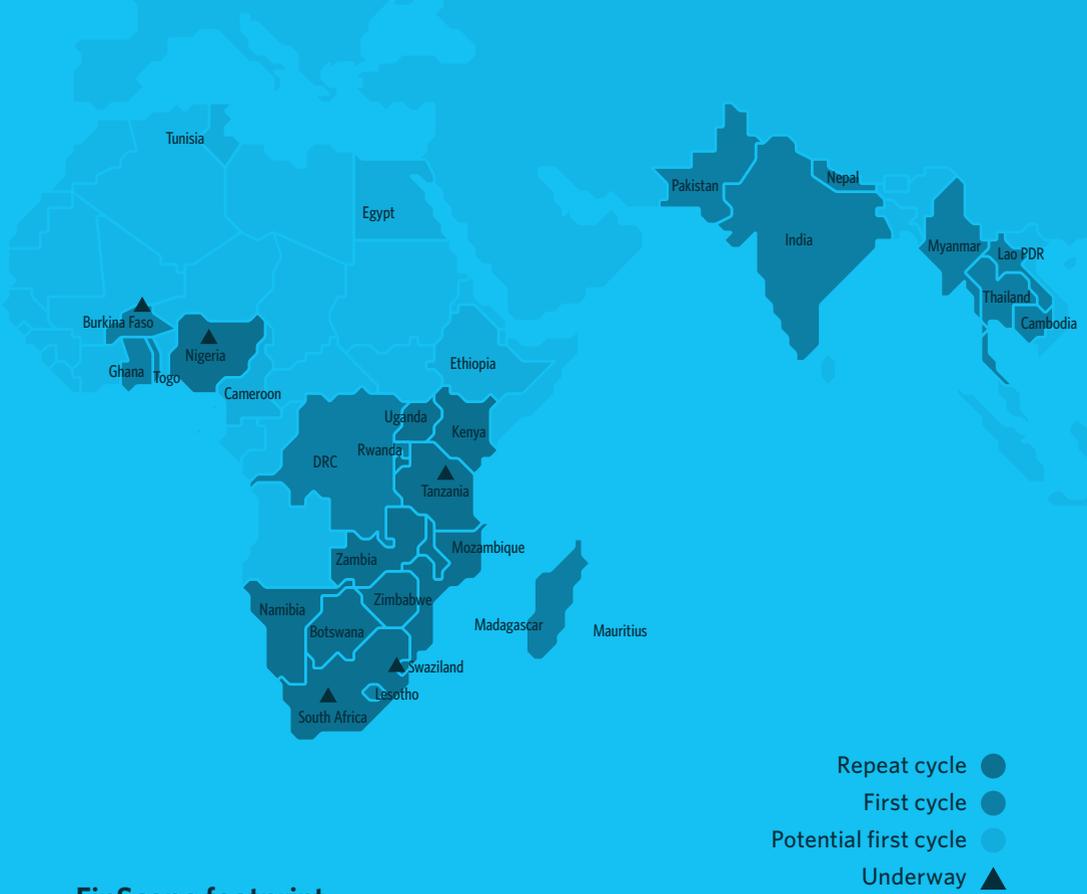
Promoting entrepreneurship: The bulk of adults with low financial literacy are those mainly engaged in farming, dependents or the self-employed. With low income levels, the financial literacy interventions should relate to their way of generating income. Basic business management skills, for example, the procurement of farming inputs by farmers can better be managed to be less dependent on other income sources.

Financial service providers should promote their product usage through providing more information and financial education to their staff and clients: To enable better usage and value to the consumer, financial education toolkits can help identify best practices in shaping behaviour and improving correct usage of financial products. Financial service providers can engage in financial education programs in which they demonstrate how financial products such as savings, credit and insurance products can benefit clients when used optimally and correctly.

Delivery channels for different target groups: With relatively low usage of modern technologies such as the cell phone and the internet, the radio is one channel that can reach the mass of those with low financial literacy. As awareness lies on a continuum of learning, the moderate to high literate adults can receive information through television and newspapers as the readership is relatively higher.

FINANCIAL ACCESS BY FINANCIAL LITERACY BAND

	Low	Medium	High
Financial Access Overall			
Banked	7	40	53
Other formal	13	44	43
Informal	32	43	25
Family, friends or at home	30	43	27
Financial Access Strand			
Banked	2	12	27
Other formal	7	20	25
Informal	33	31	24
Excluded	58	37	24
Credit Overall			
Banked	4	44	52
Other formal (MFI)	9	40	51
Informal	35	46	19
Borrow from family/friends	37	40	23
Credit Strand			
Borrow from bank	0	2	4
Borrow from other formal (MFI)	1	3	6
Borrow from informal	6	7	4
Borrow from family/friends	20	20	21
Do not borrow	74	68	65
Remittances Overall			
Banked	7	37	56
Other formal	10	46	44
Informal	14	49	37
Remit through friends/family	27	45	28
Remittance Strand			
Remit through the bank channel	0	2	5
Remit through other formal (non-bank)	4	18	27
Remit informally	1	2	2
Remit through family/friends	8	12	11
Do not remit	87	67	55
Savings overall			
Banked	4	36	60
MFI savings	3	35	62
Other formal (including MFI)	6	37	57
Informal	34	42	24
Save with family/friends	23	43	34
Savings strand			
Save at bank	1	6	18
Save at other formal	1	6	13
Save informally	30	33	27
Save with family/friends	9	16	24
Do not save	60	39	19
Insurance Overall			
Other formal	12	40	48
Informal	31	36	33
Indirectly	0	58	42
Insurance Strand			
Formally insured	1	3	6
Informally insured	3	3	5
Insured indirectly	0	1	1
Do not have insurance	96	93	88



FinScope footprint

FinScope Surveys have been completed in 27 countries including Madagascar. This allows for cross-country comparison and sharing of findings which are key in assisting on-going growth and strengthening the development of financial markets. Surveys are currently underway in 5 countries - 3 in SADC and 2 in West Africa.

FinScope Madagascar 2016 contains a wealth of data based on a nationally representative sample of the Malagasy adult population.

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About the Making Access Possible Programme

Making Access Possible (MAP) is a multi-country initiative to support financial inclusion through a process of evidence-based analysis feeding into a financial inclusion roadmap jointly implemented by a range of local stakeholders.

MAP was initiated by the United Nations Capital Development Fund (UNCDF) and is implemented in partnership with FinMark Trust and the Centre for Financial Regulation and Inclusion (Cenfri). In each country, MAP brings together a broad range of stakeholders from within government, the private sector and the donor community to create a set of practical actions aimed at extending financial inclusion tailored to that country.

About FinScope Madagascar

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

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



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