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The Role of Regulators During Economic Hardship

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FinCoNet International Seminar

November 2023

Content

1. The need for a stronger focus on customer value and outcomes
2. Funeral insurance and burial expenditure in South Africa
3. Cross-border remittances – the stubbornly high costs of remittances

The consumer at the centre

- Consumer protection regulations need to evolve from mere compliance to a focus on improving consumer outcomes, especially in the context of difficult economic times where the poor bear the brunt of global economic crises, and women are disproportionately affected.
- Simple compliance-based checklist approaches are no longer suitable for consumer protection.
- The CGAP body of work in this regard is insightful, advocating for a shift from a 'buyer beware' to a 'seller beware' approach.
- Two examples to follow.

FinScope South Africa Consumer 2022 survey reported that '42% of all adults borrow for food while 29% are saving for consumption'.

Voices of the poor: "We have no choice but to borrow money from loan sharks to survive"

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South Africans are borrowing money to fund groceries — study

A customer pays with a contactless card in Pretoria, South Africa, on 14 July 2022. (Photo: Waldo Swiegers / Bloomberg via Getty Images)

By Neesa Moodley Follow 02 Apr 2023 4

The FinScope Consumer Survey shows that surging energy costs have affected almost 18 million adults, who say they have been forced to live without electricity because they

1 in 5 South African households begs for food – the link between food insecurity and mental health

Published: April 2, 2023 4:39pm SAST

South Africans Are Borrowing Money to Fund Groceries - - Study

Steve Buissinne / Pixabay

A supermarket till slip in South Africa in 2015.

DAILY MAVERICK 2 APRIL 2023

By Neesa Moodley

The FinScope Consumer Survey shows that surging energy costs have affected almost 18 million adults, who say they have been forced to live without electricity because they simply cannot afford it.

The main reasons for saving and borrowing money in 2022 were related to living expenses, specifically to buy food and groceries.

Reasons for saving (%)

Reasons for borrowing money (%)

In South Africa, consumers borrow money to eat and spend on funeral insurance.

- South Africans spend a staggering R18bn[1] on the last rites and customs associated with burying their loved ones every year, with the average cost of a funeral at over R40,000.
- The continuing rise in funeral costs coupled with the focus on funeral provisions at the expense of other financial needs is a worrying trend.

[1] *Hippo, 2017.*

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A description of funerals in South Africa – what comes to mind when we say 'funerals' in South Africa

Supply perspective	
lifestyle	'after tears'
fancy	planning
event	catering
lavish	glam
big event	best
extravagant	behaviour
dignified	expensive

	Demand perspective	
30 - 45 years	loss of contact	pride
	policies	expensive
	respectful	exhaustive
	'dress to kill'	crowds
	dignity	'after tears'
	emotions	one-week turnaround
	interaction/socialisation	
40 – 60 years	traditional/culture	comforting
	church	show off
	expensive	rituals
	communication	
	Senzo Meyiwa	policies/burial societies
	family get-together	

"We put more glamour in the funerals than our lives; we spend more money on the funerals than when we are still alive."
Cultural leader, Durban

The uptake of funeral cover is still significantly higher than other insurance.

Multiple funeral policies

Source: Constructions

Insurance summary: non-life, life and funeral

70%

About **30 million (70%) adults have or are covered** by some form of insurance that provide protection against a possible eventuality

22%

Over 9 million (22%) adults have some non-life insurance cover

63%

Twenty-seven million South African adults have funeral cover (49%) or are covered through someone else's funeral policy (15%)

11%

Around 5 million (11%) have health insurance (net) in their name and/or covered through someone else's policy

30%

Personally belong to a burial society

35%

Have formal funeral cover in their own names

44%

Of those with funeral cover, 44% have more than two funeral cover policies

Why the focus on corridors from South Africa to the rest of SADC?

Country	Total SADC migrants in 2019 (estimated)
Angola	25,890
Botswana	30,790
Comoros	90
DRC	76,890
Lesotho	402,015
Madagascar	795
Malawi	216,515
Mozambique	983,078
Namibia	101,438
Seychelles	623
Eswatini	90,943
Tanzania	17,218
Zambia	75,135
Zimbabwe	1,680,770
Total	**3,709,220**

% of total SADC migrants in South Africa

Results of FinMark Trust's 2021 remittance pricing diagnostic

Remittance prices per licence category and weighted remittance price per country (USD 55)

	AD	ADLA 2	ADLA 3	ADLA 4	Weighted price by licensee, 2021	Weighted price by licensee, 2019
USD 55 transaction size						
Angola				12.9%		
Botswana	47.6%	12.6%	5.2%	8.6%	37.4%	30,8%
Comoros		11.8%				
DRC	36.7%	8.2%	7.0%	11.4%	20.2%	21,1%
Eswatini	0.0%	10.0%	2.9%		**1.6%**	1,0%
Lesotho	0.0%	10.2%	2.9%	5.0%	**3.8%**	2,7%
Madagascar	46.1%	13.1%	6.8%		39.9%	28,9%
Malawi	59.2%	8.7%	6.5%	7.6%	9.0%	9,8%
Mauritius		14.2%		14.3%		
Mozambique	36.2%	8.1%	5.2%	6.6%	8.4%	20,4%
Namibia	0.0%		6.5%		**0.1%**	1,5%
Seychelles	34.9%	4.7%			34.6%	
Tanzania	35.1%	11.7%	7.2%	9.9%	15.3%	19,0%
Zambia	36.4%	11.4%	5.3%	11.8%	22.3%	24,5%
Zimbabwe	35.9%	8.5%	5.8%	7.2%	9.2%	13,1%

Key constraints that low-income migrants in South Africa face

Demand-side constraints

- Lack of **digital store of value**
- Cost of **formal remittance channels**
- Lack of **digital and financial literacy**
- Lack of **requisite identification** for verification
- **Convenience and familiarity** with informal channels
- Lack of **regional interoperability**
- Low **rural market penetration.**

Supply-side constraints

- **Regulations limit ADLAs'** capacity to provide a store of value or deposit-taking
- **Banks are resistant** to risk-based assessment
- Banks believe that there is not enough commercial incentive to transform
- South Africa has been **grey-listed**
- **RBA conflicts with the immigration act**
- Lack of **regional integration and cohesion in policy**
- Lack of **transparency.**

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Thank You