

**Joint project of the National Bank of the Republic of Belarus
and Alliance for Financial Inclusion (AFI)
«Measuring Access to Finance:
Developing Evidence-based Access Policies in Belarus»**

Estimation and analysis of demand for financial services from population in the Republic of Belarus

Executive Summary of the National Survey

Minsk, National Bank of the Republic of Belarus

2012

Demand survey analysis - individuals and households

The purpose of this study is to obtain the information about the inclusion/exclusion from financial services in Belarus, assess financial behaviour and public perceptions, and measure the levels of trust and financial behaviour at the national, regional and district levels.

The survey identifies the administrative units with the highest and lowest degrees of financial inclusion, highlights the key reasons given by respondents for using and not using the different services, and groups respondents by the latent attitudes expressed in their statements and responses. The study was intended to inform finance and credit policies in Belarus at the national and regional levels.

The report is based on the data obtained from a questionnaire survey among 8000 citizens of Belarus conducted by the Institute of Sociology under the National Academy of Sciences of Belarus.

The survey presents an overview of the sample, descriptive statistics analysis for the data body. As a measure of financial inclusion, Total Financial Inclusion Index (TFI-1 and TFI-2) was computed for payment, credit, savings and insurance services, and also for multiple services at the national, regional and district levels. With the view to identifying factors affecting the demand for financial services, an analysis was performed of the measures of public perceptions and trust, and the hidden motives and attitudes of respondents were explored. An assessment was performed of respondent financial behaviour and financial literacy. Mapping of the data was performed to ensure usability and transparency.

Summary of the findings and recommendations

The available financial inclusion data indicate that a significant proportion of Belarusians are 'fully excluded' from the financial market. 15.4% reported not using any services, and another 30.3% acknowledged using 1 - 2 services, mainly related to the receipt of their salaries. Little over one-half of the survey respondents were using 3 or more services, only 10% were advanced users (6 - 8 services), and a mere 2% were extensive users (9 or more services). Total financial inclusion, measured as the proportion using services (TFI-1), is 84,6%.

Banking and cash transactions were used by 69.3% of respondents, and savings by only 16.4%. Little over one-half of the survey sample were using insurance services, and around one-fifth (18.5%) were users of insurance services.

Banking and cash transactions Account ownership was explicitly acknowledged by 69%, and another 0.3% reported having a bank account implicitly, implicitly, by denying possession of a bank account while admitting the use of a debit card. The overall proportion of individuals using banking and cash transactions is 69,3%. The proportion reporting use of banking and cash transactions directly or through another member of their household was at 74.7%.

Excluding respondents who for whom possession of a bank account or debit card was a requirement for the receipt of salaries, money transfers, pensions and benefits, the proportion using banking and cash transactions (voluntary users) was down to 3.7%.

Receipt of salaries was the most common reason for having a bank account, cited by as many 53.9% of those surveyed, followed by «keeping money safe» (20.3%), «Convenience of cash management» (8.2%), «Bill payments» (7.9%), and «Emergency savings» (6.7%).

The most commonly reasons for not having a bank account given by the survey respondents included: "I do not have any money" (16.1%), "I prefer cash at home" (7.6%), "I do not see any advantages" (4.2%), and "I do not trust banks (3.6%).

The leading role of salary receipt as a leading reason for having a bank account is confirmed by data on the reported frequency of transactions involving bank accounts. Over 70% of respondents denied ever depositing funds on their account or transferring funds between accounts. At the same time, over 80% of respondents reported withdrawing funds from their accounts at least

once in a month.

More than one-half of those surveyed withdraw money from their account: at an ATM, 22% at the post office, and 15% in a bank branch, and the rest were unsure. The absolute majority of respondents who deposited money on their accounts did so in a bank branch.

Use of M-banking was reported by 9.2%. the overdraft facility was used by 8.2%, and internet banking by 7.4%. Of the above services, use of M-banking was the most intense, averaging several times per month according to the survey responses. Respondents with the greatest intensity of mobile and Internet-banking use were aged 16 - 35, had completed a higher education degree, or were in pursuit of one. Professionally, frequent use of mobile and internet banking was associated with business ownership, or occupation in middle management or white collar positions. Overdraft was most frequently utilised by respondents with higher education aged 26 - 45, employed in management position.

Savings and investments Possession of a bank deposit was reported by 16,4% of the survey participants; 10.5% of respondents owned time deposits indirectly through another family member. In total, 21.5% of respondents had a time deposit, directly or indirectly. Ownership of on-demand deposits was reported by 11.7%, and time deposits by 5.5%. Respondents also reported ownership of other types of deposits, including child savings and charity deposits, and pension savings account.

Of respondents who admitted ownership of a bank deposit, 17.5% were depositing funds once in a month, 42.5% were depositing less frequently, and only 3.2% several times in a month.

Respondents indicated the following reasons for having a deposit: "keeping money safe" (52.5%), "saving for emergency needs, e.g. health expenses, death" (24.2%), "to resist temptation to spend" (21.3%), and "saving for predicted future needs, such as education of children or retirement" (15.7%). The most commonly cited reasons for not having a deposit were "lack of money" (53.9%), "no need" (31.7%), "prefer money at home" (10.9%), and "do not trust the banks" (10.4%).

Ownership of a savings account is associated with the following respondent characteristics: age 36 - 65, higher or postgraduate education, married, employed in management positions. Respondents who were the least likely to deposit personal savings in banks were aged below 25, had basic, secondary or vocational education, unmarried, and were either students or unemployed.

Credit Some 18.5% of respondents reported receipt of a loan from a financial institutions within the twelve months preceding the survey. The number who admitted receiving the loan directly or through a family member was 26.2%. Credit card ownership was reported by 9.9%. Over 90% of the reported credits or loans were from banks, 3.1% from credit cooperatives.

Of all respondents who reported lending activity, 52% had taken a consumer loan, 30.5% an instalment purchase credit, 13.2% a housing loan, 10.2% a personal loan, and 6.0% a house improvement loan - fig. 2.15.

The most commonly cited reasons not to utilise a loan are as follows: "no need" (49.9%), "interest rates are too high" (26.8%), "do not have enough money to repay" (22.5%), "don't want to owe anything to anyone" (19.5%), and "loan terms are not suitable" (8.2%).

The highest probability of using credit was associated with the following respondent characteristics: age 26 - 45, married or divorced, junior manager, entrepreneur, military serviceman, or white collar worker. Respondents with the lowest probability of using credit had the following profile: age 65 and above, unemployed, student or agricultural employee, single or widowed.

Insurance. Use of insurance was reported by 55.6% of individual respondents and 68.3% of households. The types of insurance with the highest frequency of reported use included property insurance (35.4%), car insurance (27.8%), life insurance (9.4%), livestock insurance (5.2%), and medical insurance (4.7%). Respondents gave the following reasons for not using insurance: "no need" (67.8%), "too expensive" (20.4%), and "do not trust insurance companies" (17.1%).

The highest probability of using insurance was associated with the following respondent characteristics: age 36 - 65, complete higher or post-secondary vocational education, married, manager individual entrepreneur, or white collar worker. Respondents with the lowest probability of using insurance had the following profile: age 16 - 25, basic or incomplete higher education, not

married, unemployed, student or housewife.

As follows from the financial behaviour study conducted as a part of this survey, 40.4% of respondents periodically deposit cash in banks for interest, and 10.8% do so on a regular basis. The absolute majority (60.5%) prefer to keep money in cash.

Informal borrowing was practised by 38.7% of respondents; 18.4% practised informal borrowing 1 - 2 times in a year, 10.6% 1 - 2 times in three months, 6.1% 'nearly every month' and 3.7% 'every month'. The largest shares of respondents reported borrowing from friends or family, neighbours, and colleagues at work.

More than a half of the survey respondents reported paying their bills in cash at a post office or bank, and another 11.3% were paying in cash at the utility provider's office. Little over a quarter of individuals (26.8%) reported using their debit or credit card to pay their bills.

Financial literacy levels in Belarus are largely inadequate. More than two-thirds were not aware about the rates of interest on time deposits and were unable to correctly calculate the amount of interest receivable on a savings deposit. More than 85% were unable to name the approximate rate of inflation in Belarus in 2011. Only 5% of the survey participants were able to answer all three financial literacy questions correctly, and 44% could not answer any of the questions.

Regional variation in financial inclusion across Oblasts is within 10% from the national mean. This variation is significantly higher for credit and deposit services. Respondents from Vitebsk Oblast use credit more frequently, and savings products less frequently than in the other Oblasts.

Generalised trust was roughly equal across all regions except Minsk City, where relatively high levels of distrust were recorded. Financial literacy levels are highest among respondents from Minsk and Vitebsk Oblasts, and lowest among respondents from Brest Oblast and Minsk City.

Across sub-national units (Districts), significant variations exist in demand and financial inclusion indicators. As compared to the average national Total Financial Inclusion Index (TFI-1), the index values for Khotimsk and Shklov Districts were 98.4%, Chashniki District, 96.8%, and Drogichin, Klimovichi, Klichev and Ostrovets Districts, 96.7%. The following districts, on the other hand, had TFI-1 values significantly below the national average: Vitebsk (55.0%), Shumilino (61.7%), Mogilev (65.6%), Loev (66.7%), Lepel (68.9%).

Based on the survey outcomes, the following areas of need can be identified:

Policies to increase financial inclusion in areas where services are poorly utilised;

Improving financial literacy levels in Belarus, including awareness about the terms of access to the entire range of banking services;

Developing financial products to meet the needs of financially excluded populations.