

High mobile penetration needed to sustain financial inclusion

South Africa's economic plight characterised by slow economic growth, reduced disposable income and rising cost of living could disrupt the country's drive to create a financially inclusive society.



SA's commitment to broadening financial inclusion focuses on enabling citizens to transact, borrow (credit), invest and insure. Insurance, especially funeral insurance has been a key contributor to financial inclusivity among entry-level income groups but it is also one of the basic financial products that people tend to sacrifice when in financial difficulty.

"We need to take advantage of South Africa's growing mobile penetration to protect current gains and further broaden access whilst reducing the cost of enablement. We have to ensure that the current state of our economy does not derail the progress made to date," says Lee Bromfield, CEO of FNB Life

"In December, we made funeral insurance available on cellphone banking and saw over 3,500 clients take up cover in just two weeks of going live. This shows that despite the tough economy, people are still interested in obtaining cover when the take up process is less complicated and cost effective."

Provider and consumer responsibility

He says the state of the economy also pressures consumers to put emphasis on trust when choosing a provider. "Providers have a responsibility to build trust through transparent processes and easy to understand offerings. Equally, consumers have a responsibility to weigh the risk of not owning a life or funeral insurance policy as this often leads to unintended consequences.

"As many economists have predicted, 2016 will be a tough year and consumers will be challenged to make sound financial decision to cushion against financial difficulty," concludes Bromfield.

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