



**ESAF Program**  
Expanded and Sustained  
Access to Financial Services

# Savings Demand Market Research Study West Bank and Gaza January 2010

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## 1.0 Executive Summary

This study was requested by Academy for Education's (AED) Expanded and Sustained Access to Financial Services (ESAF) program. The findings and recommendations in this report are based on data collected by the Alpha Survey Company of 858 respondents who were interviewed in the West Bank and Gaza Strip. The data was then analyzed and summarized by Mennonite Economic Development Advisors (MEDA), in accordance with the objectives set by AED and its subcontractor, ShoreBank International (SBI).

The ESAF program supports USAID in its efforts to build a more inclusive financial sector that increases financial services for Palestinian households and micro, small and medium enterprises. Through a variety of interventions, ESAF addresses identified weaknesses in the financial system at the consumer, institution, and regulatory environment levels. The program also includes a fixed capital financing mechanism that funds Small and Medium Enterprise equipment upgrades, assists with the creation of joint ventures and technology transfers.

### Summary Findings

- Low income levels and the perception that they did not need a savings account, were the main reasons that respondents do not save.
- There is a lack of financial and banking knowledge reported by respondents, as well as an interest in learning more about financial issues.
- A high number of survey participants in both regions, stated that they would save for retirement.
- The overwhelming preference amongst respondents, both current and potential savers<sup>1</sup>, was for an account where their savings is accessible to them at any time. The desire for accessibility far outweighs the desire for a high interest rate.
- A small number of potential savers were not interested in earning interest due to their religious beliefs. In addition, there was a much greater interest in Islamic savings in the rural residences than in the urban ones.

### Summary Recommendations

- There is an opportunity for banks in both geographic areas to reach out to existing and potential clients by using financial education. FIs should examine the issue of financial knowledge further to determine if there is a lack of income to save or a lack of financial knowledge on amounts required to save and the types of FIs savings products.
- There is an opportunity for FIs to develop a savings product that is specifically targeted to individuals saving for retirement.
- In order to encourage clients to save in an account for a longer term, it is essential that banks focus on relationship-building and outreach in an attempt to build trust.
- There are three groups that are potential markets for savings products: entrepreneurs, unbanked women, adults saving for their children, unbanked youth and individuals with salary deposits.

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<sup>1</sup> Respondents will be referred to in some instances in this report as current savers (those who currently use a savings account), potential savers (those who do not have a savings account but would like to have one.)

## 2.0 Savings Demand Market Research Study Overview<sup>2</sup>

The objective of this report is to provide market information on savings demand in the West Bank and Gaza. This includes the type of services desired by clients so that FIs have understand the market and are able to structure appropriate products. (See Annex 1 for additional survey methodology information.)

### Study Context

This MEDA/SBI study provides an update and expansion to the savings study conducted by the William Davidson Institute (WDI), University of Michigan, in July 2008. The findings of the WDI study are, in many instances, confirmed by this survey:

- The demand for savings in the West Bank and Gaza is high, and a diversification of products will help to target potential savers.<sup>3</sup>
- There is a large market for savings products, especially rural areas where the population is more likely to be unbanked.
- Accessibility to banking services is of paramount importance to both current and potential savers, and the “*a sine qua non* for increasing savings.”<sup>4</sup>

In addition to the findings of the WDI study on the banking sector, the MEDA/SBI study also uncovers a demand for SMS banking as a method of reaching unbanked populations. The MEDA/SBI study also highlights the important difference between short-term deposits and longer-term savings, which can be used as investment or loan capital for banks. This study finds that incentives to open a savings account will be most effective if they promote the value of savings to clients. Further, in contrast to the WDI study, this study finds that financial education and relationship building with clients are required to encourage savings behavior and develop a savings mindset among current clients and potential savers.

### Overview and Respondent Profile

Even though there are several banks operating in the West Bank and Gaza that offer savings services, the demand, especially from low-income clients, is far from met. This survey found that the majority of people are un-banked (West Bank 64%, Gaza 79%), which supports the findings in the WDI study. Further, of those who do save, the majority save at home rather than in a bank.

The study surveyed 858 respondents who were from both the West Bank and Gaza, and profiled according to these geographic areas, gender and age. The chart below outlines the respondents’ demographics. (Further information on respondents can be found in Annex 2.)

<sup>2</sup> Sections 1.1-1.3 are drawn from the Activity Description, AED – MEDA Purchase Order, November 22, 2009

<sup>3</sup> Girgis, Maurice. Mobilization of Savings in the West Bank and Gaza, The William Davidson Institute at the University of Michigan, AED/USAID. July 2008. pg. 35

<sup>4</sup> Ibid. pg 24

Demographics		Geographic Breakdown	
		West Bank	Gaza
Gender	Male	50%	50%
	Female	50%	50%
Age	15-17	5%	9%
	18-35	50%	47%
	36-55	38%	36%
	> 55	8%	8%
Place of Residence			
	Urban	26%	3%
	Rural	69%	85%
	Refugee Camp	5%	13%

### 3.0 Savings Demand Findings & Recommendations

A bank's growth strategy must be based on building customer relationships for existing and future customers. Business development opportunities increase when a bank offers a full array of savings and loan products and services. It should be noted that different strategies must be used to build relationships with savers and loan clients. Banks must trust the loan customer to repay the loan. A loan client is one who is focused on securing funds for their immediate needs. In contrast, a savings customer must have *trust in* the bank to provide the products and services required for long-range financial planning; accurate and timely account transactions and related information; and reliable access to their funds. The end goal is for a FI to have a breadth of satisfied and loyal customers. Investing in a savings program is the means by which clients can build a relationship with a FI and become long-term financial customers.

#### Savings Demand & Barriers

Respondents in both the West Bank and Gaza are not likely to be active bank clients, especially in rural areas. Currently, only 36% and 21% of individuals surveyed, in the West Bank and Gaza respectively, have any type of bank account. In addition, the number of respondents who are active savers is quite low and the majority of people who stated they do not save at all (West Bank 73%, Gaza 83%). For individuals who save the findings revealed, when analyzed based on job status, that employees and entrepreneurs were equally likely to save their money; however, individuals who were unemployed or housewives were less likely to do so. Deposits were being made in banks across West Bank and Gaza, but these funds were not kept in the accounts long term. As a result, the type of deposits being made in these regions at present cannot be considered or viewed as a reliable source of long-term capital for banks. Even so, there is the opportunity to mobilize these current savings and future savings so that they are reliable sources of capital.

Low income levels were the number one reason that respondents did not save. The average income was higher in the West Bank than in Gaza. This is not surprising as 66% of those in Gaza are unemployed or housewives and overall most Gazans are on social assistance. It is their perception that they do not have the required disposable income that is needed to save. In addition, the majority of unbanked respondents in Gaza feel they do not need a bank account due to the lack of regular income. Most incomes were earned by one person in the household and the household expenses matched the income of this individual. This indicates that disposable income in Gaza is limited and the amounts that people would be able to save would be small.

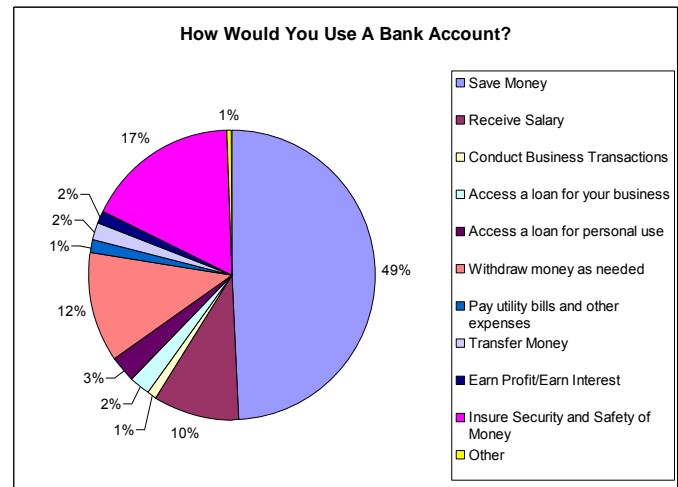
The research also found that 12% of total respondents save at home. These individuals are already in the habit of saving, but are not using bank accounts to do so. The average home-saver is putting aside approximately 700 NIS in Gaza and 460 NIS in the West Bank, per month. Thus, the amount of money

being saved outside of banks per month totals almost 4 million USD, and represents a very large savings gap.

The respondents also reported a lack of financial and banking knowledge and as well as an interest in learning more about financial issues. These findings present an opportunity for banks in both geographic areas. FIs can work with populations to determine if their reason, for saving at home, is a lack of income or, more likely, a lack of financial knowledge on amounts required to save and FIs offerings for savings. (See Annex 3 for more information on overall trends in West Bank and Gaza.)

Opening savings accounts was not a priority for respondents in either geographic area, especially Gaza (78%). In West Bank, there was less resistance as 40% of respondents stated they would be interested in opening an account.

Respondents overwhelmingly stated that they would save for retirement, especially in Gaza (92%). This is an opportunity for FIs to develop a savings product that is specifically for this purpose.



### Relationship Management

The relationship between the Financial Institution (FI) and a client makes a difference as to whether the client saves and remains a loyal customer. The main objective is to change the mindset of the targeted group in regards to the role of the bank and the advantage of long-term savings. This can be achieved by building trust with the client.

In West Bank and Gaza respondents have very high trust in banks in general. This finding will provide an important foundation for the FIs to build the required relationships needed to encourage savings. The majority of people felt that the most important priority for establishing a relationship with a bank is easy and convenient access to their savings account. This access may include receiving information on the account as well as convenient options for conducting transactions where they live and work. It is significant to note that convenient access to savings information and balances was prized by the respondents more so than higher interest rates.

Rural individuals are more concerned with accessibility and convenience than those in urban areas. These respondents are also less likely to build long term relationships with their financial institution. Their interactions with the bank are short and sporadic and do not involve long term savings or loans. (See more on reaching rural populations in the Electronic Delivery of Products section below.)

Relationship management should be phased in through different products, outreach strategies and incentives. The components of a relationship strategy should include having interest rate tiers, a strong and inclusive MIS system, and targeting specific clients for relationships. A FI should create one or two relationship building scenarios and pilot them. The pilot process will provide key insights into what works with a specific group and what does not. It will also enable a FI to determine the factors required to scale up their outreach efforts.

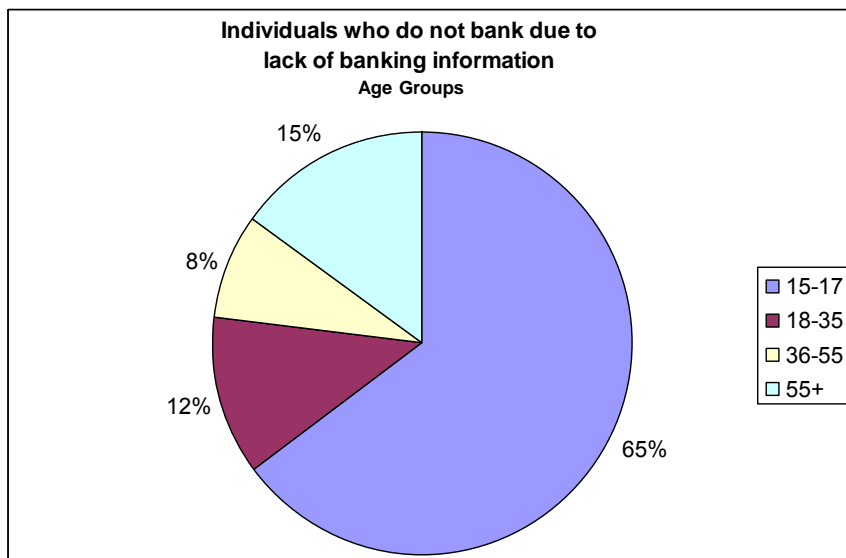
### Potential Target Groups

There are a variety of groups that Palestinian FIs could choose to target for their savings products: entrepreneurs, unbanked women, adults saving for their children, unbanked youth and individuals with salary deposits.

- **Entrepreneurs:** The majority of entrepreneurs who saved in an account did so in a personal account, and 42% of entrepreneurs do not have a bank account at all. Further, entrepreneurs surveyed saved an average of 862 NIS per month: about 200 NIS more than the overall average. Thus, the needs of this demographic should be further explored.
- **Unbanked Women:**  
If a FI chooses to target people without bank accounts, they should consider women. As a group, women are not exposed to banks and financial services; the majority are unbanked and very few have ever had loans. The few with accounts have current accounts that are used mainly to receive salaries and make deposits and withdrawals. Unfortunately 84% are housewives/unemployed, so it will be important for the FI to understand the levels of discretionary funds to which they have access. Yet the opportunity for FIs exists in the fact that they overwhelmingly want to save for retirement, emergencies and their children.
- **Adults Saving for the Education of their Children:** Parents were asked about their preferences around savings for their children<sup>5</sup>. The majority of parents surveyed did not have savings accounts for their children, but when asked their reasons for saving, 36% said they save for their children. The WDI study recommends a savings product for education, and since youth do not have significant interest in saving for their own education (see annex 5), an education product aimed at parents for their children should be further explored. A market exists, and targeting this group can aid in reaching out to youth.

- **Unbanked Youth:**

Youth have had little exposure to banking and financial issues, but are a key group for banks to target as they build their future generation of customers. Although the level of knowledge about financial subjects among youth is significantly lower than the general population, they are more interested in learning. This interest provides FIs the chance to develop a savings product



that includes financial literacy and financial planning components. FIs should have staff onboard with the skills and knowledge to guide young potential savers. The product itself should begin with small amounts for short terms.

Youth also represent the demographic most likely to respond to mobile-based banking products due to their high use of mobile phones and being open to receiving mobile based communication

<sup>5</sup> “Child” is defined here as a person under the age of 18 living at home with their parents.

from a bank. In addition, the majority of them live in rural areas in both the West Bank (79%) and Gaza (74%). Yet it is important that any mobile based savings initiatives are tied to financial education as most youth were unclear about mobile phone banking (64%), credit card, minimum balances, and current accounts. (See Annex 5 for additional data on youth.)

- **Individuals with Salary Deposits:** The most common bank transaction performed by respondents was receiving their salaries directly deposited in to their accounts, especially in Gaza (83%). This trend demonstrates that deposited funds have high turnover, which can be an opportunity for FIs to transform these deposits into savings.

Salary deposits alone have no value unless clients are adding to the deposits and keeping them in the FI long term, eventually turning them into savings. In order for this to occur, FIs need to build relationships with both the institutions that deposit the salaries and the employees of these institutions. In Gaza, 45% of employed people work for the public sector, which provides a definite opportunity for FIs to build relationships with these institutions. The long-term goal will be to retain both parties as clients, even when the employees of the institution change jobs. In order to determine what would make employees stay at a financial institution once they change jobs, FIs should conduct focus group discussions with people from institutions with which they currently have strong relationships or institutions with which they would like to develop relationships in the future. Focus groups such as these are useful as a form of market research, but also as a form of marketing as they familiarize potential clients with the bank and its products.

## Types of Savings Products

Banks should offer savings products that are competitively priced and designed according to customers' financial needs. Product characteristics should include fee structures and tiered interest rates that encourage customers to save more and keep their funds in the bank. Service fees can be based on the number of transactions or for special services. They can also be lowered based on higher overall balances. In addition there should be a strong focus on providing professional and knowledgeable customer service that is provided by staff trained specifically in savings.

A product mix should provide enough options to meet demand but not too varied to cause confusion among un-sophisticated small clients. It should also be varied enough to appeal to the divergent needs of potential savers. Moreover, it must bring about an acceptable balance between high and low cost accounts. But above all, banks must utilize the accumulated deposits to earn acceptable returns in terms of fees and interest payments on their loans. For each of the accounts mentioned above, banks will have to delineate the main features that will attract savers.<sup>6</sup> These are as follows:

- Volume where certain minimum amounts may be required
- Access to own funds with and without penalty
- Interest rate and interest payments
- Flexibility in terms of swapping funds among accounts, taking a loan against own time deposits, withdrawals, etc.

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<sup>6</sup> Girgis, Maurice. Mobilization of Savings in the West Bank and Gaza, The William Davidson Institute at the University of Michigan, AED/USAID. July 2008. pg.36



The data revealed the following key opportunities for savings products, which had some crossover with the WDI report:

- **Timed Deposit Accounts:** There were no respondents that stated that they had a term deposit account. This is a tremendous opportunity for FIs to offer current timed products in West Bank and Gaza. FIs should determine the reasons people do not have timed deposit accounts. And whether it is due to lack of financial knowledge about timed deposits or lack of an appropriate product. A focus group discussion, conducted by IFC in 2006 yielded the following on term deposits<sup>7</sup> which makes sense given this report's findings:
  - Certificate of deposits with varying maturities: 3,6,9, and 12 months
  - Funded by residents or friends and families overseas
  - Flexible restrictions as per the instructions of the depositors
- **Short-Term Products:** In Gaza, when people need money they go to their relatives first and then use the cash they have on-hand. Given that "cash at hand" is used for special occasions, emergencies, and education, it may be the savings that 72% stated they keep at home. This confirms an untapped market in Gaza. FIs could offer a savings product that attracts people to put this cash into short term savings accounts that are accessible as needed, but provide interest if a minimum balance is maintained over a certain period. The FIs would need to provide financial education sessions about general banking topics and specifically minimum balances, as this term was unfamiliar to almost half of the respondents.
- **Retirement Product:** Survey participants in both regions, especially in Gaza, overwhelmingly stated that they would save for retirement. This presents a chance for FIs to develop a savings product that is specifically for this purpose. In addition, participants stated that they would save for special occasions, medical reasons and business investment. This provides FIs ideas on types of products, short, medium or long-term, that could fit the needs of their clients. (This is also in line with the findings of the WDI report, which found that a liquid retirement account with varying time periods at high interest rates was in demand.)
- **Youth Account:** Due to the target groups mentioned above of unbanked youth and adults who want to save for their children, a youth account where parents can deposit small amounts over a long period of time. If the youth are older, between 15 to 17, they would be allowed to make deposits as well. (This is also inline with the findings of the WDI report.)

## Role of Interest Rates

The overwhelming preference among all respondents was for an account where their savings is accessible to them at any time. The desire for accessibility far outweighed the desire for a high interest rate. This preference is supported by a number of findings:

- Women as well as respondents interested in opening future savings accounts had no rate preference. The data shows that respondents were equally likely to want all percentages of interest, from 1 to 10%. However, they were somewhat more likely to want 0%.
- Individuals from Gaza, North of Gaza and Jenin did not want to receive interest on their savings.

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<sup>7</sup> Girgis, Maurice. Mobilization of Savings in the West Bank and Gaza, The William Davidson Institute at the University of Michigan, AED/USAID. July 2008. pg.35

- A far higher number of rural respondents than urban ones did not earn any interest on the savings accounts they currently have.
- 93% of respondents with savings accounts in Gaza currently earn zero interest.

Approximately 10% of potential savers were not interested in receiving interest on their savings because it is forbidden by Shar'iah law. It was the same for women as it was for men, but was greatly affected by residence type. There was a much higher interest in Islamic savings in the rural areas than in urban ones, specifically in the Hebron district. Respondents in Gaza and Bethlehem were also more likely to want Islamic products at their financial institutions.

While it seems there is a stable market for an Islamic product, the research does not support the need for a product offered in all districts to the population at large. The ability for a bank to offer both traditional and Islamic banking products also depends on the bank's MIS bank processing software (see more on this in section 4). In addition, the WDI report found that an Islamic account at no interest where a conventional bank would either provide this type of account or act as an intermediary with Islamic banks.<sup>8</sup> Offering Islamic Banking products as an option to traditional banking products represents a commitment by the institution to listen and meet the financial needs of this specific demographic of customers. Banks who integrate the addition of Islamic Banking into their existing array of savings products have a unique marketing opportunity to a new target group, could build meaningful customer relationships, especially with added financial literacy education.

#### 4.0 Savings Delivery Recommendations

Retail delivery mechanisms should aim to leverage FIs' networks and implement cutting edge information technology tools for providing doorstep services to their customer base. Future electronic delivery systems, such as SMS banking and online banking, can be explored (and implemented when FI has all suitable systems) to provide customers with value added convenient and secure banking transactions. Retail delivery options should provide convenience, ease of conducting transactions as well as 24 hour by 7 day week access to bank accounts and services.

#### Institutional Requirements

- **MIS:** The MIS banking software and communication technology is the foundation to support the implementation of a successful savings program. Newer database technology provides the capability to design systems essential in tracking client behaviors such as their credit, savings, and withdrawal habits. A suitable MIS is important for customer service and allows a FI to test new products and respond to the needs of its clients. It is also a requirement for any electronic delivery of savings products. As FIs implement their savings strategy, they need to assess their current MIS system. They must determine its capacity to interface easily with alternative retail delivery mechanisms and make any necessary improvements.
- **Staff Development:** In order to achieve any of these objectives an FI requires a strong and committed human resource pool that is well versed in savings, motivated towards customer care and developing customer relationships. An FI may choose a team-based approach and/or provide performance-based incentives. Credit officers may be used to providing the initial outreach to new savings customers. Although they represent the bank, credit officers should not present

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<sup>8</sup> Girgis, Maurice. Mobilization of Savings in the West Bank and Gaza, The William Davidson Institute at the University of Michigan, AED/USAID. July 2008. pg.36

ongoing savings services. These should be provided by highly trained employees who understand the complexities of a savings program. FIs must develop competent employees who provide financial planning and ongoing financial guidance and support will lead to developing long term customer relationships with the bank. Since FIs in Palestine are looking to develop new products in savings, this provides them an opportunity to assess the capacities of their current staff to deliver such products and determine the types of training required.

### **Electronic Delivery of Products**

There is a large market in both regions for the electronic delivery of savings products and services. Services and products can be provided to an expanded market area, especially rural ones, and used to welcome unbanked populations. Electronic delivery of savings through mobile phone technology, ATM's, agency banking, cash outlets, and strategically located retail branches (in high foot traffic locations), enhance the value of the savings product to the customer. FIs can develop a class of customers who are located in areas where normal banking services are not readily available, but are accessible by mobile phones. This is true for both West Bank and Gaza, which are mostly rural areas. This may be a helpful way that FIs can meet the demand for banking products from rural clients or those who live under security situations.

Best practice states that the technology for mobile banking should be simple to understand and easy to use. Implementation is dependent on available communication technology and choice of third party vendors. A number of banks in Palestine are providing mobile banking services to customers. This includes SMS banking, using both push and pull messages, provided by one main supplier. Given that all survey participants want to receive information on their cell phone and claim competency in using mobile phones, it is a definite market for FIs to investigate. Although respondents are unfamiliar with mobile banking, they are open to using their cell phone to conduct banking related activities. FIs would need to have education sessions on how to use mobile banking, given the lack of knowledge expressed by respondents. (See Annex 4 for more specific detail on mobile banking services research specific to West Bank and Gaza.)

In addition, an FI requires an MIS that can support the integration of processing electronic transactions. It is important to note that the initial investment in cell phone technology to run mobile banking is costly. As the economy of scale (numbers of transactions required to break even) is reached, the return on the investment in the technology is usually in three years.

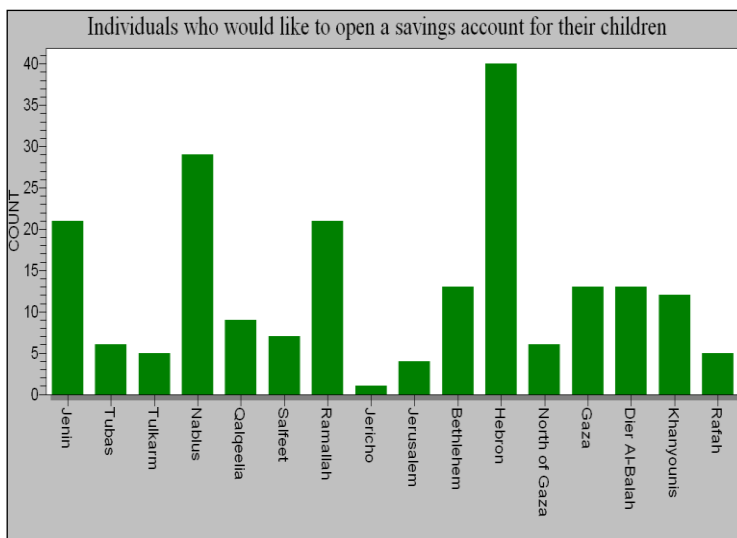
### **Marketing**

FIs need to build a strong brand and image based on the institution's mission and vision for access to savings products and services. The FI must deliver these services as promised to the customers to build reputation and customer trust. The following outlines key potential marketing ideas:

- **“Early Adopter”:** FIs may want to develop a marketing campaign using the “early adopter” concept for a savings product. This involves targeting those that are ready to “adopt” a product easily as they are open and ready for it, rather than attracting people that require more convincing around why a concept is worthwhile.
- **Technology Use:** Excellent and fair services are the best and least costly marketing strategy to expand a bank's market areas. The majority of respondents want to receive banking information via mobile phones. Given this finding, and combined with their high usage rates of such technology, it is clear FIs could use SMS technology as a marketing tool.

- **“Word of Mouth”:** The most common way in which respondents learned about banks and financial issues was via friends and family members. For instance, in Gaza the majority of people receive banking information first from relatives and then friends. This strongly indicates that promotion and financial education should use word of mouth and community strategies to reach people. Customers become the voice for the bank making those FIs the 'bank of choice.' Focus groups, community meetings and one-on-one discussions with clients would be effective ways to promote a savings product.
- **Targeted Marketing:**
  - **Reaching Families through Heads of Family:** In both geographic areas, people stated that financial decisions were overwhelmingly made by the head male in the family. FIs should consider targeting male heads of households with banking information as he is the main decision maker.
  - **Reaching Youth through Families:** Reaching out to youth and their families may be an effective way to promote savings habits among this age group and retain them as clients into adulthood. Given that most youth stated they learned financial topics from family and friends, FIs should consider educating the parents on savings products for their children as one route to inform youth of savings options.

The majority of parents surveyed also do not have accounts for their children. The chart to the right shows the levels of those who want to open an account for their children. This will be a key way for FIs to open accounts with this target market. Furthermore, a strong financial literacy component or outreach program will be required in reach this population.



- **Reaching Youth through Schools:** FIs should consider providing outreach to youth by offering savings programs in schools and/or developing financial sessions for school age children in conjunction with teachers.
- **Incentives:** Incentives can be an important part of a banks outreach strategy. Respondents in the West Bank and Gaza were interested in the prospect of being rewarded for opening a savings account. Prizes or contests should be broad enough so that word of mouth carries. In the case that a FI chooses to incentivize savings, MEDA recommends that FIs pilot test the chosen incentive; whether it is cash in an account, or a bonus after keeping money in an account for a set term (e.g. one year). FIs want to promote the value of their product and their goals in promoting savings. Best practice shows that incentives that are related directly to the savings product are more likely to promote savings behavior over the long term.

- **Financial Education Sessions:** Findings clearly show that respondents do not have a great deal of knowledge about banks and financial topics. Even so, the data also states that people have a great desire to learn and to save. Respondents overwhelmingly stated they wanted to learn about savings in both regions (72%), by gender (Males 69%, Females 75%) and by age. This presents an opportunity for banks to develop a stand-alone financial education program or coordinate with existing financial education initiatives in order to have it as a component of their savings product. Sessions should inform people about the benefits of having a bank account in general and a savings account specifically. It appears that people do not understand all of the savings options open to them. Women and youth specifically stated that they don't have enough income to save. The FI could also consider providing informational pamphlets or meetings on how to save small amounts of money, especially when a person has an irregular income.

## Annexes

### Annex 1: Survey and Sample Methodologies

#### Survey Methodology<sup>9</sup>

The survey methodology utilized for this market research study was based on MEDA's extensive experience worldwide in conducting market research on savings and new product development. Based on a survey tool used in other savings studies, MEDA designed a questionnaire with ESAF partners, specifically ShoreBank International (SBI) and Alpha, a Palestinian survey company. MEDA, SBI and Alpha carried out rigorous review of the survey before and after the pilot phase to ensure that questions were clear and accurate, and that they flowed well. Alpha piloted the survey in two districts in the West Bank and Gaza with a target group of 30 respondents. Changes were made to the questionnaire based on findings of Alpha staff and survey data collection occurred between December 28, 2009 and January 5, 2010.

#### Sample Methodology<sup>10</sup>

The survey was conducted with one person per household who was 15 years or older in the West Bank and Gaza. The total sample size was 858 respondents, with 549 in the West Bank and 309 in Gaza. Multistage cluster sampling was used in the sample design and selection. First, a sample of 107 clusters were selected in different areas of the West Bank and Gaza using probability proportional to size sampling (PPS). This sampling guarantees unbiased estimators for the parameters of the target group. The sampling was done using four stages: 1) Cluster selection- 107 clusters (each cluster containing 100 to 150 households); 2) Household selection- 8 households per cluster; 3) Listing on a Kish matrix all youth (15 to 17) and adults (18+) who were available in the household at the time of the interview; 4) Using the Kish table to randomly select respondents.<sup>11</sup>

#### Evaluation of the Effectiveness of the Survey Tool, Respondents and Quality of Responses

The survey has proven to be a very effective tool for detecting trends in savings practices and respondents' knowledge of issues around banking and finances. It is, however, limited to capturing quantitative data and does not allow for the nuanced links and details that may be captured from focus groups or unstructured interviews. Using the survey, Alpha and MEDA have produced useful and significant data that can be complimented by qualitative research methods to drill deeper into specific issues. This is especially true with respect to the youth (15-18) respondents, who comprised a small portion of the total respondents, and may warrant a qualitative research to determine more about savings practices and preferences.

The survey underwent a particularly rigorous review process where the questions were analyzed in both English and Arabic. Lessons emerged despite this thorough review. The first was that unemployed respondents and those who were housewives were not disaggregated, which led to some confusion. Second, the flow of some questions was not smooth during the pilot testing of the study. In order to rectify these issues some background questions were added, such as marital status, so that questions regarding family life and children followed more logically. In the end, a highly effective survey was delivered.

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<sup>9</sup> Alpha Draft Savings Demand Report, January 22, 2010

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

## Annex 2: Respondent Profile

The respondents were from both the West Bank and Gaza and profiled according to these geographic areas, gender and age. The chart below outlines the respondents' demographics.

Demographics		Breakdown		
		West Bank	Gaza	
<b>Gender</b>	Male	50%	50%	
	Female	50%	50%	
<b>Age</b>	15-17	5%	9%	
	18-35	50%	47%	
	36-55	38%	36%	
	> 55	8%	8%	
<b>Place of Residence</b>				<b>Total/Average</b>
	Urban	26%	3%	18%
	Rural	69%	85%	75%
	Refugee Camp	5%	13%	8%

A wide range of education levels existed for the survey participants, yet both geographic areas had high concentrations of people with who had schooling up until preparatory and secondary levels. There were also a number of respondents with Bachelors Degrees: 21% in West Bank and 16% in Gaza.

In addition, salary was the most common source of income, followed by social assistance and business revenue. Of those that were employed, the majority worked in the following sectors:

Sector	Breakdown	
	West Bank	Gaza
Trade	26%	14%
Service	20%	23%
Public – Government	17%	45%

### **Annex 3: West Bank & Gaza Savings Trends**

There are quite a few trends that are similar in both areas, but some key differences as well.

#### **West Bank Findings**

In the West Bank most respondents stated they were unemployed: only 30% were employed. Salary, business revenue and social assistance are the main three types of income. Most respondents also had incomes between 1,000 to 2,000 NIS, earned by one or two persons, and had expenses in the same range.

In most cases, financial decisions were made by the male in the family. This implies that FIs should consider targeting male heads of households with banking information as he is the primary decision maker. When people need money they go first to relatives and then they use cash at hand. They use this money for emergencies, consumption, special occasions, and education.

In West Bank, those respondents that are active at a bank use Arab Bank, Palestine Bank, and Cairo Amman Bank. Most people have current accounts and have been a member of their bank for 0-4 years. They use the bank to withdraw money, deposit money, receive salary, and cash checks. Overwhelmingly, 83%, of respondents believe they do not have enough money to deposit in a bank account. People also wanted to save money for retirement (79%) followed by special occasions, medical reasons and business investment, which was true for all three categories.

Individual sources of information on financial topics or products are friends, family members and television. When asked about financial topics that they would like to learn more about, respondents overwhelmingly stated savings (72%), bank fees, and bank services and products.

#### **Gaza Findings**

In Gaza the majority of people are unemployed or housewives and all ? appear to be on social assistance. Most respondents also had incomes between 1,000 to 2,000 NIS, earned by one person, and had expenses in the same range. This appears to indicate that the incomes in Gaza are limited and the amounts that people would be able to save would be small. Of those that are employed, people work in the public sector. In addition, the majority of respondents said they had accounts in order to receive their salary. Both of these results provide FIs the opportunity to develop long term relationships with the institutions where people are employed.

As in the West Bank, financial decisions were most often made by a male in the family. This implies that FIs should consider targeting male heads of households with banking information as he is the decision maker. When Gazans need money they go first to relatives and then they use cash at hand. Given that “cash at hand” is used for special occasions, emergencies, and education, it may be the savings that 72% stated they keep at home. This shows there is definitely an untapped market in Gaza.

FIs could offer a savings product that attracts people to put their “cash at hand” into short term savings accounts that are accessible as needed, but provide interest if a minimum balance is maintained over a certain period. The FIs would need to provide financial education sessions about general banking topics and minimum balances, as almost half of the respondents did not know what it was.



## Annex 4: Mobile Banking Information

### Banks in Palestine with Mobile Banking Services

A number of banks in Palestine, such as Jordan Commercial Bank and Bank of Palestine, are able to provide mobile banking services to customers. For example, this includes SMS banking using both push and pull messages. Push messages are those that the bank chooses to send out to a customer's mobile phone without the customer initiating a request for the information. Pull messages are those where the customer is initiating a request for information. SMS messages can be about account balance notification, salary transfer notification, money transfer between accounts within bank branches, and money transfer to third parties within bank branches.

Institutions	Push Services	Pull Services	Service Provider
<b>Jordan Commercial Bank</b>			<b>Access 2 Arabia</b>
	Account balance notification.	Money transfer between accounts within bank branches.	
	Salary transfer notification.	Money transfer to a third party within bank branches.	
	Several other advanced services.	Stopping a check.	
<b>Arab Bank</b>			<b>Access 2 Arabia</b>
	ATM Withdrawal Notification	Inward & Outward Transfer.	
	Cheque Deposit Notification	Salary Credit.	
	Cheque Withdrawal Notification	Utility Bill Payment.	
	Deposited Cheque Returned Notification		
	Cash Deposit Notification		
	Fixed Deposit Maturity Notification		
	Issued Cheque Returned Notification		
<b>Bank of Palestine</b>			<b>Access 2 Arabia</b>
	Information on accounts and recent transaction history.	Account balances and recent transaction history.	
	Notice of withdrawn and rejected checks on your account.	Check book requests.	
	Notification of deposits and cash withdrawals, incoming transfers, salaries and invoice debiting on your account.	ATM card applications and cancellations.	
	Reminders of maturity dates of letters of credit, fixed deposits, letters of guarantee and over draft facilities.	FOREX rates and interest rate inquiries.	
	Information on FOREX & interest rates.		

Another key development that will assist FIs in both regions is that the mobile technology industry has been growing in Palestine over the past year. These include a partnership between PalTel and the Kuwait company Zain<sup>12</sup> and a second Palestinian mobile network, Wataniya, owned by Qatar Telecommunications Co. and the Palestinian Authority's Palestinian Investment Fund.<sup>13</sup> Both companies have experience with mobile banking in their respective countries.<sup>14</sup>

<sup>12</sup> <http://www.arabianbusiness.com/544983-kuwaits-zain-in-talks-to-partner-paltel-in-palestine>

<sup>13</sup> Ibid.

<sup>14</sup> Zain: <http://www.zain.com/muse/obj/lang.default/portal.view/content/Media%20centre/Press%20releases/ZapLaunchAfrica>; Qatar: <http://wirelessfederation.com/news/16743-qtel-vodafone-qatar-in-a-bid-to-develop-a-joint-mobile-commerce-platform/>

## Technology Companies providing Technology Banking In Palestine

- Access2Arabia: <http://www.access2arabia.com>
- International Computer Systems (London) Ltd: <sup>15</sup> founded in 1978 as a Systems Integrator and Turn-Key solutions provider, enjoys an unbroken record of implementing successful banking automation projects with over 57 banks across 3 continents. [www.icslondon.com](http://www.icslondon.com)
- Computer and Communications Systems Ltd- (CCS): founded in 1982 is one of the Middle East's leading IT companies and one of the largest IT companies of its kind in Jordan. CCS provides assistance in every aspect of the IT Project and Skills Transfer cycle: from initial consultancy through to design, development, networking, infrastructure, implementation, training, and on-going maintenance. [www.ccs.com.jo](http://www.ccs.com.jo)

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<sup>15</sup> <http://www.ameinfo.com/208820.html>

## **Annex 5: Youth Savings Data**

### **Profile**

The youth surveyed were between the ages of 15 to 17, single, and the majority lived in rural areas in both the West Bank (79%) and Gaza (74%). Their education level focused on Preparatory and Secondary school, 57% and 36% in the West Bank; while in Gaza it was 18% and 40%. The majority of youth respondents are unemployed (93%), although the stated top source of income was salary followed by social assistance. For those who are employed they work in trade, agriculture, service or industry and have been working only for 0-3 years.

### **Youth Banking Experiences**

Youth overall have limited banking and savings experiences and 96% are not active clients of a bank. In addition, they stated they do not have a bank account due to lack of “money to deposit” (67%), “don’t need a bank account,” and “don’t have banking information.” They are the largest group that does not bank due to a “lack of banking information”. If they were to open a bank account it would be a savings account and “ensure the security and safety” of their money.

When asked about financial decisions the majority of those surveyed stated that their fathers make the financial choices (81%) in the household. In addition, youth respondents stated that they received money to invest in assets by “borrowing from banks” or “cash at hand.” It is unclear how they are borrowing from banks given that they don’t have bank accounts, this could indicate a lack of financial knowledge about banks and how to borrow from banks. Yet in general they borrow money from “relatives/ family” and get loans from “family/friends” (91%). “Cash at hand” and “relatives/family” were also prevalent sources for youth to pay for education costs, consumption, special occasions and emergencies. This finding corresponded with preferences as well, as the majority of youth said they went to these sources first and then to friends second for funds.

### **Youth Financial Knowledge**

In general, the youth respondents are not very interested in financial topics and 51% are only “somewhat comfortable” with adding/subtracting numbers. Their main sources of information on banking are family members, friends and lastly television. Most youth have heard of the following terms: bank, bank account, checks and savings account; but are unclear on mobile banking by vehicle (91%), mobile phone banking (64%), credit card, mortgage, minimum balance, and current account. Across the board youth were interested in learning about all the financial terms related to banking, especially on opening a bank account, savings, and withdrawing/depositing money.

### **Youth Savings Experiences**

Given that most of the youth respondents do not have accounts and are not active clients of banks, their experience saving is limited. Only 15% of the youth surveyed save and the majority does so for retirement (62%), education (50%), and emergencies. They save at home (62%) and mostly between 0-250 NIS, although 29% stated they saved between 751-1000 NIS. Those that don’t save money in the bank stated they couldn’t do so because they had “no disposable income.”

Of the small percentage that are clients of banks, half of them have accounts at the Arab Islamic Bank. All have savings accounts from between 5-7 years that they use to deposit money and make withdrawals as needed, and half use their account on a regular basis.

### **Youth Savings Preferences**

Youth felt “trust” was equally important to “accessible location”, “ease of transactions”, “incentives and solving problems quickly”. Those respondents that have savings accounts stated that they had with their

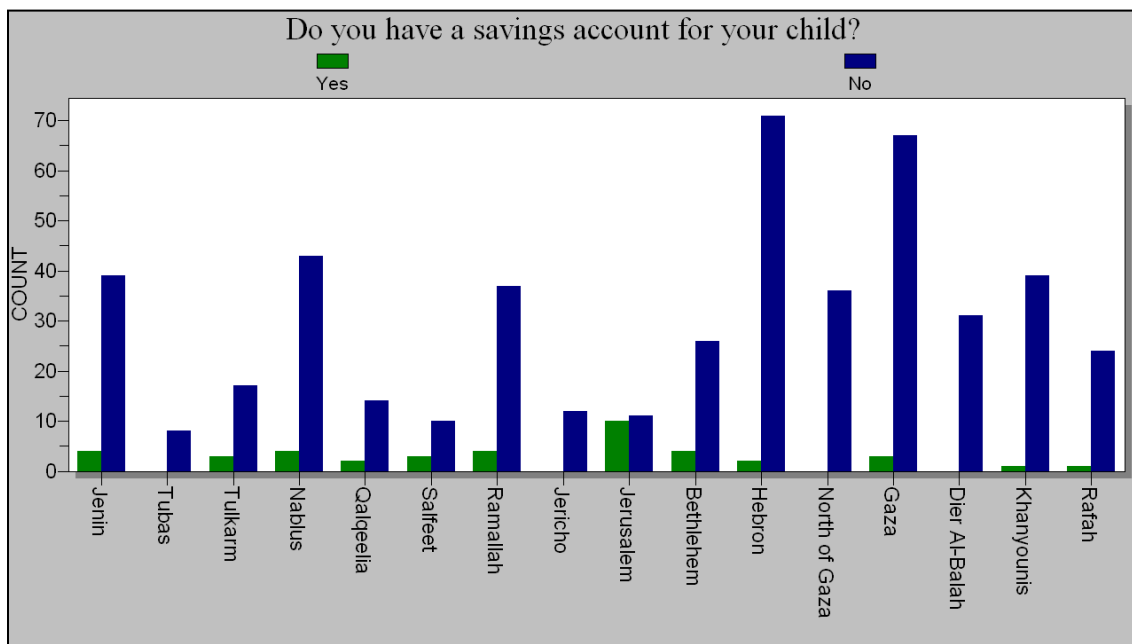
bank because it was “convenient” and “simple”. In regards to interest rate, respondents overwhelmingly preferred having access to savings at any time versus a higher rate. Participants wanted to be contacted by banks via cell phone first, than telephone and internet. (This corresponded with their own frequency pattern of these technologies.)

**Future Savings**

Youth stated that the incentives to open a savings account in the future would be “contests” and “Islamic procedures.” They would deposit and withdrawal savings in/from an account “as needed” and would like to earn an interest between 1-5 (39%) and 6-8 (31%).

**Adult Respondents on Savings for Children**

Adult Respondents were also asked if they were parents of children and if they were what their preferences were around savings for their children, who are currently living with them and are under the age of 18. The majority of parents surveyed did not have savings accounts for their children (See chart).



Even so, many parents wanted to open savings accounts for their children. The chart below outlines that there is great interest to do so especially in Hebron, Nablus, Jenin and Ramallah.