FinAccess Kenya 2009 – some observations

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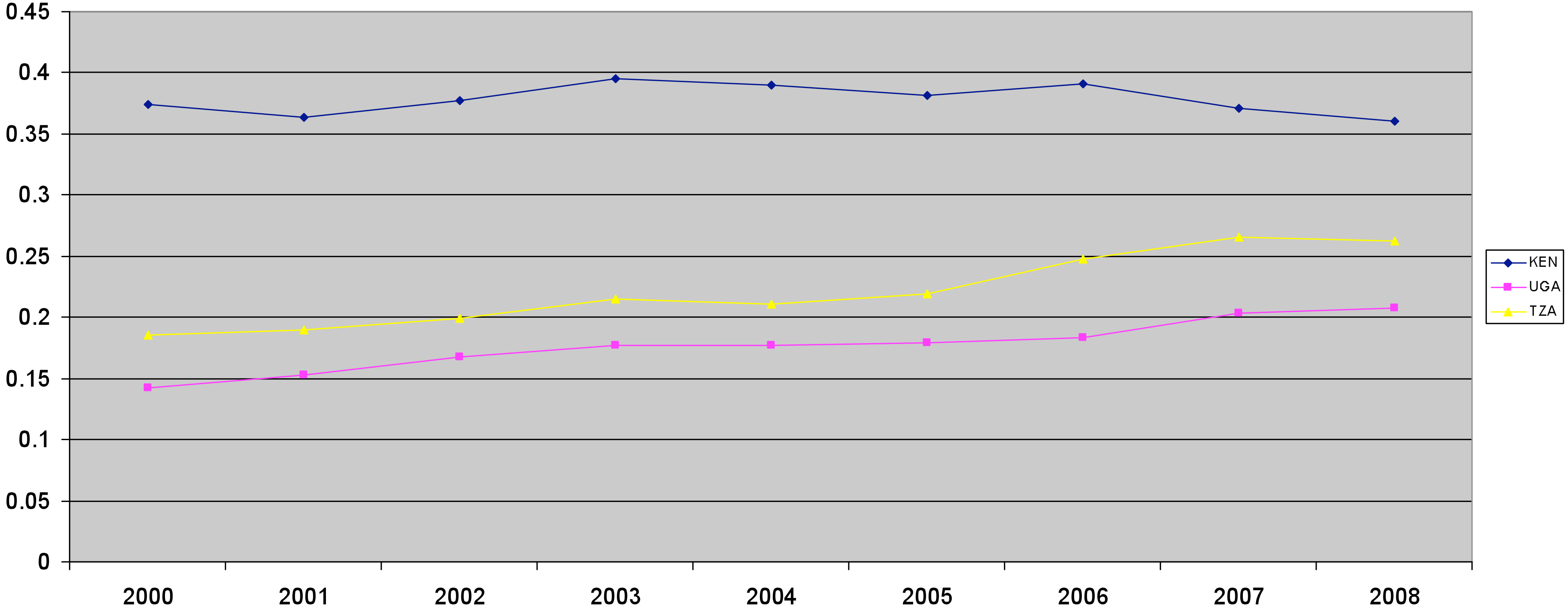
Overview

- Financial deepening – the broader context
- Access to finance in international comparison
- 2006 vs. 2009 – who gained, who lost?
- What can we learn from FinAccess?
- Some broader comments

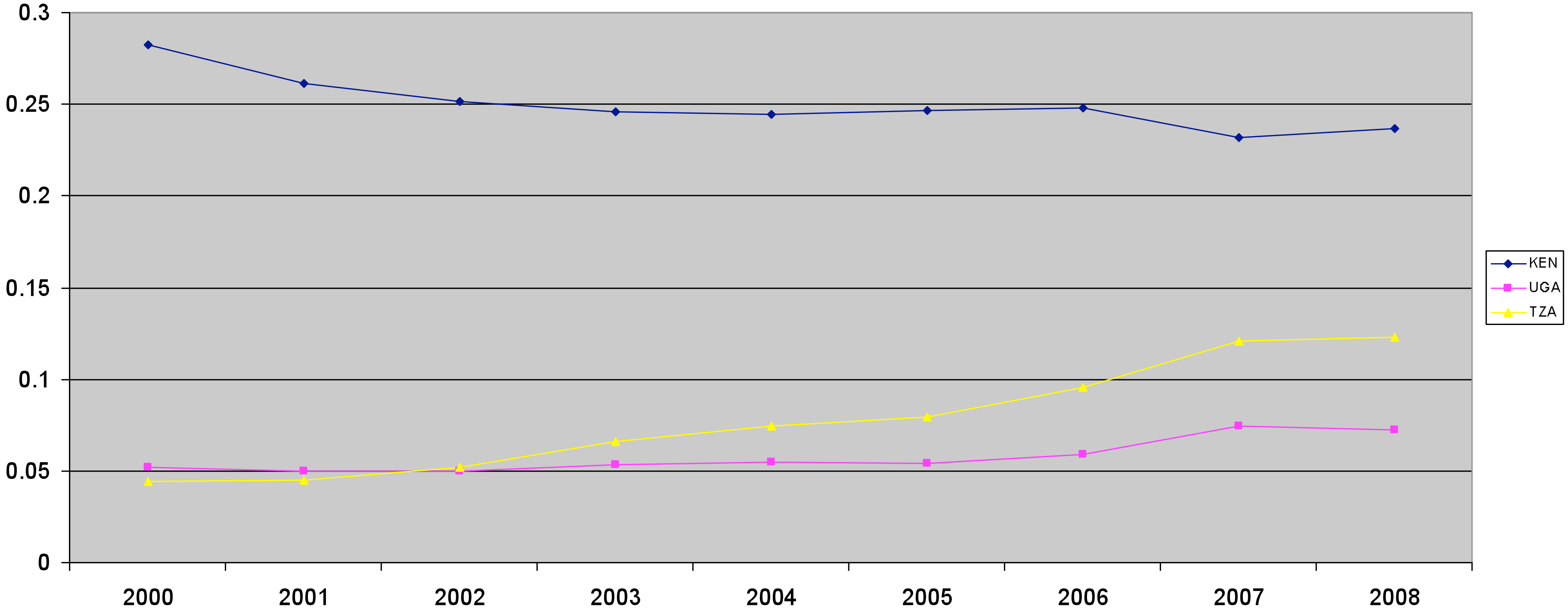
Access to finance – the broad picture

- Dimensions of financial development
  - Depth
  - Efficiency
  - Stability
  - Outreach
- Different services
  - Credit services
  - Savings services
  - Payment services

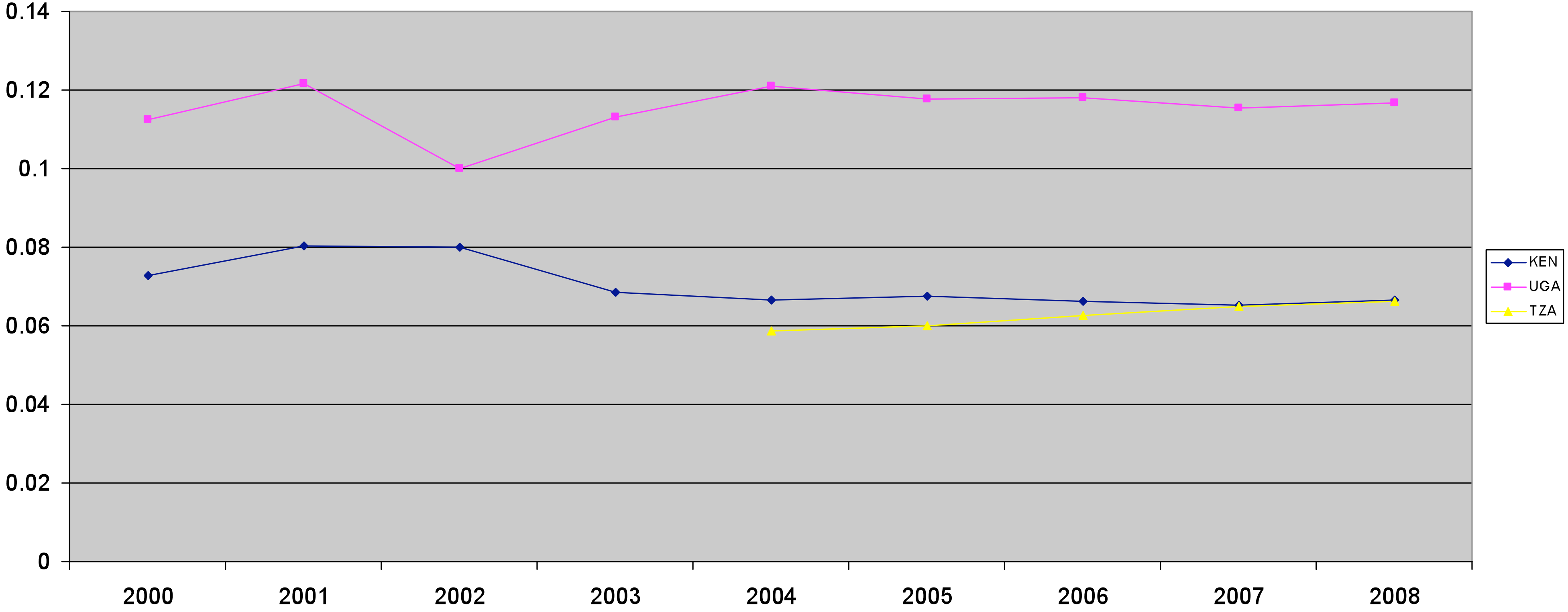
Kenya in international comparisons – Liquid Liabilities



Kenya in international comparisons - Private Credit



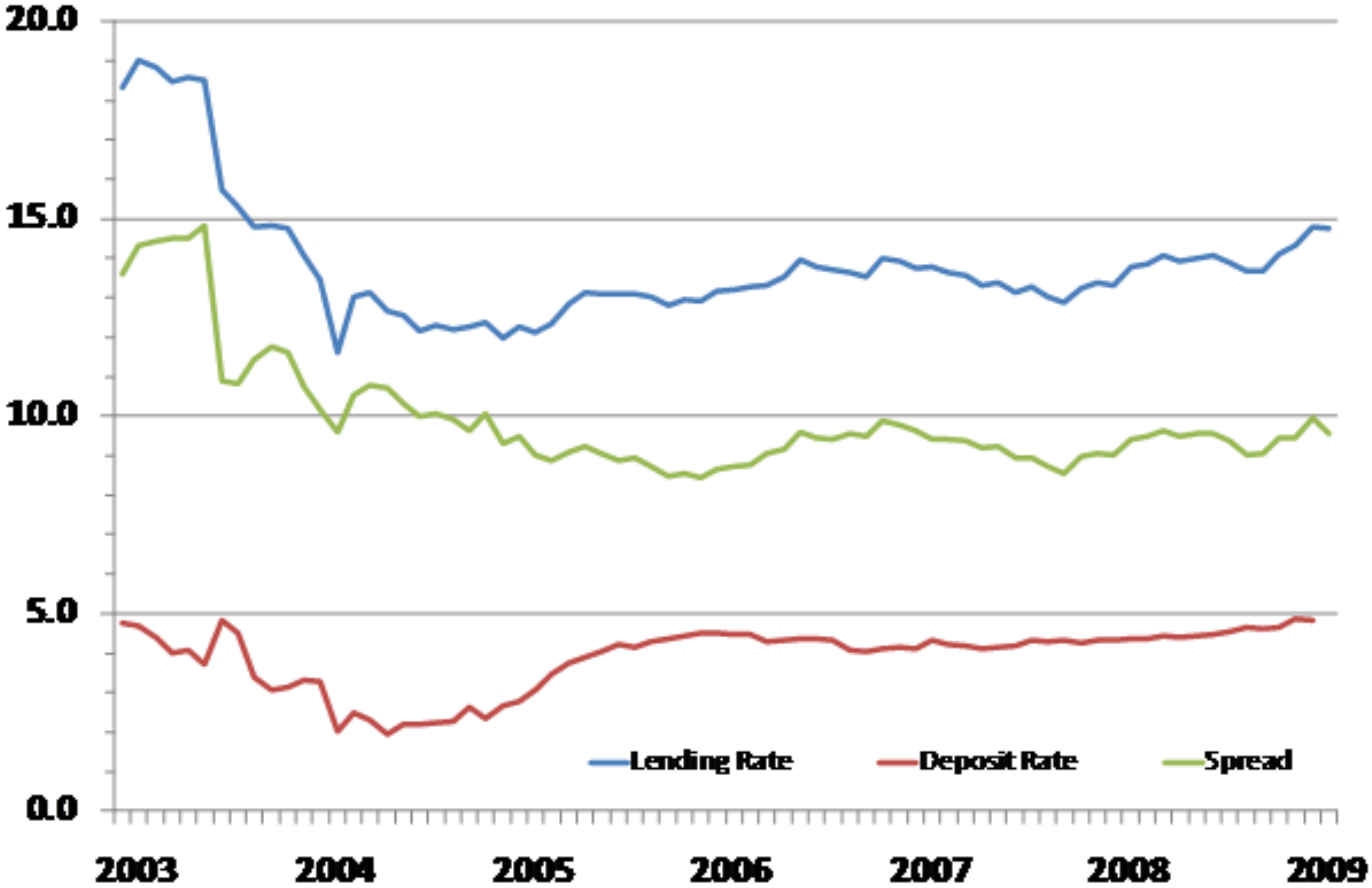
Kenya in international comparisons – net interest margins



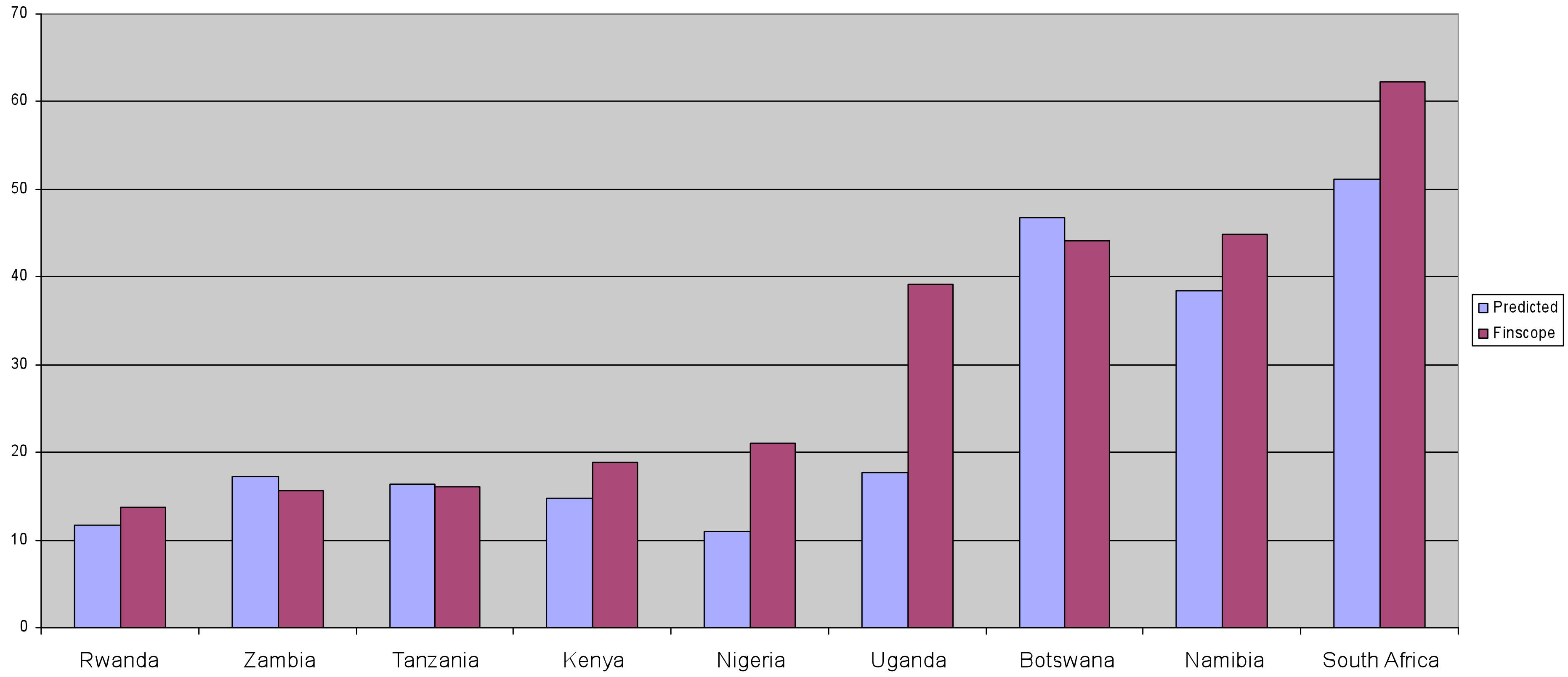
Kenya’s financial system – status and challenges

- Deep, Diversified system
- Segmented
  - Ownership
  - Size
- Limited intermediation
- Limited outreach

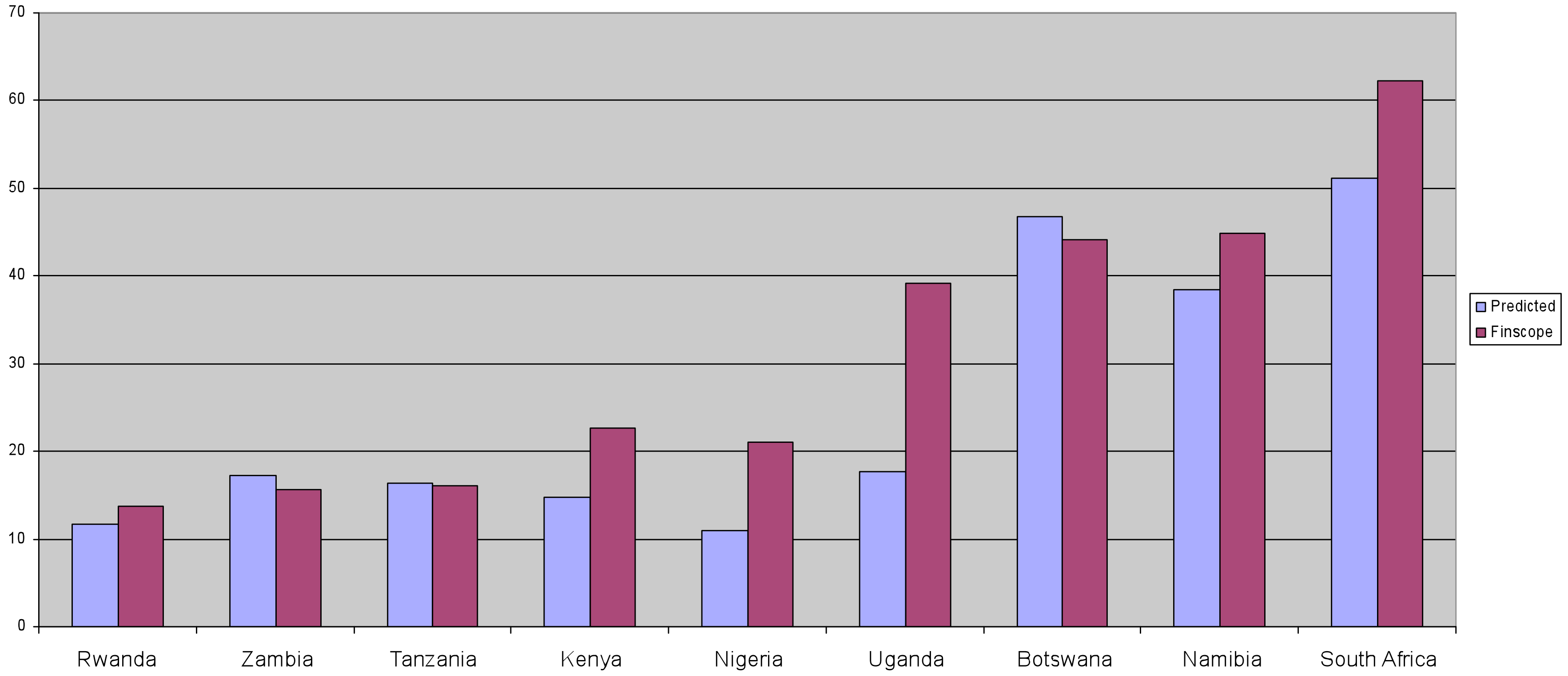
Still high interest rate spreads

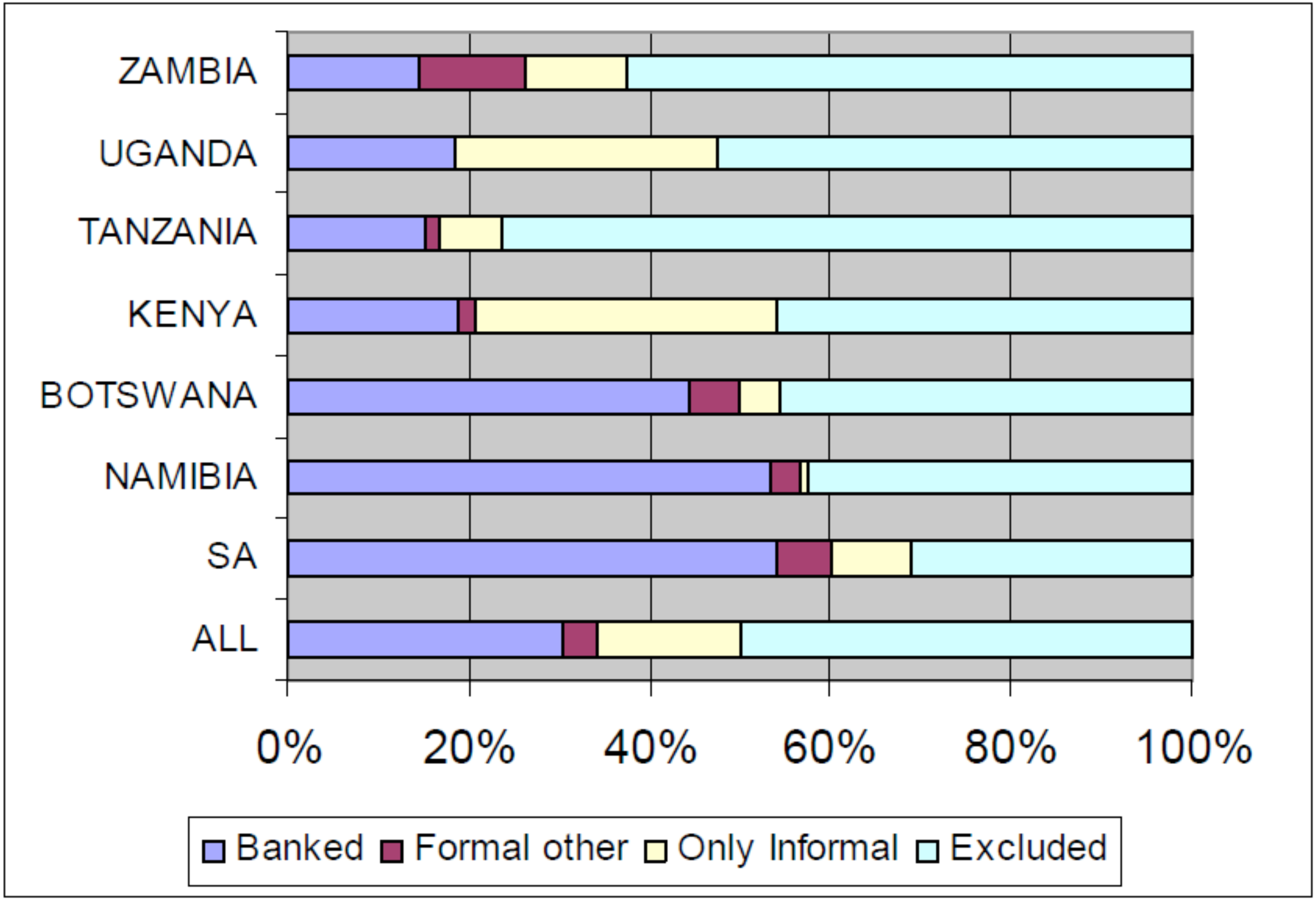


Kenya in regional comparison – Access to finance, using 2006 FinAccess

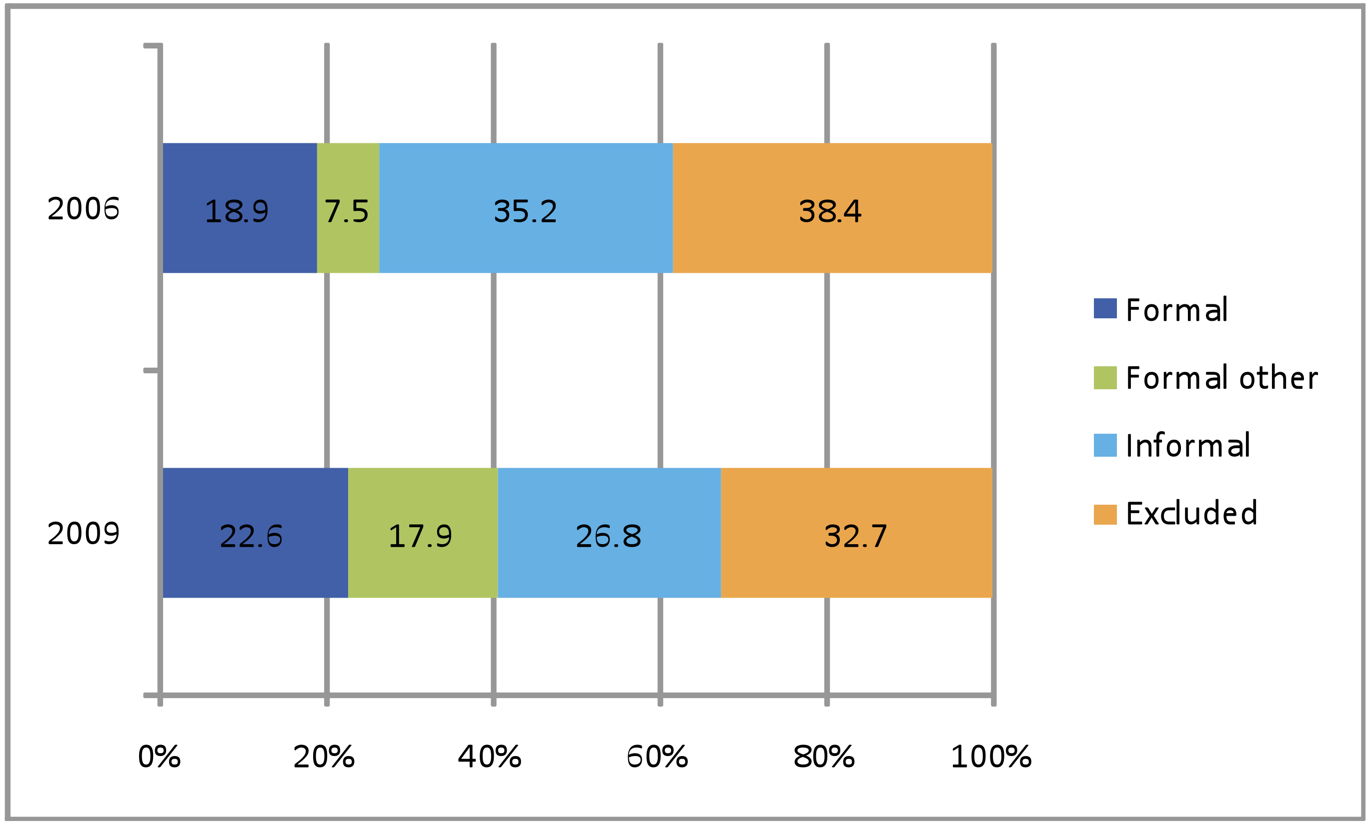


Kenya in regional comparison – Access to finance, using 2009 FinAccess




ZAMBIA
UGANDA
TANZANIA
KENYA
BOTSWANA
NAMIBIA
SA
ALL
0%
20%
40%
60%
80%
100%
Banked
Formal other
Only Informal
Excluded

Kenya over time

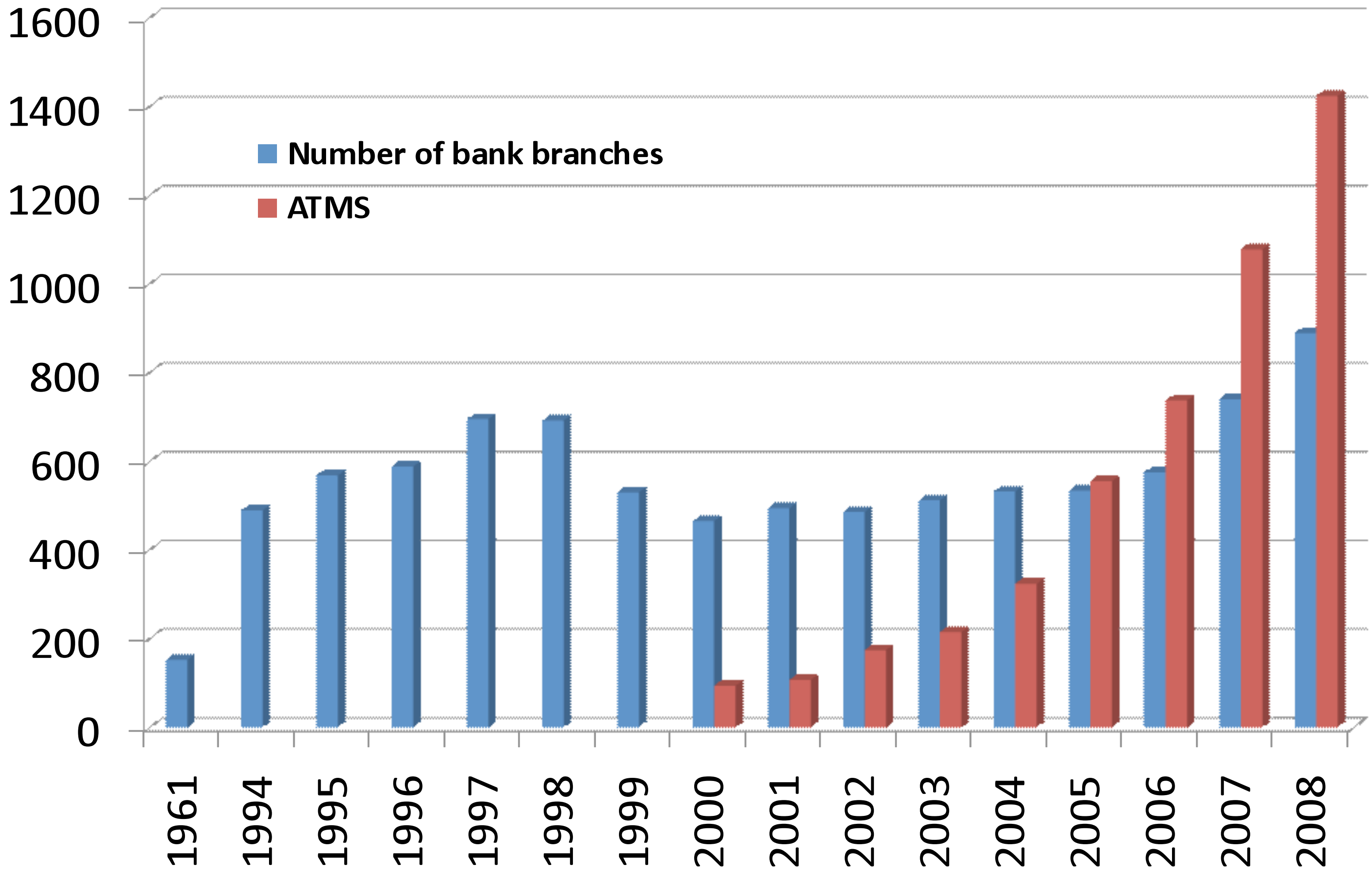


Who has gained?

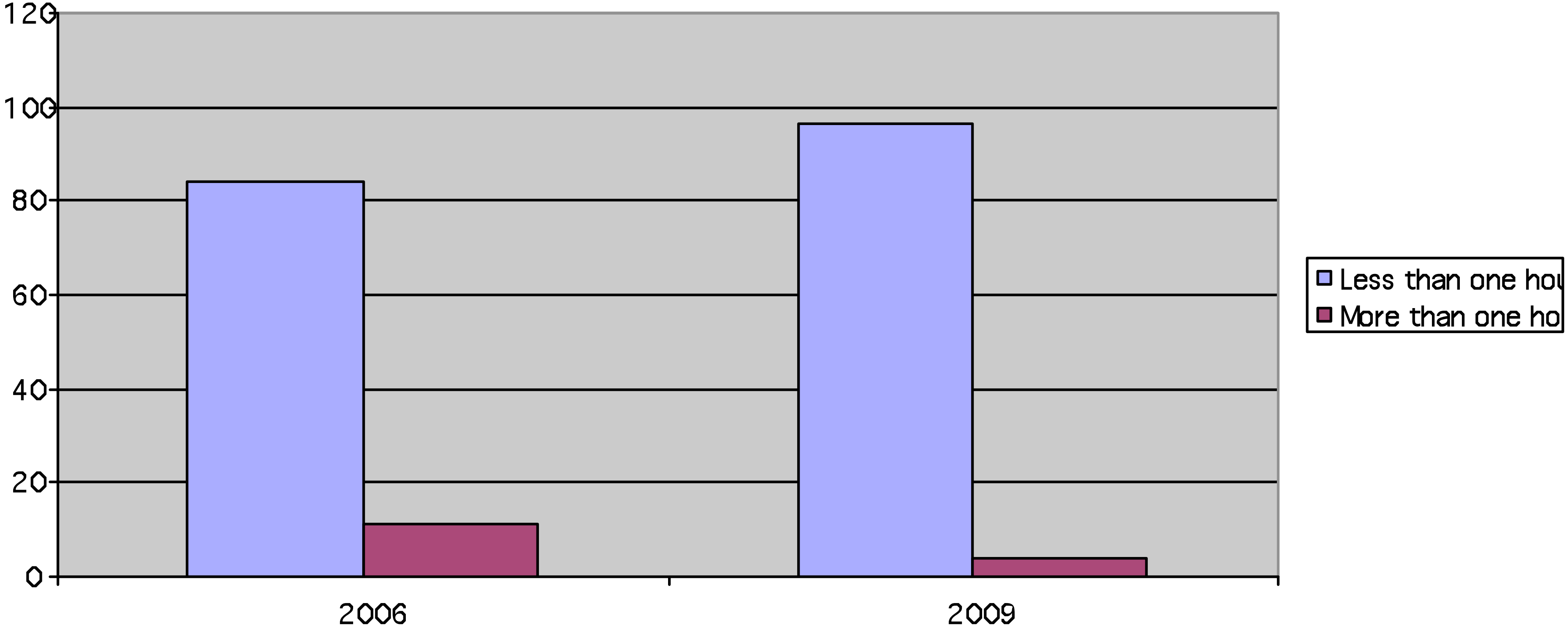
- Gender
- Rural-urban
- Financial Services
- Institutions
- Age
- Education

- both
- Urban
- Especially credit
- Banks, MFIs, M-Pesa gained; SACCOs lost
- 25-44
- Everyone

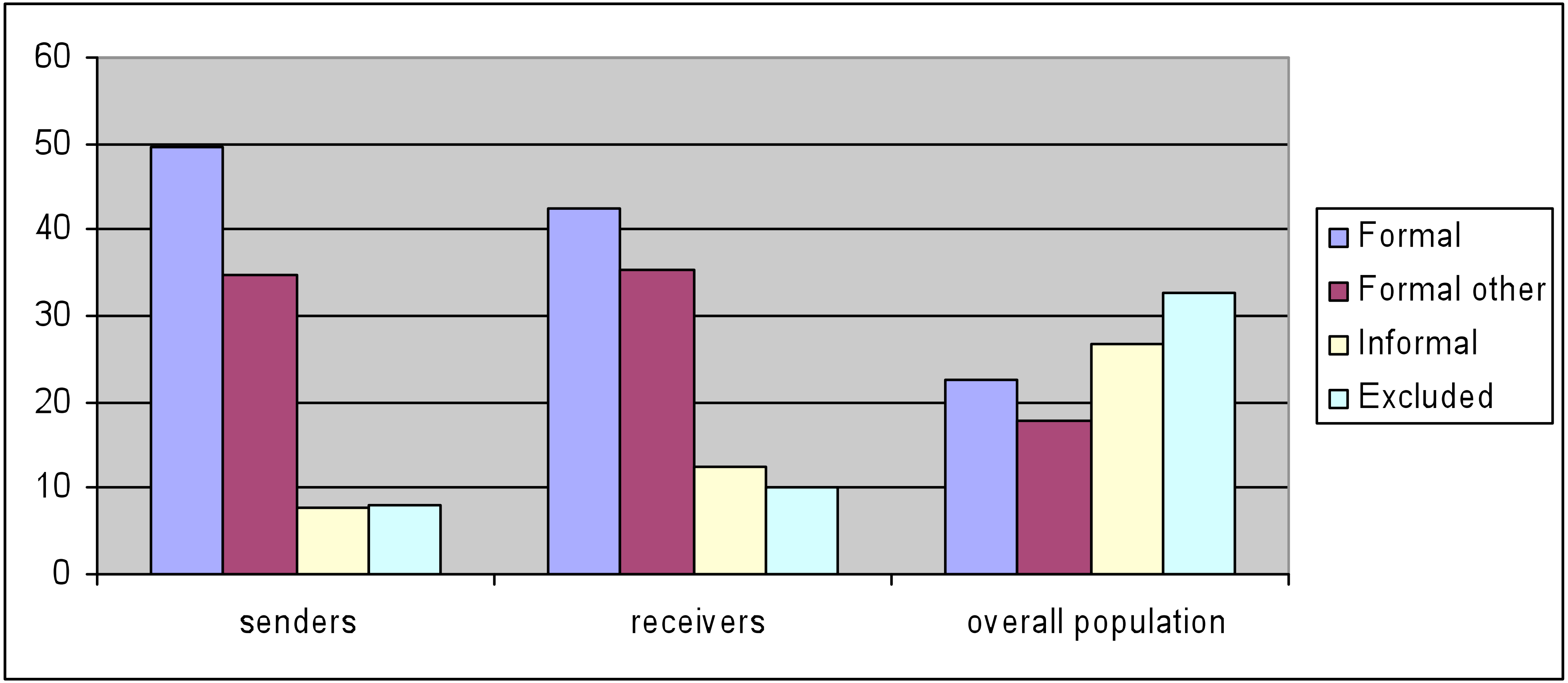
Increased geographic outreach – supply



Increased geographic outreach – user



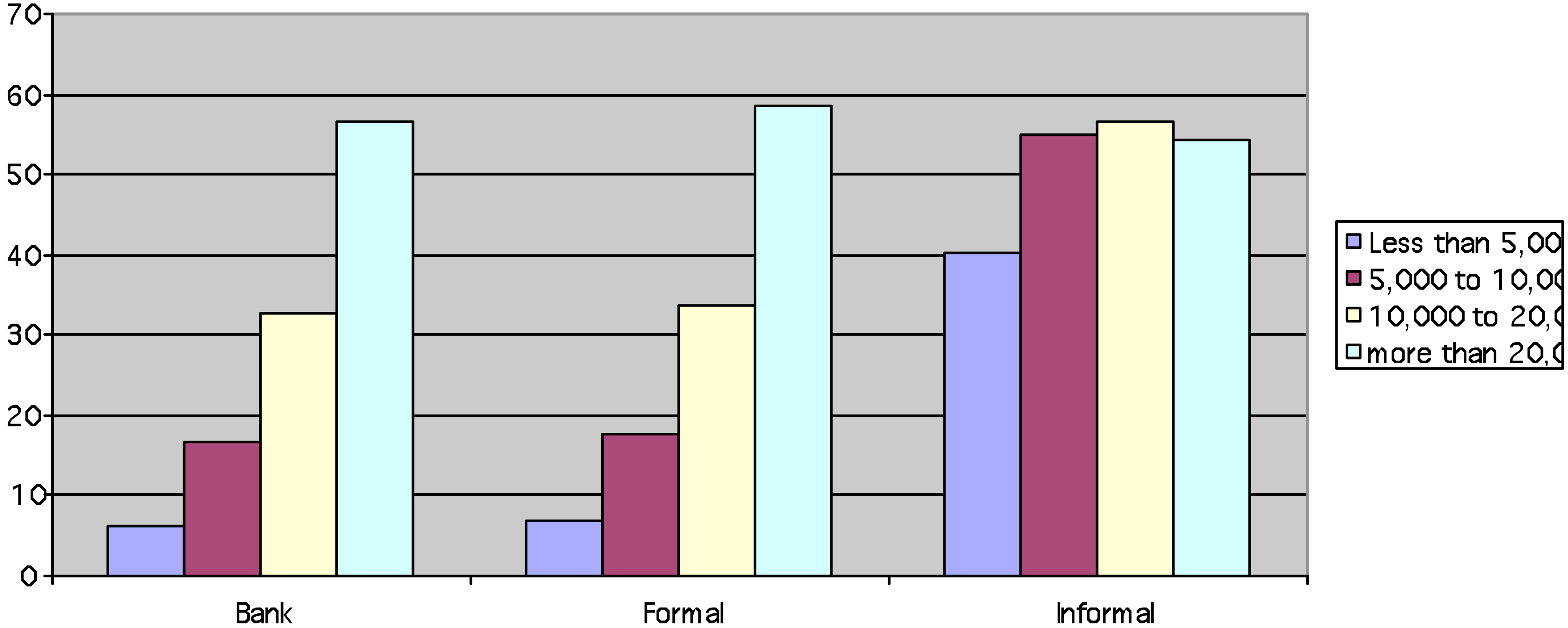
Who uses M-Pesa?



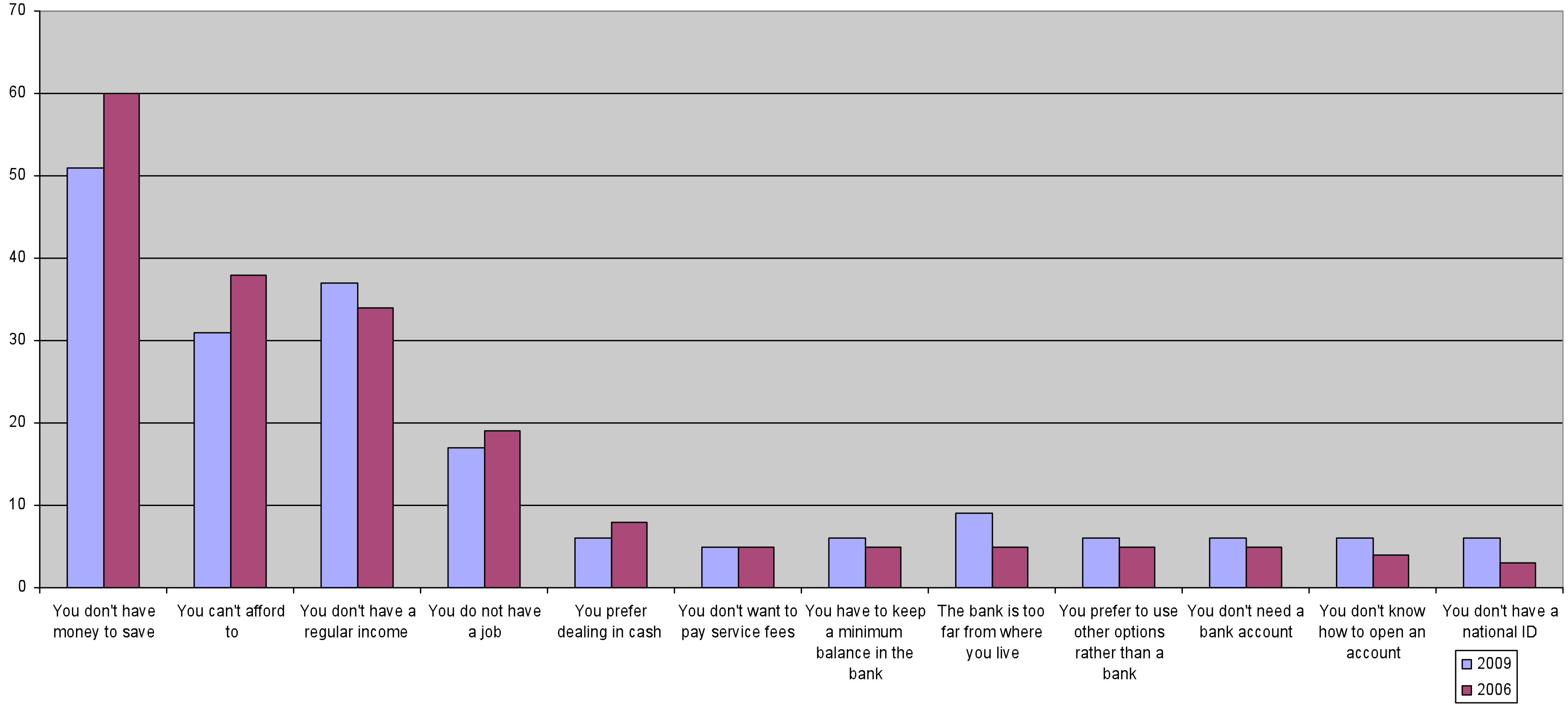
What matters for access?

	Bank	Formal institutions	Informal
Income	0.073	0.077	0.072
Female			0.188
Age	0.165	0.179	0.052
Rural	-0.073	-0.079	
Employed	0.08	0.089	
Self-employed	0.075	0.075	0.142
Agriculture			
Pension/remittances			
Education	0.09	0.096	
Calculus	0.02	0.022	
Risk aversion			0.058
Own a cell phone	0.154	0.165	0.084
Central Valley	0.061	0.066	
Nyanza	-0.055	-0.057	0.144
North Eastern	-0.084	-0.095	-0.303
Coast		-0.044	
Eastern			0.168
Western			0.164

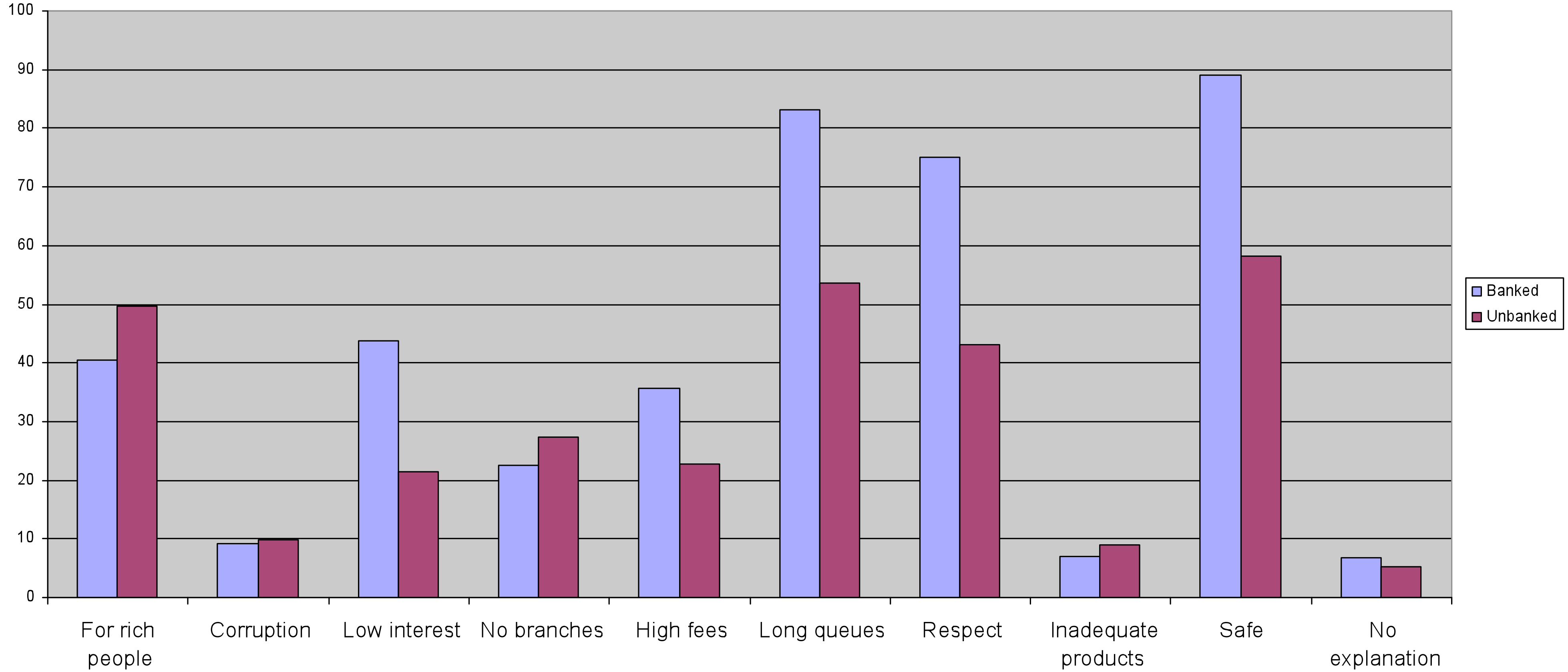
Income and access to finance



Constraints for not saving – 2006 vs. 2009



Perceptions about banks



Comparing reasons for savings and credit – subsample of individuals who do both

- Top reasons savings
1. Day-to-day needs
2. Emergency
3. Education
4. Consumption
5. Business expansion

- Top reasons credit

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1. Day-to-day needs
2. Emergency
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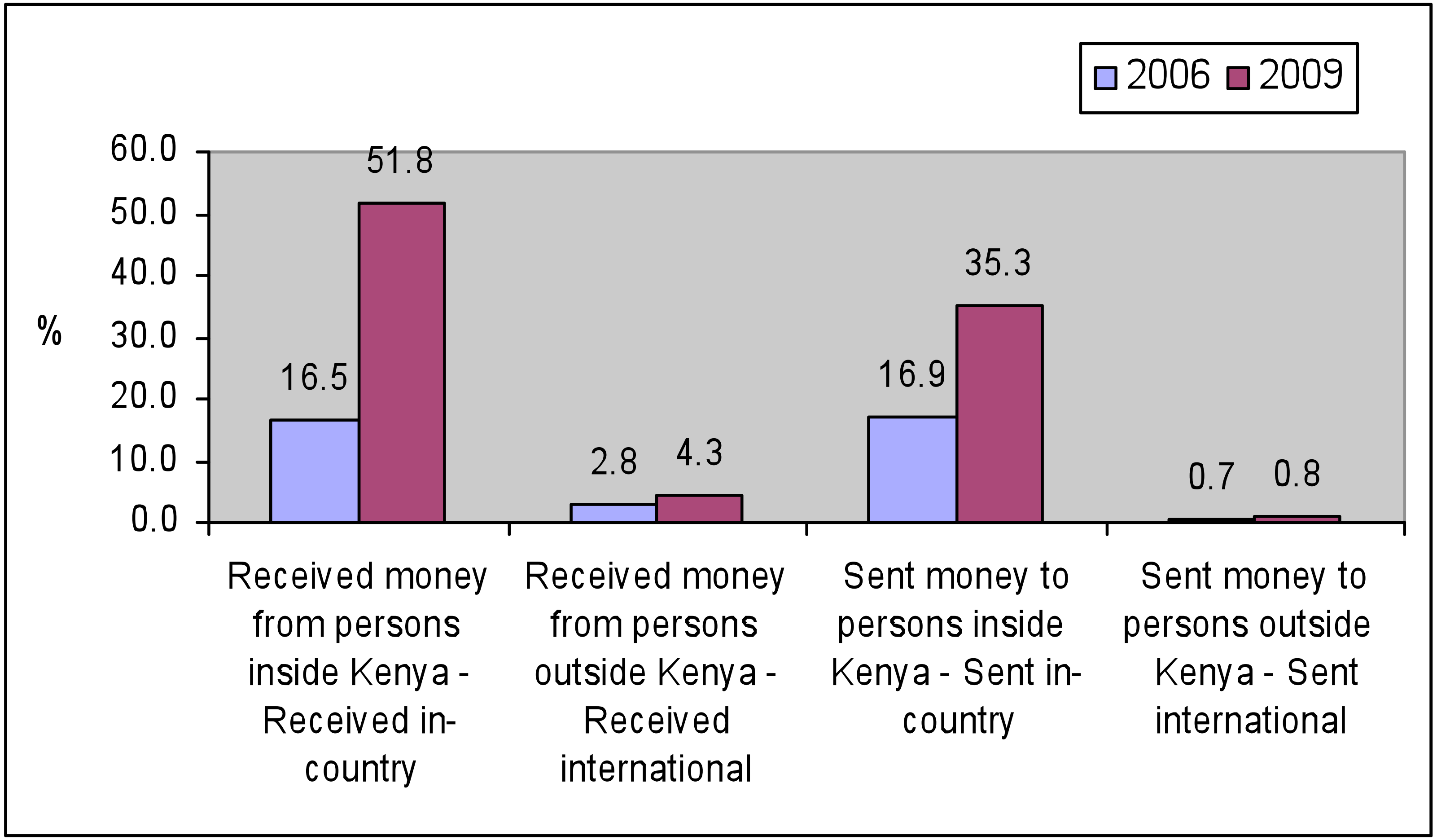
5. Agricultural input

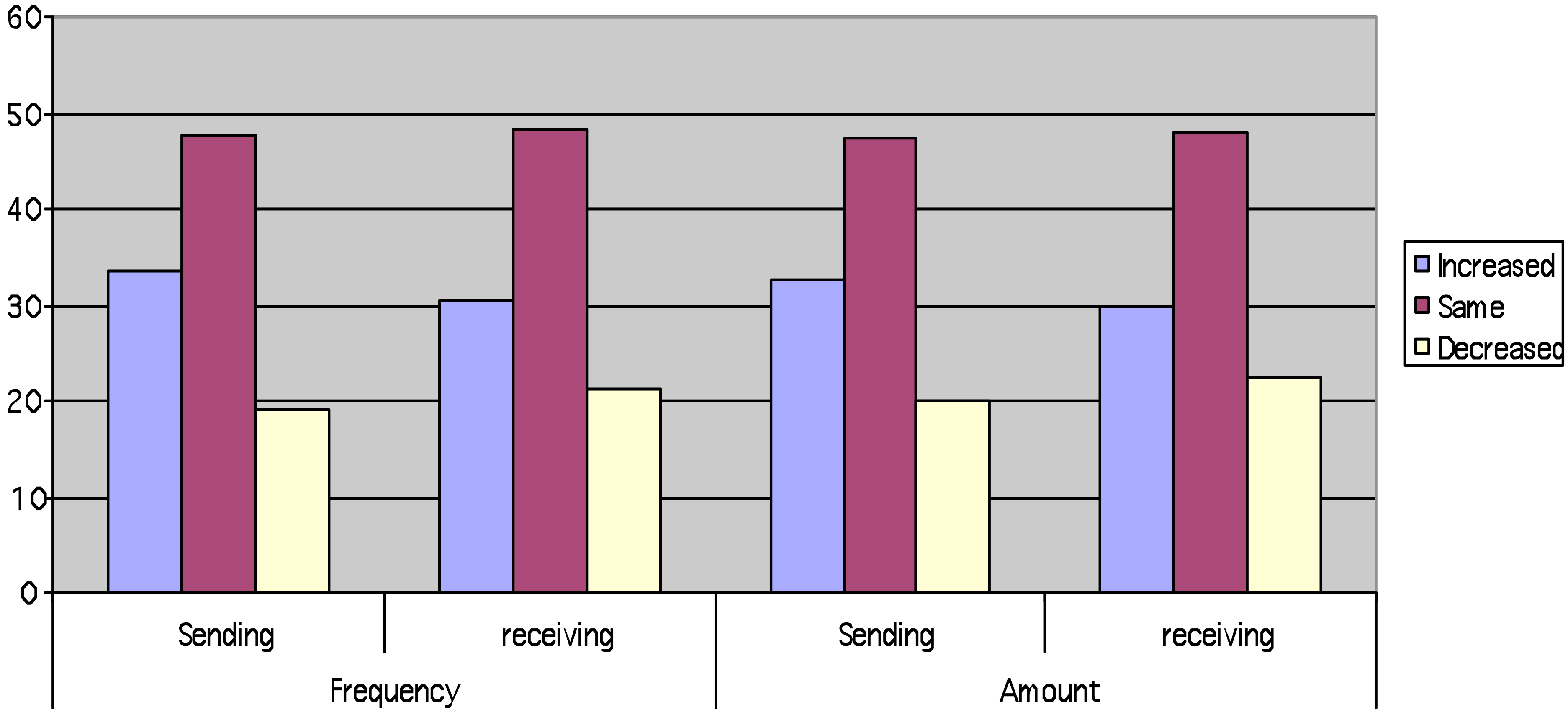
Remittances – 2006 vs. 2009



M-Pesa changed the remittance market

	2006	2009
Least risky	Specialist MTO	M-Pesa
Least expensive	Friends/family	Friends/family
Fastest	Specialist MTO	M-Pesa
Easiest to get	Friends/family	M-Pesa

Impact of M-Pesa on remittances



Some broader comments

- How does finance enhance growth and reduce poverty?
  - Evidence for indirect channels, through allocation, not necessarily micro-credit
  - Enterprise lending, not household lending
- Access to finance as entry ticket to the market economy
  - Participation in market transactions
  - Consumption smoothing (direct and indirect)

How does the current crisis affect the debate?

- Fewer resources will be available at higher rates (scarcity and risk appetite)
- More pressure towards domestic resource mobilization
- More relative benefits from regional integration
- Pressure from HQ to focus on traditional banking?
- But, financial inclusion more important than ever…

What to do?

- Focus on savings and payment products
  - Savings and credit seem substitutes
- Maintain competitive environment, encouraging innovation
- Strengthen non-bank formal sector
- As international remittances drop, fees become an important area of focus
- Keep up the debate!