FinAccess 2019 launch, 3rd April 2019, Intercontinental Hotel, Nairobi, Kenya

Comments by David Ferrand, Director, FSD Kenya

Ladies and Gentlemen, my thanks to you all for joining us today for the launch of the results from the latest FinAccess survey. Before I turn to comment on the latest data, I would like to acknowledge the tremendous work which has gone into developing this survey. FSD Kenya has had the privilege of partnering with the Central Bank of Kenya and the Kenya National Bureau of Statistics since the idea of FinAccess was conceived fourteen years ago. For the first time, the fieldwork has been undertaken entirely by the KNBS – an important milestone in the development of the survey. Given the importance now attached to financial inclusion in Kenya and worldwide, it seems remarkable to reflect that it was only in 2006, that we actually knew for the first time what proportion of Kenya's population had access to finance. I have been fortunate to be able to observe the evolution of FinAccess since its inception. At the beginning we simply needed basic figures on levels of access. Since then the survey has evolved as we have tried to develop a deeper understanding and look at what lies beneath the surface. This round of the survey with its emphasis on the role of finance in meeting needs and the financial health of Kenyans provides us with a much richer picture than we have had previously.

Let me turn to some reflections on the results. On one hand it would be churlish not to acknowledge the achievements which have been made over the period covered by FinAccess. The increase in access to the financial system has been extraordinary. These figures show that Kenya retains its leadership on the continent in expanding access. There is no doubting the impact of the digital finance revolution here. But when we look at the evidence of what this means from the perspective of Kenya's national development ambitions we have to be much more modest. Qualitative research before this survey had suggested that much as people continue to adopt formal financial instruments, they only play a limited role in people's livelihoods. The results here confirm it.

Finance plays a central role in our economy, facilitating trade in markets and underpinning the efficient pooling and allocation of resources and risk. From the perspective of the individual, financial tools can contribute directly to better managing household resources and building livelihoods. Dealing with day-to-day needs effectively requires the ability to make payments for goods and services easily, put aside financial value for tomorrow's requirements and often being able to borrow to cover short-falls. Everyone faces risks which can threaten their wellbeing in innumerable ways. Finance can provide mechanisms to mitigate the impact of these threats – providing reliable ways to put money aside for use in time of need, sharing risk through insurance or offering credit to rebuild following a shock. Crucially finance can unlock opportunity in many ways. Long-term finance enables entrepreneurs to invest in the businesses which will create our future wealth. And finance provides the channels through which individual investors can participate in this wealth creation.

But the FinAccess survey results clearly show that formal finance is yet to meet its potential. The suggestion from our new measures of financial health that overall financial well-being is declining is clearly worrying. How can this be when it seems that so much progress has been made? I want to suggest three reasons:

- First, financial services are just not very relevant to the needs of many – and especially poorer households. They simply don't actually provide improvements on existing informal solutions.
- Second, the inevitable power imbalance between consumers and financial institutions becomes even more profound where the new consumers are poorer and less well educated. Achieving appropriate market conduct – starting with the basics of transparency, fair treatment and safety – is a significant challenge.
- Third, the greatest gains in terms of inclusive growth are not necessarily to be achieved by focusing solely on the financial services used by low-income households. There are many instances in which we need to look at how finance enables impact *indirectly*; can investment be achieved in boosting an industry sector generating jobs and services which benefit low-income households?

This isn't counsel for despair. Far from it. We now have tools and opportunities we could barely conceive just two decades ago. And we do already have many illustrations of how finance *can* be used to make a real and positive impact on the lives of Kenyans. Our challenge today is to harness these achievements and build a truly inclusive financial system which delivers on its promise.