

PRESS RELEASE

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ZERO TO FOURTEEN MILLION

FSD KENYA CELEBRATES TEN YEARS OF BACKING KENYA'S DIGITAL FINANCIAL REVOLUTION

Ten years ago, there was no M-Pesa. Approximately 40% of the adult population used no financial services whatsoever. Just a quarter of them owned a mobile phone. The developments of the last decade are undeniably transformational.



Kenya has emerged as a world-class player in the digital financial revolution. FSD Kenya, established in 2005, has worked hand-in-hand to support the government and private sector's efforts in coming this far.

In celebration of this, and in recognition of the fact that our work is not yet done, we are proud today to host the inaugural FSD Kenya annual public lecture on financial inclusion.

Dr Tavneet Suri is a Kenyan development economist and associate professor of applied economics at the Sloan School of Management at Massachusetts Institute of Technology (MIT). She will deliver the inaugural lecture on the mobile phenomenon, including an analysis of the usage and impact of M-Pesa among other financial instruments.

It's not too late to join us – RSVP on [EventBrite](#) or email winnie.mokaya@fsdkenya.org

Between April 2007 and the end of 2011, the number of M-Pesa users in Kenya grew from zero to *fourteen million*. 70% of the adult population signed up. The rate of change continues

to be rapid, but there remains a long way to go. The more we understand about the financial lives of the poor, the more we realise how much is needed before can honestly say that financial markets are working for the poor.

“The innovations we have seen represent important and laudable achievements, but there remains a disconnect between how poor people see and manage their finances, and the offerings of financial institutions,” says David Ferrand, Director of FSD Kenya. As we mark our ten-year anniversary, this is at the forefront of our minds.

If you earn Kshs 2,000 per month, you can't afford to pay much to manage it. Average transaction costs have to come down drastically if we are going to achieve universal usage. Could we one day exploit the full potential of technology to reduce costs to near zero? Now *that* would be a remarkable thing.

One of the things Dr Suri's lecture will address is whether financial transaction costs are a barrier to more effective insurance for families in Kenya. Unexpected setbacks such as theft or the death of a loved one can be emotionally exhausting, as most of us know too well. Among low-income earners, they are often financially devastating. Insurance can help to cushion us in times of crisis.

Kenyans regularly share the costs with their social networks – a form of risk sharing. But these informal mechanisms are imperfect and insufficient. Does lowering transaction costs promote uptake of insurance? Does it have a direct impact on welfare?

Here's a sneak preview of one of the findings that Dr Suri will present in the lecture:

The per capita consumption for nonuser households falls by 7 percent when hit by negative shocks. On the other hand, M-PESA users were able to maintain consumption levels steady in the aftermath of shocks.

Source: FSD Kenya's November research brief

It is possible that a decade ago, in our youth, we were unrealistically optimistic about how far along the path we were to creating a truly inclusive financial system. Today, we have a better understanding of the scale of the challenge. Looking to the future there is nevertheless cause for guarded optimism: if Kenya can successfully exploit the new tools at its disposal, it is possible that we will witness major breakthroughs in the reach and relevance of financial services for the poor in the next five years.

About FSD Kenya

FSD Kenya was created in 2005 to stimulate wealth creation and decrease poverty. It achieves this by working in partnership with the Government of Kenya, the financial services industry and business. An independent trust, supervised by KPMG, FSD Kenya (Financial Sector Deepening) is celebrating its tenth year of bringing financial services to an ever-increasing number of people and small businesses across Kenya.

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