

FINANCIAL ACCESS IN KENYA

RESULTS OF THE 2006 NATIONAL SURVEY

OCTOBER 2007



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Acronyms

ASCA	Accumulating Savings and Credit Association
EA	Enumeration Area
CBK	Central Bank of Kenya
CBS	Central Bureau of Statistics
DFID	Department for International Development
DSO	District Statistical Officer
FAP	Financial Access Partnership
FSD	Financial Sector Deepening
GIS	Geographical Information System
GPS	Global Positioning System
HELB	Higher Education Loans Board
ID	Identity Card
IYMC	International Year of Micro-Credit
KDHS	Kenya Demographic and Health Survey
LSM	Living Standards Measure
MFI	Micro-Finance Institution
NASSEP	National Sample Survey and Evaluation Programme
NGO	Non-Governmental Organisation
NSSF	National Social Security Fund
ROSCA	Rotating Savings and Credit Association
SACCO	Saving and Credit Cooperative

Chapter 1

INTRODUCTION

1.1 BACKGROUND

Financial sector stakeholders agree that there is a serious problem of limited access to financial services in Kenya among lower income and rural households. Considerable efforts have been made to address this problem that impacts directly on the livelihoods of poorer people as well as economic growth. The Government of Kenya's Economic Recovery Strategy for Wealth and Employment Creation specifically cites the importance of the financial system and the need to improve access to financial services across the economy – especially in the agriculture sector, and among micro and small enterprises. However, despite agreement regarding the limited access to funding, there has been no reliable data to indicate the extent of the limitations, and therefore no means of measuring progress made by the government, the financial services industry and development partners in addressing the challenge of accessing financial services. In short, there has been no clear quantitative measure to gauge the extent of access to financial services in Kenya.

Better access indicators can be valuable in promoting wider access to financial services for the poor in Kenya by:

- (a) Providing information to the private sector about market opportunities;
- (b) Providing information to policymakers about the main barriers to access;
- (c) Raising the profile of the issue and allowing for inter-country comparisons, thus providing a solid empirical basis to track progress and an impetus for necessary reforms; and,
- (d) Providing data for use in academic research into the impact of access to financial services on growth and poverty reduction.

During the International Year of Micro-Credit (IYMC), the national Coordinating Committee, various representatives of industry, government and development partners identified the need for a detailed national mapping process to measure the supply of and demand for financial services.

Following a stakeholder workshop involving players from across industry and government, it was agreed that a public-private partnership was needed to drive this work forward. The Financial Access Partnership (FAP) was created from representatives of both public and private sectors to guide the work on behalf of the sector. Day-to-day implementation was the responsibility of Financial Sector Deepening Kenya (FSD Kenya), with strong support from key

members of staff involved with financial access within the Central Bank of Kenya. The FAP determined that the immediate priority was for a national household survey to establish levels of access to financial services by Kenyans across the country.

The survey was designed to be inclusive of the financial industry in Kenya, covering all providers of financial services including banks, finance companies, savings and credit co-operatives (SACCOs), micro-finance institutions (MFIs), insurance companies, as well as the more informal sources such as Rotating Savings and Credit Association (ROSCAs), informal lenders, non-governmental organisations (NGOs), friends and family.

1.2 RESEARCH OBJECTIVES

- To measure access to and demand for financial services in a nationally representative survey.
- To provide a benchmark measure of effective access to financial services that can be monitored over time and be used to evaluate the effect of various government, private and donor-led initiatives to deepen access.

1.3 ORGANISATION OF THIS REPORT

This report provides the basic results and does not attempt to interpret the findings (other reports, planned for later in the year, will look at interpretation). The report aims to provide detailed table summaries and other basic results to stakeholders in the financial sector. We welcome comments, questions, proposals for further work and analysis.

The report is structured as follows. Chapter 2 describes the survey methodology and Chapter 3 gives an overview of the financial landscape in Kenya. Subsequent chapters deal with the various key issues under financial access: savings, credit, insurance, money transfer, informal groups, technology and youth. Only key findings are presented for each issue; there is a wealth of additional information in the data, but in-depth analysis is beyond the scope of this report.

In presenting particular findings, whether in the text, in charts/graphs or in tables, care has been taken to indicate the base (number of respondents) in each instance. In many cases, results are broken down by sub-groups such as urban/rural or gender.

Chapter 2

METHODOLOGY

2.1 SURVEY ADMINISTRATION

The FinAccess survey was undertaken by the Steadman Group's Research Division under guidance from FSD and the FAP. There were a number of review meetings with the key stakeholders, particularly when designing the questionnaire.

In executing the survey, Steadman received technical assistance from the Kenya National Bureau of Statistics (KNBS, ex-Central Bureau of Statistics), which included the provision of the sample design, sampling frame, sampling cluster maps, cluster guides, data weighting, and a review of the methodology.

2.2 SAMPLE DESIGN

The sample for the 2006 Financial Access Study was based on the National Sample Survey and Evaluation Programme (NASSEP IV), developed from the Population and Housing census of 1999. NASSEP IV has 1,800 clusters, of which 1,260 are rural and 540 urban. These were selected from some 62,000 enumeration areas (EAs) developed during the census using the probability-proportional-to-size method. The district was the basic stratum in the NASSEP design, with further stratification into urban and rural areas for each. In addition, the major urban areas (e.g., Nairobi, Mombasa, Kisumu, Nakuru, Eldoret, Thika) were further spatially sub-divided into five strata to control for variations based on socio-economic levels.¹

A sample size of 4,420 was calculated as adequate for generating reliable estimates at the provincial level. Using the NASSEP base, 442 clusters (143 urban and 299 rural) were selected for the FinAccess study using a stratified three-stage design. First, the number of households to be allocated to each district was assigned. A modification of the selection criteria was made to control for variations in population distributions nationally by making the selection proportionate to the square root of the sample size. Second, clusters were selected from the district with each cluster allocated an equal sample of 10 households. The third stage involved selection of the respondents within the households based on a listing of all household members aged 16 years and above, using the Kish Grid-diagram. This was a randomised survey designed to select and study individuals, not households.

16 & 17 year olds were included in the sample in order to investigate how young people, who are not able to legally operate their own accounts, manage their finances. The analysis of this sub-group is dealt with separately (in chapter 12), and all the analysis presented in the other chapters only refers to the respondents aged 18 years and above.

Table 2.1 Total sample numbers achieved

TOTAL SAMPLE 18 YEARS AND ABOVE (N= 4,214)		
Provinces	Nairobi	419
	Central	554
	Coast	344
	Eastern	667
	North Eastern	130
	Nyanza	675
	Rift Valley	994
	Western	431
	Gender	Male
Female		2,367
Residence	Rural	2,864
	Urban	1,350

TOTAL SAMPLE 16 AND 17 YEAR OLDS (N= 204)		
Provinces	Nairobi	19
	Central	16
	Coast	16
	Eastern	23
	North Eastern	10
	Nyanza	35
	Rift Valley	56
	Western	29
Gender	Male	95
	Female	109
Residence	Rural	146
	Urban	58

BASE POPULATIONS	'000s
16-17 year olds	840
18+	17,395

A sample of 4,418 was achieved, of which 4,214 were aged 18 years and above, and 204 were 16 and 17 year olds (see Appendix II - Sample achieved by district).

2.3 SURVEY INSTRUMENT

At the initial stages, the FAP developed a list of questions that required answers, and those that could be captured through a household survey were incorporated into the questionnaire. The survey instrument also benefited from the content of past FinScope surveys in South Africa and in the region. The draft questionnaire was also reviewed during several FAP meetings. (See Appendix I – Questionnaire).

The main themes in the survey instrument were as follows:

- General demographics
- Product usage
- Livelihood and income
- Money transfers
- Savings
- Community-based groups
- Credit
- Insurance
- General money matters
- General psychographics
- Housing conditions
- Mobile phone and technology usage
- Allocation of personal expenditure

The survey was designed to be administered in a language familiar to the respondent. This therefore required that the questionnaire be translated into the major languages spoken in Kenya: Swahili, Kikuyu, Luo, Meru, Kisii, Luhya, Kalenjin, Kamba and Somali.

To ensure that no meaning was lost during translations, everyday spoken language (as opposed to formal grammatical language) was used. Further, each language was back-translated into English for validation purposes.

2.4 TRAINING AND FIELDWORK

The entire field team (interviewers and supervisors) received extensive training at a centralised location in Nairobi over a 10-day period starting on 3 July 2006. Eight days were devoted to discussing the questionnaire with the entire team. Interviewers were also trained on how to use the Global Positioning System,

(GPS) devices, with hands-on practice. Supervisors were trained for an additional two days with the objective of equipping them with the necessary supervisory skills, field management techniques, and survey implementation methods.

Piloting was done in two stages. During the first pilot, 20 interviews were carried out in Nairobi to verify questionnaire flow. Based on this, several modifications were made in both the questionnaire and logistics planning. A second pilot was conducted with 30 respondents in both urban and rural areas; this resulted in minimal changes to the final questionnaire.²

Fieldwork ran over a period of approximately six weeks, from 5 August to 12 September 2006. Field teams worked in groups made up of a maximum of eight interviewers and a supervisor. In coordinating and executing fieldwork, the CBS field network provided support in locating the clusters. The CBS field team was composed of District Statistical Officers (DSO) and CBS Cluster Enumerators. The Cluster Enumerators were especially important in locating the clusters and the selected households, a process that was aided further by the use of enumerator cartographical cluster maps.

The entire field team undertook the Nairobi fieldwork before proceeding to the other districts. This provided them with the opportunity to test their skills, and brought to light the many experiences they could expect to encounter in the field.

There were various challenges encountered in the fieldwork. Two clusters had to be replaced due to insecurity and following a heavy rainy season with widespread flooding, some clusters were difficult to access. All the fieldwork activities are documented in a report.³

2.5 DATA MANAGEMENT

Data capture was carried out in tandem with the fieldwork, enabling queries to be sent back to the field for verification. Questionnaires were captured using automated scanning, and were then randomly re-scanned and checked. Various consistency checks were also applied to the data set.

In order to correct for over-sampling and to adjust the sample to reflect distributions in the actual population aged 16 years and over, weights were calculated by CBS for each respondent, and then applied to the data set. Most tabulations and graphs in this report are based on weighted data, and those that are not are clearly marked in the text.

Chapter 3

PROFILING THE KENYAN POPULATION

3.1 INTRODUCTION

This section presents the demographic characteristics of the sample aged 18 years and above, and cross-references similar data from the 1999 census and the KDHS survey. The tables that follow demonstrate that the FinAccess sample accurately represents the Kenyan population as a whole.

3.2 RESPONDENT PROFILE

Table 3.1 presents the key demographics of the sample, with some of the demographics obtained from the national census. The second column indicates the variables as from the 1999 census for comparison purposes. Most variables are comparable, although there are some differences in the age distribution.

- The urban/rural split is similar – 75% of the sample is drawn from rural areas, and 25% from urban.
- The M:F gender split is also similar – with 48:52 in the sample, compared with 51:49 in the census.
- In our sample, 18 to 24 year olds are under-represented, and those aged more than 55 years are over-represented.

3.3 HOUSEHOLD CHARACTERISTICS

The second column indicates the KDHS 2003 variables at national level for comparison purposes.

The majority (70%) live in houses owned by the family/a family member.

44.7% live in dwellings made of mud walls; over three quarters (76.7%) of households have a “mabati” (corrugated iron) roof.

67.1% mainly use firewood for cooking while a further 18% use charcoal. Kerosene is the main source of lighting (76.3%), and electricity is available to 17.8% of the population.

Table 3.1 Basic demographic characteristics

BASE ALL RESPONDENTS	Census 1999	Total	Rural	Urban	Nairobi	Central	Coast	Eastern	N/Eastern	Nyanza	Rift Valley	Western
N		4,214	2,864	1,350	419	554	344	667	130	675	994	431
Gender												
Male	51	48.2	46.5	53.5	56.9	48.6	49.5	46.8	50.7	45.2	49.4	40.4
Female	49	51.8	53.5	46.5	43.1	51.4	50.5	53.2	49.3	54.8	50.6	59.6
Age												
18-24	35	21.2	19.9	25.1	27.0	18.0	16.9	18.8	23.4	21.5	24.0	19.1
25-34	28	29.6	25.7	41.7	42.5	27.4	35.0	22.7	21.0	23.4	35.3	23.3
35-44	17	20.2	21.1	17.6	16.9	18.1	22.1	23.0	32.5	17.9	19.2	21.9
45-54	11	13.3	14.5	9.8	8.9	11.9	16.3	15.1	9.6	15.1	12.1	16.0
55+	9	15.6	18.8	5.8	4.6	24.7	9.7	20.3	13.5	22.2	9.5	19.6
Marital status	NA											
Single		21.4	17.4	33.6	38.7	22.9	24.7	19.0	21.1	13.4	21.3	13.0
Divorced		2.4	2.3	2.6	2.8	2.4	2.7	3.7	3.9	1.2	1.5	2.6
Widowed		10.7	12.9	3.9	1.3	12.3	7.1	11.5	7.8	21.6	6.0	17.2
Married/cohabiting		64.4	66.5	58	54.7	61.3	62.8	65.1	65.2	63.8	70.2	66.5
No Response		1.2	0.9	1.9	2.5	1.0	2.7	0.8	2.1	0.1	1.1	0.7
Education												
No formal education	20	17.1	20.5	6.5	3.2	12.7	17.2	16.0	82.5	14.6	19.5	14.8
Primary	51	46.0	50.1	33.3	23.5	56.5	43.1	57.7	8.6	54.5	41.8	51.2
Secondary +	29	36.6	29.0	59.6	72.1	30.0	39.4	25.9	8.8	30.7	38.7	34.0
No response		0.4	0.3	0.6	1.3	0.8	0.3	0.5	0	0.3	0.1	0

Percentages • Source of census data: Kenya 1999 census CBS • NA: not available

Table 3.2 Household characteristics

BASE ALL RESPONDENTS N	KDHS 2003	Total 4,214	Rural 2,864	Urban 1,350	Nairobi 419	Central 554	Coast 344	Eastern 667	N/Eastern 130	Nyanza 675	Rift Valley 994	Western 431
Dwelling ownership												
Owned by family/member	70	70.8	87.7	19.4	7.4	78.4	59.6	91.6	98.1	80.5	66.8	93.0
Rented	24	26.1	8.9	78.7	91.8	17.3	36.9	7.3	0.8	17.3	26.7	6.4
Occupied without payment	5	3.1	3.4	2.0	0.7	4.2	3.5	1.2	1.1	2.2	6.5	0.6
Main house walls material NA												
Mud/dung		44.7	52.1	22.3	18.3	23.4	49.6	22.7	11.3	71.8	52.8	83.5
Stone/brick		33.1	24.2	60.4	60.8	26.9	47.8	49.0	2.6	18.2	27.9	16.5
Wood		12.7	15.0	6.0	1.6	37.7	0.3	25.3	5.0	0.7	14.6	0
Iron sheet		4.9	3.3	10.0	19.1	12.0	2.1	0.2	0	3.3	2.7	0
Other		4.5	5.6	1.4	0.3	0	0.1	2.9	81.1	6.0	2.0	0
Main house roof material												
Corrugated iron	69	76.7	74.9	82.2	73.4	96.4	57.1	83.0	12.2	83.7	73.5	82.6
Grass/thatch	22	18.2	23.1	3.6	0	1.9	39.1	15.9	87.8	14.8	21.4	17.1
Tiles, asbestos, concrete	7	4.3	1.7	12.9	23.5	1.7	3.9	0.6	0	1.5	3.8	0.3
Other	2	0.7	0.4	1.5	3.0	0	0	0.5	0	0	1.2	0
Main source of cooking fuel												
Firewood	66	67.1	85.7	10.4	1.6	77.9	42.2	87.9	97.7	77.2	66.1	90.9
Charcoal	14	17.6	11.3	36.7	22.1	12.0	42.2	5.1	2.3	17.1	24.7	6.5
Kerosene	15	11.0	1.9	39.1	53.4	7.0	13.4	4.7	0	4.7	6.4	2.2
Gas	4	3.9	0.9	12.8	21.5	2.9	2.2	2.0	0	0.4	2.4	0.3
Electricity	0	0.3	0.1	0.9	1.4	0	0	0.3	0	0.5	0.2	0
Main source of lighting NA												
Kerosene		76.3	87.1	43.3	23.2	79.7	76.0	85.3	68.1	93.8	74.3	97.0
Electricity		17.8	6.0	53.6	74.7	15.1	18.2	6.4	0.2	5.1	17.9	1.4
Firewood		3.8	4.7	0.9	0	0.3	5.5	4.4	29.4	0.2	6.1	0.8
Solar		1.6	1.9	0.5	0	4.8	0.3	3.4	0	0.5	1.2	0.3
Other		0.7	0.2	1.7	2.1	0	0	0.4	2.2	0.5	0.4	0.5
Main source of water												
Piped into house/compound	21	18.5	11.1	40.9	59.1	27.5	11.7	17.8	1.4	5.4	15.3	2.3
Public tap	11	16.0	9.0	37.4	38.3	6.1	44.0	10.1	0.5	7.4	17.4	2.2
Public well	12	14.1	16.6	6.3	0.1	14.2	17.8	22.8	11.2	16.6	13.0	11.9
Well on residence/plot	7	8.5	10.0	3.9	0.4	14.2	7.1	1.0	4.0	7.6	14.3	12.4
River/stream	24	22.3	28.8	2.5	0.1	31.4	8.4	22.3	10.4	37.2	27.3	19.4
Pond/lake/dam	5	6.2	8.1	0.4	0	0.5	1.2	12.0	47.3	14.4	0.8	2.7
Spring	13	9.0	11.2	2.5	0	0.7	1.4	7.2	0	9.9	4.8	49.0
Rain water	2	0.7	1.0	0	0	3.0	1.1	0	0	0.7	0.7	0
Other	6	4.7	4.3	6.0	2.1	2.4	7.2	6.6	25.1	0.8	6.3	0.1
Number of persons in the household												
1	14	10.7	8.3	18.0	15.1	13.5	13.4	8.0	0	12.1	8.5	11.1
2	12	10.7	8.3	18.2	22.7	11.2	14.1	6.2	2.7	10.0	9.3	8.7
3	14	14.4	12.7	19.6	19.2	16.7	17.4	11.0	10.6	12.5	13.1	16.0
4	16	17.2	17.0	18.0	20.7	19.7	16.2	15.9	10.7	14.2	19.3	14.8
5	14	17.2	18.4	13.4	12.8	17.4	18.0	19.5	21.8	16.9	17.4	15.9
6	11	11.3	13.0	6.1	4.2	10.8	10.7	13.9	16.3	13.6	11.0	11.5
7	8	7.6	9.1	3.3	3.9	5.1	3.8	10.0	14.7	10.3	7.4	9.1
8	5	5.5	6.7	1.7	0.8	3.5	2.9	6.8	8.6	5.0	7.9	7.3
9+	6	5.3	6.5	1.7	0.5	2.1	3.5	8.6	14.6	5.3	6.2	5.8

3.4 EMPLOYMENT AND OWNERSHIP OF CONSUMER GOODS

Most government figures on employment are not directly comparable with our sample. However, the figures for waged non-agricultural workers are 14.3% in the Economic Survey 2006 vs. 18% in our sample. Empowerment figures from the survey are

shown in table 3.3.

The key household durables are shown in table 3.4 and are comparable to the KDHS proportions.

Table 3.3 Employment status

BASE ALL RESPONDENTS	Total	Rural	Urban	Nairobi	Central	Coast	Eastern	N/Eastern	Nyanza	Rift Valley	Western
N	4,214	2,864	1,350	419	554	344	667	130	675	994	431
Employed	25.5	20.3	41.5	46.1	23.2	32.1	25.6	5.3	17.4	24.4	20.2
Remittances	14.3	12.5	20.0	17.4	17.5	14.9	10.3	6.8	12.8	11.8	23.4
Self employed - non-agric	20.6	17.5	30.6	29.8	16.6	23.5	12.8	28.3	20.5	23.6	17.6
Self employed - agric	38.0	48.6	5.6	3.0	41.4	26.4	50.6	59.5	48.3	39.0	37.7
Refused to answer/other	1.5	1.2	2.3	3.7	1.1	3.2	0.6	0	1.1	1.0	1.2

Column percentages

Table 3.4 Ownership of consumer goods

BASE ALL RESPONDENTS	KDHS 2003	Total	Rural	Urban	Nairobi	Central	Coast	Eastern	N/Eastern	Nyanza	Rift Valley	Western
N		4,214	2,864	1,350	419	554	344	667	130	675	994	431
Radio	74	76.2	73.8	83.6	88.3	89.1	61.3	77.4	12.6	74.2	78.1	78.3
Television	19	24.7	16.7	48.9	63.9	28.9	17.2	17.4	0.2	15.0	25.5	15.7
Bicycle	29	25.1	27.6	17.5	12.9	28.4	15.1	26.7	0	28.1	25.8	42.9
Motorcycle	1	0.6	0.6	0.5	0.9	0.4	0	0	0	0.7	1.0	1.0
Car	5	3.9	2.4	8.3	10.6	5.5	2.0	2.9	0	1.7	4.3	1.4
Refrigerator	4	3.7	0.9	12.0	18.1	1.3	4.2	2.1	0.2	1.2	2.6	0.3

Percentages • Source for KDHS: Kenyan Demographic Health Survey 2003, CBS

3.5 FREQUENCY OF DEPRIVATION

To understand respondents' ability to meet their basic needs, various questions on the frequency of deprivation were asked. Deprivation includes lack of food, shelter and/or health services. Figures are shown in table 3.5.

Of the respondents who claimed to have been deprived of basic needs in the last 12 months – often or sometimes – about 50% said they had not had enough food, over 70% said they had lacked a cash income, and 52.8% said they had not received necessary medicine/medical treatment.

Table 3.5 Frequency of family deprivation

BASE ALL RESPONDENTS	Often	Sometimes	Rarely	Never	Don't know
Gone without enough food to eat	12.8	35.9	20.2	30.9	0.2
Felt unsafe from crime inside your home	5.9	28.9	27.3	37.5	0.5
Gone without medicine or medical treatment that was needed	11.5	41.3	22.7	24.0	0.4
Gone without cash income	29.1	43.1	14.8	12.1	0.9
Gone without safe water to drink	10.3	25.4	23.2	40.7	0.5
Gone without good shelter	3.4	16.4	20.0	59.4	0.7
Gone without fuel to cook food	4.1	25.1	23.6	46.7	0.5

Row percentages

3.6 INTERVIEW LANGUAGE

Different languages were used to carry out the survey as indicated below.

Table 3.6 Interview language

BASE ALL RESPONDENTS	Total	Rural	Urban
N	4,214	2,864	1,350
Swahili	48.7	42.6	67.6
Kikuyu	12.0	14.0	5.7
English	48.7	42.6	67.6
Luo	7.2	8.7	2.5
Meru	5.4	7.0	0.6
Kisii	3.0	3.8	0.3
Luhya	2.4	2.8	1.0
Kalenjin	3.8	5.0	0.1
Kamba	5.8	7.4	0.6
Somali	3.5	4.1	1.7
Total	100%	100%	100%

Column percentages

Chapter 4

KENYA'S FINANCIAL LANDSCAPE

A useful summary indicator for financial access is the Access Strand, a tool that has been developed by the World Bank⁴ and is routinely used in FinScope surveys in Africa. It is a simple yet powerful graphical method of presenting usage of services by decreasing levels of formalisation. As the Access Strand methodology is based on mutually exclusive categorisations, the data is also expressed in this section in terms of general usage within the survey population.

4.1 THE FINANCIAL ACCESS STRAND

This method places each respondent along a continuum of access, depending on usage of formal, semi-formal, informal services, creating mutually exclusive categories. The following are the four segments that sum up to the total population:

- **Formal – the banked (B):** the proportion of the adult population that uses a bank, bank-like institution or insurance product – banks, Postbank and insurance providers.
- **Formal other (FO):** the proportion of the adult population which uses semi-formal services from non-bank financial institutions but do not use bank services – SACCOs and MFI providers.
- **Financially included (FI):** the proportion of the adult population which only uses informal financial service providers – ASCAs, ROSCAs and groups/individuals other than family/friends.

- **Financially excluded (FE):** the proportion of the adult population which uses no financial services.

18.9% of the population aged 18 years and above are formally included with this category representing users of banks, Postbank and insurance products. MFI and SACCOs, which represent the semi-formal institutions, account for 7.5%. In total, 26.4% are formally served which represents approximately 4.6 million of the estimated 17.4 million adults in Kenya in 2006. 35.2% are financially included through their use of ASCAs, ROSCAs or other informal groups/persons. 38.4% use no institutionalised financial product, and are therefore the financially excluded.

A sub-indicator is used to capture indirect access using other persons account: of those currently not banked 2% (300 thousand out of the 15.3 million unbanked) currently use another person's account, mainly for receiving and withdrawing money.

Fig 4.1 Financial Access Strand⁵
BASE ALL RESPONDENTS

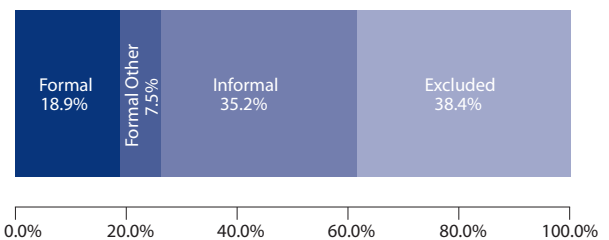
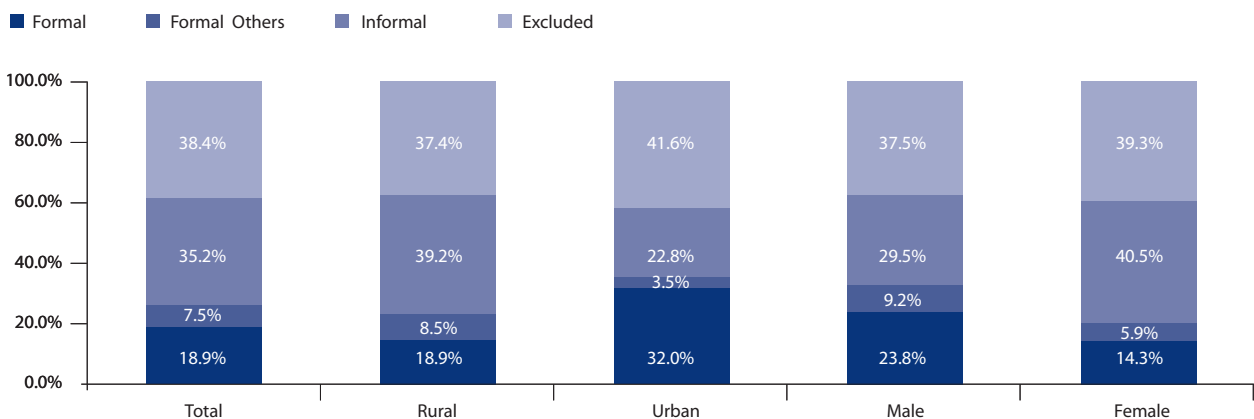


Fig 4.2 Financial Access Strand by region and gender
BASE ALL RESPONDENTS



Usage of formal financial services is twice as high in urban areas (at 32.0%) as in rural areas (14.6%). More men than women have formal bank-like institutions, while more females reported using

informal services such as ASCAs, ROSCAs and other informal groups/persons.

4.2 USAGE OF DIFFERENT FINANCIAL SERVICES

This section summarises outreach non-exclusively, by provider. Therefore, in the results presented in this section, a respondent could be classified under several service providers, e.g. a bank account, a ROSCA, and an insurance product.

14.2% are banked with a bank licensed under the Banking Act which represents 2.5 million users aged over 18 years, and 5.6% are banked with the Postbank (1 million users). Approximately 8.8 million adults use informal providers (ASCAs/ROSCAs) which represents 50.6% of the population. Only 1.7% have a loan from or savings with an MFI.

As Table 4.3 shows, users of formal services also use the informal providers. For example, of those that use a bank, 35.4% currently

also use SACCOs; and 14.2% of those in a bank also maintain a Postbank account. Usage of informal services is independent of usage of formal financial services.

Of those that use formal institutions (banks, Postbank, insurance) 58.2% are in rural areas and 41.8% in urban areas; 60.7% are male while 39.3% are female, and the highest proportions are waged, working in large enterprises.

Of those unbanked but financially included, 84.8% are men and 15.2% are women, with 46.6% giving their main source of income as self employed in agriculture/livestock.

Of those that are financially excluded, 73.3% are rural while 26.7% are urban and 20.1% give remittances/transfers as their main source of livelihood.

**Fig 4.3 Usage of different financial services
BASE ALL RESPONDENTS**

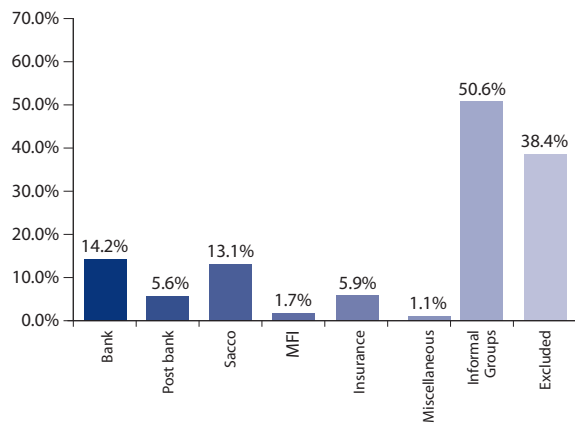


Table 4.1 Usage of different financial services

BASE ALL RESPONDENTS	Rural	Urban	Male	Female
N	2,864	1,350	1,847	2,367
Bank	10.7	25.1	18.7	10.1
Postbank	4.4	9.3	6.6	4.7
SACCO	13.9	10.5	17.3	9.2
MFI	1.5	2.4	1.6	1.8
Insurance	3.6	12.8	8.3	3.6
Miscellaneous	0.7	2.3	1.7	0.5
Informal groups	53.4	42.1	46.3	54.6
Excluded	37.4	41.6	37.5	39.3

Percentages • Multiple responses possible

**Fig 4.4 Perceptions towards banks
BASE ARE CURRENTLY NOT BANKED (N=3,415)**

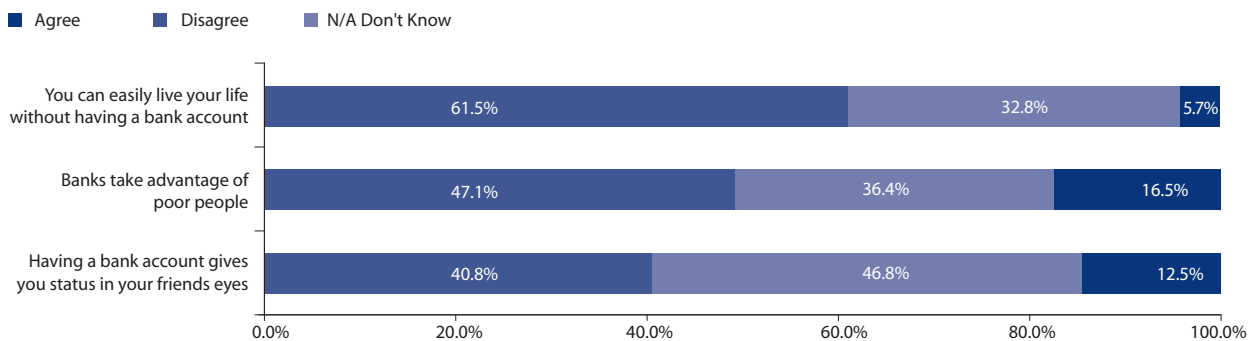


Table 4.2 Financial provider outreach

Level of formalisation	Type of financial service provider	No. of people (aged 18+) reached, in millions	Percentage of population reached
Formal	Banks	2.5	14.2
	Postbank	1.0	5.6
	Insurance	1.0	5.9
Formal – other	SACCOs	2.3	13.1
	MFI	0.3	1.7
	Miscellaneous providers (e.g. government)	0.2	1.1
Informal	ASCAs, ROSCAs, other informal groups/persons	8.8	50.6
None	Excluded (no formal or informal financial product used)	6.7	38.3

Table 4.3 Usage of multiple formal and informal providers

BASE HAVE THE RESPECTIVE PRODUCT	Use bank	Use Postbank	Use SACCO	Use MFI	Use Insurance	Use Misc. providers	Use informal gps
N	637	241	515	86	296	46	2,144
Also use bank	-	36.1	38.5	39.5	77.2	76.6	15.6
Also use Postbank	14.2	-	9.7	21.9	13.7	29.3	7.2
Also use SACCO	35.4	22.6	-	40.5	48.5	35.9	15.9
Also use MFI	4.7	6.7	5.3	-	7.0	7.4	2.6
Also use insurance	31.9	14.4	21.8	24.2	-	46.1	6.8
Also use miscellaneous providers	5.7	5.6	2.9	4.6	8.4	-	1.1
Also use informal groups	55.3	65.3	61.6	76.2	58.3	53.1	-

Interpret as follows – For column 1, row 2, 14.2% of those who use banks also use Postbank

Table 4.4 Profile of the financially included

BASE THOSE FALLING IN THE RESPECTIVE CATEGORIES		Banked/bank-like institutions	Financially included but no bank-like services	Financial excluded
N		850	1,780	1,584
Location	Rural	58.2	84.8	73.3
	Urban	41.8	15.2	26.7
Gender	Male	60.7	43.7	47.1
	Female	39.3	56.3	52.9
Age	18-24	11.2	18.8	28.7
	25-34	34.3	29.6	27.4
	35-44	22.5	21.6	17.6
	45-54	17.4	12.7	12.0
	55+	14.6	17.3	14.3
Main livelihood	Remittances/Transfers	8.3	11.8	20.1
	Self Employed – Agric/Livestock	22.0	46.6	36.3
	Waged/Employed	43.5	19.9	22.8
	Self Employed – Business (Non Agric)	23.9	19.5	18.0
	Not Specified/Not Categorised	2.4	2.2	2.8

Percentages

4.3 WHO ARE THE UNBANKED

Those that did not have a bank account (bank or Postbank) were asked why; the two reasons with the highest mentions relate to lack of income (58.9%) and lack of regular income (36.1%), while 23.3% say they cannot afford to maintain an account. Only 4.8% say the bank is far from their residence.

To investigate the extent to which physical access to a bank contributes to lower financial access figures, respondents were asked to say how far a number of facilities were to their homes, (near, not so far, far, very far). 30.1% of the unbanked stated that the bank was near or not so near, whereas over 90% stated that the primary school and the church/mosque were near/not so far.

Respondents were exposed to three statements to measure general perceptions towards banks as indicated in Fig 4.4.

61.5% of unbanked respondents feel that they can live without a bank. 47.1% think that banks take advantage of poor people, while 36.4% disagree. 40.8% feel that a bank account gives them some social status.

Table 4.5 Spontaneous reasons for not banking

BASE ARE CURRENTLY NOT BANKED (N=3,415)	
You don't have money to save	58.9
You don't have a regular income	36.1
You can't afford to	23.3
You do not have a job	17.6
It's expensive to have a bank account	13.5
You earn too little to make it worthwhile	8.7
You prefer dealing in cash	7.5
You don't want to pay service fees	6.0
You have to keep a minimum balance in the bank	4.0
The bank is too far from where you live	4.8
You prefer to use other options rather than a bank	4.9
You don't need a bank account	5.3
You don't know how to open an account	3.5
You don't have a national ID	3.0
You can't read or write	2.9
You don't trust banks	1.5
Other	1.8

Percentages • Multiple responses possible

Table 4.6 Distance to various facilities

BASE ARE CURRENTLY NOT BANKED (N=3,415)	Near, not so far	Far, very far	Don't know
A bank	30.1	68.1	1.8
A tarmac road	49.7	49.9	0.4
A matatu stop	65.1	34.8	0.2
A primary school	90.9	8.9	0.2
A secondary school	72.7	27.1	0.3
A church/mosque	94.0	5.8	0.3
A trading centre	78.8	20.7	0.5
A duka	93.9	5.7	0.4

Row percentages

Chapter 5

SAVINGS

5.1 USAGE OF SAVINGS PRODUCTS

51.9% currently have a savings product; this excludes those who only save by giving money to a family member/friend for safekeeping, or hidden in a secret place. 8.0% have had a savings product but do not have one currently. 40.2% have never had a savings product. These proportions were similar across urban (51.2%) and rural (52.2%) areas.

Fig 5.1 Experience with savings products

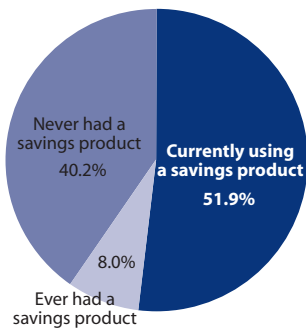


Table 5.1 Experience with savings products

BASE ALL RESPONDENTS N	Rural 2,864	Urban 1,350
Currently using a savings product	52.2	51.2
Has ever had a savings product	7.2	10.0
Has never had a savings product	40.6	38.8

Column percentages

5.2 CURRENTLY SAVING

Gender proportions are similar for those who currently have savings products. A third are in the 25-34 years age bracket. Only 10.4% have had no education.

Table 5.3 below summarises current usage of different types of savings products. 23.9% of those with a savings product have a formal savings bank account. 56.5% use ROSCAs, while 24.7% are currently saving with SACCOs. Respondents also save by “other means” such as keeping money in a secret place (29.5%) or with a family member/friend to keep (7.5%).

Table 5.2 Profile of those using a savings product

BASE CURRENTLY HAVE A SAVINGS PRODUCT (N=2,220)		
Gender	Male	48.9
	Female	51.1
Education	None	10.4
	Primary	44.6
	Secondary+	44.6
	No response	0.4
Age	18-24	14.6
	25-34	30.9
	35-44	22.3
	45-54	14.7
	55+	17.6

Percentages

Table 5.3 Savings products used

BASE CURRENTLY HAVE A SAVINGS PRODUCT (N=2,220)		
Formal	Savings account at bank	23.9
	Postbank account	10.8
	Current account	4.7
	Fixed deposit bank account	1.3
Formal other	Savings account at SACCO	24.7
	Savings at micro-finance institution	2.9
Informal	Savings with a ROSCA	56.5
	Savings with a group of friends	21.0
	Savings with an ASCA	10.4
Other means	Savings you keep in a secret hiding place	29.5
	Savings given to family member or friend to keep	7.5

Percentages

The main reasons given for saving are provided in table 5.4. Half (49.2%) save to keep money aside for when they have little or no money. Other common reasons are for education (37.0%) and emergencies (34.9%).

Table 5.4 Reasons for currently saving

BASE CURRENTLY HAVE A SAVINGS PRODUCT (N=2,220)	
For meeting household needs when you have little or no money	49.2
For education of yourself, children, siblings or others	37.0
For emergency (burial, medical)	34.9
For personal reasons (clothes, shoes, travel)	23.5
For later in life/old age	17.2
For purchase of livestock/cattle	11.2
For expanding your business	10.8
To acquire household goods	9.2
For starting up a new business	8.9
To leave something for your children	7.5
For agricultural inputs: seeds, fertilizer, insemination	6.7
For purchasing land	6.4
For improving a house	5.8
For social reasons (wedding, bride price)	5.2
For purchasing or building a house	3.8
For agricultural improvements e.g. irrigation, a dam, fencing, preparing land	3.1
Others	1.7

Percentages • Multiple responses possible

5.3 EVER SAVED

Of those who have saved in the past but are not currently saving, there is an equal gender split and a third are in the 25–34 age bracket. 14.7% have had no education.

41.3% of them currently keep money in a secret hiding place.

60.3% of them had previously saved with ROSCAs or groups. Table 5.7 on page 19, summarises reasons for no longer saving by provider; this excludes the most common reason “you spent all your money and had nothing to save” – which ranges from 20% to 40% depending on the provider. Low interest, high or erroneous charges and the fear of losing money are some of the reasons given.

Table 5.5 Profile of previous users of savings products

BASE PREVIOUS USERS OF SAVINGS PRODUCTS (N=313)		
Gender	Male	50.0
	Female	50.0
Education	None	14.7
	Primary	52.8
	Secondary+	31.9
	No response	0.7
Age	18–24	18.9
	25–34	30.4
	35–44	18.7
	45–54	14.9
	55+	17.2

Percentages

Table 5.6 Savings options

BASE PREVIOUS USERS OF SAVINGS PRODUCTS (N=313)		
Saving options	Savings given to family member or friend to keep	6.6
	Savings you keep in a secret hiding place	41.3

Percentages

Table 5.7 Savings products used and reasons for stopping use

BASE PREVIOUS USERS OF SAVINGS PRODUCTS (N=313)			
Where they have saved previously		3 main reasons for stopping use ⁶	
ROSCAs, chamas, merry-go-rounds	60.3	Stole my money	17.7%
		Too much effort to attend meeting	10.9%
		Fear of losing money	10.3%
Banks/Building societies	32.3	High charges	36.9%
		Erroneous charges	9.2%
		Staff did not treat them well	5.7%
SACCOs/Co-ops	15.0	Low interest on saving	20.0%
		Erroneous charges	9.6%
		It's too far away	9.4%
ASCAs	10.3	Low interest on saving	17.9%
		High charges	17.3%
		Group disbanded	16.5%
Micro-finance institutions	2.8	Fear of losing money	27.1%
		Low interest on savings	27.1%
		Too much effort to attend meeting	19.6%

Percentages

5.4 NEVER SAVED

The demographic profile of those that have never saved is provided in table 5.8. 26.1% have had no formal education. Section 4.3 lists the reasons respondents gave for not banking.

Table 5.8 Profile of those who have never had a savings product

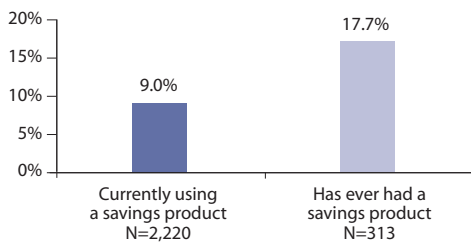
BASE NEVER HAD A SAVINGS PRODUCT (N=1,681)		
Gender	Male	47.0
	Female	53.0
Education	None	26.1
	Primary	46.4
	Secondary+	27.2
	No response	0.3
Age	18-24	30.2
	25-34	27.9
	35-44	17.8
	45-54	11.3
	55+	12.8

Percentages

5.5 LOSS OF SAVINGS

Proportions that have lost savings are low. However, those that have ever saved but are not currently saving are twice as likely to have lost savings (17.7%) compared to those that currently have a savings product (9.0%). Savings can be lost through fraud, organisational collapse/closure, or having an inadequate return on investment.

Fig 5.2 Proportions who have lost savings



5.6 PERCEPTIONS ABOUT SAVINGS PROVIDERS

Those that have ever saved were asked to rate various service providers on five attributes. The tables on page 19 indicate percentages associated with each statement.

Banks are the most closely associated with keeping money safe and offering interest on savings, although the strength of the association varies depending on the group; those formally (financially) included are more likely to associate banks with these attributes than other

groups. SACCOs are associated with interest on savings, with similar perceptions across the categories. While MFIs and ASCAs are associated with similar perceptions across the categories, they are the most closely associated with too many requirements for joining. Overall perceptions of the various providers in relation to the attribute statements are similar across the three categories (formal, formal other and informal).

Table 5.9 Perceptions about savings providers – those who have used formal providers

BASE THOSE WHO HAVE USED FORMAL PROVIDERS (N=838)	Banks	SACCOs	MFIs	ASCAs	ROSCAs
STATEMENT					
Interest on your savings are good	62.9	29.1	9.4	5.9	8.2
You can access their services whenever you need them	62.9	27.9	9.5	6.8	16.7
They are wananchi friendly	51.9	32.6	15.3	7.6	28.5
They keep your money safe	82.3	28.1	9.8	3.5	4.6
They ask for too many things when you want to use their service	59.2	21.2	22.0	10.4	4.5

Percentages

Table 5.10 Perceptions about savings providers – those who have used other formal providers

BASE THOSE WHO HAVE USED OTHER FORMAL PROVIDERS (N=294)	Banks	SACCOs	MFIs	ASCAs	ROSCAs
STATEMENT					
Interest on your savings are good	35.4	54.5	6.7	6.1	4.9
You can access their services whenever you need them	31.6	57.8	5.5	9.1	18.3
They are wananchi friendly	22.6	59.5	9.4	9.2	29.2
They keep your money safe	46.8	59.0	7.3	4.2	7.3
They ask for too many things when you want to use their service	51.6	29.8	16.5	11.0	0.9

Percentages

Table 5.11 Perceptions about savings providers – those who have used informal providers

BASE THOSE WHO HAVE USED INFORMAL PROVIDERS (N=1,177)	Banks	SACCOs	MFIs	ASCAs	ROSCAs
STATEMENT					
Interest on your savings are good	48.5	20.2	9.4	9.3	22.4
You can access their services whenever you need them	33.9	15.6	13.3	11.0	41.4
They are wananchi friendly	34.1	19.6	14.7	14.1	50.3
They keep your money safe	58.9	20.3	14.1	5.4	21.4
They ask for too many things when you want to use their service	49.7	20.3	20.0	12.8	11.0

Percentages

Chapter 6

CREDIT

6.1 USAGE OF CREDIT SERVICES

30.7% currently have a formal or informal credit/loan service while 8.1% have used a credit service in the past. These categories exclude those respondents who only borrow from family/friends.

Fig 6.1 Experience with credit services
BASE ALL RESPONDENTS

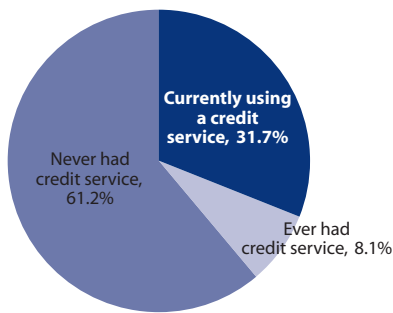


Table 6.1 Experience with credit services

BASE ALL RESPONDENTS	Rural	Urban
N	2,864	1,350
Currently using a credit service	30.8	30.2
Has ever had a credit service	7.5	10.0
Has never had a credit service	61.7	59.8

Column percentages

6.2 CURRENTLY HAVE A CREDIT SERVICE

The profile of those that currently have credit reflects an equal gender split, 13.5% of users have had no formal education.

Of those that currently have credit, the majority use informal credit, e.g. 74.2% currently have credit from a shop/supplier. Use of other formal products such as SACCOs is also apparent (13.4%). Only 5.7% have a personal/business loan from a bank. In addition to using formal and/or informal credit, 25.2% also have loans from family or friends.

Of those that currently have credit, the majority (56.6%) used their loans to meet day-to-day household expenses, while 18.2% took a loan to pay for education, and another 16% to cope with an emergency. Proportions taking loans to meet business needs or to purchase agricultural inputs were much lower (7.3%).

Table 6.2 Profile of those using a credit service

BASE CURRENTLY HAVE A CREDIT SERVICE (N=1,353)		
Gender	Male	50.1
	Female	49.9
Education	None	13.5
	Primary	46.0
	Secondary+	40.0
	No response	0.5
Age	18-24	17.7
	25-34	31.7
	35-44	23.1
	45-54	14.2
	55+	13.3

Percentages

Table 6.3 Credit options used

BASE CURRENTLY HAVE A CREDIT SERVICE (N=1,353)		
Formal	Personal loan/business loan from a bank	5.7
	Overdraft	1.0
	Loan to buy/build a house, or to buy land from a bank	1.3
	Credit card	2.4
Other formal	Loan from a SACCO	13.4
	Loan from a micro-finance institution	2.8
	Loan from a government institution e.g. HELB	2.8
	Loan given by government or government-related institution to buy a house or land	0.8
Informal	Hire purchase	1.8
	Loan from an employer	3.0
	Loan from an ASCA	5.6
	Loan from an informal money lender	2.4
	Loan/credit from buyer(of harvest, e.g. tobacco, vegetables)	3.0
	Local shop/supplier allows you to take goods/service on credit	74.2
Other means	Loan from family/friend	25.2

Percentages

Table 6.4 Reasons for having credit

BASE CURRENTLY HAVE CREDIT/LOAN (N=1,353)	
For meeting day to day expenses: food, rent	56.6
For education of self, children, siblings or others	18.2
For emergency (burial, medical)	15.6
For personal purchases/reasons such as clothes, shoes, own travel	11.7
For agricultural inputs: seeds, fertilizer	7.5
For expanding business/buying stock	7.3
To pay off debts	6.3
For purchase of livestock	5.1
For purchasing land	4.7
For starting a business	4.4
For improving a house	4.0
For agricultural improvements e.g. irrigation, fencing, preparing land etc	3.9
To acquire household goods	3.5
For purchasing or building a house	3.4
For social reasons wedding, bride price	3.3
For later in life/old age	2.1
Others	0.6

Percentages • Multiple responses possible

6.3 EVER HAD CREDIT

8.0% of all respondents have had credit in the past, although they do not currently have a loan. 52.9% of this group are male; half (48.8%) have been to secondary school and a third (32.0%) are aged 25–34 years.

Although they currently do not have a formal or informal credit product (according to our working definitions), 11.0% of those in this group currently have a loan from a family member/friend.

Table 6.5 Profile of former users of a credit service

BASE EVER HAD A LOAN/CREDIT SERVICE BUT NOT CURRENTLY (N=345)		
Gender	Male	52.9
	Female	47.1
Education	None	12.9
	Primary	38.3
	Secondary+	48.8
Age	18–24	11.4
	25–34	32.0
	35–44	20.3
	35–54	15.8
	55+	20.5

Percentages

6.4 NEVER HAD CREDIT

A fifth of those who have never received credit had no formal education and half are 34 years old or below.

Table 6.6 Profile of those that have never had a credit service

BASE NEVER HAD CREDIT (N=2,516)		
Gender	Male	46.7
	Female	53.3
Education	None	19.4
	Primary	46.9
	Secondary+	33.3
	No response	0.4
Age	18–24	24.2
	25–34	28.3
	35–44	18.8
	35–54	12.6
	55+	16.1

Percentages

6.5 PERCEPTIONS ABOUT CREDIT PROVIDERS

Those that have ever had credit or a loan were asked to rate the main providers on five attributes to establish institutional associations. As can be expected, perceptions were dependent on previous

experience – for example users of other formal providers say they get loans more quickly from SACCOs than from banks.

Table 6.7 Perceptions about credit providers – those who have used formal providers

BASE THOSE WHO HAVE USE FORMAL PROVIDERS (N=557)					
	Banks	SACCOs	MFIs	ASCAs	ROSCAs
% agreeing with the statement:					
The costs for getting a loan are high - loan processing costs	70.7	21.3	17.4	8.2	2.2
The interest they charge on loans is very high	68.2	15.6	17.0	9.0	3.4
You get the loan quickly	32.4	36.8	11.9	15.7	13.0
The requirements to qualify for a loan are difficult to attain	67.0	17.8	20.3	7.2	2.6
You can lose your assets/property	58.0	15.8	19.3	19.1	8.5

Percentages • Multiple responses possible

Table 6.8 Perceptions about credit providers – those who have used other formal providers

BASE THOSE WHO HAVE USED OTHER FORMAL PROVIDERS (N=189)					
	Banks	SACCOs	MFIs	ASCAs	ROSCAs
% agreeing with the statement:					
The costs for getting a loan are high - loan processing costs	59.1	29.0	8.3	9.4	2.4
The interest they charge on loans is very high	54.4	26.2	11.1	11.8	2.5
You get the loan quickly	13.4	51.4	10.0	20.4	6.7
The requirements to qualify for a loan are difficult to attain	54.9	25.1	18.3	9.2	2.7
You can lose your assets/property	56.8	31.7	14.7	19.6	4.7

Percentages • Multiple responses possible

Table 6.9 Perceptions about credit providers – those who have used informal providers

BASE THOSE WHO HAVE USED INFORMAL PROVIDERS (N=833)					
	Banks	SACCOs	MFIs	ASCAs	ROSCAs
% agreeing with the statement:					
The costs for getting a loan are high - loan processing costs	57.1	16.3	16.1	6.1	7.0
The interest they charge on loans is very high	51.2	17.8	16.3	11.5	4.7
You get the loan quickly	24.3	13.5	8.6	18.6	24.3
The requirements to qualify for a loan are difficult to attain	49.3	22.2	19.0	8.5	5.4
You can lose your assets/property	49.8	15.8	15.5	17.8	11.5

Percentages • Multiple responses possible

Chapter 7

INSURANCE AND RISK

7.1 USAGE OF INSURANCE SERVICES

Only 5.9% currently have an insurance service, with higher incidences recorded in urban areas (12.8%) compared to rural areas (3.6%).

Fig 7.1 Experience with insurance services

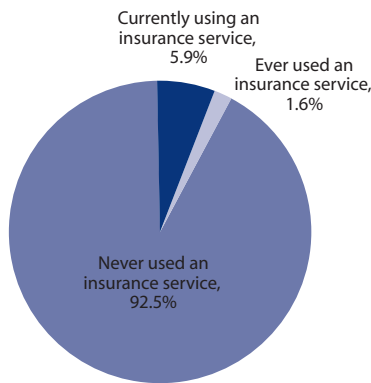


Table 7.1 Experience with insurance services

BASE ALL RESPONDENTS N	Rural 2,864	Urban 1,350
Currently using an insurance service	3.6	12.8
Has ever used an insurance service	1.6	1.7
Has never used an insurance service	94.8	85.5

Column percentages

7.2 CURRENTLY USING AN INSURANCE SERVICE

Of those that have an insurance service, half (46.0%) have government social security (which is mandatory under law for the employed), 39.0% have medical insurance, and 17.6% have life insurance.

The majority of those that have insurance feel that affordability (66.9%) is a major deterrent to getting insurance. Lack of adequate information on how it works (35.9%) and the perception that insurance companies con people (35.8%) are other contributing factors. A minority (6.4%), point to fatalism as a deterrent to acquiring insurance.

Table 7.2 Usage of insurance services

BASE CURRENTLY HAS INSURANCE (N=296)		
Gender	Male	50.1
	Female	49.9
Education	None	13.5
	Primary	46.0
	Secondary+	40.0
	No response	0.5
Age	18-24	17.7
	25-34	31.7
	35-44	23.1
	45-54	14.2
	55+	13.3

Percentages

Table 7.3 Users: Why do they think people do not use insurance?

BASE CURRENTLY HAS INSURANCE (N=296)	
People can't afford it	66.9
People don't know about insurance or how it works	35.9
Some insurance companies con people out of their money	35.8
Some insurance companies make excuses not to pay out	21.0
People don't know how to go about buying cover	19.4
People don't see the need for it	18.9
They don't know where to buy it from	14.0
People have other ways of dealing with emergencies e.g. getting money from family/friends	13.7
Insurance companies do not go to the people to tell them about their product	10.6
People have never thought about it	8.5
These things are in God's hands	6.4

Percentages • Multiple responses possible

7.3 NEVER USED AN INSURANCE SERVICE

Reasons given by those who do not currently have insurance are very similar to those given above. Affordability (69.3%) is the most common explanation cited for non-usage of insurance. Lack of information on how insurance works is the second most common reason at 31.3%. The perception that insurance companies are dishonest records a 17.4% mention, and fatalism an 8.3% mention.

Table 7.4 Non-users: Why do they think people do not use insurance?

BASE CURRENTLY HAS NO INSURANCE OR NO LONGER USES AN INSURANCE SERVICE (N=3,918)	
People can't afford it	69.3
People don't know about insurance or how it works	31.3
Some insurance companies con people out of their money	19.5
Some insurance companies make excuses not to pay out	17.4
People don't know how to go about buying cover	16.0
People don't see the need for it	14.9
They don't know where to buy it from	11.3
People have other ways of dealing with emergencies e.g. getting money from family/friends	10.9
Insurance companies do not go to the people to tell them about their product	10.5
People have never thought about it	8.7
These things are in God's hands	8.2

Percentages • Multiple responses possible

7.4 RISK

Insurance mitigates risk; respondents were asked what incidents could make a difference to the household's finances to understand what household risks may be insurable. Loss of household/property and drought are the two main threats to household income. Both risks score high regardless of whether the respondent uses an insurance service or not. Drought records a higher proportion in rural areas (70.5%), where any event that might threaten agricultural production is seen as a greater risk than loss of the income of the

main wage-earner. Loss of income of the main wage-earner, which is the main risk in urban areas (52.3%). An interesting difference between those with insurance and those without, is that the former attribute a greater risk to loss of property (70.2% compared to 61.9%). Similarly, they record higher mentions when it comes to increased costs of basic needs (65.5%) and loss of the main income earner (56.1%).

Table 7.5 What can affect household finances

BASE ALL RESPONDENTS N	Total 4,214	Rural 2,864	Urban 1,350	Currently have insurance 296	Do not have insurance 3,918
Theft, fire or destruction of household/property	62.4	59.4	71.4	70.2	61.9
Drought	62.4	70.5	37.8	53.2	63.0
Increase of costs of basic necessities	56.6	56.2	58.1	65.5	56.1
Loss of family land	47.4	53.9	27.6	46.5	47.4
Loss of income of main wage-earner	43.1	40.1	52.3	53.0	42.5
Flood	36.0	36.4	34.8	36.4	35.9
Loss of livestock	33.9	40.3	14.5	26.9	34.4
Loss of income of a family member living outside the household	18.0	17.8	18.8	15.7	18.2

Percentages • Multiple responses possible

Chapter 8

REMITTANCES

8.1 INCIDENCE OF TRANSFERS

In the previous 12 months, 16.5% of respondents had received money transferred from persons within Kenya; 2.8% had received transfers from outside the country. 16.9% had sent transfers to persons in the country and only 0.7% had sent transfers outside the country. The frequency of money transfers within the country far exceeds international transfers. Money transfer is more common in urban areas compared with rural areas.

**Fig 8.1 Incidence of remittances
BASE ALL RESPONDENTS**

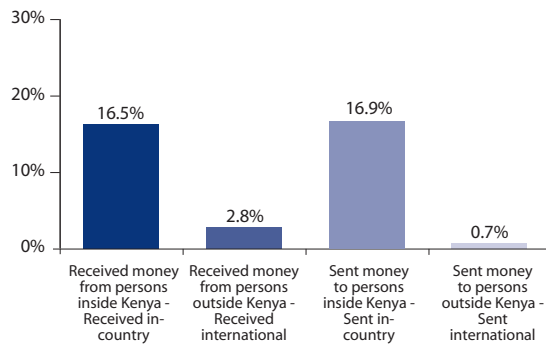


Table 8.1 Profile of remittance receivers

BASE RECEIVED REMITTANCES IN PREVIOUS 12 MONTHS (N=768)		
Gender	Male	50.1
	Female	49.9
Education	None	13.5
	Primary	46.0
	Secondary+	40.0
	No response	0.5
Age	18-24	17.7
	25-34	31.7
	35-44	23.1
	45-54	14.2
	55+	13.3

Percentages

Table 8.2 Main source of livelihood for remittance receivers

BASE RECEIVED REMITTANCES IN PREVIOUS 12 MONTHS (N=768)	
Business/own agriculture	46.3
Transfers from others	27.6
Employed - large organisation	12.4
Employed - small organisation	6.4
Employed agriculture	3.3
Other employed	2.8
No mention	1.3

Column percentages

Table 8.3 Profile of remittance senders

BASE SENT REMITTANCES IN PREVIOUS 12 MONTHS (N=718)		
Gender	Male	62.5
	Female	37.5
Education	None	3.6
	Primary	32.9
	Secondary+	62.8
	No Response	0.7
Age	18-24	21.2
	25-34	38.6
	35-44	19.4
	35-54	12.8
	55+	8.0

Percentages

18.2% have received remittances in the previous 12 months. Those receiving remittances are more likely to be female (51.7%), aged 25–34 years (30.0%) and have been to secondary school (54.3%).

Of those that have received remittances, 46.3% are self-employed either in agriculture (selling their own produce) or involved in non-agricultural business. 27.6% of them list transfers (money from family/friends/pension) as their main source of livelihood, which implies they are dependent on these remittances for subsistence.

Those who have sent remittances in the previous 12 months tend to be male (62.5%), in the 25–34 year age band (38.5%), and with good education (62.8% to secondary school and beyond).

Most of those who have sent remittances are self-employed or involved in agricultural production (43.7%). 25.6% are employed in large organisations with 50 or more employees. Only 9.1% of those who have sent money give their main source of livelihood as transfers from relatives/friend or pension.

Table 8.4 Main source of livelihood for remittance senders

BASE SENT REMITTANCES IN PREVIOUS 12 MONTHS (N=718)	
Business/own agriculture	43.7
Employed - large organisation	25.6
Employed - small organisation	12.0
Transfers from others	9.1
Employed agriculture	3.8
Other employed	4.2
No mention	1.5

Column percentages

8.2 METHODS USED FOR TRANSFERS

Using a friend or public transport are the popular methods of money transfer as indicated in table 8.5. References are also made to using public transport for cross-country transfers; this relates to transfers within East Africa where transport companies serve the region. The professional money transfer companies are mainly used for receiving money sent from outside the country.

Receiving or sending money is not done on a frequent basis as over 60.0% send or receive transfers at intervals of three months or longer. Within country transfers tend to be more frequent than international ones.

Table 8.5 Remittance delivery methods

BASE RECEIVED/SENT MONEY IN PREVIOUS 12 MONTHS N	RECEIVED		SENT	
	In-country 707	International 127	In-country 700	International 44
Sent with a friend/family	55.8	10.6	50.4	10.4
Through a bus or matatu company	21.6	6.7	29.4	13.0
Using specialist money transfer services such as Western Union, MoneyGram	18.2	7.8	28.5	5.6
By cheque	8.9	16.6	9.2	37.5
Directly into bank account	4.4	61.8	5.5	55.0
Post office money order	2.6	2.3	4.4	7.4
Paid in someone else's account/name/cheque who then gives money to me	2.2	6.9	2.4	0.0

Percentages • Multiple responses possible

8.3 INTERNATIONAL TRANSFERS

Of 127 respondents who received money from outside the country, a third (31.7%) received remittances from the USA. All the other countries record less than 10.0% mentions, with the UK and Uganda at 7.8% and 7.7% respectively. 12.4% of those that have received money from abroad had no idea from which country the money was sent – this is more common amongst the older (over 35 years) rural recipients.

Of those that have sent money outside the country, Uganda (26.7%) records the highest mention.

8.4 PERCEPTIONS ABOUT REMITTANCE TRANSFER METHODS

All respondents were asked to rate the various ways of sending money based on risk, costs, speed and accessibility (easy to get to).

Bus/matatu and sending with a friend are the least expensive, the easiest to get to but at the same time the most risky and the slowest. Specialist money transfer services (such as Western Union or Moneygram) on the other hand is fast and the least risky, but it is the most expensive. Payments direct to the bank account share similar associations with money transfer although it is not as closely associated with high costs.

Table 8.6 Countries sending remittances

BASE RECEIVED MONEY IN PREVIOUS 12 MONTHS (N=127)					
USA	31.7	Saudi Arabia	2.8	Norway	1.2
Britain	7.8	Australia	2.5	Switzerland	1.2
Uganda	7.7	Canada	2.4	Holland	1.0
South Africa	6.6	Italy	2.2	Israel	1.0
Tanzania	5.7	Dubai	2.1	Sudan	0.9
UK	3.4	Somali	1.8	Botswana	0.9
Germany	3.0	France	1.5	No mention	12.4

Percentages • Multiple responses possible

Table 8.7 Countries receiving remittances

BASE SENT MONEY OVERSEAS IN PREVIOUS 12 MONTHS (N=44)			
Uganda	26.7	Tanzania	4.3
South Africa	19.6	Dubai	4.2
USA	11.4	Germany	4.1
India	8.5	Somalia	2.1
Canada	5.0	Singapore	1.4
UK	4.5	No mention	11.0

Percentages • Multiple responses possible

Table 8.8 Remittance delivery-perceptions of risk

BASE ALL RESPONDENTS N=4,214	Friend/ family	Bus/ matatu	Specialist money transfer services	Cheque	Direct debit	Post office money order	Someone else's account
STATEMENT							
Most risky	50.4	25.6	1.7	2.4	0.8	4.5	12.1
Least risky	16.0	18.2	19.4	9.1	19.2	13.7	1.7
Most expensive	1.9	10.4	40.0	17.9	12.5	11.7	2.6
Least expensive	51.3	15.4	4.2	5.2	8.2	11.4	1.3
Fastest	12.3	19.5	34.9	4.6	17.6	7.9	0.6
Slowest	32.9	18.0	2.2	9.7	4.3	24.9	4.9
Easiest to get to	51.5	14.9	7.5	3.2	10.3	9.0	0.8
Hardest to get to	6.9	9.3	18.3	16.7	12.4	10.7	22.6

Percentages

Chapter 9

INFORMAL GROUPS

In Kenya, informal groups are generally referred to as chamas, and they typically allow their members to save using a merry-go-round system. In addition, they can also offer a variety of other financial services, including banker's cheques and investments.

9.1 USAGE OF INFORMAL SERVICES

38.8% belong to savings or community groups and, in most cases, people belong to only one group. Membership is higher in rural areas than in urban areas.

58.2% of those that belong to groups are female and fall in the 25–44 years age categories. 11.9% overall have had no formal education, but this proportion decreases for the subset that also use formal services.

Fig 9.1 Use of informal groups

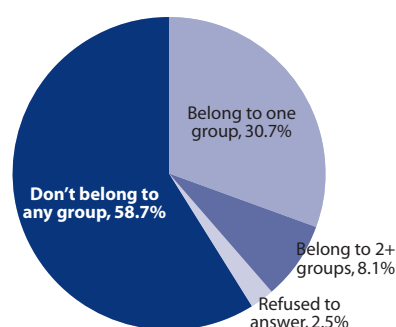


Table 9.1 Use of informal groups

BASE ALL RESPONDENTS N	Rural 2,864	Urban 1,350
None	56.8	64.7
Belong to one group	33.1	23.4
Belong to 2 or more groups	6.9	4.1
Refused to answer	2.1	1.0

Column percentages

Table 9.2 Profile of group members

BASE CURRENTLY BELONG TO A GROUP N	Use informal groups at all 1,647	Use informal groups only 1,112	Use informal groups and formal products 535
Gender			
Male	41.8	37.4	50.9
Female	58.2	62.6	49.1
Age			
18-24	16.2	19.2	10.1
25-34	30.6	30.9	30.0
35-44	22.3	22.0	22.9
35-54	14.2	12.3	18.3
55+	16.7	15.6	18.8
Education			
None	11.9	14.4	6.5
Primary	50.9	57.3	37.4
Secondary+	36.4	27.2	55.5
No response	0.8	1.0	0.6

Percentages • Formal products = bank-like institutions, MFIs and SACCOs

9.2 GROUP FORMALISATION

Although respondents were asked about up to three groups used, only the first group mentioned is used for the analysis (fig 9.1), as this is assumed to be the group most frequently used, and therefore more easily recalled.

Table 9.3 Group formalisation: regulations and documentation*

BASE ALL WHO BELONG TO GROUPS (N=1,647)	
Holds meetings at regular fixed intervals, e.g. every month	78.0
Elect officials through voting	53.2
Have a constitution	51.5
Keep accounting record	39.5
Records and circulates minutes after every meeting	38.0
Have a treasury/finance person who is not also the chairman	36.8
Has a certificate of registration	35.2
Has a receipt book for any money received	29.0
Has a bank account	28.1
Has a passbook for recording savings or loans for each member	16.8
More than one signatory on the cheque book	11.8
Has a group cheque book	8.6
Has accounts checked by an external auditor	4.4
Has someone who is not a member of the group who manages it	2.2
Has a money box with more than one key	1.8

* First group mentioned • Multiple responses possible

Members were asked about the regulations and documentation for their groups and the majority (78.0%) say their groups hold meetings at regular fixed intervals; more than half (53.2%) elect officials through voting, and 51.5% have a constitution. A third have a certificate of registration (35.2%), and 28.1% have a bank account; a smaller percentage have a bank chequebook (8.6%). 2.2% have an independent manager who is not a group member.

9.3 SERVICES OFFERED BY GROUPS

Respondents were asked to describe what services their group offers. 57.2% said their groups operated a merry-go-round system. 26.5% give money for emergencies, while 24.5% lend money out to members who borrow when the need arises. Specifically, 25.1% raise money to cover funeral emergencies, while 22.0% are involved in purchasing household goods for members. Only a minority are in the business of acquiring assets be it land, buildings or shares.

Table 9.4 Services offered by groups*

BASE ALL WHO BELONG TO GROUPS (N=1,647)	
Give one member all the monies collected in one round (merry-go-round)	57.9
Raise the money needed for other emergencies (part or all)	26.5
Lend money out to members who borrow when needs arises	25.1
Raise the money needed for funerals (part or all)	24.5
Buy household goods for members	22.0
Invest in a business	9.2
Buy groceries or food for members	6.5
Lend money out to non-members who borrow when need arises	5.8
Act as a guarantor or security for members	4.4
Purchase fixed assets - land, houses for members	3.4
Purchase fixed assets - land, houses as a group	2.8
Invest the money in shares, company shares like Kengen	2.1

* First group mentioned • Multiple responses possible

9.4 PROBLEMS EXPERIENCED BY GROUPS

Loss of membership either through pulling out (41.6%) or death (20.7%) are the key problems that members face. 19.3% of the members have had problems with cooperation among group members and 11.5% note that money is not always available, which could be as a result of the problem of members not paying their contributions (34.7%). Only 1.2% has had to borrow money to be able to continue operating.

Table 9.5 Problems experienced within informal groups

BASE ALL WHO BELONG TO GROUPS (N=1,647)	
Members pulling out	41.6
Members not paying contributions	34.7
Death of many members	20.7
Members not co-operating in many decisions	19.3
Money/cash not available immediately	11.5
Poor administration	7.1
Dishonesty by members causing loss of money	7.0
Lost money through theft or fraud from a committee member	6.5
Officials elected in a manner that was not transparent	5.4
Money lost through theft or fraud from an outside party	4.7
Misuse of money by officials	3.6
Bad investment of funds	3.0
Overspending on certain items	2.8
Had to borrow extra money from a lending institution to continue operating	1.2
Poor service with the bank or financial institution which serves the group	1.2

* First group mentioned • Multiple responses possible

Chapter 10

LIVELIHOOD, INCOME AND EXPENDITURE

10.1 LIVELIHOOD

Respondents generate income from various sources as indicated by their main source of livelihood. Sale of food crops (maize, beans etc.) is the most common way of earning a living (21.3%) with a slightly higher proportion recorded amongst the informally served (28.0%). 14.3% give their main source of income as transfers, with a higher proportion recorded amongst the financially excluded (20.1%). 28.7% of those who use formal services other than banks depend on cash crops as their main livelihood. Many livelihood activities are linked to the agricultural sector. More of the formally included are waged, working in large establishments (27.9%); more of those with non-bank formal services are involved in cash crop agriculture (30.7%), indicating widespread use of agricultural SACCOs.

10.2 FREQUENCY OF EARNINGS AND METHODS OF RECEIVING EARNINGS

Table 10.2 below indicates the frequency of receiving income by main source of livelihood. The frequency depends on the activity; those in business are more likely to receive money daily (63.3%), while those in agriculture/food crop production are more likely to receive earnings at longer intervals (every 3 months or longer – 66.8%). For many activities, payment is received on a monthly basis. This is the case for transfers, waged in large or small enterprises, domestic and agriculture cash groups.

Across the various activities, payments tend to be received in cash. Only two other methods are commonly used – direct transfers and cheques paid into accounts.

Table 10.1 Main sources of income

BASE ALL RESPONDENTS N	Total 4,214	Rural 2,864	Urban 1,350	Formally Included 850	Formal Other 295	Informally Included 1,485	Excluded 1,584
Agriculture, other produce	21.3	27.3	2.9	10.5	22.4	28.0	20.2
Business	19.7	16.5	29.6	23.9	9.6	21.6	18.0
Transfers	14.3	12.5	20.0	8.3	3.7	13.5	20.1
Livestock	10.0	12.8	1.7	5.5	10.8	9.8	12.4
Waged large establishment	8.3	5.6	16.5	27.9	8.8	3.6	2.9
Agriculture, cash crop	6.6	8.5	1.0	6.0	30.7	5.2	3.6
Waged small establishment	6.2	2.9	16.4	12.1	5.3	4.8	4.8
Agriculture waged, seasonal	5.2	6.3	1.7	1.9	4.1	6.2	6.1
Waged domestic	3.3	2.4	6.1	0.7	0.9	2.5	5.8
Agriculture waged, full time	2.4	3.0	0.8	0.8	0.3	2.9	3.2
Not Specified/Not Categorised	2.5	2.2	3.3	2.4	3.3	2.0	2.8

Column percentages. Single response

Table 10.2 Frequency of income receipts

BASE THOSE THAT HAVE EARNED INCOME THROUGH ACTIVITY	Daily	Weekly	Every 2 weeks	Monthly	Every 3 months	Less often
Agriculture, other produce	7.9	9.3	5.6	10.5	33.5	33.3
Business	63.3	16.6	4.7	9.2	1.5	4.7
Transfer	21.6	12.4	4.9	39.9	5.7	15.5
Livestock	34.5	15.2	4.9	27.1	8.0	10.2
Waged large enterprises	1.8	5.7	5.1	82.3	0.7	4.4
Agriculture, cash crop	3.1	5.1	6.0	41.9	16.0	27.9
Waged small	7.4	19.1	6.5	57.9	1.0	8.0
Agriculture waged, seasonal	22.4	28.3	11.0	16.1	6.6	15.7
Agriculture waged, full time	25.4	28.9	4.3	39.1	0.0	2.3
Waged domestic	21.6	23.9	4.4	43.9	0.1	6.2

Row percentages

Table 10.3 Mode of income receipts

BASE THOSE THAT HAVE EARNED INCOME THROUGH ACTIVITY	Electronic transfer into own account	Cheque paid into Bank/SACCO	Cheque which you encash	Paid cash money	Paid into someone else's account	In other forms
Agriculture, other produce	0.2	0.0	0.3	96.2	0.2	3.5
Business	0.9	0.7	0.8	93.3	0.1	5.0
Transfer	3.4	1.5	0.6	91.2	1.0	4.6
Livestock	1.8	2.0	0.9	92.0	0.0	3.3
Waged large establishment	18.4	24.9	3.4	50.5	0.0	2.8
Agriculture, cash crop	1.3	23.0	4.5	69.2	0.6	2.1
Waged small establishment	6.9	4.1	4.4	78.5	0.0	7.0
Agriculture waged, seasonal	0.7	1.0	0.0	95.0	0.0	5.0
Agriculture waged, full time	2.8	0.0	3.0	94.4	0.0	4.6
Waged domestic	0.0	0.2	0.0	96.7	1.1	4.4

Row percentages

10.3 SURPLUS MONEY

44.0% do not have money left after paying the bills, with the highest percentages recorded amongst those that are financially excluded (60.1%); and the least recorded amongst the financially

included (18.6%). 71.2% of those formally included will save cash for their next purchase, yet only 27.4% are able to do so amongst the excluded. 13.9% will invest excess cash in property or livestock.

Table 10.4 How "excess" income is used

BASE ALL RESPONDENTS	Total	Formally included	Formal other	Informally included	Excluded
N	4,214	850	295	1,485	1,584
You do not have money remaining after bills	44.0	18.6	36.3	41.7	60.1
You give it to family living with you	8.4	12.7	8.4	6.6	7.8
You give/send it to family not living with you	5.8	11.8	4.7	4.3	4.6
You spend it on luxury items	4.1	7.7	5.1	2.3	3.8
You save it for your next purchase	45.3	71.2	49.0	50.2	27.4
You invest it in property or livestock	13.9	21.1	22.8	14.4	8.2
Other	2.9	3.5	2.3	3.3	2.4

Column percentages

10.4 LIVING STANDARDS MEASURES (LSMs)

A model for socio economic profile is the LSM, which runs from 1 to 12, with 1 as the poorest and 12 the wealthiest. It is based on household durables and housing characteristics which are each assigned a score. The combined score then determines the household's LSM.

In the excerpt below, the right hand column records the scores to be assigned. Such scores, together with others, are then aggregated as a guide for the LSM classification.

One drawback for the LSM variables used is that they are associated with availability of electricity (electric iron, fridge, vacuum cleaner), which automatically allocates lower LSMs to rural respondents. The wealthiest people reside in urban areas. The higher LSMs (10-12) are almost non-existent outside Nairobi (where 5% of the population can be classified in this group). The major flaw in using LSMs for stratification in the FinAccess survey is that it lumps 85% of the survey population into the lowest (poorest) LSM 1, offering no further opportunities to understand the variability in livelihood and usage of financial services which exists in this large group.

Table 10.5 Example of LSM scoring

QUESTION:	Possible answers	Step 1 – Score Circle all that apply
Do you have a built-in sink in your kitchen?	Yes	+26
	No	0
What type of house do you live in?	Traditional	+17
	Partly traditional	+34
	Compound/room/part of a house	+51
	Flat	+68
	House/cluster/condominium	+85

(See Appendix III for information on the Living Standards Measure.)

Table 10.6 Living Standards Measures

BASE ALL RESPONDENTS	Total	Rural	Urban	Nairobi	Central	Coast	Eastern	N/Eastern	Nyanza	Rift Valley	Western
N	4,214	2,864	1,350	419	554	344	667	130	675	994	431
LSM 1	69.9	82.0	32.7	21.3	73.6	69.0	83.4	98.7	78.4	66.3	83.0
LSM 2 - 6	23.3	15.9	45.7	43.2	22.5	26.4	13.3	1.3	19.7	28.2	16.7
LSM 6+	6.9	2.1	21.6	35.6	3.9	4.6	3.3	0.0	1.9	5.5	0.2
Weighted Base	100.0	75.0	25.0	11.0	13.0	9.0	16.0	3.0	14.0	24.0	10.0
Population base ('000s)	17,395	13,102	4,292	1,878	2,225	1,610	2,754	587	2,446	4,090	1,805

Percentages except for last row

Chapter 11

TECHNOLOGY

This section attempts to collate various questions on the use of technology and respondent familiarity with technological innovations such as supermarket discount cards, as a guide for potential uptake for new (and useful) technology-based services.

11.1 MOBILE PHONE ACCESS

26.9% of the adult population (18 years and above) owns a mobile phone, with those in urban areas almost twice as likely to own a mobile phone (52.3%), than those in rural areas (18.6%).

The formally included have the highest probability of owning a mobile phone at 68.0%, compared with the other groups, while the excluded are the least likely to own a mobile phone (15.6%).

A further 27.5% do not own a mobile but they use someone else's, with similar percentages across rural/urban and gender. Overall therefore, 54.4% of the adult population has access to a mobile phone.

A minority buy services on the mobile phone (7.6%) or load airtime at supermarket tills (4.5%), both of which record substantially higher mentions amongst those who are formally included as compared with the other categories. Those who are financially excluded are the least likely to use services listed compared with the other groups.

Usage of other technology-related products such as ATMs, standing orders and discount coupons were explored. Only a minority (less than 10%) use any of these products on a regular basis. Whereas 7.8% of the total respondents use ATMs regularly, 39.8% of the formally included do so regularly.

11.2 USAGE OF OTHER TECHNOLOGY-RELATED PRODUCTS

29.2% regularly send text/SMS messages to friends or family using a mobile phone, while 20.6% regularly 'sambaza' i.e. send airtime credit to someone else. Both of these uses of the mobile phone record higher proportions amongst those who are formally included compared to the other groups.

Fig 11.1 Mobile phone ownership and access
BASE ALL RESPONDENTS

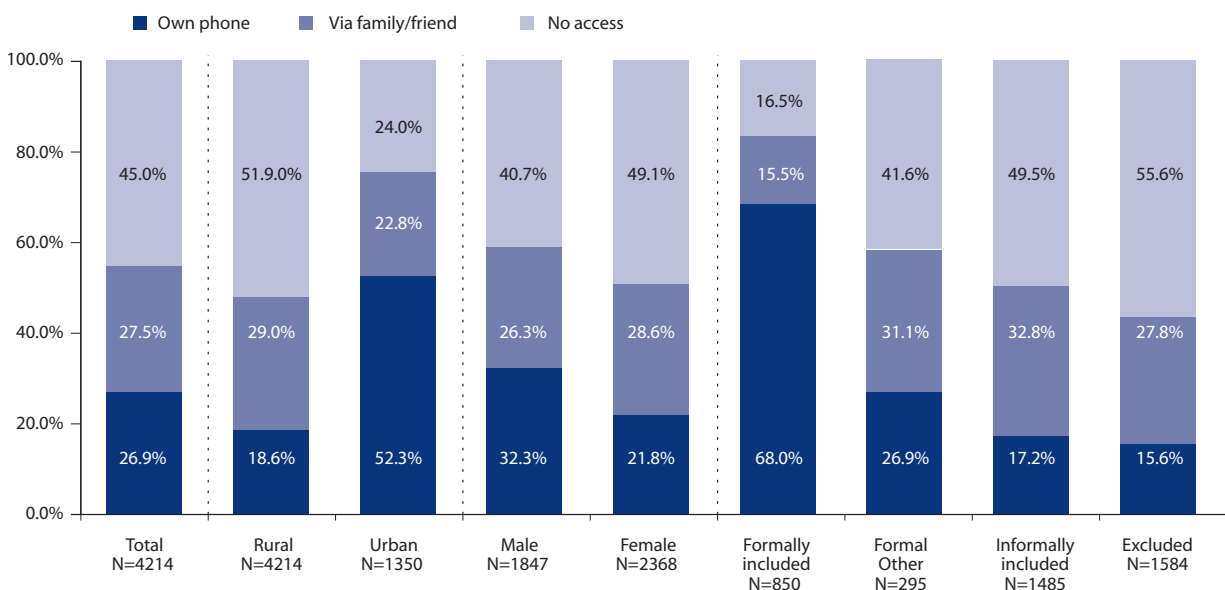


Table 11.1 Use of mobile-related technology

BASE ALL RESPONDENTS	Total	Formally included	Formal other	Informally included	Excluded
N	4,214	850	295	1,485	1,584
Send text/SMS messages to friends or family using mobile phone	29.2	69.9	27.1	20.1	17.9
Send sambaza airtime to someone else	20.6	57.8	17.2	12.7	10.1
Buy services on your mobile phone e.g. dial tones, news updates	7.6	24.5	4.7	4.0	3.1
Load airtime at a supermarket till	4.5	17.0	0.3	1.8	1.6

Percentages • Multiple responses possible

Table 11.2 Use of other related technology

BASE ALL RESPONDENTS	Total	Formally included	Formal other	Informally included	Excluded
N	4,214	850	295	1,485	1,584
Use of ATM card at your bank	7.8	39.8	2.0	0.2	0.1
Use Pesa-point ATM machines	1.5	7.8	0	0.1	0
Use supermarket discount card to earn points e.g. supermarket	1.7	7.6	0.4	0.3	0.3
Use discount coupons on the back of supermarket receipts	1.7	5.9	0	0.5	1.0
Issue cheques	2.1	9.9	1.4	0.1	0.2
Use standing orders to pay your bills	0.9	4.6	0.3	0.1	0

Percentages • Multiple responses possible

CHAPTER 12

PSYCHOGRAPHICS

12.1 FINDINGS

Attitudes towards financial services are important; we need to understand why people consume some products but not others. All respondents were shown statements related to their attitudes and perceptions, with options to agree or disagree. Table 12.1 indicates the proportions that agree with the various statements.

SAVINGS

A higher proportion of those with formal access are willing to keep money safe despite low returns (statement 1), and are more likely to pay more for someone they trust to handle their money (statement 3). The formally included are more likely to agree that a gradual accumulation of small savings will lead to increased financial security (statement 2).

CREDIT

The formally included (i.e. using banks and SACCOs) are more likely to prioritise the debtors list (statements 6 and 7). Access to credit for business seems more of a difficulty for those served by non-bank formal institutions (statement 10).

ATTITUDES TO PROVIDERS

Perceptions toward the banks do not vary greatly across the four inclusion categories, as indicated by the proportions agreeing that banks take advantage of poor people (statement 14). However, the formally included are the least likely to agree that they can easily live without a bank account (statement 12). Proportions that distrust informal groups (statement 16) are highest amongst the formally included (41%) and the excluded (44%).

RISK

Perceptions towards risk do not show any clear trend amongst the four categories.

GENERAL ATTITUDES

The formally included are more likely to have a positive inclination to technology (statement 22) and people are more likely to ask them for financial advice (statement 19).

Table 12.1 Attitudes to financial services

BASE ALL RESPONDENTS		Total	Formally included	Formal other	Informally included	Excluded
N		4,214	850	295	1,485	1,584
AGREE WITH THE FOLLOWING STATEMENT:						
Savings	1. You prefer to save where your money is safe, even if the interest rate or return is lower	64.6	80.9	79.7	62.0	56.0
	2. If you save and invest regularly, eventually the small amounts will add up and you'll be secure	77.7	89.3	88.6	79.0	68.8
	3. You are prepared to pay more money to have someone you trust handle your money	53.3	66.6	66.8	57.6	40.1
	4. You are worried that you won't have enough for old age	57.4	54.5	68.8	61.5	52.7
Debt/ Credit	5. You hate owing money to anyone	76.3	80.8	84.5	75.4	73.3
	6. You have certain people you pay first before anyone else	57.4	66.0	68.9	56.7	51.5
	7. You go out of your way to pay your debt	62.3	71.1	69.5	61.2	57.5
	8. You never seem to be able to pay off your debt, your debt just keeps getting worse	24.8	18.7	22.1	25.5	27.7
	9. You need to take out additional loans to pay your existing credit/loans	22.4	23.5	21.7	22.1	22.4
	10. You often think you would like to start your own business but can't get credit/finance/loan	67.7	59.5	72.8	69.5	69.1
	11. You often find that you are surprised by the final amount you have had to pay for a loan or credit	36.2	46.2	40.9	37.9	28.9
	12. Paying or receiving interest is not part of your culture	35.6	31.5	39.4	34.1	38.2
Banks/ Informal groups	13. You can easily live your life without having a bank account	57.0	37.3	52.9	60.5	64.2
	14. Banks take advantage of poor people	46.7	44.8	46.2	47.1	47.4
	15. Having a bank account gives you status in your friends' eyes	41.7	45.0	53.2	42.7	36.8
	16. You don't trust informal associations like chamas	37.0	40.6	31.6	28.9	43.6
Risk	17. You avoid taking risks with your money or resources	73.4	77.0	86.5	72.5	70.0
	18. You are satisfied with the little you have and focus on how to use it properly	69.8	73.1	82.6	68.8	66.5
Attitudes	19. People often ask your advice on financial matters	57.9	76.5	64.3	61.2	44.5
	20. When it comes to money, young people know more than older people	43.2	44.3	44.9	43.6	42.0
	21. You take advice from many people but select what you consider appropriate advice to follow	80.6	88.0	89.8	81.0	74.7
	22. You are prepared to learn how to use new technology	72.5	85.6	73.9	71.9	66.3
	23. You often don't feel in control of your finances	34.5	29.9	35.6	36.0	35.1

Percentages

Chapter 13

FINANCIAL ACCESS FOR YOUTH

In order to understand teenagers and their relation to financial services, it was decided to lower the respondent age in the access study to 16. This age group is allowed to work legally in the agricultural sector, or can be engaged in other income-generating activities, but they are not legally able to access formal financial services. This would help us understand how this age group currently manages their finances. Findings on this group are based on the combined totals as the sample size does not allow for lower level estimates.

The sample included 204 youth aged 16 and 17 years old, equivalent to 840,000 individuals.

Table 13.1 Profile of 16 and 17 year olds

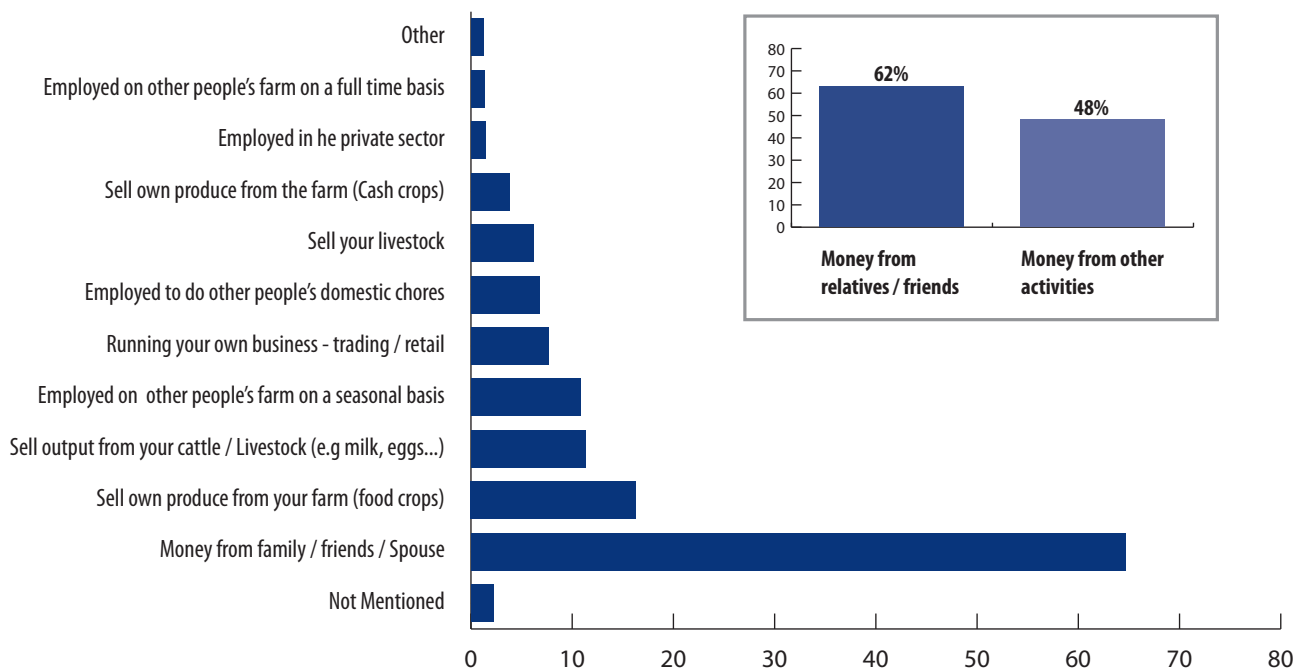
BASE ALL 16 AND 17 YEAR OLDS (N=204)		
Location	Rural	80.4
	Urban	19.6
Gender	Male	50.1
	Female	49.9
Education	None	6.7
	Primary	49.5
	Secondary+	43.8

Percentages

13.1 RESPONDENT PROFILES

80.4% of respondents were drawn from the rural areas, with an equal gender split. A minority (6.7%) has had no schooling.

Fig 13.1 Main sources of income
BASE ALL 16 AND 17 YEAR OLDS (N=204)



13.2 LIVELIHOOD - WHERE DO THEY GET THEIR MONEY FROM?

70.0% have received money from their relatives/friends in the past 12 months. Overall, 48.0% have engaged in economic activities that have paid them some money, while the rest depend solely on relatives/friends. The main activities for earning income are the sale of subsistence crops from their own farms (16.3%), and seasonal employment on other people's farms (10.8%). 7.7% are running their own small retail businesses.

The money from the above activities is received regularly with 22% on a daily basis, and 10% on a weekly basis. A third (33%) receive money at 3-month or longer intervals. The majority (97%) receive money in cash.

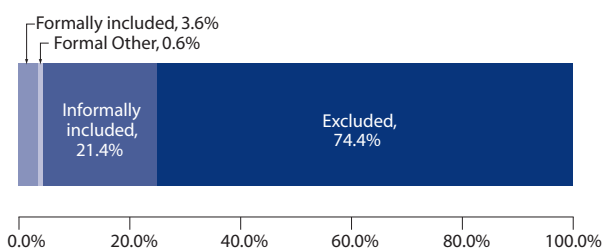
Table 13.2 Use of various providers

LEVEL OF FORMALISATION	Type of financial service provider	No of people (aged 16-17 years) reached in '000s
Formal	Banks	20
	Postbank	8
	Insurance	20
Formal – other	SACCOs	8
	MFI's	0
Informal	ASCAs, ROSCAs, other informal groups/persons	180
None	Excluded (no formal or informal financial product used)	620

13.3 FINANCIAL ACCESS STRAND

74% of 16 and 17 year olds are excluded from any form of financial access. 4% are formally included with accounts that are possibly operated by their guardians or by having an insurance product (such as an educational policy). 21% have informal access through ASCAs/ROSCAs/groups, while 1% use services from non-bank formal providers such as SACCOs.

Fig 13.2 16 and 17 year olds' Financial Access Strand BASE ALL 16 AND 17 YEAR OLDS (N=204)



13.4 WHY NO BANK ACCOUNT?

The assumption before the study was that respondents did not open bank accounts because they did not yet own ID cards. However, it was discovered that there were other important reasons for not having a bank account.

Table 13.3 Reasons for not having a bank account

BASE HAVE NO BANK ACCOUNT (N=197)	
You don't have money to save	62.0
You don't have a national ID	37.0
You don't have a regular income	32.1
You do not have a job	30.3
You can't afford to	25.8
You are too young to have a bank account	14.8
It's expensive to have a bank account	10.4
You don't qualify to open an account	7.3
You earn too little to make it worthwhile	7.1
You don't know how to open an account	6.6

Percentages

13.5 SAVINGS

Despite having poor financial access, 15.5% are currently saving by means other than keeping money in a hiding place or with friends/relatives. A further 2.1% have saved in the past but are no longer doing so.

Of those who are currently saving, 58.1% are doing so for personal items (clothes, shoes, etc.), 51.0% do so to meet household requirements, while 40.2% are saving for their own education.

Fig 13.3 Experience with savings products BASE ALL 16 AND 17 YEAR OLDS (N=204)

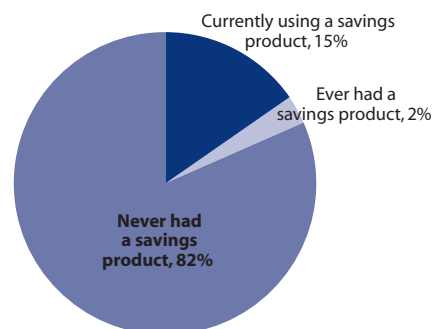


Table 13.4 Top five reasons for saving

BASE CURRENTLY HAS SAVINGS (N=33)	
For personal reasons (such as clothes, own travel)	58.1
For meeting household needs when you have little/no money	51.0
For education of self, others	40.2
For emergency (burial, medical)	29.1
For later in life/old age	11.8
For purchase of livestock /cattle	10.9
For social reasons (wedding, bride price)	9.8
For starting up a new business	8.9
To acquire household goods	5.9
For agricultural improvements	5.6
To leave something for your children	3.7
For expanding your business	1.6
For improving a house	1.0

Percentages • Multiple responses possible

Table 13.5 Top five reasons for having a credit

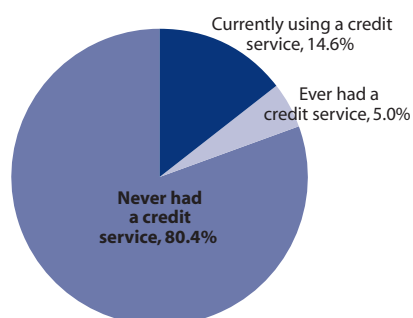
BASE CURRENTLY HAS CREDIT (N=30)	
For meeting day to day expenses: food, rent	63.4
For personal purchases/reasons such as clothes, own travel	31.2
For education of self, children, siblings or others	18.0
For emergency (burial, medical)	13.9
For agricultural inputs: seeds, fertilizer	5.4
For starting a business	5.1
To repay for someone else who was unable to repay	4.5
For improving a house	3.9
For purchasing land	3.9
For later in life/old age	3.9
For social reasons wedding, bride price	3.6
For purchase of livestock	2.5
To pay off your debts	2.4
For purchasing or building a house	0.5

Percentages • Multiple responses possible

13.6 CREDIT

14.6% currently have credit (other than from family or friends), while 5.0% have obtained a loan in the past, but do not currently have one.

Of those that currently have debts, 63.4% took loans to meet day-to-day expenses while 31.2% did so to buy personal items.

Fig 13.4 Experience with credit services BASE ALL 16 AND 17 YEAR OLDS (N=204)

13.7 INSURANCE

Use of insurance products is negligible, and the most common product is an educational policy with only a 2.1% mention.

13.8 REMITTANCES

21.4% have received money from persons within Kenya (higher than the average for adults aged above 18 years and above). 5.5% have sent money to others within Kenya, and 2.0% have received money from persons outside Kenya (none of them had sent money outside the country). Adults, meanwhile, typically transfer money within Kenya via a third party (person). Money orders are also commonly used. Of those who receive transfers within the country, 40.0% receive them at a frequency of 3-months or longer. Sending money is also infrequent - 80% do so at a frequency of 3 months or longer.

The 2.0% who received money from overseas did so through money transfer services.

**Fig 13.5 Remittances in previous 12 months
BASE ALL 16 AND 17 YEAR OLDS (N=204)**

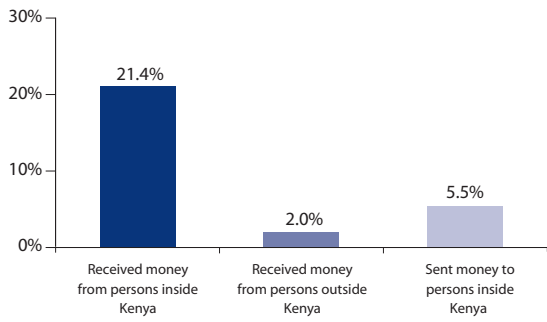


Table 13.6 Method used for in-country remittances

Main method used	Receiving	Sending
Using another person	67.1	71.9
Money order	24.0	57.6
By bus/matatu	15.2	29.9
Frequency		
Every 3 months (or longer)	43.0	79.7

Percentages

