Central Bank of Kenya and AFI Webinar on "Conducting Demand-side Surveys - The Case of Kenya 2021 FinAccess Household Survey in the COVID-19 era"

01 March 2022

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INTRODUCTION AND CONTEXT SETTING

Luis Trevino Garza
Senior Policy Manager, Financial Inclusion Data
Alliance for Financial Inclusion

HOUSEKEEPING

Mute Audio: the hosts will control your audio and will unmute this only if you would like to contribute.

Video: Disabled to allow for a better flow of communication and less interruption in calls dropping.

Interactive chat is available: Please use this platform for discussions and private communications.

Raise hand feature: Allows attendees to raise their hand to indicate that they need something from the host or panelists.

Q&A: Function for questions that you would like the panelists to respond to during the session or at the allocated time towards the end of the webinar.

Interpretation: Click on “interpretation” button and select your language (French or Spanish).

WELCOME NOTE

Dr. Alfred Hannig

Executive Director
Alliance for Financial Inclusion

OPENING REMARKS

Hon. Governor Patrick Njoroge

Governor
Central Bank of Kenya

AGENDA

TIME	TUESDAY 01 MARCH 2022 - PROGRAM	SPEAKER
11:05 - 11:20	Welcome Note Opening Remarks	Dr. Alfred Hannig, ED, AFI Dr. Patrick Njoroge, Governor, Central Bank of Kenya
11:20 - 12:00	Session 1 - Kenya FinAccess Survey 2021 Methodology and high-level results Q&A	Mr. Cappitus Chironga Jazz, Manager Central Bank of Kenya
	Comfort Break	
12:05 - 12:35	Session 2 - Deep dive into FinAccess Survey 2021 findings on COVID-19 impact on financial health and resilience Q&A	Dr. Amrik Heyer, Director for Research, Financial Sector Deepening Kenya
12:35 - 13:00	Session 3 - Demo on Data Analytics Tool and Website of FinAccess Survey Q&A	Mr. Rajab K. Mbaruku, Senior Manager Kenya National Bureau of Statistics
13:00	Closing	

Session 1 - Kenya FinAccess Survey 2021 Methodology and high-level results

Mr. Cappitus Chironga Jazz

Manager

Central Bank of Kenya

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Central Bank of Kenya

KNBS KENYA NATIONAL BUREAU OF STATISTICS *Keeping you informed*

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Presentation Flow

- Introduction
- Key Findings
- Conclusion
- Q&A Session

Introduction

Purpose, Partnerships, Methodology, Survey Sample, Demographics and Survey Administration

Purpose

- The 2021 FinAccess survey is the 6th since the 2006 baseline (2009, 2013, 2016, and 2019). The aim is to:
  - ✓ Enhance financial inclusion measurement;
  - ✓ Provide better understanding of the financial inclusion landscape indicators to track financial inclusion dynamics over time; and
  - ✓ Provide timely and more current data to various stakeholders.

Partnerships

- Private-Public Partnership key to success:
  - ✓ Budget funding
  - ✓ Expertise – instrument, analysis, report writing, messaging etc
  - ✓ Leveraging on technology

- Key Partners with Central Bank of Kenya;
  - ✓ Kenya National Bureau of Statistics (KNBS)
  - ✓ Financial Sector Deepening Trust (FSD) Kenya.
  - ✓ Alliance for Financial Inclusion (AFI)
  - ✓ Domestic Financial Regulators
  - ✓ Banks and Telcos

Methodology

- The 2021 FinAccess is a cross-sectional survey that provide inclusion indicators from the following dimensions: ***Access, Usage, Quality, and Impact/Welfare.***

- Targets those aged 16+ years, living within **conventional** households in Kenya at the time of data collection

- Respondents are selected randomly

Survey Sample

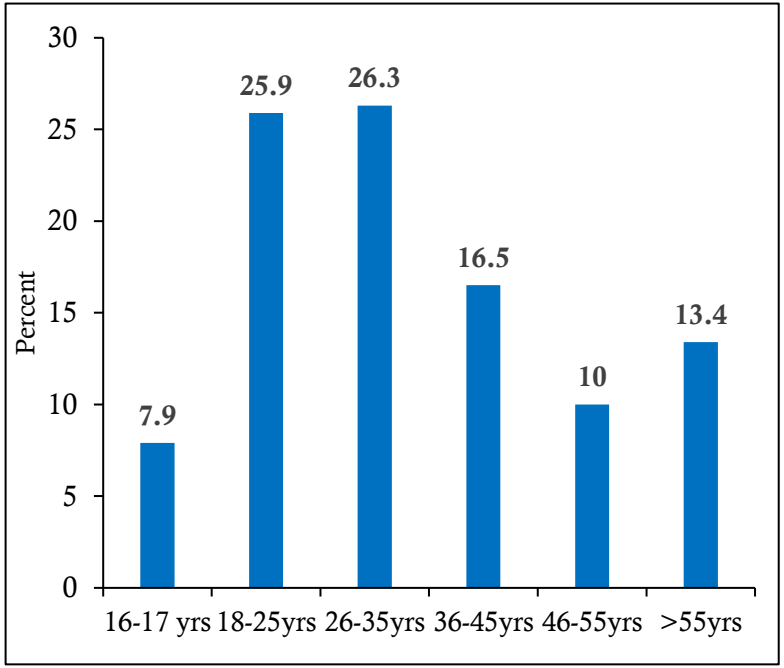
- Study domains used: **50** i.e. National; Rural, Urban; and *47* Counties
- Sample size: **30,600 households**
- Used the Kenya Household Master Sample Frame (K-HMSF) based on the 2019 Kenya Population and Housing Census data
- Overall response rate: **85.6 percent**

Survey Demographics

Response rates

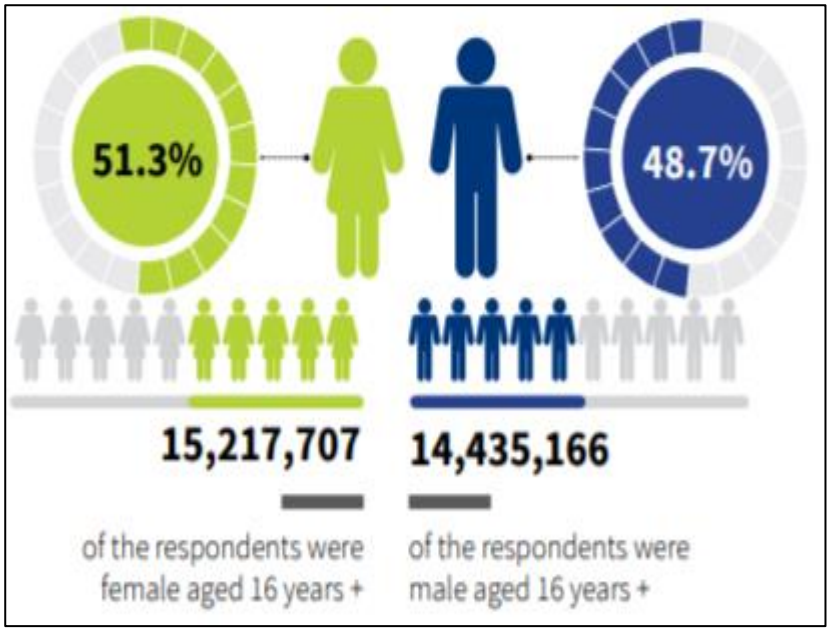
RESULTS	RESIDENCE		
	RURAL	URBAN	TOTAL
Selected Households	18,774	11,826	30,600
Eligible Households	16,316	9,408	25,724
Households Interviewed	14,455	7,569	22,024
Response Rate (%)	88.6	80.5	85.6

Age Distribution

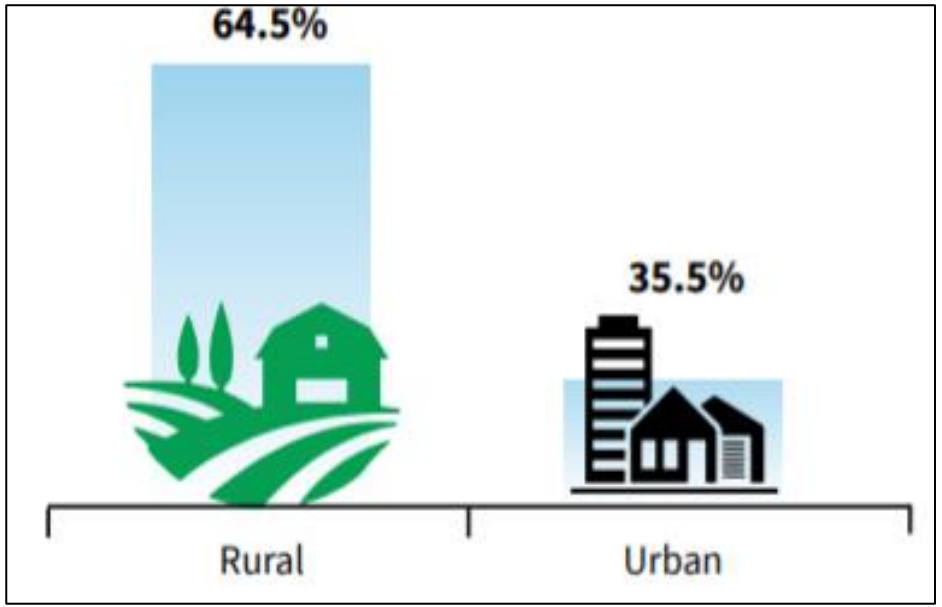


Survey Demographics

Population by Sex



Population by Residence



Survey Administration

- 60 Research Assistants, 20 Supervisors and 10 coordinators for 90-days country-wide survey
- Used Computer Assisted Personal Interview (CAPI) through face-to-face interviews with respondents;
  - ✓ in **English**, and translations in **several local languages**,
  - ✓ with **Kiswahili** being the most preferred interview language

- Raw data cleaned and weighted to total population,
  - ✓ *representing those aged 16+ years*

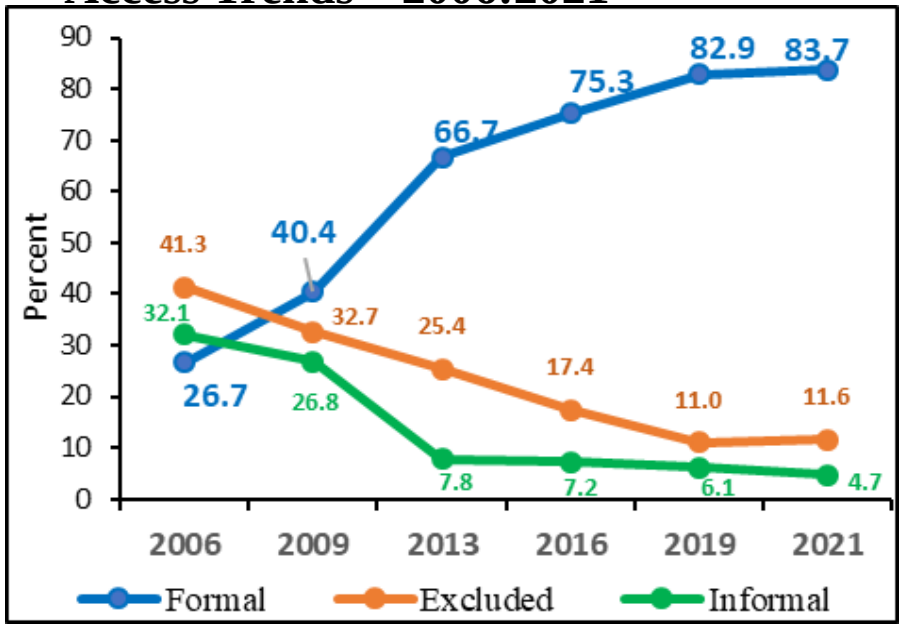
Key findings

Access Usage Quality Impact

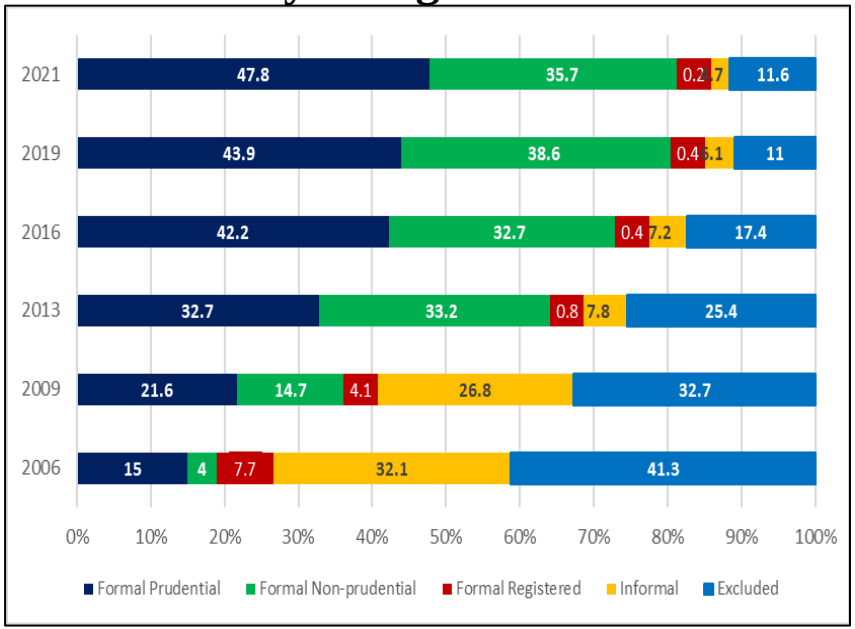
Expanding Access

- Access to formal and informal financial services solutions and those excluded from any form of financial services continue to evolve….

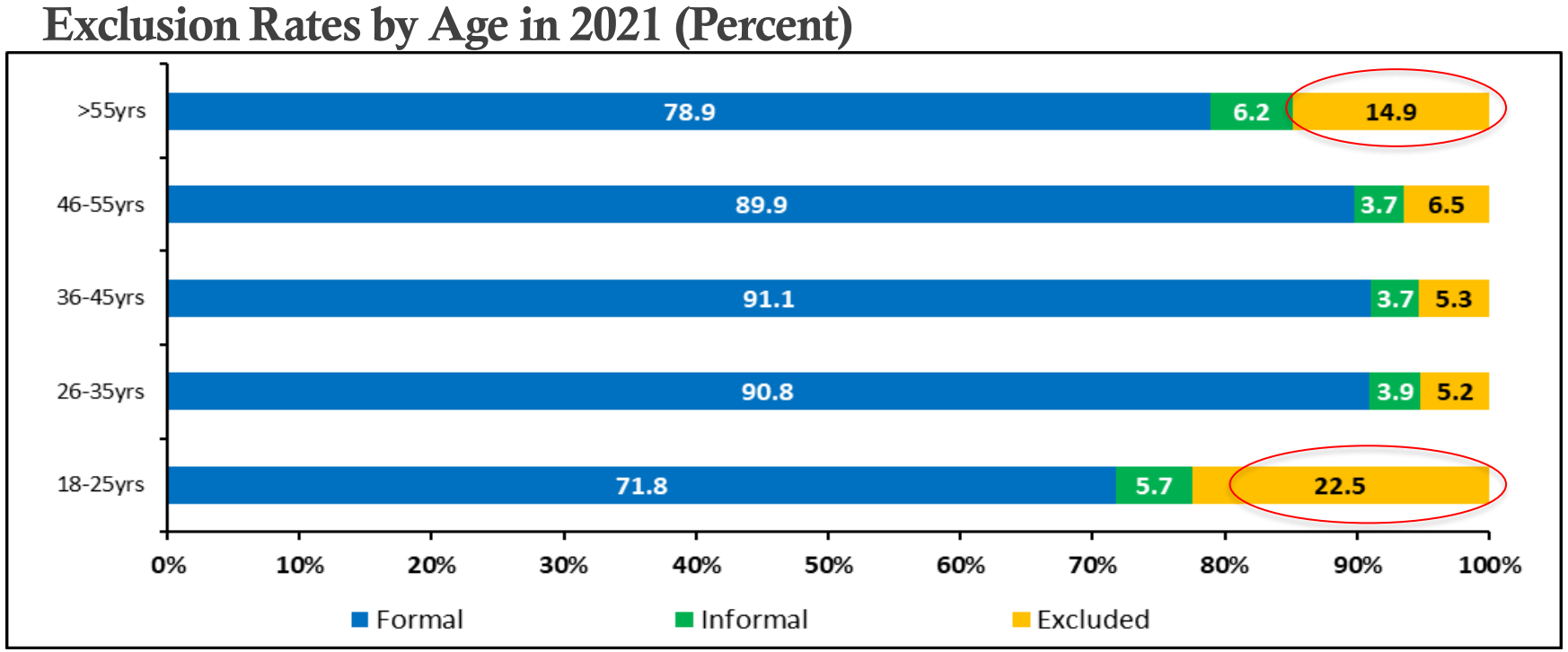
Access Trends – 2006:2021



Access by Categories

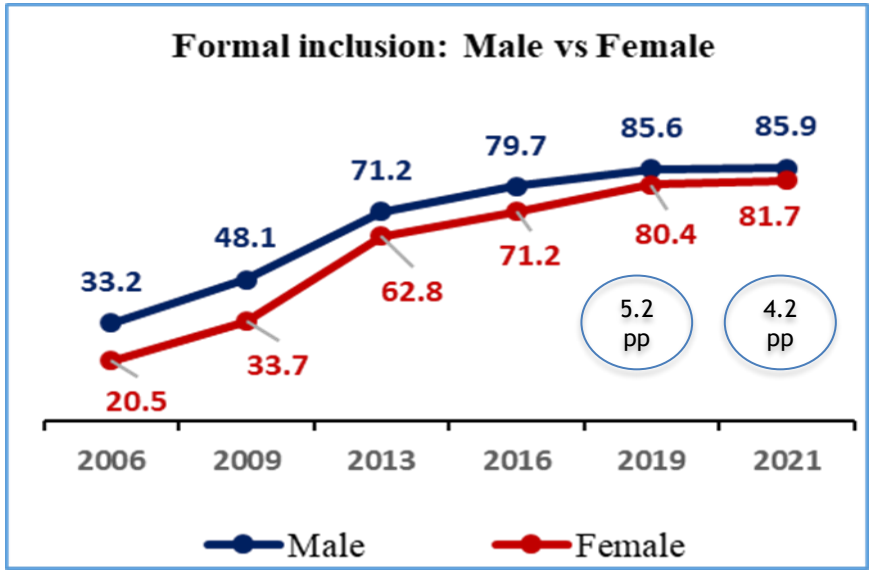


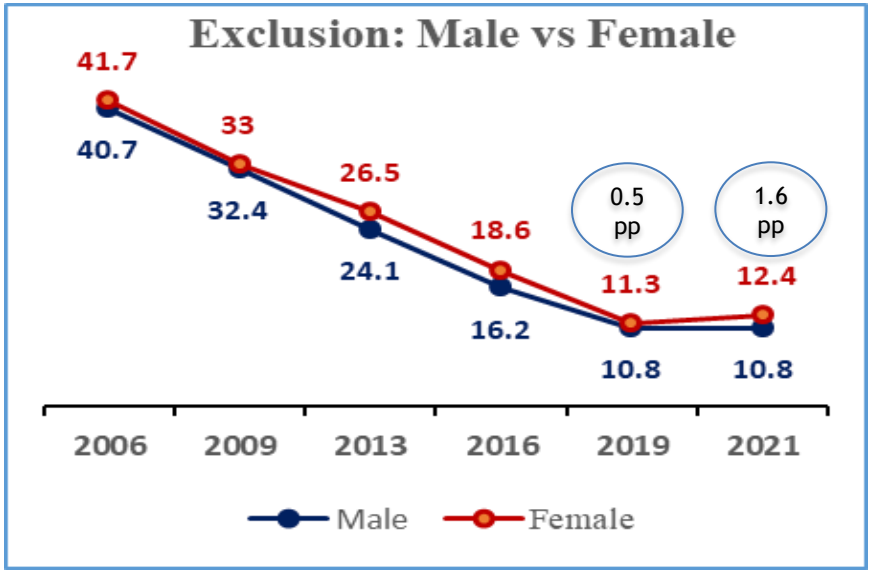
- Youths and adults above 55 years driving exclusion rate …
  unemployment, lack of documentation, retirement?



- Narrowing **gender gap** in terms of inclusion to formal solutions…

Included Vs Excluded by Sex (Percent)



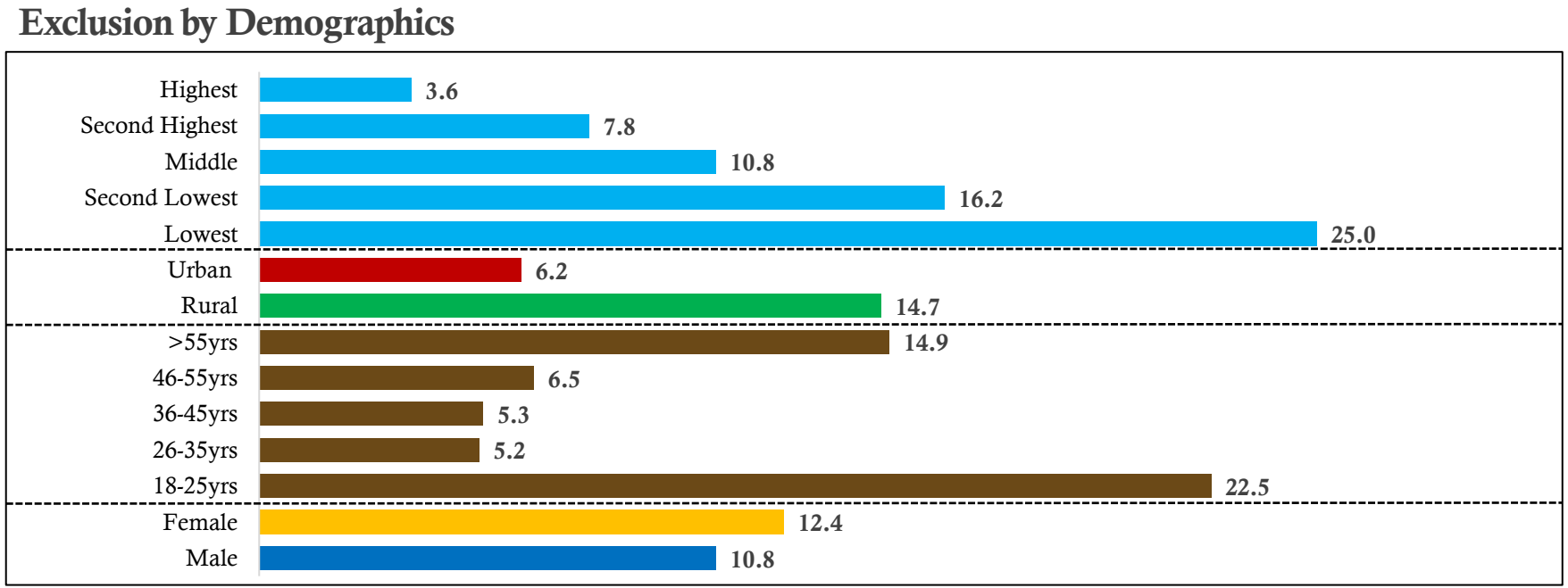


- Declining mobile money uptake may signal maturity – driving overall slow growth in inclusion

Mobile Money Uptake

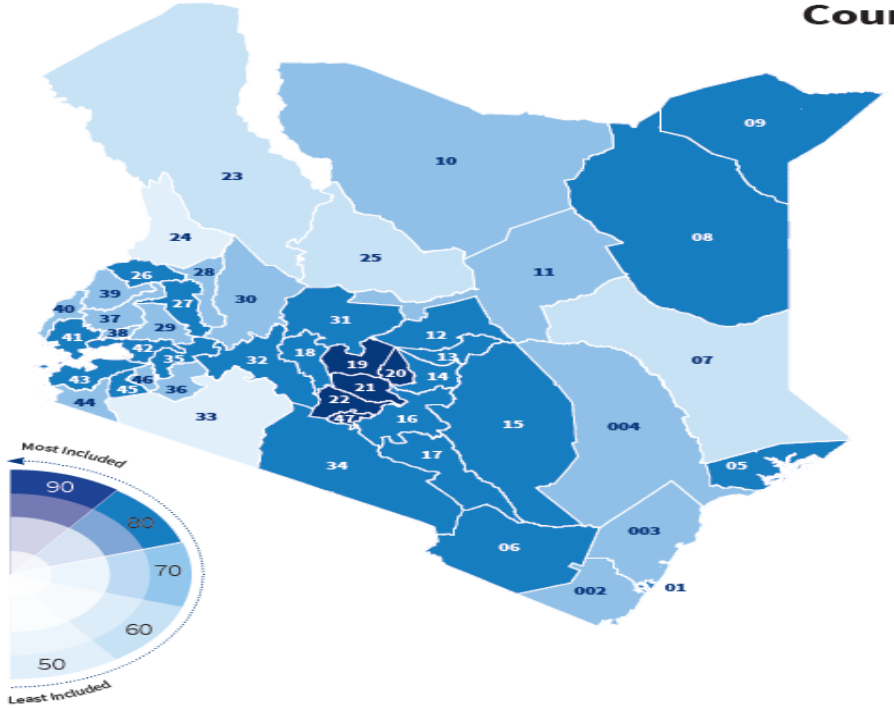
Survey Year	Uptake (Percent)	Change in Percentage Point
2006	*Baseline*	*Baseline*
2009	27.9	27.9
2013	61.6	33.7
2016	71.4	9.8
2019	79.4	8
2021	81.4	2

- Income disparities, age, and residence explain exclusion…



- First County (sub-national) level data points provide information on formal financial access across the 47 counties… reflect uniqueness

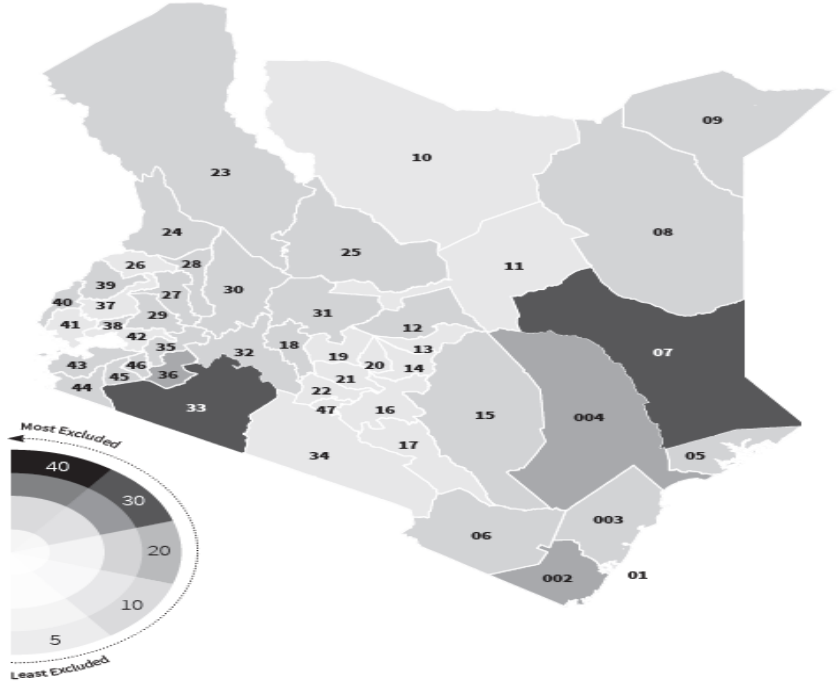
County Comparisons: Formal Inclusion



CODE	COUNTY	%
01	Mombasa	89.8
02	Kwale	72.9
03	Kilifi	74.4
04	Tana River	71.3
05	Lamu	84.2
06	Taita-Taveta	82.0
07	Garissa	60.7
08	Wajir	86.5
09	Mandera	83.8
10	Marsabit	78.4
11	Isiolo	87.8
12	Meru	81.0
13	Tharaka-Nithi	84.5
14	Embu	87.7
15	Kitui	80.4
16	Machakos	89.6
17	Makueni	87.5
18	Nyandarua	81.1
19	Nyeri	93.8
20	Kirinyaga	92.2
21	Murang'a	92.8
22	Kiambu	91.8
23	Turkana	60.3
24	West Pokot	57.7

CODE	COUNTY	%
25	Samburu	68.6
26	Trans Nzoia	89.3
27	Uasin Gishu	87.6
28	Elgeyo-Marakwet	73.8
29	Nandi	79.3
30	Baringo	74.9
31	Laikipia	83.4
32	Nakuru	87.8
33	Narok	64.9
34	Kajiado	88.7
35	Kericho	85.8
36	Bomet	78.6
37	Kakamega	79.5
38	Vihiga	79.0
39	Bungoma	73.9
40	Busia	78.2
41	Siaya	83.8
42	Kisumu	88.2
43	Homabay	81.8
44	Migori	75.5
45	Kisii	81.1
46	Nyamira	76.8
47	Nairobi City	95.0

…**Financial exclusion rate by county** … reflects socio-economic and infrastructural differences?



County Comparisons: Exclusion

CODE	COUNTY	%
01	Mombasa	7.9
02	Kwale	24.1
03	Kilifi	18.2
04	Tana River	26.4
05	Lamu	12.2
06	Taita-Taveta	12.2
07	Garissa	34.3
08	Wajir	11.0
09	Mandera	14.5
10	Marsabit	8.5
11	Isiolo	6.2
12	Meru	12.0
13	Tharaka-Nithi	5.9
14	Embu	5.8
15	Kitui	16.0
16	Machakos	6.2
17	Makueni	8.0
18	Nyandarua	16.1
19	Nyeri	4.4
20	Kirinyaga	4.8
21	Murang'a	5.3
22	Kiambu	5.6
23	Turkana	11.4
24	West Pokot	11.3

CODE	COUNTY	%
25	Samburu	15.5
26	Trans Nzoia	7.0
27	Uasin Gishu	11.0
28	Elgeyo-Marakwet	12.8
29	Nandi	16.4
30	Baringo	10.6
31	Laikipia	14.3
32	Nakuru	10.1
33	Narok	31.2
34	Kajiado	7.5
35	Kericho	12.2
36	Bomet	19.2
37	Kakamega	8.5
38	Vihiga	10.4
39	Bungoma	16.8
40	Busia	14.5
41	Siaya	8.9
42	Kisumu	9.6
43	Homabay	14.5
44	Migori	15.3
45	Kisii	16.1
46	Nyamira	14.3
47	Nairobi City	2.8

Deepening Usage: Providers, Services and Products

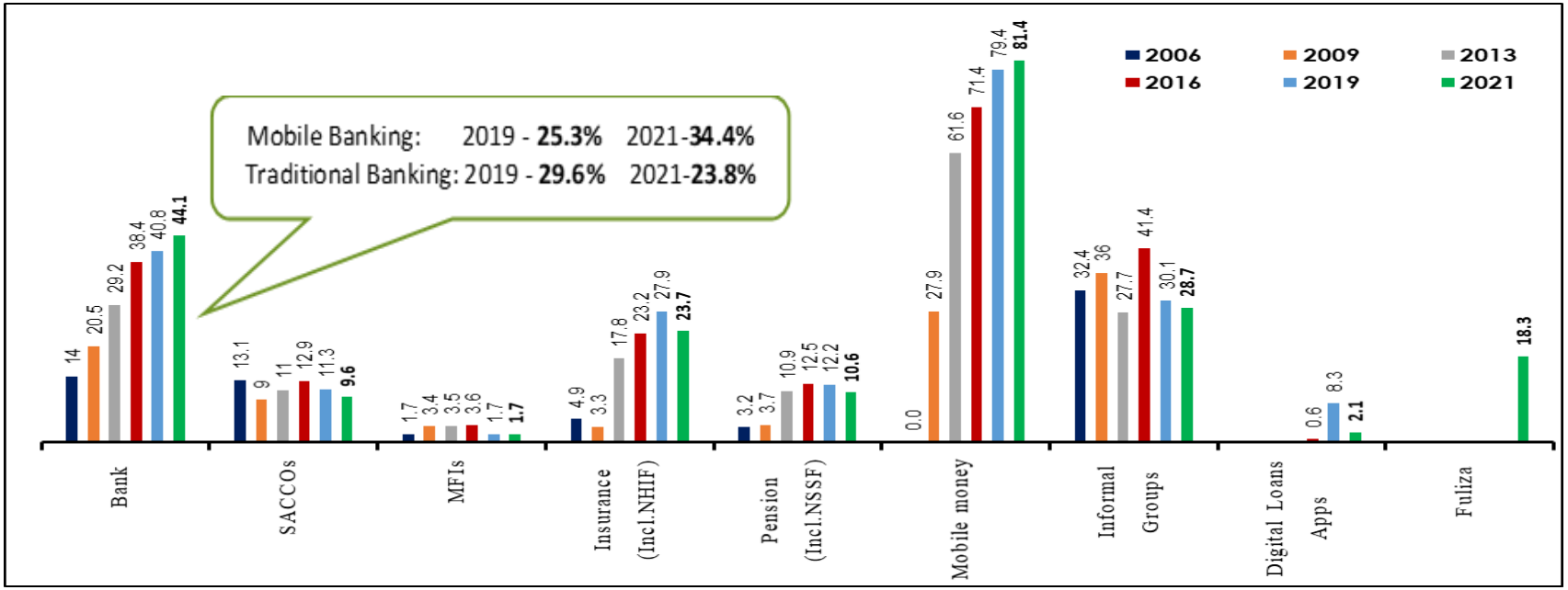
- Our focus in this dimension:
  - ✓ Actual usage of financial services, products and providers
  - ✓ Frequency of actual usage
  - ✓ Duration (time taken) in using the providers/services/ products
  - ✓ Reasons for use or non-use of certain providers, services or products

- Analysis based on key demographics - age, sex, education, residence, wealth quintile and County

- Given multiple consumption by respondents, proportions of usage are not aggregated

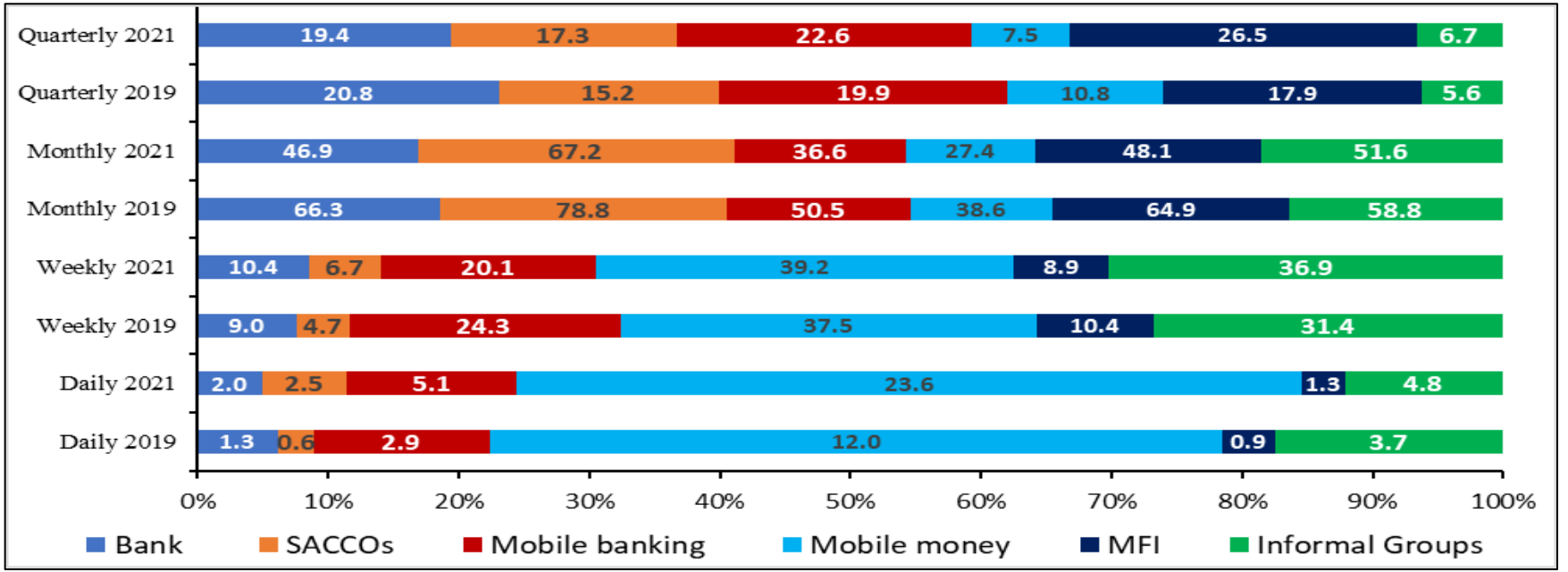
- **Mobile money and mobile** banking usage are driving financial inclusion…

Usage of Financial Services and Products by Providers (Percent)



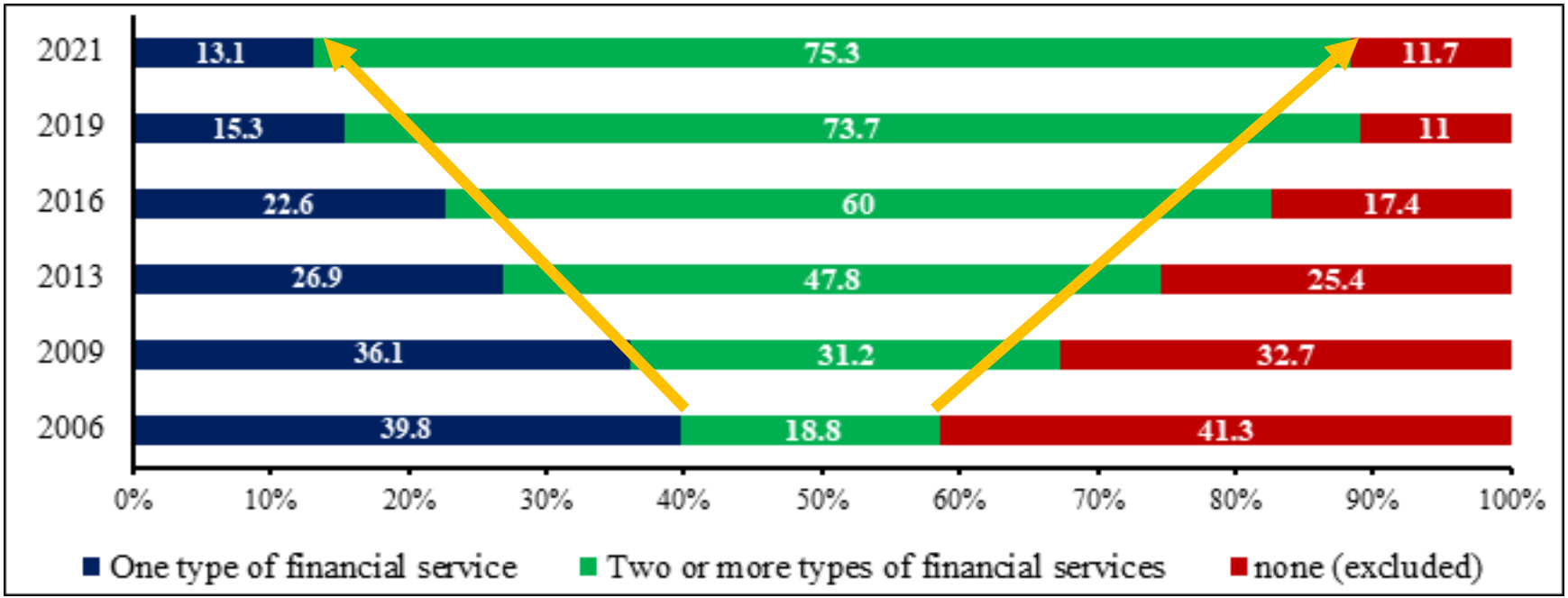
- Increased frequency of **mobile money** and **informal groups** usage - liquidity needs, government policy on COVID-19, and waiver of transaction charges

Usage of Financial Providers by Frequency



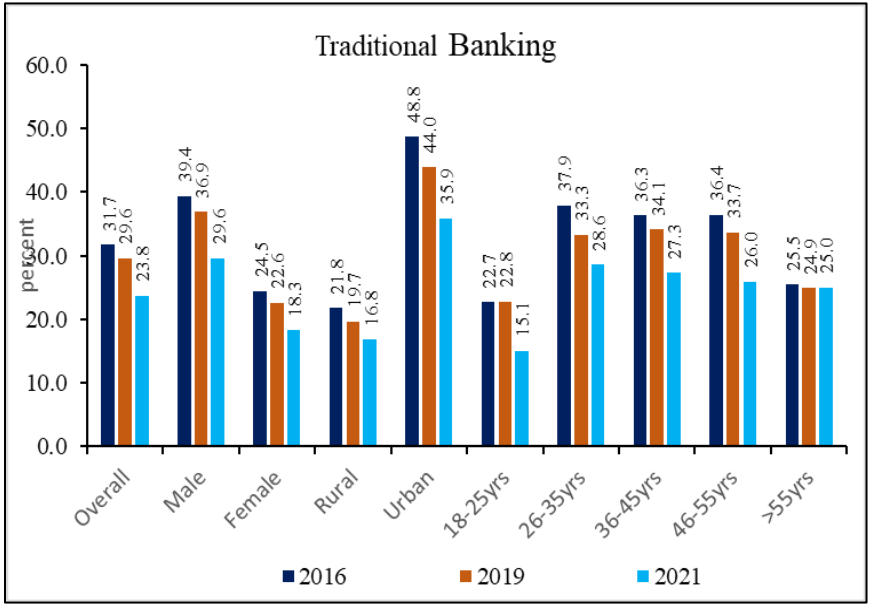
- More is preferred to less…

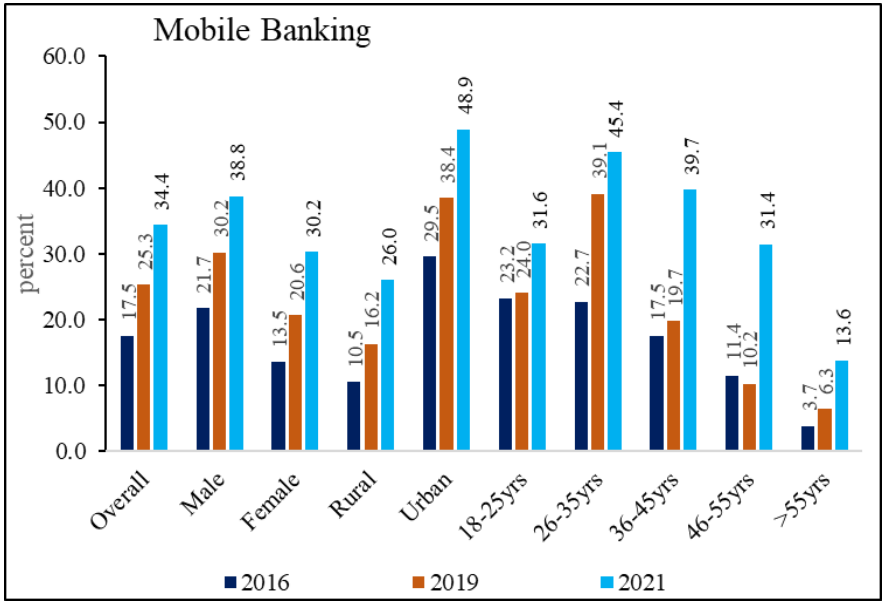
Usage by Combination of Financial services providers



- ***Brick and mortar*** banking shrinking more people embrace mobile banking - female and rural residents adoption rate much faster on better infrastructure, cheaper smart phones, convenience,

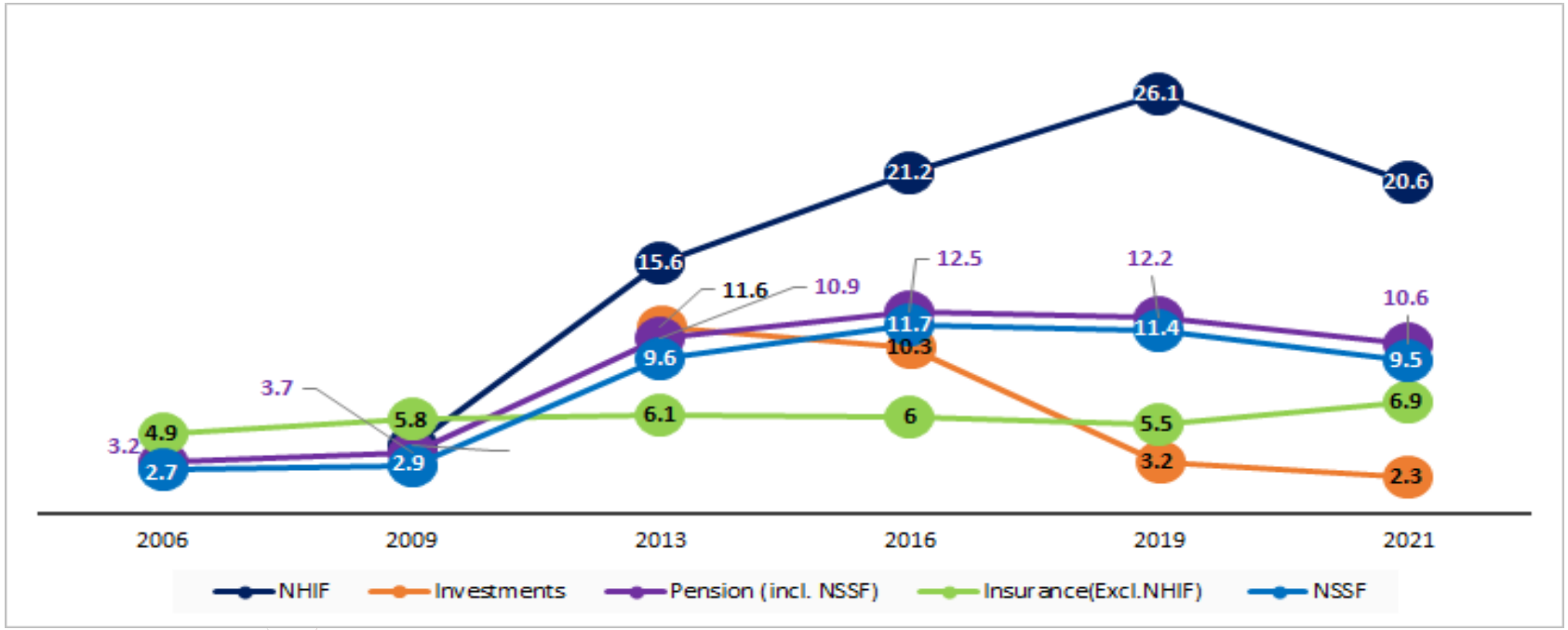
Traditional versus Mobile Banking Usage Overtime by Demographics





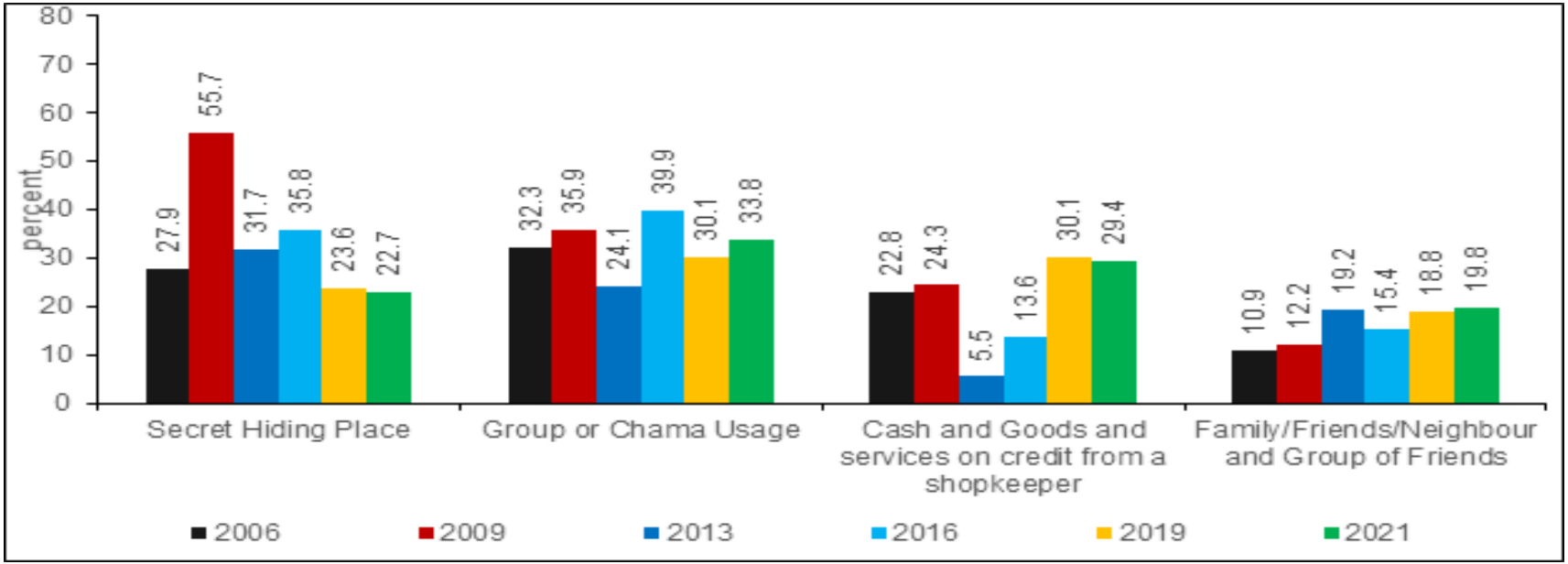
- Non-bank solutions (providers, services and products), largely declined in 2021…

Insurance, Pension and Investments Usage



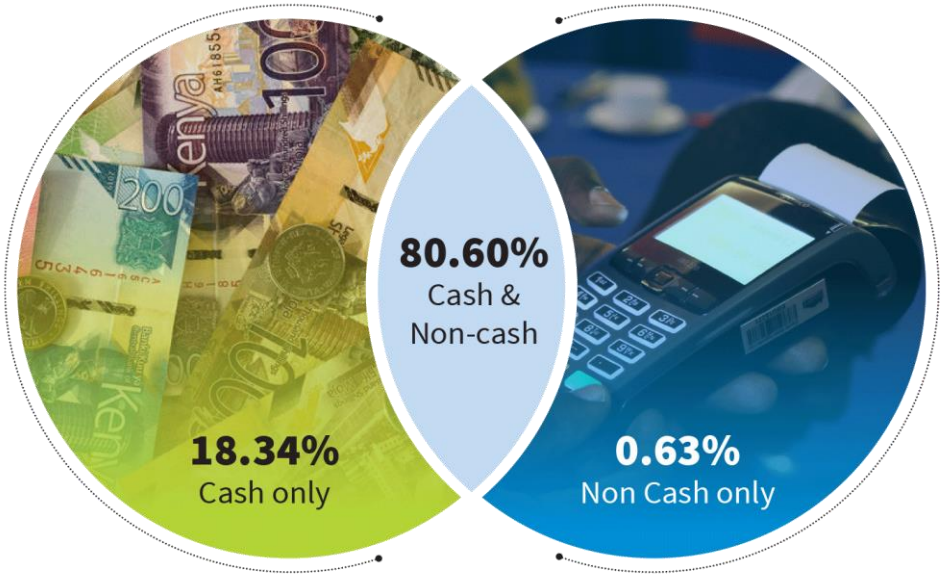
- *Chamas (*Groups) and Family/Neighbours/ friends play key role of social networks at household level

Breakdown in Informal Group over time



- Both *cash* and *non-cash* usage dominate transactions… exclusive usage of non-cash (digital) insignificant

	Cash Only	Cash & Non Cash	Non Cash Only
Overall	**18.34**	**80.60**	**0.63**
Rural	22.16	77.30	0.21
Urban	11.69	86.32	1.36
Male	17.28	81.59	0.86
Female	19.33	79.66	0.41

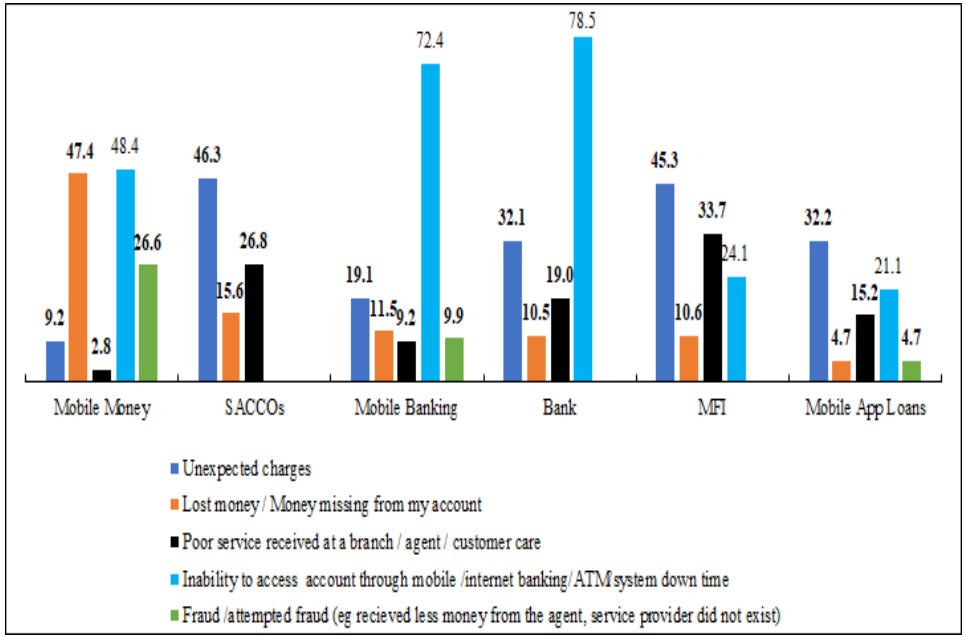


Quality Dimension

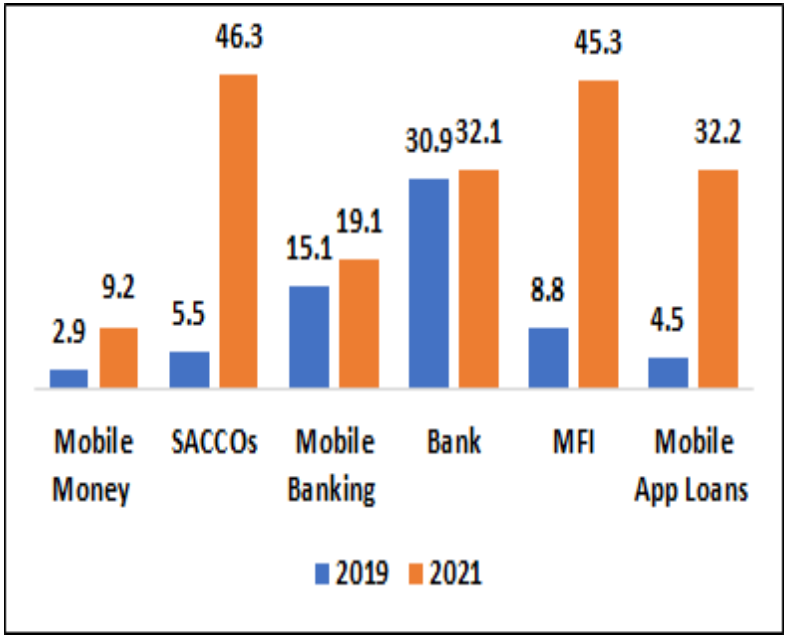
To measure whether the financial products and services match clients' needs, options available, and financial literacy and consumer protection concerns.

- ***Concerns***: Increased Unexpected/unclear charges, frequent system downtime, poor customer service and lost money from account

Challenges faced by respondents (%)

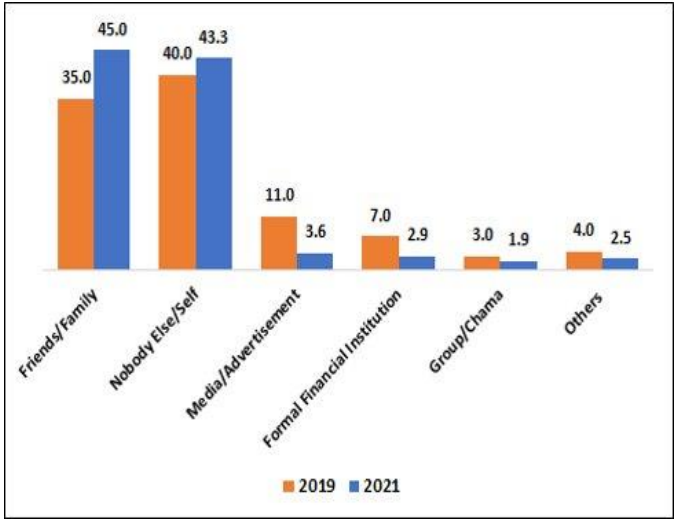


Unexpected or unclear charges by Provider

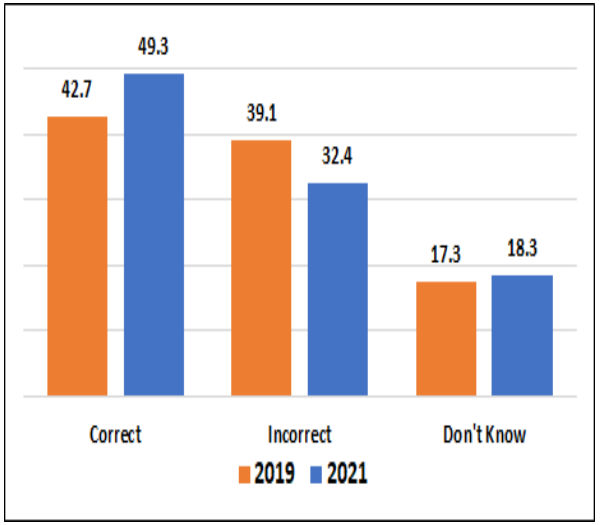


- Most respondents seek financial advice from informal sources – family and friends and personal knowledge/experience
- Calculation of interest amount on loan and identification of transaction cost, correct

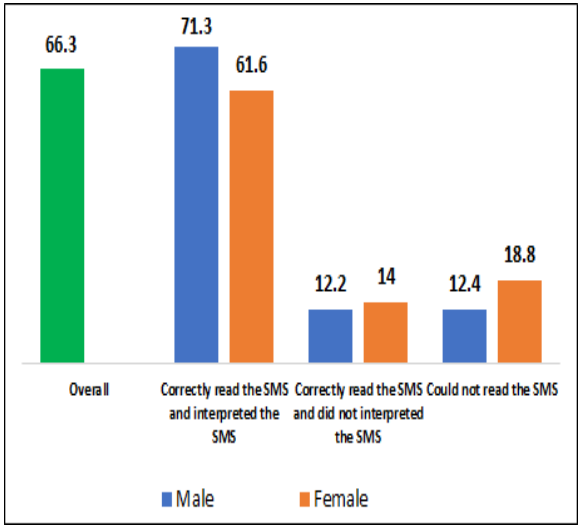
Sources of financial advice (%)



Knowledge of Borrowing Cost

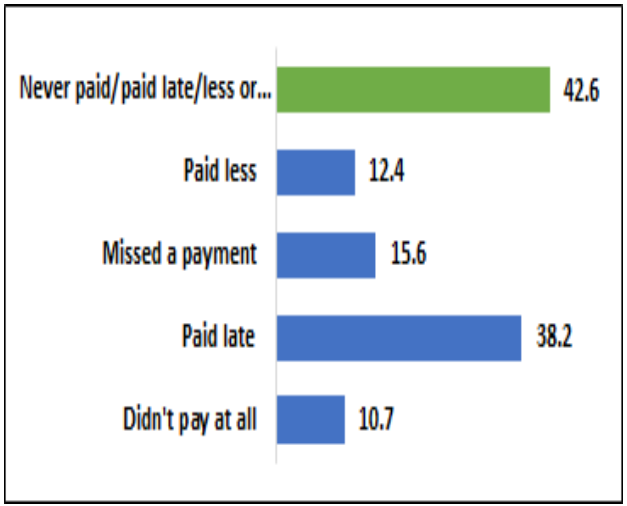


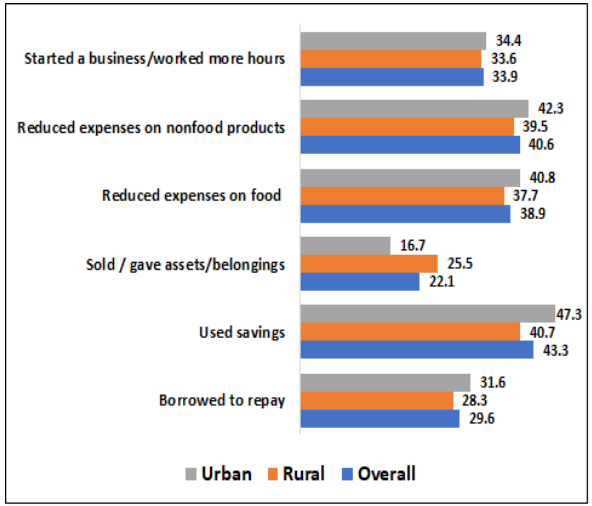
Knowledge on Transaction Fees

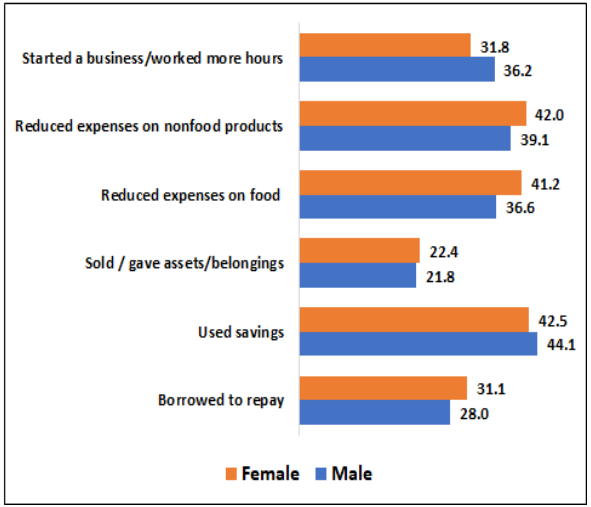


- Household indebtedness and debt distress a key issue in 2021
- Strategies to deal with debt- reduce other expenses, deplete savings, additional work/business and took another loan to repay

Default by Type





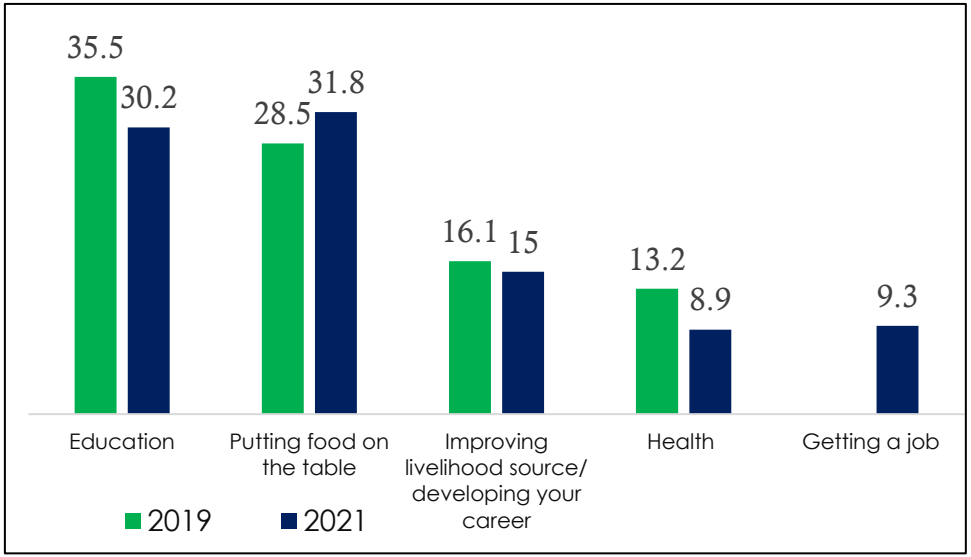


Impact Dimension

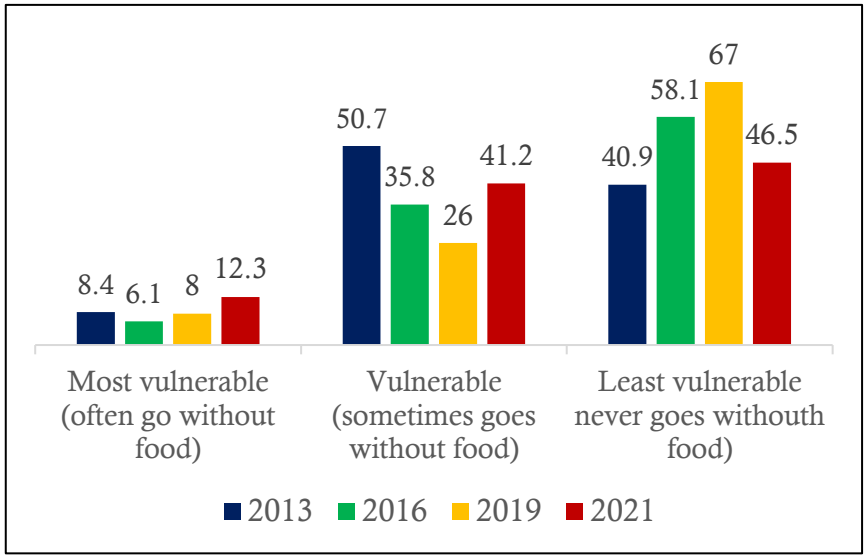
Looks at how consumption of different financial services, products and providers overtime contribute to their general well-being (*to be presented in detail by FSD Kenya*)

- Examines financial health of users in terms of ability to meet day-to-day needs, deal with shocks and invest in future
- Key priority in 2021– access to food, with COVID-19 shock contributing to increased food vulnerability

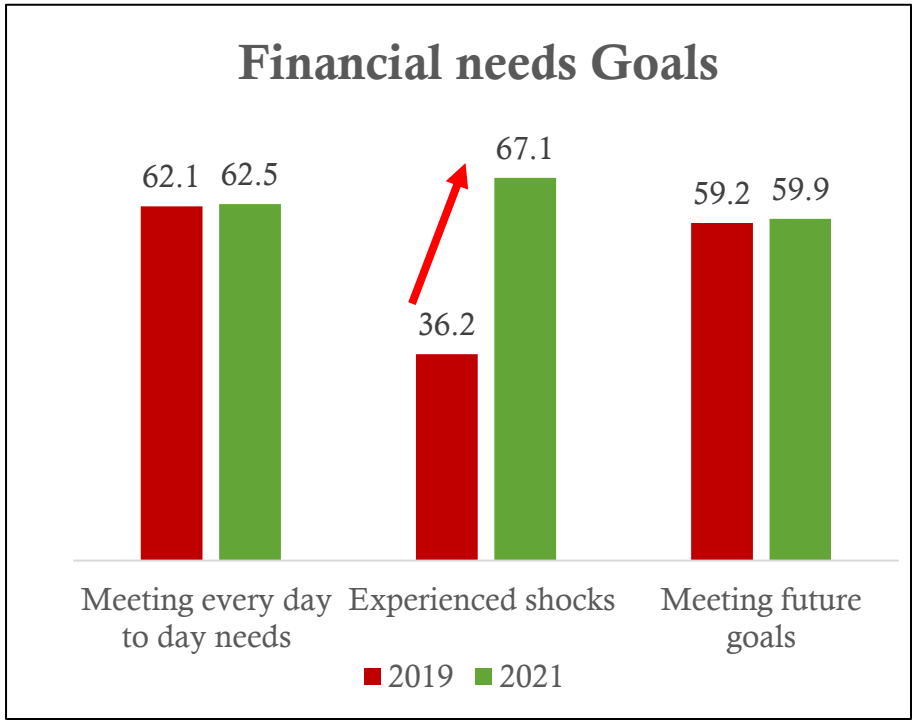
Life Goals

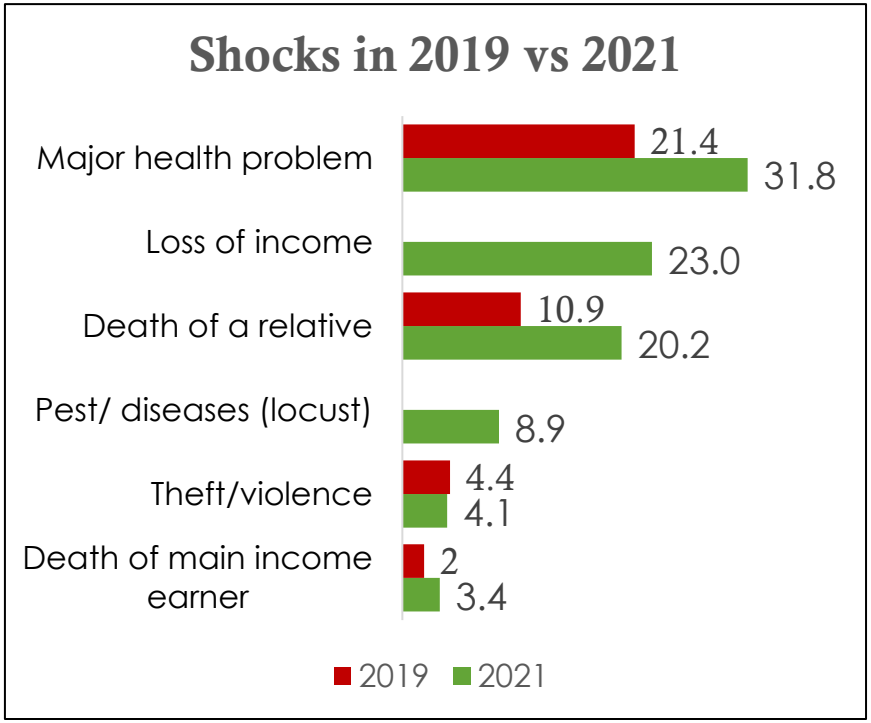


Food Vulnerability

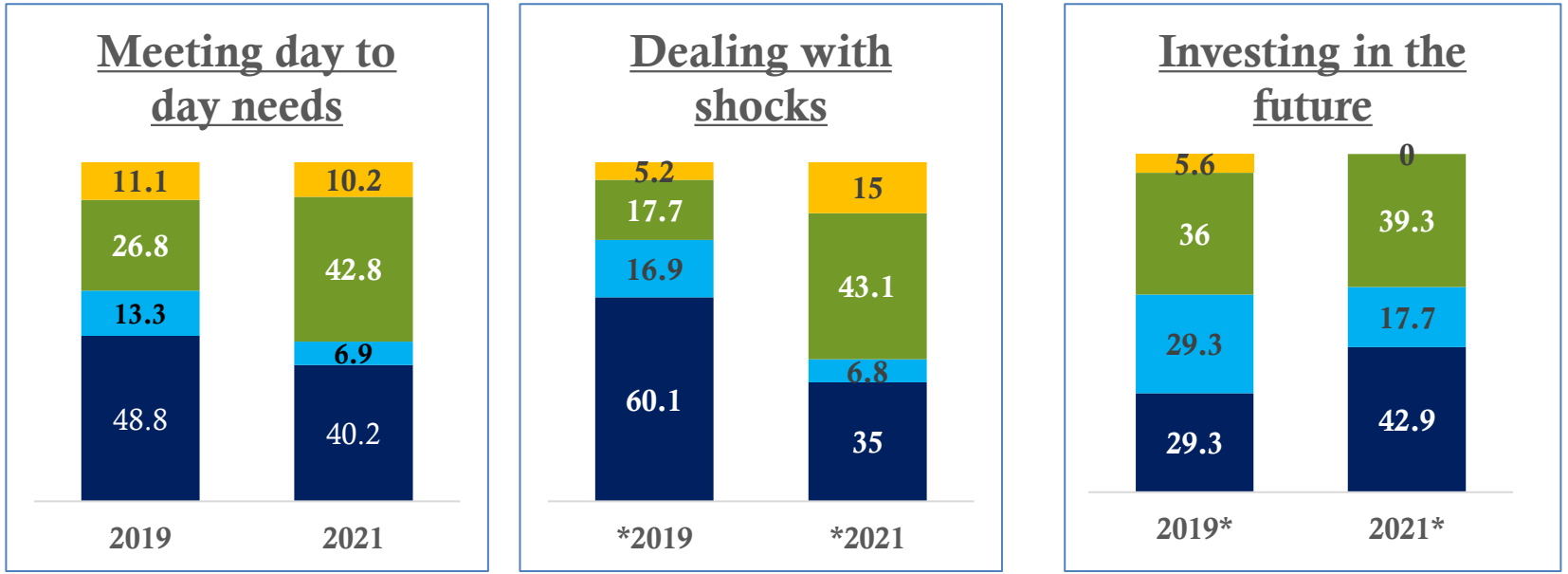


- Respondents reporting a shock increased in 2021 - health shock reflecting COVID-19 pandemic being dominant

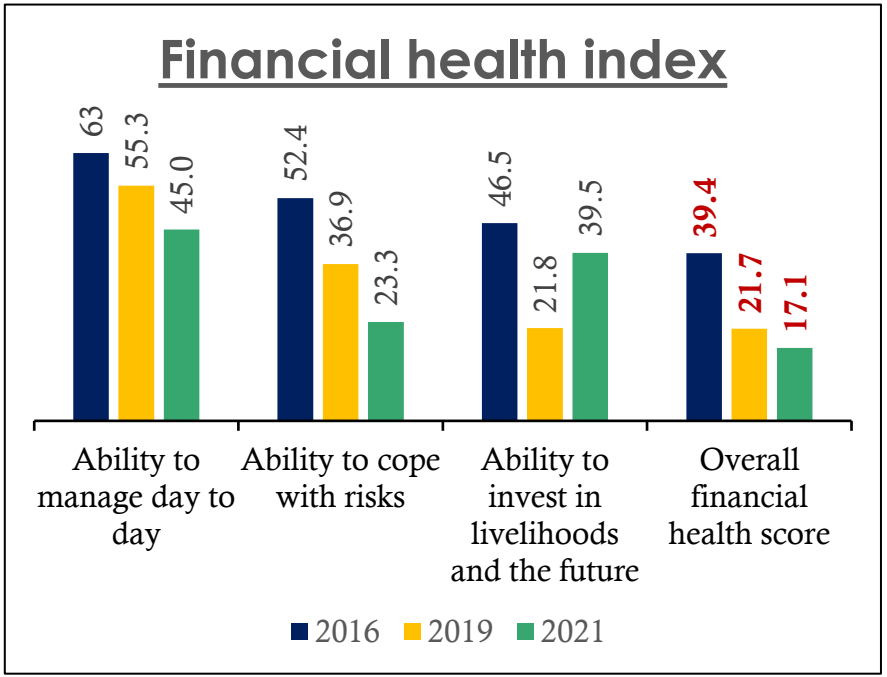


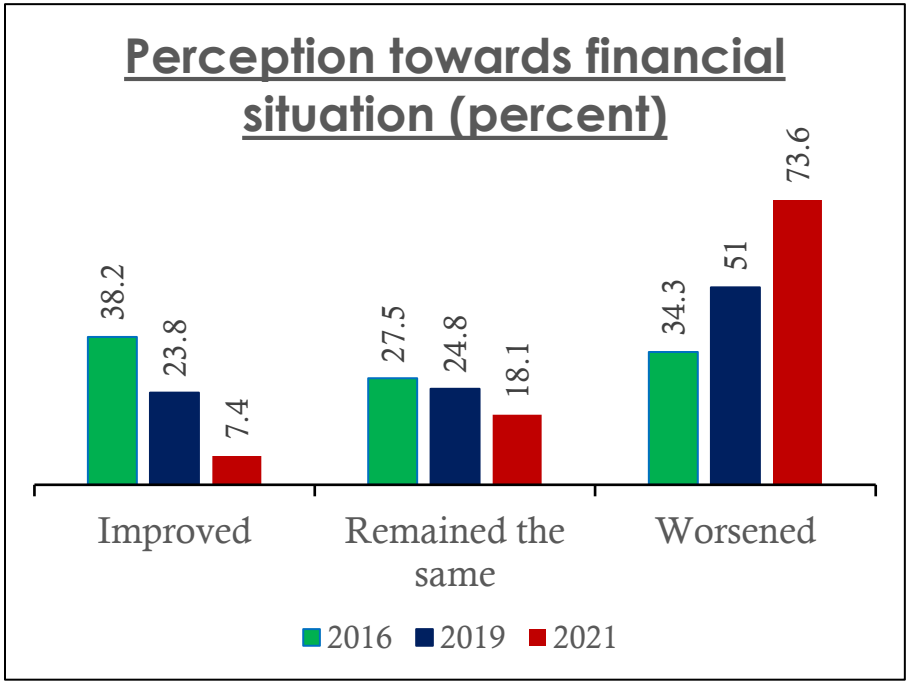


- Formal solutions used in meeting all 3 financial needs declined - informal solutions critical for future investments needs



- Overall, financial health index declined in 2021compared to 2019 - inability to meet day to day needs and coping with shocks.





Conclusions

- FinAccess Household surveys are expensive to conduct and require strong partnerships
- The 2021 FinAccess Survey provide very rich data and indicators for tracking the financial inclusion space.
- Refocusing on *quality* and *impact/welfare* dimensions provide a holistic view to inclusive finance
- In-depth studies using the datasets welcome from all stakeholders

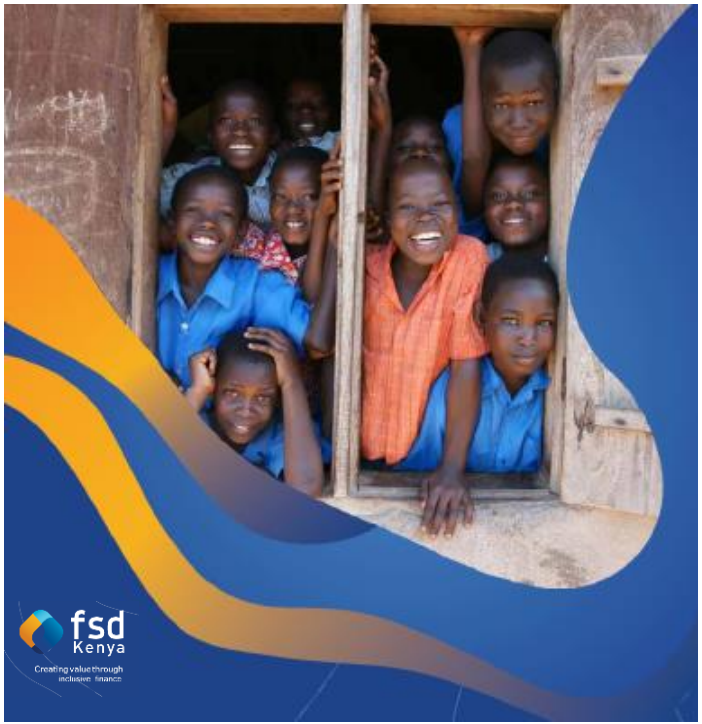
Raise Hand to ask a question.

COMFORT BREAK
5 MINUTES

Session 2 - Deep dive into FinAccess Survey 2021 findings on COVID-19 impact

Dr. Amrik Heyer
Director of Research Financial Inclusion and Market Development

Financial Sector Deepening Kenya



FinAccess 2021: COVID-19 impacts on financial health and resilience

How can finance help to support economic recovery for lower income households?

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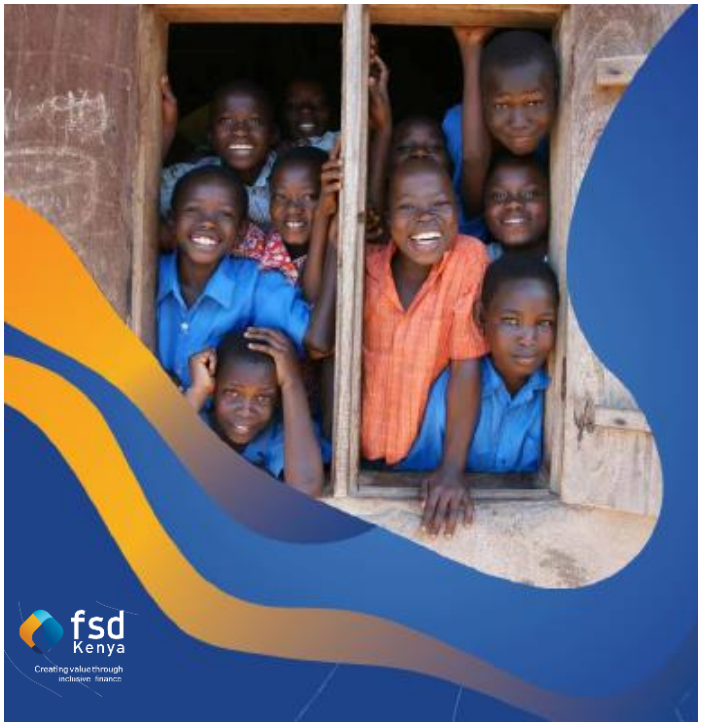
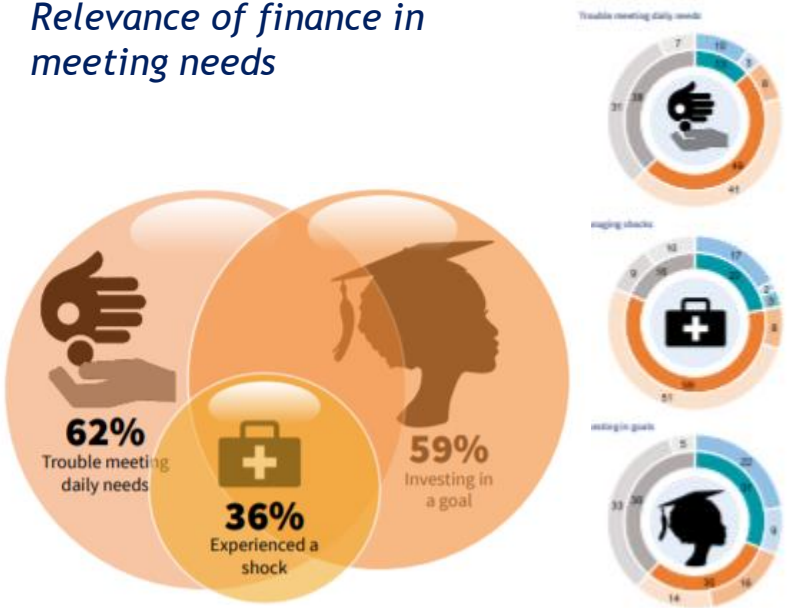


Contents

- Impacts of COVID-19 on household resilience
- Focus on digital finance
- Window on MSEs: opportunities for digital finance to improve resilience and growth
- Discussion

Beyond the access strand: Innovation in developing new frameworks to measure the relevance and impact of financial inclusion

Financial Needs:
Relevance of finance in meeting needs



Financial Heath:
Impact of finance in supporting financial health

The financial health index

Ability to manage day to day:

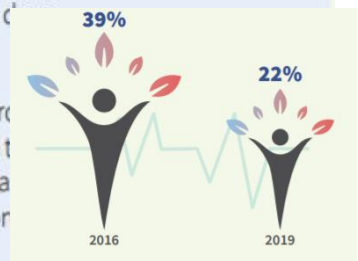
- never went without food during the last year
- doesn't have trouble making ends meet between income cycles
- has a plan/budget for allocating income and expenses

Ability to cope with risk:

- never went without medicine in the last year
- regularly kept money aside for emergencies
- can get hold of a lump sum within 3 c

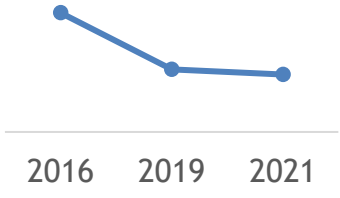
Ability to invest in the future:

- using savings or credit to invest in pr
- education or old age; is using/plans t
- pension or investment income to ma
- has been regularly putting aside mor

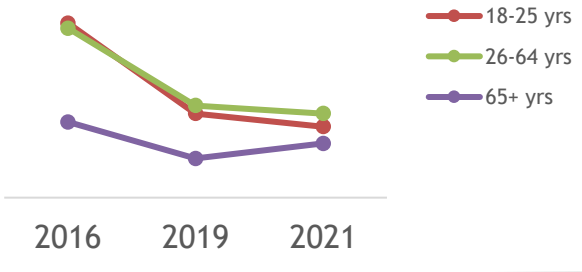


The financial health of Kenya's adult population has been falling since mid-2015 when it was first measured

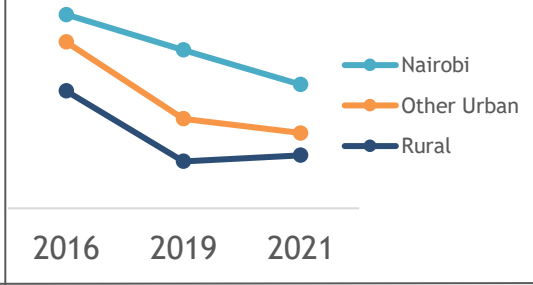
All adults



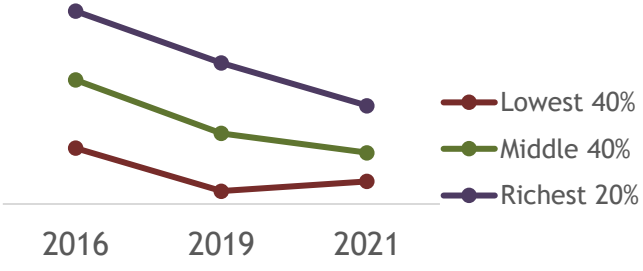
Age



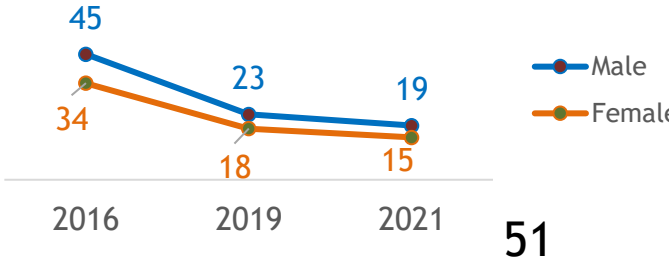
Location



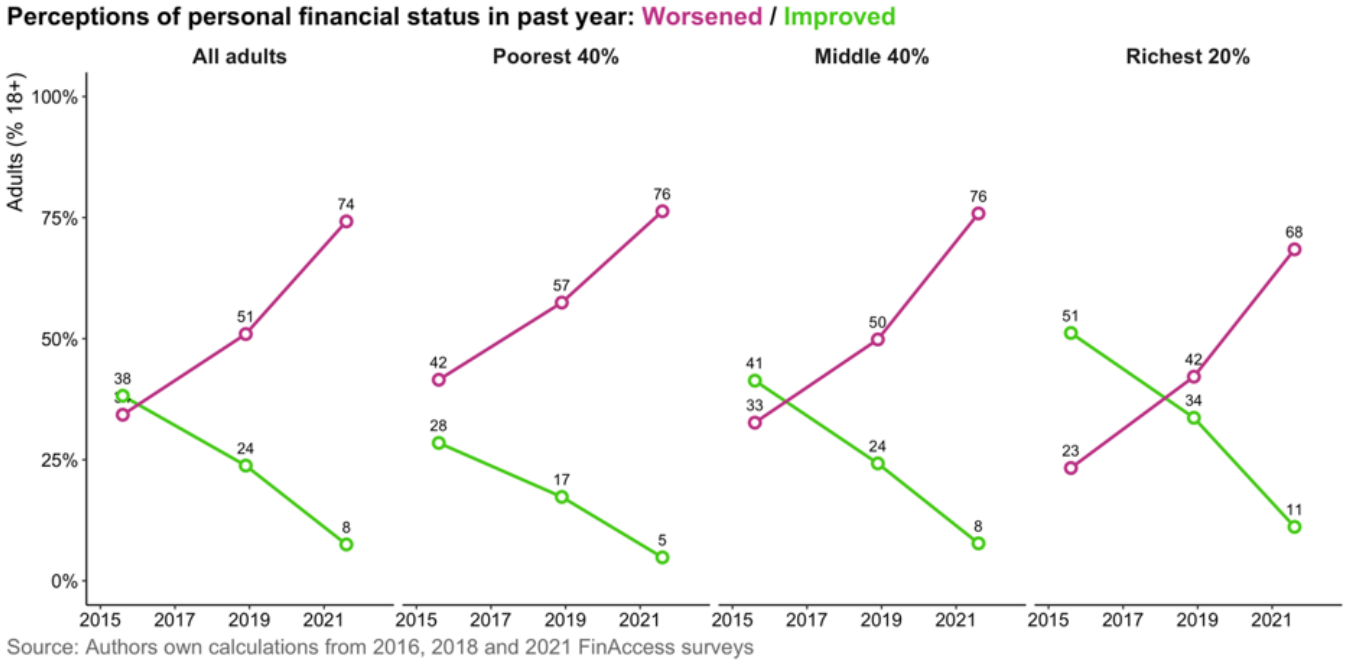
Wealth



Gender

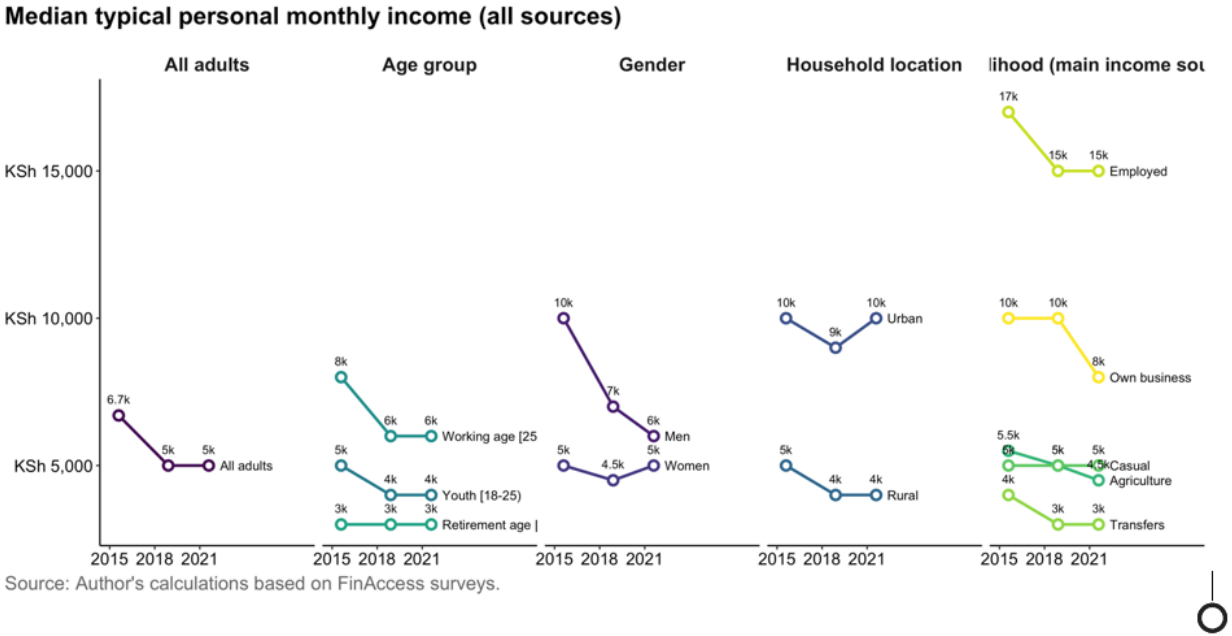


A dominant majority of adult Kenyans say that their personal financial situation worsened year on year since 2015



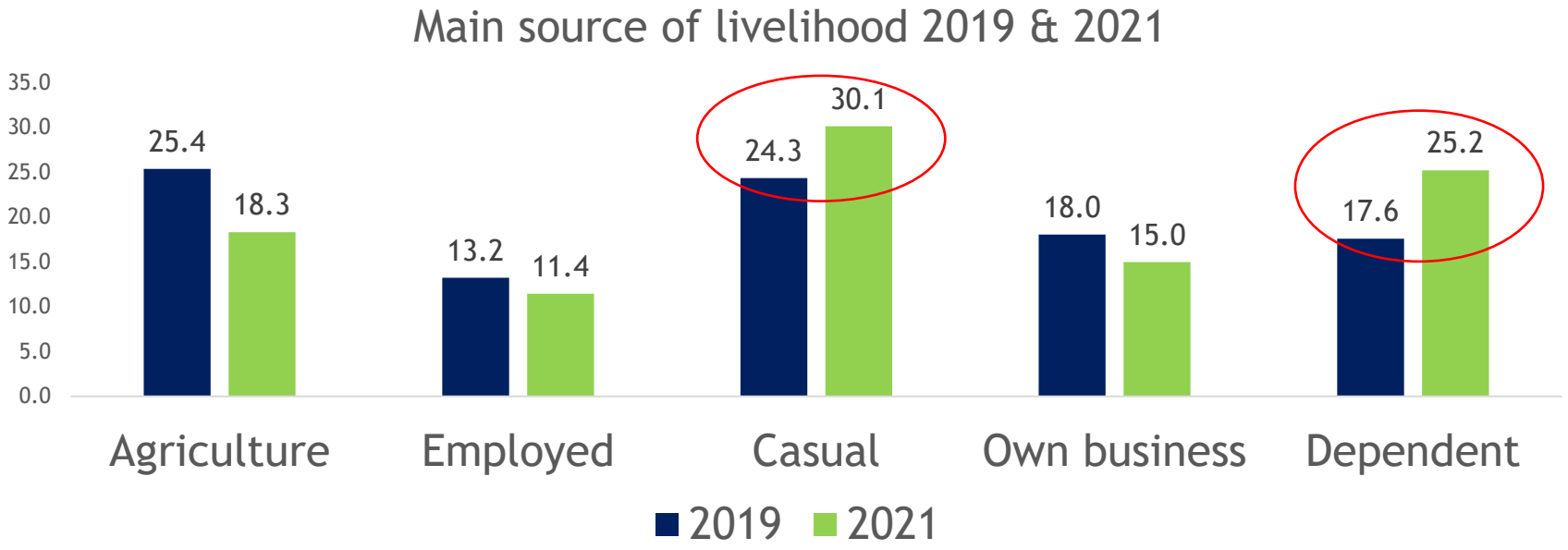
Source: Authors own calculations from 2016, 2018 and 2021 FinAccess surveys

Median income continues to fall across most demographics

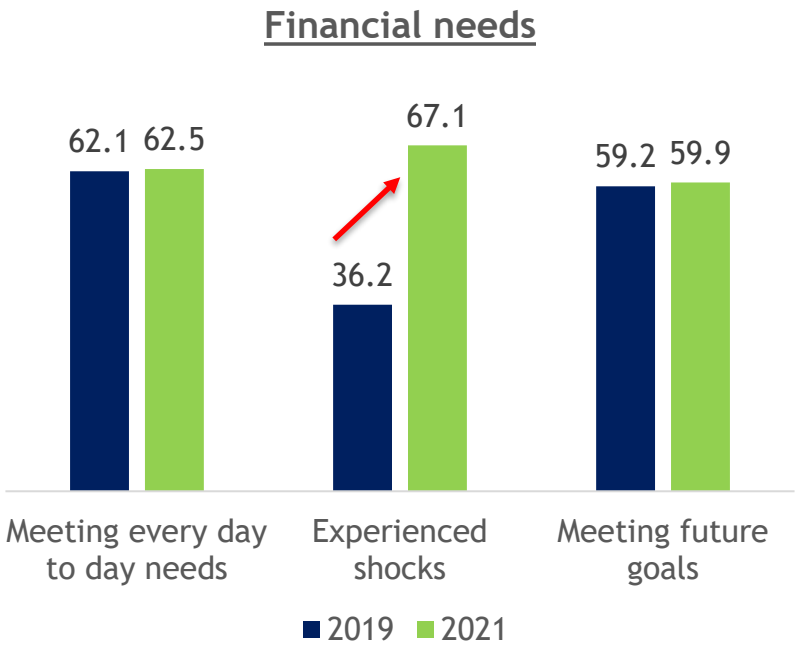


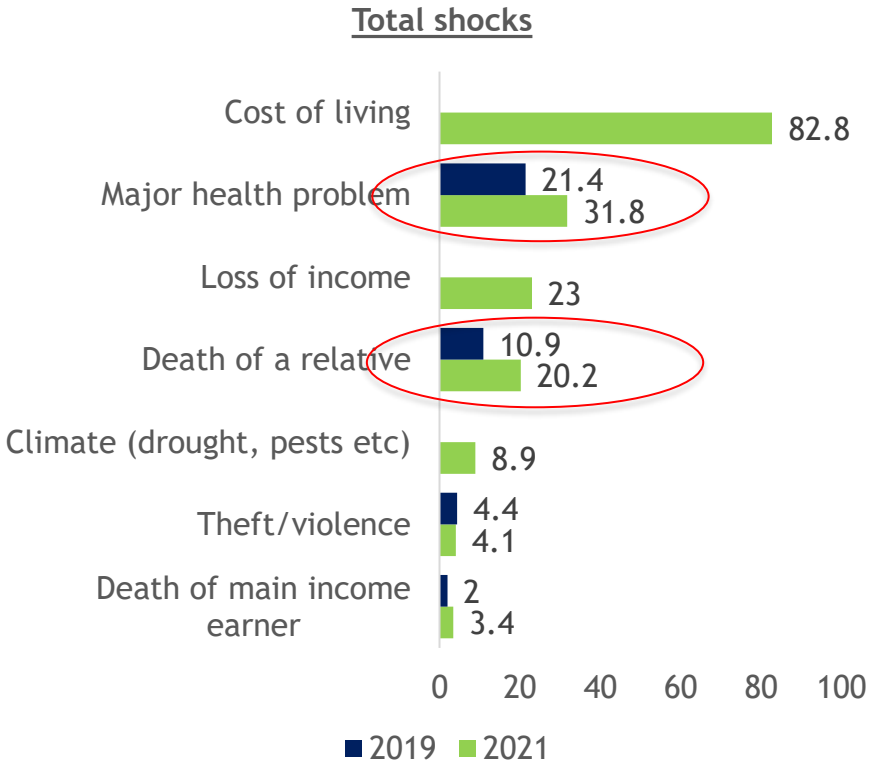
Source: Author's calculations based on FinAccess surveys.

In the COVID-19 era (2019-2021) livelihood opportunities shrank resulting in increased dependence on others and on insecure casual jobs



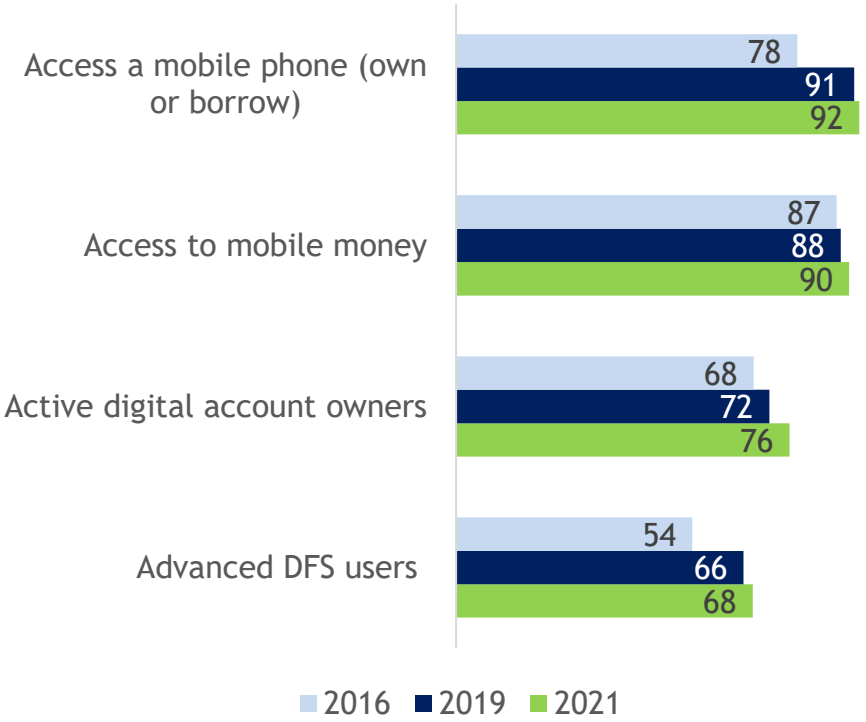
Financial shocks increased during COVID-19: especially the rising cost of living, and a large increase in health shocks and death of family members



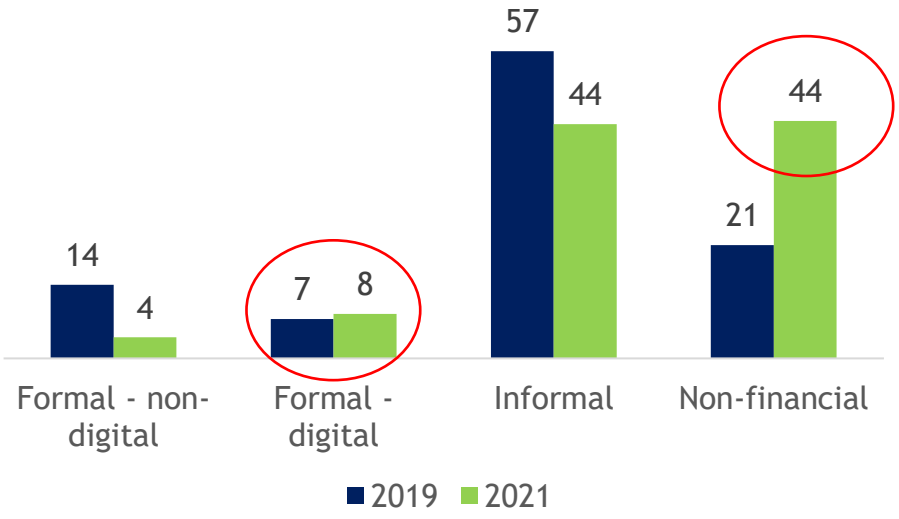


Despite growing levels of access, there was minimal use of digital finance in dealing with shocks; instead people relied on non-financial routes such as seeking more work, selling assets and cutting back on expenses

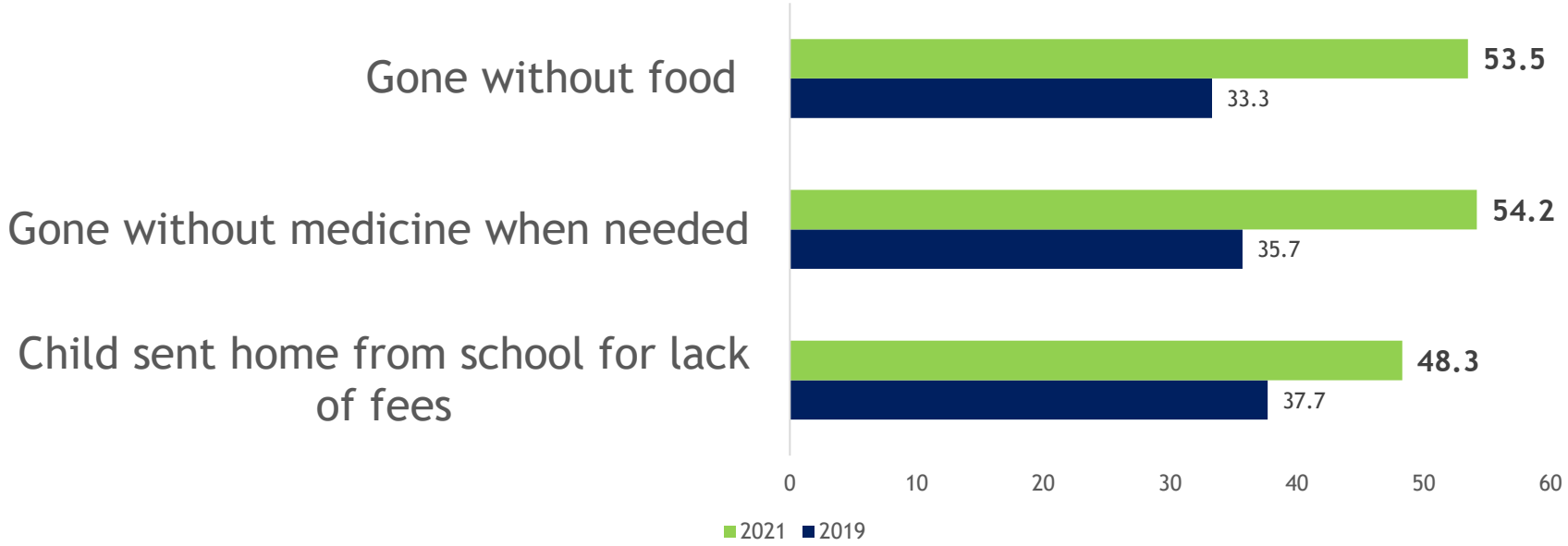
Use of digital finance



Use of finance to deal with shocks



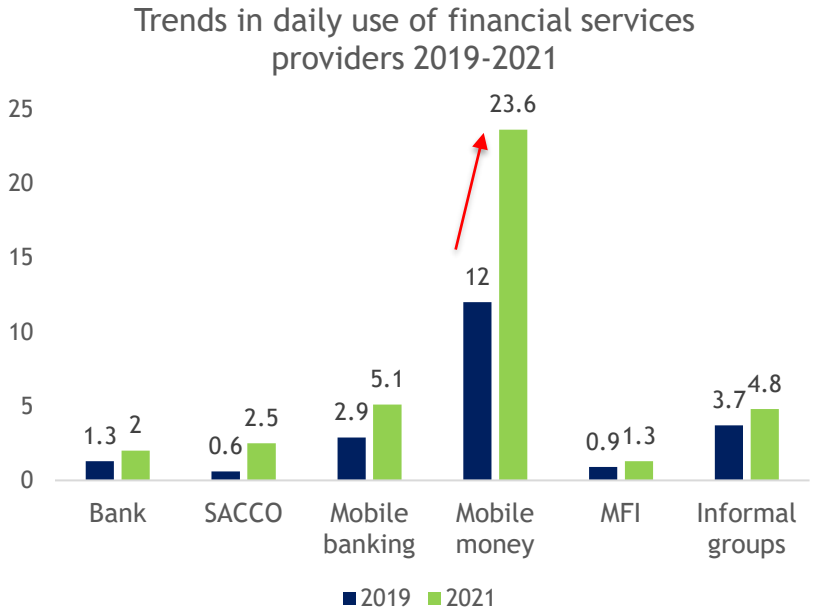
The combination of COVID-19 and a longer-term decline in household economies has taken its toll on household wellbeing

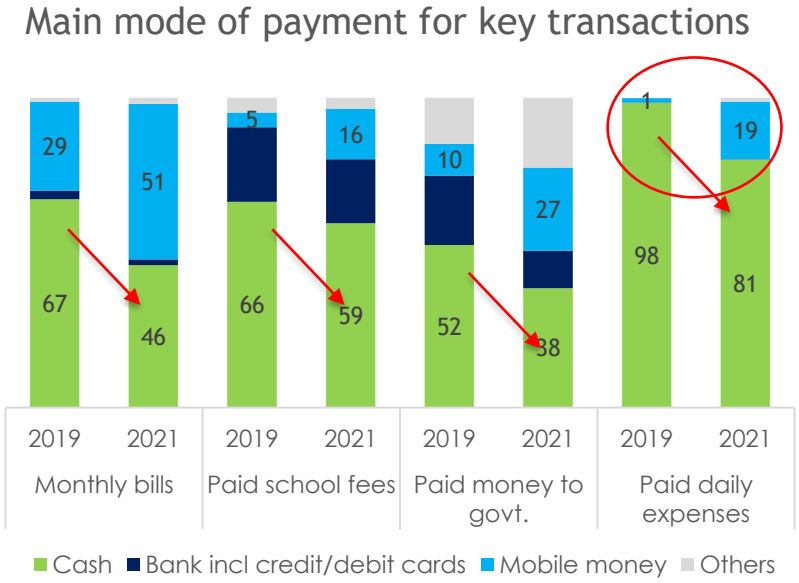


How can finance help to lift financial health and improve livelihoods and productivity?

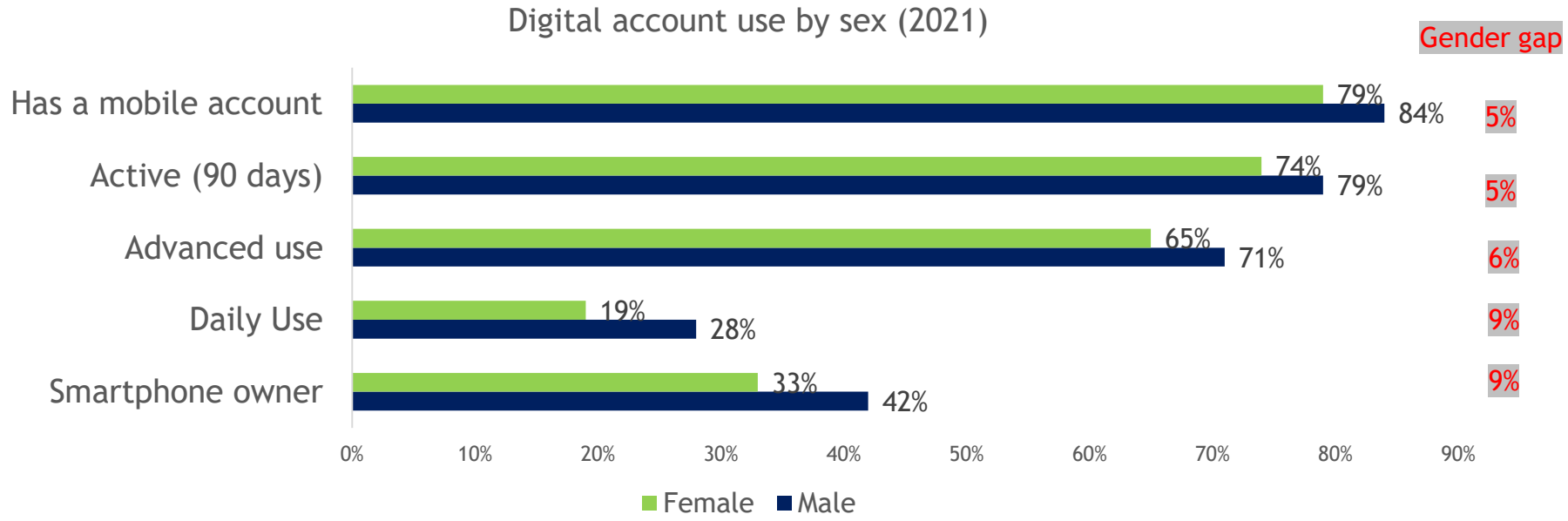
The promise of digital finance?

Despite lack of growth in uptake of formal accounts, the daily relevance of formal finance has increased, driven by digital technology

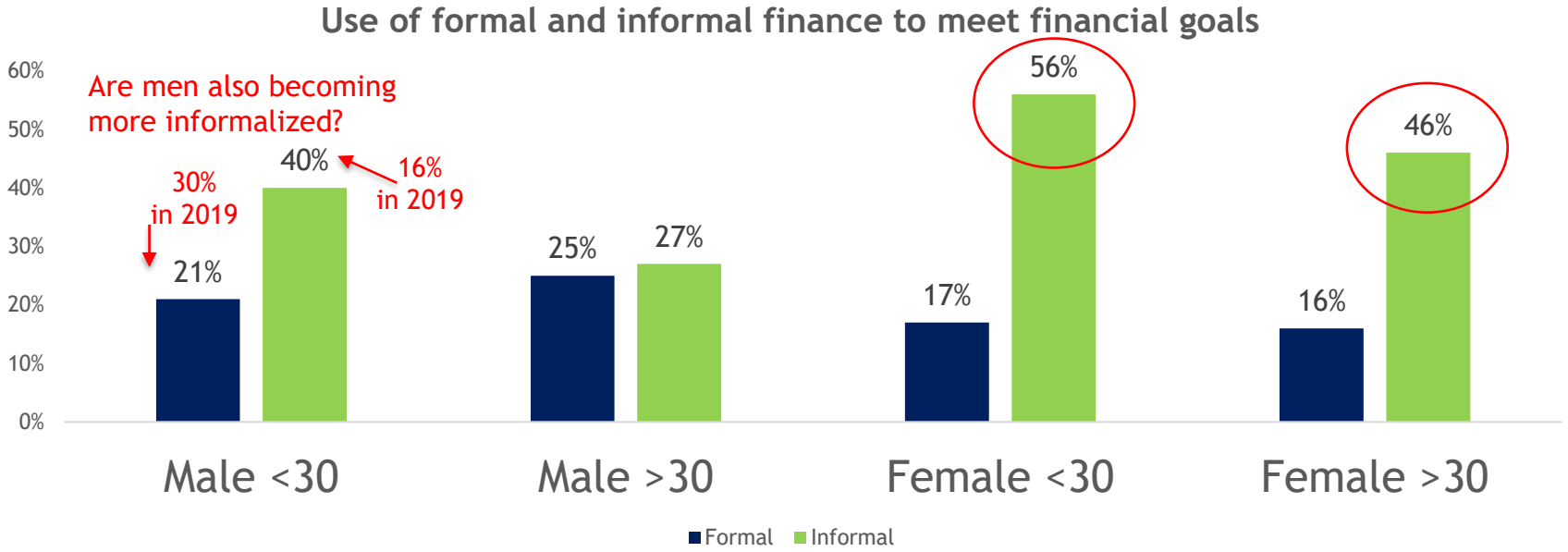




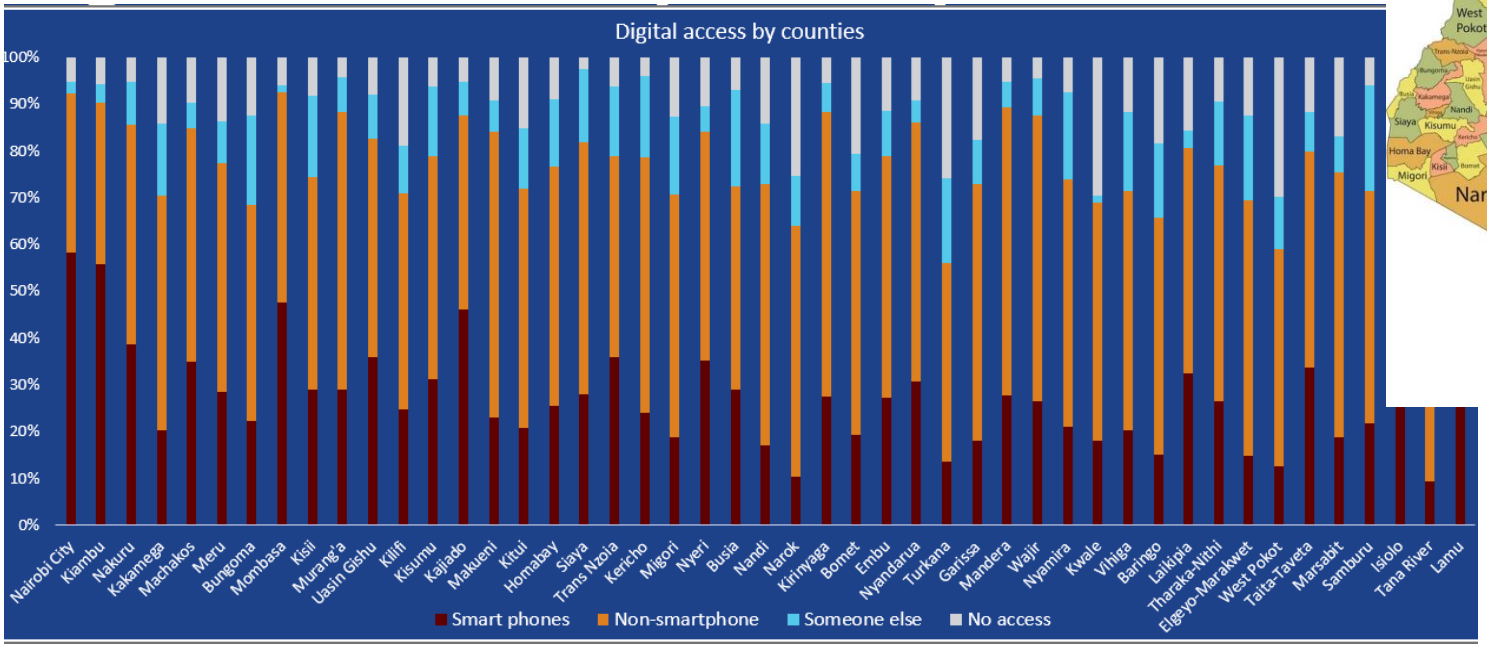
Digital finance has helped to bridge the gender divide in Kenya; although a gap still remains, especially in access to smartphones and in daily use of digital transactions……..



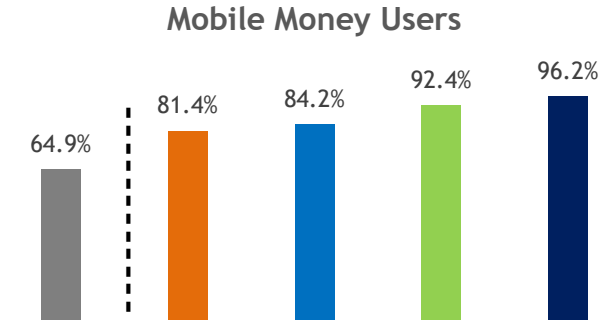
…but this is in a context where women- and increasingly men- still rely mainly on informal finance to meet their needs and aspirations

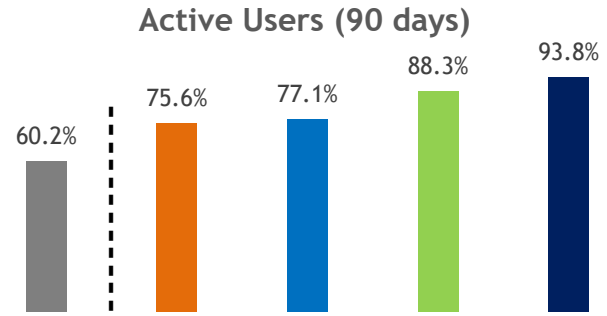


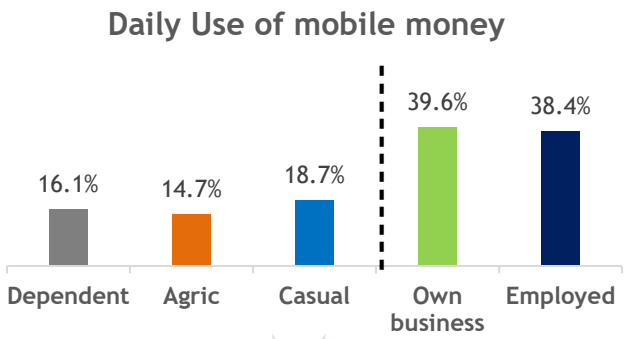
But access to digital infrastructure (phones) is uneven, with implications for local economic development and inclusive growth

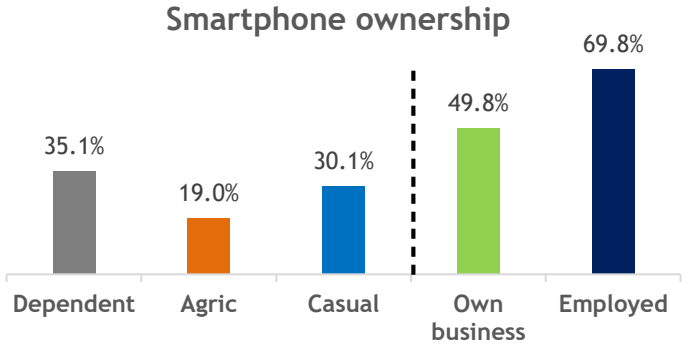


As the economy becomes more digitized, it becomes increasingly important to bridge the digital divide to boost livelihoods and income.









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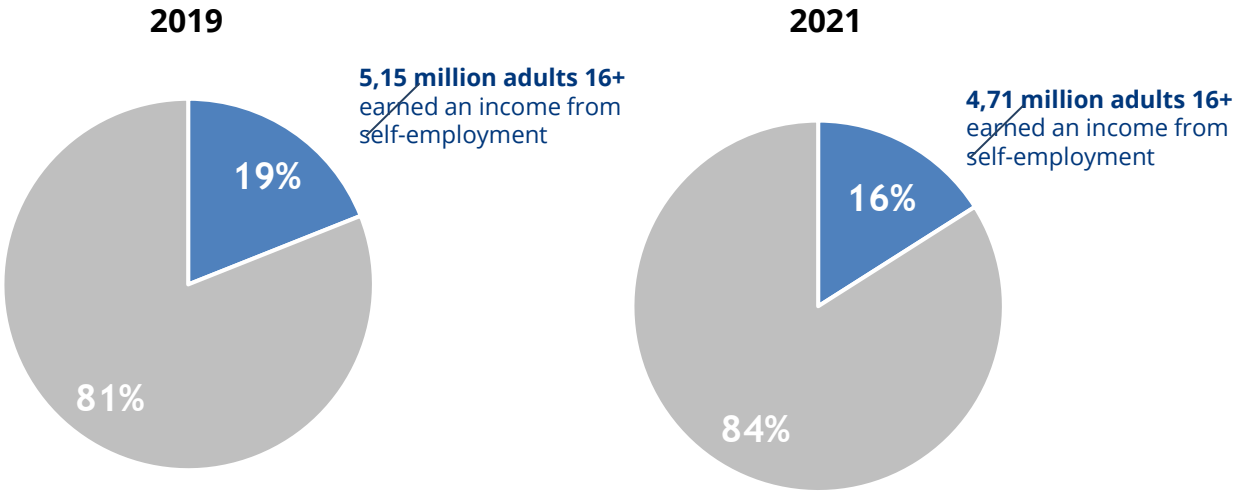
A window on MSEs.... What are the opportunities for digital finance to support growth?

Who are MSEs; and what has happened to this population under COVID-19?

% of population earning income from business has reduced since 2019



- ***99% micro or small;*** *(below 10 employees)*
- ***57% women,*** *(up from 52% in 2019);* *mostly aged 26-35yrs*
- ***61% wholesale/retail;*** *mostly selling agricultural produce*

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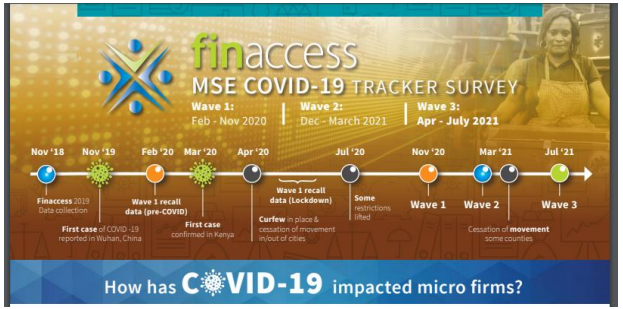
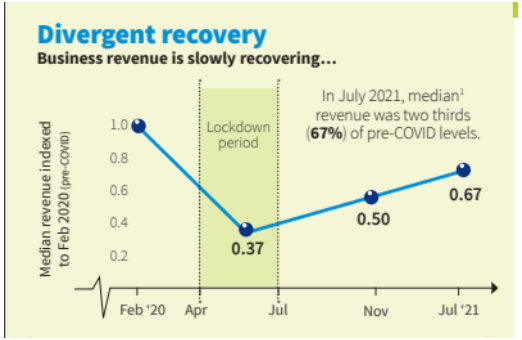
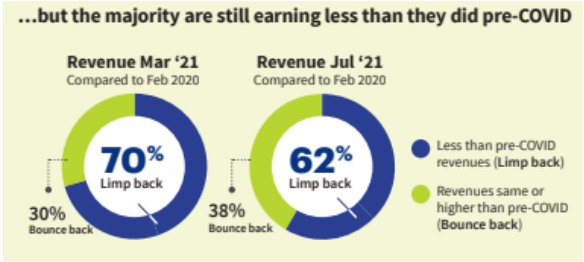
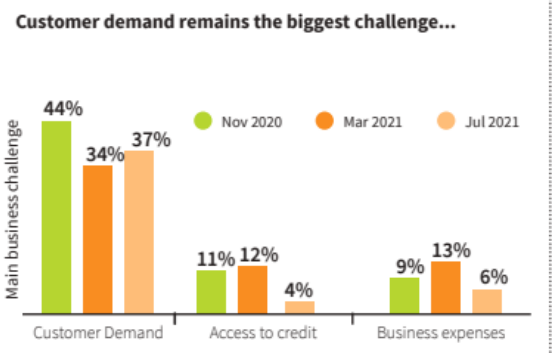
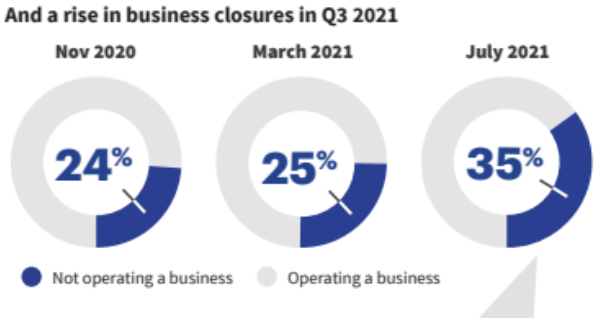
In 2020, the CBK, KNBS and FSD Kenya developed a tracker survey to track impacts of COVID-19 on MSEs

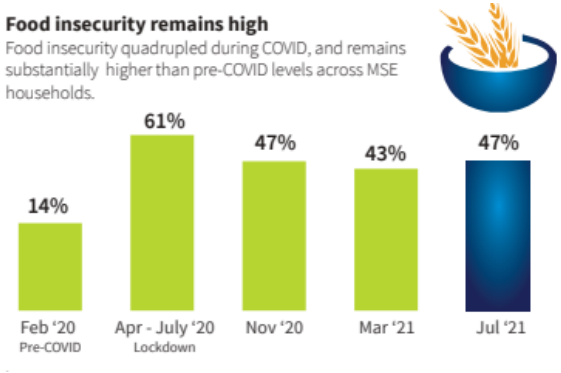










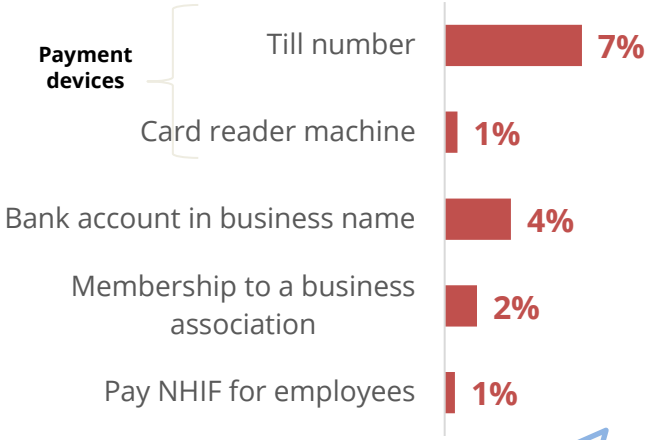


Business formalization remains low, and has declined since 2019, mainly due to COVID-19

BUSINESS FORMALISATION

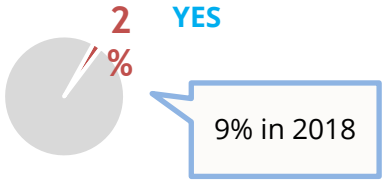
(4,71 million business owners)

BUSINESS SERVICES USED

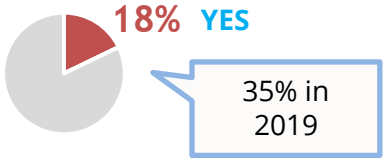


There has been little change in the usage of various business services, such as payment devices, since 2019

BUSINESS IS REGISTERED

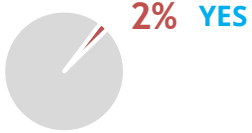


BUSINESS HAS A PERMIT



BUSINESS KEEPS ANY RECORDS

BUSINESS KEEPS DIGITAL RECORDS



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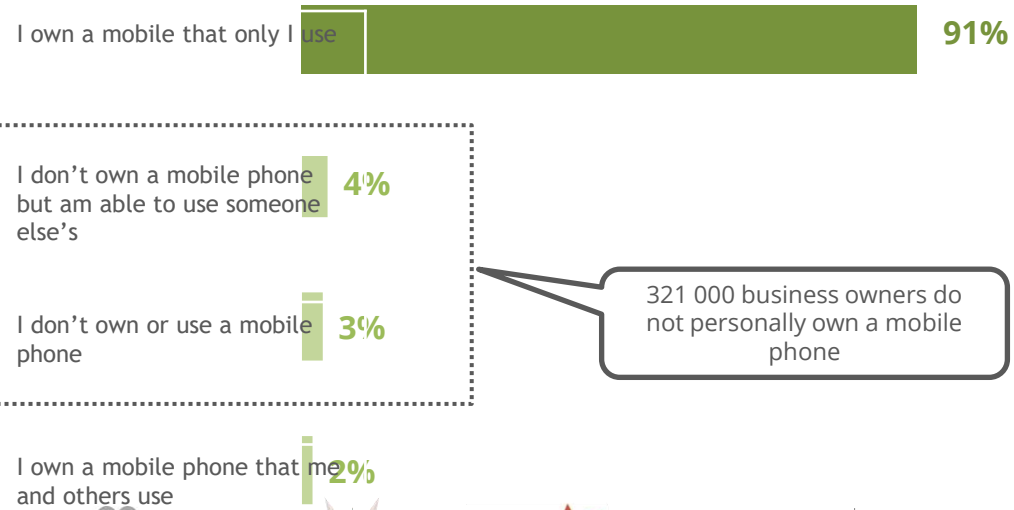
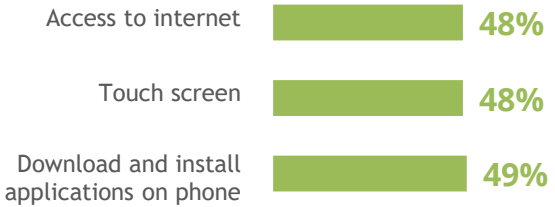
But…. business owners are highly digitized: 93% own a mobile phone nearly half of which are smartphones

ACCESS TO TECHNOLOGY (n=1 million business owners)

MOBILE PHONE ACCESS



MOBILE PHONE CAPABILITIES



INTERNET USAGE

45% **of business owners access the internet at least monthly, up from 39% in 2019***

43% **of business owners report using the internet for business activities (e.g. online marketing, sourcing inputs)**

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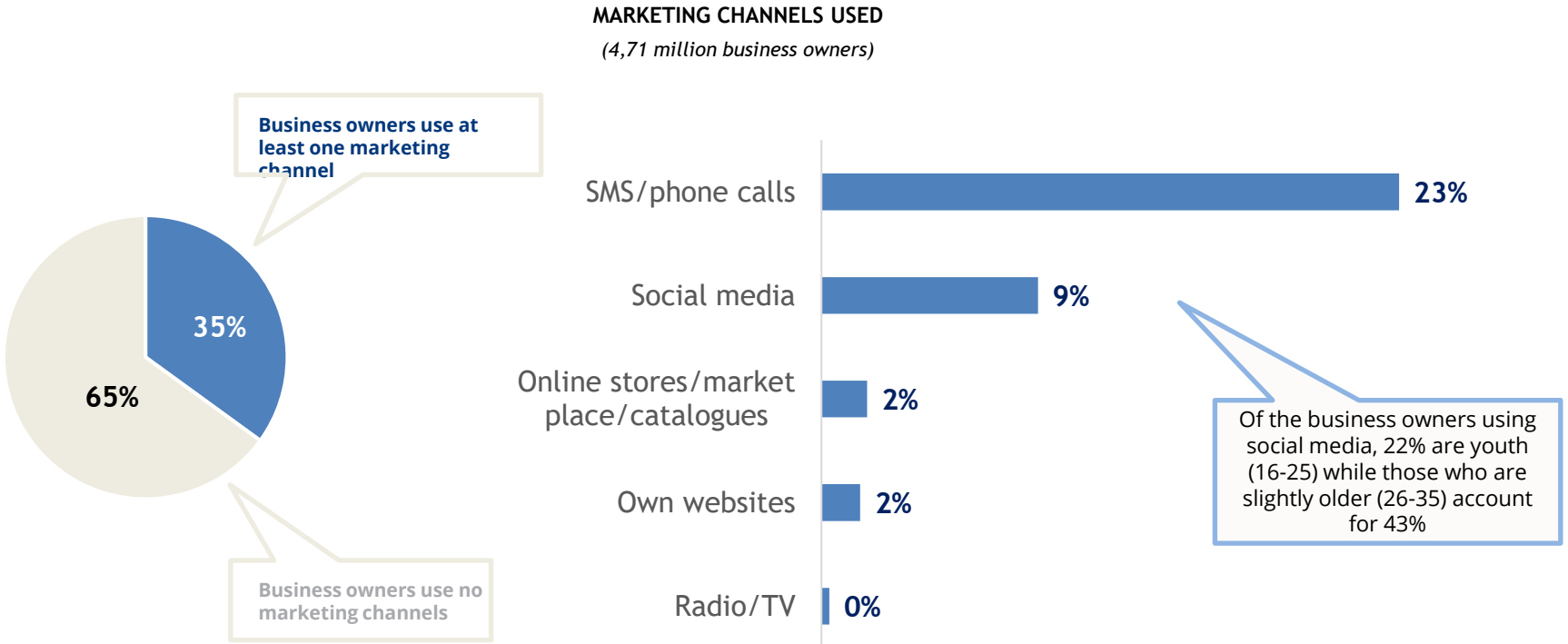
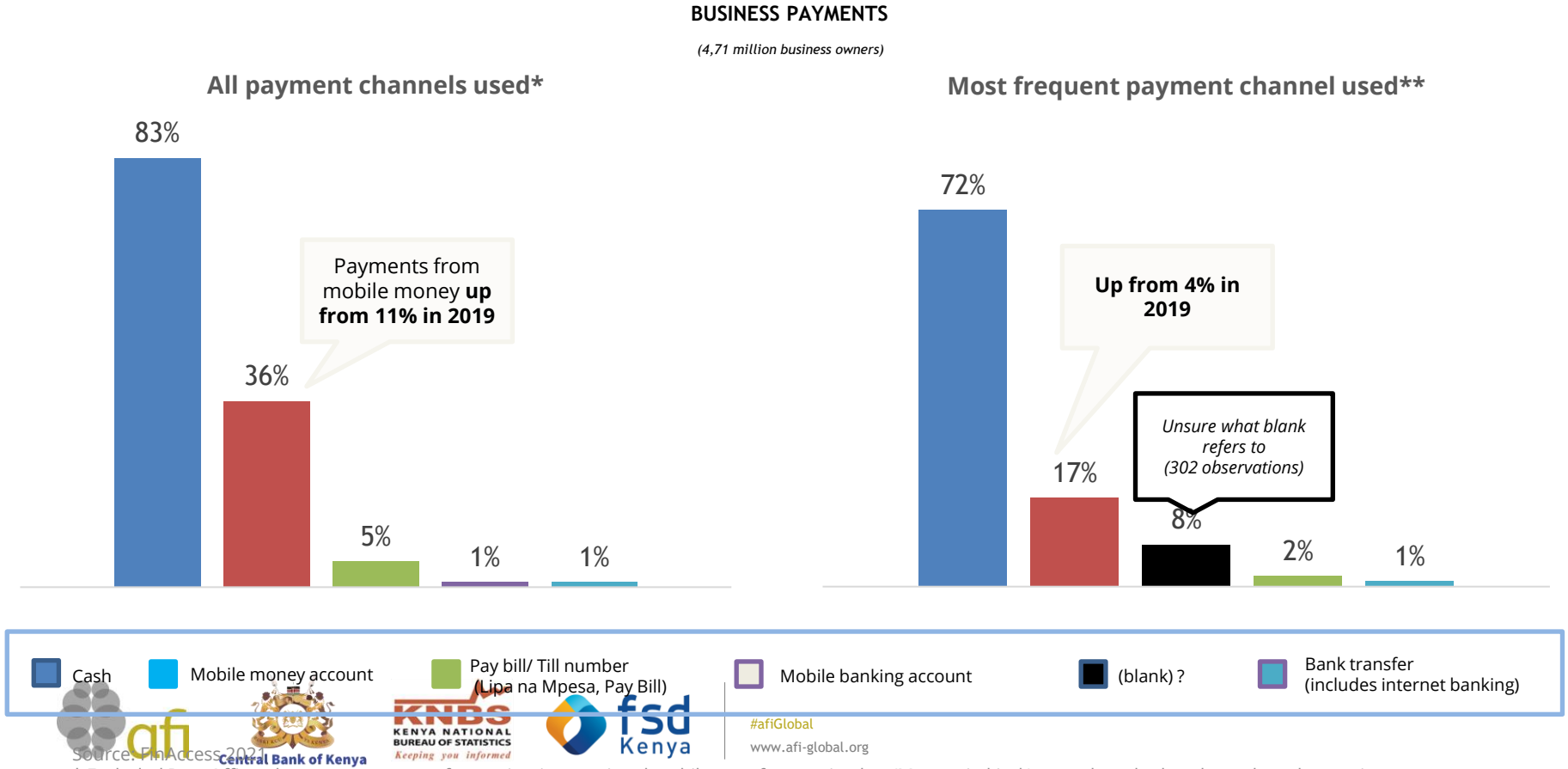
Note: *Question was asked slightly differently in FinAccess 2019. - "Did you access the internet during the past 4 weeks", whereas in FinAccess 2021 the question asked "How

35% of business owners use at least one digital marketing channel to reach their customers

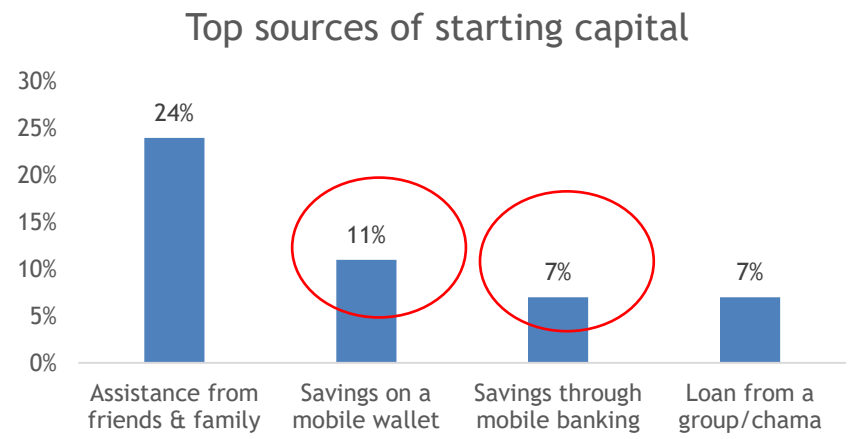


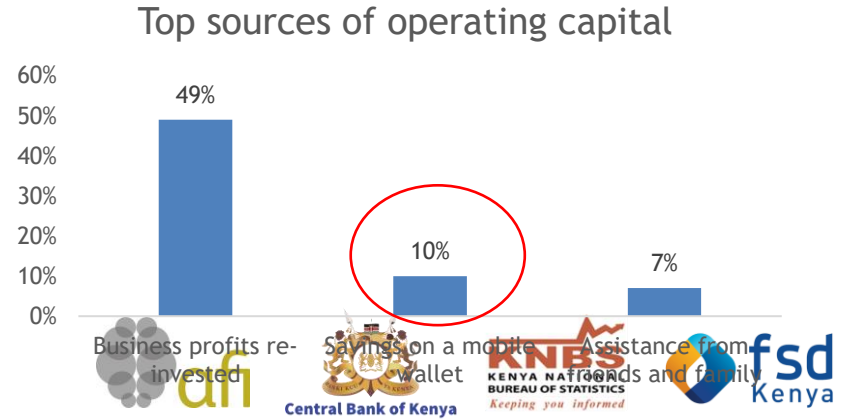
And usage of mobile money for business payments has increased significantly from 11% in 2019 to 36% in 2021

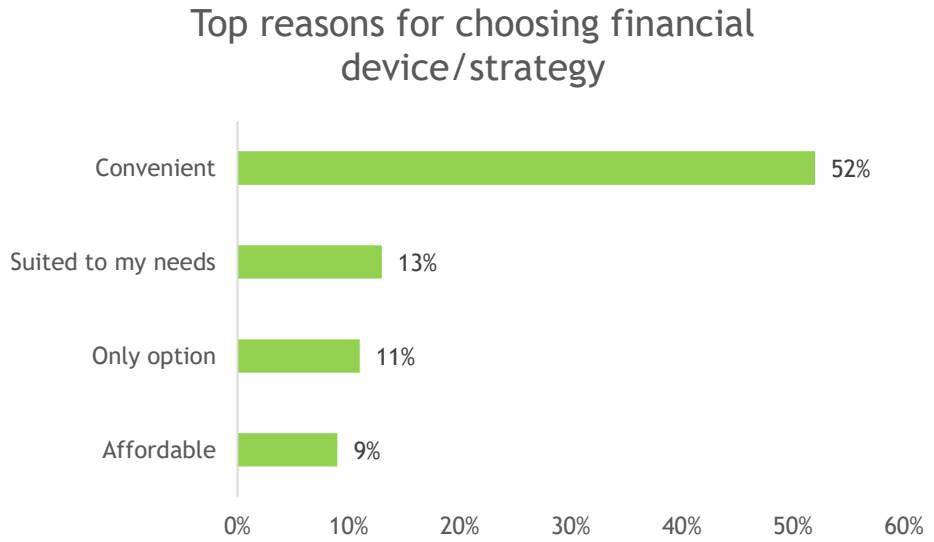


Source: FinAccess 2021
* Excluded Post Office, cheque, money transfer service, international mobile transfer, courier, bus/Matatu, in kind/noncash and other due to low observation count

MSE's continue to rely on social networks for business finance; but digital savings also play an important role…







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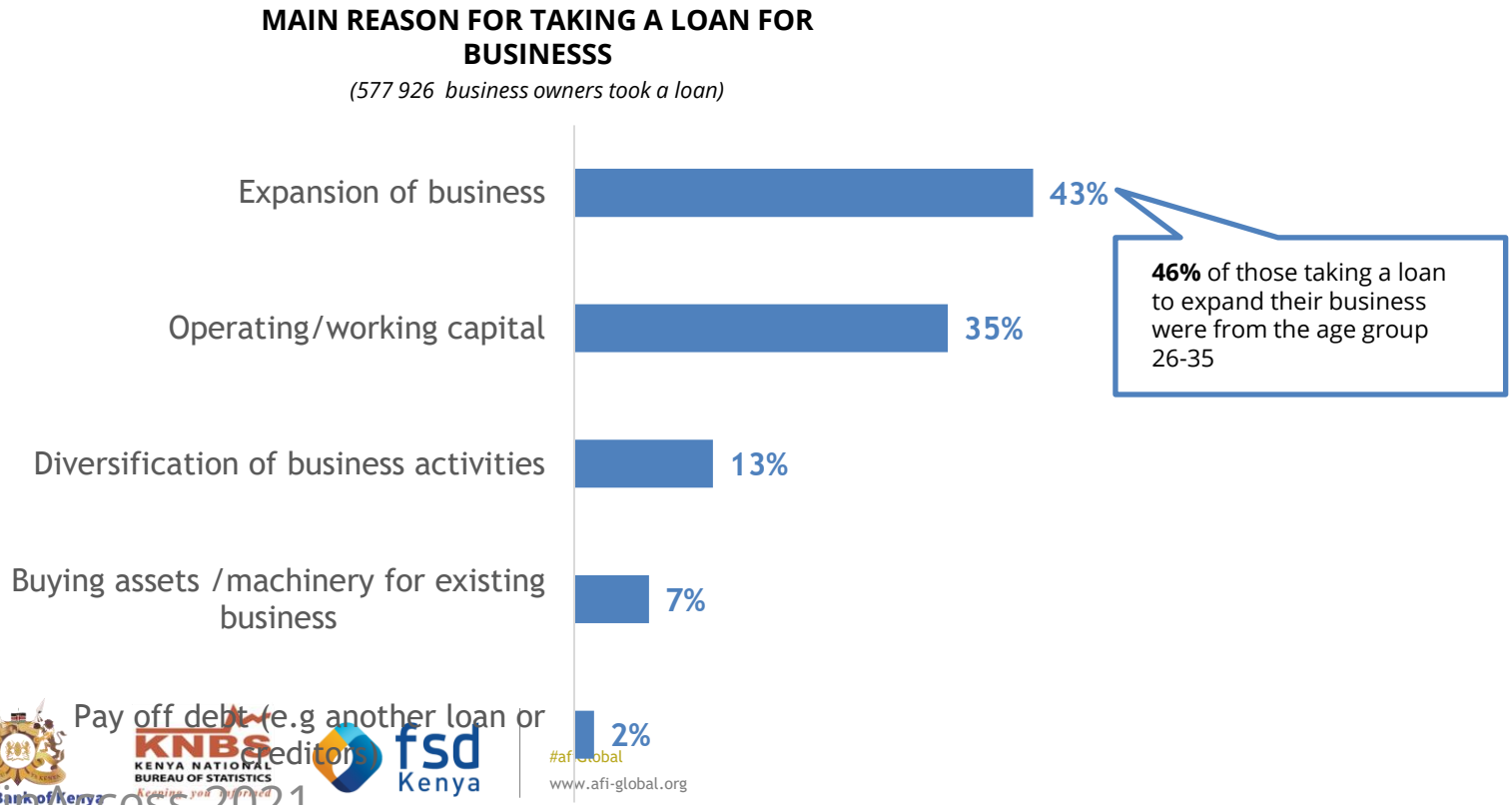
Out of 11% of MSEs who stated that they took a loan for business in 2021, 43% did this in order to expand their business



Source: FinAccess 2021

Can finance overcome the range of challenges faced by businesses and play a more significant role in supporting their resilience and growth?

Source: FinAccess 2021
Note: Excluded climate related challenges due to low observations

Discussion: What are the implications of reduced resilience and squeezed liquidity for the role of finance in supporting households and MSEs?

- Households' financial strategies geared to risk mitigation rather than growth;
- Lack of liquidity to 'buy' formal products: -spurring a retreat into the informal sector??
- BUT opportunities to build on access to digital infrastructure to reduce costs, improve trust and develop tailored solutions for households and MSEs
- Robust demand-side data collected on a frequent basis can provide a valuable tool for policy makers to enhance the enabling environment for the household and MSE layers of the economy; and identify opportunities and barriers for a more inclusive financial sector

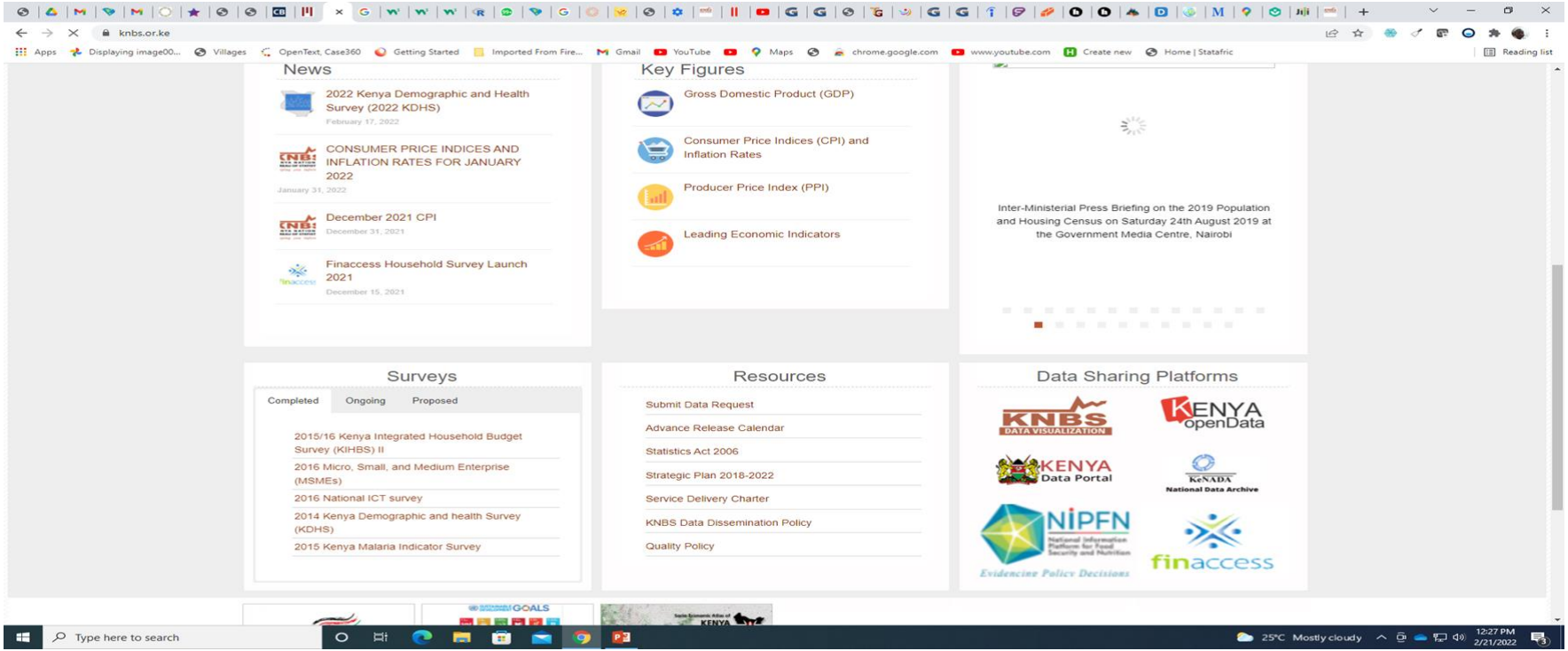
Raise Hand to ask a question.

Session 3 - Demo on Data Analytics Tool and Website of FinAccess Survey

Mr. Rajab K. Mbaruku

Senior Manager, ICT
Kenya National Bureau of Statistics

ACCESS THE PAGE



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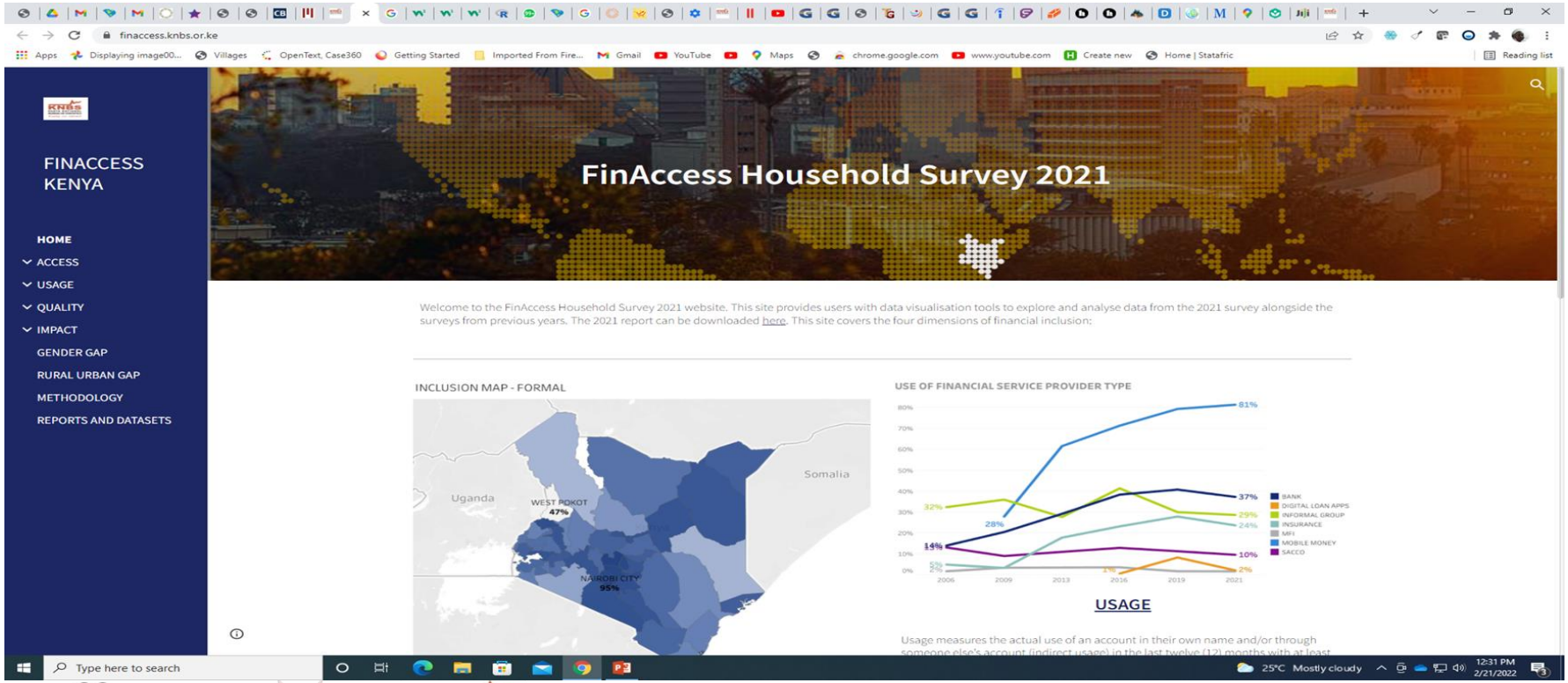
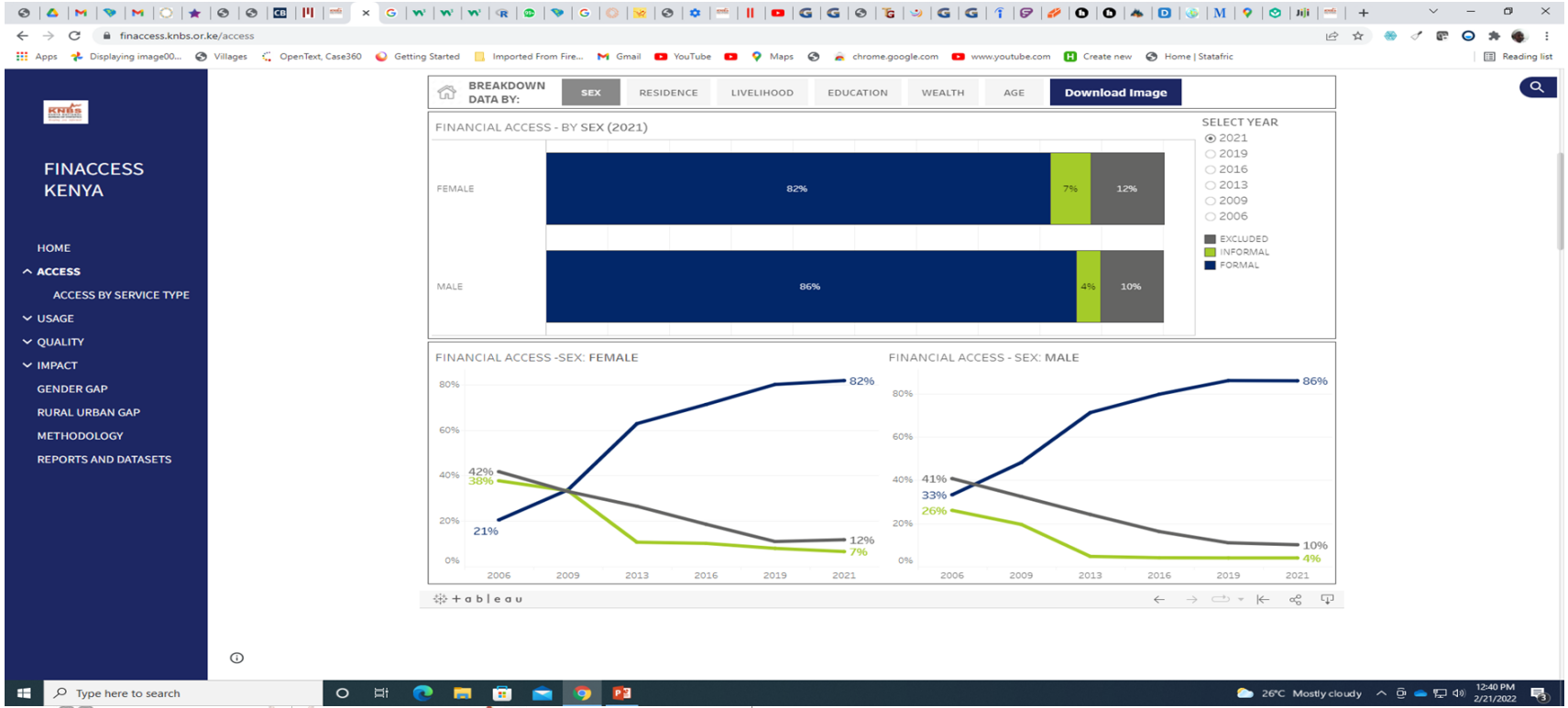
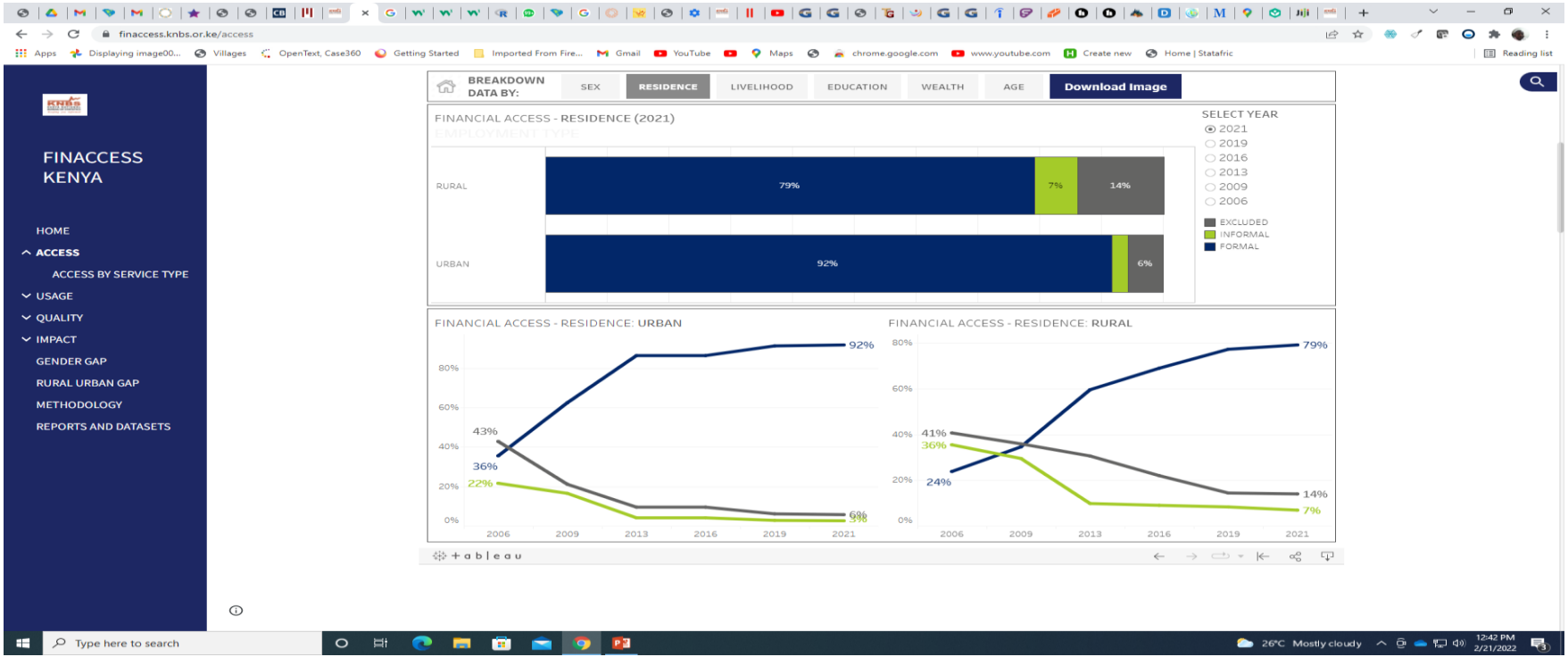


FINANCIAL ACCESS

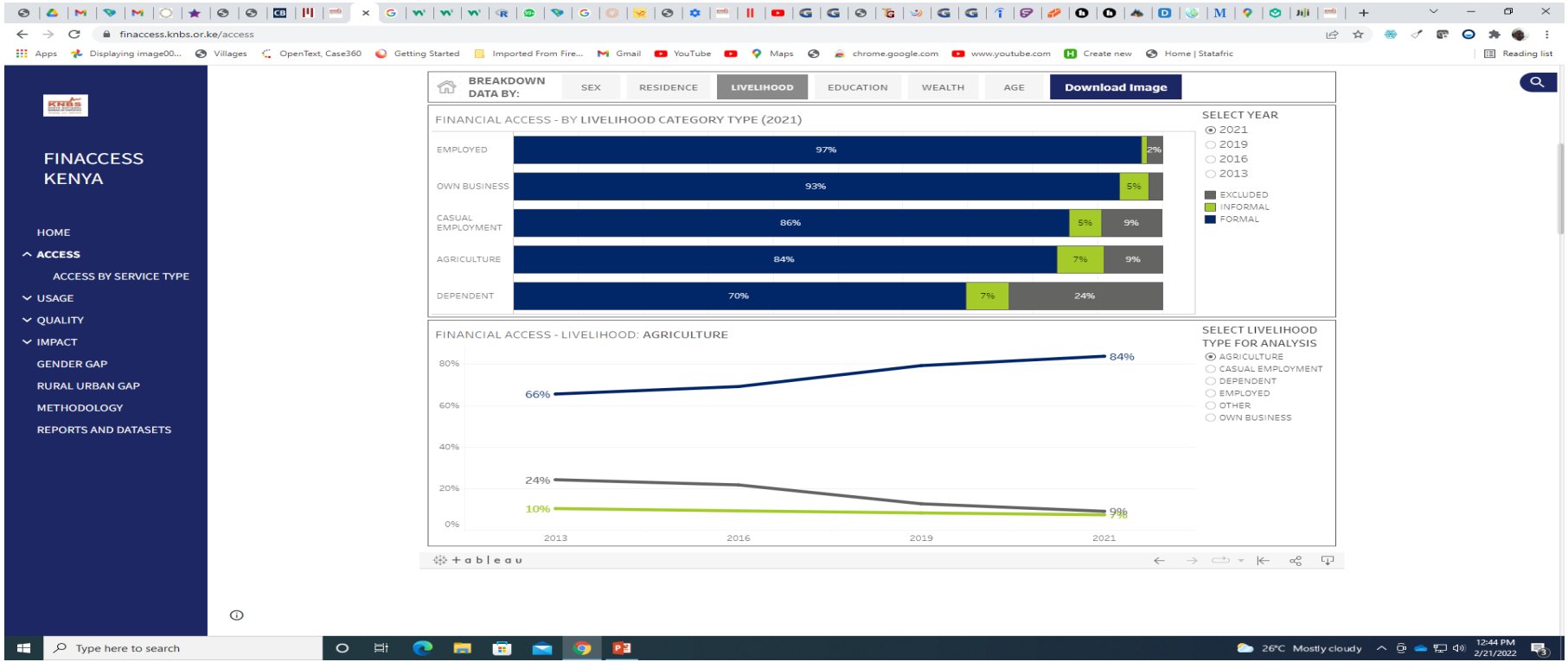
FINANCIAL ACCESS BY SEX



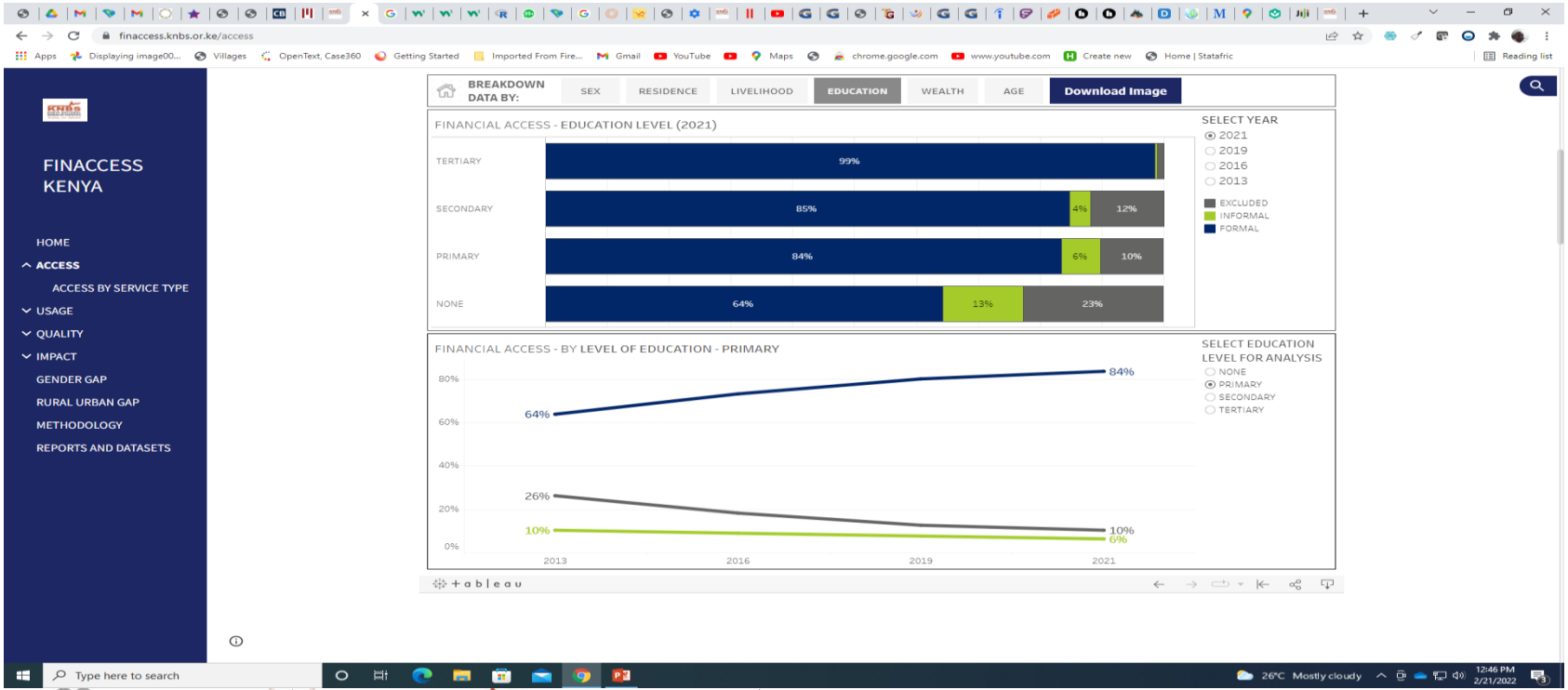
FINANCIAL ACCESS BY RESIDENCE



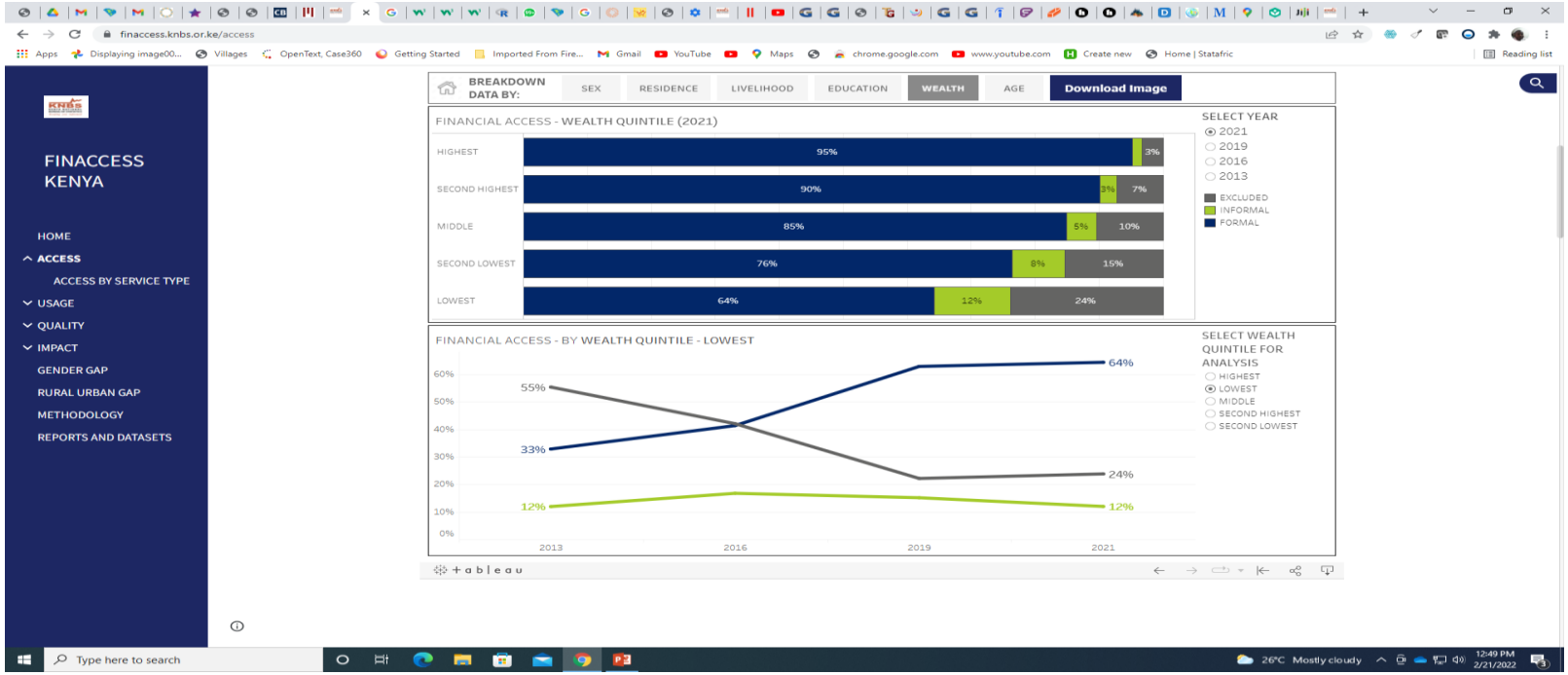
FINANCIAL ACCESS BY LIVELIHOOD



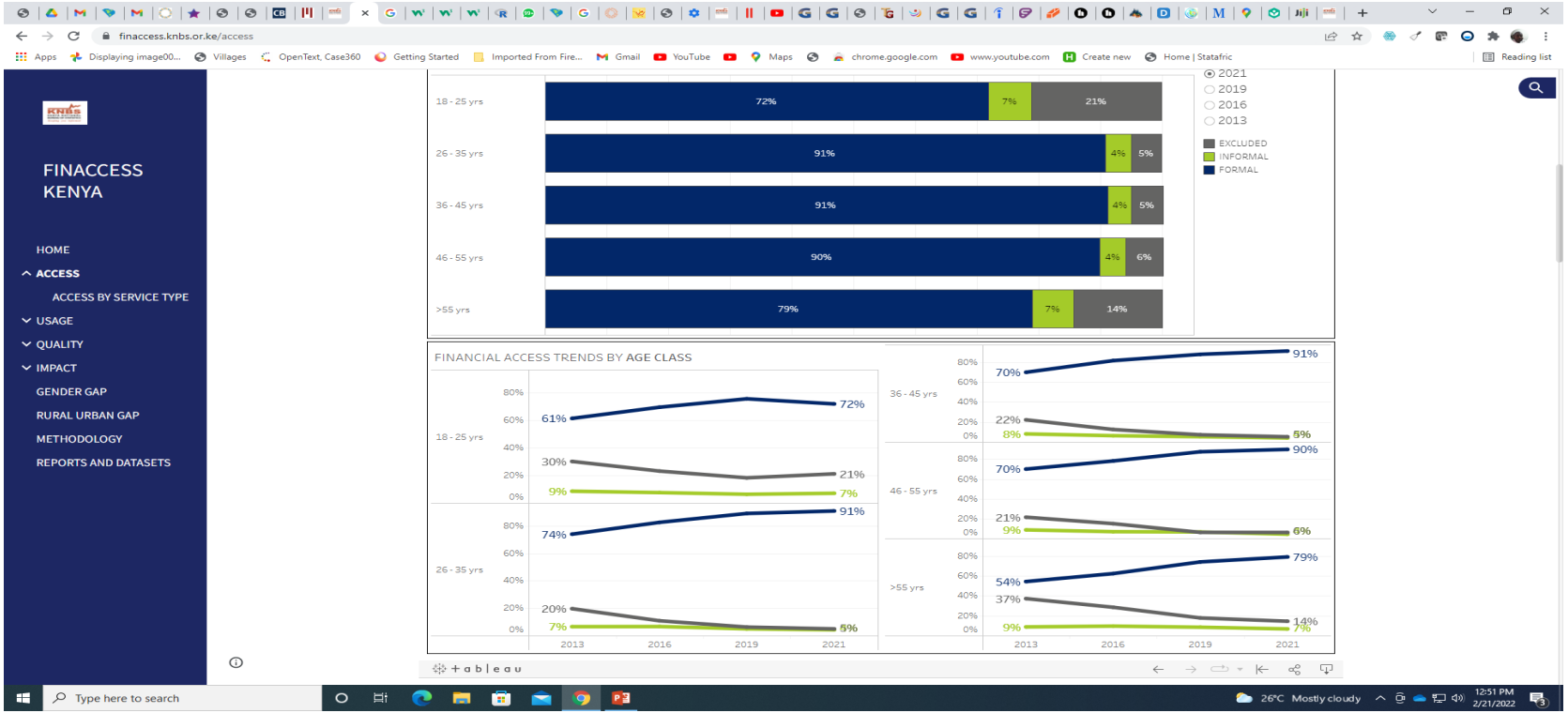
FINANCIAL ACCESS BY EDUCATION



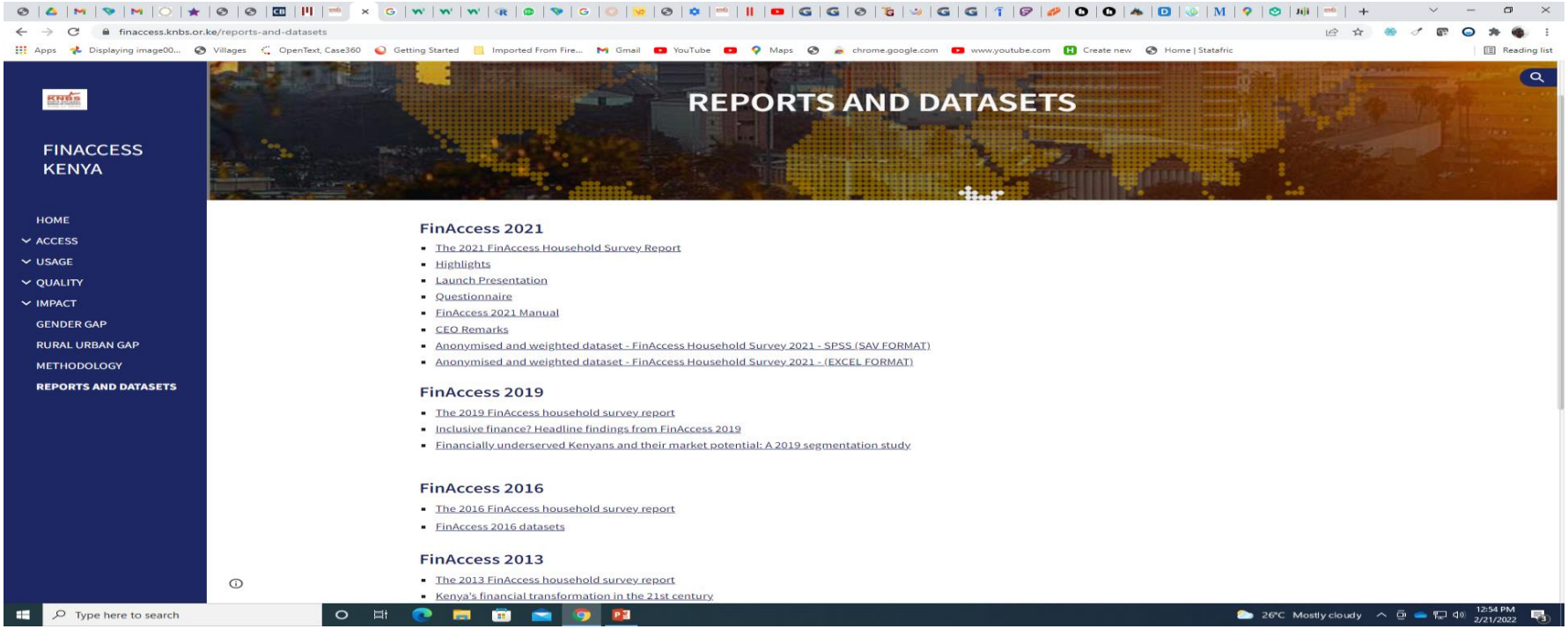
FINANCIAL ACCESS BY WEALTH



FINANCIAL ACCESS BY AGE



REPORTS AND DATASETS



Raise Hand to ask a question.

CLOSING

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THANK YOU - ASANTE SANA !!