



finaccess

FinAccess deep dives a retrospective on Kenya's financial inclusion journey

Tamara Cook, CEO, FSD Kenya



CENTRAL BANK OF KENYA



What are YOUR questions?

2021 FinAccess Household Survey

December 2021



ACCESS | USAGE | QUALITY | IMPACT

2021 FinAccess Household Survey

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Excerpt from
FinAccess
launch
presentation on
15 December
2021

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Deep dive 1: To what extent has financial inclusion enabled economic opportunities?



Session 2: To what extent has financial inclusion enabled economic opportunities?

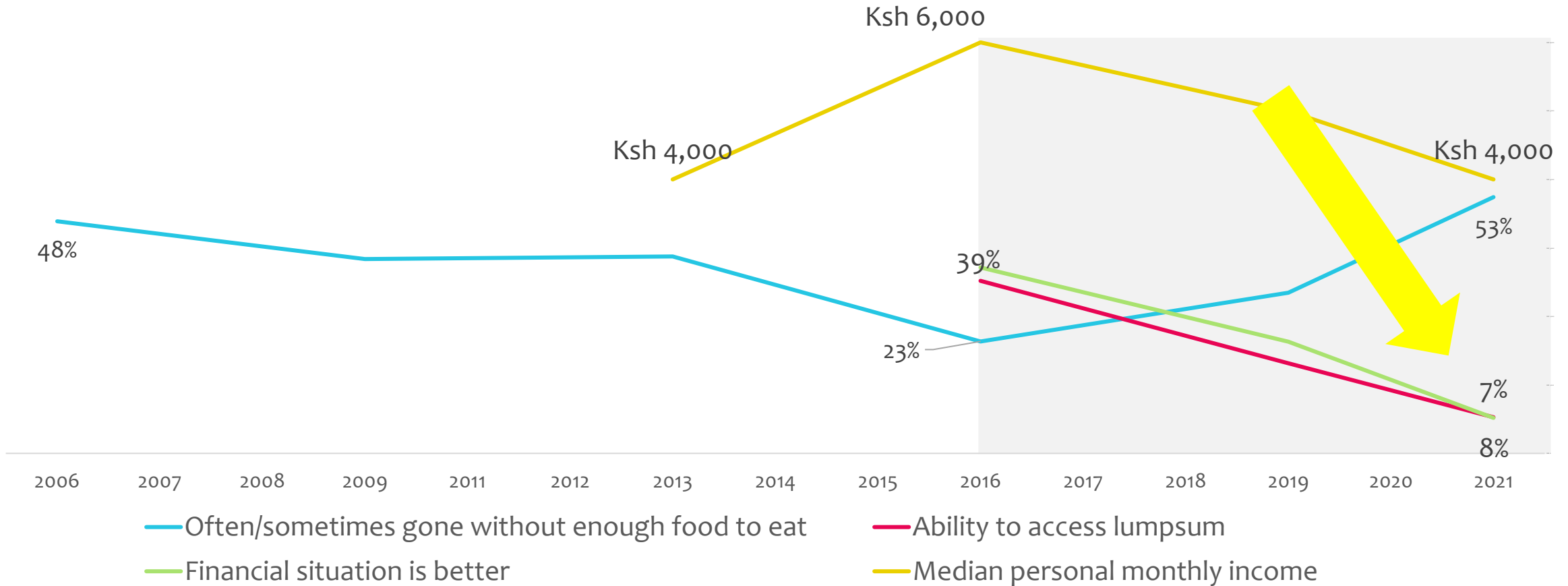
- Kenya's digital finance revolution, and its influence on livelihoods and economic opportunities, **Bobby Berkowitz**, Senior Analytics Specialist in the Data and Analytics team at FinMark Trust; **Carol Matiko**, Gmaurich and **Tabitha Mwangi**, KNBS
- Livelihoods segmentation: A deeper dive into the unmet financial needs of key economic segments – **Jess Robey**, consultant, 71 point 4
- Statistics to inform and monitor policies for Micro and Small Enterprises (MSEs): The case for Trackers Surveys – **Tabitha Mwangi**, Head Financial Statistics, KNBS

Discussants: **Nderitu Muriithi**, Economist; **Peter Njuguna**, CEO, SASRA; and **Judith Sidi Odhiambo**, Head of Corporate and Regulatory Affairs, KCB Group

Moderator: **Anzette Were**, Senior Economist FSD Kenya

Bobby Berkowitz
(FinMark Trust), Carol
Matiko (Gmaurich),
Tabitha Mwangi
(KNBS)

All welfare measures significantly worsened in 2021



There are 4 key economic pillars driving declines in jobs and well-being

Bobby Berkowitz
(FinMark Trust), Carol
Matiko (Gmaurich),
Tabitha Mwangi
(KNBS)



**Sectoral and structural
composition of GDP**

**Demographic (youth bulge)
and skills mismatch**



The economy's
cyclical and
Structural
dynamics

**Government
coordination**

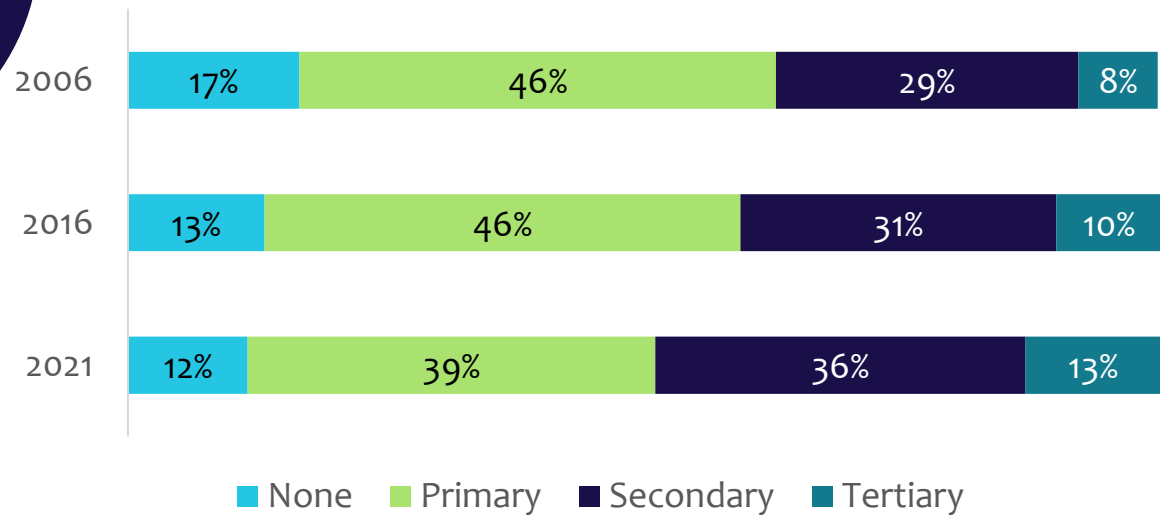
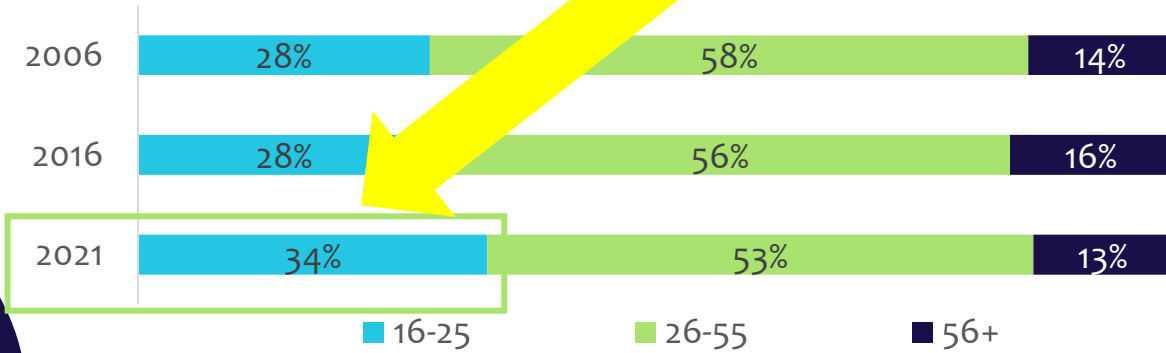


**Market access,
local consumption and
exports**



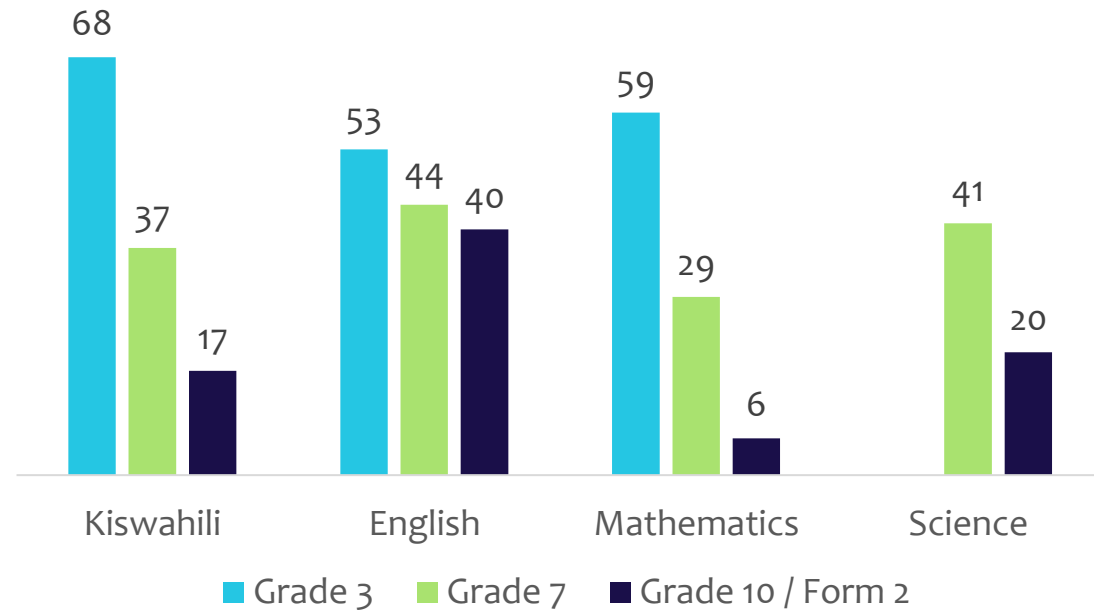
amidst devolution, non-productive
unsustainable fiscal policy and interest
rate cap

Demographic (youth bulge) and skills mismatch



Bobby Berkowitz (FinMark Trust), Carol Matiko (Gmaurich), Tabitha Mwangi (KNBS)

% students reaching minimum competency level, by subject and grade, 2018-19

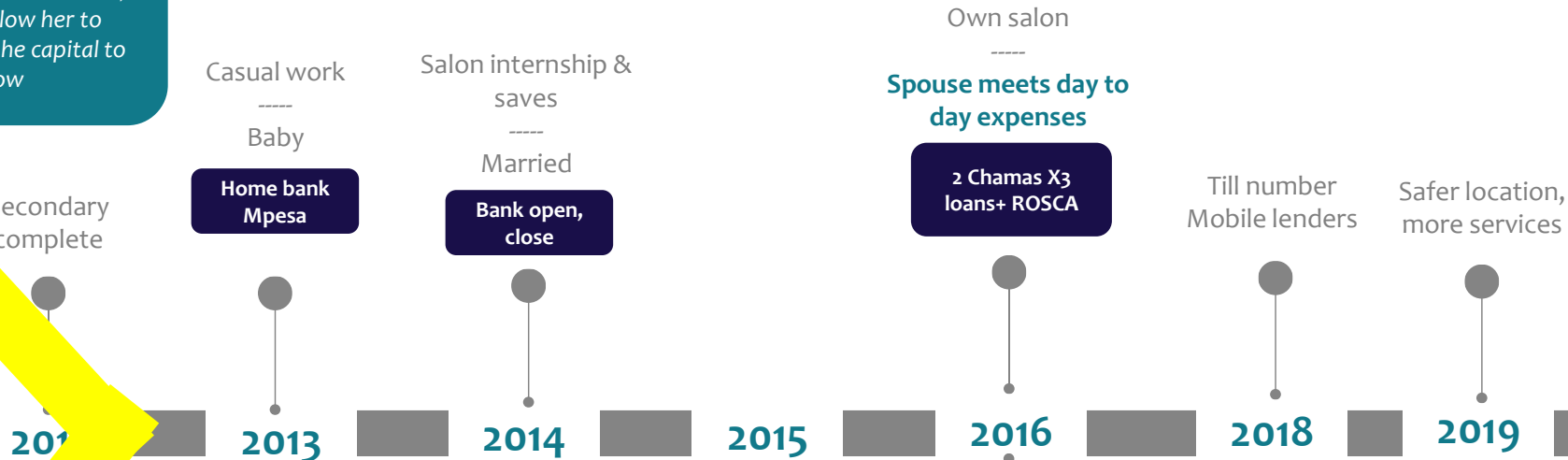


Education, social support and obligations determine the livelihood trajectory

28 - Cynthia



Cynthia's higher education, and supportive spouse set her on a path to business; chama's allow her to accumulate the capital to grow



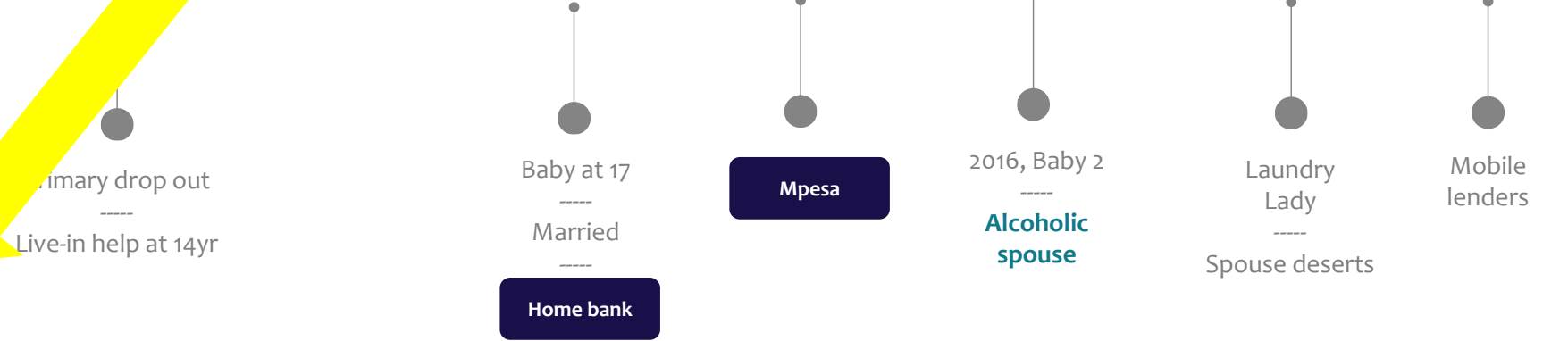
Bobby Berkowitz (FinMark Trust), Carol Matiko (Gmaurich), Tabitha Mwangi (KNBS)

Future
Raise 150K for expansion

25 - Peris



Peris' strong financial capabilities helps her to use digital finance to maintain her obligations and educate her kids, despite her survivalist status



Mpesa + Fuliza, small + lumpsum
"I use Fuliza all the time, even now I have a 1k loan I used for my son's schoolbooks.."

Future
Maybe cereal shop no savings

Jess Robey
71point4

Urban core casual worker



3.3 Million adults 16+

More **male** (59%)

Young (70% are 35 years or less)

Most do not have **secondary education (56%)**, but they have some **financial literacy (82%)**

Main type of work

Top 5 categories

Construction	17%
Domestic services	11%
Other community / household services	10%
Taxi, bus, boda boda drivers	7%
Mechanics, plumbers, electricians	6%

7 600 Ksh

Median monthly personal income

25 Billion

Market opportunity

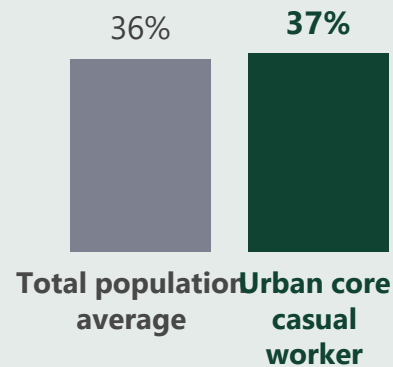
(segment size x median monthly personal income)



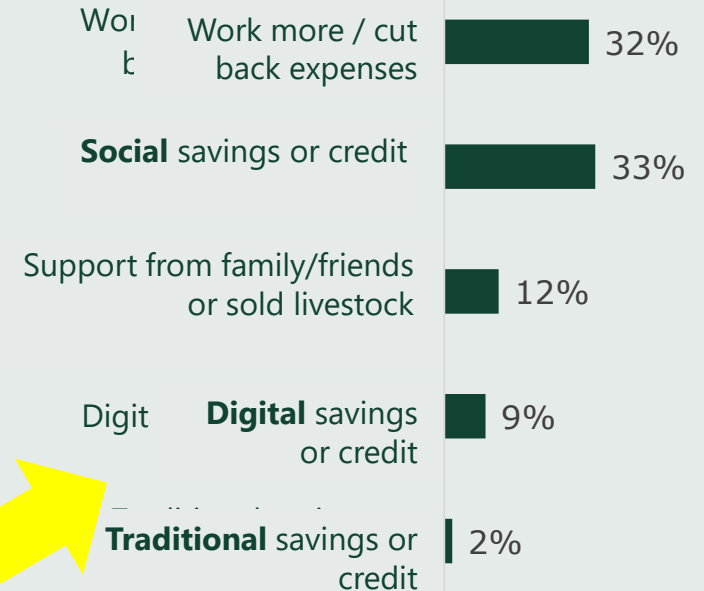
URBAN CORE CASUAL WORKER

3.3 Million adults 16+

Experience liquidity challenges on a DAILY or WEEKLY basis


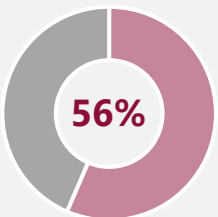
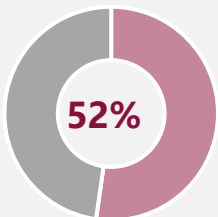
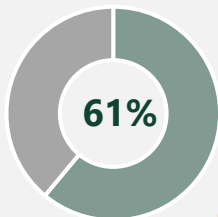
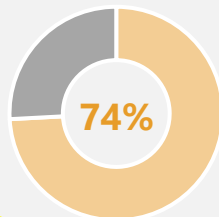
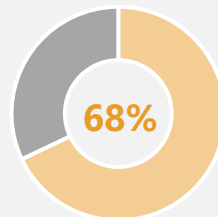
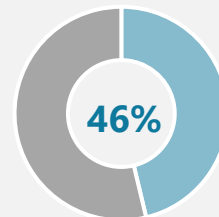
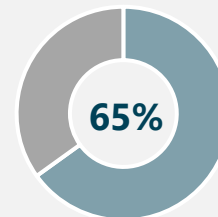
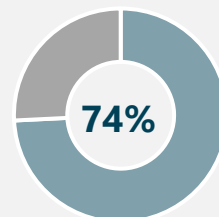


























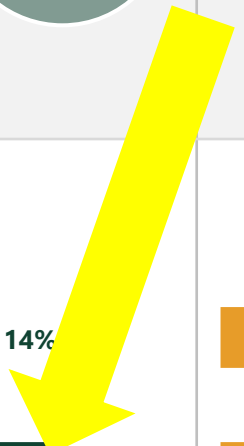
Main strategy to cope with liquidity challenge



% of segment who experienced a liquidity challenge, selected categories shown

Even among these wealthier and more economically active populations we see a relatively high usage of credit to support day-to-day liquidity needs....

2021	ORGANISED VC FARMERS	MOSTLY FOOD CROP FARMERS	URBAN CORE CASUAL WORKERS	SMALL FIRMS	URBAN MICRO BUSINESSES	URBAN ASPIRATIONAL YOUTH	PRIVATE FORMAL EMPLOYMENT	PUBLIC SECTOR EMPLOYMENT
 HAS ANY CREDIT PRODUCT								
REASONS FOR CREDIT <i>(Selected categories)</i>								
Any investment	 33%	 23%	 14%	 43%	 35%	 10%	 30%	 44%
Day-to-day needs	 33%	 35%	 49%	 47%	 40%	 28%	 39%	 43%
Emergencies	 10%	 10%	 15%	 20%	 12%	 8%	 18%	 24%

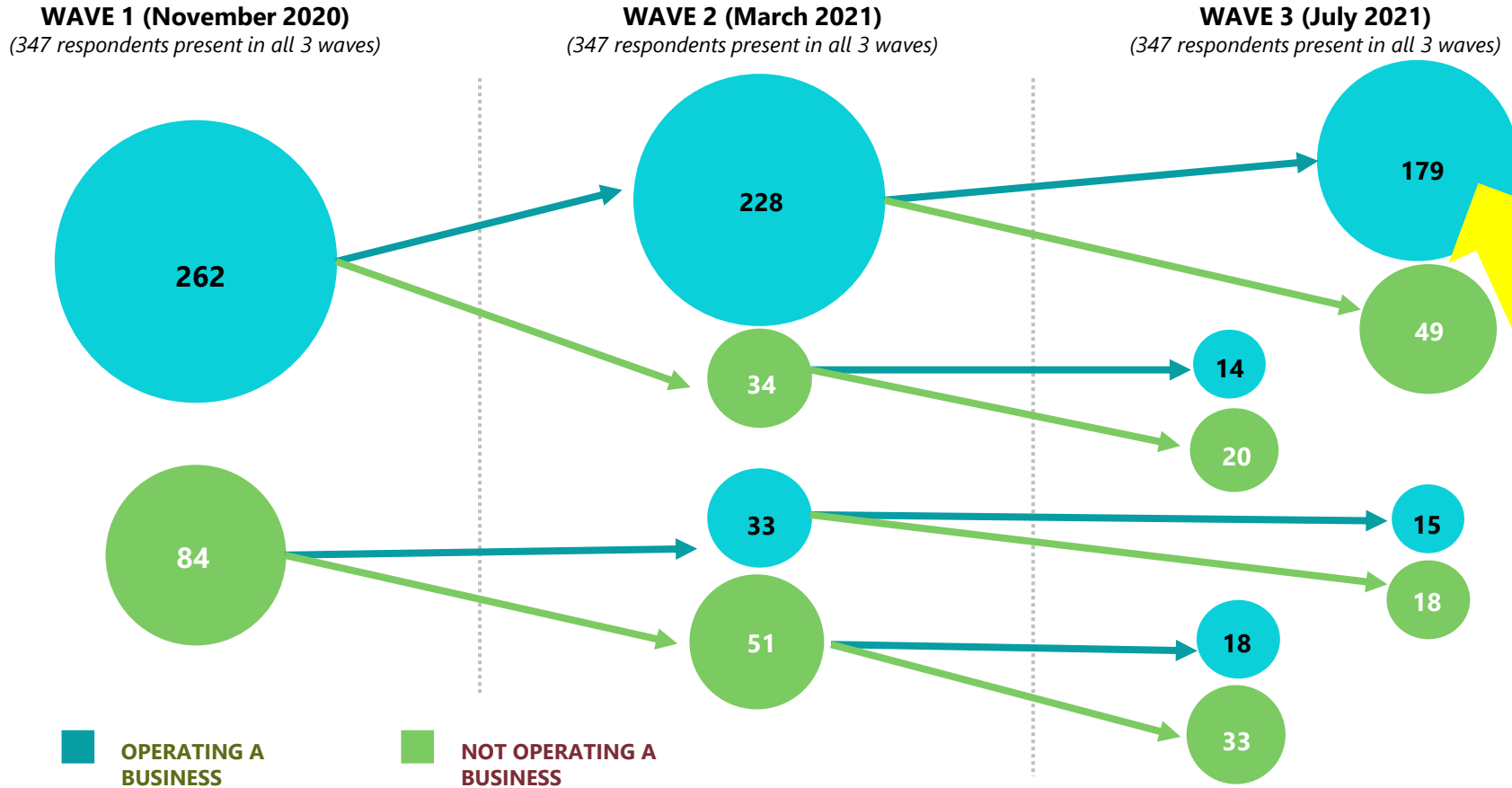




MSE tracker survey sample overview

of the 347 respondents that were present in all three waves of the survey over half were operating a business in all three waves. Of those respondents who were operating a business in November 2020, 74% were running a business in July 2021. Of those respondents who were not operating a business in November 2020, almost 40% were operating a business in July 2021

Tabitha Mwangi
KNBS



Deep dive 2: To what extent has financial inclusion been fair, inclusive and value adding?



Session 1: To what extent has Kenya's financial inclusion journey been fair, inclusive and value adding?

- Measuring Kenya's financial inclusion journey – **Mariangela Pensa**, Founder & Managing Partner M-Pensa Impact & Development Services.
- Is financial consumer protection achieving its purpose?" - Proof of concept for a FinAccess Kenya financial consumer protection outcomes index, **Christine Hougaard**, Technical Director, CENFRI
- The state of financial health in Kenya: Trends, drivers, and implications, **Amrik Heyer**

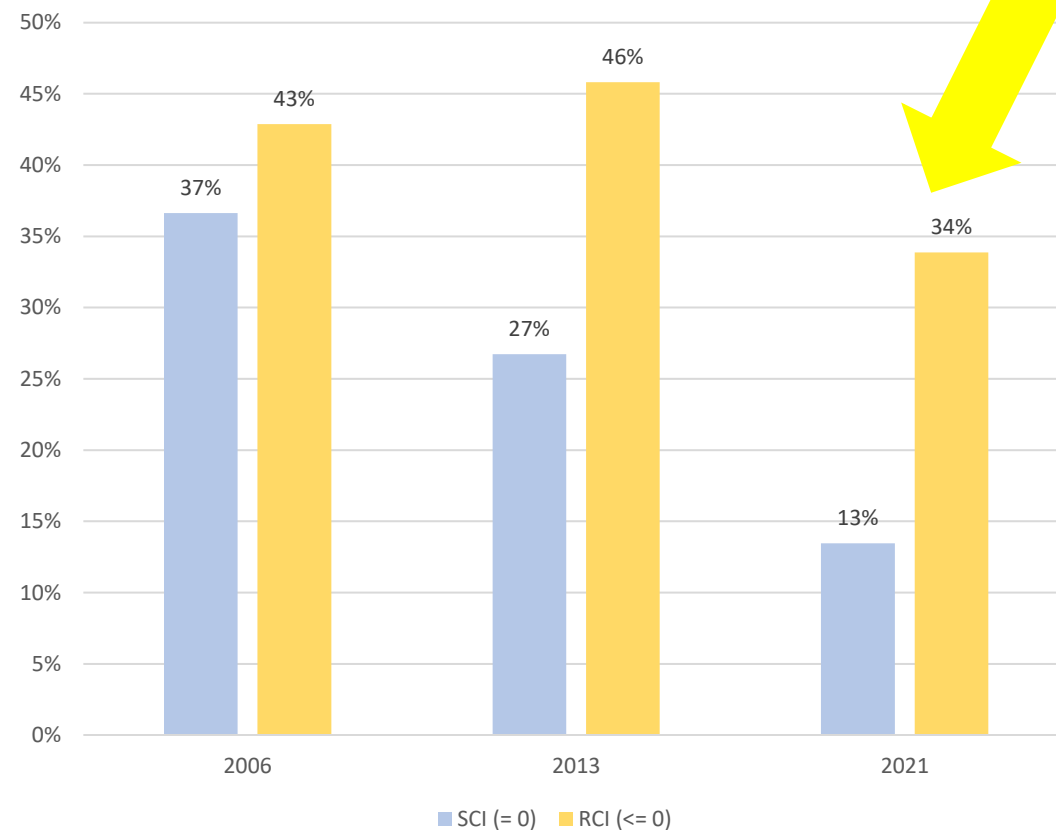
Panel discussion: **Dr. Adano Roba**, Director, Policy & Research, Competition Authority of Kenya; **Safaricom** (TBC); **Rob Burnet**, CEO Shujaaz Inc; and **Dr Emma Otieno**, Ag. Deputy Director, Universal Service Fund, Communication Authority of Kenya

Moderator: **Francis Gwer**, Policy Specialist, FSD Kenya

Financially Excluded Population: 2006-2021

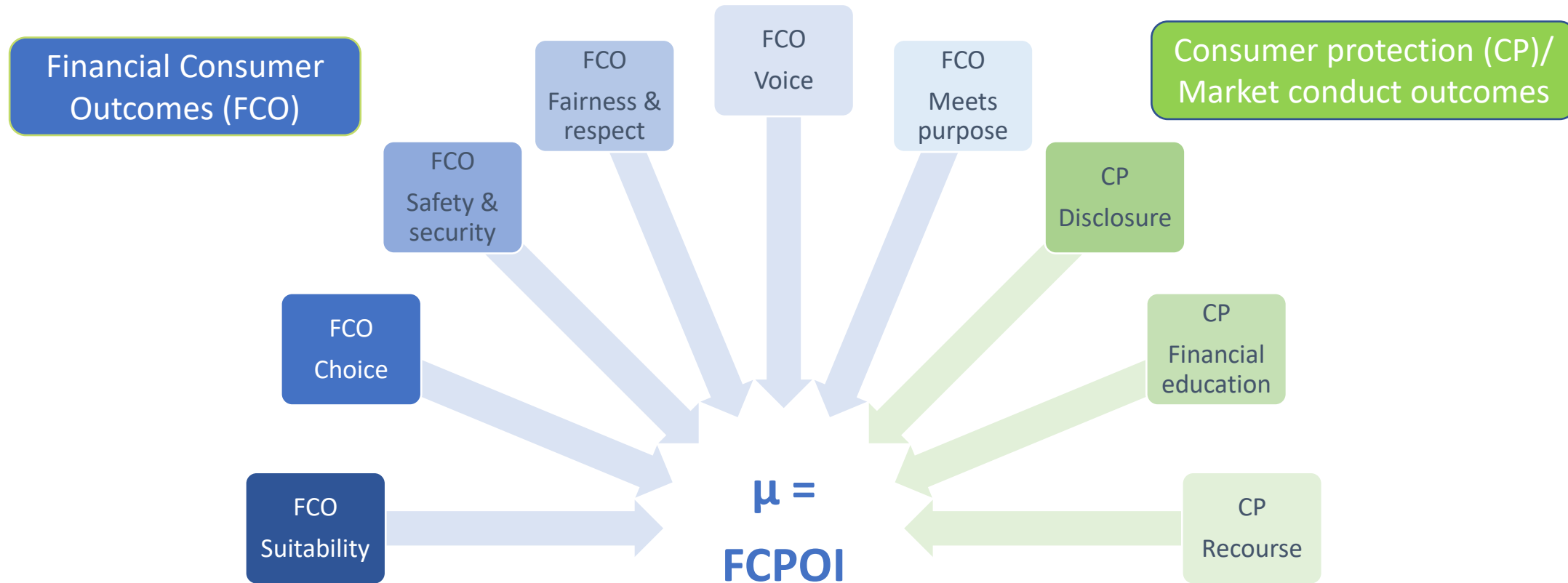
Financial exclusion decreased over time
though a significant percentage of the
population remains excluded

SIMPLE COUNT (=0) AND RELATIVE COUNT (<= 0)



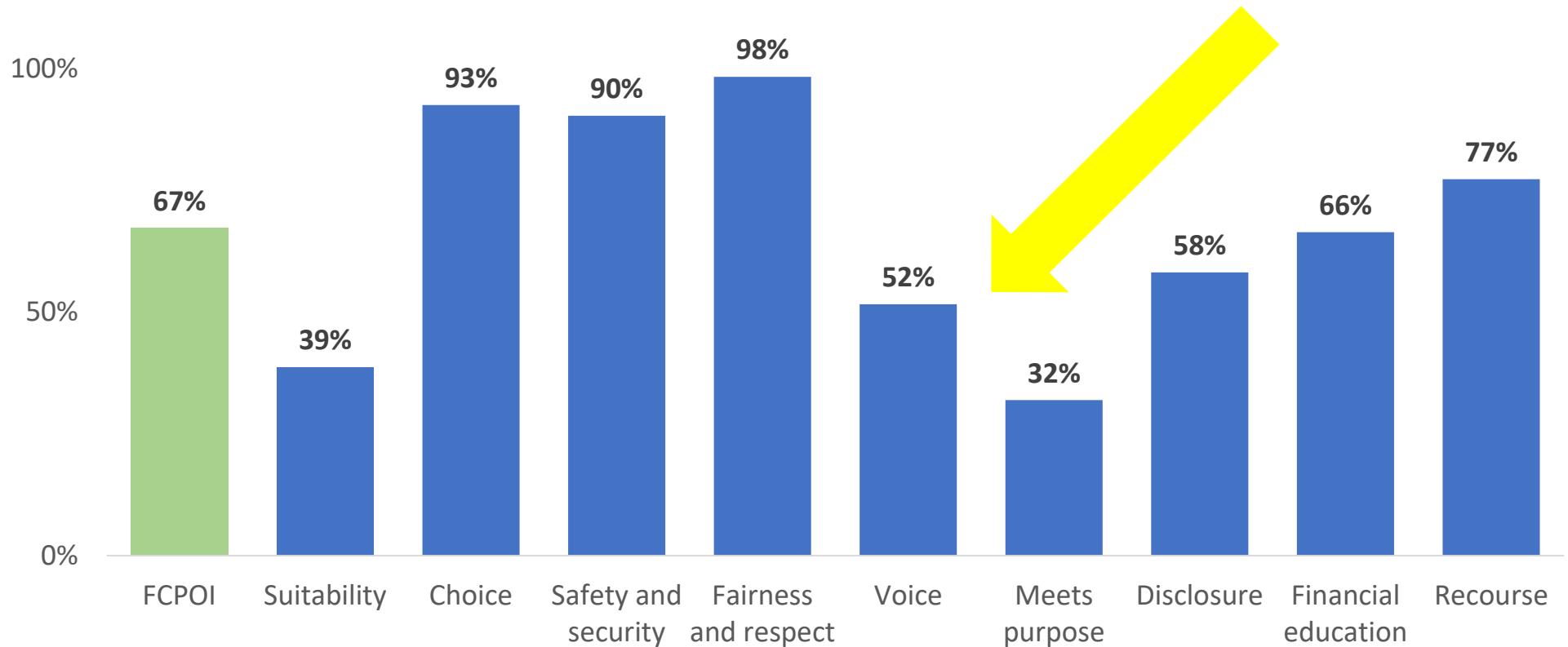
Principles used for the Financial Consumer Protection Outcomes Index (FCPOI)

The FCPOI is the average score across 9 key principles which manifest at the consumer level: 6 outcomes and three additional market conduct principles



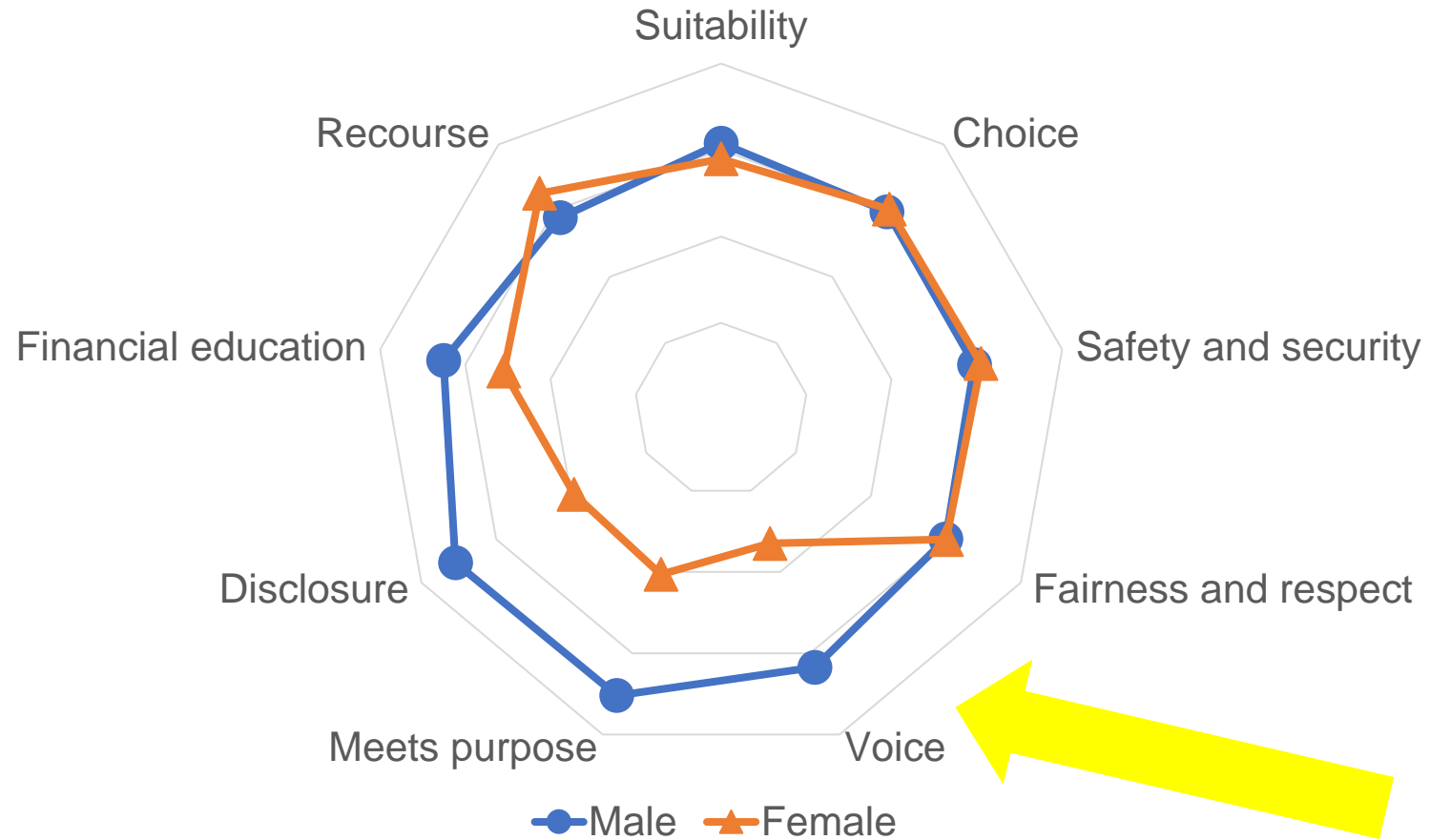
Baseline score of 67%

Good “verdict” overall, but red flags on some indicators



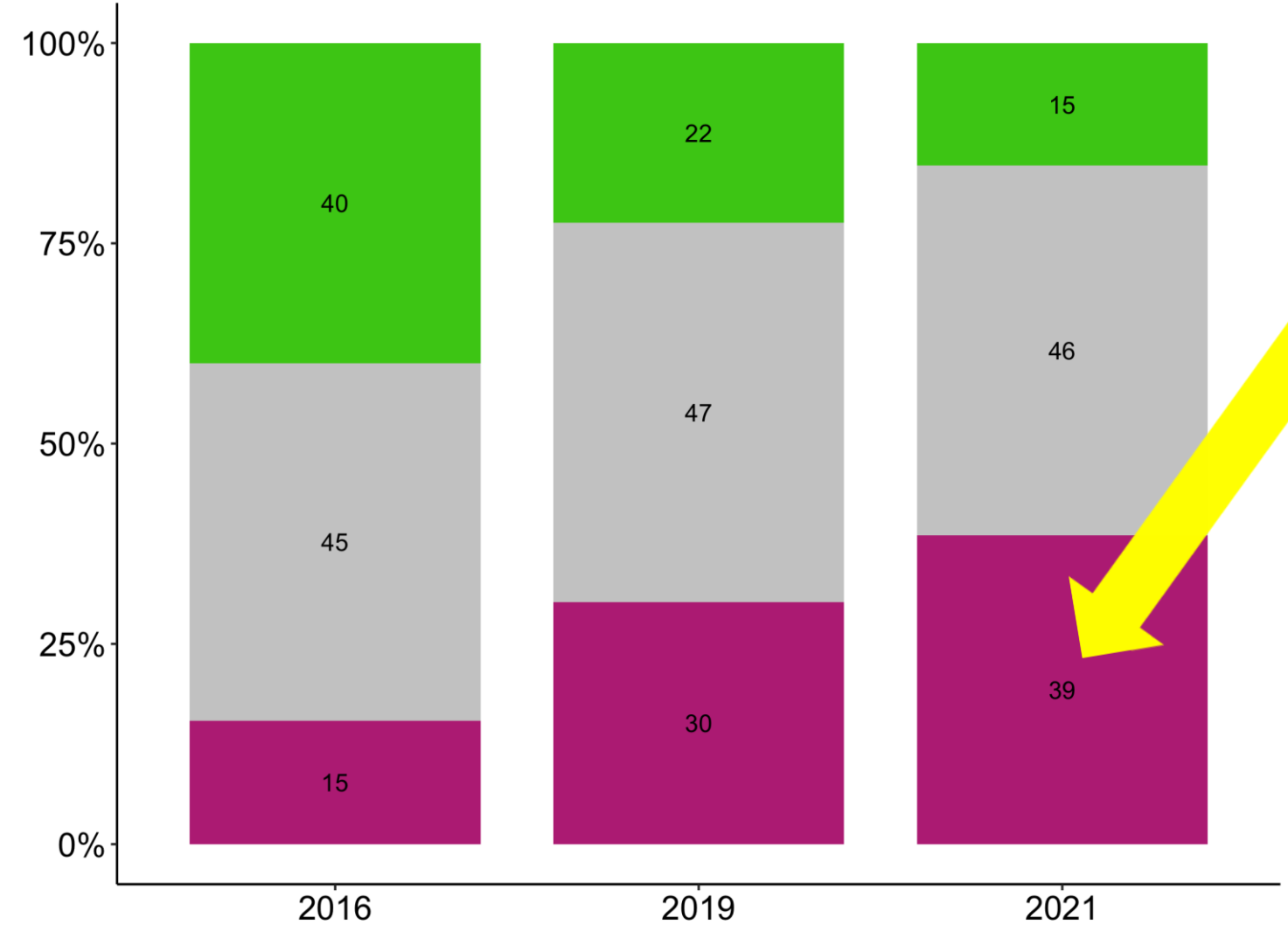
Gender

Women at a relative disadvantage

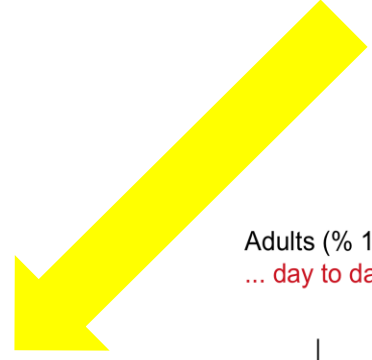


Kenya's
adults have
faced
increasingly
difficult
financial
conditions

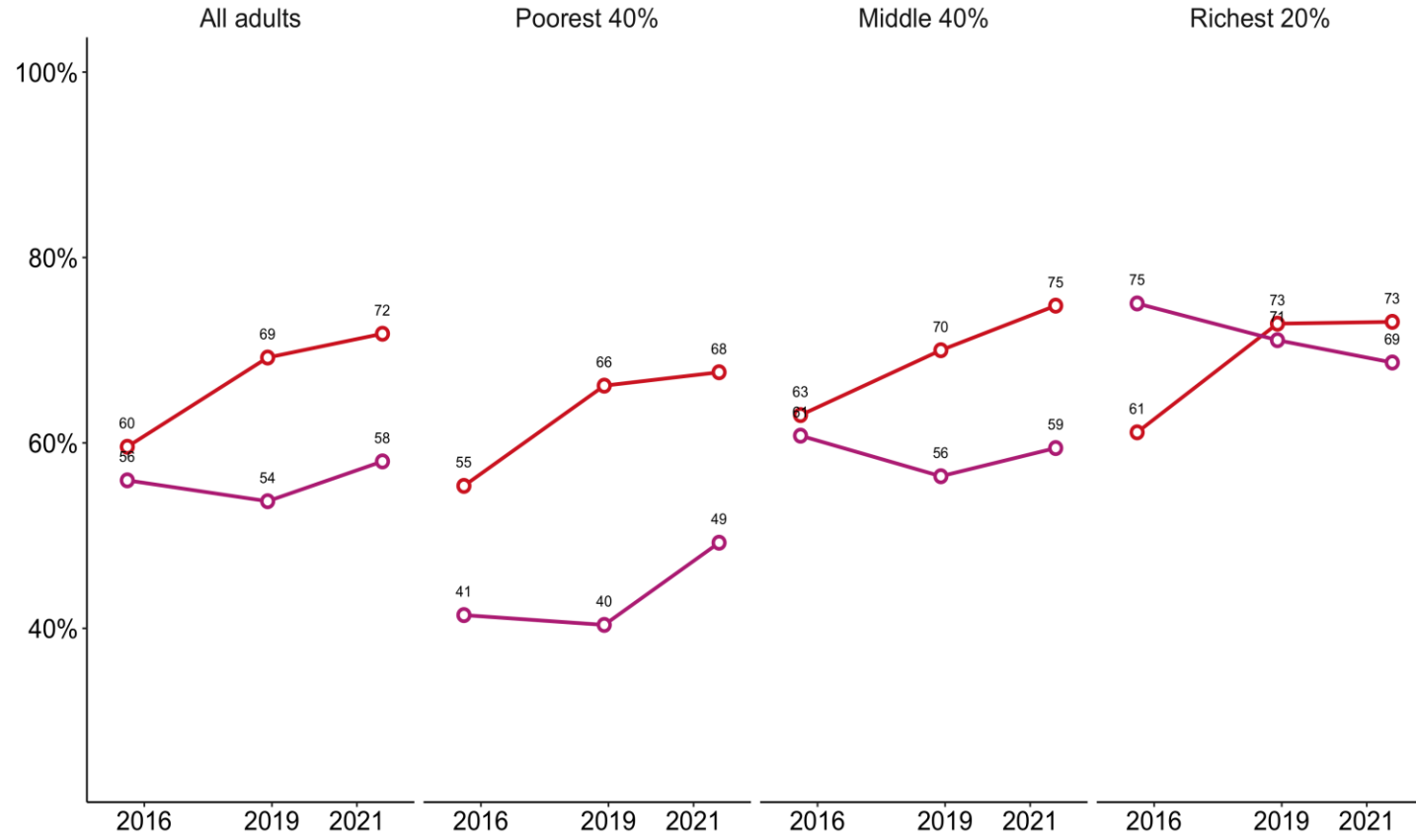
Adults by the level of their financial health (% 18+):
High (Healthy) / Mid-range / Low (struggling)



In this context, **short-term needs** and emergencies have become the predominant use-case for savings and loans



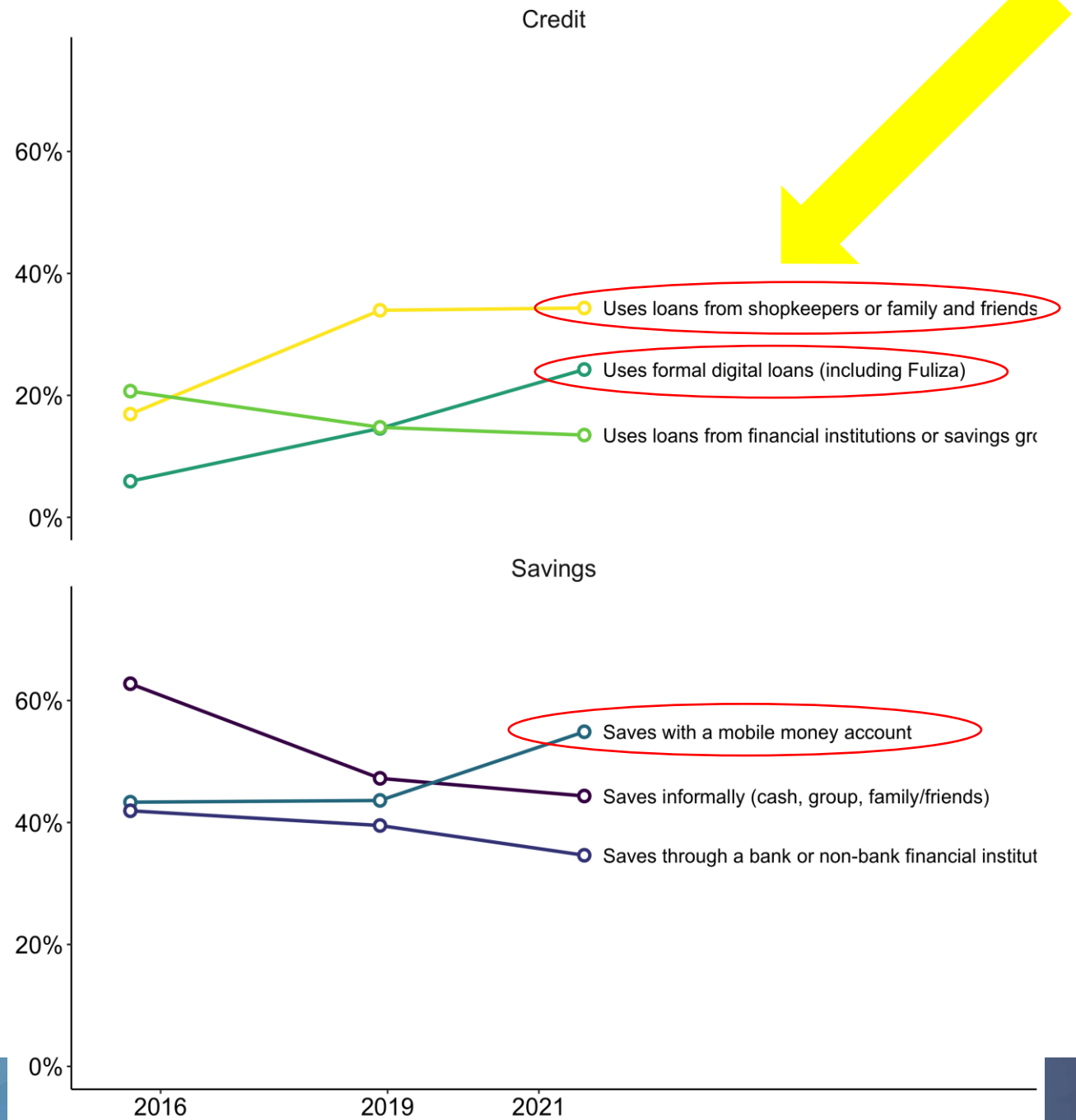
Adults (% 18+) that use their savings or loans for...
... day to day needs or emergencies / ... investments (including durables)



Source: Author's calculations from FinAccess surveys

These needs have been met by **social network and digital loans; and mobile money wallet savings**

% of adults (18+) using credit/savings by provider



Deep dive 3: Climate, environmental risk and financial inclusion



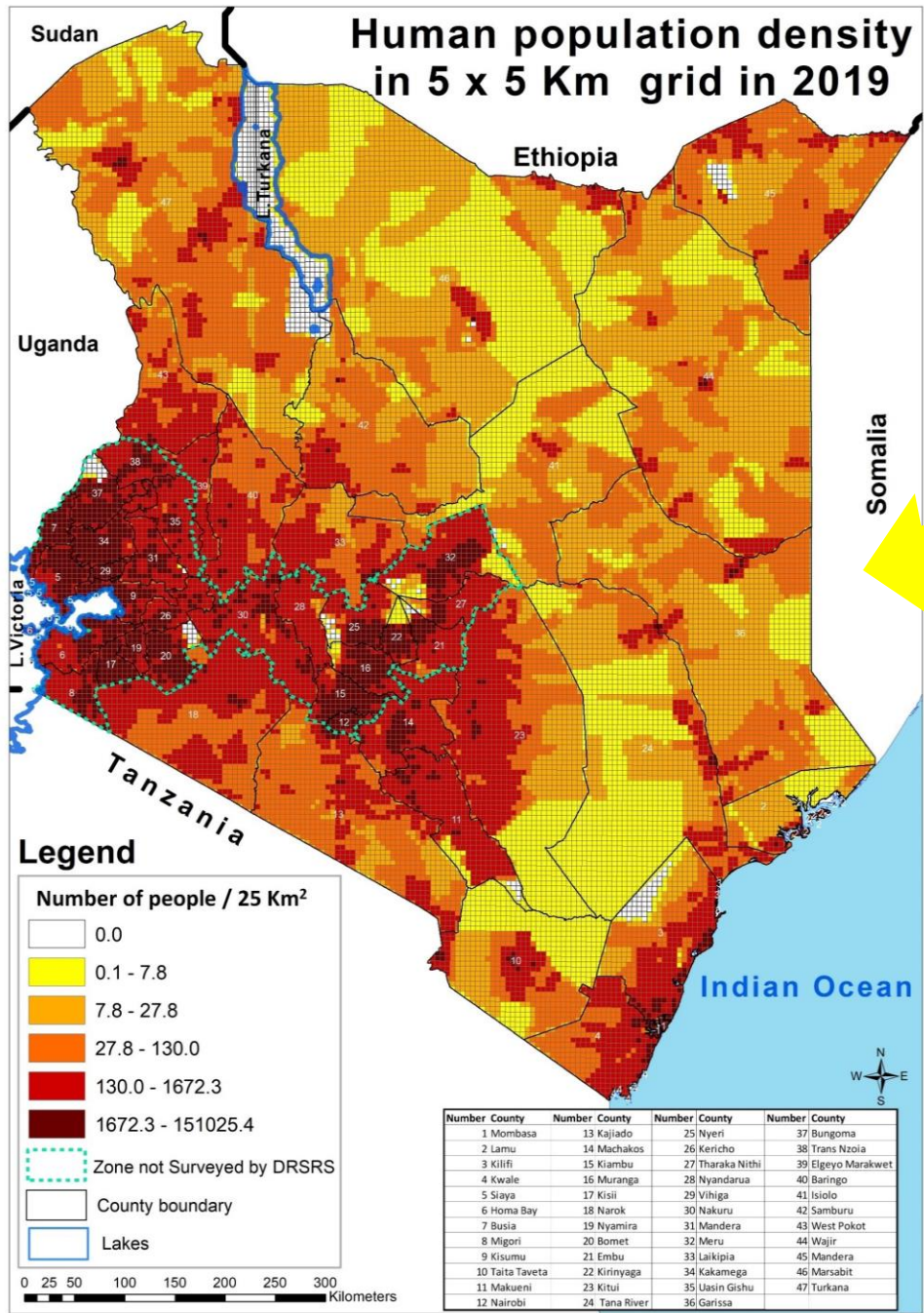
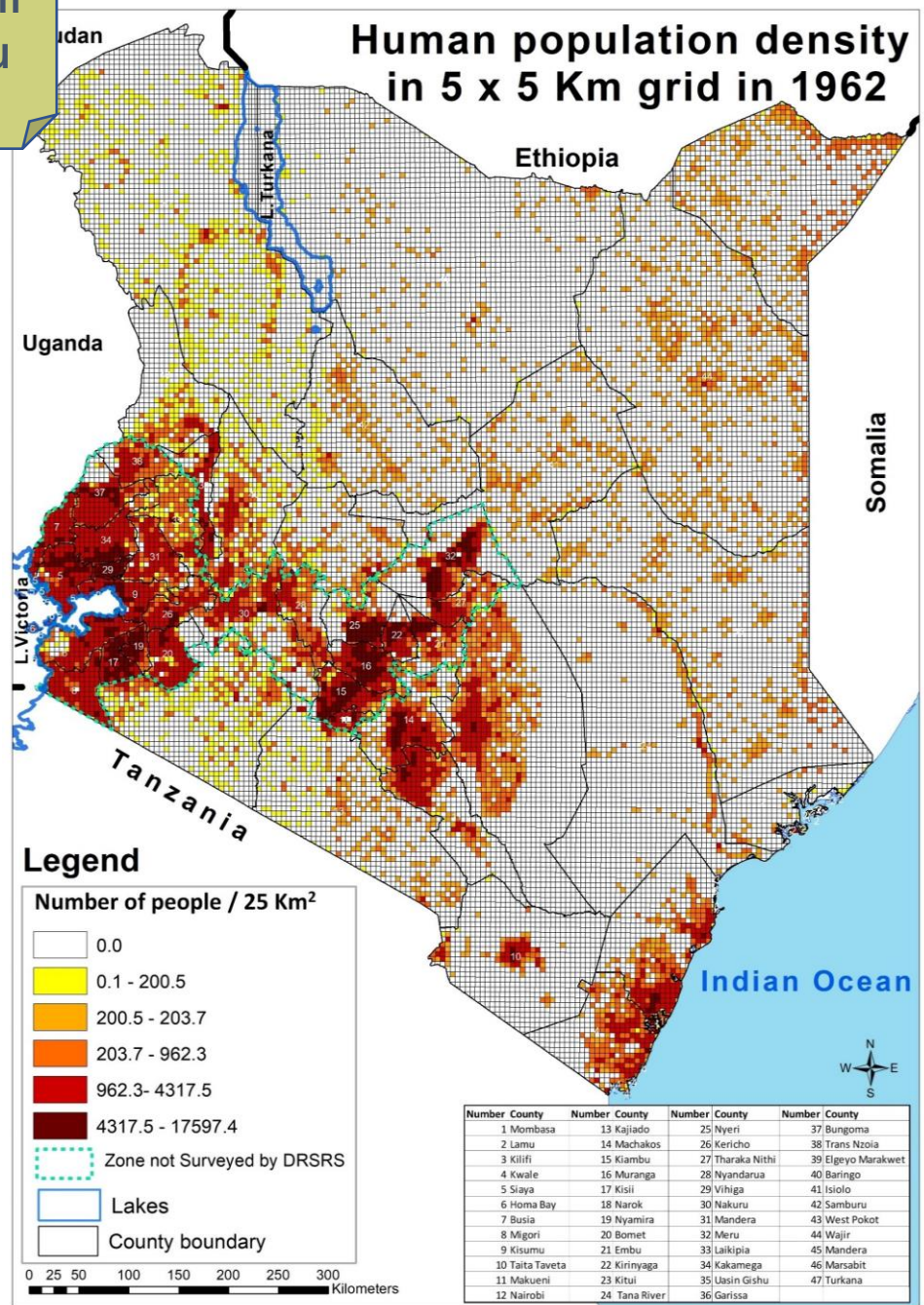
Session 2: Climate, environmental risk and financial inclusion

- Climate change, environment and risk: how has financial inclusion impacted environmental risks and vice versa? **Joseph Ogutu**, Environmentalist
- Enabling inclusive green finance for county Government, **Ouma Olum**, Green Finance Specialist, FSD Kenya and **Dr. Molly Ochuka**, Adaptation Consortium
- Can digital finance help vulnerable population address climate risk **Samuel Kiemo, Anne Kamau, Camilla Talam, & Irene W. Rugiri.**
- Effective financial inclusion policies, regulation and national strategies for promoting Inclusive green finance, Alliance for Financial Inclusion
Mr. Dieter De Smet, Policy Manager Financial Inclusion Strategies, AFI

Panel discussion: **Mbithe Muema**: Chief Business Officer, Nairobi Securities Exchange; **Jehiel Oliver**; CEO, Hello Tractor; and **Jane Waiyaki**; WWF (TBC)

Moderator: **Anzette Were**, Senior Economist FSD Kenya

Joseph Ogutu



Human population density distribution in Kenya in 2019



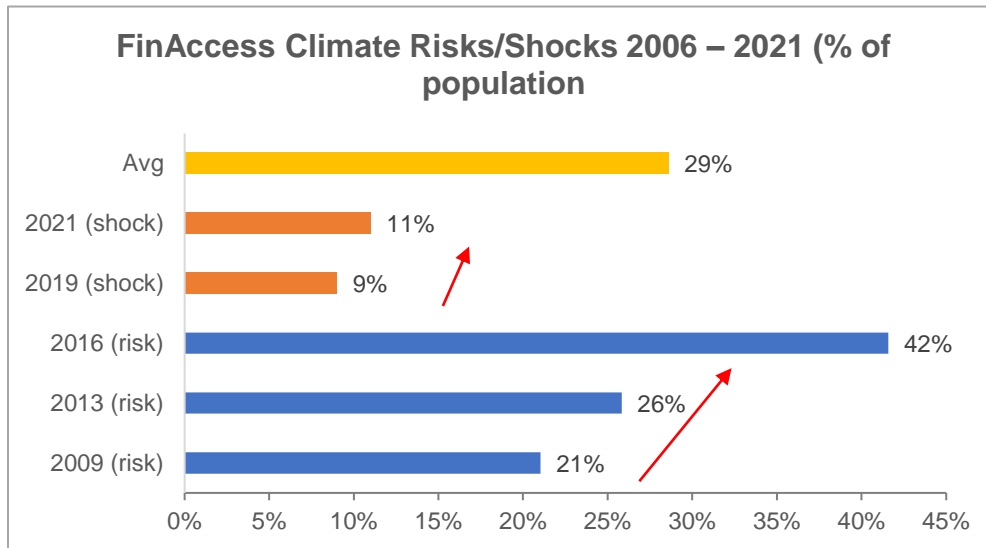
Pop in drylands = 32.9%

Pop in high potential = 67.1%

Pop = 47.6 million

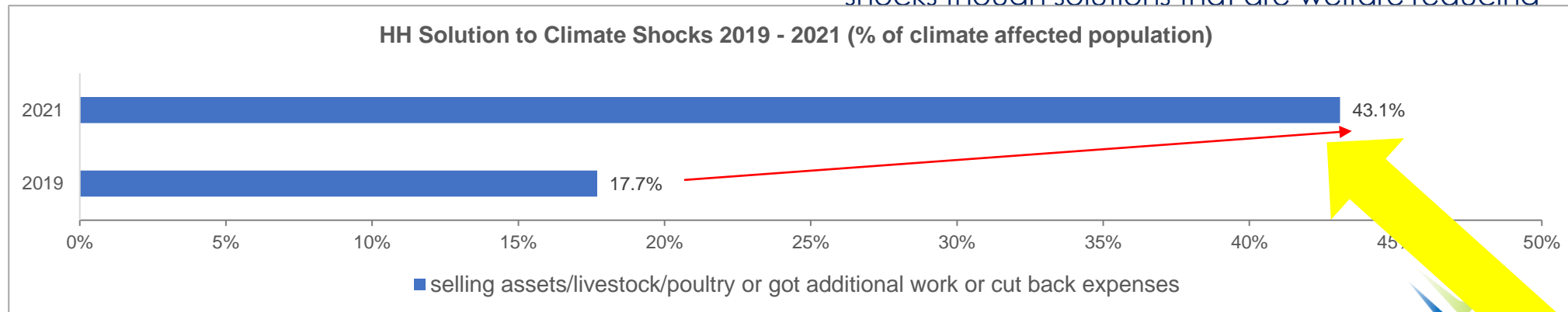
Camilla Tallam,
Samuel Kiemo,
Anna Kamau,
Irene Rugiri

2. Increased incidences and impact of climate shocks



Source: FinAccess Surveys 2006-2021

- FinAccess data for 2019 and 2021 report rising incidences direct and indirect climate related shocks
- FinAccess data reveals that as climate shock incidences rise, the most vulnerable bear the burden
- The proportion of hh who experienced climate related shocks rose by 2 percent between 2019 and 2021, but a quarter of them incurred asset losses to manage these shocks
- Vulnerable populations therefore manage climate shocks through solutions that are welfare reducing



Source: FinAccess Survey 2021



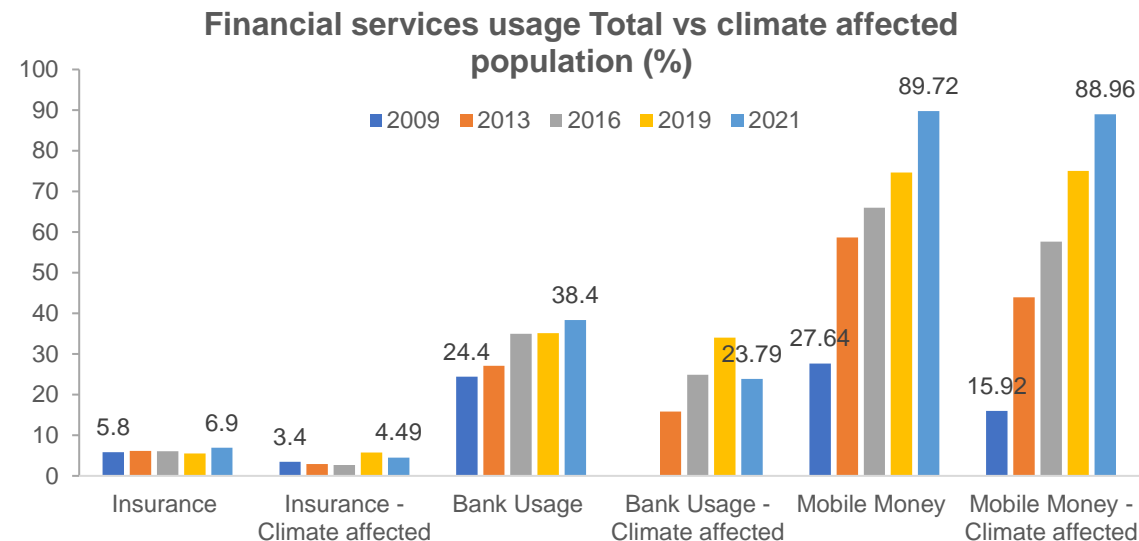
CENTRAL BANK OF KENYA



Camilla Tallam,
Samuel Kiemo,
Anna Kamau,
Irene Rugiri

4. Probit model confirms positive DFS impact on increasing financial inclusion for climate affected populations

	DFS effect with climate shock (%)	DFS effect no climate shock (%)	
Formal	11.6	4.8	6.8
Informal	1.2	1.1	0.1
Bank usage	1.5	1.4	0.1
Insurance usage	0.5	0.5	(0.0)



- Quantitative findings reveals that DFS increases financial inclusion particularly for households who face a climate shock than their counterparts who do not.
- FinAccess data confirms faster rise in mobile money uptake in climate affected population, supporting the positive effect of DFS on inclusion for climate affected populations

Deep dive 4: Is Kenya's financial sector serving women?



Session 3: Is Kenya's financial sector serving women

- Unbundling gender inequalities in financial inclusion in Kenya – **Josea Kiplangat**, Senior Research & Policy Officer at Kenya Bankers Association
- Gender and persistent informality: connecting ethnography to the 2021 FinAccess – **Prof. Sibel Kusimba**, Associate Professor of Anthropology at the University of South Florida & **Naomy Wanga**
- Promoting women financial inclusion and the role of financial sex disaggregated data – **Luis Trevino**, Senior Policy Manager Data– Alliance for Financial Inclusion

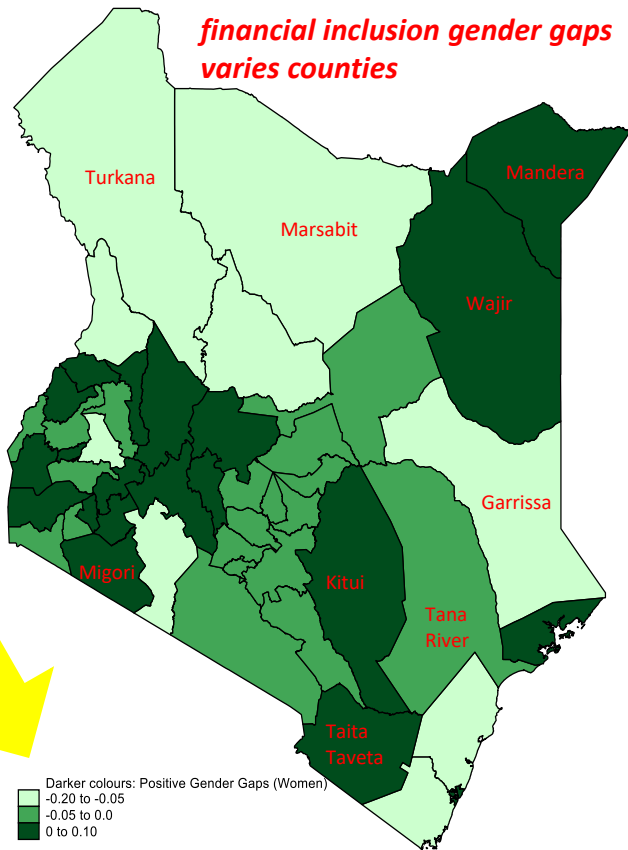
Panel discussion: **Mwangi Githaiga**, MD, Kenya Women Microfinance Bank; **Dr. Radha Upadhyaya**, Research Fellow, Institute for Development Studies, University of Nairobi; **Rosemary Bowen**, Head, Social Statistics, KNBS

Moderator: **Tamara Cook**, CEO, FSD Kenya

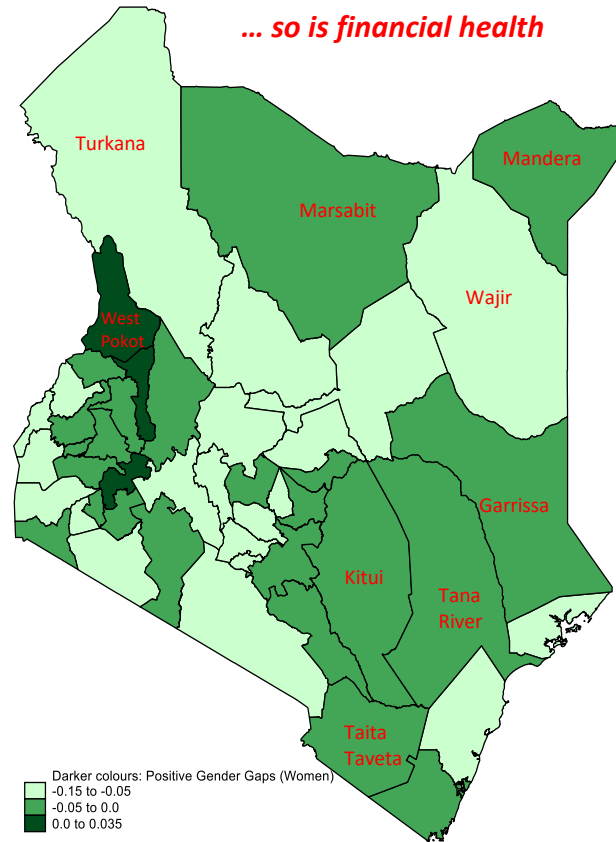


Gender differences in financial inclusion indicators across counties

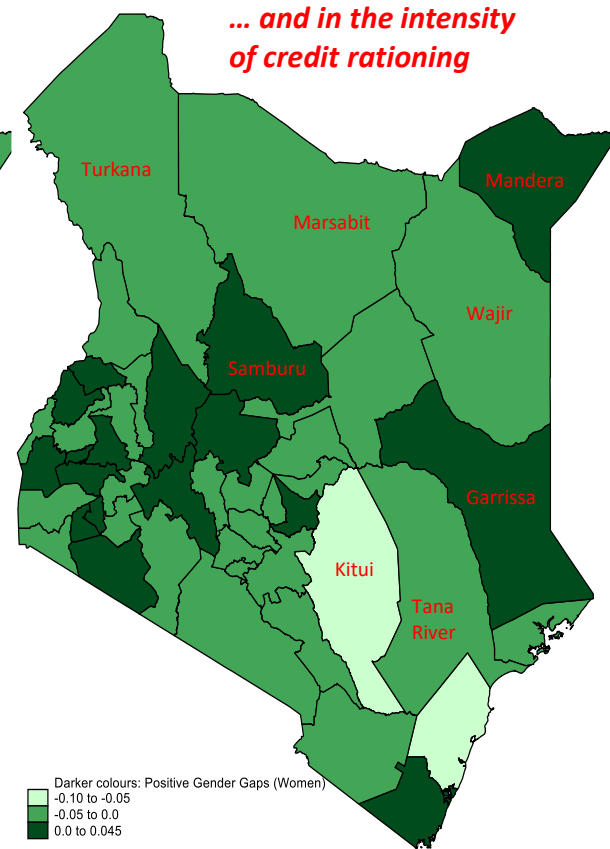
- Despite persistence of gender gaps in financial inclusion, significant heterogeneity is evident across counties on a number of indicators
- Financial inclusion is high in counties such as Mandera and Kitui (Map 1), financial health is low (Map 2), and are more credit rationed (Map 3)



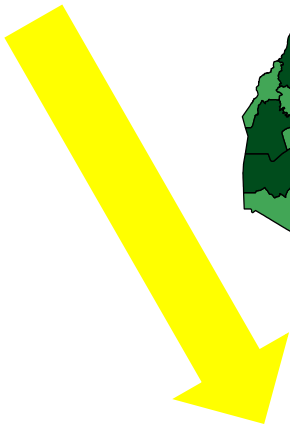
Women are less likely to be financially included than men



Women are less financially healthy than men



More women are credit rationed than men



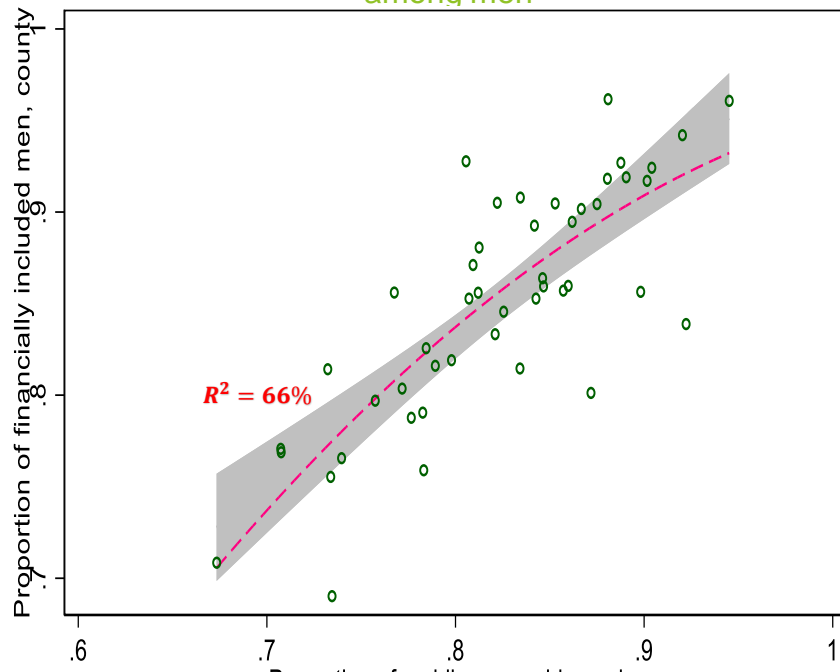


Differential mobile ownership across gender plays a significant role in bolstering financial inclusion

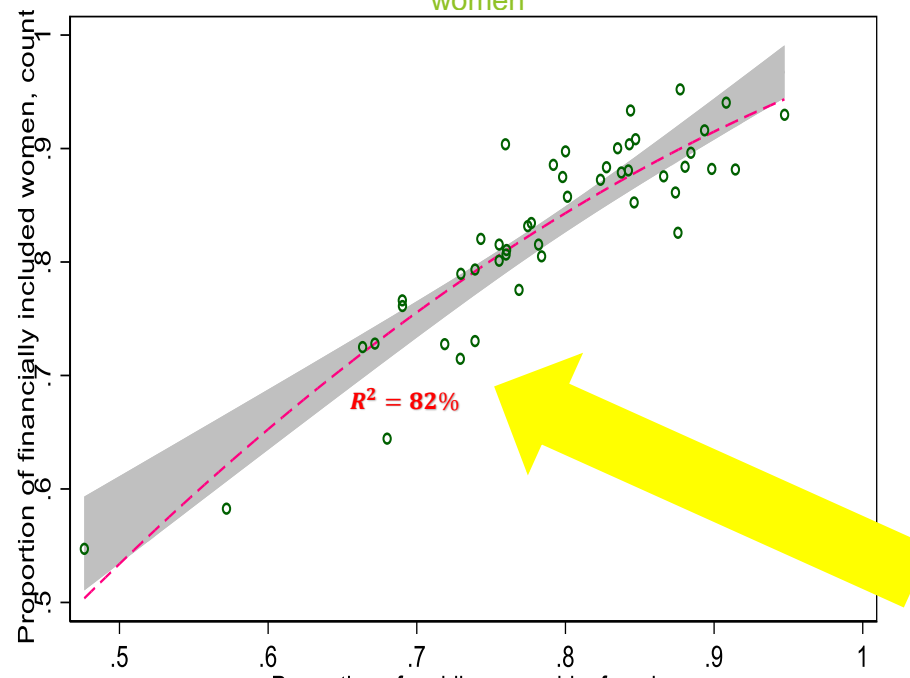
- 82% of men own a mobile phone compared to 79% of women. Moreover, mobile ownership is positively correlated (upward sloping curve) with higher financial inclusion, but more among women (83%) than men (66%).
- A reduction in the mobile ownership gap is critical in closing the gender gaps in financial inclusion (downward sloping curve).



Financial Inclusion and mobile ownership correlation among men



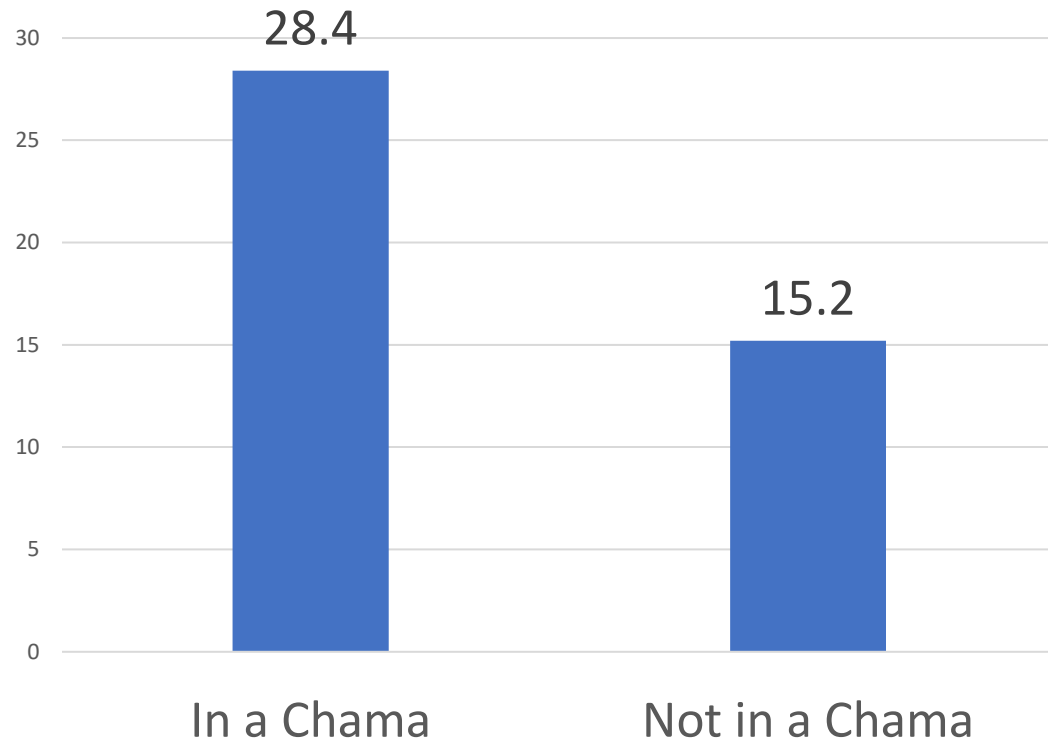
Financial inclusion and mobile ownership correlation among women



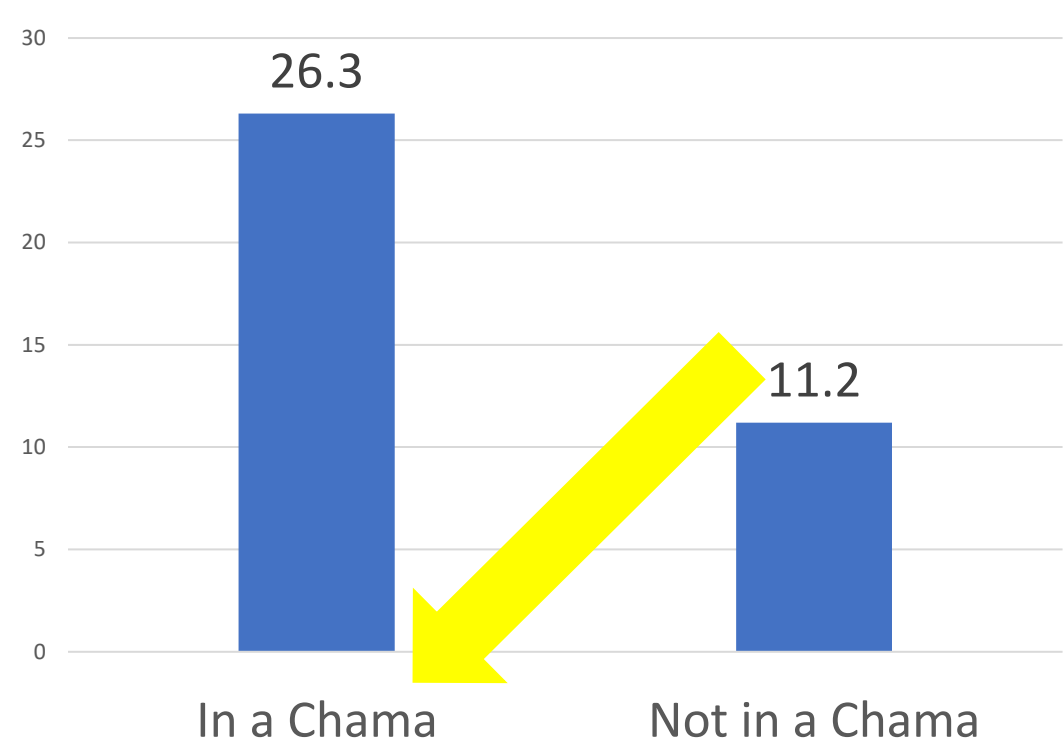
Chama Participants: More are Financially Healthy

Sibel Kusimba
Gabriel Kunyu
Chap Kusimba
Christabel Waluse
Naomy Wanga

% of People Who are Financially Healthy 2021



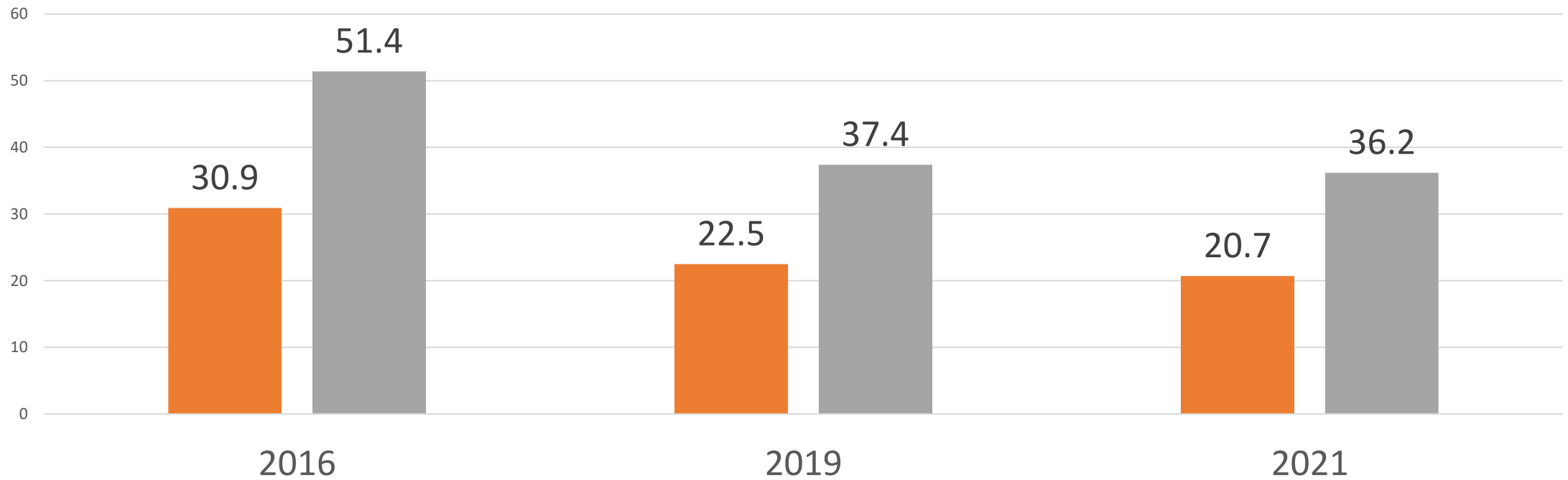
% of **Women** Who are Financially Healthy 2021



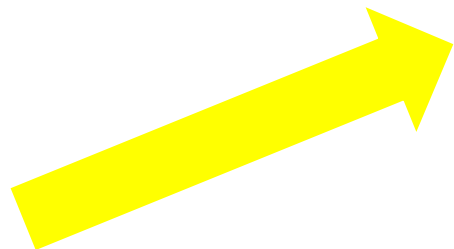
Gender

Pct. in a Chama

Sibel Kusimba
Gabriel Kunyu
Chap Kusimba
Christabel Waluse
Naomy Wanga



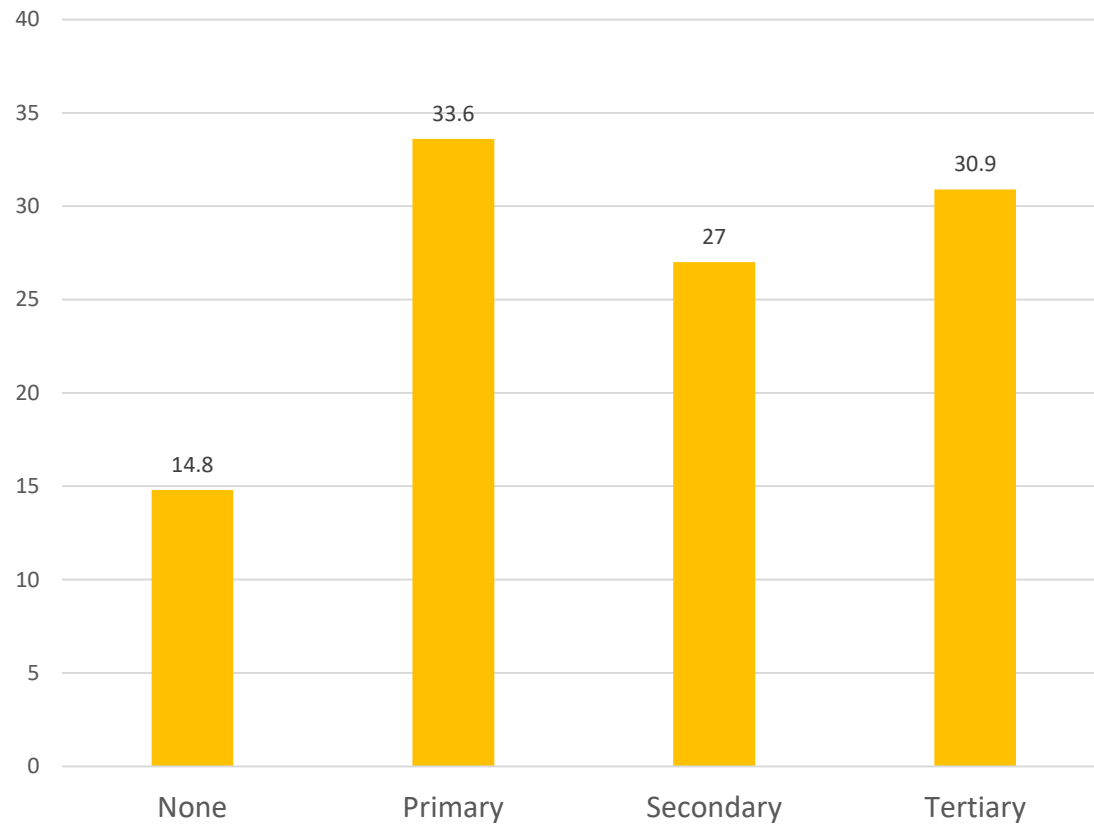
Men Women



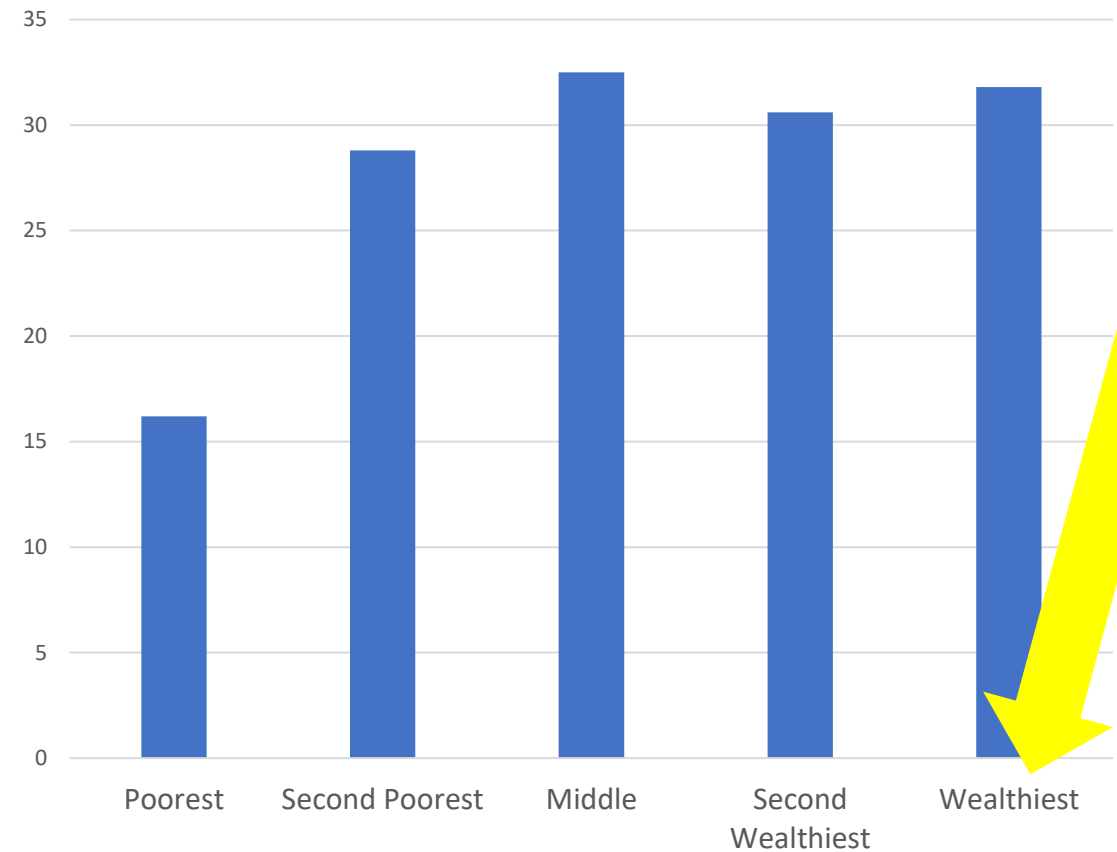
2021 Chama Demographics

Sibel Kusimba
Gabriel Kunyu
Chap Kusimba
Christabel Waluse
Naomy Wanga

By Education Level



By Wealth Quintile



Emphasis on Women Financial Inclusion

Luis Trevino Garza
(Alliance for Financial
Inclusion)

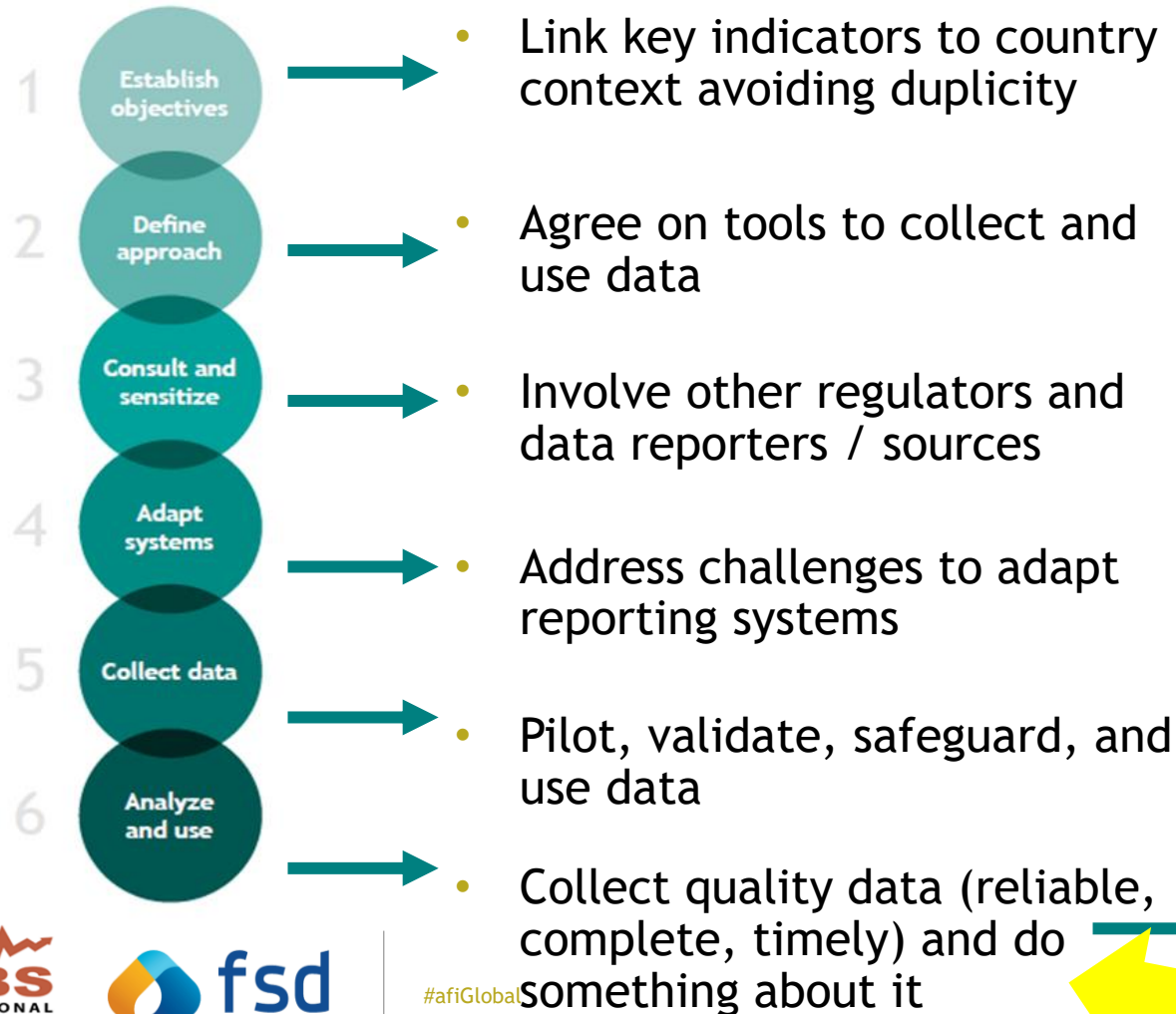
Measuring sex-disaggregated data and challenges involved



[AFI Guideline Note N. 26, 2017](#)



#afiGlobal
www.afi-global.org

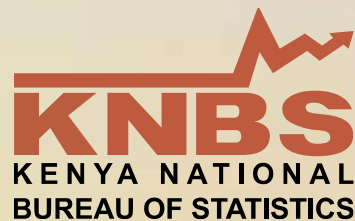


Share key insights and connect the dots!





Central Bank of Kenya



fsd
Kenya

Financial Inclusion

STATISTICS CONFERENCE

FinAccess deep dive
analysis