



Welcome

Policy Issues Around Financial Health

October 2022

Presentation Financial Health Workshop



CENTRAL BANK OF KENYA



Policy Question

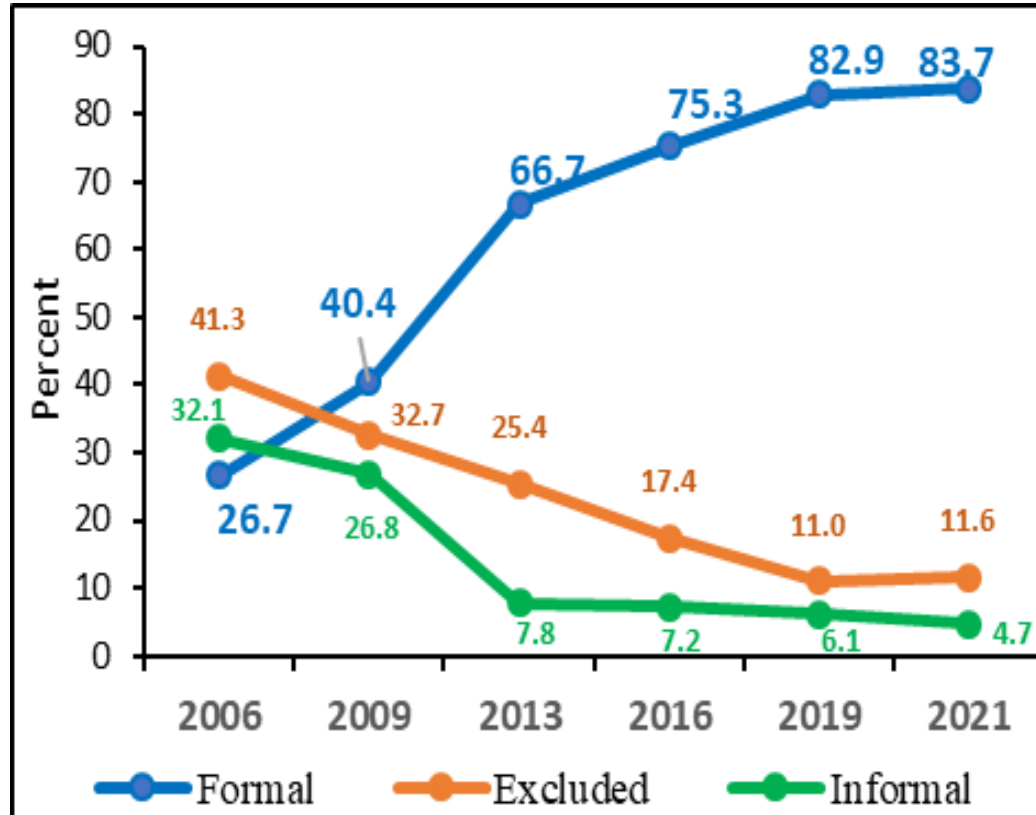
- ❖ Are Kenyans using formal financial services more efficiently to lead a *better quality of life*?

Empirical Evidence shows the accessibility and availability of formal financial services provides a myriad of significant benefits;

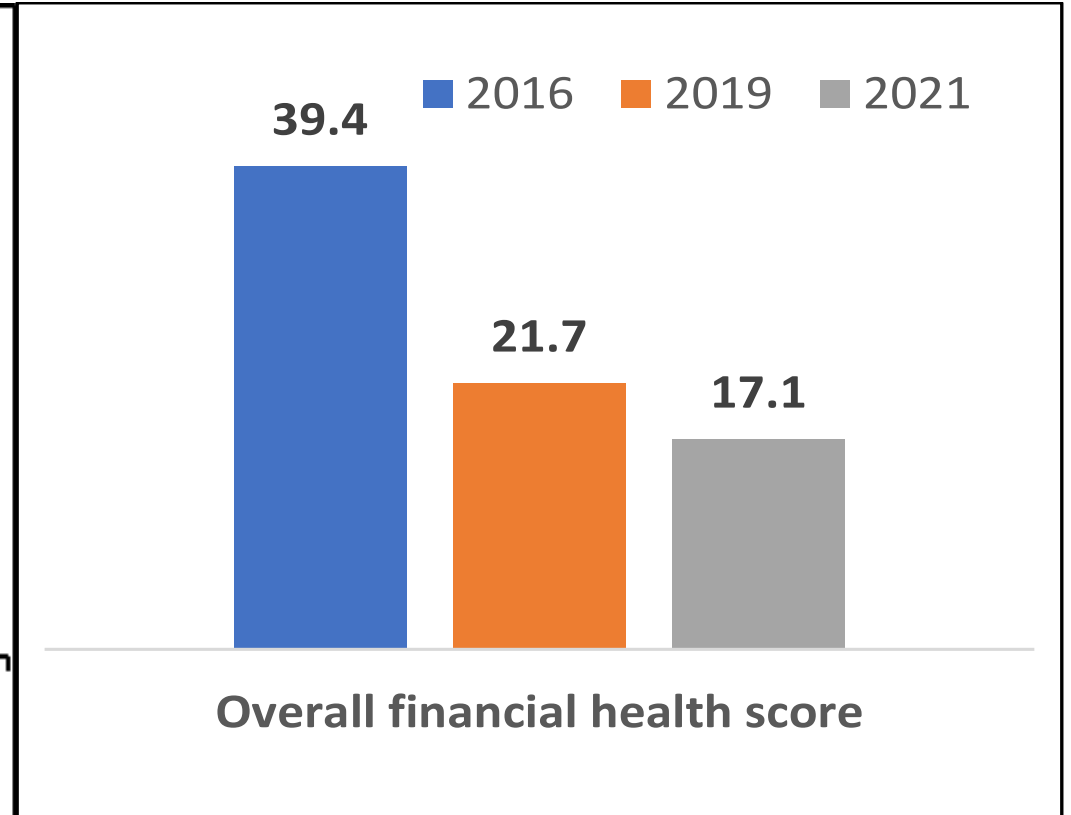
- ❖ Reduce *poverty* and *inequality*;
- ❖ Increase **investments**; increase *savings*;
- ❖ Narrow gender inclusion gap- empower female employment and entrepreneurship and;
- ❖ Achieve *sustainable* and *Inclusive* growth

Beyond Financial Inclusion to Financial Health

Expanding Access to Financial Services;

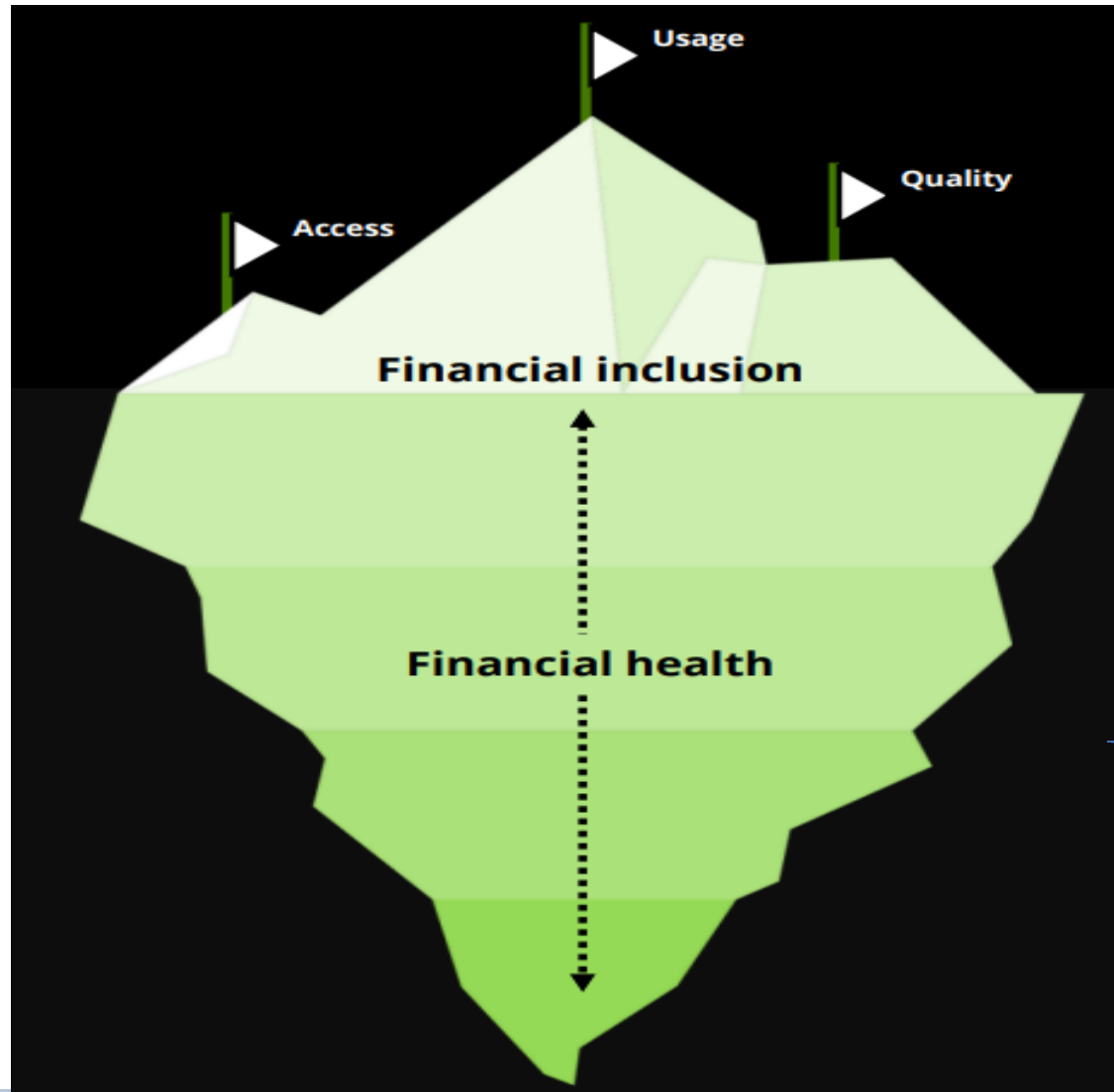


Declining Financial Health(%)



- Despite **expanding financial inclusion – deteriorating FH.**
 - ❖ Policy/problems? - costs, market conduct issues,
 - ❖ Measurement problem? Coverage, indicators, weights, Thresholds

.....Beyond Financial Inclusion to Financial Health



The surface

Financial inclusion is just the **tip of the iceberg**. Though a powerful force, it only focuses on access, usage, and quality of financial products and services.

The core

There is a need to expand the focus beyond financial inclusion to financial health to ensure that more contact with formal financial services has **positive outcomes for the lives of all those** included..

Policy issues on Kenyan's Financial Wellbeing's

1. **Consumer protection**- system downtime, fraud, loss of money;
2. **Market conduct**: unclear charges and terms of transactions....
3. **Trust in the financial sector**; (and its relationship to usage);
(only 2.9% of Kenyans rely on formal financial institutions for advice, compared to 88.3% who rely on themselves and their friends/family).

....Policy issues on Kenyan's Financial Wellbeing's

- 4. Consumer education and capability-** comprehensive knowledge to manage their money and finances effectively.
- 5. Debt stress/indebtedness:** exposure/safeguards (*45.8% missed a payment or paid late, 12.4% paid less, and 10.7% did not pay at all*)
- 6. Affordability:** high cost of products and low awareness about credit terms, including fees and applicable penalties for default (*13.1% of Kenyans use mobile money for day-to-day expenses, compared to 78.9% who use cash*)

Next Policy Actions

- Establish
 - ❖ *consumer financial laws* and regulations to prevent and address Kenyans' over-indebtedness and debt stress- *MTPIV FSS*
 - ❖ *National financial wellbeing strategy/Financial Inclusion Strategy* to drive industry-wide change;
- Accelerate the
 - ❖ *interoperability of payments systems* to decrease transaction costs and improve the overall experience for consumers;
 - ❖ utilization deep tech to provide Kenyans with *affordable, easy-to-use pension,, savings, investment solutions and insurance (provide Kenyans with affordable insurance tailored to their risk profile)*
- Robust framework of financial health
 - ❖ Broaden Financial Health measurement of impact, moving away from binary results based only on account access to embrace the *larger goals of financial security, resilience, and quality of life.*

Media Articles

1. Consumers' financial health: Key lessons for digital lenders; by CAK
<https://www.standardmedia.co.ke/branding-voice/article/2001440331/consumers-financial-health-key-lessons-for-digital-lenders>
2. A new survey released by digital lender, Tala has reported improved **financial health** of the digital lenders on its client base signaling improved financial resilience partly attributed to the relaxation of some of the Covid-19 restrictions. <https://www.capitalfm.co.ke/business/2022/03/kenyans-report-improved-financial-health-in-last-6-months-poll/>
3. Financial health declines in Kenya, while financial services access and use rises;
<https://www.developmentpathways.co.uk/news/financial-health-declines-in-kenya-while-financial-services-access-and-use-rises/>
4. FinAccess 2021: COVID-19 impacts on financial health and resilience;
<https://www.rfilc.org/library/finaccess-2021-covid19-impacts-on-financial-health-and/>
5. Kenyans' financial health declines despite easy access to money services;
<https://kenyanwallstreet.com/kenyans-financial-health-declines-despite-easy-access-to-money-services/>
6. Half Of Kenyans Are Living In Debt – Report; <https://www.citizen.digital/business/half-of-kenyans-living-in-debt-report-n297334>



Thank You!



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