Policy Issues Around Financial Health

October 2022

Presentation Financial Health Workshop
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

Policy Question

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


5. Kenyans’ financial health declines despite easy access to money services; https://kenyanwallstreet.com/kenyans-financial-health-declines-despite-easy-access-to-money-services/

Thank You!