BEYOND FINANCIAL INCLUSION

Central Bank of Kenya

KNBS KENYA NATIONAL BUREAU OF STATISTICS

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UNIVERSITY OF NAIROBI

Financial Inclusion
STATISTICS CONFERENCE

Hosted at the Confucius Institute (Arboretum Drive), University of Nairobi & the Kenya School of Monetary Studies

8 - 11 NOVEMBER, 2022 LIVE & ONLINE SESSIONS

Leveraging Financial Inclusion Statistics for Policy and Creation of Economic Opportunities

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For more information and registration, email: **researchstat@centralbank.go.ke**

VENUE: University of Nairobi

Leveraging Financial Inclusion Statistics for Policy and Creation of Economic Opportunities

DAY ONE 13:00 HRS **8 NOV/ TUE**

University Research Seminar: Hybrid

Role of universities in research for policy formulation and creating value for statistics

13:00 – 13:25	Arrival and registration of participants
13:25 – 14:00	• Opening Remarks **Prof. Robert Mudida,** Director Research, CBK • Remarks by **Simon Gaitho,** Head External, Fiscal & Financial Statistics, KNBS • Key Remarks **Prof. Stephen Kiama,** The Vice Chancellor, UoN **Moderator: Prof. Jack Odhiambo,** Dean, Faculty of Arts and Social Sciences
14:00 – 15:00	**Session 1: Beyond financial inclusion** • Financial health in Kenya, beyond financial Inclusion, **Juneweenex Mbuthia,** PhD student UoN • Financial health and nexus with digital financial services: Deconstructing the gender gap, **Dr. Davis Bundi Ntwiga**, Dept. of Mathematics, UoN **Panel discussion: Dr. Roseline Misati,** Senior Manager, MPC Secretariat, CBK; **Luis Trevino,** Senior Policy Manager Data, Alliance For Financial Inclusion; and **Prof. Rosemary Atieno,** Associate Professor, Department of Economics and Development Studies, UoN. **Moderator: Dr. Linet Arisa,** Head of Market Support and Linkages, Youth Entreprise Development Fund
15:00 – 16:00	**Session 2: Role of mobile money in driving financial inclusion and exclusion** • Explaining gambling behaviour among the youth in Kenya by **Dr. Dickson Wandeda**, Lecturer UoN & **Kefa Simiyu**, Master's Student UoN • Utilization of mobile money services and financial inclusion in Kenya (evidence from 2021 finaccess survey data) by **Florence Nelima Simiyu**, PhD student UoN and **Milimo E G Davis**, Master's Student UoN **Panel discussion: Dr. Maureen Were,** Manager Research Dept, CBK; **Dr. Moses M. Muthinja,** Lecturer, Finance and Public Policy, KU; and **Dr. Benedict Ongeri,** Lecturer, Dept. of Economics and Development Studies, UoN. **Moderator: Dr. Samuel Kiemo,** Economist, Fin. Inclusion & Innovation, CBK
16:00 – 16:15	**HEALTH BREAK**
16:15 – 17:00	**Summary comments all the papers** • **Prof. Tavneet Suri**, Professor, Applied Economics at the MIT Sloan School of Management **Moderator: Dr. Martine Oleche,** Ag. Chair, Department of Economics and Development Studies, UoN
17:00 – 18:00	**Presentation on research in the service of policy** • **Prof. Christopher Yenkey,** University of South Carolina, Associate Professor, International Business **Moderator: William Etwasi,** Head, External Sector Statistics, KNBS
18:00	**Vote of thanks: Cappitus Chironga,** Manager, Financial Sector Analysis, CBK

VENUE: Kenya School of Monetary Studies

DAY TWO 09:00 HRS 9 NOV/ WED

Leveraging Financial Inclusion Statistics for Policy and Creation of Economic Opportunities

Hybrid Event (Virtual and Physical)

09:00 – 09:10	Remarks by **James Kashangaki**, Chief Programme Officer, FSD Kenya
09:10 – 09:20	Remarks by **Collins Omondi**, Director, Macroeconomic Statistics, KNBS
09:20 – 09:30	Opening remarks by **Prof. Robert Mudida**, Director, Research, CBK
09:30 – 10:30	**Session 1: Financing economic sectors** • Role of deposit insurance in promoting digital financial inclusion, **Mohamud A. Mohamud**, CEO, KDIC • Financial inclusion through agriculture, **George Kubai**, Agricultural Finance Corporation • Role of financial inclusion statistics in digital finance, **Mary Gichuki**, Advocacy Manager, GSMA Mobile Money Programme **Moderator: David Sandagi,** Ag. Manager, Compliance SASRA
10:30 – 11:00	**HEALTH BREAK**
11:00 – 13:00	**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: Anzetse Were,** Senior Economist FSD Kenya
13:00 – 14:00	**LUNCH BREAK**
14:00 – 16:30	**Session 3: Financial statistics to inform policy for broad-based financial inclusion** • Role of data in driving financial inclusion for Sacco's societies, **Keneth Bichanga,** SASRA • Deepening capital markets participation using Financial Inclusion Statistics, **Wilberforce Ong'ondo**, CMA • Role of data in driving financial inclusion for insurance, **Teresa Nyatuka**, IRA • Role of data in driving financial inclusion for pensions, **Ben Kipanga**, RBA • Relevance of disaggregate supply side data in driving financial inclusion (gender, county, remittance corridor), **Cyrus Mugo**, CBK **Plenary discussion** **Moderator: Tabitha Mwangi,** Head Financial Statistics, KNBS

VENUE: Kenya School of Monetary Studies

Leveraging Financial Inclusion Statistics for policy and creation of economic opportunities

DAY THREE 09:00 HRS **10 NOV/ THR**

Hybrid Event (Virtual and Physical)

08:30 – 10:30	**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
10:30 – 11:00	**HEALTH BREAK**
11:00 – 13:00	**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: Anzetse Were,** Senior Economist FSD Kenya
13:00 – 14:00	**LUNCH BREAK**
14:00 – 16:30	**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

VENUE: Kenya School of Monetary Studies

DAY FOUR
07:30 HRS

11 NOV/ FRI

Leveraging Financial Inclusion Statistics for policy and creation of economic opportunities

Hybrid Event (Virtual and Physical)

07:30 – 08:30	**BREAKFAST**
09:00 – 13:30	• Award of CBK Financial Inclusion Research Prize, **Prof. Tavneet Suri**, Professor, MIT Sloan School of Management • Product designs and market reach using financial inclusion data, **Dr. Habil Olaka,** CEO, Kenya Bankers Association • FinAccess deep dives a retrospective on financial inclusion journey, **Tamara Cook,** CEO, FSD Kenya • Key highlights from County FinAccess Survey Report, **Macdonald G. Obudho,** MBS, Director General, KNBS • COG Secretariat, **Ms. Mary Mwiti**, CEO, Council of Governors • Policy issues on financial inclusion, **Dr. Patrick Njoroge,** Governor, CBK • Keynote Address, **Prof. Njuguna Ndung'u**, Cabinet Secretary, The National Treasury • Launch of the **FinAccess Household Survey County Report 2022** • Vote of thanks: **Prof. Robert Mudida,** Director Research, CBK **Moderator: Wallace Kantai,** Head, Communications, CBK
13:30 – 14:30	**LUNCH BREAK**
15.00 -16.00	**Guest Lecture on 'Frontiers of financial inclusion'** **Mr. Asad Alam**, Regional Director for Eastern and Southern Africa, Equitable Growth, Finance and Institutions, World Bank **Moderator: Raphael O. Otieno,** Deputy Director Research, CBK
15.00 - 15:10	**Conference Closure: Tamara Cook,** CEO, FSD Kenya

Leveraging Financial Inclusion Statistics for policy and creation of economic opportunities

Speakers & Presentations

9 NOV/ WED 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, FinMark Trust; **Tabitha Mwangi,** KNBS; **Carol Matiko,** GMaurich consulting

The paper provides an overview of Kenya's financial sector development since 2006, together with corresponding changes in welfare and livelihoods. This paper combines FinAccess survey data with econometric techniques, macroeconomic data, and in-depth interviews. Various welfare measures show significant improvements and declines over this period. There have also been substantial changes in the mix of livelihoods people earn money from. We uncover the relationships between traditional finance, digital finance and liquidity, resilience, and growth measures of welfare. We propose key qualities for livelihoods that enable the capital accumulation to invest in improved opportunities, how parts of the traditional financial sector are predisposed to institutional relationships that benefit certain livelihoods, and how digital finance has changed some but not all of these dynamics.

Livelihoods segmentation: A deeper dive into the unmet financial needs of key economic segments
– Jess Robey, Consultant, 71 point 4

The paper identifies 8 key livelihood segments which represent 'low hanging fruit' for the financial sector (including public sector employees, small and micro firms, cash crop farmers, urban core casual workers). The segments were chosen because of their size and/or aggregate income which present a business opportunity for financial service providers. Using this segmentation, the paper looks in more detail at the unmet needs of these underserved segments, their risk profiles and opportunities for financial services providers to better meet their needs. The paper focuses on two examples of urban segments – urban casual workers who are more male and earn substantially more than other casual worker segments, primarily from construction and micro firms who have a similar profile but with a higher proportion of women.

Speakers & Presentations

Leveraging Financial Inclusion Statistics for policy and creation of economic opportunities

Statistics to Inform and Monitor Policies for Micro and Small Enterprises (MSEs): The case for Trackers Surveys
– **Tabitha Mwangi,** Head Financial Statistics, KNBS

FinAccess 2021 shows a substantial decline in the proportion of the population deriving their livelihood from MSEs between 2019 and 2021. The rich and detailed data on the financial behaviour and status of different population segments collected through FinAccess, however, cannot sufficiently explain the drivers of these trends. To understand the declining resilience and viability of MSEs during the COVID-19 Pandemic, more granular data was needed. The Kenya National Bureau of Statistics, Central Bank of Kenya and FSD Kenya therefore decided to instigate a tracker survey in 2020 to track the impacts of COVID-19 on a panel of MSEs drawn from the 2019 FinAccess sample. The survey took place over 3 rounds, the final round being in July 2021. We found that the more resilient MSEs were micro firms with tiny revenues who were able to survive through reliance on social network finance as well as seeking opportunities in casual labour markets to keep themselves afloat. On the other hand, higher revenue MSEs with fixed costs such as rent, labour, energy etc., were less resilient and more likely to close or face a significant decline in revenue. The latter were still too informal to have benefited from government measures such as reductions in VAT and turnover tax or bank loan restructuring, and there were few other sources of liquidity available to support their recovery.

10 NOV/ THUR 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 and Managing Partner M-Pensa Impact and Development Services

How inclusive has Kenya's financial inclusion journey been? MPensa have developed a tool which merges FinAccess data from 2006 – 2021 to measure the aggregate impact of financial inclusion on exclusion- what proportion of the population are still excluded from access to a meaningful suite of financial services (savings, credit, insurance pensions and a basic financial account); and inclusivity (e.g. gaps across different population groups). The paper suggests that exclusion is deepening in the digital age for those who do not have a mobile money account. It also looks at the impact of the pandemic on financial inclusion: for example, retirees fared better than other groups, possibly because of access to pensions; while government civil servants were hardest hit- possibly because of the pressures on their incomes from an increasingly cash-starved social network.

Leveraging Financial Inclusion Statistics for policy and creation of economic opportunities

Speakers & Presentations

10 NOV/ THUR SESSION 1:

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

Is financial consumer protection achieving its purpose?" - Proof of concept for a FinAccess Kenya Fair Consumer Outcomes Index
– Christine Hougaard, *Technical Director, CENFRI*

Having made great progress in reach and usage, the strategic emphasis in financial inclusion in Kenya is shifting to the need for the financial sector to deliver value to consumers. The FinAccess survey can be used to derive insights on consumer outcomes to help inform this agenda. This study developed a weighted financial consumer outcomes index for Kenya based on available indicators from the FinAccess survey that speak to core financial consumer protection elements and outcomes as defined in the global literature. It is put forth as a proof of concept for future refinement. The findings point to overall success of the regulated financial sector in generating positive consumer outcomes, but shows up distinct areas for further development. It also shows up particular vulnerabilities among women, rural and older consumers, as well as those outside of formal employment.

The State of Financial Health in Kenya.
– Amrik Heyer, *Senior Research Specialist, FSD Kenya*

Despite rising levels of inclusion between 2016 and 2019, Kenya's financial health has declined steeply. This paper suggests plausible drivers of these declines. Four key drivers are identified: inflation leading to rising cost of basic goods and services; stagnant or declining incomes leading to reduced purchasing power for households; decline in economic opportunity and quality of jobs; demographic change resulting in pressure on household budgets from the rising burden of care and increased investments in education, especially secondary school. Impacts for financial inclusion include rising use of social network and digital finance which are easy to access for liquidity management; and a corresponding decline in longer-term, higher value financial solutions which support investment and growth such as chama, bank and SACCO finance. This begs the question of how far financial inclusion can catalyse inclusive growth in an environment of reducing economic possibilities and declining resilience.

Speakers & Presentations

Leveraging Financial Inclusion Statistics for policy and creation of economic opportunities

9 NOV/ THUR Panel 2:

Climate, environmental risk and financial inclusion

Climate change, environment and risk: how has financial inclusion impacted environmental risks and vice versa?
– Joe Ogutu, *Senior Statisitician · Biostatistics Unit, Institute of Crop Science, University of Hohenheim;* **Michael King,** Assistant Professor of Economics, Trinity College Dublin

Climate and environmental changes present consequential and recurring risks to human livelihoods and wellbeing. They are often driven by human population growth and development. Financial inclusion can address these risks but can either ameliorate or exacerbate them depending on the context. For financial inclusion to effectively mitigate these risks, it should consider how these risks interact with the biophysical template and human population density and promote sustainable land use, protection of ecosystem goods and services and ecological processes, such as wildlife migrations and natural water cycles. We describe the biophysical context, human population expansion and climate change and provide examples of negative and positive consequences and suggest how to improve environmental and climate outcomes of financial inclusion in Kenya.

Digital Financial Services and Climate Risk
– Anne Kamau, Camilla Talam, Samuel Kiemo, Irene W. Rugiri,

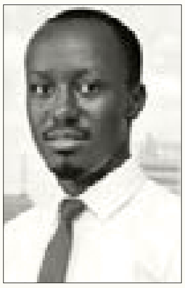
This paper leverages FinAccess data to examine the potential for climate-risk populations to use financial services to offset these risks. Despite the growing range of solutions to address climate risk including index-based insurance, the paper finds that there is minimal uptake of climate finance solutions, especially among climate risk populations. The paper suggests that this is partly because of the extreme vulnerability of climate risk populations and their above-average poverty levels. As a result, climate risk populations are less likely to be digitised and less likely to be formally financially included, compromising their use of innovative solutions to offset climate risk. The paper concludes by suggesting that along with the development of more appropriate financial solutions to support sustainable development and mitigate climate risk, other interventions may be necessary to improve uptake of these solutions. These include facilitating access to digital infrastructure and financial literacy for populations most exposed to climate shocks, as well as interventions to improve incomes and livelihoods.

Leveraging Financial Inclusion Statistics for policy and creation of economic opportunities

Speakers & Presentations

9 NOV/ WED SESSION 3:

Is Kenya's financial sector serving women?



Unbundling Financial Inclusion Gender Inequalities in Kenya.
– Josea Kiplangat Cheruiyot, *Senior Research & Policy Officer, Kenya Bankers Association*

Gender differences have been observed not only in the labour markets, agricultural markets, but also in within the financial markets. Using the 2021 FinAccess Survey data, this paper examines the gender differences (gaps) in financial inclusion in Kenya. The results reveal that despite persistence of gender gaps in financial inclusion, significant heterogeneity is evident across counties with certain counties having a positive gender gap in favour of women. Moreover, we show that women are more likely to be credit rationed than men, less aware about transaction costs, less financially healthy, and financially literate, albeit with heterogeneity across the counties. Lastly, we undertake a decomposition analysis to document the drivers of the gender gaps and we establish that women empowerment, ownership of mobile phones, and social capital among others are responsible. These results have significant policy implications towards addressing the persisting gender gaps in financial inclusion.

Gender and persistent informality: connecting ethnography to the 2021 FinAccess.
– Dr. Sibel Kusimba and Naomy Wanga, *University of Nairobi*

Connecting ethnographic insights with FinAccess data, we examine the role of chamas (informal financial groups) as forms of mutual finance and as key parts of Kenya's financial landscape. Based on focus group discussions and participant observation with savings, table banking, investment, and other informal group members in Nairobi, Kajiado, Bungoma, Uasin Gishu, Trans-Nzoia, and Kilifi Counties in 2021, our paper busts myths around chama demographics, examines their role in credit and savings, and consider their consumer benefits and risks. Finally, we examine trends towards formalization and digitization and reflect on the future of chamas

Speakers & Presentations

Leveraging Financial Inclusion Statistics for policy and creation of economic opportunities

The importance of sex-disaggregated data in driving financial inclusion for women
– **Luis Trevino,** *Alliance for Financial Inclusion*

This paper will present summary findings on gender from Findex, before going on to discuss the differences between demand-side data and supply-side data in capturing relevant information on barriers and opportunities to better serve women. Supply-side data can give us information that demand-side data cannot including risks (e.g. non-performing loans), average loan sizes and transaction frequencies for women vs men all of which are important in understanding the business case for women's markets. The importance of regular reporting of sex disaggregated data is increasingly appreciated by regulators and other data aggregators across the world, but there are still barriers in implementing effective market information systems that support this. These include information systems within financial institutions which may not be well calibrated or aligned to capturing and disaggregating information by sex (or other significant population characteristics such as age). Kenya is a leader in the African continent with respect to financial inclusion, and is therefore in a strong position to also take a lead in developing supply-side data systems which can drive financial inclusion for women.

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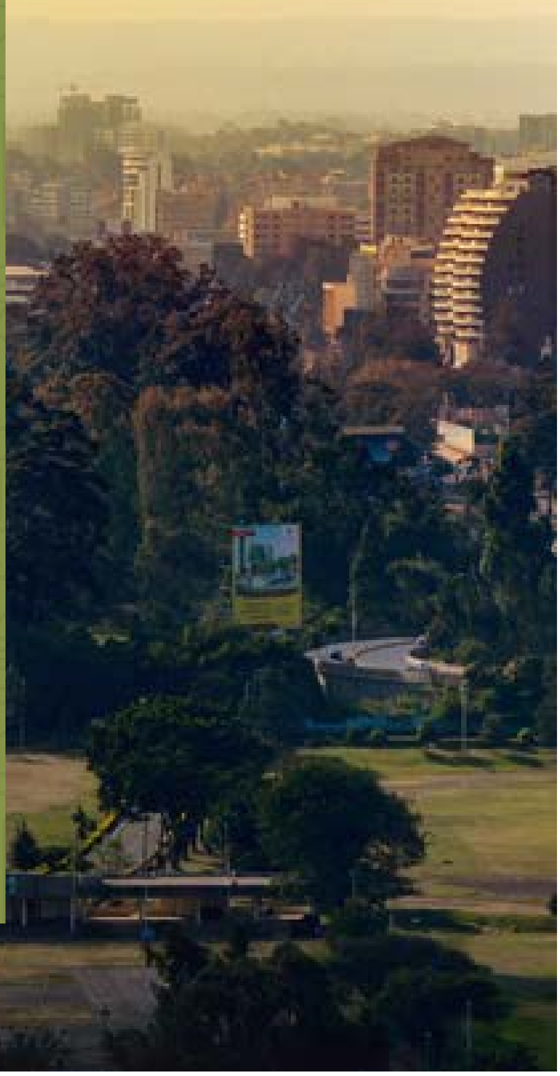

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