

The Role of Financial Inclusion Statistics in Digital Finance

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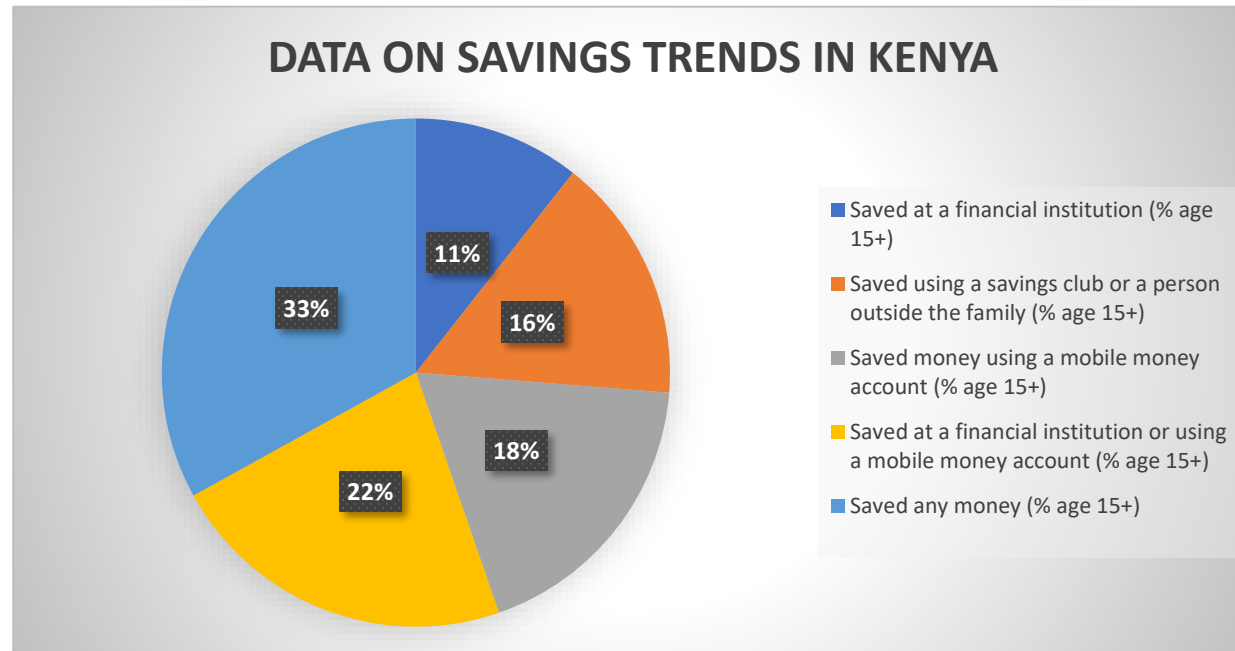
What is Financial Inclusion?

- This refers to a state in which all people who can use FS have access to a full range of quality financial products and services provided at affordable prices, conveniently, and with dignity for the clients. Center for Financial Inclusion
- Alliance for Financial Inclusion digital financial inclusion refers to using and promoting digital financial services (DFS) to advance financial inclusion.
- This means payment transactions, including savings, credit, and insurance – are delivered using digital financial platforms in a responsible, safe and sustainable way.
- The world bank has identified financial inclusion as a key enabler of seven out of the seventeen SDGs. At the same time, mobile money contributes to 13 out of the 17 SDGs.

What brings about financial inclusion?

- Access to a transaction account is the first step toward greater financial inclusion because it allows people to store money and send and receive payments.
- A transaction account serves as a gateway to other financial services, so ensuring that people worldwide have access to one remains a key priority to all stakeholders and is among the main drivers for digital financial services.
- Evidence suggests that households and businesses with access to financial services are more resilient to financial shocks than those without. Moore and colleagues (2019).

Savings Trends in Kenya



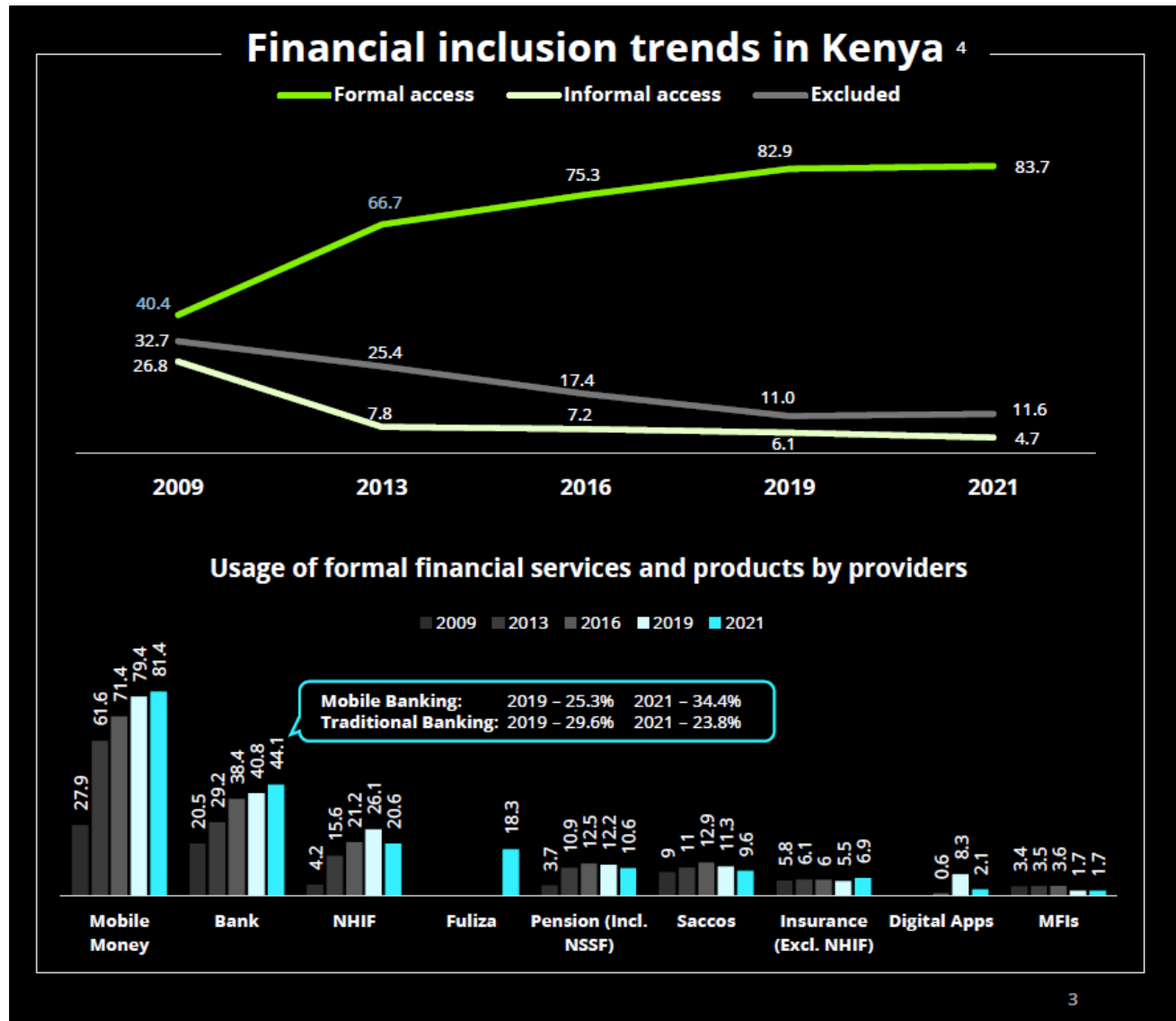
*Source: [Data from database: Global Financial Inclusion](#)

The contribution of mobile money to financial inclusion?

- Digital financial services, such as mobile money accounts, enable users to store funds cheaply and securely and to transfer them rapidly over great distances, which increases domestic remittances and consumption. This was highly evidenced globally during the covid 19 period when the value of digitized currency via mobile money agent networks grew by 18 per cent in 2021, reaching a total of \$261 billion or more than \$715 million daily. (GSMA, state of the Industry report)
- There was also a rise in the trend where more cash was converted into e-money and this either continued to be circulated as such or was digitally spent rather than being cashed out. (For every 3\$ cashed in, only \$2 was cashed out. This presents a 24% drop from 2012. (GSMA, state of the industry report)
- A study conducted in Kenya in 2019 discovered that mobile money users who experienced an unexpected drop in income were able to receive money from a more geographically dispersed social network of family and friends and did not have to reduce household spending. (World bank 2021, finindex report)
- In a second study that compared the development outcomes of women in regions where mobile money accounts were rapidly adopted to those in regions where they were less prevalent. In areas with high mobile money access, nine percentage points fewer women lived in poverty, and their consumption was higher by more than 18.5 percentage points than in areas with limited mobile money access. Suri and Jack 2016

The State of Digital Financial Inclusion in Kenya?

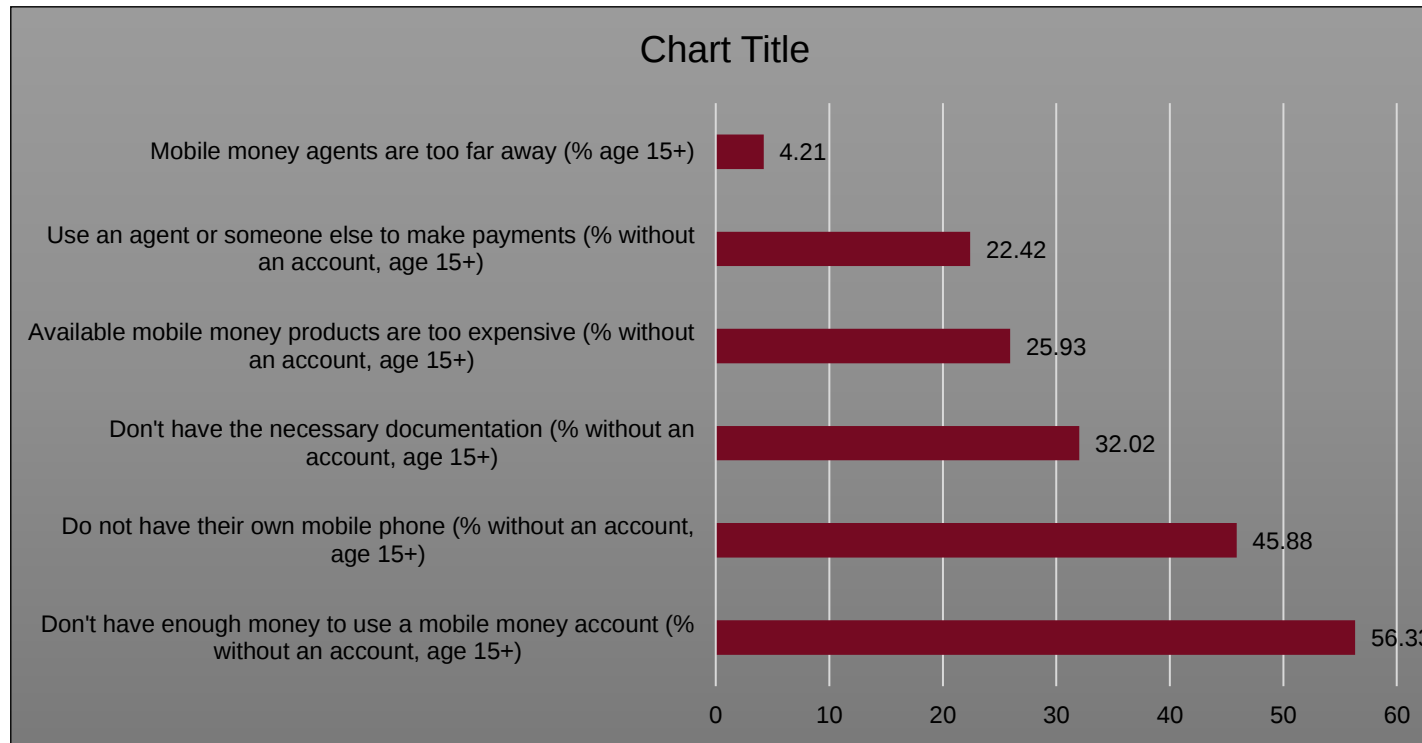
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- 83.7% of Kenyans have formal access while 4.7% of Kenyans have informal access leaving an 11.6% of Kenyans being excluded.
- Out of the 83.7% with formal access 81.4% of them use mobile money and this is a 53.5% increase since 2009
- The data shows that there is an increase in mobile money services uptake compared to the other financial services.
- There is a need to invest in the industry to enhance security and increase trust in the use of mobile money and other digital finance solutions.

*Source: [Deloitte Insights](#)

Statistics of Mobile Money Services Uptake Hindrance



- Despite the previous data we still have about 18.6% of Kenyans without a mobile money account
- 56.33% of the state the reason for this is the fact that they do not have enough money to use a mobile money account.
- 45.88% do not have a mobile money account due to the fact they do not own a mobile phone

*Source: [Data from database: Global Financial Inclusion](#)

What does this mean to the industry?

- These figures demonstrate that mobile money is a critical tool for increasing access and closing the financial inclusion gap.
- More needs to be done to improve the mobile money landscape and empower people to feel confident enough to use their mobile money accounts.
- Industry stakeholders must collaborate to create a sustainable, reliable and safe digital financial system.
- There is a continuing need for more enabling regulatory interventions (especially when it comes to addressing the lack of necessary documentation) and frameworks to increase access, drive uptake and safe use of digital financial services (Investment in financial literacy and financial health initiatives).
- That mobile money can be used as a tool to help the country's economic growth agenda.
- There is still room for all stakeholders to improve the use, drive uptake, and adoption of mobile money.

The Role of Statistics in Digital Finance

- Providing everyone with suitable and appropriate financial services, inclusive digital activity can bring a new generation of data footprints.
- Digital financial services companies have one leg lodged in the financial system and the other building on data intelligence.
- As mentioned earlier financial inclusion statistics data has been a critical driver of the digital financial industry. This is because the data has:
 - I. Been used to inform the development and formulation of industry policies.
 - II. The development of products and services.
 - III. To drive the adoption of global standards and best practices.
 - IV. Encourage greater collaboration and development of industry-led initiatives.
 - V. This data has been used as an industry yardstick for players to measure themselves against global standards and market forces.
 - VI. Analyze and understand where providers are lagging especially in addressing consumer needs.



Big Data + Analytics = Insights = Financial Footprint

Conclusion

- Effective financial inclusion will still remain critical, especially in Low-middle-income economies, which are working to uplift the welfare of all citizens within their borders.
- In Kenya, the discussion around financial inclusion has been highly data-driven, and now we have gotten to the point where we have to think about going beyond financial inclusion by addressing the new phenomenons, which are financial health and financial literacy.
- As we have seen from the latest financial health report, financial inclusion doesn't necessarily translate to financial health.
- This conversation should ideally not be addressed by one stakeholder but by all stakeholders.
- Now more than ever, all industry players need to collaborate more in addressing these new challenges, just as it has been while addressing the financial inclusion gap.
- As we talk about the use of statistical data and its attribution in driving decision-making, let us not forget the importance of conducting these analyses within the confines of the laid-out data protection laws and principles.

Thank You