Insights from FinAccess 2021

Governor’s Meeting with CEOs of the Financial Sector

10th March 2023, Kenya School of Monetary Studies
Introduction

- Financial inclusion is a key pillar in developing a globally vibrant and competitive financial services sector.
- An inclusive financial sector underpins the achievement of Kenya’s Vision 2030 including our fast growing digital economy.
- Financial inclusion is also central to improving household welfare and achieving Kenya’s aspirations under the sustainable development goals.

Objectives of the survey:

1. Provide nationally representative data to track progress towards financial inclusion
2. Understand drivers of financial behaviour (formal and informal)
3. Identify challenges and opportunities for deepening financial inclusion
4. Inform evidence-based policy and business development
Paradoxes in Kenya’s financial sector...
IMPACT:
Rise in formal inclusion; BUT decline in financial health

Financial inclusion

Financial health


26.7% 39.4% 83.7% 17.1%

Ability to manage day to day
Ability to cope with risks
Ability to invest in livelihoods and the future

2016 2019 2021

63.0% 52.4% 46.5%
55.3% 36.9% 21.8%
45.0% 23.3% 39.5%
RELEVANCE:
Growth in formal usage; BUT decline in meeting people's needs

% of the population using formal accounts

Use of formal solutions to bridge liquidity, manage shocks and invest in goals

<table>
<thead>
<tr>
<th>Year</th>
<th>Savings</th>
<th>Credit</th>
</tr>
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<tbody>
<tr>
<td>2016</td>
<td>40%</td>
<td>15%</td>
</tr>
<tr>
<td>2019</td>
<td>55%</td>
<td>23%</td>
</tr>
<tr>
<td>2021</td>
<td>68%</td>
<td>32%</td>
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13% 7% 17% 7% 29% 18%

Managing day to day needs  Dealing with shocks  Future goal

(100% adults 18+ who have a financial need)
QUALITY:
Formal services are strong in many aspects; BUT still have far to go

Kenya financial consumer protection outcomes index (FCPOI), 2021
GENDER:
Women are less risky borrowers; BUT men have more formal credit

Proportion of defaulters by users of different credit sources (male, female)
**DIGITAL DIVIDE:**
Rise in inclusion for those *with* mobile money; BUT deepening exclusion for those *without*

<table>
<thead>
<tr>
<th>% adults (18+) without a mobile money account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Youth (18-25yrs)</td>
</tr>
<tr>
<td>Working age (26-55 yrs)</td>
</tr>
<tr>
<td>Over &gt;55yrs</td>
</tr>
<tr>
<td>Rural</td>
</tr>
<tr>
<td>Urban</td>
</tr>
<tr>
<td>Poorest 20%</td>
</tr>
<tr>
<td>Wealthiest 20%</td>
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</tbody>
</table>
INEQUALITY:
Financial exclusion is declining; BUT large gaps still remain

Formal exclusion (% adults 18+)

Financially excluded by demographics

<table>
<thead>
<tr>
<th>Category</th>
<th>Excluded (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td></td>
</tr>
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<td>Wealthiest 20%</td>
<td></td>
</tr>
</tbody>
</table>

Wealthiest 20% | 3.6

Poorest 20% | 25

Urban | 6.2

Rural | 14.7

Over >55yrs | 14.9

Working age (26-55 yrs) | 5.5

Youth (18-25yrs) | 22.5

Female | 12.4

Male | 10.8
CLIMATE:
Climate risks growing; BUT few farmers (able to) invest in resilience

Top challenges facing farmers

- Drought: 36.9%
- Pests and diseases: 34.5%
- Invasion by wild animals: 5.4%
- Floods: 4.4%
- Harsh weather conditions: 0.5%

Top sources of finance for farmers

- Savings in a secret hiding place: 7.6%
- Assistance from friends and family: 20.0%
- Income/profit/reinvested: 25.6%

Yes, invested in green related equipment, e.g. irrigation, water-powered or solar powered equipment
Financial inclusion implications for the increasingly challenging context for economic opportunities
Kenyans face an increasingly challenging context

- **2013-2016 relative prosperity**
- **2016-2021 steep decline**

- **Food secure households**
- **Median personal monthly income**
Traditional financial services have bigger impacts on growth for users, but are harder to access
Riding on mobile money rails, digital finance has supported resilience in increasingly challenging times; but is it helping people to grow?
Peris has faced extraordinary challenges; as a single mother living on casual income, digital finance has helped her to manage day to day
Cynthia has used her chamas to start her own salon business and enable it grow—why is she depending on informal?
Lucy, a public sector employee, has used her bank accounts to invest in rentals and secure her old age.
How can finance help a wider set of segments not just to survive, but to grow and thrive?

- **Urban Casual Workers (4.6M)**: 369 Bn KSh
- **Urban Micro Firms (1.3M)**: 194 Bn KSh
- **Small Firms (1.1M)**: 256 Bn KSh
- **Private sector employees (1M)**: 351 Bn KSh
- **Public sector employees (0.9M)**: 334 Bn KSh

### Access to Finance

<table>
<thead>
<tr>
<th>Access Type</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Bank Account</td>
<td>47%</td>
</tr>
<tr>
<td>Till No.</td>
<td>16%</td>
</tr>
<tr>
<td>Smartphone</td>
<td>61%</td>
</tr>
<tr>
<td>Business Permit</td>
<td>30%</td>
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FinAccess County: Opening up a new world for data exploration
Counties vary widely in population, geography, digital access, etc.

Digital access by counties

- **Smart phones**
- **Non-smartphone**
- **Someone else**
- **No access**
Financial access varies across the country
...and so does economic opportunity
How is access and opportunity driving the use of credit?
... and what is driving digital payments?
Looking deeper into Kenya's 47 counties can unveil some surprising insights... and even uncover new opportunities for financial providers...

**Taita Taveta**

**County Statistics:**

- **Total population in Millions (2019 KPHC):** 0.3
- **Poverty headcount (% below poverty line):** 32.3
- **Number of Commercial Banks in 2021:** 5
- **Number of Commercial Bank Branches in 2021:** 11
- **Number of mobile money agents in 2021 (‘000):** 2.1
- **Number of Deposit Taking SACCO branches in 2021:** 3
Taita Taveta has some surprises in store: the gender gap in favour of women is the highest in the country...
...and compared with other counties, people in Taita Taveta have the highest levels of usage of mobile money to pay for daily goods and services ......
.... as well as the fourth highest uptake of pensions....why?
Where do we take these insights?
FinAccess provides a birds eye view of the market; and granular detail on the behaviour, preferences and needs of consumers, helping FSPs understand where they fit in...

**The market for Credit (by value)**

- Commercial bank, 29%
- SACCO/MFI, 23%
- Social networks, 13%
- Mobile bank/App loan, 8%
- Fuliza, 6%
- Chama, 11%
- Shopkeeper, 6%
- Money lender, 2%
- H... p... E... B...

**The market for Credit (by volume)**

- Mobile bank/App loan, 36.9%
- Fuliza, 31.3%
- Shopkeeper, 17.8%
- Chama, 2.7%
- Social networks, 8.9%

Base: All Kenyan adults with loans in 2021
Supply side data shows interesting patterns in the flow of transactions; especially if we disaggregate (e.g. by county or sex), and visualise this data so the insights pop out.

Sample from the annual BSD report

Prototype Agency Banking Dashboard

Disaggregated by month and county, we see more insights.
Bringing them both together can inspire innovations that are transformational.
finaccess
Serving Kenyans better requires us to:

- Make **creative** use of a wider range of data
- And work in **partnership**