



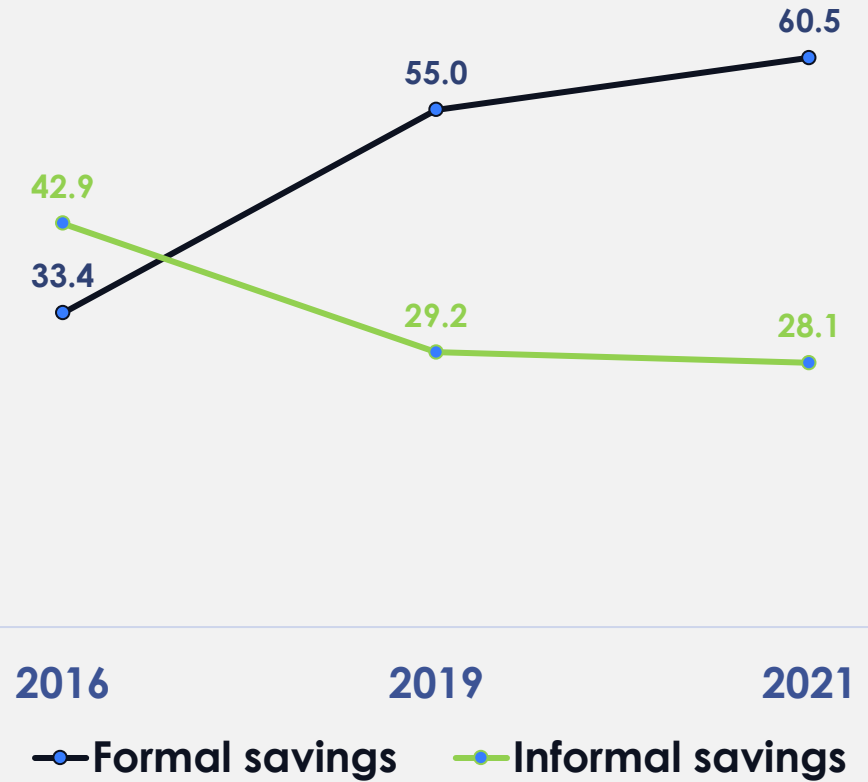
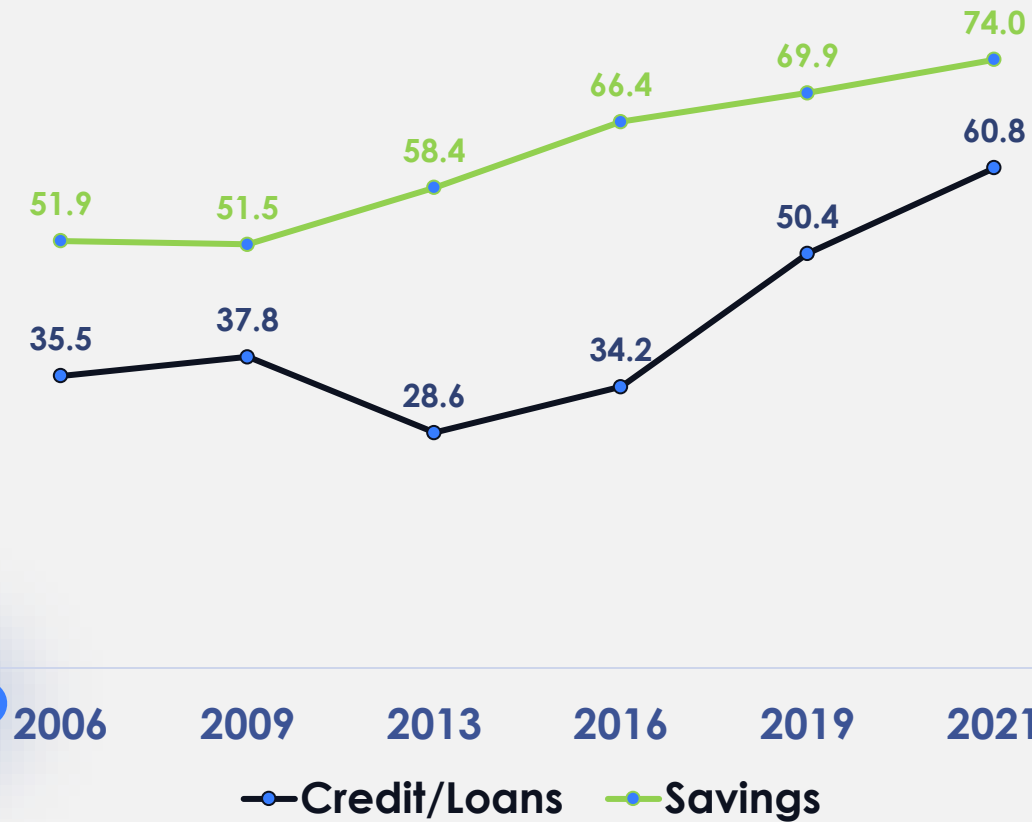
Savings landscape and financial literacy in Kenya according to FinAccess

By Lukania Makunda and Carol Matiko

Overall, Kenyans are saving more than taking credit and the rate has been growing over the years. The savings are mainly formal

FSD Kenya Creating value through inclusive finance

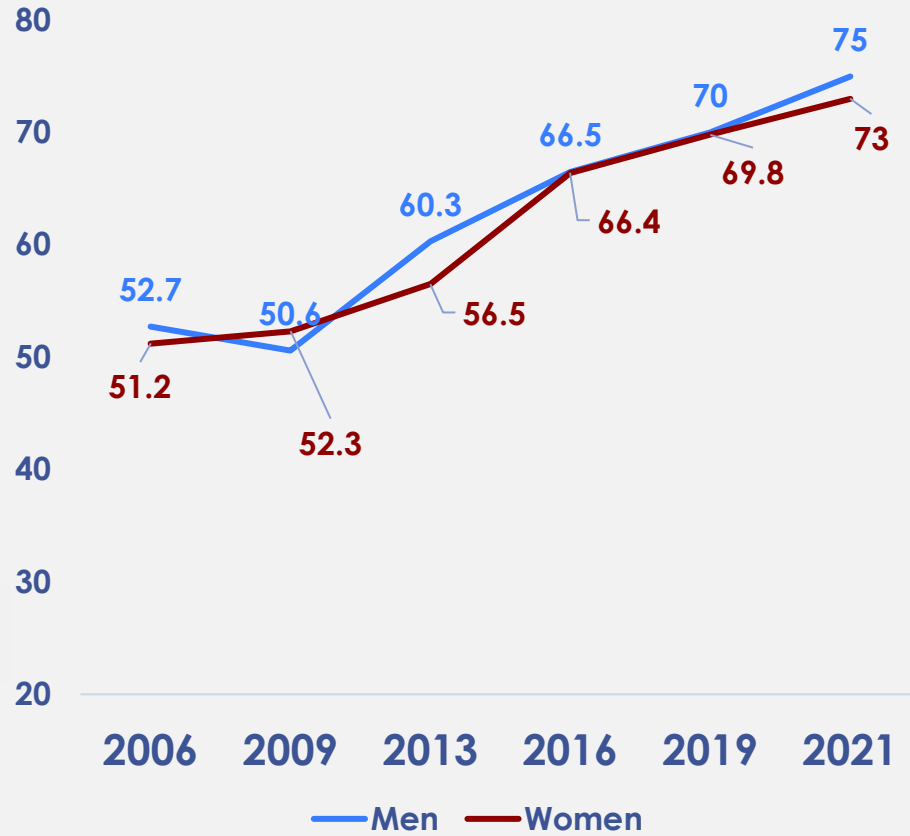
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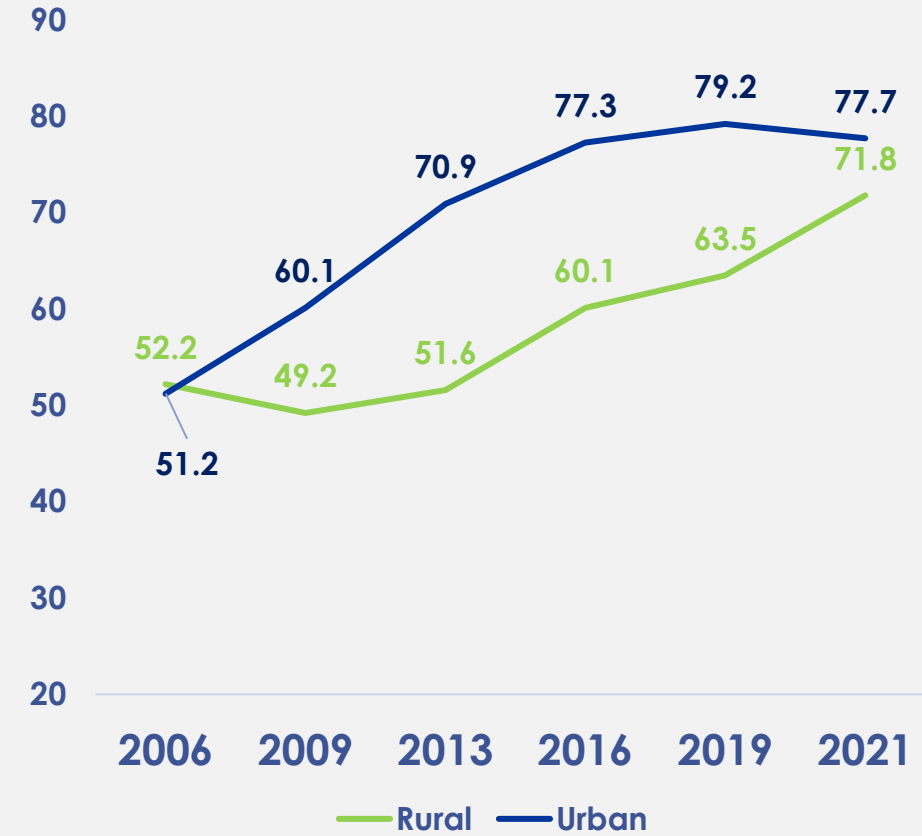
Base: All Kenyan adults

Saving rates men vs women and rural vs urban

Saving trends: men vs women

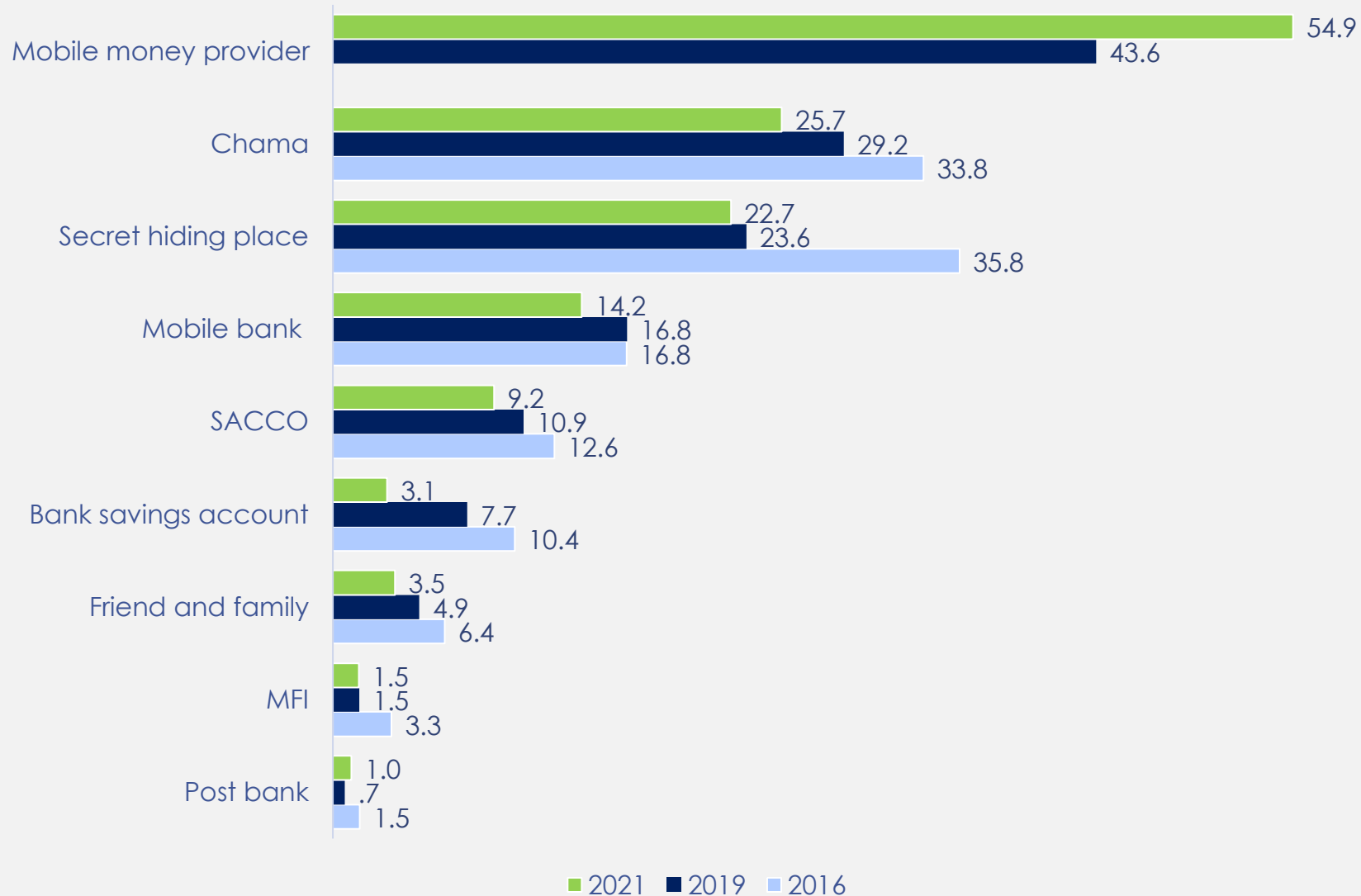


Saving trends: rural vs urban



Base: All Kenyan adults

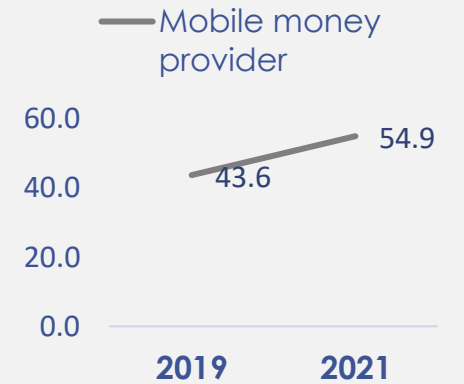
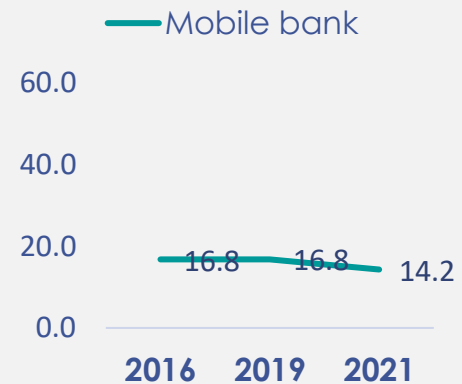
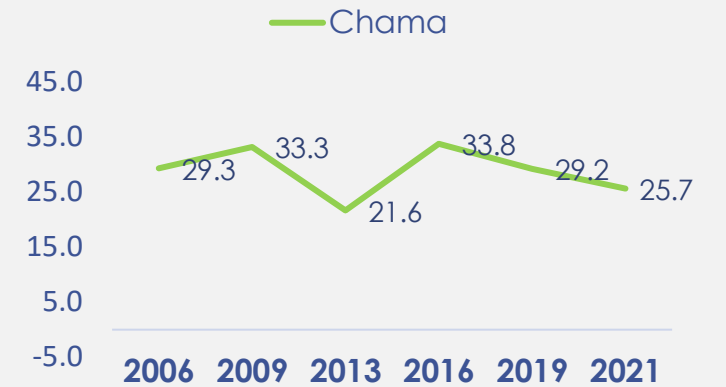
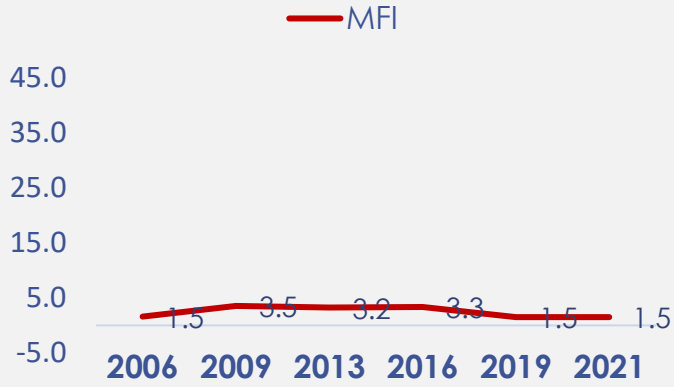
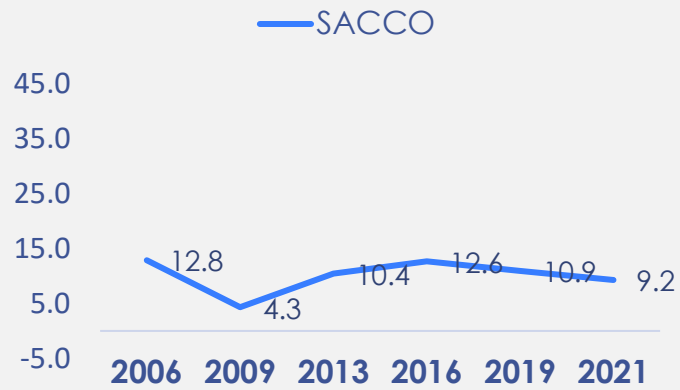
Saving products: Trended



Base: All Kenyan adults

NB: Mobile money was not tracked as a savings device before 2019

Saving products: Trended



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Financial literacy levels are growing across all key demographics in the same way formal savings are growing

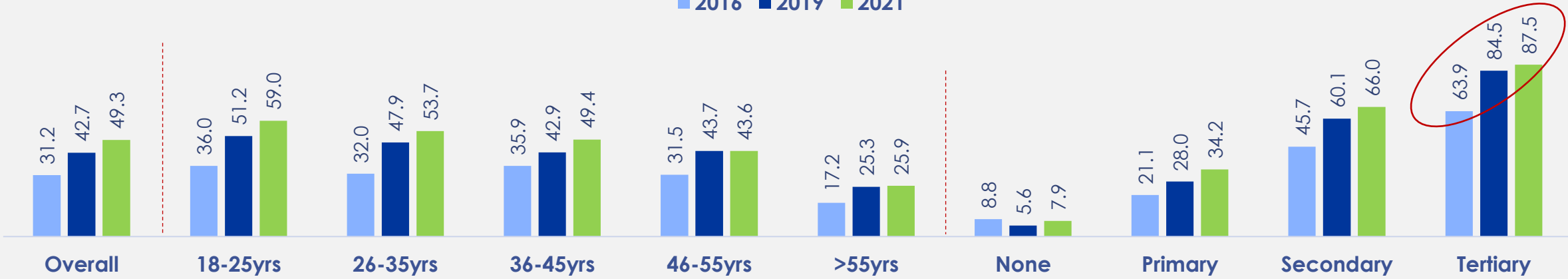
Financial literacy question

Suppose you take a loan of KSh 10,000 with an interest rate of 10 percent per year. How much more money would you have to pay at the end of the year? If get correct, financially literate



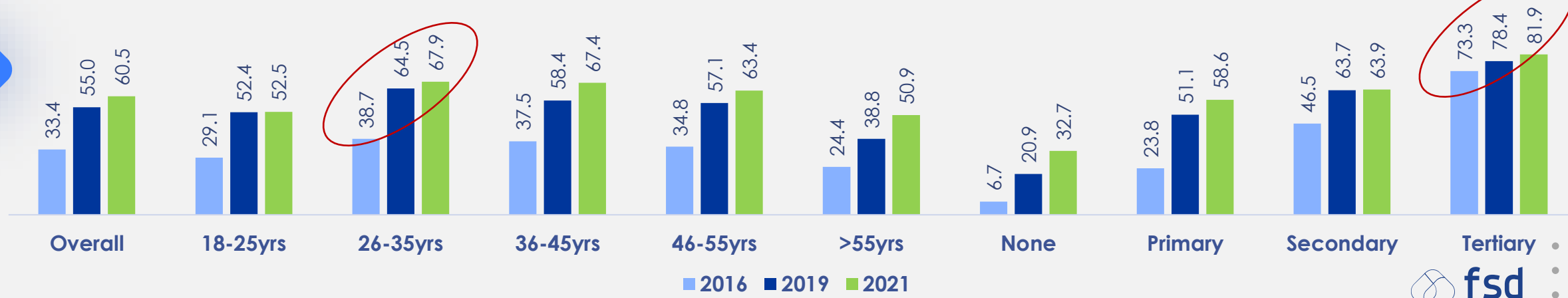
Financial literacy levels

■ 2016 ■ 2019 ■ 2021



Formal savings

■ 2016 ■ 2019 ■ 2021



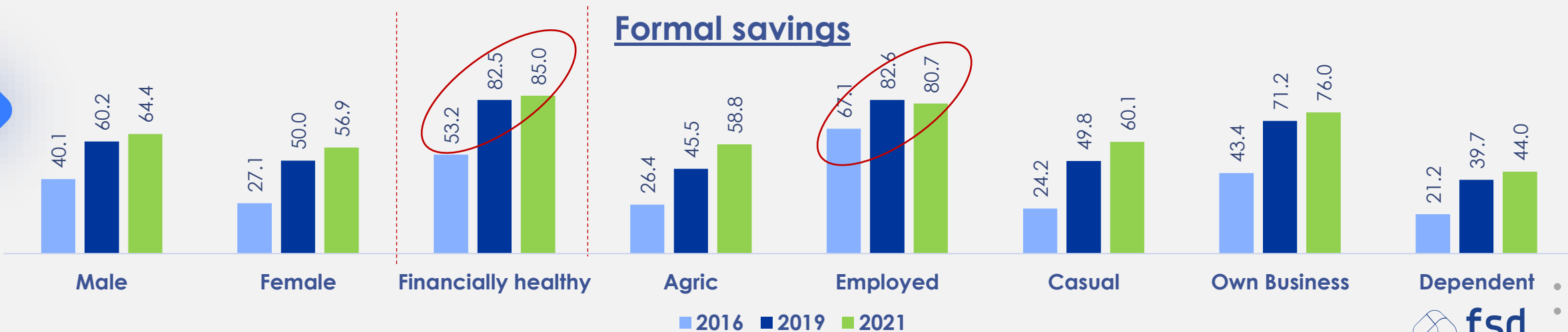
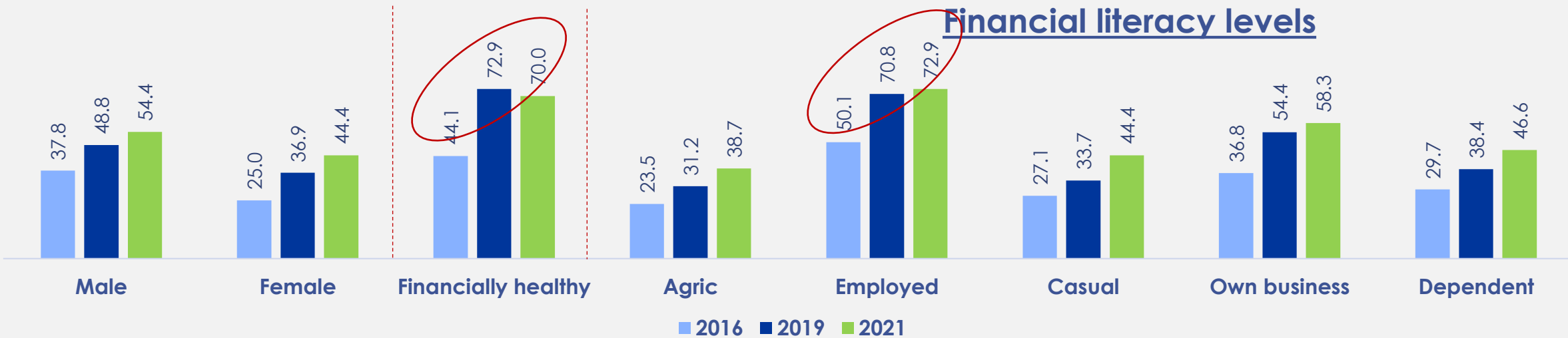
Base: All Kenyan adults

Financial literacy levels are growing across all key demographics

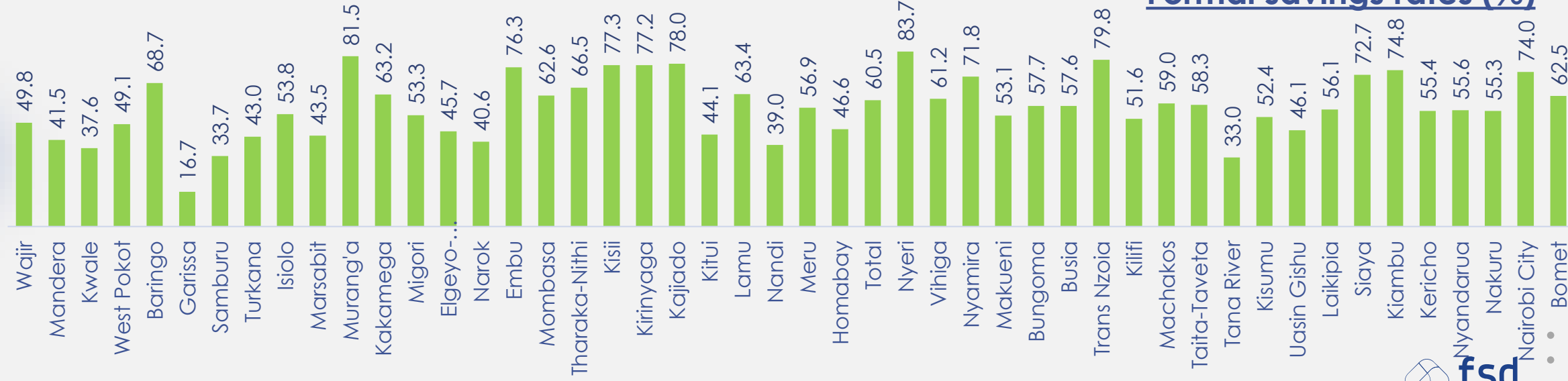
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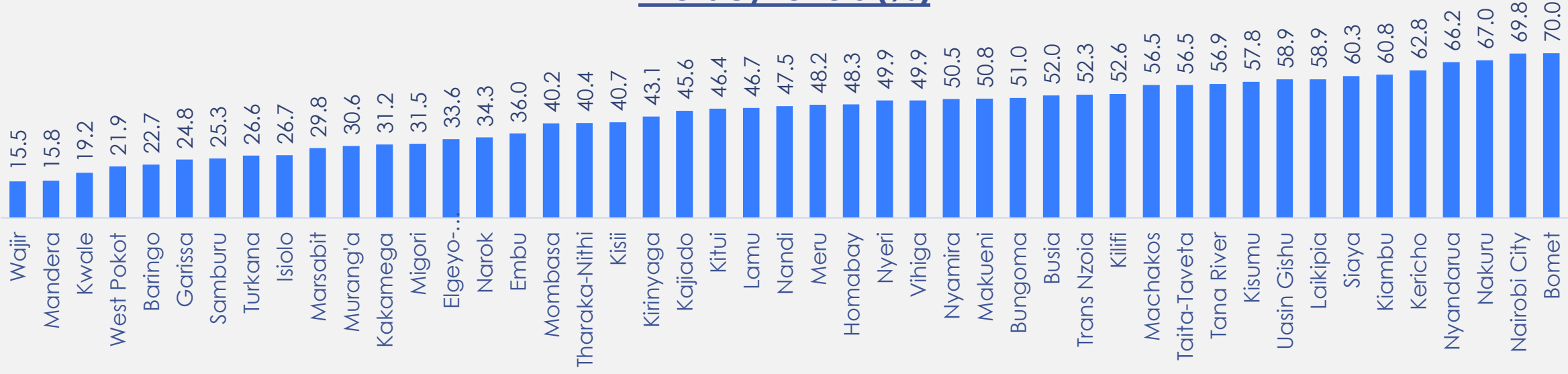


Base: All Kenyan adults



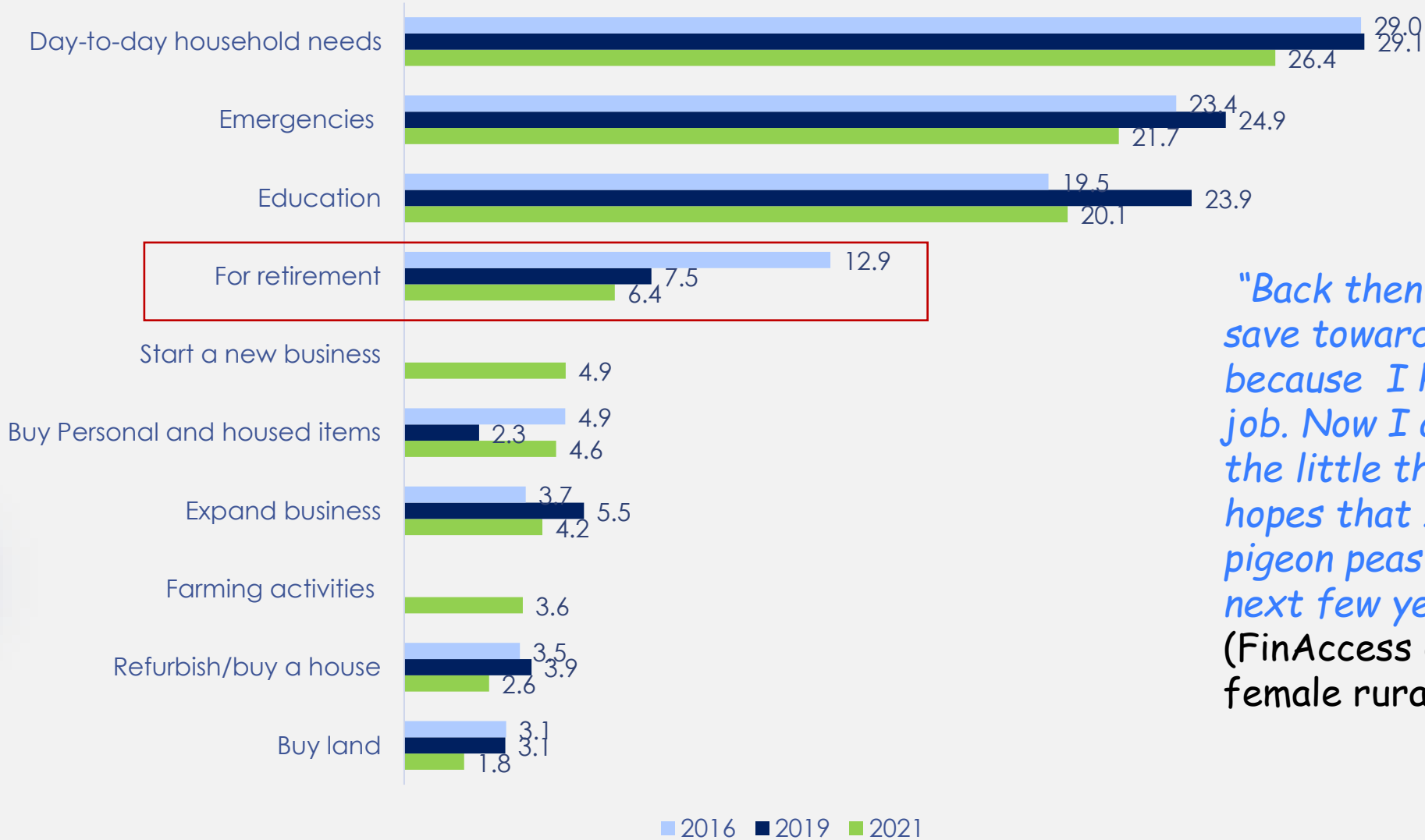
Base: All Kenyan adults

Literacy levels (%)



Reasons for saving

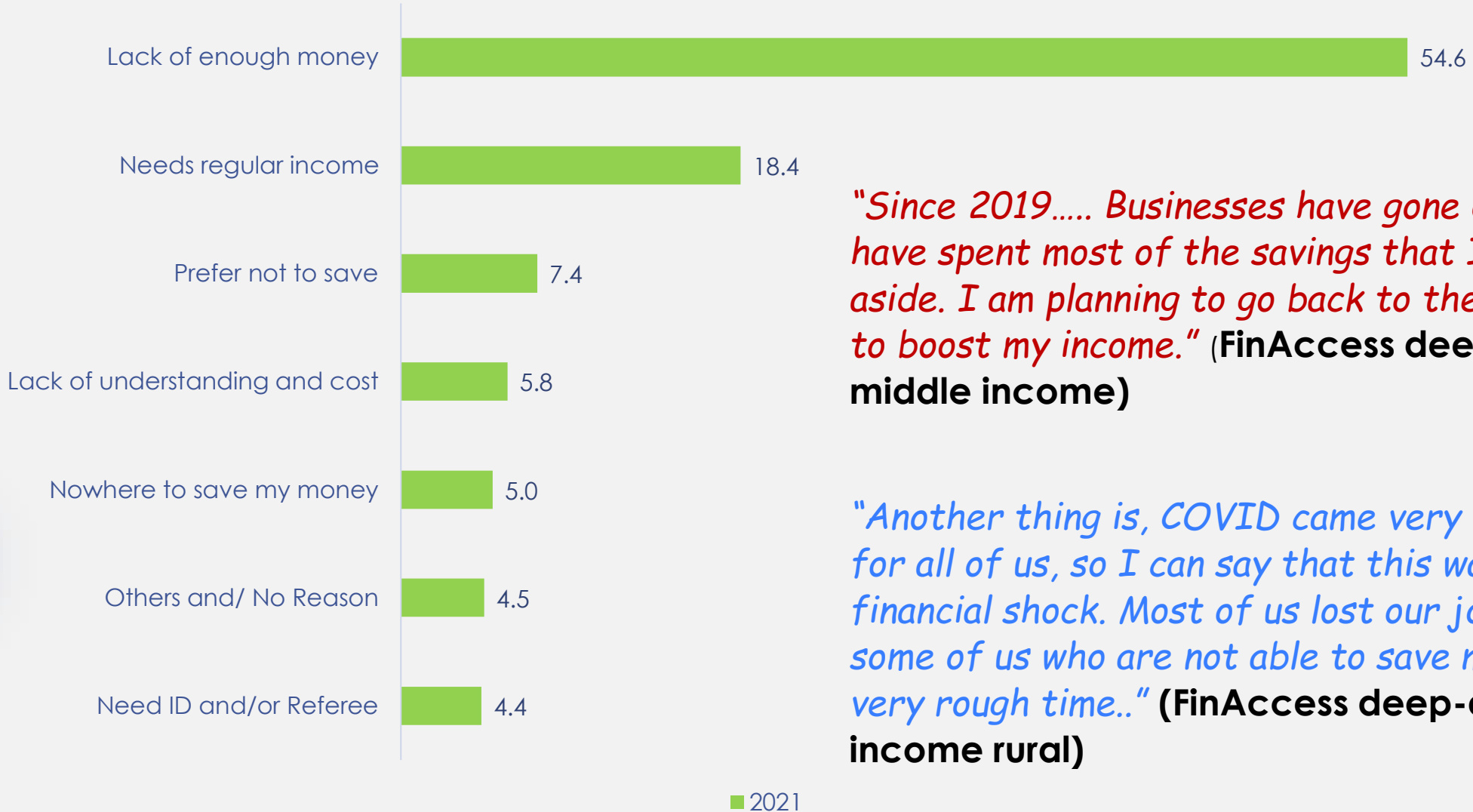
Reasons for saving (%)



"Back then I was able to save towards my goals because I had a well-paying job. Now I am able to save the little that I can in hopes that I will start pigeon peas farming in the next few years"
 (FinAccess deep-dive, female rural middle income)

Reasons for not saving

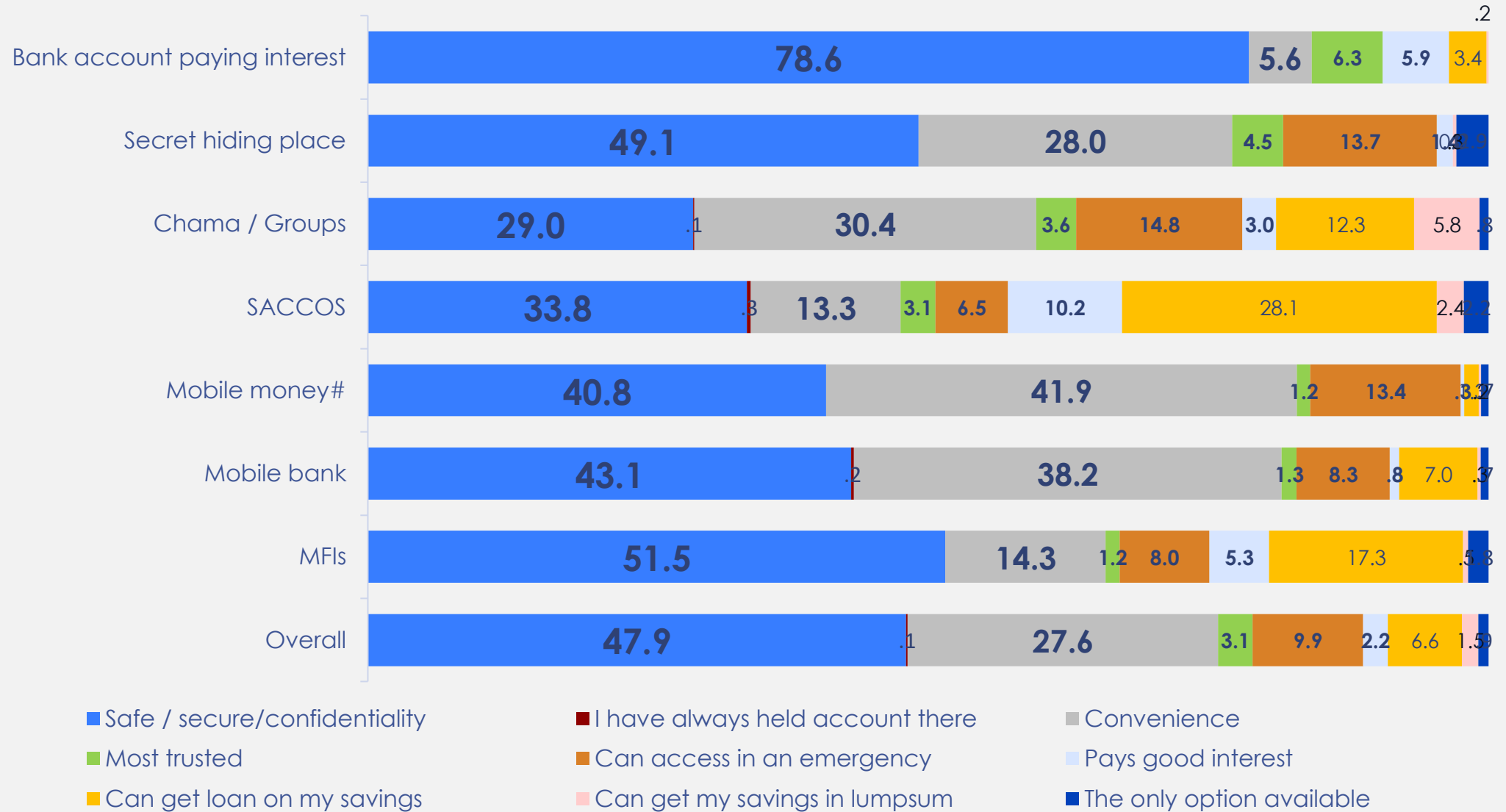
Reasons for not saving (%)



"Since 2019..... Businesses have gone down and I have spent most of the savings that I had kept aside. I am planning to go back to the cleaning job to boost my income." (FinAccess deep-dive, Urban middle income)

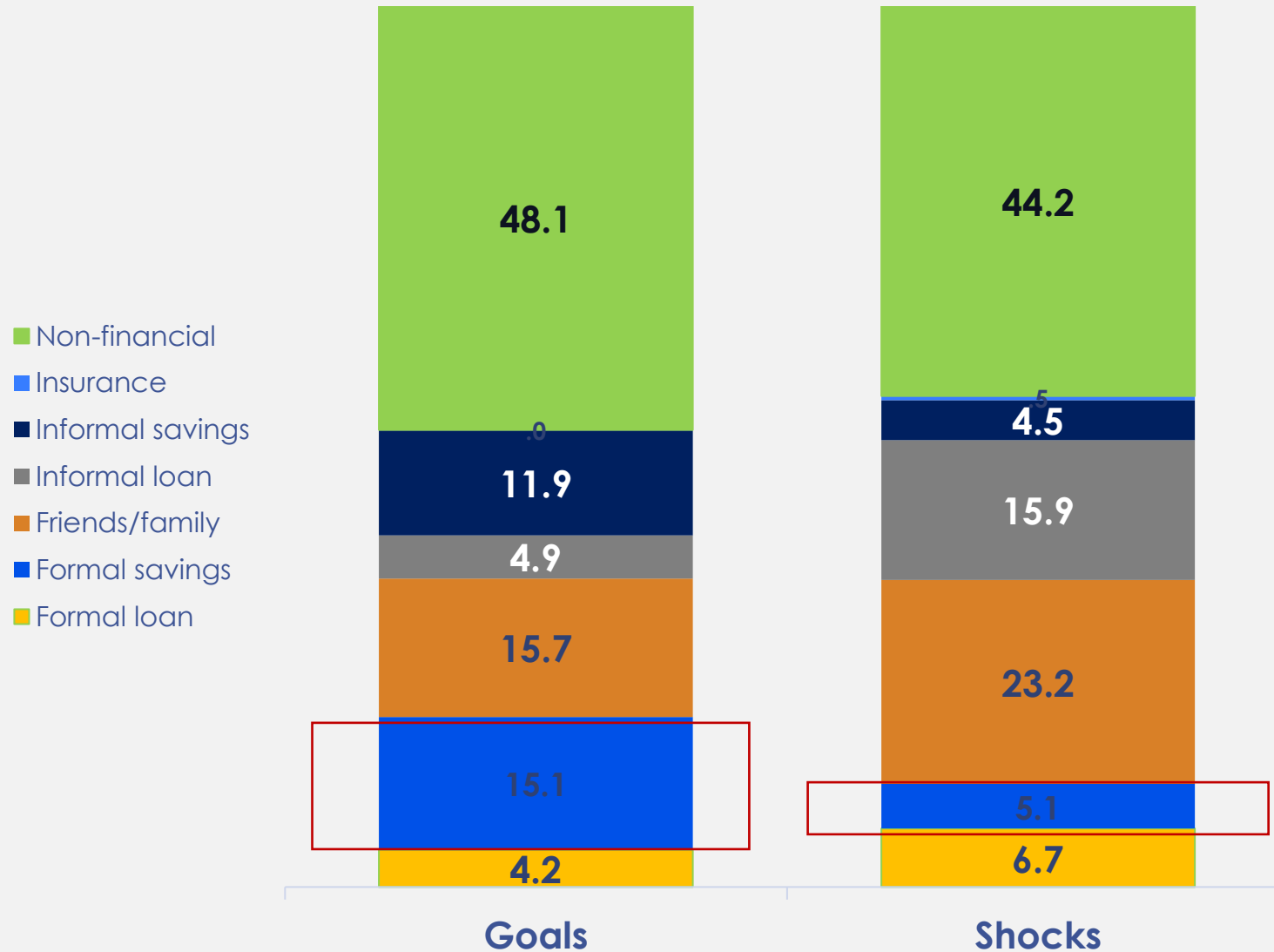
"Another thing is, COVID came very unexpectedly for all of us, so I can say that this was a very big financial shock. Most of us lost our jobs, so for some of us who are not able to save much, we had a very rough time.." (FinAccess deep-dive male low income rural)

What drives the choice of a savings device?



Base: All Kenyan adults

Use of formal savings to invest in future goals is high compared to their use in dealing with shock



"No, I do not think so. When my brother died, he had some money in the bank. So we tried our best to access this money but we couldn't. So you see the cash he saved was of no help to his people. The only place I know I can save money that would help just in case there was an emergency is my M-Pesa, because my wife knows all my PIN numbers, so it would be easy to access the cash if there were any incidences."

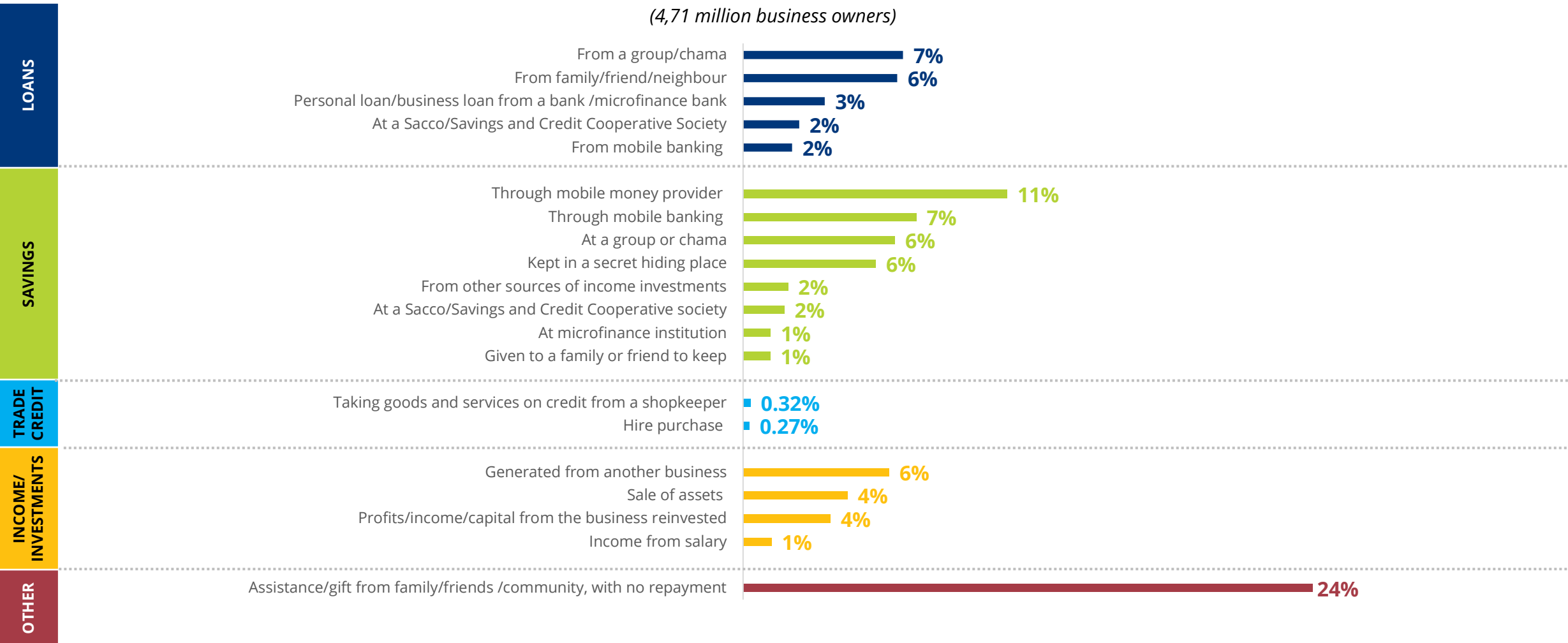
(FinAccess deep-dive male low income rural)

Twenty-four per cent of business owners relied on assistance from family, friends and community as their main source of start up capital. Savings accumulated at a mobile money provider was also a relatively important source of start up capital (11%)



MAIN SOURCE OF START UP CAPITAL (IF ANY)

(4,71 million business owners)



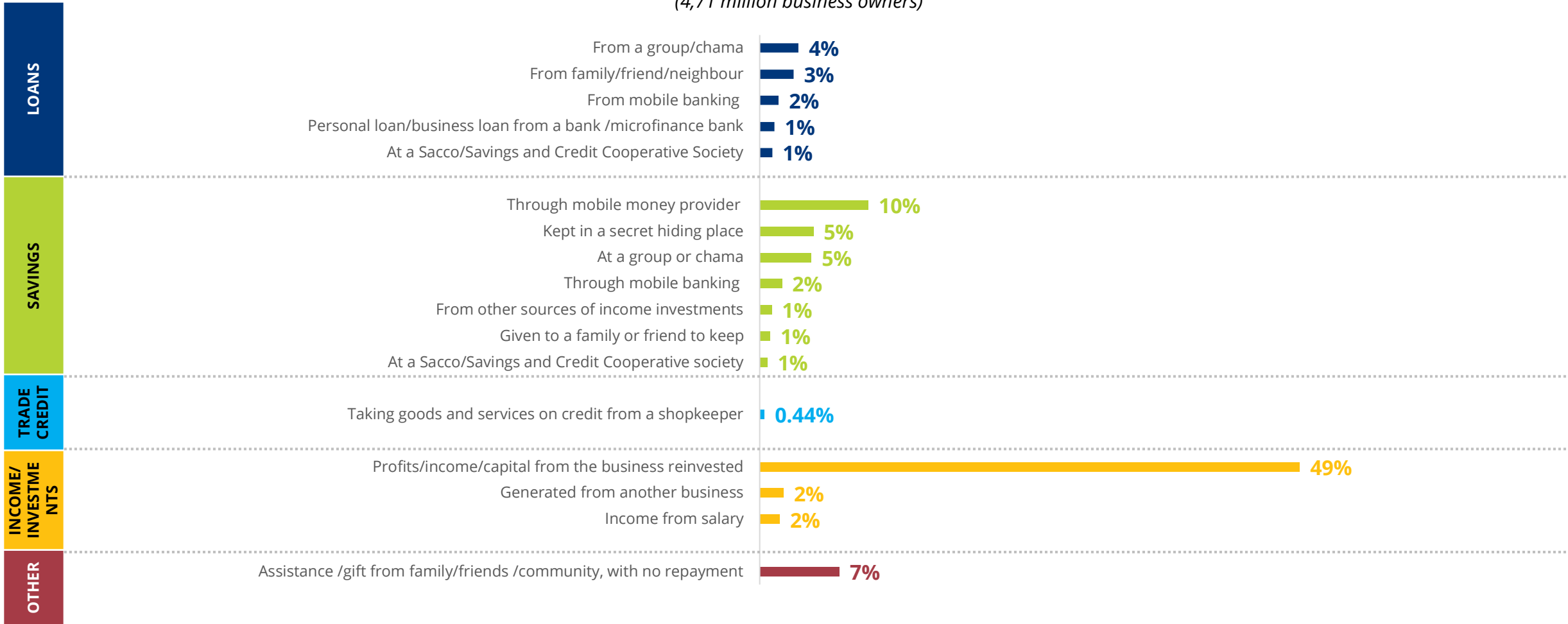
Source: FinAccess 2021

Note: Excluded due to low observations: fundraising from crowdfunding, funds from NGO's, grants and insurance payouts, savings with a group of friends, employer, loan / credit from buyer of your harvest / supplier of agriculture, government institution, shopkeeper, shylocks / loan sharks / money lenders / money merchants, digital loan through phone that you downloaded, microfinance institution and mobile money provider

Almost half of all business owners use profits, income, or capital from their business as their main source of financing for day-to-day operations. Very few business owners (less than 5%) access loans to fund their daily operations

MAIN SOURCE OF FINANCE FOR DAY-TO-DAY OPERATIONS

(4,71 million business owners)



Source: FinAccess 2021

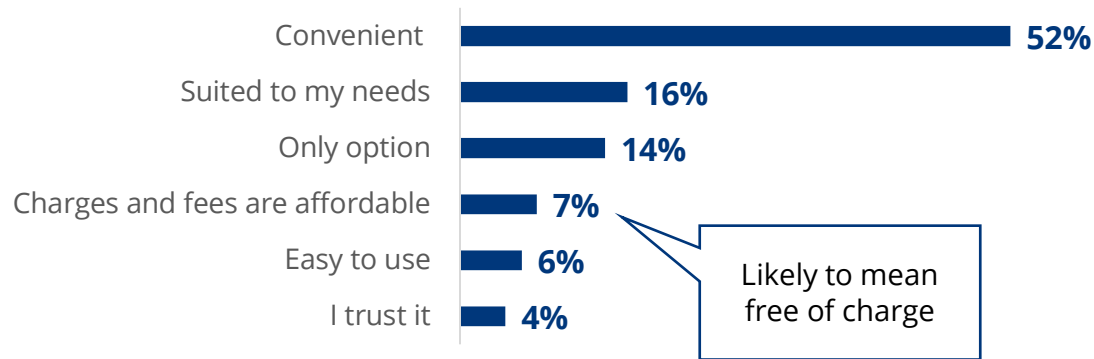
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Business owners clearly opt for financing that is convenient, suits their needs and has charges and fees that are affordable (in some cases, free of charge such as reinvesting profits from the business)

REASON FOR USING MAIN SOURCE OF FINANCE

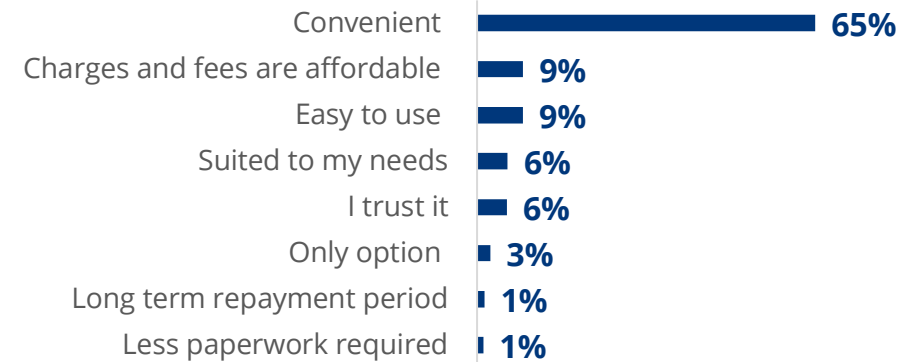
Profits/income/capital from the business reinvested

(49%, 2 302 072 business owners)



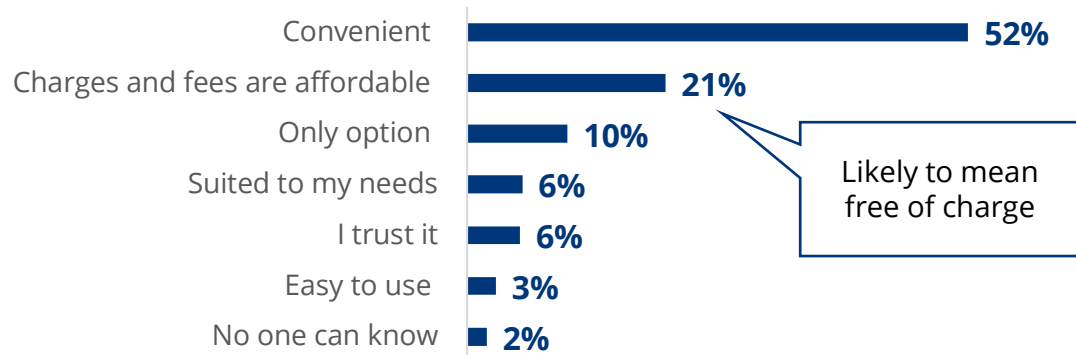
Savings through mobile money provider

(10%, 463 022 million business owners)



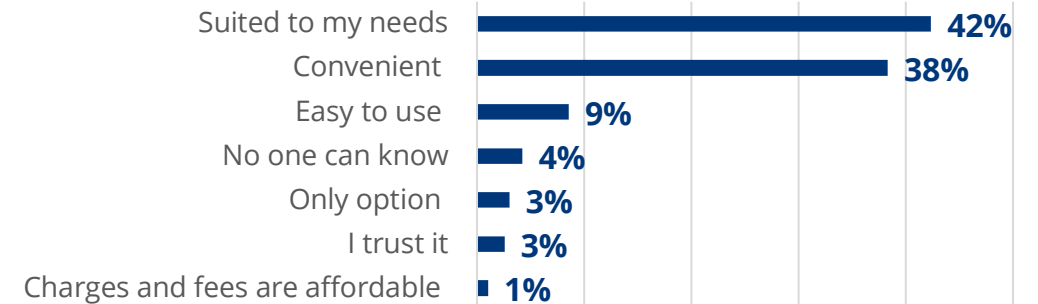
Assistance/gift from family/friends/community

(7%, 339 894 business owners)



Savings you keep in a secret hiding place

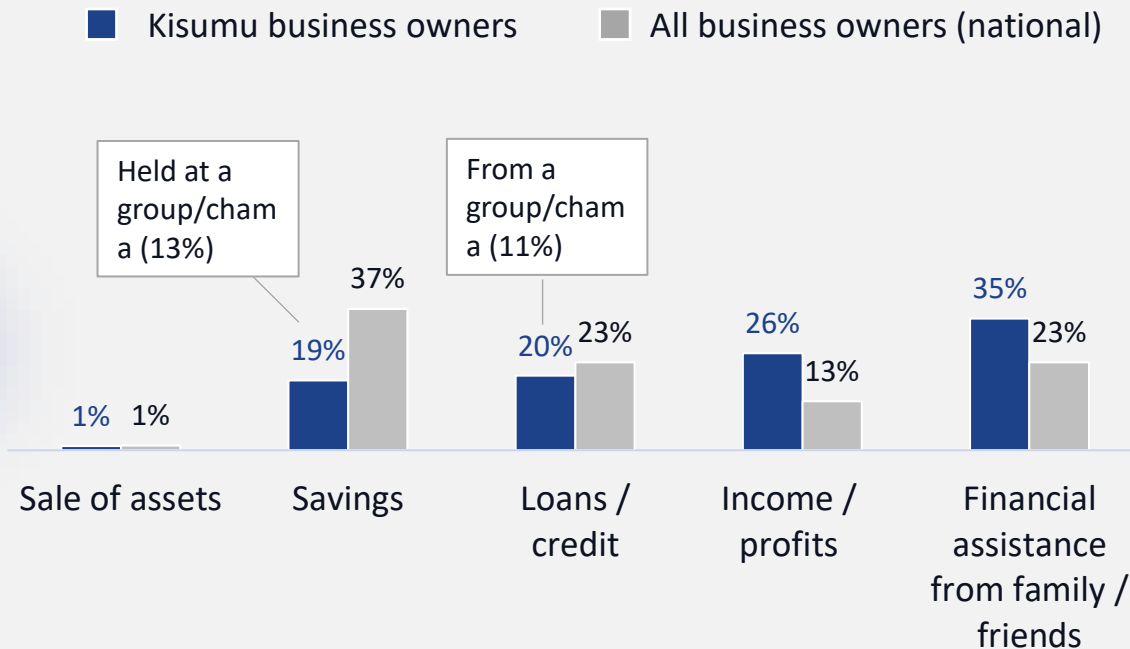
(5%, 228 435 business owners)



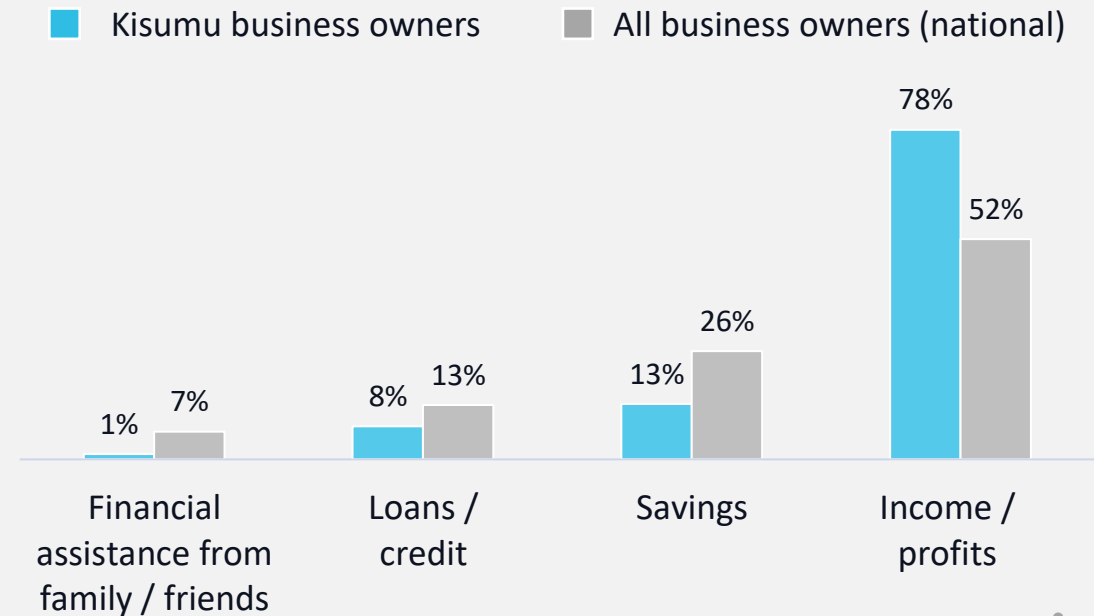
Kisumu business owners' source of start up and working capital

Kisumu business owners **rely more on their friends and family for start up capital or money generated from another business / job** compared to the business population nationally. They're also less likely to use loans or savings as working capital for their business

Main source of startup cash / money for business



Main source of finance for day-to-day operations



Additional quotes from FinAccess deep-dive qual

Who is teaching Kenyans on how to save)

"I would say M-Shwari has been a big help since I am able to save in a locked account, and this has helped me discipline myself. One that I feel has not helped is the bank because they do not help small fish like us by showing us how to invest. They only focus on the wealthy." (FinAccess deep-dive qual female rural middle-income)

Informal savings used to repay formal loans

"I qualify for 60k, and I work hard to be able to pay my daily chamas because these smaller savings help me pay up the bank loan, and within no time I get a notification that I have completed the loan repayments." (FinAccess deep-dive, Urban low-income female)

Providers may exploit savings balances to push for loans

"....in 2019 they kept nudging me to take a loan with them; I had 30k in my savings account and they told me they could give me 70k; I was tempted and I took the money though I had no plans for what to do with the money. I am still paying for the loan but I have nothing to show for it." (Finaccess deep-dive qual, Urban low-income female)

Additional quotes from FinAccess deep-dive qual

Savings should support larger loans (do all savings products offer this value add)?

"If I could save in a place that gives interest on your money, and I can also get a loan; if I can get a loan 2 or 3 times the savings that would move me a step higher" (FinAccess deep-dive qual, Urban low-income female)

"The bank is very helpful, if you have savings of about 15-20k they can give you a loan that can boost your business or help you in case of an emergency. But these are quick loans and should be paid on time so that you keep your reputation clean and the next time you want a loan they can give it to you again." (FinAccess deep-dive qual, Urban low-income female)

"If one has savings, they will definitely be in a better place to cope with a shock than one who doesn't. This is because if someone has savings, maybe in the bank or microfinance, they can even get a loan from the institution to cover their emergency" (FinAccess deep-dive qual, Rural male low-income)

Additional quotes from FinAccess deep-dive qual

Savings are associated with regular earning - yet such job (regular fixed income) are on the decline

"I should start planting food crops that don't take long to mature like vegetables. That way I will be earning more frequently compared to now when I have planted fruits which take 5 years to mature. With those frequent earnings, I can be able to save." (FinAccess deep-dive qual, low-income rural male)

"If you are working and you are getting paid like 300 shillings, you can use 250 shillings and then save the 50 shillings as a way of investing for the future." (FinAccess deep-dive qual low-income rural male)

"As I told you, I have a greengrocery here in Kwa Maiko. This business has really boosted my savings. Since people eat every day, that means I am able to get my money every day." (FinAccess deep-dive qual Female rural middle income)

"Back then I was able to save towards my goals because I had a well paying job. Now I am able to save the little that I can in hopes that I will start pigeon peas farming in the next few years" (FinAccess deep-dive qual female rural middle income)

"If you have a good job, then you are able to save more money and plan for your future, but a person who does not have a good job will only get enough to plan for a day or two. Like the friend I was telling you about, she worked at Kenya airways previously, before joining the NGO, and you know how well people are paid there. She managed to save well every month" (FinAccess deep-dive qual female rural middle-income)

Creating Value through inclusive finance

FSD Kenya.



**FSD Kenya | Creating value through
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