KENYA

QUICKSIGHTS REPORT
FIFTH ANNUAL FII TRACKER SURVEY

Conducted June-July 2017

June 2018
### UNDERSTANDING FINANCIAL INCLUSION

#### What is financial inclusion?
Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way (The World Bank). Financially included individuals are those who have an account in their name with a full-service financial institution.

#### How is it measured?
We measure financial inclusion as the percentage of adults (15+ years old) who report having at least one account in their name with an institution that offers a full suite of financial services, and comes under some form of government regulation.

#### How is it created?
Financial inclusion is created through the uptake and use of individual accounts with institutions that offer a full suite of financial services – savings, credit, money transfers, insurance and investment. Full-service financial institutions include banks, mobile money service providers, and nonbank financial institutions, such as deposit-taking microfinance institutions (MFIs) and financial cooperatives.

#### What institutions and services do not count?
Individuals who own accounts with institutions that are not full service, such as credit-only microfinance institutions (MFIs), are not considered financially included. Individuals who do not have their own full-service account or use someone else’s account are not considered financially included. Individuals who only use services such as money guards, savings collectors, and digital recharge cards that are not attached to a bank or MFI account are also considered financially excluded.
KEY DEFINITIONS

Access to a bank – Counts individuals who use a full-service bank account either registered in their name or held by someone else.

Access to mobile money or an NBFI – Counts individuals who have ever used a mobile money service or a full-service NBFI.

Access & trial – Counts individuals who have a bank account registered in their name or use a bank account that is registered to someone else, or have ever used a mobile money service, or a full-service NBFI.

Active registered user – An individual who has an account registered in their name with a full-service financial institution and has used it in the last 90 days.

Advanced user – An active registered user who has ever used their account for saving, borrowing, insurance, investment, paying bills or receiving wages or government benefits. Buying airtime top-ups is considered an advanced use of a bank account or NBFI account but not a mobile money account.

Airtime – Minutes of talk time available on a mobile phone. Airtime top-up (adding minutes) is a basic mobile money activity, but is considered an advanced use of a bank account or NBFI account.

Basic use – Cash-in (deposit) or cash-out (withdraw), transfer money to another individual, or conduct account maintenance.

Below the poverty line – In this particular study, adults living on less than 2.50 per day in 2005 purchasing power parity U.S. Dollars, as classified by the Poverty Probability Index.

Confidence interval (95%) – The range of values within which the observed value of a statistic will be found in 95 out of 100 repeat measurements.

Cooperative – Typically, a business or other professional organization that is owned and run jointly by its members, who share profits or benefits. Cooperatives may release some of the profits/funds as loans to its members.

Customer journey – A series of progressive stages through which individuals become more active users of more sophisticated financial services.

Digital financial inclusion – Counts individuals who have an account in their name with a full-service financial institution that offers digital services (e.g., online account access, debit/ATM card, credit card, electronic cash transfers).

Digital financial services (DFS) – Financial services provided through an electronic platform (e.g., mobile phones, debit or credit electronic cards, internet).

Digital stored-value account – A mobile money account or a full-service bank or NBFI account that offers digital services.

Financial Inclusion – Individuals who hold an account with an institution that provides a full suite of financial services and comes under some form of government regulation.

Financial literacy – Basic knowledge of four fundamental concepts in financial decision making (interest rates, interest compounding, inflation, and risk diversification) as measured by the Standard and Poor’s Rating Service’s Global Financial Literacy Survey.

Full-service financial institutions – Financial institutions that offer loans to their customers and at least one of the following additional services: savings, money transfers, insurance, or investments.

Housing benefit – A benefit provided by the government to individuals who cannot afford to pay rent.

Microfinance institution (MFI) – An organization that offers financial services to low-income populations. Almost all give loans to their members, and many offer insurance, deposit and other services.

Mobile money (MM) – A service that allows a mobile phone to be used for storing and transferring money, and potentially accessing other financial services.

Nonbank financial institution (NBFI) – A financial organization that is not formally licensed as a bank or a mobile money provider, but whose activities are regulated, at least to some extent, by the central bank within the country. Such financial institutions include microfinance institutions (MFIs), cooperatives, Post Office (Savings) Banks and savings and credit cooperatives (SACCOs), etc.

Numeracy – The ability to use basic math skills, including counting, addition, division, multiplication and computing short- and long-term interest rates.

Poverty Probability Index (PPI) – A measurement tool wherein a set of country-specific survey questions are used to compute the likelihood that an individual’s income is below a specific threshold.

Registered user – Counts individuals who have a financial account registered in their name or registered jointly in their and someone else’s name.

Savings and credit cooperative (SACCO) – A self-help group owned and managed by its members. Its main purpose is to build up funds through regular contributions by each member, with the aim of providing affordable credit and collective investments.

Unregistered/over-the-counter (OTC) user – An individual who has used a financial service through someone else’s account, including a mobile money agent’s account or the account of a family member or a neighbor.

Urban/rural – Urban and rural persons are defined according to their residence in urban or rural areas as prescribed by the national bureau of statistics.

Value-added services – These are non-core financial services that go beyond the standard services provided by financial institutions.
ABOUT THE SURVEY

- Target population: Adults aged 15+ residing in households.
- Sampling frame: Fifth National Sample Survey and Evaluation Programme (NASSEP V) master sample drawn by the Kenya National Bureau of Statistics (KNBS) from the list of enumeration areas (EAs) created for the 2009 Kenya Population and Housing Census.
- Sample design: Stratified multistage cluster sample of 3,129 adults designed by InterMedia in collaboration with KNBS:
  - Stratification of EAs by urban/rural within each county;
  - First stage: Random selection of 191 rural EAs and 117 urban EAs;
  - Second stage: Selection of 10 households per EA starting from a random location using a fixed interval equal to the total number of households in the EA divided by 10;
  - Third stage: Random selection of one adult member per household using an automated Kish grid administered on handheld tablet computers.
- Face-to-face interviews administered at the household using handheld tablet computers.
- Sampling weights align the demographic characteristics of the sample with the 2016 national population projections provided by KNBS.
- Weighted data used to generate representative statistics at the national level, and for urban and rural populations separately. Weighted percentages are reported together with unweighted respondent counts.


<table>
<thead>
<tr>
<th>Demographic characteristics</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>49</td>
</tr>
<tr>
<td>Female</td>
<td>51</td>
</tr>
<tr>
<td>Urban</td>
<td>36</td>
</tr>
<tr>
<td>Rural</td>
<td>64</td>
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<tr>
<td>Above the $2.50/day poverty line</td>
<td>71</td>
</tr>
<tr>
<td>Below the $2.50/day poverty line</td>
<td>29</td>
</tr>
<tr>
<td>Age: 15-24</td>
<td>36</td>
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<tr>
<td>25-34</td>
<td>26</td>
</tr>
<tr>
<td>35-44</td>
<td>16</td>
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<tr>
<td>45-54</td>
<td>9</td>
</tr>
<tr>
<td>55+</td>
<td>13</td>
</tr>
<tr>
<td>Basic literacy</td>
<td>75</td>
</tr>
<tr>
<td>Basic numeracy</td>
<td>97</td>
</tr>
</tbody>
</table>
COUNTRY CONTEXT


- Consumer protection was strengthened by a new directive from the Competition Authority of Kenya (CAK) requiring customers to be informed in real time of transaction costs and fees for using mobile financial services. Additionally, the Central Bank of Kenya (CBK) and Kenya Bankers Association (KBA) launched the Cost of Credit website to promote access to key information, including full disclosure of credit requirements and cost comparisons for bank loans.

- Greater access to credit information was promoted by the Finance Act 2016, which amended the Banking Act to allow more credit providers, including telecommunications firms, SACCOs and cooperatives, and public utility companies, to report customer repayment histories to credit bureaus. To protect consumers, the Act also raised penalties for violations of the Banking Act and Prudential Guidelines for licensing financial service providers.

- New Huduma Cards expanded digital payment options for government services. This multipurpose pre-paid card allows customers to make or receive cashless payments, including those for government benefits and services, using the MasterCard network.

- The first mobile money retail bond was issued by the government of Kenya. M-Akiba is aimed at raising Kenya’s rate of savings and investment, and financing infrastructure projects.

Economic growth supported increased financial inclusion in the year between the 2016 and 2017 annual surveys.

- The World Bank reported 5.8% economic growth in 2016, and slower growth of 4.8% through the first quarter of 2017. Survey data collection took place before the presidential election in August 2017 and the uncertainty surrounding the election run-off that contributed to a slowdown in economic activity. Growth was projected to rebound to 5.5% in 2018, which should fuel the use of financial accounts.

- Growth in credit provided to private-sector borrowers was subdued, both in Kenya and neighboring countries. The cap on the interest rates that lenders in Kenya may offer on loans, in effect since 2016, is a factor that discourages increased lending.

Financial service providers continue to develop innovative digital financial services to meet consumer needs and increase their customer base.

- M-Fanisi: A mobile bank account launched by Airtel and Maisha Microfinance Bank and offered to Airtel customers only. This product offers loans, savings and fixed-deposit options, and bundles these services in the initial offer.

- M-Pesa 1 Tap: A service launched by Safaricom for easier purchasing using Lipa na M-Pesa. Customers use card, phone sticker or wristband devices that are connected to their M-Pesa accounts.

- PesaLink: A money transfer service that enables interbank transfers from one person to another on participating commercial banks’ retail payment channels. Launched by Kenya Bankers Association, PesaLink is set to bring about banking interoperability and give customers more options for using e-money.
Financial inclusion in Kenya continued to expand in 2017, driven by mobile money account registration.

- Nearly three-quarters of adults were financially included in 2017, and 98% of them held a mobile money account.
- After dropping between 2013 and 2014, financial inclusion increased by 8 percentage points between 2014 and 2017, from 65% to 73%.
- The proportion of adults with registered NBFI accounts increased significantly between 2016 and 2017 from 9% to 13%.
- Bank account ownership has remained effectively unchanged since 2013 at less than 30% of the adult population, not including special-purpose accounts created by the uptake of bank-linked mobile money products such as M-Shwari.

The digital financial services market in Kenya continued to develop beyond basic transfers as active mobile money users continued their rapid uptake of new and existing products and services, including merchant payments, bill payments, government payments and transfers, and credit, savings, investment and insurance.

- The uptake of advanced services (beyond basic wallet & P2P) has increased rapidly, growing from 44% of adults in 2014, to 60% in 2017.
- Mobile savings was more widespread than borrowing. In 2017, 46% of adults saved or stored money digitally while only 21% had borrowed.
- In parallel with the steep increase in advanced users, the market for advanced services continued to develop with the launch of new services that cater to a greater range of user needs (e.g., Pesalink, M-Pesa 1 Tap and M-Fanisi). The virtuous circle reflects the network effects of increased utility from increased adoption.
- Financial literacy increased by 11 percentage points in the last year to 28% of the adult population. This change may reflect the impact of financial literacy programs implemented by financial institutions.

Geographical access to financial services also continued to improve for Kenya-based consumers in 2017, potentially lowering their costs and constraints to access.

- The proportion of adults who report a financial point of service within one kilometer of where they live rose from 72% in 2016, to 78% in 2017.

ACCESS & TRIAL OF FINANCIAL SERVICES

• The proportion of the adult population that has accessed a formal financial service increased by 11 percentage points from 2013 to 2017. This growth is primarily driven by mobile money.

• Between 2016 and 2017, individual access to NBFIs increased by 5 percentage points.

• The proportion of adults who accessed banking services directly via a bank branch or agent has not shown a statistically significant change from 2013 to 2017.

Source: InterMedia Kenya Fil Tracker surveys, Wave 1 (N=3,000, 15+), September-October 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015; Wave 4 (N=3,000, 15+), August 2016; Wave 5 (N=3,129, 15+), June-July 2017.
REGISTERED USERS (FINANCIAL INCLUSION)

- From 2016 to 2017, the proportion of adults who had financial accounts with formal full-service institutions increased significantly, from 69% to 73%. This gain was driven by growth in registered users of mobile money and NBFI, as well as demand for bank services provided via mobile money accounts.
- The proportion of registered bank users was statistically unchanged from 2016-2017. The expansion of mobile money products linked to bank services means that a growing population uses the banking system via a mobile money account, but does not have a separate bank account.

Source: InterMedia Kenya FII Tracker surveys, Wave 1 (N=3,000, 15+), September-October 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015; Wave 4 (N=3,000, 15+), August 2016; Wave 5 (N=3,129, 15+), June-July 2017.
ACTIVE REGISTERED USERS

- The proportion of adults who used their registered account in the 90 days prior to the survey increased 8 percentage points to 69% in 2017, from 61% in 2016.
- Nearly all active users were mobile money account holders; in 2017 only 1% of the population used a bank or NBFI account actively, but not a mobile money account.

Active registered users
(Shown: Percentage of Kenya adults, by year)

Source: InterMedia Kenya FII Tracker surveys, Wave 1 (N=3,000, 15+), September-October 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015; Wave 4 (N=3,000, 15+), August 2016; Wave 5 (N=3,129, 15+), June-July 2017.
ADVANCED USERS

- The advanced user group grew strongly, from 51% of the adult population in 2016, to 60% in 2017. Registered mobile money users who only use basic transfers and cash-in, cash-out functions are diminishing as they adopt savings, credit, bill pay, merchant pay, and other advanced use cases.
- Growth in advanced users has accompanied the expansion of mobile credit, savings, bill pay, merchant pay, and other products and services, some of which, such as M-Shwari, are bank-provided savings and loan services that users may add to their M-Pesa accounts. As such, these bank services are counted as advanced mobile money products, not stand-alone bank accounts.

**Advanced active registered users**
(Shown: Percentage of Kenya adults, by year*)

<table>
<thead>
<tr>
<th></th>
<th>2014 (N=2,995)</th>
<th>2015 (N=2,994)</th>
<th>2016 (N=3,000)</th>
<th>2017 (N=3,129)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonbank financial institution</td>
<td>6</td>
<td>9</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Bank</td>
<td>20</td>
<td>20</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>Mobile money</td>
<td>37</td>
<td>45</td>
<td>48</td>
<td>57</td>
</tr>
<tr>
<td>NBFI, bank, and/or mobile money</td>
<td>44</td>
<td>49</td>
<td>51</td>
<td>60</td>
</tr>
</tbody>
</table>

*2013 definition of advanced users is not comparable with later years

Source: InterMedia Kenya FII Tracker surveys, Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015; Wave 4 (N=3,000, 15+), August 2016; Wave 5 (N=3,129, 15+), June-July 2017.
DIGITAL FINANCIAL INCLUSION

• All financially included adults in Kenya are also digitally included. All of those who have a mobile money account are counted as digitally included. An additional 1% of the population does not have a mobile money account but is digitally included via a bank or NBFI account.

• Mobile phone ownership is a key precondition for digital financial inclusion, and 79% of Kenya’s adult population owned a mobile phone in 2017. Basic phones were the least common type of phone, after feature phones and smartphones.

Financial inclusion readiness among Kenya’s adults remained high in 2017. The key digital readiness indicators of ability to text and SIM card ownership increased by 7 and 5 percentage points, respectively.

Less than one in three adults (28%) in Kenya were financially literate in 2017. The prevalence of financial literacy is nevertheless up significantly over 2016, possibly reflecting the impact of financial literacy training programs by financial institutions.

The number of adults who obtained identification cards increased in 2017, most likely because IDs were necessary to vote in the national election that took place shortly after the survey.

### 2017: Key indicators of readiness to adopt digital financial services

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Necessary ID</td>
<td>82%</td>
<td>78%</td>
<td>78%</td>
<td>81%</td>
</tr>
<tr>
<td>Mobile phone access (own/borrow)</td>
<td>93%</td>
<td>93%</td>
<td>93%</td>
<td>88%</td>
</tr>
<tr>
<td>Own a SIM card</td>
<td>86%</td>
<td>81%</td>
<td>79%</td>
<td>76%</td>
</tr>
<tr>
<td>Ability to send and receive text messages</td>
<td>85%</td>
<td>78%</td>
<td>75%</td>
<td>69%</td>
</tr>
<tr>
<td>Financial literacy</td>
<td>28%</td>
<td>17%</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Basic numeracy</td>
<td>97%</td>
<td>98%</td>
<td>98%</td>
<td>90%</td>
</tr>
</tbody>
</table>

Source: InterMedia Kenya FII Tracker surveys, Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015; Wave 4 (N=3,000, 15+), August 2016; Wave 5 (N=3,129, 15+), June-July 2017.
GEOGRAPHICAL ACCESS TO FINANCIAL SERVICES

- Knowledge of financial access locations is nearly universal in Kenya. Almost eight in 10 adults knew of a point-of-service (POS) within one kilometer of their home and nearly nine in 10 adults knew of a POS within five kilometers of their homes.
- Mobile money agents and retail stores with over-the-counter mobile money kiosks were the first and second most widely known POS within one kilometer, followed by banking agents.

2017: Proximity to points-of-service (POS) for financial institutions
(Shown: Percentage of Kenya adults, N=3,129)

Financial inclusion may be conceived as a process through which an individual’s needs are met by advancing step-by-step towards increasingly active engagement with a growing range of financial services. The customer journey theory of change posits that advancement on the journey leads to gains in human welfare.

Understanding how individuals and groups advance on the customer journey is useful for developing strategies and interventions to assist more individuals to become users of the financial services that best meet their needs.

Five major segments of the population on the customer journey are described below. Each group is mutually exclusive of the others. The population shifts between these groups as more individuals make progress on the customer journey.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonusers</td>
<td>Adults who have no access to or have never used a full-service financial institution. Nonusers have not started the customer journey.</td>
</tr>
<tr>
<td>Unregistered users</td>
<td>Adults who do not have an account registered in their name but use a bank, mobile money, and/or NBFI service via another person’s account, especially over-the-counter mobile money services accessed via an agent.</td>
</tr>
<tr>
<td>Registered inactive users</td>
<td>Adults who have a bank, mobile money, or NBFI account registered in their name but have not used it in the last 90 days.</td>
</tr>
<tr>
<td>Active basic users</td>
<td>Adults who have used their registered bank, NBFI, or mobile money account in the previous 90 days and have ever used their account for saving, borrowing, investment, insurance, bill payment, merchant payment, receiving wages, and/or receiving government payments.</td>
</tr>
<tr>
<td>Advanced users</td>
<td>Adults who have used their registered bank, NBFI, or mobile money account in the previous 90 days and have ever used their account for saving, borrowing, investment, insurance, bill payment, merchant payment, receiving wages, and/or receiving government payments.</td>
</tr>
</tbody>
</table>
Since 2014, the proportion of nonusers of formal financial institutions decreased as they have embarked on the customer journey to financial inclusion. Growth in unregistered users (those who access mobile money services over-the-counter at agent locations) plateaued between 2016 and 2017 at 15% of the adult population. Since 2014, the proportion of registered inactive users (those who have not used an account in the last 90 days) has remained statistically unchanged at 4% to 6% of adults. The decline in active basic users (basic transfers and cash-in, cash-out only) after 2014 reflects growth in saving or safekeeping behavior using mobile money, and the rapid uptake of M-Shwari and other advanced services. The proportion of active basic users continued its steady decline as more of the population joined the advanced user group.
NONUSERS, BY DEMOGRAPHIC GROUP

- The large majority of adults in Kenya have taken one or more steps on the customer journey to financial inclusion. In 2017, only 12% of the adult population was left in the nonuser group.
- Nonusers were more common among women, rural residents, and those with incomes below-poverty than among male, urban, and above-poverty adults. Nonusers were most concentrated in the below-poverty demographic group. Nevertheless, 75% of the below-poverty population has progressed to a later stage in the customer journey.

**2017: Nonusers, by demographic group**
(Shown: Percentage of each demographic group who are nonusers)

<table>
<thead>
<tr>
<th>Demographic Group</th>
<th>Total Population (N=3,129)</th>
<th>Females (n=1,955)</th>
<th>Males (n=1,174)</th>
<th>Rural (n=1,921)</th>
<th>Urban (n=1,208)</th>
<th>Below poverty (n=889)</th>
<th>Above poverty (n=2,240)</th>
<th>Younger than 35 (n=1,816)</th>
<th>35 years and older (n=1,313)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12</td>
<td>15</td>
<td>10</td>
<td>16</td>
<td>6</td>
<td>25</td>
<td>7</td>
<td>14</td>
<td>11</td>
</tr>
</tbody>
</table>

UNREGISTERED USERS, BY DEMOGRAPHIC GROUP

- Users of formal financial services who did not hold a registered account were predominantly users of mobile money services, which they accessed over-the-counter (OTC) via agents.
- Unregistered mobile money users were more common in the female, rural, below-poverty, and under-35 demographic groups than among male, urban, above-poverty, and aged 35+ adults.

2017: Unregistered users, by demographic and service type
(Shown: Percentage of each demographic group who are unregistered users of each type of institution)

An unregistered user in Kenya is almost always an OTC mobile money user, and rarely a user of another person’s bank or NBFI account.

OVER-THE-COUNTER (OTC) MOBILE MONEY USERS

• From 2013 to 2016, the prevalence of OTC mobile money users doubled as a proportion of the adult population, and has since plateaued at 16%. OTC users are mainly female and rural, and a large majority are younger than 35 years old.

• While OTC users were more prevalent within the below-poverty group than within the above-poverty group (see previous slide), overall, most OTC users had incomes above the poverty line. Regression analysis shows that relative youth and less education are the strongest predictors of OTC use when controlling for income, gender, and urban/rural locale.

Unregistered (OTC) mobile money users
(Shown: Percentage of Kenya adults, by year)

2017: Unregistered (OTC) mobile money users, by demographic
(Shown: Percentage of unregistered mobile money users, n=441)

- Women 56%
- Men 44%
- Below $2.5/day poverty line 35%
- Above $2.5/day poverty line 65%
- Rural 68%
- Urban 32%
- Younger than 35 88%
- 35 and older 12%

Source: InterMedia Kenya FII Tracker surveys, Wave 1 (N=3,000, 15+), September-October 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015; Wave 4 (N=3,000, 15+), August 2016; Wave 5 (N=3,129, 15+), June-July 2017.
REGISTERED INACTIVE USERS, BY DEMOGRAPHIC GROUP

- Registered inactive users were most often bank account holders; 25% of them did not use their accounts in the 90 days preceding the survey. There were more inactive bank users in the male, urban, and above-poverty demographic groups than in the female, rural, and below-poverty groups.

- Nearly all registered bank users (94%) had one or more mobile money accounts. Some of these users accessed bank services outside of their separate bank accounts via mobile money products such as M-Shwari.

- Few mobile money and NBFI account holders were inactive, and there was little variation across demographic groups.

**2017: Inactive users of registered financial accounts, by demographic and service type**

(Shown: Percentage of each demographic group who are registered inactive users of each type of institution)

*Fewer than 50 observations

ACTIVE BASIC USERS, BY DEMOGRAPHIC GROUP

• A third of active basic users are 55 years old or older, and all of them used mobile money only for transfers and cash-in, cash-out in the 90 days before the survey. They did not report using their accounts for saving, borrowing, or any other advanced use case.
• Active basic users were more common in the female, rural, below-poverty, and aged 35+ demographic groups than in the male, urban, above-poverty, and below-35 groups.

2017: Active basic users of mobile money accounts, by demographic
(Shown: Percentage of each demographic group who are active basic users of mobile money accounts)


Women, rural, and below-poverty adults are less likely to join the advanced user group than male, urban, and above-poverty adults.
ADVANCED USERS, BY DEMOGRAPHIC GROUP

- While 60% of Kenya’s adult population had progressed to the advanced user stage of the customer journey by 2017, advanced users are unevenly distributed across demographic groups. Advanced users are more common in the male, urban, and above-poverty demographic groups than among women, rural residents, and those with incomes below the $2.50/day poverty lines.

- Large gender, locality, and income gaps persisted among advanced users of both bank and mobile money accounts. Relatively small gender and locality gaps are found among advanced NBFI users, though their share of the above-poverty group was more than 3X greater than their share of the below-poverty group.

**2017: Advanced users, by demographic**
(Shown: Percentage of each demographic group who are advanced users of each type of institution)

*Fewer than 50 observations

ADVANCED USER 90-DAY ACCOUNT ACTIVITIES

- Saving was the most common activity across advanced users of all three financial services in the 90 days prior to the survey. More advanced users saved via their mobile money accounts than via banks or NBFIs.
- Aside from saving, other common activities for mobile money account holders were bill pay (37%), receiving wages (23%), paying for goods and services (22%) and loan activities (16%).

2017: Advanced users’ account activities in last 90 days, by activity and institution
(Shown: Percentage of advanced users, n=1,919)


*Fewer than 50 observations
Mobile credit has seen substantial uptake in Kenya; in 2017, 21% of the adult population reported ever taking a loan through a mobile phone. A substantial portion of mobile credit users struggled to repay their loans; 44% lacked the money to repay their loans on time, and 37% said the repayment period was too short.

A quarter of mobile credit users said they were charged unexpected fees, and 18% reported not understanding the costs or fees. These findings suggest that government requirements on fee disclosure, such as the transparency directive by the Competition Authority of Kenya, are important for consumer protection.

REPAYMENT PROBLEMS OF MOBILE CREDIT USERS

- Sixty-five percent of those who have ever taken a loan using a mobile phone defaulted on one or more of their loans. Within this group, the most common outcomes of default were an extra fee or a rollover fee, or a reduction in future credit limits.
- Twenty-one percent reported being denied access to future credit from the same lender, and 19% said they were blacklisted by the credit bureau. More drastic measures like legal prosecution, confiscation of property, fines, or other legal penalties were reported in only 3% to 4% of cases, which is less than the survey margin of error for this subpopulation.

## KEY INDICATORS SUMMARY

<table>
<thead>
<tr>
<th>Key Indicators</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Base Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adults (15+) who have active digital stored-value accounts</td>
<td>59% (+/- 2.6%)</td>
<td>62% (+/- 2.0%)</td>
<td>61% (+/- 1.9%)</td>
<td>68% (+/- 2.0%)</td>
<td>All adults</td>
</tr>
<tr>
<td>Poor adults (15+) who have active digital stored-value accounts</td>
<td>2,995</td>
<td>2,994</td>
<td>3,000</td>
<td>3,129</td>
<td>All poor</td>
</tr>
<tr>
<td>Poor women (15+) who have active digital stored-value accounts</td>
<td>43% (+/- 3.5%)</td>
<td>48% (+/- 2.9%)</td>
<td>45% (+/- 2.8%)</td>
<td>51% (+/- 3.8%)</td>
<td>All poor females</td>
</tr>
<tr>
<td>Rural women (15+) who have active digital stored-value accounts</td>
<td>1,502</td>
<td>1,474</td>
<td>1,324</td>
<td>889</td>
<td>All rural females</td>
</tr>
<tr>
<td>Adults (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet &amp; P2P)</td>
<td>47% (+/- 4.3%)</td>
<td>54% (+/- 3.8%)</td>
<td>51% (+/- 3.4%)</td>
<td>61% (+/- 3.5%)</td>
<td>All adults</td>
</tr>
<tr>
<td>Poor adults (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet &amp; P2P)</td>
<td>2,995</td>
<td>2,994</td>
<td>3,000</td>
<td>3,129</td>
<td>All poor</td>
</tr>
<tr>
<td>Poor women (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet &amp; P2P)</td>
<td>1,502</td>
<td>1,474</td>
<td>1,324</td>
<td>889</td>
<td>All poor females</td>
</tr>
<tr>
<td>Rural women (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet &amp; P2P)</td>
<td>1,068</td>
<td>929</td>
<td>817</td>
<td>576</td>
<td>All rural females</td>
</tr>
</tbody>
</table>

Digital stored-value accounts: accounts in which a monetary value is represented in a digital electronic format and can be retrieved/transferred by the account owner remotely. For this study, DSVAs include a bank account or NBFI account with digital access (a card, online access or a mobile phone application) and a mobile money account.

*2013 definition of advanced users is not comparable with later years

Source: InterMedia Kenya FII Tracker surveys, Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015; Wave 4 (N=3,000, 15+), August 2016; Wave 5 (N=3,129, 15+), June-July 2017.
PUTTING THE USER FRONT AND CENTER

The Financial Inclusion Insights (FII) program responds to the need identified by multiple stakeholders for timely, demand-side data and practical insights into digital financial services (DFS), including mobile money, and the potential for their expanded use among the poor.

The FII team conducts regular survey and qualitative research in Bangladesh, India, Indonesia, Kenya, Nigeria, Pakistan, Tanzania and Uganda to:

• Track access to and demand for financial services generally, and the uptake and use of DFS specifically;
• Measure adoption and use of DFS among key target groups (females, BOP, rural, unbanked, etc.);
• Identify drivers and barriers to further adoption of DFS;
• Evaluate the agent experience and the performance of mobile money agents; and
• Produce actionable, forward-looking insights to support product and service development and delivery, based on rigorous FII data.

The FII program is managed by InterMedia. Visit the FII Resource Center to learn more: www.finclusion.org.
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