FINANCIAL INCLUSION insights

APPLIED RESEARCH FOR digital financial inclusion

KENYA

WAVE 5 REPORT
FIFTH ANNUAL FII TRACKER SURVEY

Conducted June-July 2017

June 2018

InterMedia

BILL & MELINDA GATES foundation

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 implements nationally representative population surveys and qualitative research studies in **Bangladesh, India, Indonesia, Kenya, Nigeria, Pakistan, Tanzania and Uganda** to:

- **Track access to and demand** for financial services, especially DFS;
- **Measure adoption and use** of DFS among key underserved groups (females, poor, rural, 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 based on rigorous data** to support product and service development and delivery.

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

By InterMedia

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 bank or NBFI activity.

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.

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.

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FINANCIAL INCLUSION OVERVIEW

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.

ABOUT THE SURVEY

- Fifth survey (Wave 5) conducted from June 16, 2017, to July 10, 2017. Surveys measure national trends on key indicators of financial inclusion since 2013.
- 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.

2017: National demographics
(Shown: Percentage of Kenya adults, N=3,129)

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

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

COUNTRY CONTEXT

The Government of Kenya continued to prioritize financial inclusion in 2017 as a key focus for economic development in accordance with its Second Medium Term Development Plan 2013-2017 of Vision 2030. New policy, legal and regulatory reforms strengthened the enabling environment for financial sector growth and development.

- **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 re-run 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.

NOTABLE STATISTICS

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.

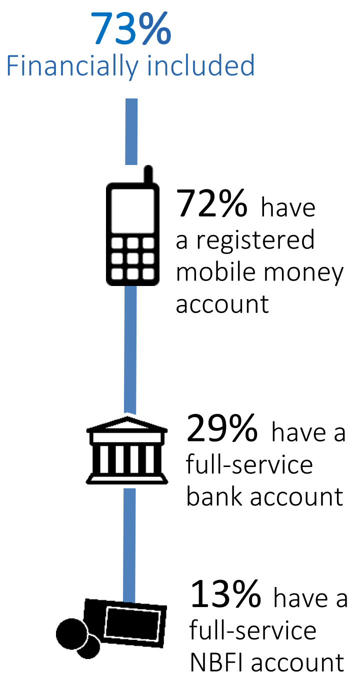
The digital financial services market in Kenya continued to develop beyond basic transfers as active mobile money users continued their rapid uptake of new and existing products and services, including merchant payments, bill payments, government payments and transfers, and credit, savings, investment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

2017: Financial Inclusion*
(Shown: Percentage of Kenya adults, N=3,129)



*Overlap representing those who have multiple kinds of financial accounts is not shown.

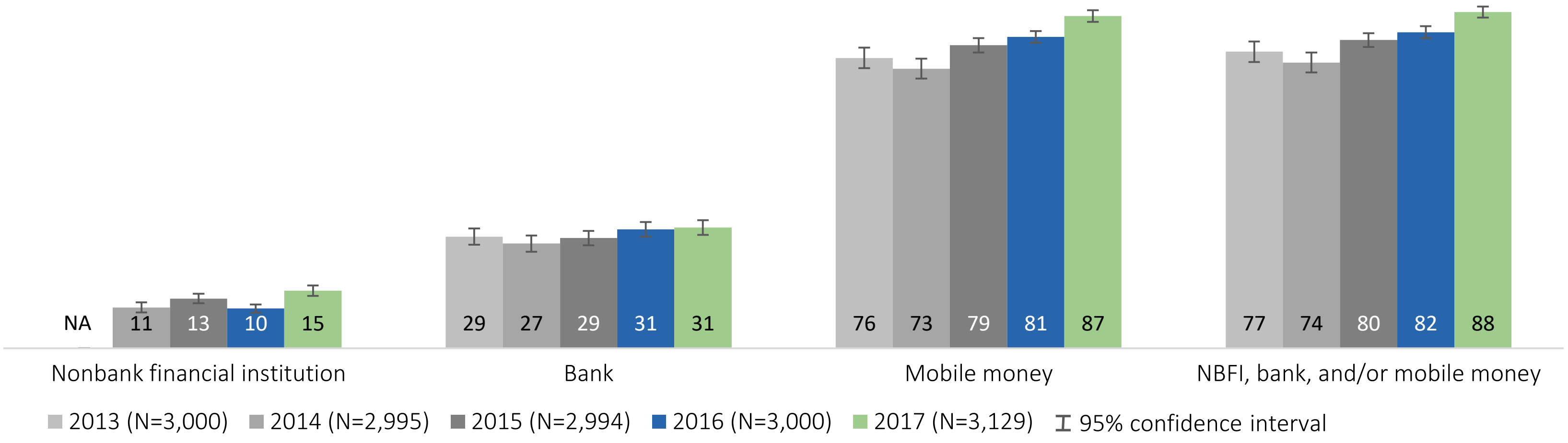
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

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.

6 percentage-point growth in the population of mobile money users from 2016 to 2017, driven by growth in registered users rather than over-the-counter (OTC) users.

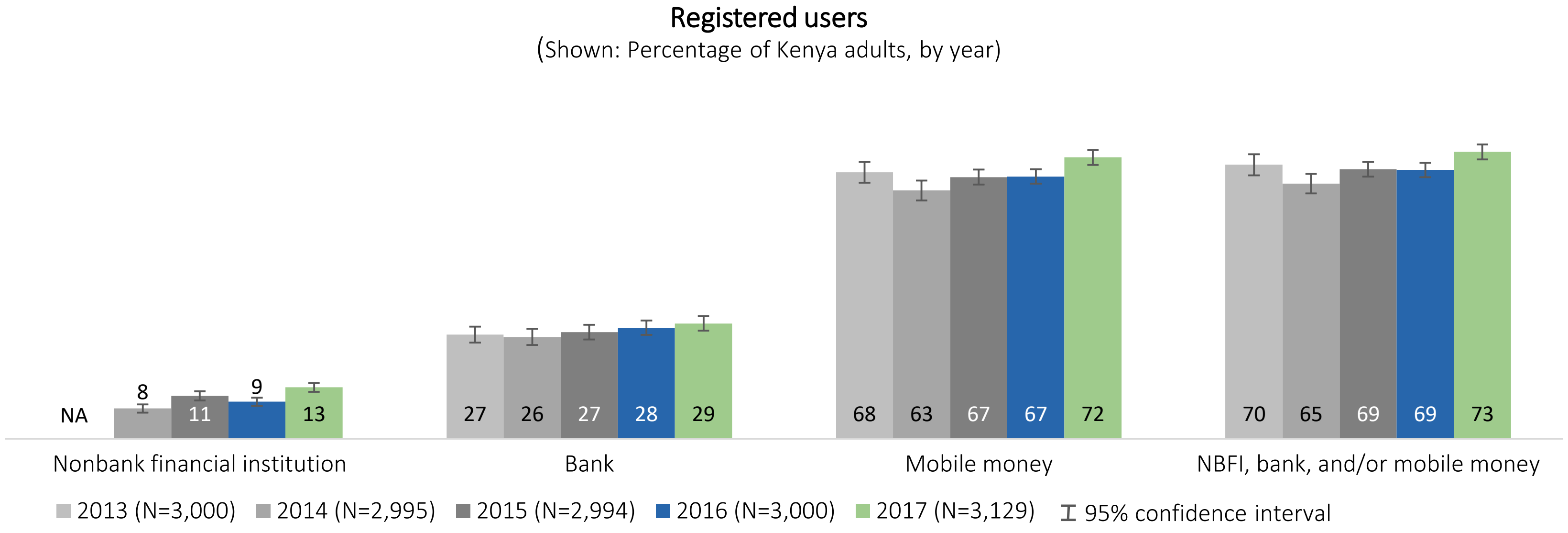
Access & trial
(Shown: Percentage of Kenya adults, by year)



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.

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 NBFIs, 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.



5 percentage-point increase in registered mobile money users from 2016-2017, driven by consumer demand for advanced services.

71% mobile money account holders were registered with Safaricom M-Pesa – the leading mobile money provider in Kenya.

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.

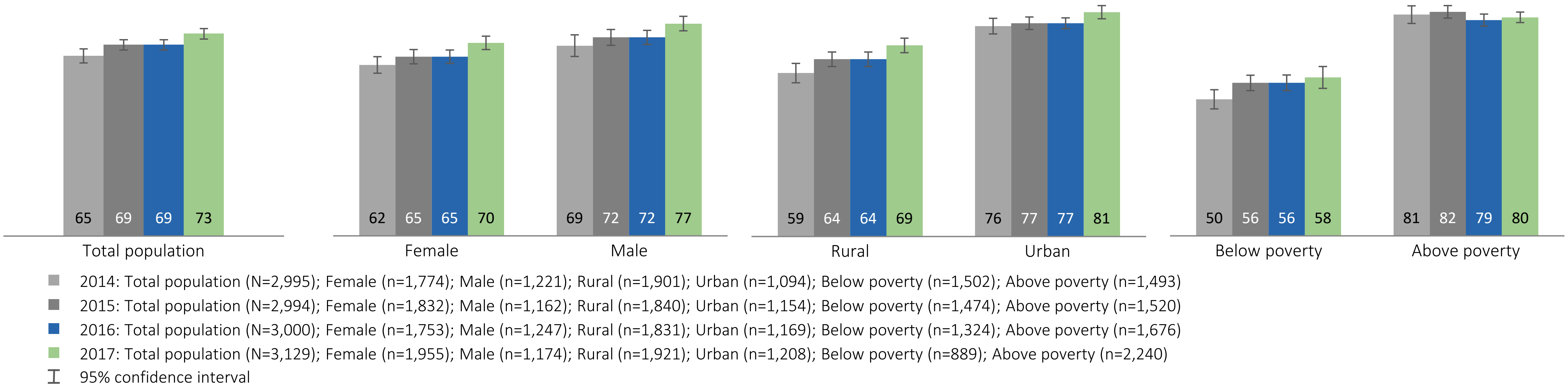
FINANCIAL INCLUSION TREND, BY DEMOGRAPHIC GROUP

- While Kenya's level of financial inclusion is high compared to other countries in Africa, gaps persist between the proportion of financially included adults in different demographic groups. From 2014 to 2017, financial inclusion among both women and men increased by 8 percentage points, but the gender gap of 7 percentage points remained constant over the years. To close the gap, financial inclusion must increase faster among women than among men.
- The rural/urban locality gap narrowed from 17 to 12 percentage points from 2014 to 2017. The income gap also narrowed over the same period as financial inclusion expanded among below-poverty adults, while staying constant in the above-poverty group.

The uptrend in financial inclusion shows a **persistent gender gap of 7 percentage points.**

Registered users, by demographic group

(Shown: Percentage of each demographic group who are registered users, by year)



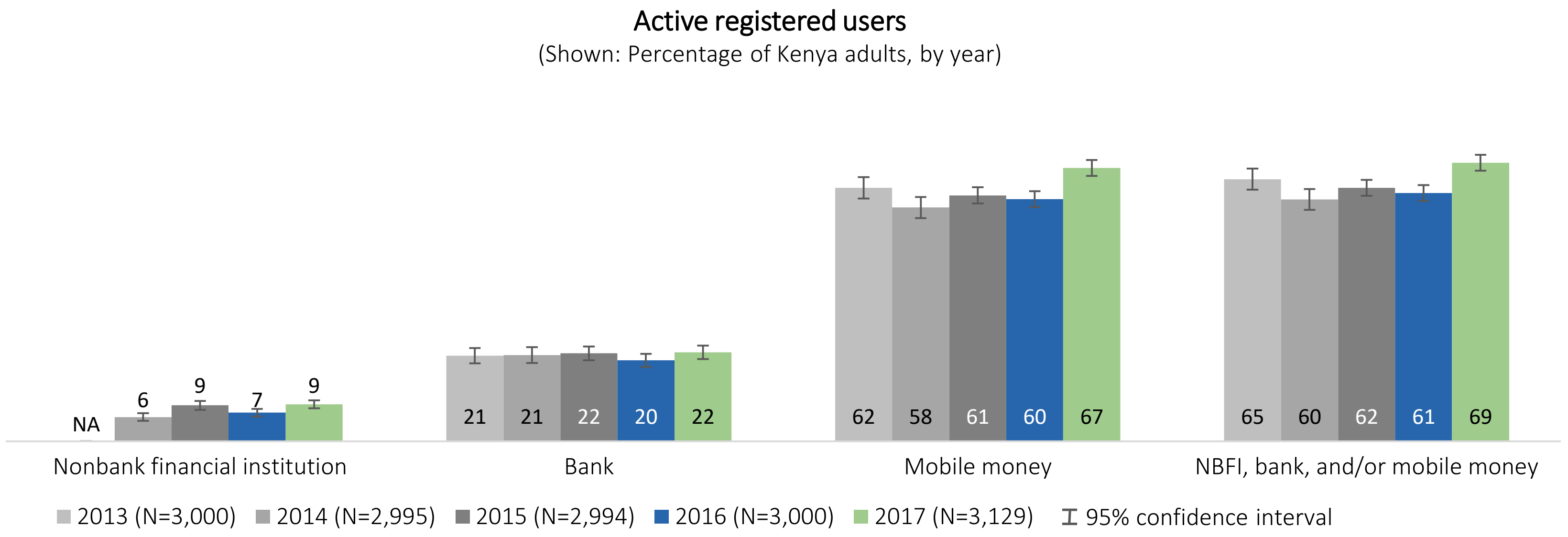
Source: InterMedia Kenya FII Tracker surveys, Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015; Wave 4 (N=3,000, 15+), August 2016; Wave 5 (N=3,129, 15+), June-July 2017.

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.

4% of adults are inactive registered mobile money users.

1% of adults have a dormant account they have never used.



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.

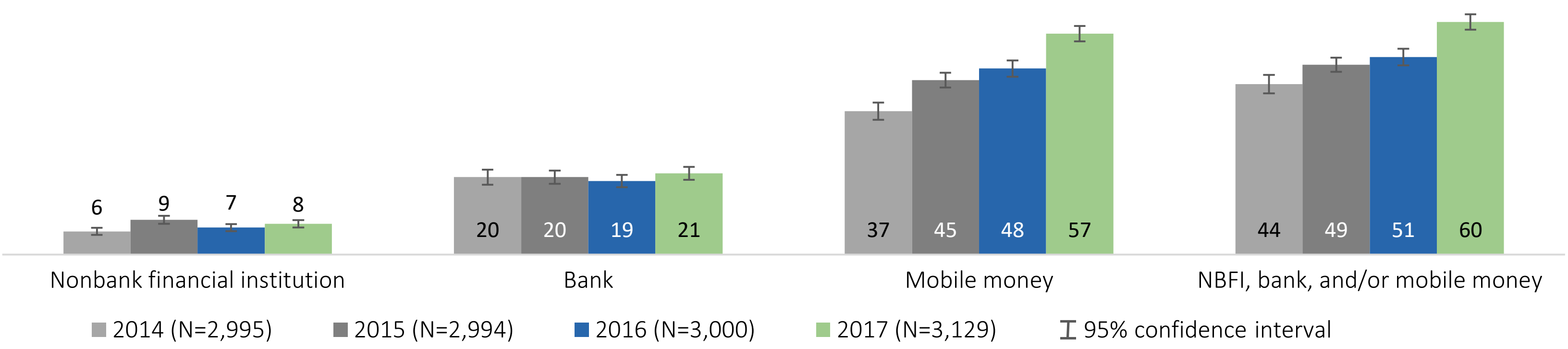
ADVANCED USERS

- 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.

20 percentage-point increase in advanced users of mobile money between 2014 and 2017.

Advanced active registered users

(Shown: Percentage of Kenya adults, by year*)



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

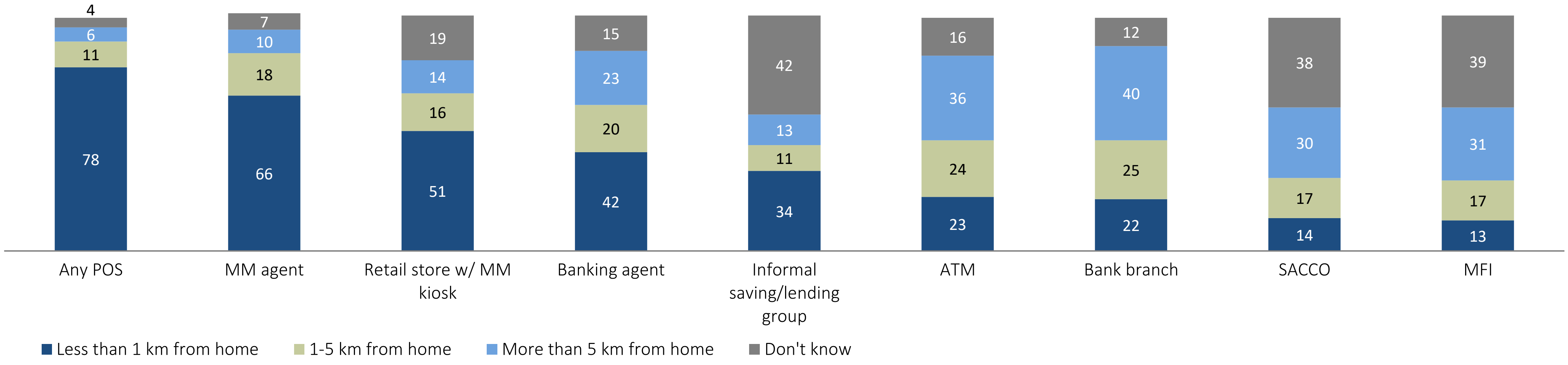
Source: InterMedia Kenya FII Tracker surveys, Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015; Wave 4 (N=3,000, 15+), August 2016; Wave 5 (N=3,129, 15+), June-July 2017.

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.

62% of adults knew of a banking agent within 5 kilometers of their household.

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



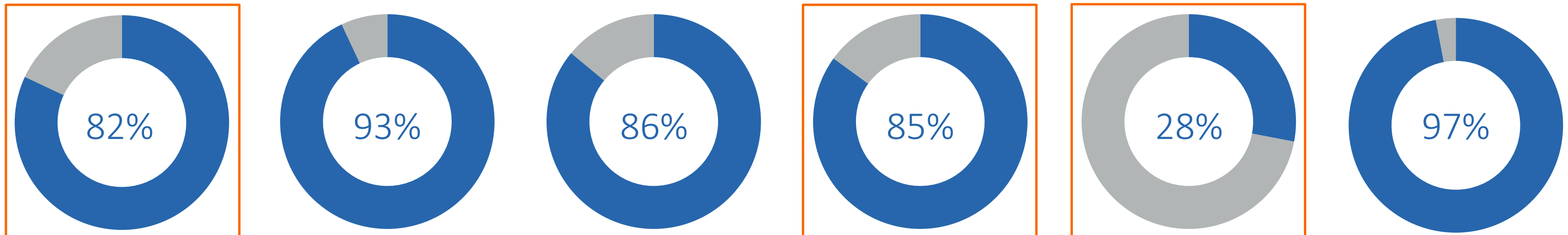
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

READINESS TO ADOPT DIGITAL FINANCIAL SERVICES

- 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

(Shown: Percentage of Kenya adults, N=3,129)



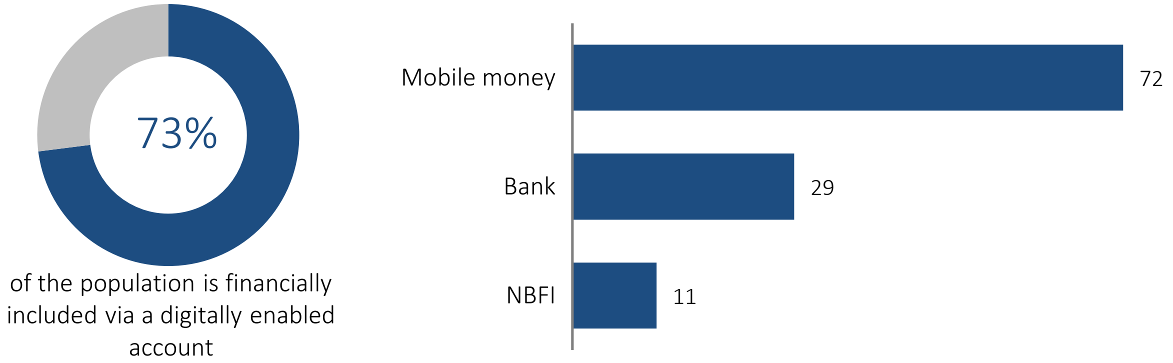
	Necessary ID	Mobile phone access (own/borrow)	Own a SIM card	Ability to send and receive text messages	Financial literacy	Basic numeracy
2016	78%	93%	81%	78%	17%	98%
2015	78%	93%	79%	75%	NA	98%
2014	81%	88%	76%	69%	NA	90%

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.

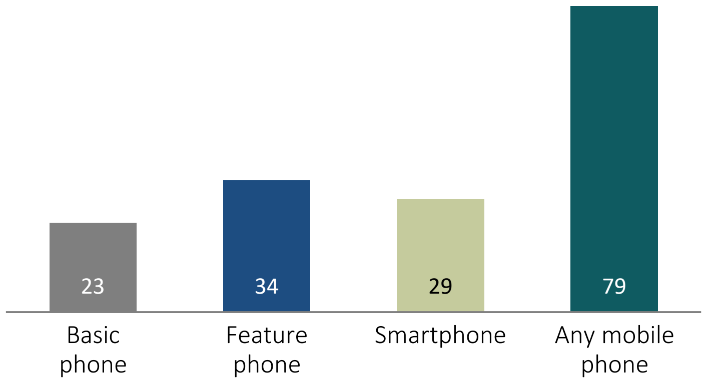
DIGITAL FINANCIAL INCLUSION

- 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.

2017: Digital financial inclusion by service type
(Shown: Percentage of Kenya adults, N=3,129)



2017: Mobile phone ownership
(Shown: Percentage of Kenya adults, N=3,129)



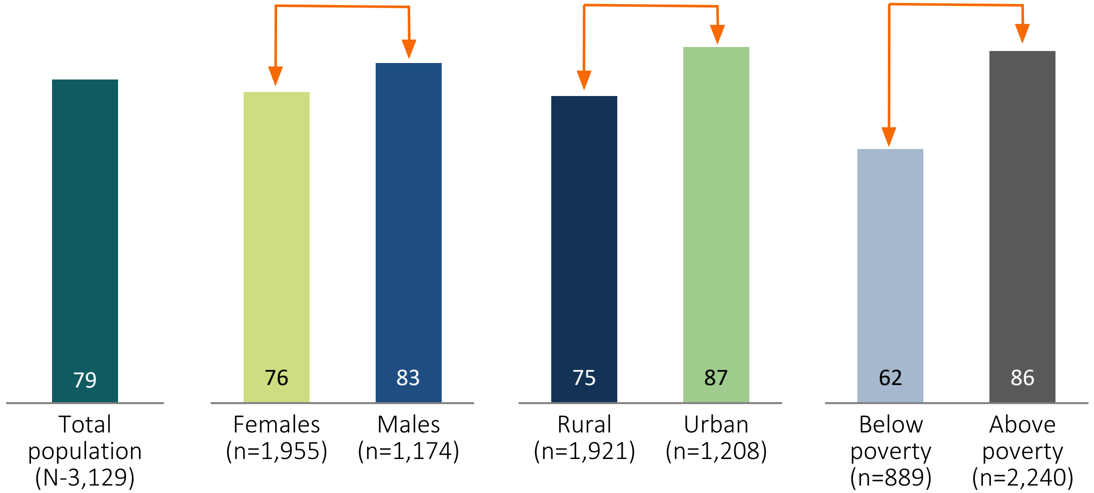
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

MOBILE PHONE OWNERS – DEMOGRAPHICS & ATTITUDES

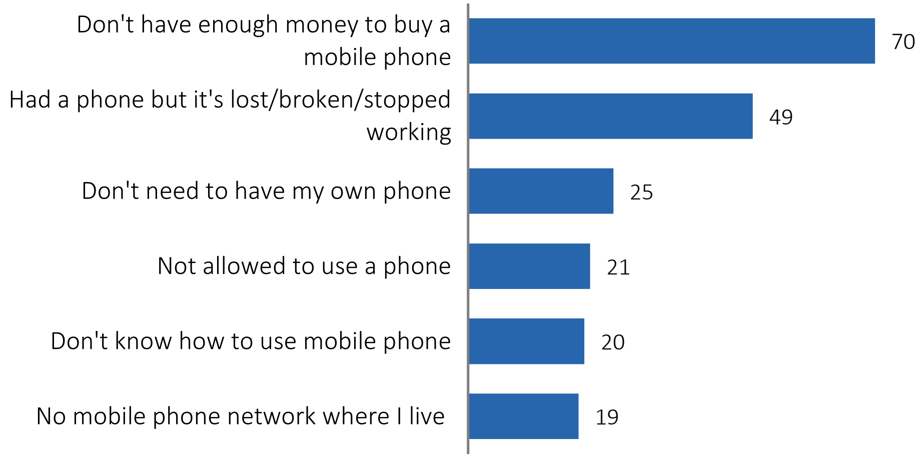
- In 2017, most of the adult population owned a mobile phone, however, phone ownership was more common among relatively privileged demographics – male, urban, and above-poverty – than in the female, rural, and below-poverty groups.
- Seven in 10 of those who did not own a phone reported lack of money as the reason. Further, about half of adults (49%) reported having had a mobile phone before, but had not replaced it.

7 percentage-point gender gap in phone ownership.

2017: Mobile phone ownership, by demographic
(Shown: Percentage of each demographic group who are phone owners)



2017: Top reasons for not owning a mobile phone
(Shown: Percentage of Kenya adults who do not own a mobile phone reporting somewhat/strongly agree, n=621)

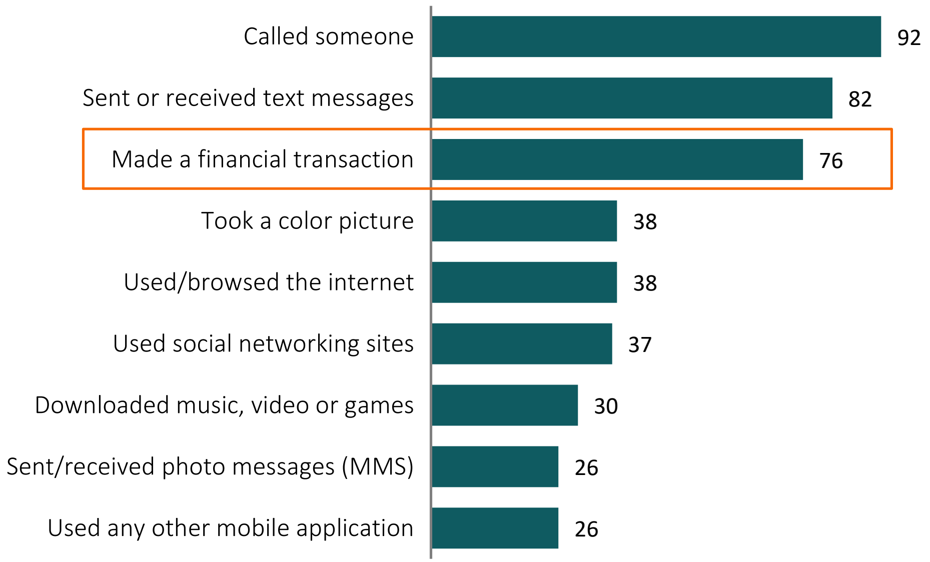


Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

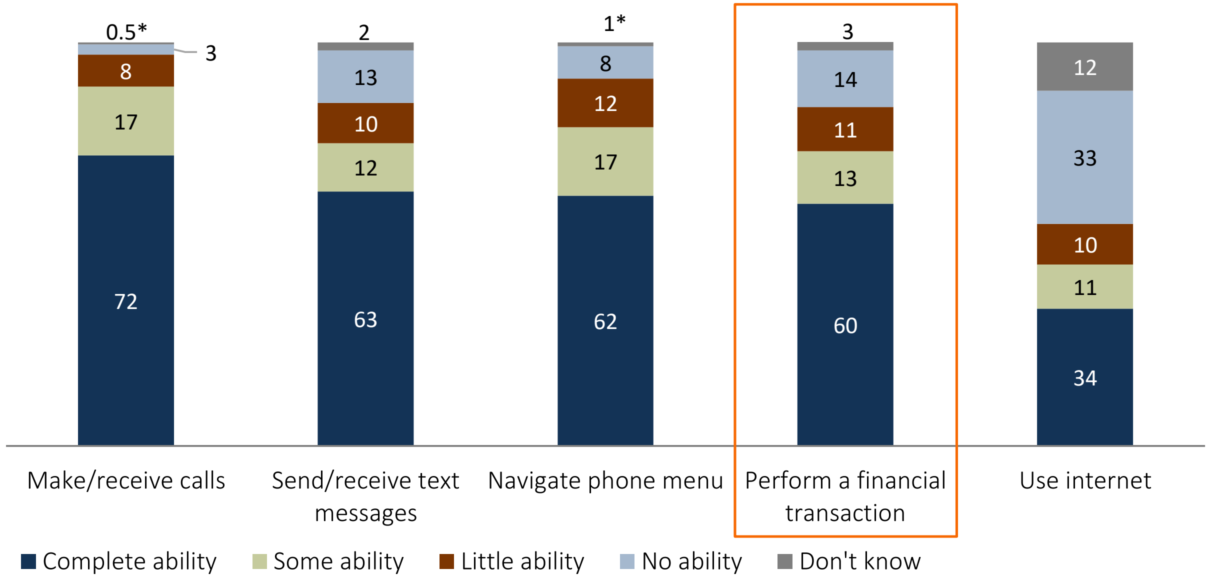
MOBILE PHONE USE

- Digital skills are widespread in Kenya; the large majority of adults have used text messaging (82%), which is a key indicator of digital proficiency. Nevertheless, assisted use of mobile phones is common; only 63% of adults reported "complete ability" to text.
- Slightly more than three-quarters (76%) of adults reported ever making a financial transaction. However, only 60% said they had complete ability to do so, indicating that assistance from mobile money agents or others remains important for a large segment of the population to access the service.

2017: Mobile phone functions ever used
(Shown: Percentage of Kenya adults, N=3,129)



2017: Phone user capability
(Shown: Percentage of Kenya adults, N=3,129)



*Fewer than 50 observations

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

CUSTOMER JOURNEY

CUSTOMER JOURNEY THEORY OF CHANGE

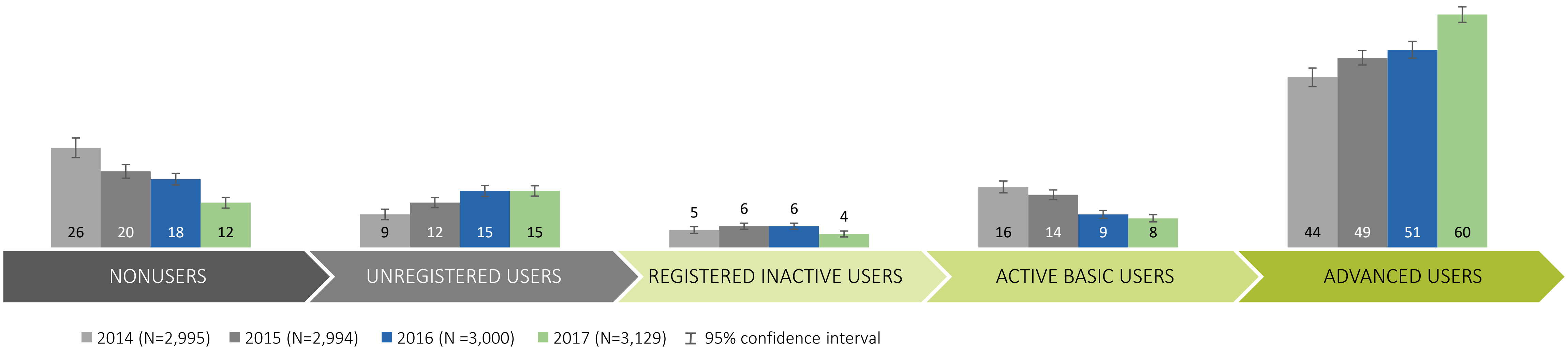
- Financial inclusion may be conceived as a process through which an individual's needs are met by advancing step-by-step towards increasingly active engagement with a growing range of financial services. The customer journey theory of change posits that advancement on the journey leads to gains in human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

Financially excluded (no registered account)		Financially included (registered account holders)		
NONUSERS	UNREGISTERED USERS	REGISTERED INACTIVE USERS	ACTIVE BASIC USERS	ADVANCED USERS
Nonusers are adults who have no access to or have never used a full-service financial institution. Nonusers have not started the customer journey.	**Unregistered users** are 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.	**Registered inactive users** are adults who have a bank, mobile money, or NBFI account registered in their name but have not used it in the last 90 days.	**Active basic users** are adults who used their registered bank, NBFI, or mobile money account to transfer money to another person, deposit or withdraw cash, and/or check their balance in the previous 90 days ONLY. Buying airtime using mobile money is also a basic use case.	**Advanced users** are 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.

CUSTOMER JOURNEY TREND

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.

Change over time in each segment of the customer journey for all financial institutions
(Shown: Percentage of Kenya adults, by year)



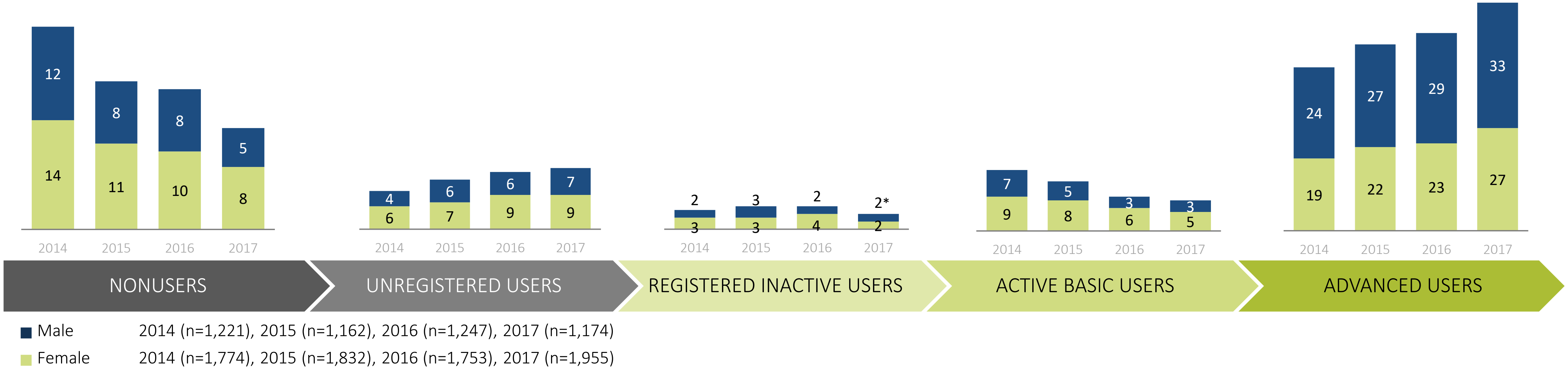
Source: InterMedia Kenya FII Tracker surveys, Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015; Wave 4 (N=3,000, 15+), August 2016; Wave 5 (N=3,129, 15+), June-July 2017.

CUSTOMER JOURNEY TREND, BY GENDER

Men are progressing faster on the customer journey than women, in Kenya. Although **nonusers** have decreased as a proportion of the adult population overall, the decline has been slower among women, and women have consistently outnumbered men in this group. **Unregistered users** are also more frequently women than men, as are the **active basic users.** Men are, however, overrepresented among **advanced users**, and the gap is widening**.** The share of men among advanced users increased by 9 percentage points since 2014, compared to 8 percentage points among women.

Change over time in each segment of the customer journey, by gender

(Shown: Percentage of Kenya adults, by year and by gender)



2014 (n=1,221), 2015 (n=1,162), 2016 (n=1,247), 2017 (n=1,174)

2014 (n=1,774), 2015 (n=1,832), 2016 (n=1,753), 2017 (n=1,955)

*Fewer than 50 observations

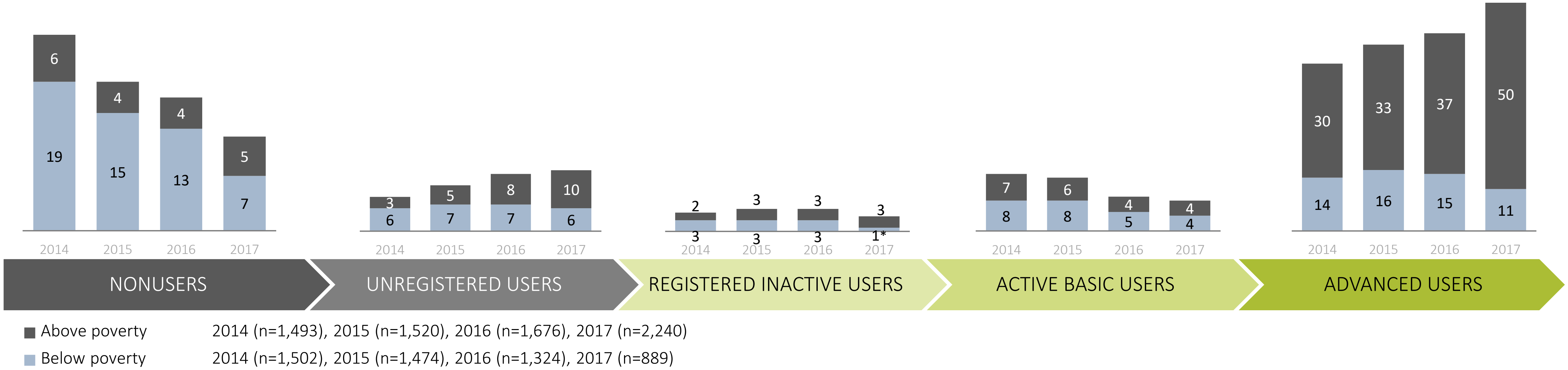
Source: InterMedia Kenya FII Tracker surveys, Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015; Wave 4 (N=3,000, 15+), August 2016; Wave 5 (N=3,129, 15+), June-July 2017.

CUSTOMER JOURNEY TREND, BY POVERTY STATUS

According to the Poverty Probability Index, the proportion of the adult population living under the $2.50/day poverty line has decreased from 51% in 2014 to 29% in 2017. At the same time, more below-poverty adults embarked on the customer journey than above-poverty adults; over half of the decrease in **nonusers** resulted from members of the below-poverty demographic progressing to a later stage in the journey. As more adults rose above the poverty line and progressed on the journey, the proportion below the poverty line has fallen across all user groups. In 2017, the majority of the population are **advanced users**, and the advanced user group contains the largest share of both below- and above-poverty adults.

Change over time in each segment of the customer journey, by above/below $2.50 (2005 PPP USD) poverty line

(Shown: Percentage of Kenya adults, by year and by poverty status)



2014 (n=1,493), 2015 (n=1,520), 2016 (n=1,676), 2017 (n=2,240)
2014 (n=1,502), 2015 (n=1,474), 2016 (n=1,324), 2017 (n=889)

*Fewer than 50 observations

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.

CUSTOMER JOURNEY TREND, BY LOCALE

Rural adults make up the majority (64%) of the population, and more rural residents occupy each stage of the customer journey than do urban residents. Since 2014, **nonusers** have decreased from 21% of rural adults to only 10% in 2017, while only 2% of the population are urban nonusers. Nearly all of the growth in **unregistered users** since 2014 is the result of rural adults progressing from the nonuser stage. Departures of both urban and rural adults from the **registered inactive user** and **active basic user** groups have swelled the ranks of advanced users. Since 2014, urban arrivals have contributed 5 percentage points, and rural arrivals 11 percentage points, to the share of the population in the **advanced user** group.

Change over time in each segment of the customer journey, by urban/rural locale

(Shown: Percentage of Kenya adults, by year and by locale)

2014 (n=1,094), 2015 (n=1,154), 2016 (n=1,169), 2017 (n=1,208)
2014 (n=1,901), 2015 (n=1,840), 2016 (n=1,831), 2017 (n=1,921)

*Fewer than 50 observations

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.

DEMOGRAPHICS OF EACH CUSTOMER SEGMENT

- In Kenya, women make up the majority of the financially excluded, nonuser and unregistered user groups. Women also form a large majority (68%) of active basic users, while men are the majority (55%) of advanced users.
- Below-poverty adults are a majority only of the nonuser group. Lacking funds, below-poverty adults have fewer opportunities to use advanced services, and make up the smallest share of the advanced user group.
- Rural adults are the majority of all user groups.

2017: Demographic groups, by customer journey segment

(Shown: Percentage of Kenya adults in each segment)

DEMOGRAPHICS	NONUSERS (n=378)	UNREGISTERED USERS (n=423)	REGISTERED INACTIVE USERS (n=126)	ACTIVE BASIC USERS (n=283)	ADVANCED USERS (n=1,919)
Male	38%	44%	50%*	32%	55%
Female	62%	56%	50%	68%	45%
Above poverty	42%	64%	64%	52%	82%
Below poverty	58%	36%	36%*	48%	18%
Rural	81%	69%	68%	79%	56%
Urban	19%	31%	32%*	21%	44%

*Fewer than 50 observations

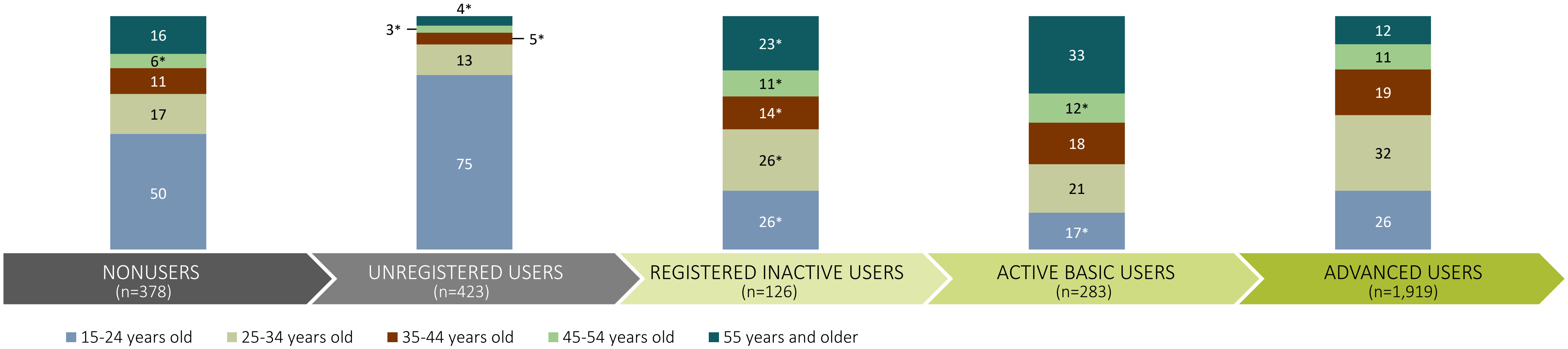
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

AGE GROUP SEGMENTATION

The youth in Kenya are more often financially excluded than their elders. The majority of the population is under 35 years old; the 15-24 and 25-34-year-old age groups are 36% and 26% of the adult population, respectively. The 15-24-year-old group was overrepresented among **nonusers**, and even more so among **unregistered users**. The youth bulge in the unregistered group suggests that these users will quickly progress to later stages of the customer journey when they obtain IDs, mobile phones, and more earned income to facilitate registered use of financial services. **Active basic** users skewed towards the older demographics, and the older age groups were also somewhat overrepresented among **advanced users**, as well as the higher-earning individuals between 25 and 34 years old.

2017: Age groups, by customer journey segment

(Shown: Percentage of Kenya adults in each group in each segment)



*Fewer than 50 observations

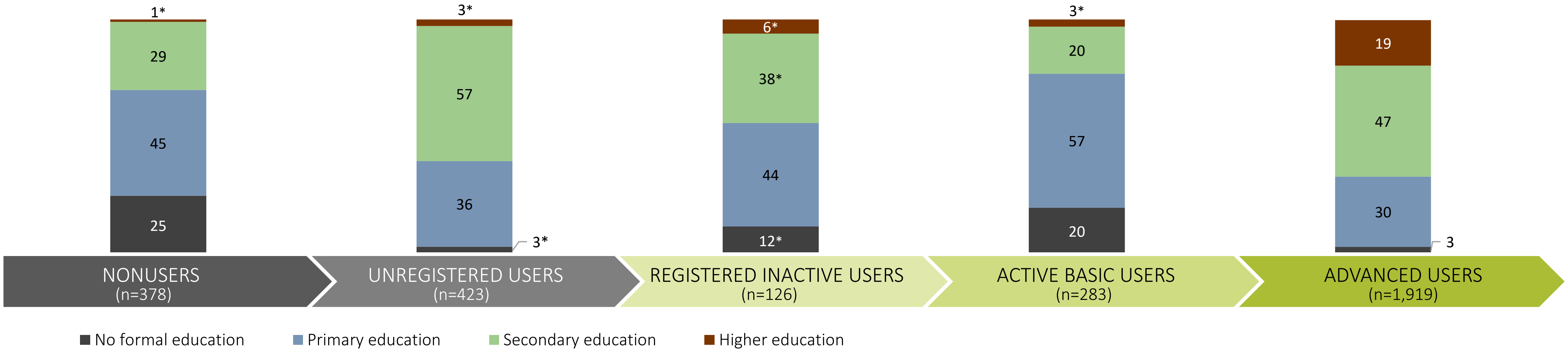
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

EDUCATION SEGMENTATION

Education is not a major constraint to financial inclusion in Kenya. Adults with no formal education were most often **nonusers**, but also made up a substantial share of active basic users. The majority of **unregistered users** had secondary education, while the majority of **active basic users** had primary education. Educational attainment is, however, a key driver of progress to the **advanced user** stage of the customer journey; adults with secondary (47%) and higher education (19%) formed the large majority of advanced users.

2017: Education levels, by customer journey segment

(Shown: Percentage of Kenya adults in each group in each segment)



*Fewer than 50 observations

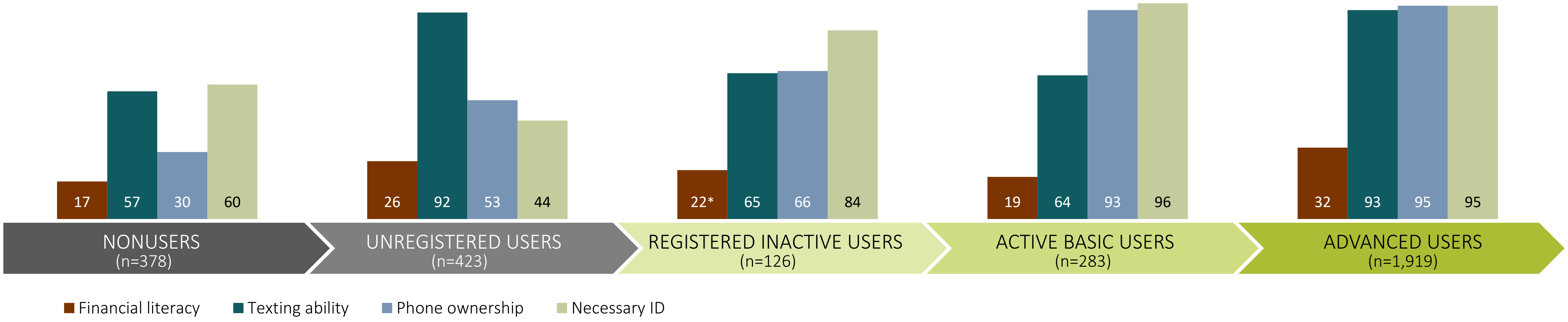
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

DIGITAL READINESS SEGMENTATION

Overall readiness increased at each stage of the customer journey, though several indicators did not increase monotonically across successive segments. **Nonusers** had the lowest levels of readiness across all indicators except ownership of ID, which was higher than that of unregistered users (60% versus 44%). **Unregistered users** are largely tech-savvy young adults and, after advanced users, had the highest prevalence of texting ability and financial literacy. Relatively few unregistered users, however, had the phones or ID necessary to register an account compared to the later three, financially included segments. The inactivity of many **registered inactive users** is explained partly by their lower level of phone ownership compared to the later segments. **Active basic** and **advanced users** were differentiated by the lower prevalence of financial literacy and texting ability in the former group.

2017: Readiness to adopt digital financial services, by customer journey segment

(Shown: Percentage of Kenya adults in each segment)



*Fewer than 50 observations

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

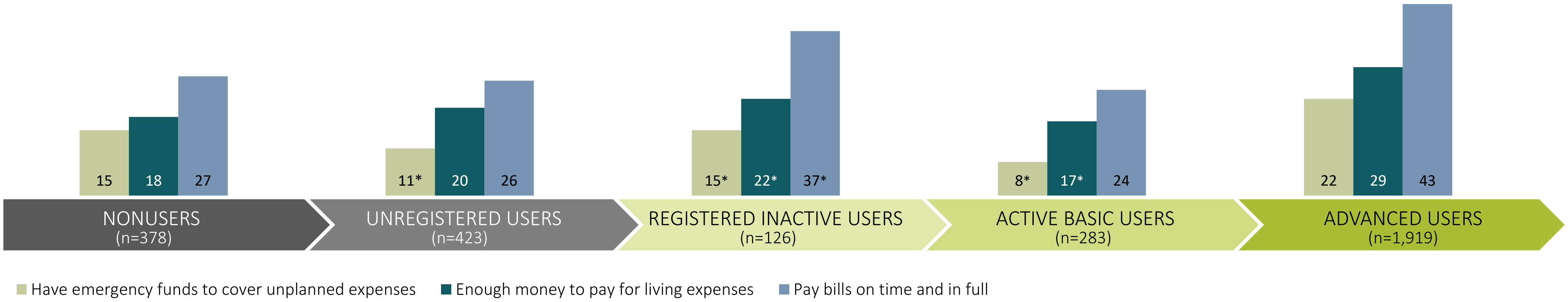
FINANCIAL HEALTH SEGMENTATION

- The advanced user group showed substantially higher levels of financial health than did the other segments. However, there is no group in which a majority reported the ability to keep up with regular and unexpected expenses.
- Active basic users reported lower financial health than nonusers on all three indicators. This finding suggests that those who use their accounts only for basic transfers – largely female, older, and rural adults – may have higher levels of dependency on these transfers for their income than do those in other segments.

37% of all adults reported paying their bills on time and in full.

2017: Financial health, by customer journey segment

(Shown: Percentage of Kenya adults in each segment reporting somewhat/strongly agree)



*Fewer than 50 observations

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

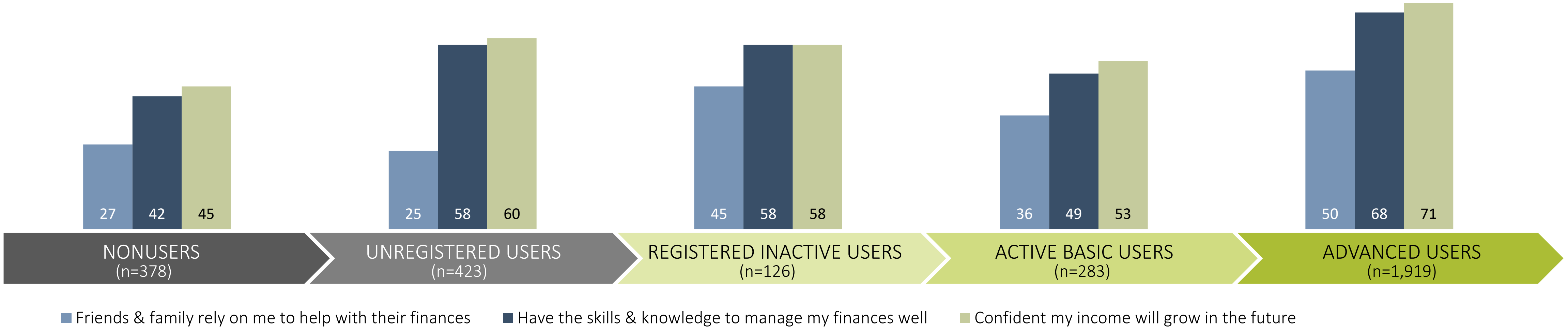
FINANCIAL CAPACITY SEGMENTATION

- Progress on the customer journey is associated with greater levels of optimism about future income growth. Nonusers were the only group in which a majority were not optimistic that their income will grow in the future.
- Being relied on by others for financial help is an important driver of account registration. Members of the later three, financially included segments were more frequently relied upon than those in the first two segments.
- Advanced users were the most confident about their skills at financial management, followed by registered inactive and unregistered users. Active basic users were the least likely to be relied on for support among the three financially included segments.

81% of all adults reported having a plan to spend their income; the majority of this group followed through with their budget plan.

2017: Financial capacity, by customer journey segment

(Shown: Percentage of Kenya adults in each segment reporting somewhat/strongly agree)



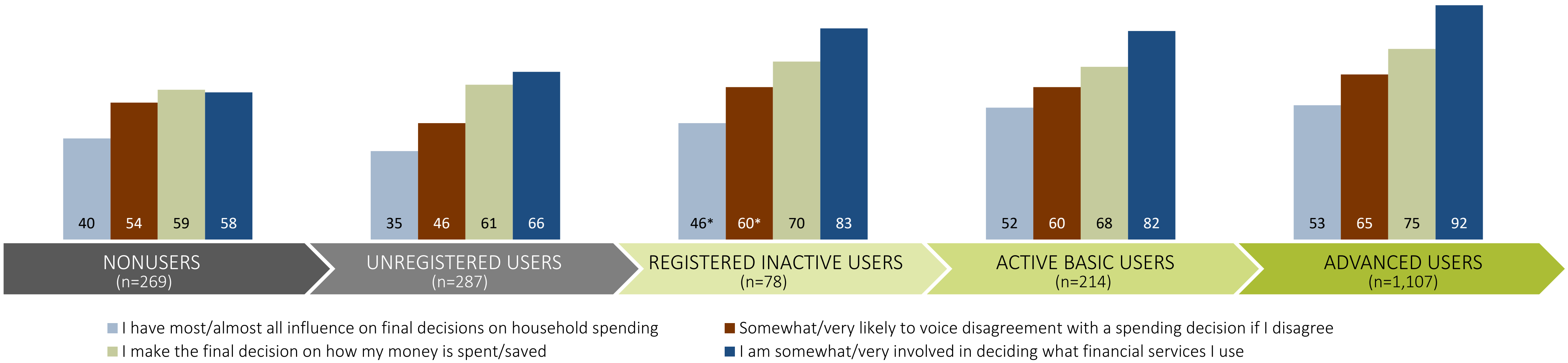
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

WOMEN'S ECONOMIC EMPOWERMENT SEGMENTATION

- More women who reached later stages of the customer journey reported greater influence on final household decisions, and a higher likelihood of voicing disagreement with a spending decision.
- Women in the later three, financially included segments reported they were involved in deciding what financial services they use more often than the women in the first two, financially excluded segments.
- Unregistered women were less likely to report influence and voice on spending decisions than women nonusers. This difference is explained by the intersection of youth and gender in the unregistered group.

2017: Economic empowerment indicators, by customer journey segment

(Shown: Percentage of Kenya women in each segment reporting somewhat/strongly agree)



*Fewer than 50 observations

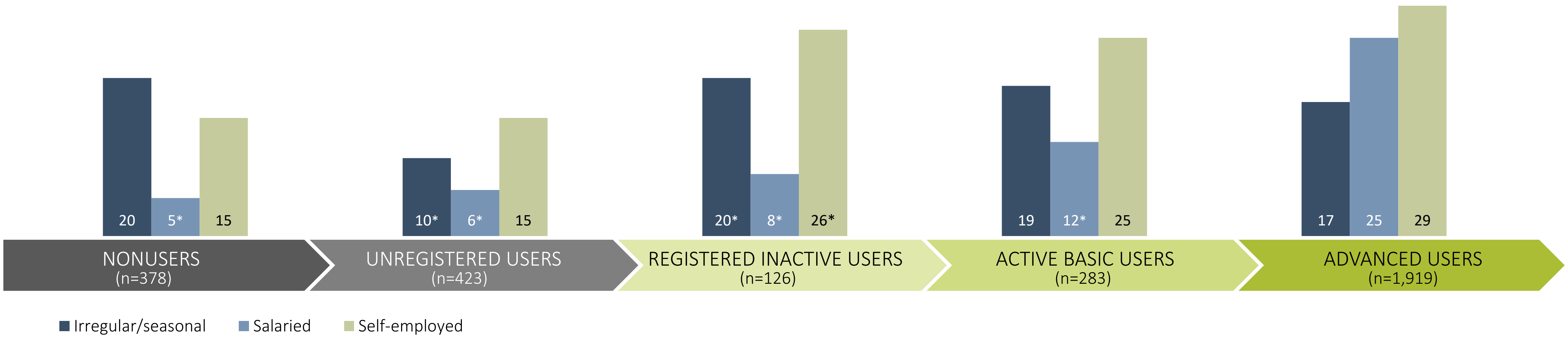
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

INCOME SEGMENTATION

- All forms of employment are correlated with financial inclusion; a greater proportion of adults in the later three, financially included segments had employment income compared to the first two segments.
- Advanced users were more frequently salaried and self-employed than adults in the other segments. Seasonal, mainly agricultural, workers were present in approximately equal proportions in all segments, except unregistered users.
- The relative youth of the unregistered user group explains their low frequency of employment income.

59% of all adults earned an income from employment.

2017: Employment income, by customer journey segment
(Shown: Percentage of Kenya adults in each segment)



*Fewer than 50 observations

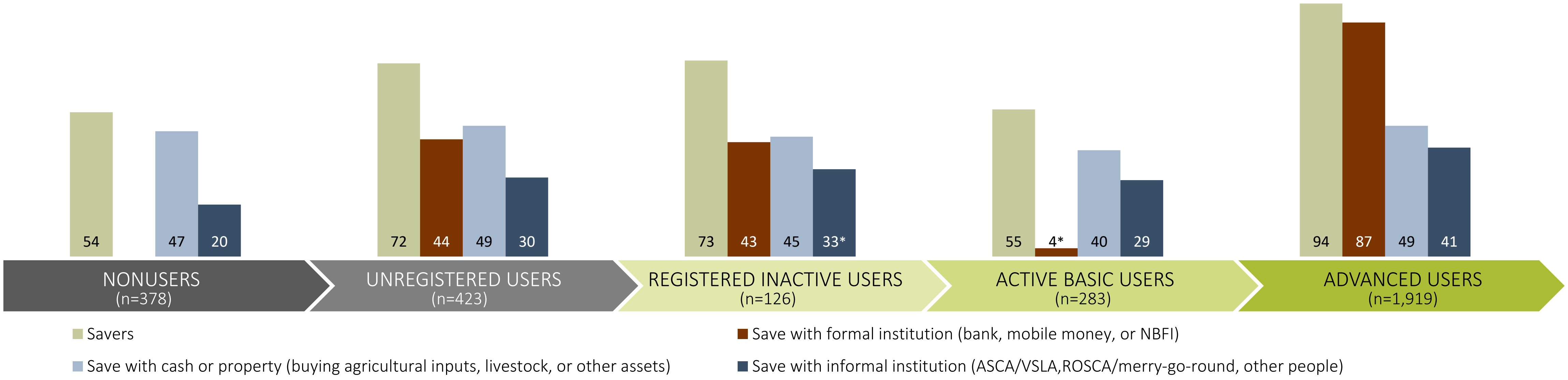
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

SAVING SEGMENTATION

- The majority of adults in all population segments reported saving money, and all groups used a variety of saving methods. Very few active basic users saved using formal institutions; their behavior in this respect paralleled that of nonusers.
- Use of informal societies was lowest among nonusers, and significantly higher at all later stages in the journey, showing the complementarity of formal and informal savings methods among the financially included.
- Advanced users had the highest prevalence of saving using formal institutions, which differentiates them from the other segments. Instead of their own accounts, unregistered users use mobile money agents for safekeeping by waiting to cash out after receiving a transfer.

81% of all adults reported saving.

2017: Saving behavior, by customer journey segment
(Shown: Percentage of Kenya adults in each segment)



*Fewer than 50 observations

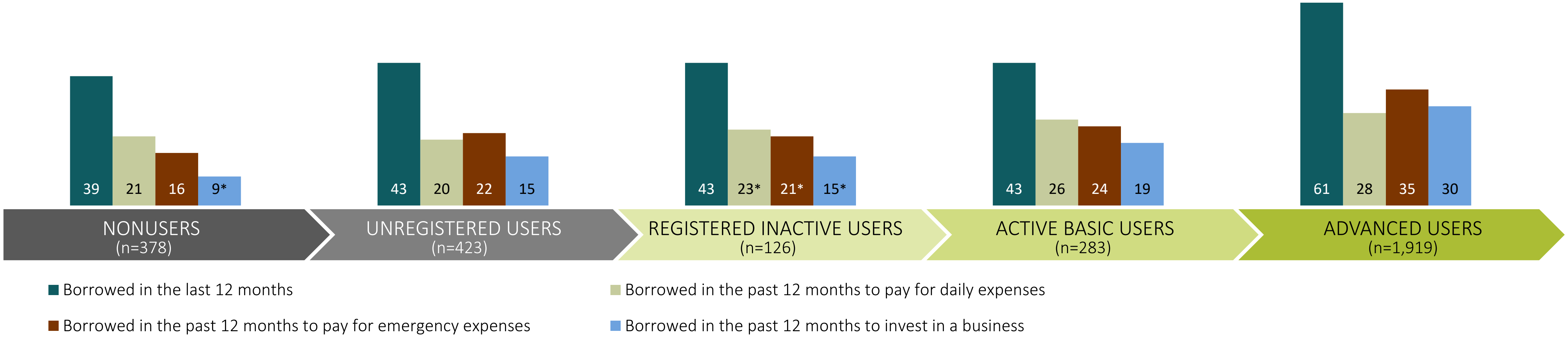
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

BORROWING SEGMENTATION

- Borrowing was common across all segments, though the advanced user group was the only one in which a majority of adults borrowed in the 12 months prior to the survey.
- Reflecting weak financial health, 20-28% of adults in each segment borrowed to pay for daily expenses. Advanced users had the highest prevalence of borrowing for daily expenses, but more often borrowed to pay for emergency expenses or invest in a business.
- Like saving, the need for borrowing seen across all segments should promote the uptake of appropriate formal financial services, leading more adults to progress on the customer journey.

In the 12 months preceding the survey, **53% of all adults** borrowed from outside their home.

2017: Borrowing in the last 12 months, by customer journey segment
(Shown: Percentage of Kenya adults in each segment)



*Fewer than 50 observations

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

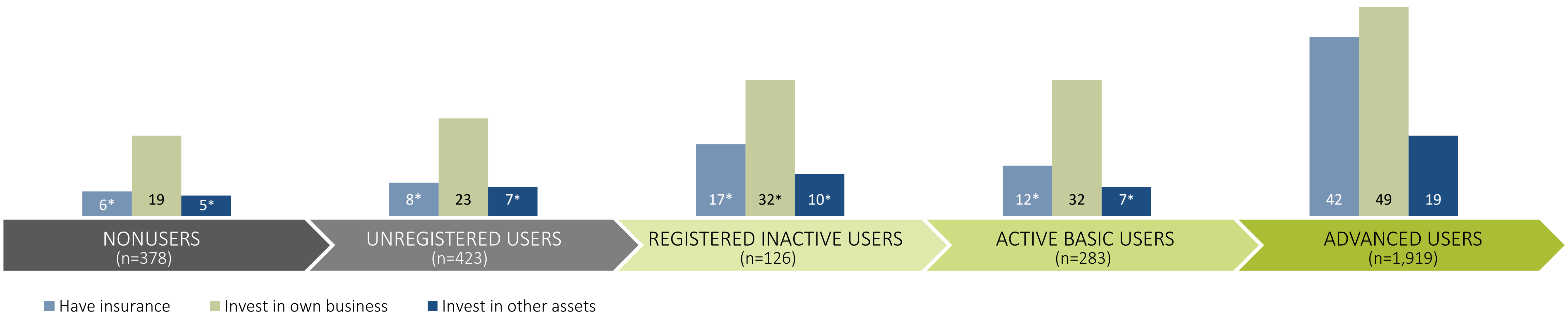
INSURANCE AND INVESTMENT SEGMENTATION

- Insurance and investment activity was significantly higher in the later three, financially included segments than it was in the first two, excluded segments. Insurance was most common among advanced users, reflecting the relatively high prevalence of employment in the formal sector in this group, and, therefore, greater coverage by the National Hospital Insurance Fund. In all other segments, the proportion of those who had insurance remained low.
- Investment in one's own business is positively correlated with progress on the customer journey. This use case for formal financial services should, therefore, lead more adults to join the advanced user group.

45% of all adults had investments.

Only 29% of all adults had any type of insurance.

2017: Insurance and investment behavior, by customer journey segment
(Shown: Percentage of Kenya adults in each segment)



*Fewer than 50 observations

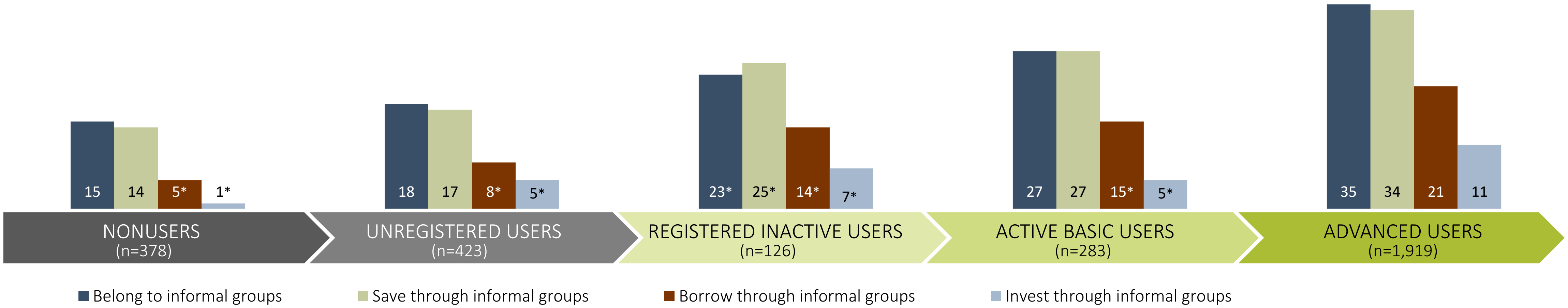
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

INFORMAL FINANCIAL ACTIVITIES SEGMENTATION

- Membership in informal groups is positively correlated with progress on the customer journey, from a low of 15% of nonusers to a high of 35% of advanced users. This finding demonstrates the services of informal financial institutions complement formal ones for a significant portion of the financially included population.
- Saving is the main use case for informal groups, followed by borrowing and investment. Increasing financial literacy may promote increased uptake of saving and borrowing from formal institutions.

29% of all adults belonged to an informal group, through which **28%** saved, **17%** borrowed, and **8%** invested.

2017: Membership and uses of informal financial groups, by customer journey segment
(Shown: Percentage of Kenya adults in each segment)



*Fewer than 50 observations

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

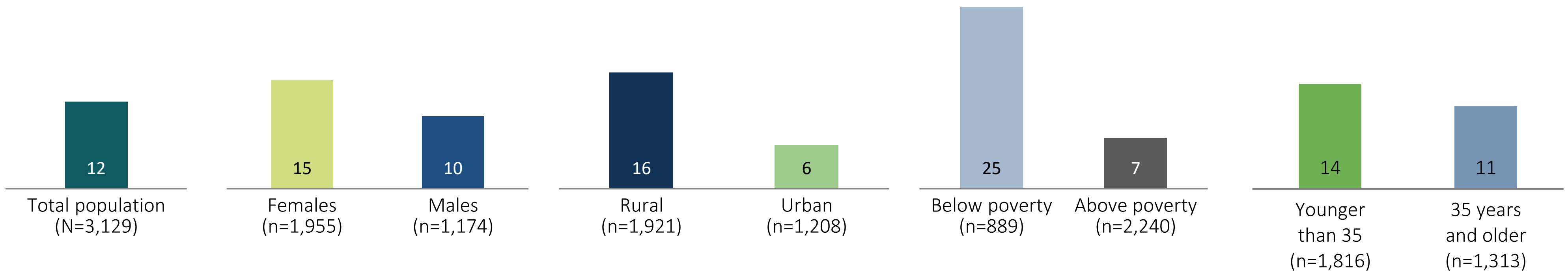
NONUSERS

NONUSERS → UNREGISTERED USERS → REGISTERED INACTIVE USERS → ACTIVE BASIC USERS → ADVANCED USERS

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)



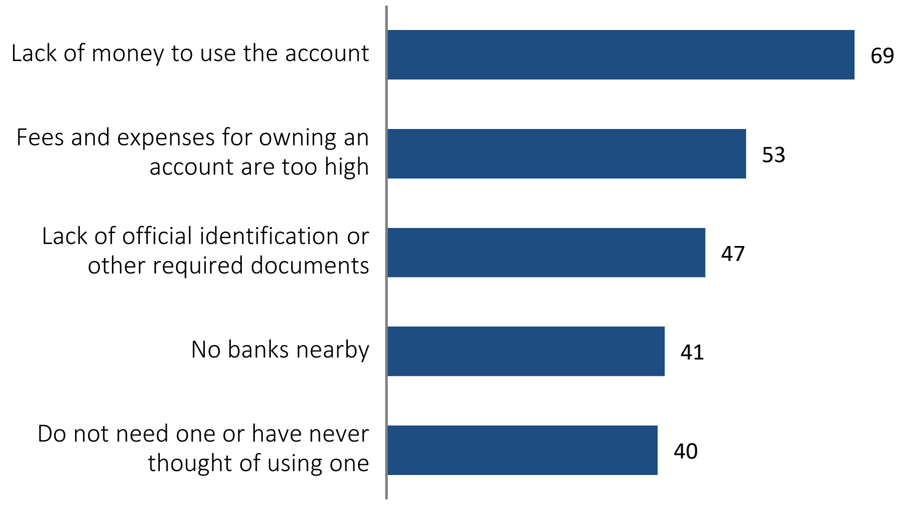
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

BARRIERS TO ACCESS AND REGISTRATION

- Both bank and mobile money nonusers most often reported a lack of money as a reason for not registering an account. A closely related factor is the perception that the cost of owning a bank account is too high; 53% of bank nonusers cited this reason.
- Despite the fact that 82% of the population has official identification, 47% of bank nonusers reported lack of ID or other documents as the reason for not registering a bank account. This finding suggests that bank accounts are seen as less accessible than mobile money accounts. The 37% of mobile money nonusers who reported lacking necessary ID corresponds to the national prevalence of ID non-ownership (see slide 28).

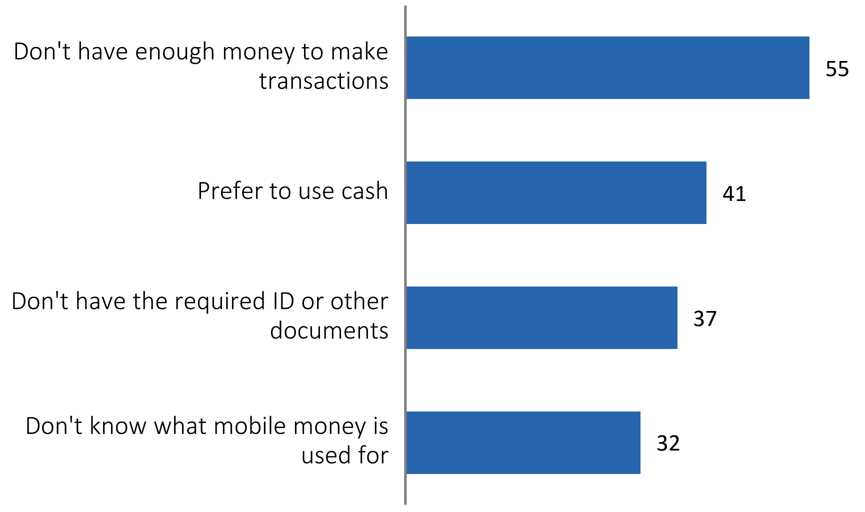
2017: Top reasons for not registering a bank account

(Shown: Percentage of bank nonusers reporting somewhat/strongly agree, n=2,142)



2017: Top reasons for not using mobile money

(Shown: Percentage of mobile money nonusers reporting somewhat/strongly agree, n=409)

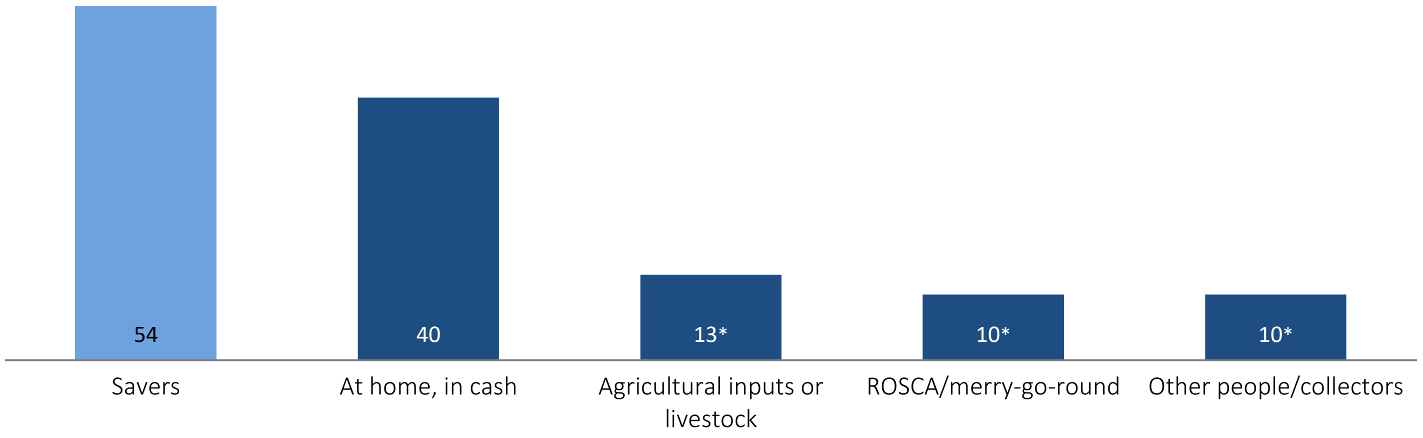


Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

NONUSER SAVING BEHAVIOR

- Nonusers are the least likely to save; only 54% of this group reported saving. Those who do save mainly do so at home in cash, fewer buy agricultural inputs or other goods as a form of saving.
- The informal institution of rotating savings and credit associations (ROSCAs), also known as Chamas or merry-go-rounds in which group members pool funds and distribute them according to mutually agreed rules, were rarely used as a form of saving by nonusers.

2017: Nonuser methods of saving
(Shown: Percentage of nonusers, n=378)



*Fewer than 50 observations

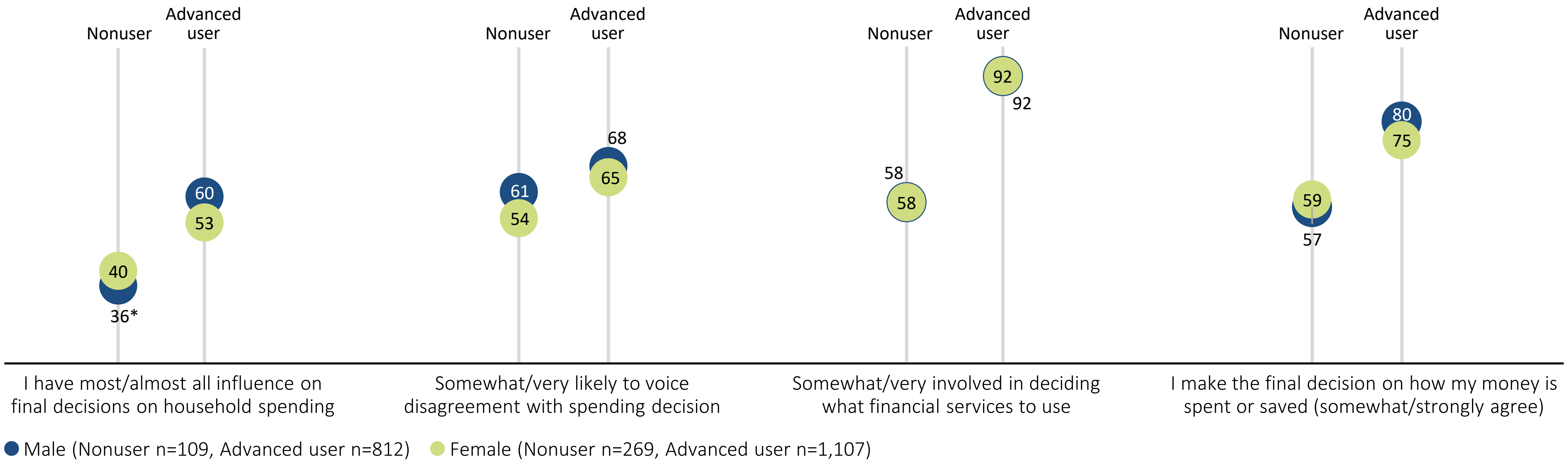
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

NONUSER ECONOMIC EMPOWERMENT, BY GENDER

Both men and women nonusers scored lower on the four empowerment indicators than advanced users. However, a greater proportion of female than male nonusers reported having most or almost all influence on final household spending decisions, and on final decisions on spending personal money. Advanced users showed the reverse gender difference – male exceeds female – on both of these indicators. Relative to nonusers, the higher incomes of advanced users would appear to increase economic empowerment, but also gender inequality in voice and autonomy over household and personal spending.

2017: Influence, voice, and autonomy on personal and household financial decisions

(Shown: Percentage of Kenya adults in each group, by gender)



*Fewer than 50 observations

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

UNREGISTERED USERS

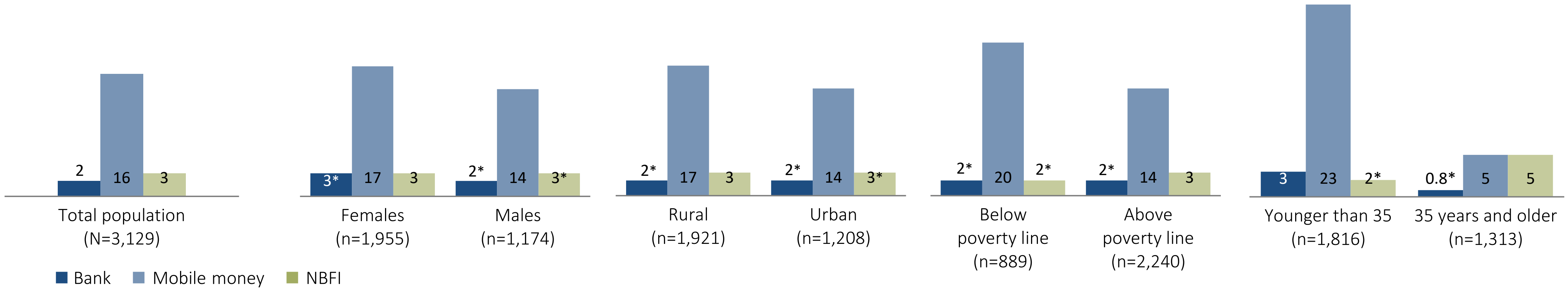
NONUSERS → **UNREGISTERED USERS** → REGISTERED INACTIVE USERS → ACTIVE BASIC USERS → ADVANCED USERS

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.

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.

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



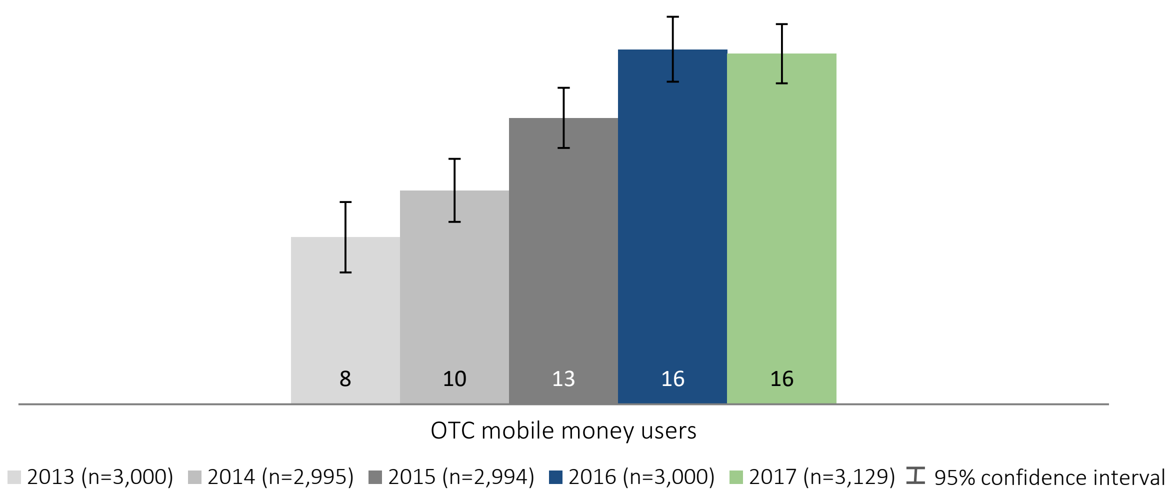
*Fewer than 50 observations

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

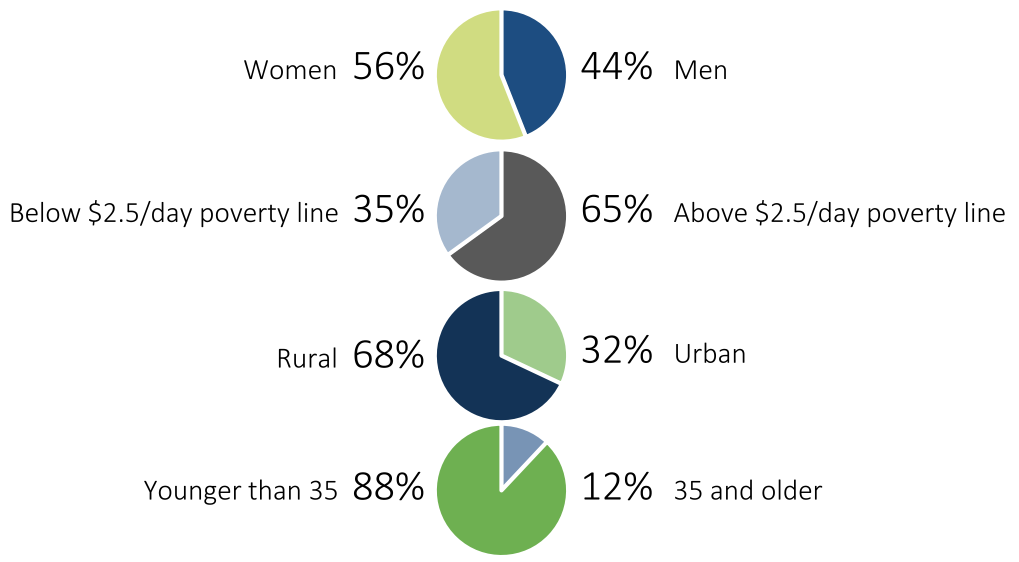
OVER-THE-COUNTER (OTC) MOBILE MONEY USERS

- 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)

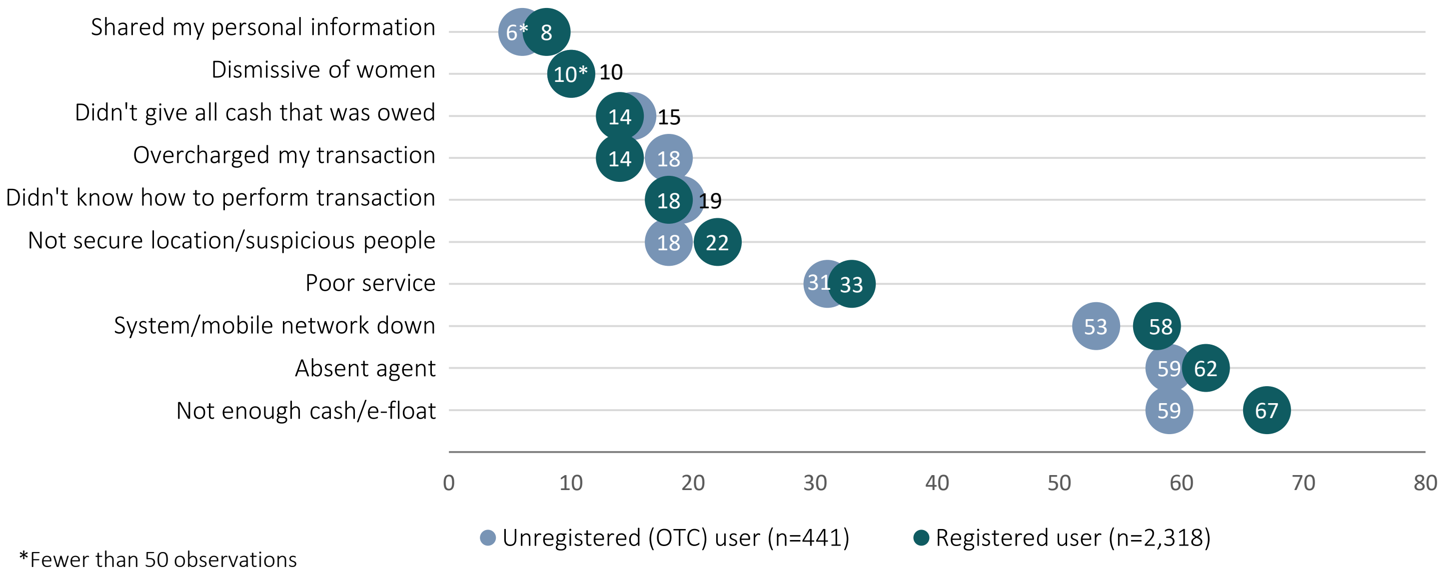


Source: InterMedia Kenya FII Tracker surveys, Wave 1 (N=3,000, 15+), September-October 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015; Wave 4 (N=3,000, 15+), August 2016; Wave 5 (N=3,129, 15+), June-July 2017.

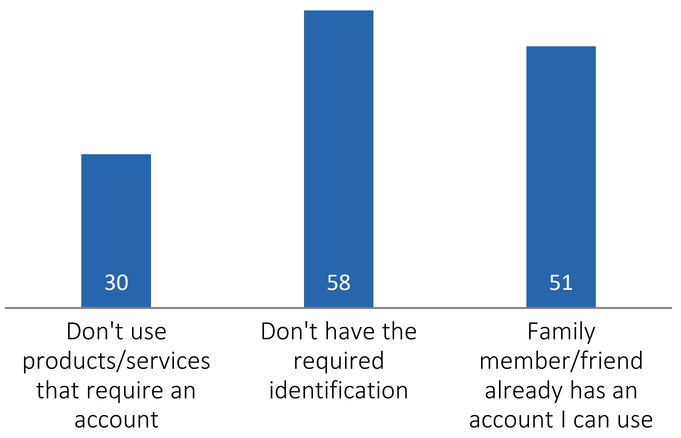
ATTITUDES AND EXPERIENCES WITH MOBILE MONEY

- Negative experiences with mobile money agents were similar between OTC and registered users, but registered users more often reported system or mobile network problems, agent absenteeism, as well as agents' lack of cash/e-float. This finding suggests that avoiding negative experiences with using agent services may be a motivation for account registration.
- Fifty-eight percent of unregistered users reported lacking the identification needed to register an account; 15-24 years olds make up three-fourths of all unregistered users and often lack national IDs. Further, more than half (51%) use the mobile money account of a friend or relative rather than registering their own account.

2017: Experiences with mobile money agents, by user type
(Shown: Percentage of user group reporting somewhat/strongly agree)



2017: Top reasons for not registering a mobile money account
(Shown: Percentage of unregistered users reporting somewhat/strongly agree, n=441)



*Fewer than 50 observations

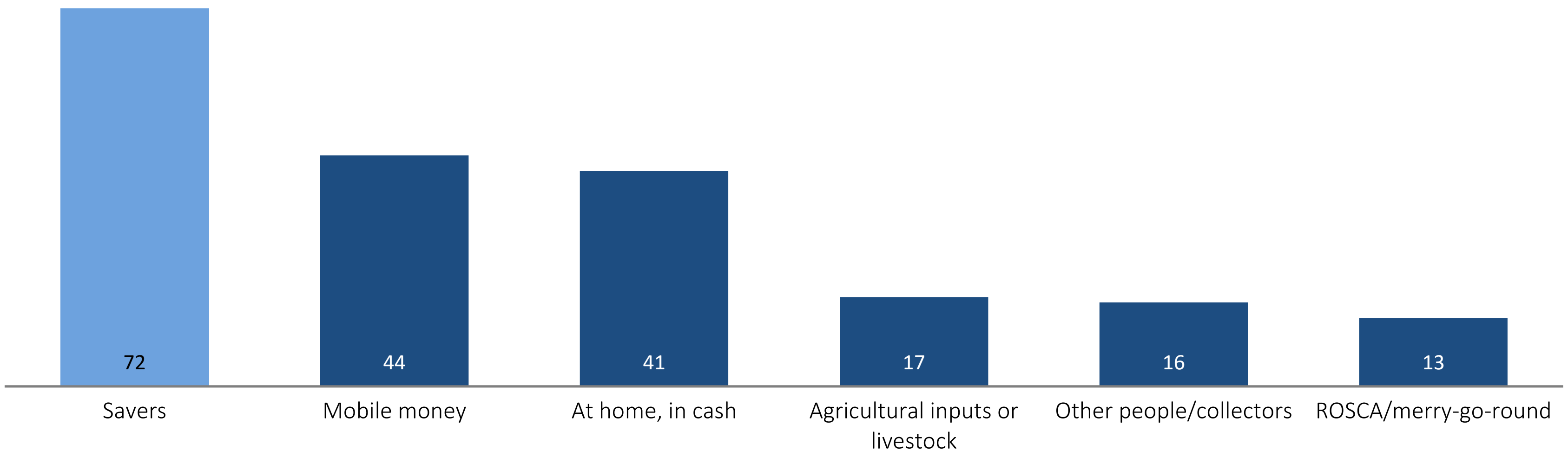
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

UNREGISTERED USER SAVING BEHAVIOR

- Nearly three-quarters of unregistered users (72%) reported saving money. Despite not having their own mobile money accounts, mobile money was used more often by unregistered users than any other savings method, including cash. This group keeps cash safe in the form of e-money by waiting to cash out the transfers they receive.
- A relatively small proportion (13-17%) of unregistered users saved by buying agricultural inputs or other goods, with other people or money collectors, and/or informal savings groups (ROSCAs).

Unregistered users were more likely to save than borrow.

2017: Methods of saving
(Shown: Percentage of unregistered users, n=423)

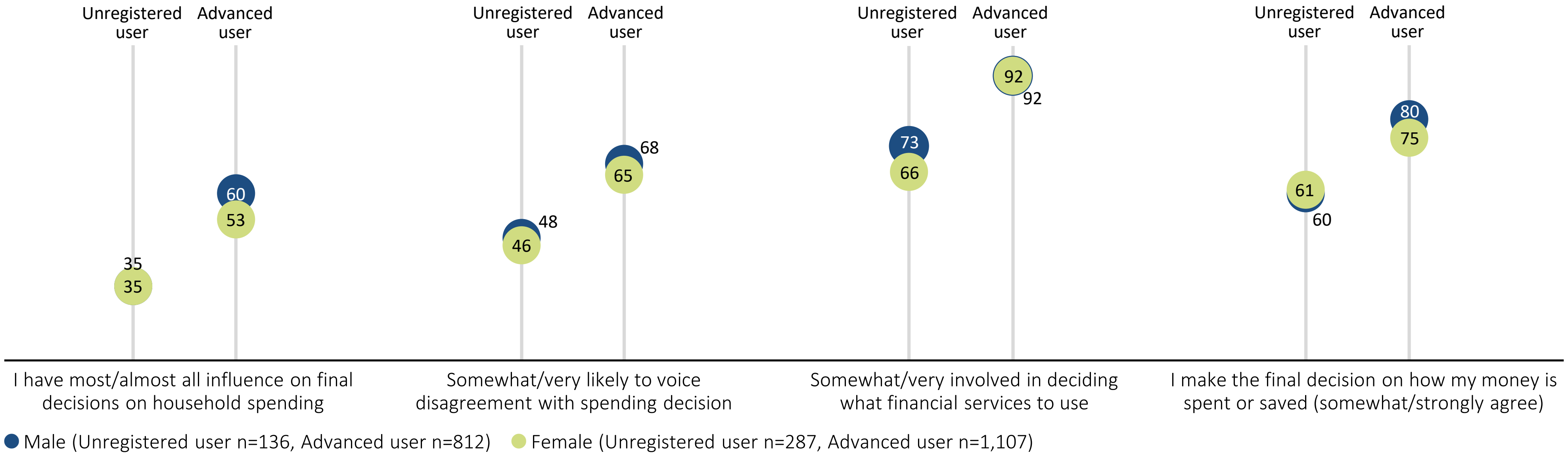


Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

UNREGISTERED USER ECONOMIC EMPOWERMENT, BY GENDER

- Unregistered users were less economically empowered than advanced users overall, which is unsurprising given their relative youth and lower income. There was no significant gender gap between unregistered users on the indicators of influence and voice in household or personal spending decisions.
- Female unregistered users were less likely than their male counterparts to be involved in deciding what financial services to use; this indicator showed a 7 percentage-point gap. This gap is eliminated in the advanced user group.

2017: Influence, voice and autonomy on personal and household financial decision making
(Shown: Percentage of Kenya adults in each group, by gender)



Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

REGISTERED INACTIVE USERS

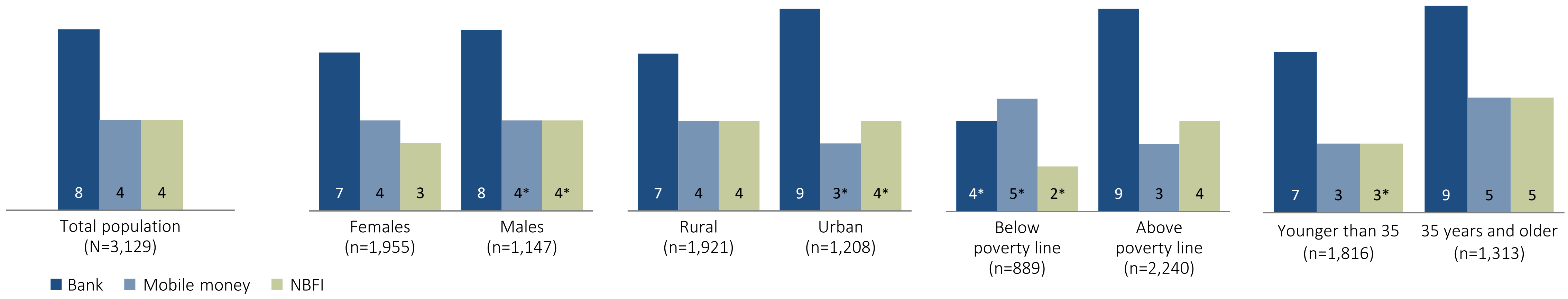
NONUSERS → UNREGISTERED USERS → **REGISTERED INACTIVE** → ACTIVE BASIC USERS → ADVANCED USERS

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

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

ACTIVE BASIC USERS

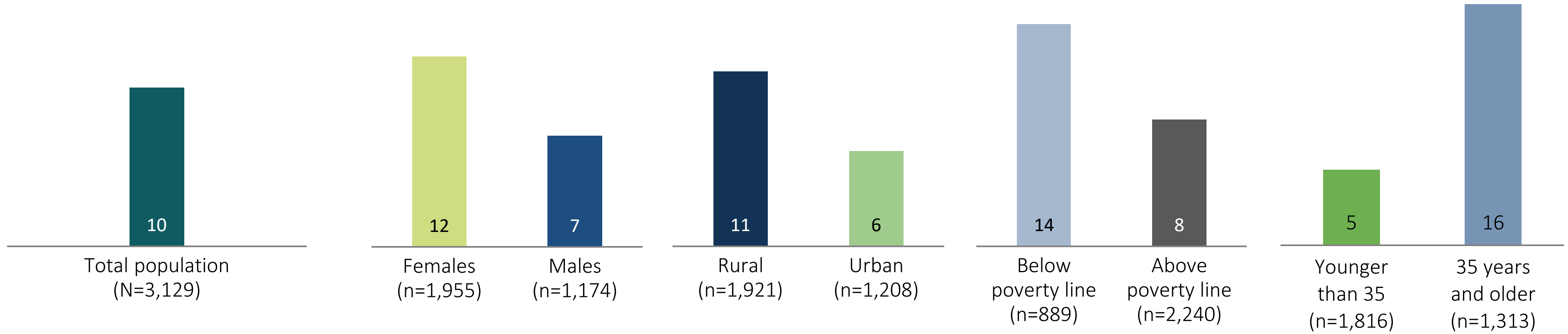
NONUSERS → UNREGISTERED USERS → REGISTERED INACTIVE USERS → **ACTIVE BASIC USERS** → ADVANCED USERS

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.

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

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)

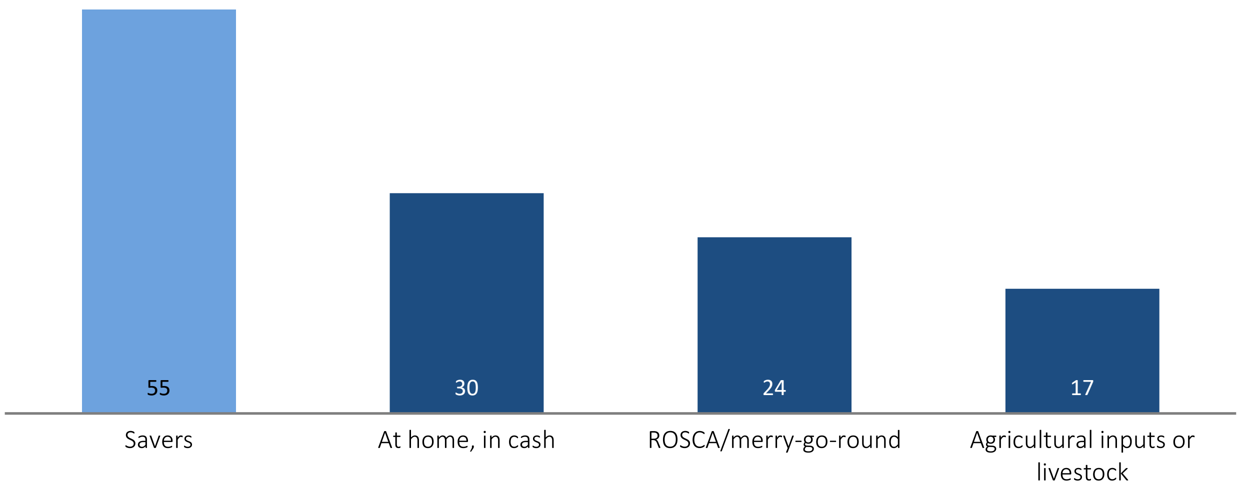


Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

ACTIVE BASIC USER SAVING BEHAVIOR

- A small majority (55%) of active basic users saved money, most frequently in cash at home, using informal savings groups (ROSCA/ merry-go-rounds), and/or by buying agricultural inputs or livestock.
- Despite having mobile money accounts, the members of this user group do not use them to save money. Interactions with advanced users who use saving and bill pay services could promote their conversion to advanced users.

2017: Methods of saving
(Shown: Percentage of active basic users, n=283)



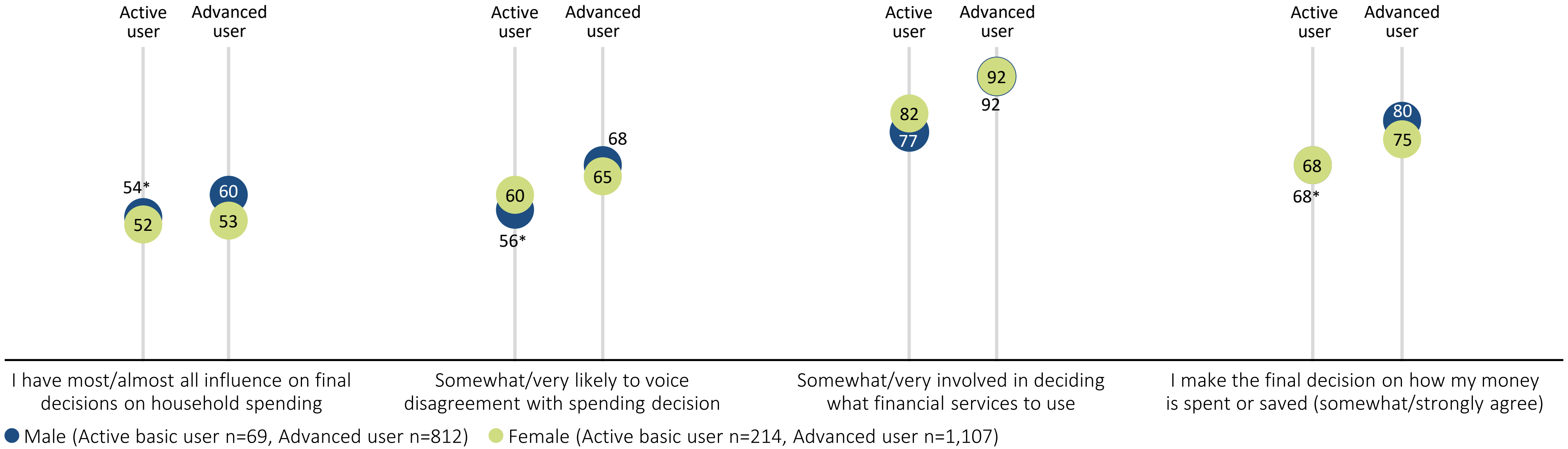
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

ACTIVE BASIC USER ECONOMIC EMPOWERMENT, BY GENDER

- Active basic users and advanced users had nearly equal scores on economic empowerment indicators overall, and differences between genders were smaller in the active basic user group than they were in the advanced group.
- The average age of active basic users is greater than the average age of those in other groups, and women are the majority. Women in this group were more likely than men to report being involved in the choice of financial services, and to voice disagreement with spending decisions.

2017: Influence, voice and autonomy on personal and household financial decision making

(Shown: Percentage of Kenya adults in each group, by gender)



*Fewer than 50 observations

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

ADVANCED USERS

NONUSERS → UNREGISTERED USERS → REGISTERED INACTIVE USERS → ACTIVE BASIC USERS → ADVANCED USERS

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.

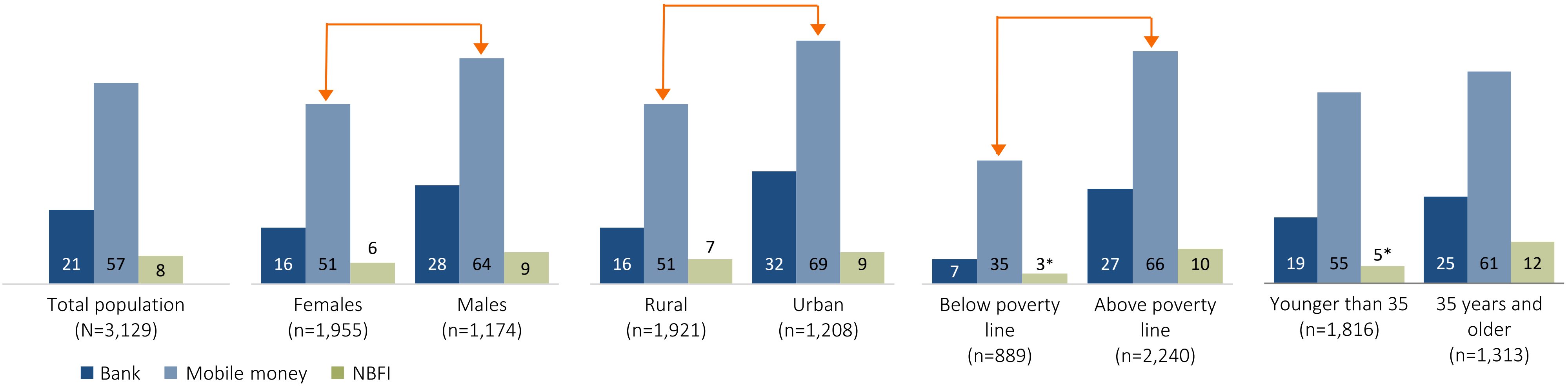
31 percentage-point income gap,

18 percentage-point locality gap,

13 percentage-point gender gap among mobile money advanced users.

2017: Advanced users, by demographic

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

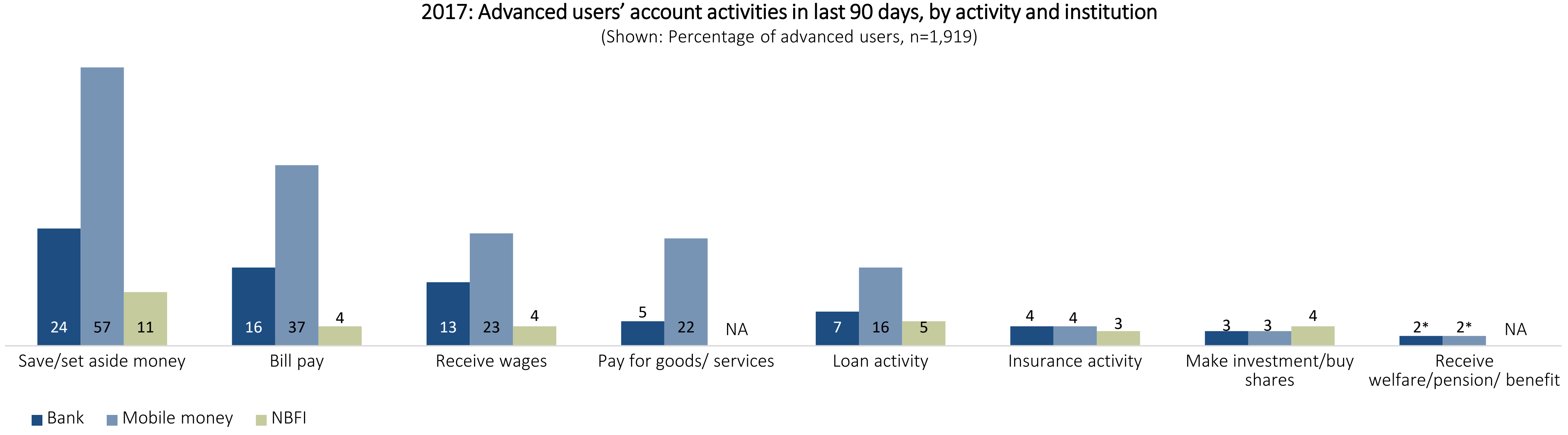


*Fewer than 50 observations

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

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%).



*Fewer than 50 observations

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

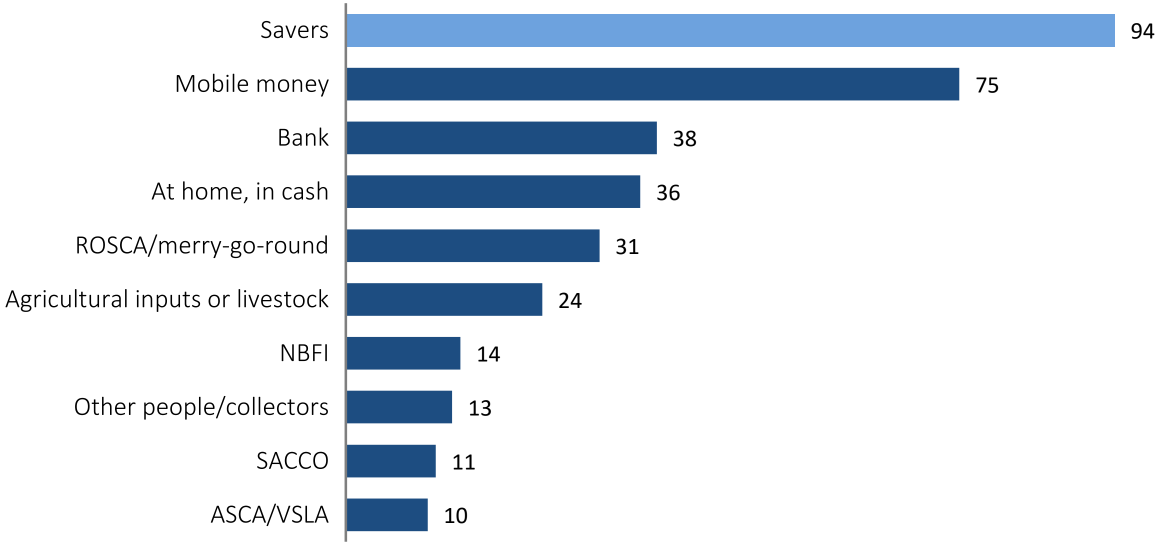
ADVANCED USER FINANCIAL BEHAVIORS

- Nearly all advanced users (94%) reported saving, and the large majority (75%) used mobile money. Banks were the second most popular savings channel, followed by cash.
- Advanced users also used informal saving methods: 31% used informal savings groups (ROSCAs or merry-go-rounds) and 24% saved through buying something (agricultural inputs or livestock).
- A small proportion of advanced users reported currently having a loan, and mobile money was the most frequently used source for borrowing.

94% of advanced users saved using formal and/or informal methods.

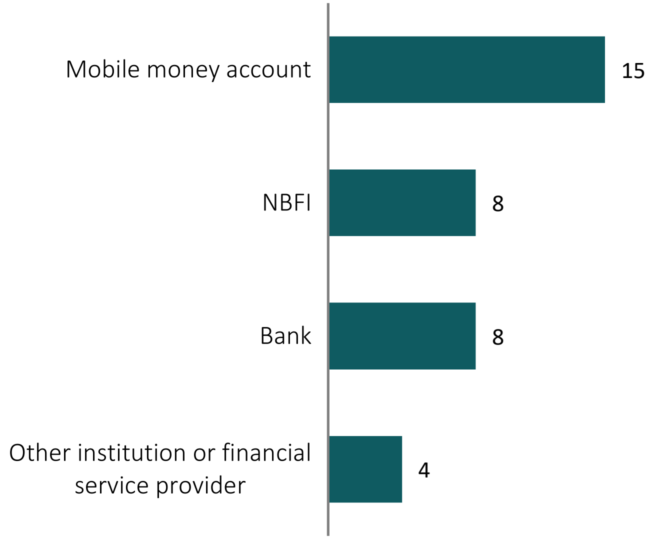
2017: Methods of saving

(Shown: Percentage of advanced users, n=1,919)



2017: Source of current loan

(Shown: Percentage of advanced users, n=1,919)

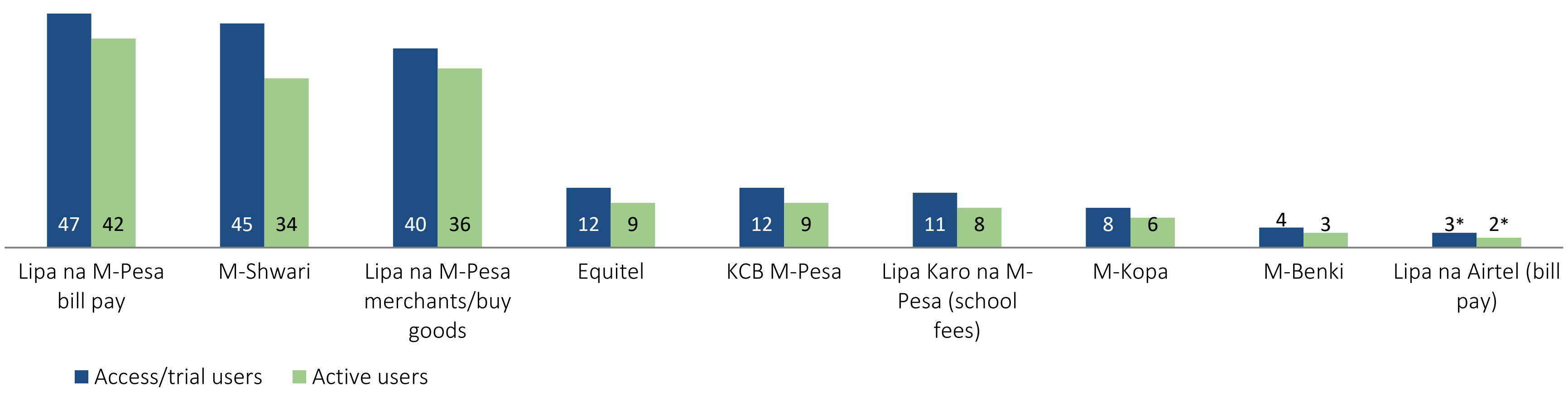


Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

USE OF MOBILE MONEY VALUE-ADDED PRODUCTS

- In Kenya, value-added mobile money products often enable the account holder to access services from other providers, such as banks and payment aggregators. These products show strong customer retention; most of those who ever used the products are active users.
- Lipa na M-Pesa has seen wide adoption as a means of paying bills and buying goods. M-Shwari was the second most commonly used product among advanced users.
- Relatively few advanced users have adopted Equitel and KCB M-Pesa, and these products have seen nearly equal uptake.

2017: Access and active use of mobile money value-added products
(Shown: Percentage of advanced users, n=1,919)



Lipa na M-Pesa: merchant pay and bill pay services.

M-Shwari: savings account and credit provider.

Equitel: savings account and credit provider, and a mobile virtual network operator offering additional telecom services.

KCB M-Pesa: bank-MNO partnership that offers mobile money services exclusively to M-PESA customers.

Lipa Karo na M-Pesa: payment service for school fees.

M-Kopa: mobile-money-based product for acquiring solar electric systems.

M-Benki: bank-MNO partnership that offers mobile money services exclusively to M-Pesa customers but can be operated through any KCB branch or agent.

Lipa na Airtel: bill payment tool.

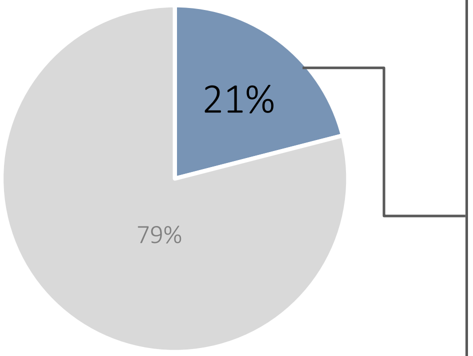
*Fewer than 50 observations

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

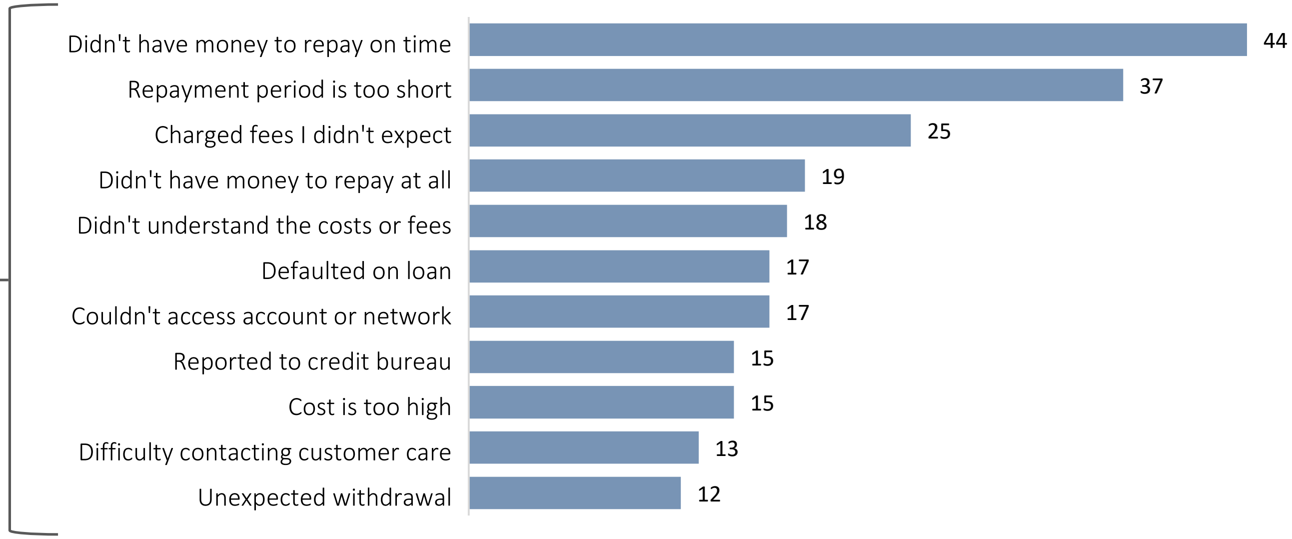
MOBILE CREDIT USERS

- 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.

2017: Mobile credit access
(Shown: Percentage of Kenya adults, N=3,129)



2017: Negative experiences with mobile credit
(Shown: Percentage of Kenya mobile credit users, n=639)



Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

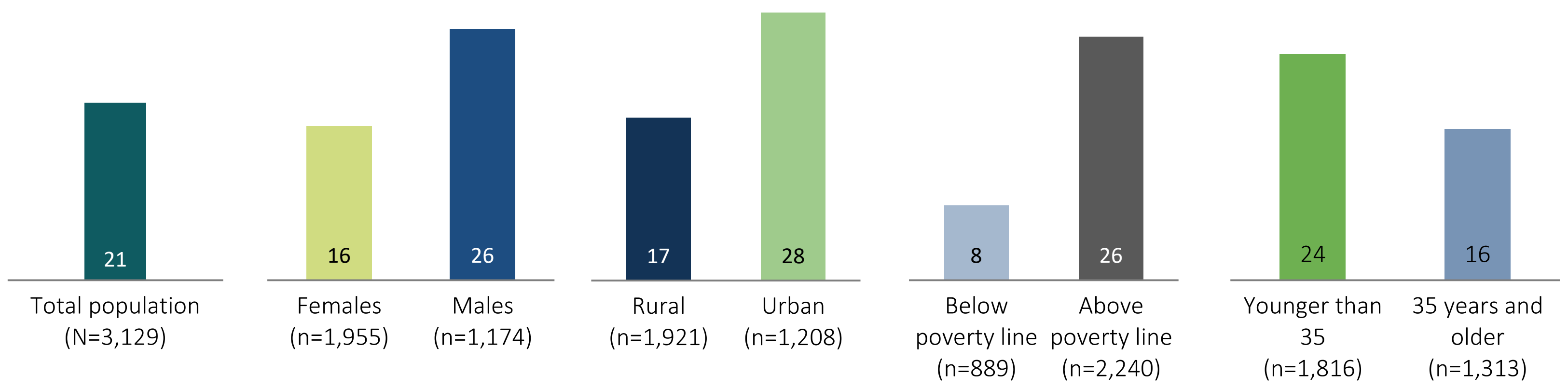
MOBILE CREDIT USERS, BY DEMOGRAPHIC GROUP

- Mobile credit users are distributed across demographic groups in parallel with the larger advanced user group. A higher proportion of men, urban residents, and above-poverty adults used mobile credit than did women, rural, and below-poverty adults.
- The youth are more likely to adopt mobile credit than their elders; a larger proportion of adults under 35 years old have taken a loan through their mobile phone than adults in the 35+ age group.

In 2017, adults were 2X more likely to save than borrow digitally.

2017: Mobile credit users, by demographic

(Shown: Percentage of each demographic group who are mobile credit users)



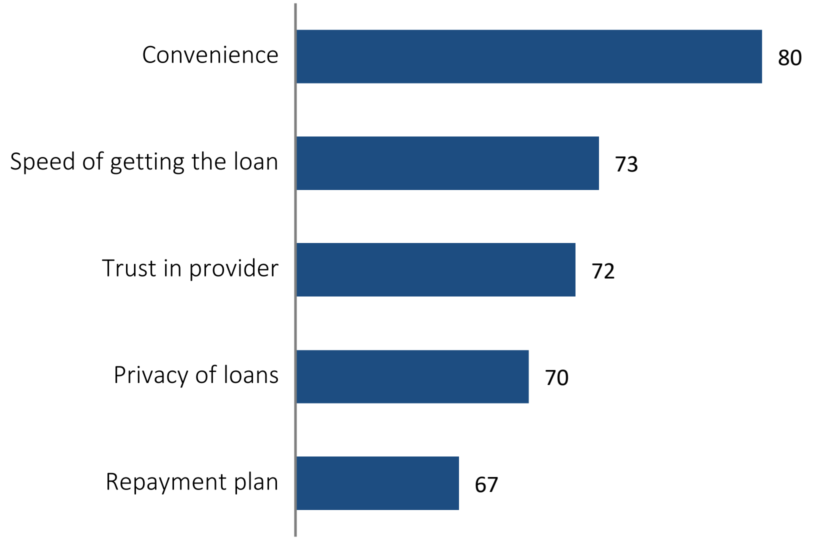
Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

USES AND ADVANTAGES OF MOBILE CREDIT

- Among those who have taken a loan using their mobile phones, almost half (47%) used it to meet their day-to-day ordinary household needs. Other common uses were medical needs, including medical emergencies, and utility bill payments.
- Convenience, speed of getting loans and trust in providers were the key motivators for the adoption of mobile credit.

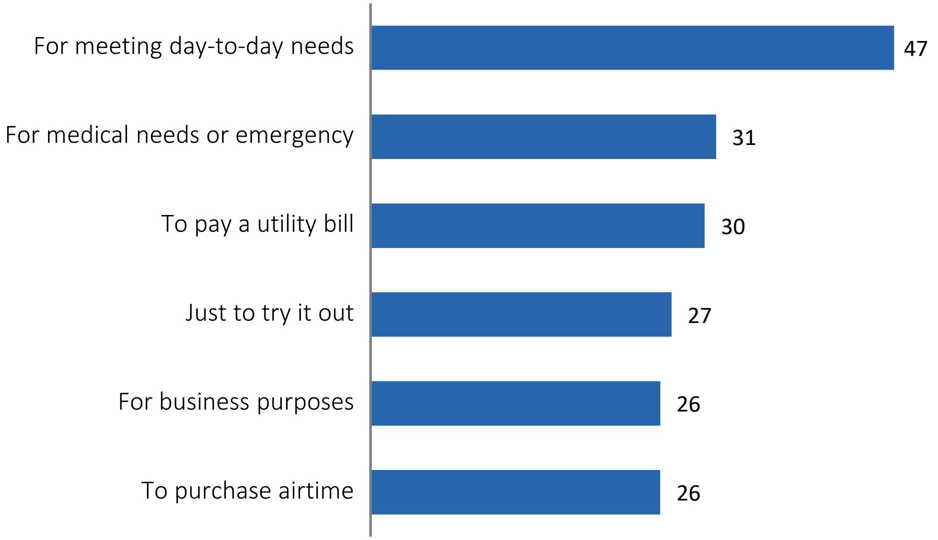
2017: Top advantages of mobile credit

(Shown: Percentage of Kenya adults who have ever taken a loan using a mobile phone, n=639)



2017: Top uses of mobile credit

(Shown: Percentage of Kenya adults who have ever taken a loan using a mobile phone, n=639)

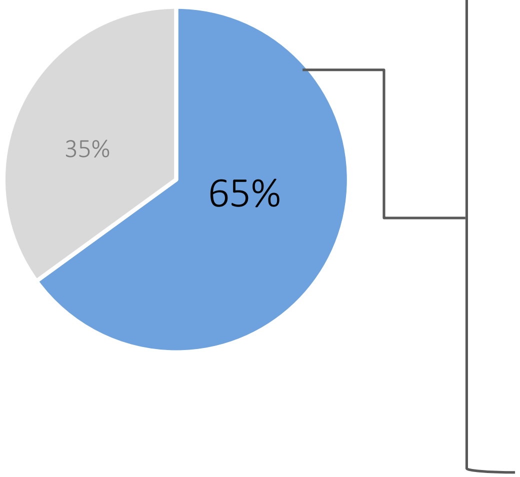


Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

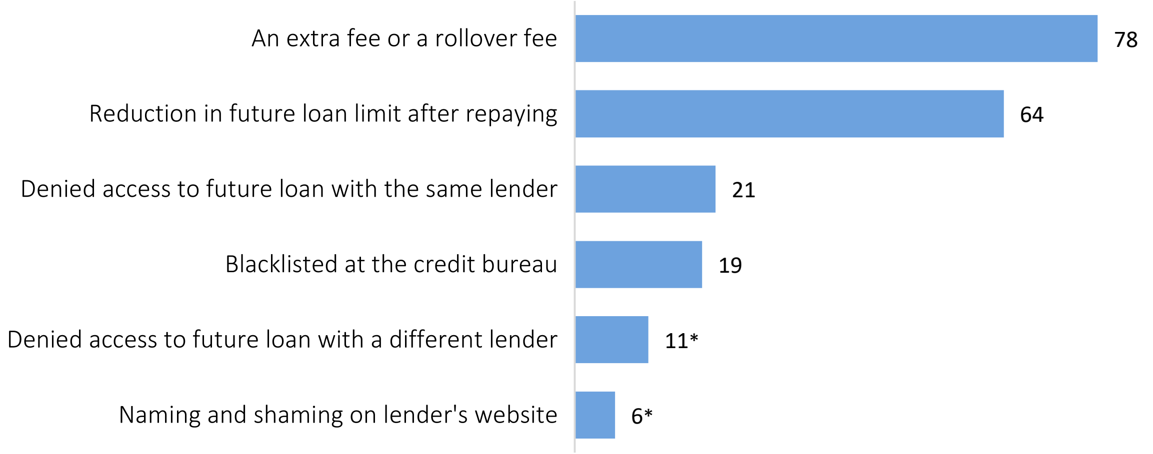
REPAYMENT PROBLEMS OF MOBILE CREDIT USERS

- 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.

2017: Late repayment of mobile credit
(Shown: Percentage of Kenya adults who have ever taken a loan using a mobile phone, n=639)



2017: Negative outcomes of late repayment of mobile credit
(Shown: Percentage of Kenya adults who have been late in repaying a loan they took using their mobile phone, n=415)



*Fewer than 50 observations

Source: InterMedia Kenya FII Tracker survey, Wave 5 (N=3,129, 15+), June-July 2017.

KEY INDICATORS SUMMARY

Key Indicators	2014	2015	2016	2017	Base Definition
	%, Base n	%, Base n	%, Base n	%, Base n	
Adults (15+) who have active digital stored-value accounts	59% (+/- 2.6%)	62% (+/- 2.0%)	61% (+/- 1.9%)	68% (+/- 2.0%)	All adults
	2,995	2,994	3,000	3,129	
Poor adults (15+) who have active digital stored-value accounts	43% (+/- 3.5%)	48% (+/- 2.9%)	45% (+/- 2.8%)	51% (+/- 3.8%)	All poor
	1,502	1,474	1,324	889	
Poor women (15+) who have active digital stored-value accounts	39% (+/- 4.3%)	44% (+/- 3.8%)	42% (+/- 3.6%)	48% (+/- 4.6%)	All poor females
	916	929	817	576	
Rural women (15+) who have active digital stored-value accounts	47% (+/- 4.3%)	54% (+/- 3.8%)	51% (+/- 3.4%)	61% (+/- 3.5%)	All rural females
	1,068	1,105	1,061	1,202	
Adults (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet & P2P)	43% (+/- 2.4%)	48% (+/- 1.9%)	51% (+/- 2.0%)	60% (+/- 2.0%)	All adults
	2,995	2,994	3,000	3,129	
Poor adults (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet & P2P)	26% (+/- 2.8%)	31% (+/- 2.5%)	32% (+/- 2.8%)	37% (+/- 3.5%)	All poor
	1,502	1,474	1,324	889	
Poor women (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet & P2P)	21% (+/- 3.6%)	26% (+/- 3.0%)	27% (+/- 3.2%)	32% (+/- 4.2%)	All poor females
	916	929	817	576	
Rural women (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet & P2P)	27% (+/- 3.4%)	35% (+/- 3.3%)	37% (+/- 3.6%)	46% (+/- 3.4%)	All rural females
	1,068	1,105	1,061	1,202	

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.

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