FINANCIAL INCLUSION insights

APPLIED RESEARCH FOR digital financial inclusion

KENYA

QUICKSIGHTS REPORT
FII TRACKER SURVEY

Conducted September 2015

December 2015

InterMedia

KEY DEFINITIONS

- **Access** – Access to a bank account or mobile money account means a respondent can use bank/mobile money services either via their own account or via an account of another person.
- **Active account holder** – An individual who has a registered DFS account and has used it in the last 90 days.
- **Advanced use of DFS –** Advanced use of financial services includes activities beyond basic cash-in/cash-out and person-to-person transfers (e.g., savings, bill pay, investment, insurance, etc.).
- **Adults with DFS access** – Adults who either own a DFS account or have access to someone else's account.
- **Below the poverty line** – In this particular study, adults living on less than $2.50 per day, as classified by the Grameen PPI.
- **Cooperative** – Typically, a business or other professional organization that is owned and run jointly by its members, who share the profits or benefits. Cooperatives can release some of the profits/funds as loans to its members.
- **Credit-only nonbank financial institutions –** Financial institutions that only disburse loans to their customers.
- **Digital financial services (DFS)** – Financial services provided through an electronic platform (mobile phones, electronic cards, the internet, etc.).
- **Full-service nonbank financial institutions** – Financial institutions that offer their customers at least one of the following services: savings, money transfers, insurance, or investment.
- **Grameen Progress out of Poverty Index (PPI)** – A poverty measurement tool from the Grameen Foundation wherein a set of country-specific questions are used to compute the likelihood that a household is living below the poverty line.
- **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 in which a mobile phone is used to access 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 (i.e., the Bank of Kenya). Such financial institutions include microfinance institutions (MFI), cooperatives, Post Office Banks and savings and credit cooperatives (SACCOs).
- **Post Office (Savings) Bank –** A bank that has branches at local post offices.
- **Savings and credit cooperative (SACCO)** – A unique member-driven, self-help group owned and managed by its members, who have a common bond (e.g., work for the same employer, belong to the same church, live in the same village, etc.). All members contribute to the SACCO fund, which can be used for group investment or a part of which can be given to members as loans.
- **Unregistered/over-the-counter (OTC) user** – An individual who has used DFS 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.

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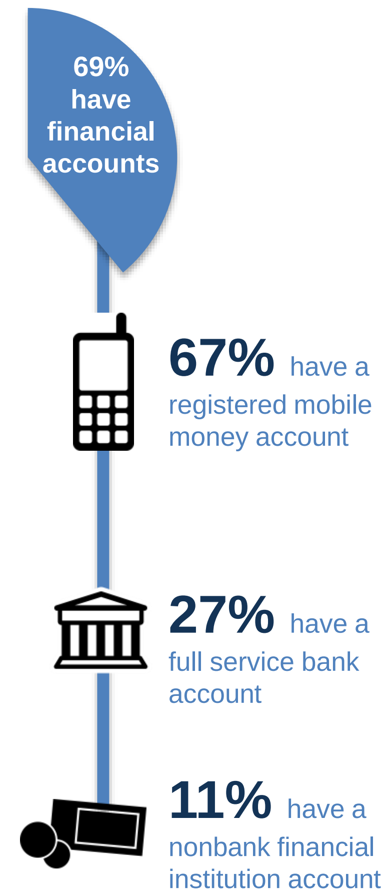
Notable statistics

- **Consumers deepened their relationship with digital financial inclusion (DFS) in 2015, building active use in the market.**
    - A majority of consumers are not only included, they are active financial services users and use digital products.
        - The 2014 decline in mobile money use corrected itself. In 2015, the rates of access to and use of mobile money were back to 2013 levels.
    - Advanced use of DFS services increased substantially (e.g., among active mobile money users, over twice as many adults now save with mobile money versus 2014).
        - More consumers are now saving, paying bills and receiving salaries via their accounts. This suggests there is a deeper integration of financial services with users' everyday routines.
    - The use of value-added services expanded.
        - The percentage of active mobile money account holders who use M-Shwari (a savings and credit product) and Lipa na M-PESA (a merchant-payment system) increased by over 50 percent for each service in 2015 versus 2013.

- **Mobile money use continues to be pervasive with close to eight in 10 adults using it, and most have an account.**
    - Mobile money usage surpasses the use of both banks and nonbank financial institutions by more than two to one.
        - Consumers are also more likely to know of mobile money point-of-service options versus those for banks or other regulated financial outlets.
    - Mobile money use extends into more impoverished areas, where we see an increase in both account and unregistered use.
    - Mobile money remains far ahead of banks in terms of market share, and the fast rise of Equity Bank's Equitel, a mobile payment and banking platform, has banks taking notice.

2015: Registered users of financial services*

(Shown: Percentage of Kenyan adults, N=2,994)



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

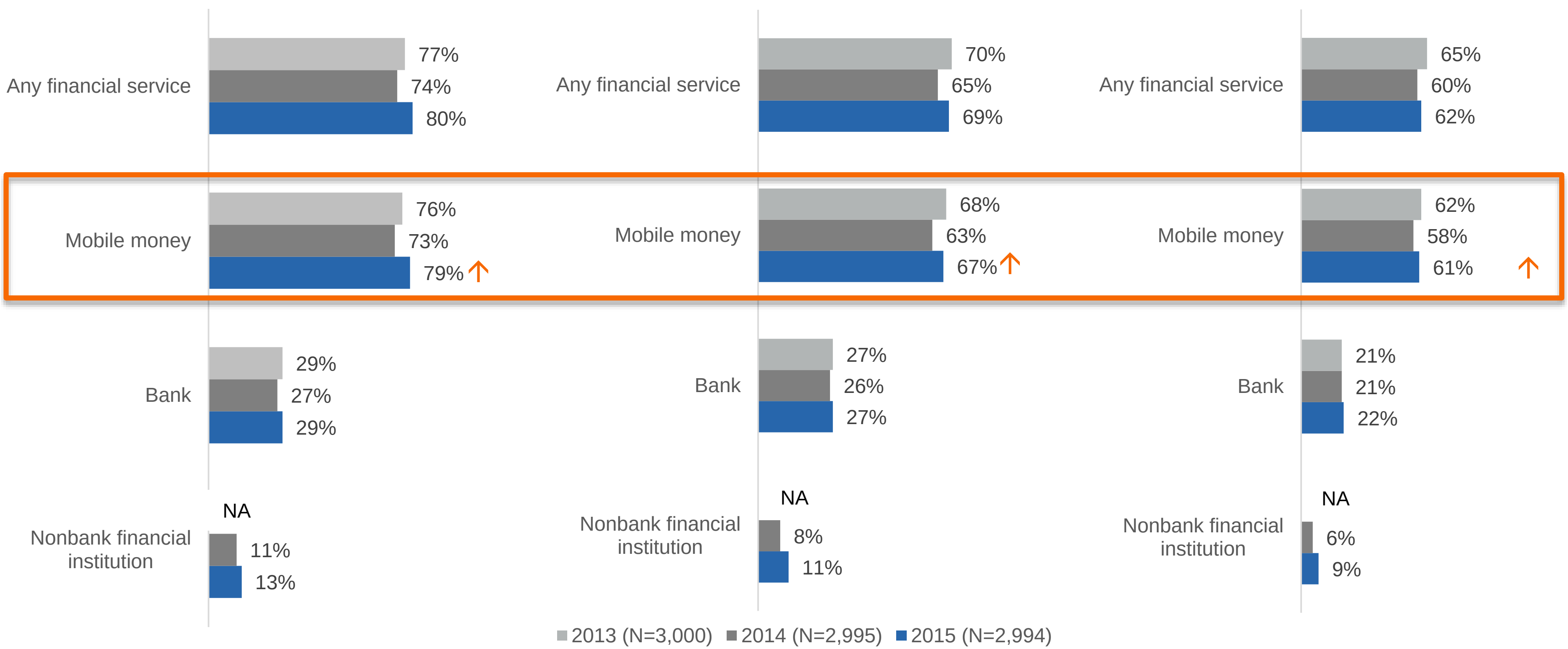
Source: InterMedia Kenya FII Tracker survey Wave 3 (N=2,994, 15+), September 2015.

KENYA

Kenya at-a-glance: Account access and use is more in line with 2013 after a brief decline in 2014; mobile money drives the market

Financial account access | **Registered financial service users** | **Active* financial service users**

(Shown: Percentage of Kenyan adults for each year)



NBFI were not included in 2013 survey. Types of account ownership are not mutually exclusive. *A registered account used in the last 90 days.

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.

FII Kenya Tracker Survey details

Survey Summary

- Annual, nationally representative survey (N=2,994) of Kenyan adults aged 15+
- Face-to-face interviews lasting, on average, 65 minutes
- Third survey (wave 3) conducted from Sept. 5-Sept. 30, 2015
- Tracks trends and market developments in DFS based on the information gathered in the first survey, conducted in 2013, and second survey conducted in 2014

Data Collection

- Basic demographics and poverty measurement (Grameen Progress Out of Poverty Index)
- Access/use of mobile devices
- Access/use of mobile money
- Access/use of formal financial services (e.g., bank accounts)
- Access/use of semi-formal and informal financial services (e.g., MFI, SACCO, cooperatives, self-help groups)
- Financial literacy and preparedness
- General financial behaviors

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Survey demographics

	% of survey
Gender	
Male	49%
Female	51%
Geography	
Urban	36%
Rural	64%
Income	
Above the $2.50/day poverty line	50%
Below the $2.50/day poverty line	50%

	% of survey
Age	
15-24	36%
25-34	26%
35-44	16%
45-54	10%
55+	12%
Aptitude	
Basic literacy	83%
Basic numeracy	98%

Figures are weighted to reflect national census data demographics.

Source: InterMedia Kenya FII Tracker survey Wave 3 (N=2,994, 15+), September 2015.

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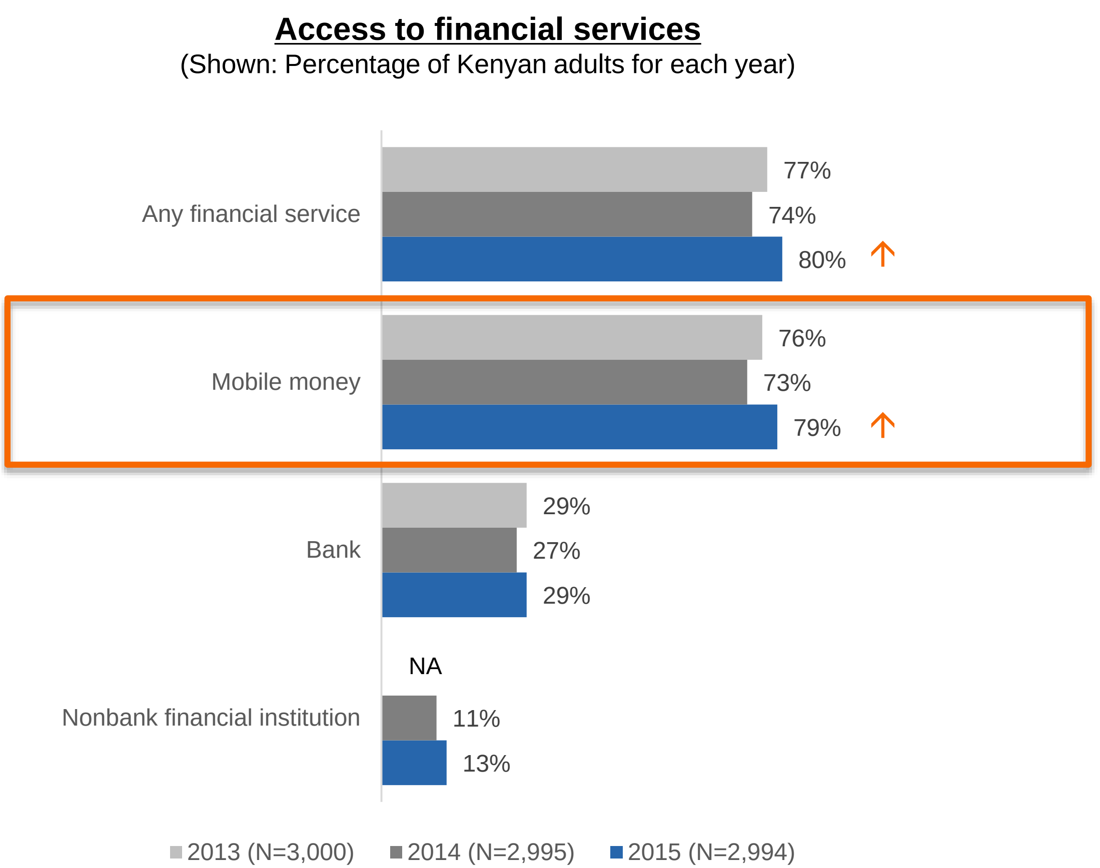
Mobile money continues to lead access to financial services, inching up between 2013 and 2015



Types of accounts are not mutually exclusive.

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.

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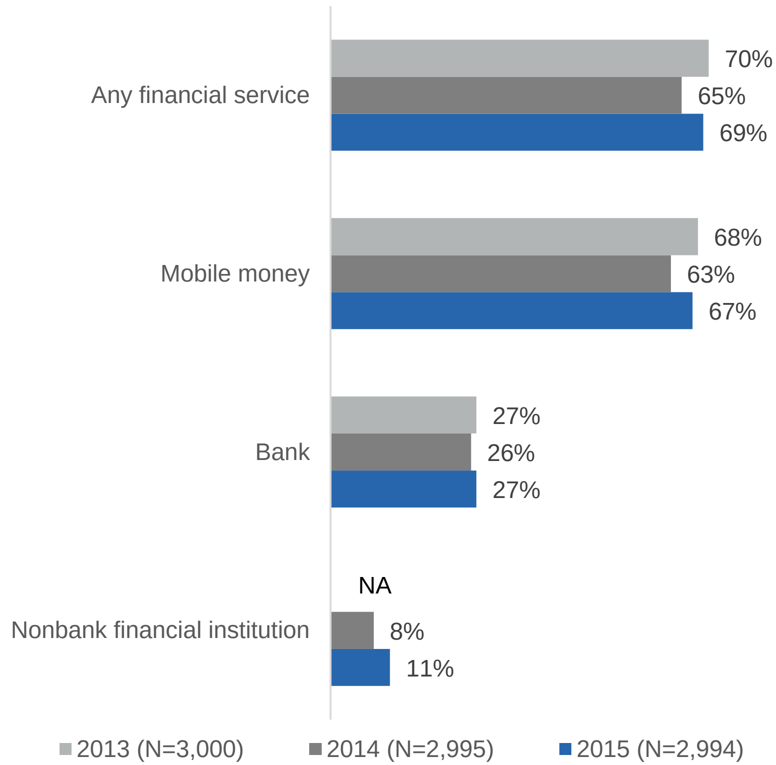
Registered use is now on par with 2013, reversing the temporary decline seen in 2014; NBFIs showed some growth in 2015

Registered financial service users

(Shown: Percentage of Kenyan adults for each year)



Types of accounts are not mutually exclusive.

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.

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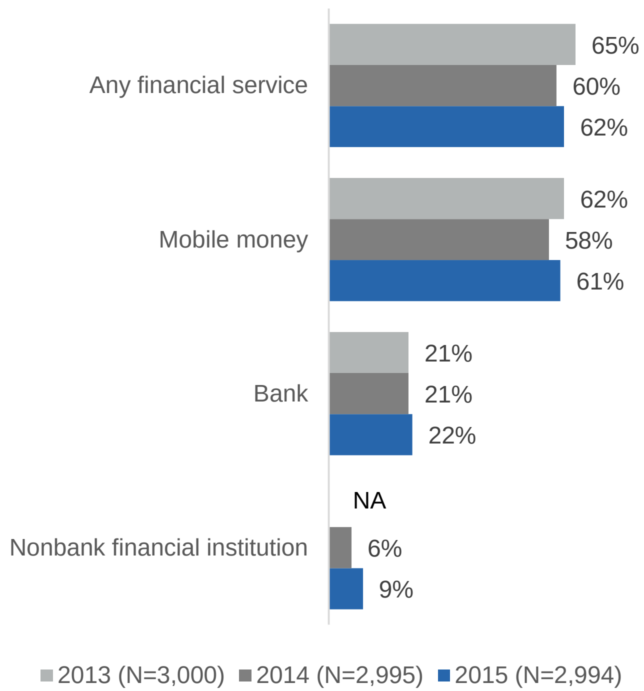
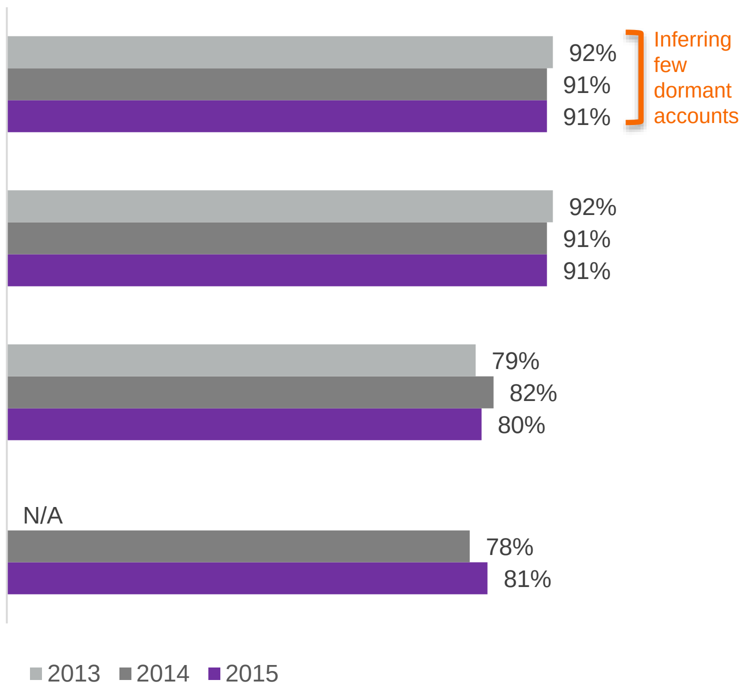
Active account ownership is also on par with 2013, after a temporary decline in 2014; most registered accounts are active

Active financial account holders
(Shown: Percentage of Kenyan adults)



Active financial account holders
(Shown: Percentage of registered users for each type of account, by year)



Types of accounts are not mutually exclusive.

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.

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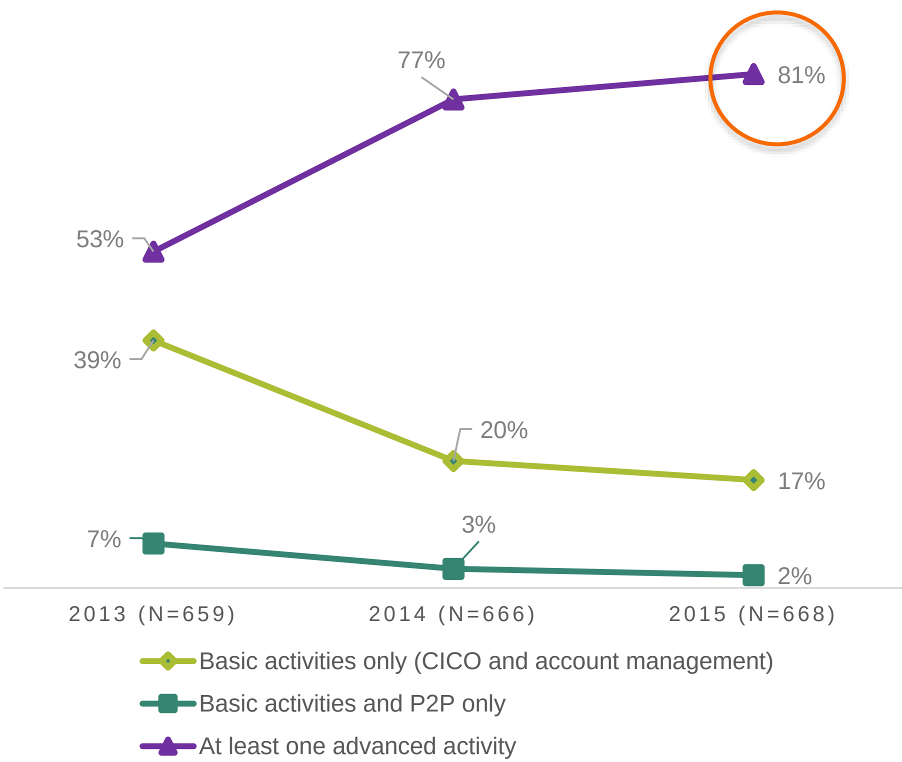
Active account holders are now using advanced functions more than ever before

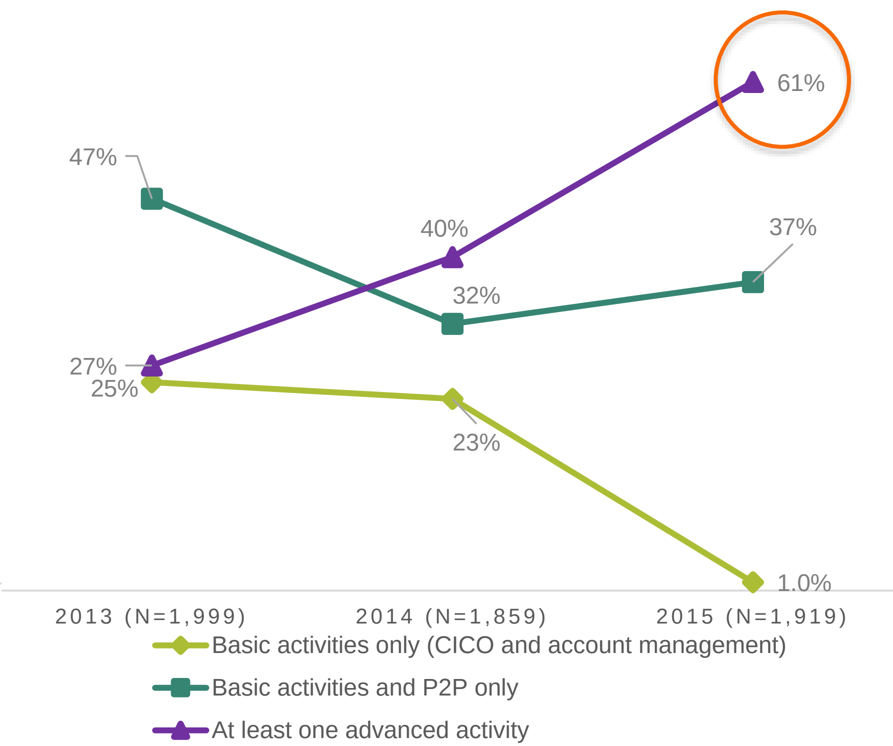
Bank uses, by type

(Shown: Percentage of active bank account holders)



Mobile money uses, by type

(Shown: Percentage of active mobile money account holders)



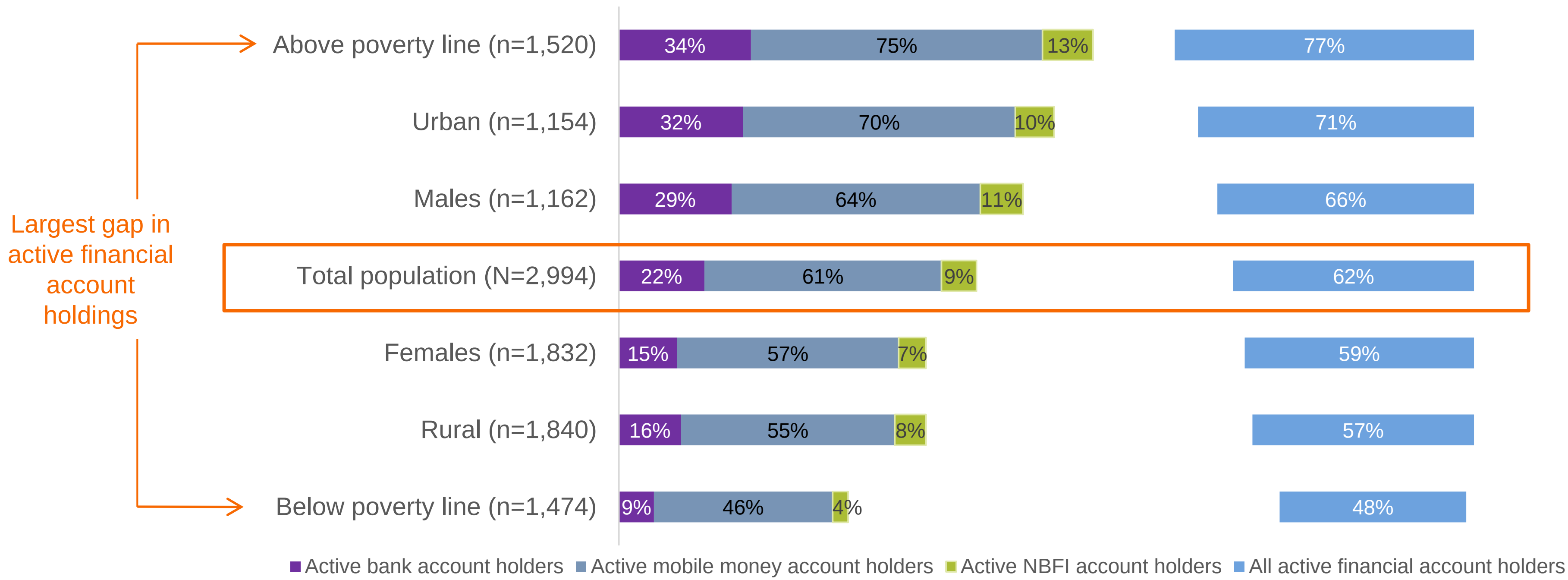
Due to the changes in the questionnaire some data points may not be directly comparable across years. Obtaining airtime through mobile money is no longer considered an advanced activity.

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.

Women, rural and lower-income consumers trail the rest of the population in active use; the gap is most significant by poverty level

2015: Active account usage by demographic

(Shown: Percentage of each subgroup)



Types of accounts are not mutually exclusive.

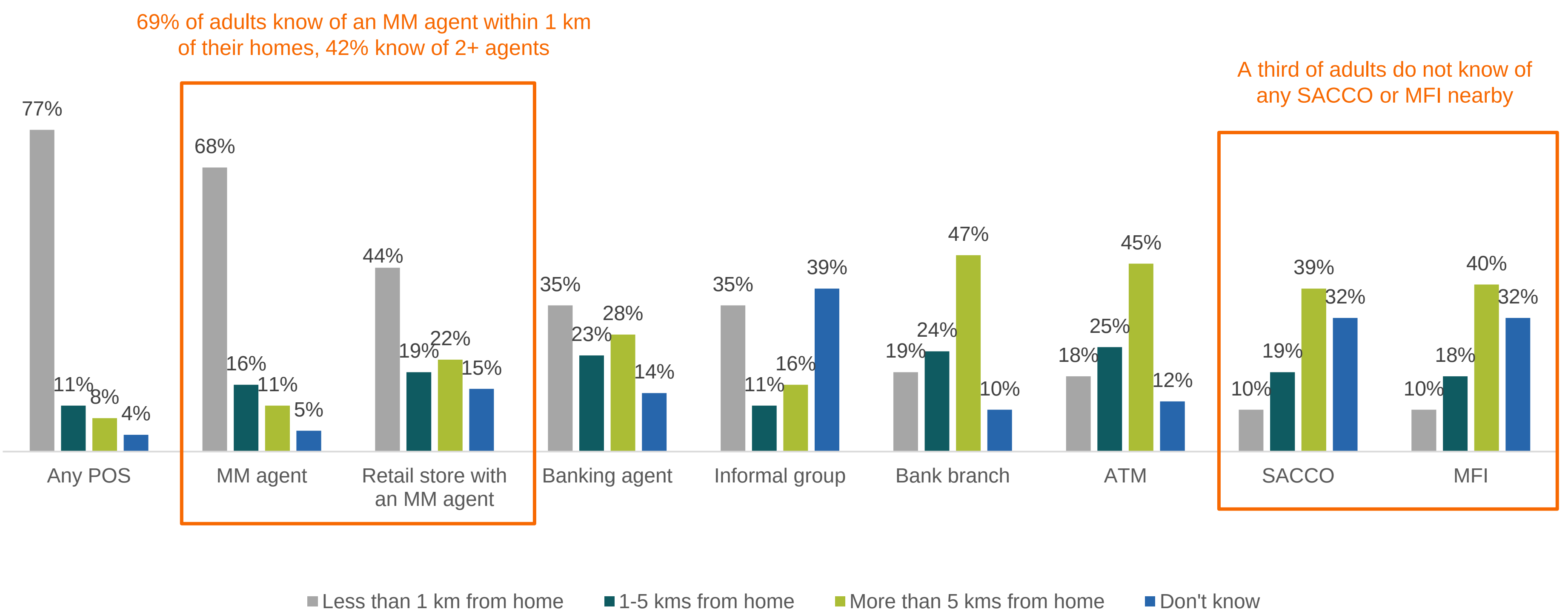
Source: InterMedia Kenya FII Tracker survey Wave 3 (N=2,994, 15+), September 2015.

KENYA

Seven in 10 consumers know of a mobile money (MM) agent within 1 km of where they live; nonbank financial institution points-of-service are farther away

2015: Proximity to points-of-service (POS) for financial institutions

(Shown: Percentage of Kenyan adults, N=2,994)



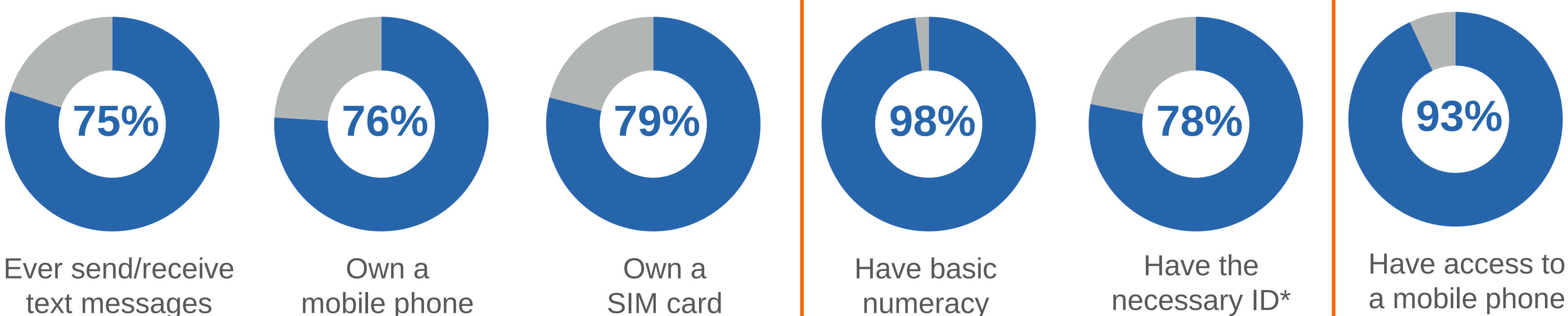
Source: InterMedia Kenya FII Tracker survey Wave 3 (N=2,994 15+), September 2015.

KENYA

Preparedness for DFS improves with greater texting, numeracy skills and phone access

2015: Key indicators of preparedness for digital financial services
(Shown: Percentage of Kenyan adults, N=2,994)

The national elections, slated for next year, will lead to an increase in the issuance of IDs



2014	69%	74%	76%	90%	81%	88%
2013	NA	74%	77%	85%	91%	93%

*Identification documents (ID) necessary for registering a mobile money or a bank account include one of the following: a national ID, passport or military ID.

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.

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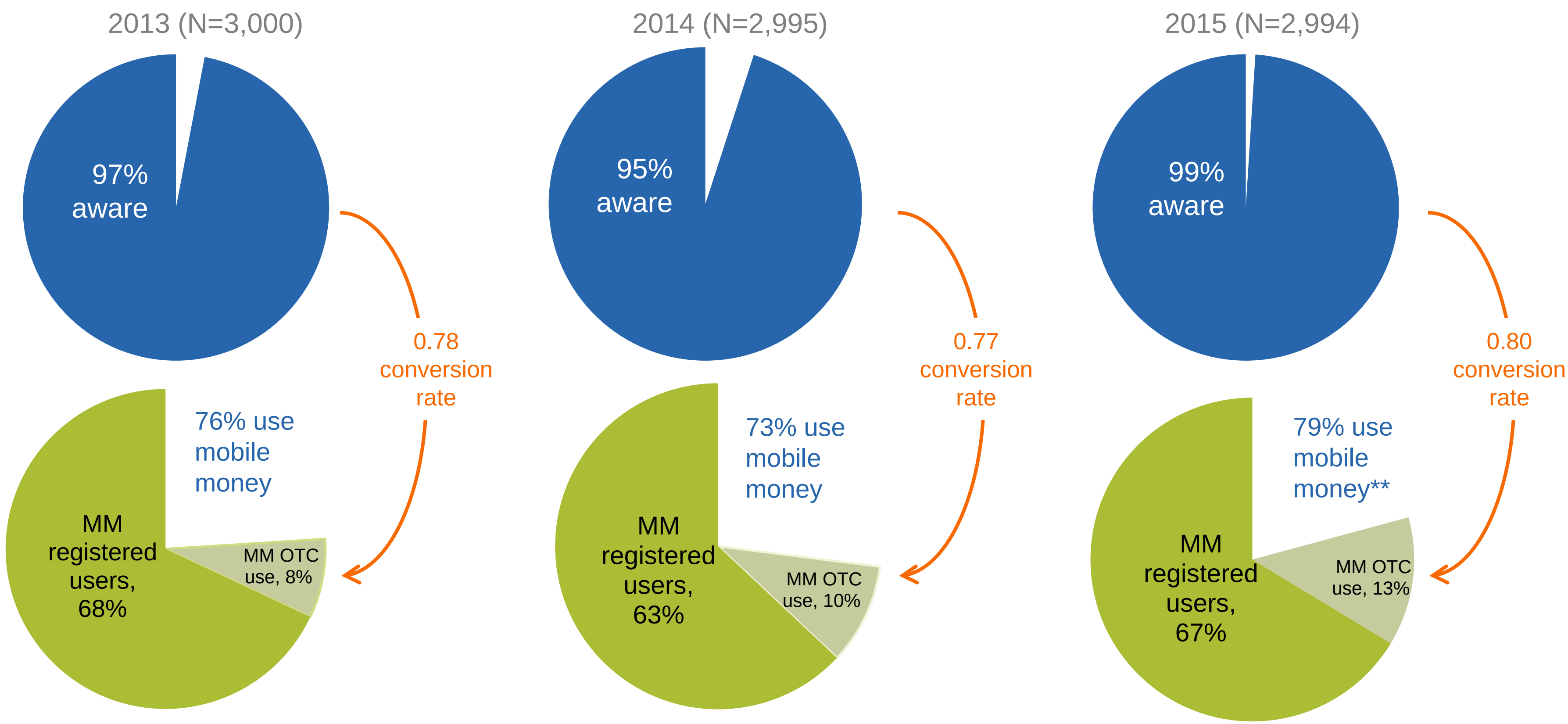
Almost seven in 10 adults are registered mobile money users; close to 80 percent of those aware use the service

Conversion from awareness of mobile money providers* to mobile money use

(Shown: Percentage of Kenyan adults for each year)



*Aware of at least one mobile money provider **Percentages add up to 80% due to statistical rounding.

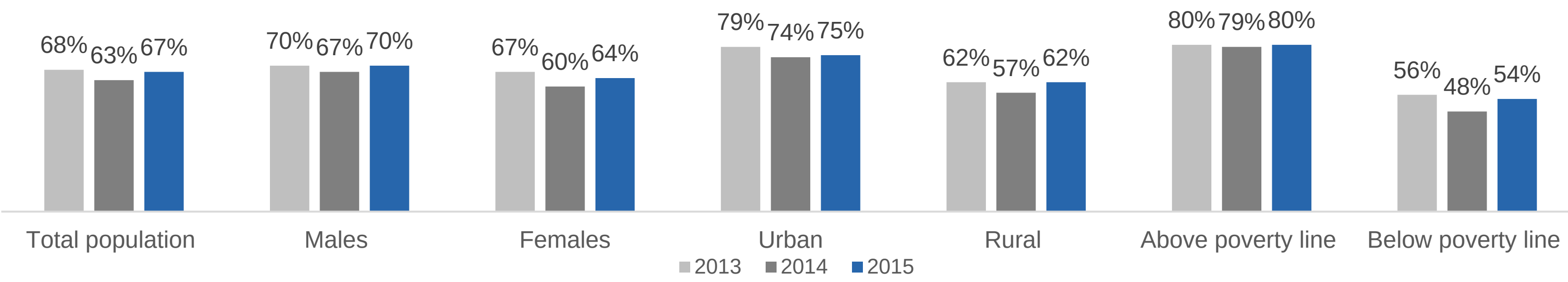
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October, 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

KENYA

With seven in 10 now using mobile money, increases in use are seen across all demographics, after a temporary decline in 2014

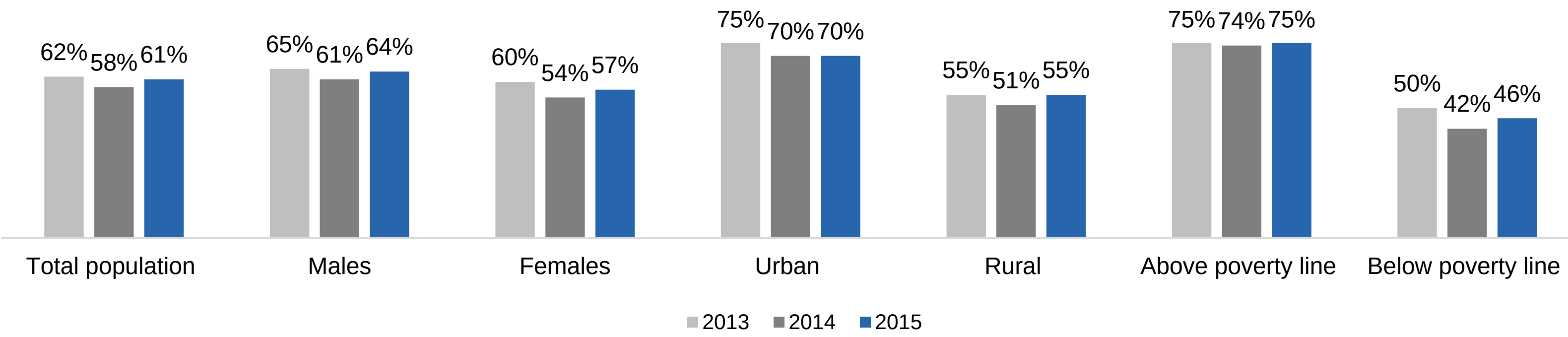
Demographic trends for all registered mobile money account use

(Shown: Percentage of Kenyan adults who fall into each category*)



Demographic trends for active registered mobile money account use

(Shown: Percentage of Kenyan adults who fall into each category*)



*Categories are not mutually exclusive.

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.

KENYA

Twice as many active mobile money account holders now use their accounts for savings; bill pay, merchant payments and loan activities are on the rise

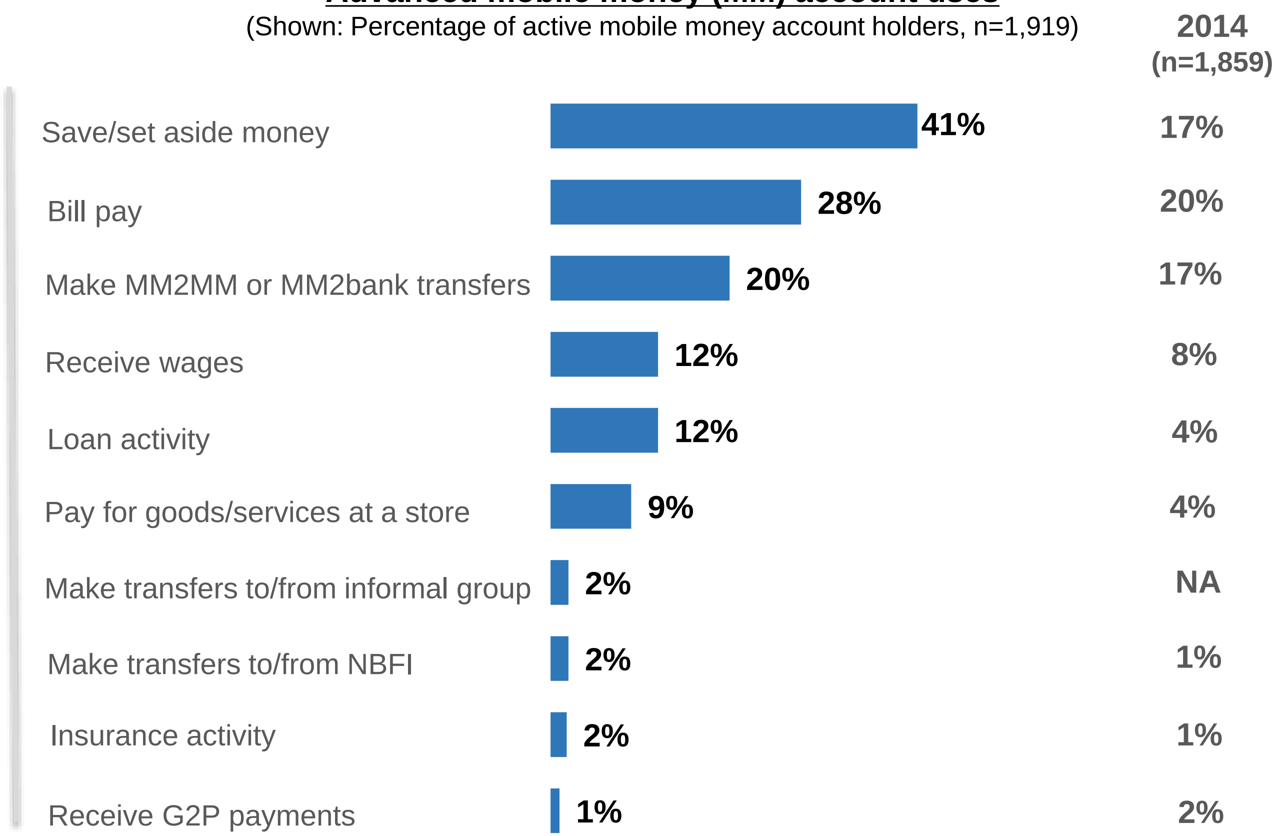
61%

of active mobile money account holders have used at least one advanced mobile money function

(vs. 40% in 2014 and 27% in 2013)

Advanced mobile money (MM) account uses

(Shown: Percentage of active mobile money account holders, n=1,919)



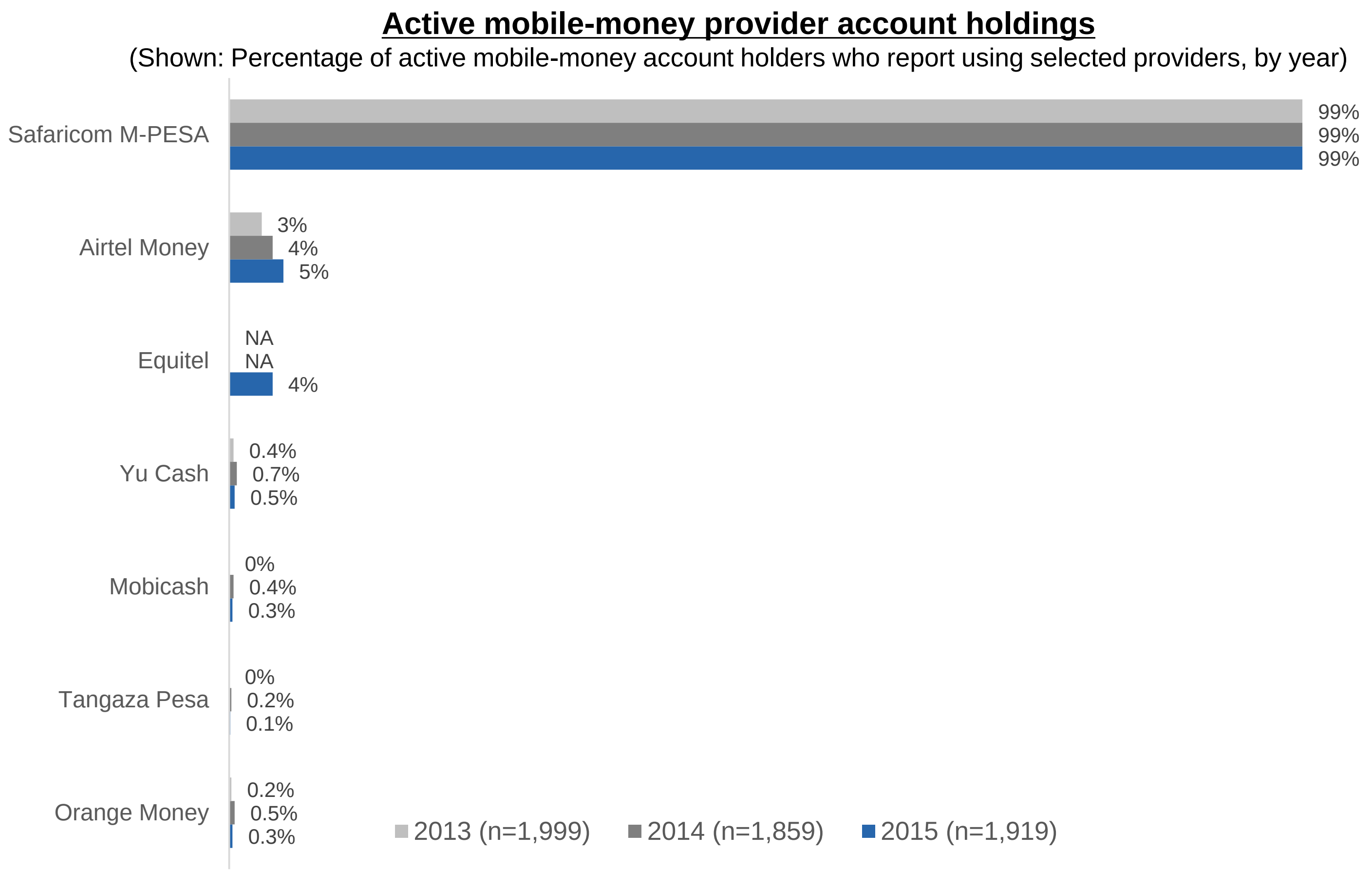
Due to the changes in the questionnaire some data points may not be directly comparable across years. Obtaining airtime through mobile money is no longer considered an advanced activity.

Question allowed for multiple responses.

Source: InterMedia Kenya FII Tracker surveys Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

KENYA

Less than a year since its launch, Equitel's market share is on par with that of Airtel Money



Active mobile money account holders can have accounts with more than one provider.

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.

KENYA

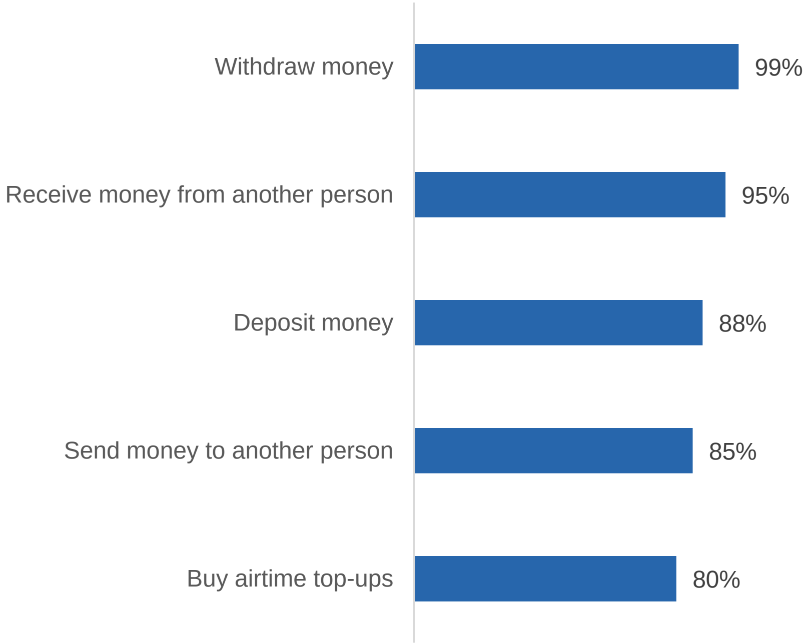
Mobile money has almost universal appeal as a P2P transfer channel; basic functions remain pervasive and advanced use is expanding

2015:Top reasons active account holders start to use mobile money

(Shown: Percentage of active mobile money account holders, n=1,919)

2015: Top uses of mobile money services among active account holders

(Shown: Percentage of active mobile money account holders, n=1,919)



Question allowed for multiple responses.

Source: InterMedia Kenya FII Tracker survey Wave 3 (N=2,994, 15+), September 2015.

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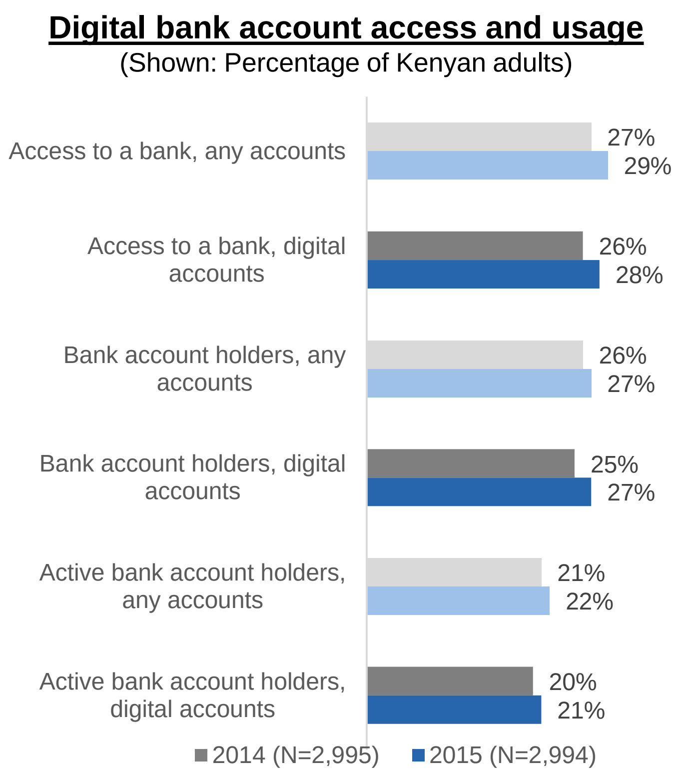
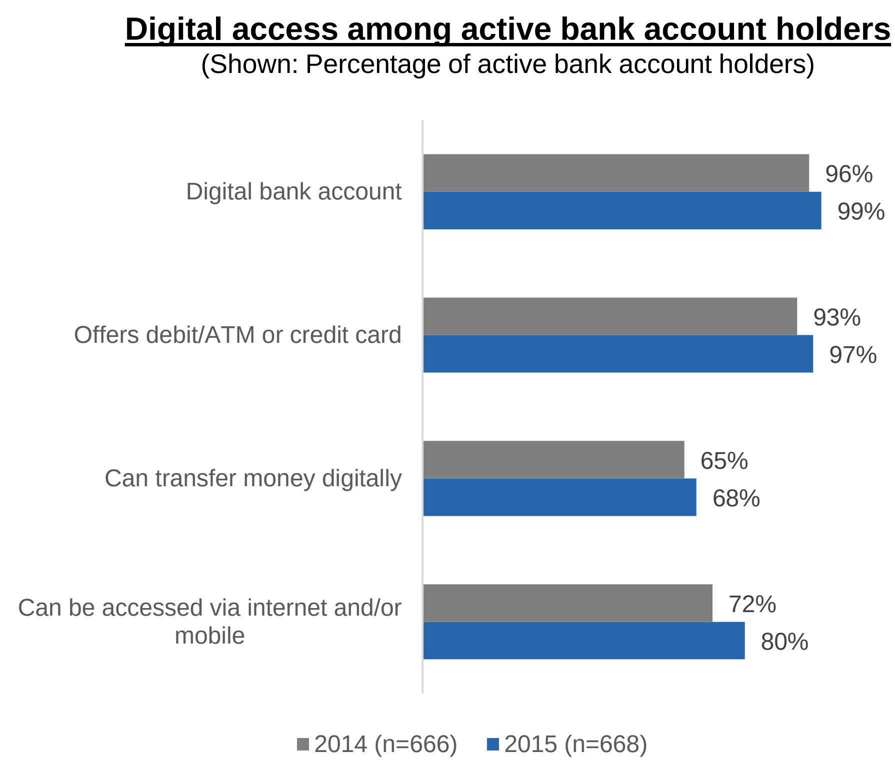
Almost all active bank account holders can access digital banking via ATM/debit cards; access to other digital services is growing





Digital bank accounts are those that offer at least one of the following options: debit/ATM or credit cards, internet or mobile access, or a digital money transfer capability.

Source: InterMedia Kenya FII Tracker surveys Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

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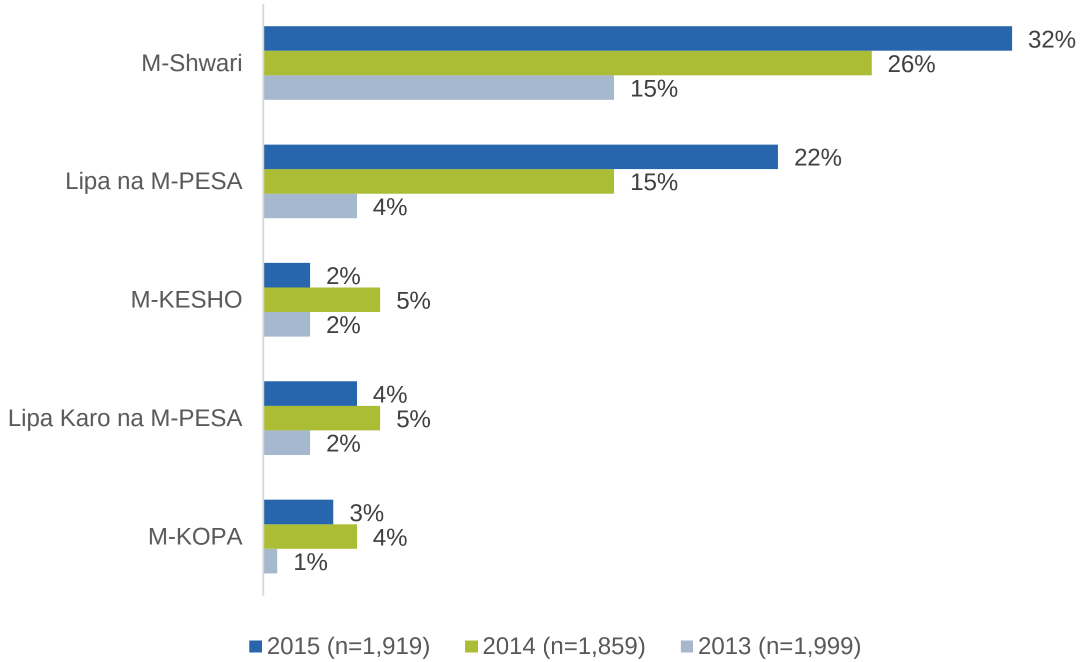
M-Shwari and Lipa na M-PESA continued to expand in 2015

Use of value-added services

(Shown: Percentage of active mobile money account holders for each year)



M-Shwari
Savings account and credit provider
Awareness: 79%

Lipa na M-PESA
Merchant payments tool
Awareness: 59%

M-KESHO
Bank-linked savings accounts
Awareness: 38%

Lipa Karo na M-PESA
Payment service for school fees
Awareness: 51%

M-KOPA
Mobile-money-based product for acquiring solar electric systems
Awareness: 50%

(Awareness of each service among the total sample)

Categories are not mutually exclusive.

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.

KENYA

More active bank account holders now use their bank accounts to save money

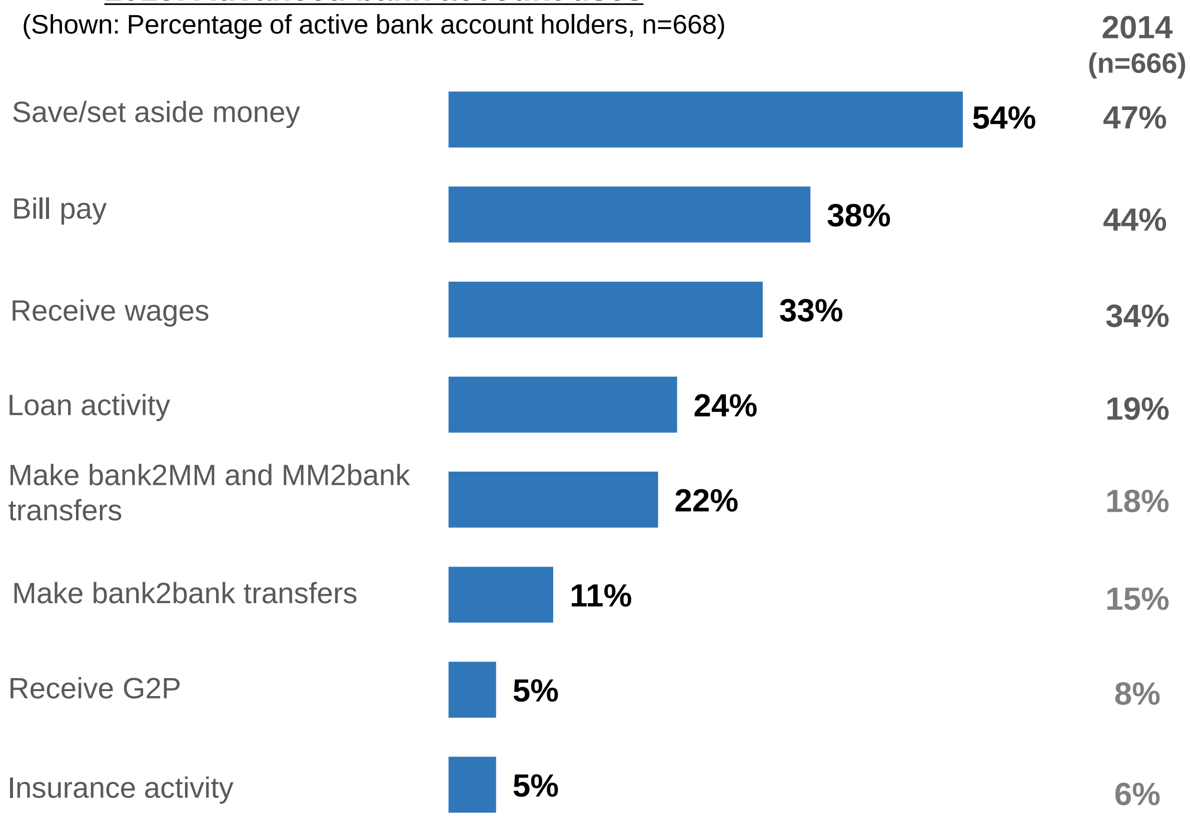
81%

of active bank account holders have used at least one advanced banking feature

(vs. 77% in 2014 and 53% in 2013)

2015: Advanced bank account uses

(Shown: Percentage of active bank account holders, n=668)



Due to the changes in the questionnaire some data points may not be directly comparable across years.

Question allowed for multiple responses.

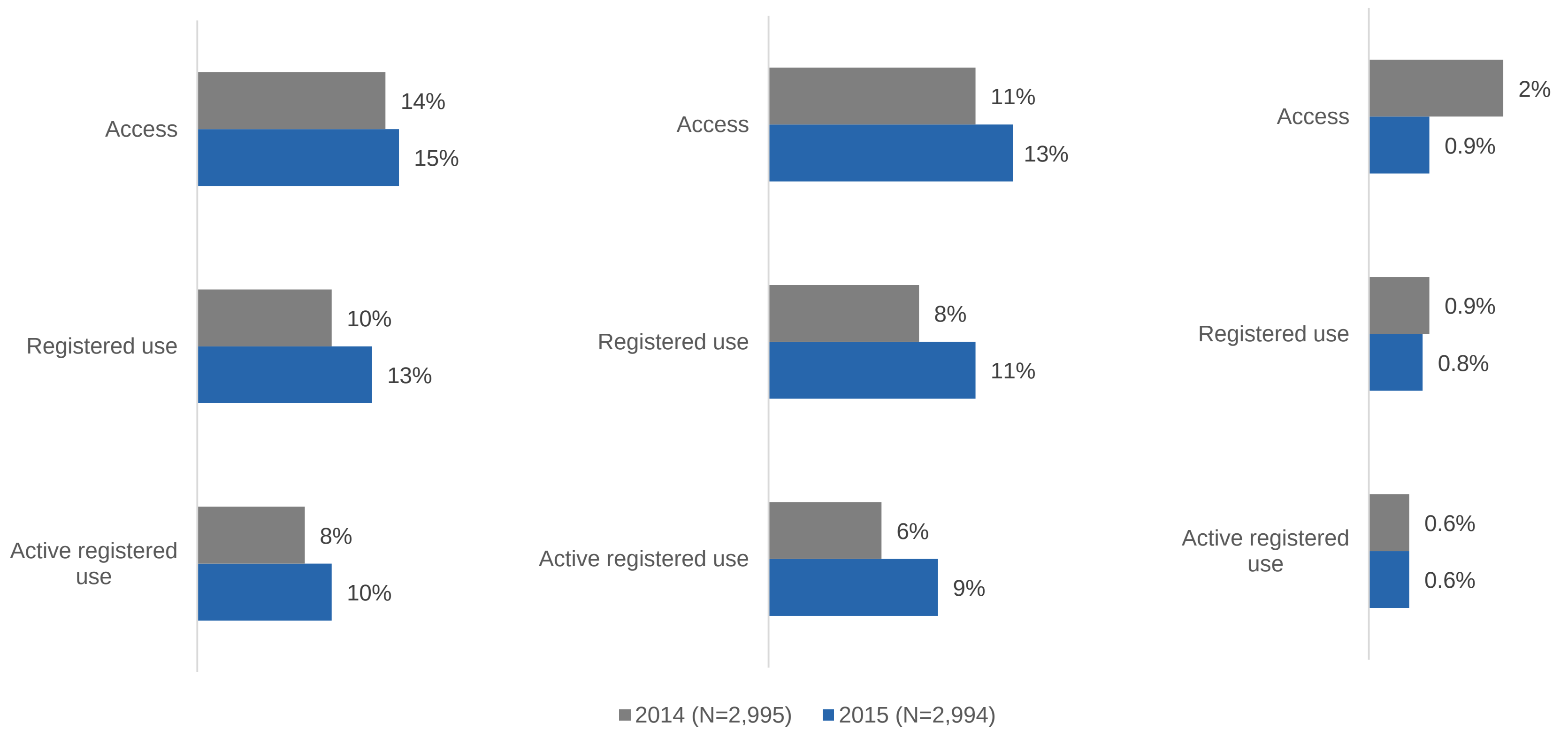
Source: InterMedia Kenya FII Tracker surveys Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

KENYA

Most nonbank financial institution (NBFI) customers access at least one other service outside of credit

All NBFIs | **Full-service NBFIs** | **Credit-only NBFIs**

(Shown: Percentage of Kenyan adults for each year)



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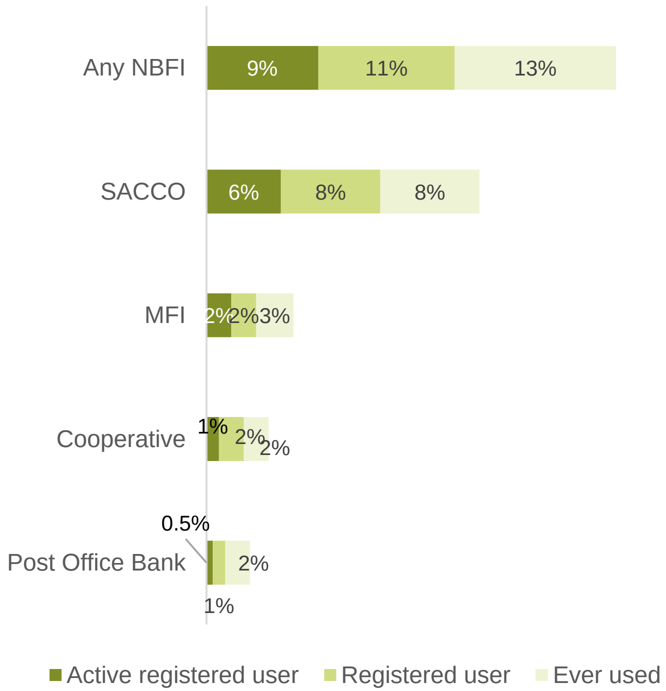
Source: InterMedia Kenya FII Tracker surveys Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

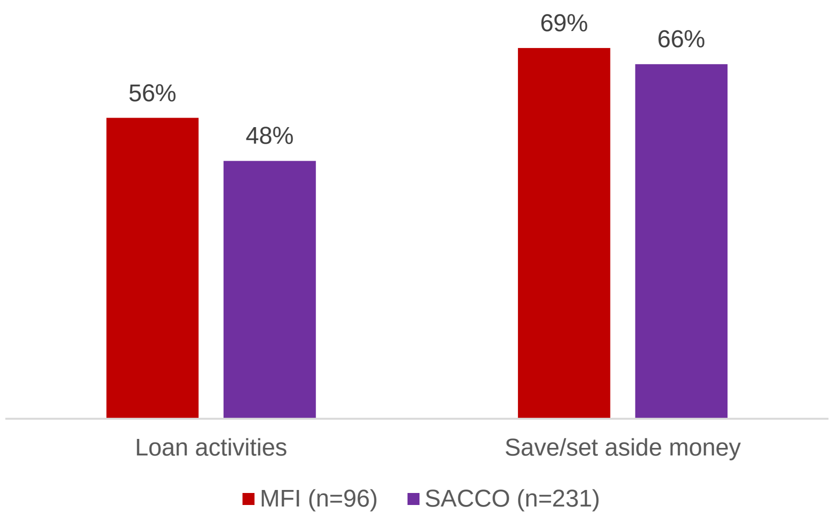
KENYA

Just over 1 in 10 use nonbank financial institutions, mostly for savings and loans

2015: Nonbank financial institution usage
(Shown: Percentage of Kenyan adults, N=2,994)



2015: Use of nonbank financial institution accounts*
(Shown: Percentage of account holders for each institution)



*Subgroups of registered cooperative and Post Office Bank users are too small for further analysis

Question allowed for multiple responses.

Source: InterMedia Kenya FII Tracker survey (N=2,994, 15+), September 2015.

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Almost two in five have digital stored-value accounts; many now use them as an access channel for other financial services

Main FSP Indicator	2014	2015	Base Definition
	%	%	
	Base n	Base n	
Adults (15+) who have active digital stored-value accounts	59%	62%	All adults
	2,995	2,994	
Poor adults (15+) who have active digital stored-value accounts	43%	48%	All poor
	1,502	1,474	
Rural women (15+) who have active digital stored-value accounts	47%	54%	All rural females
	1,068	1,105	
Adults (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	27%	37%	All adults
	2,995	2,994	
Poor adults (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	14%	23%	All poor
	1,502	1,474	
Rural women (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	14%	26%	All rural females
	1,068	1,105	

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 particular 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.

Source: InterMedia Kenya FII Tracker surveys Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

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