

# FINANCIAL INCLUSION *insights*

APPLIED RESEARCH FOR  digital financial inclusion

## KENYA

### **QUICKSIGHTS REPORT FII TRACKER SURVEY CONDUCTED FALL 2013**

Published February 2014

## THE FINANCIAL INCLUSION INSIGHTS (FII) PROGRAM

The FII research program responds to the need for timely, demand-side data and practical insights on the use of mobile money and other digital financial services, and the potential for their expanded use among the poor.

The program covers eight countries in Africa and Asia at different stages of digital financial services development. Research was launched in fall 2013.

FII is operated by global research group InterMedia and sponsored by the Financial Services for the Poor initiative of the Bill & Melinda Gates Foundation. All FII data and research is publicly available through the FII portal: [www.finclusion.org](http://www.finclusion.org).

**QuickSights** reports provide an initial look at results from the nationally representative FII Tracker Surveys conducted once or twice annually in each FII country. This report is based on the Kenya FII Tracker Survey conducted in fall 2013.

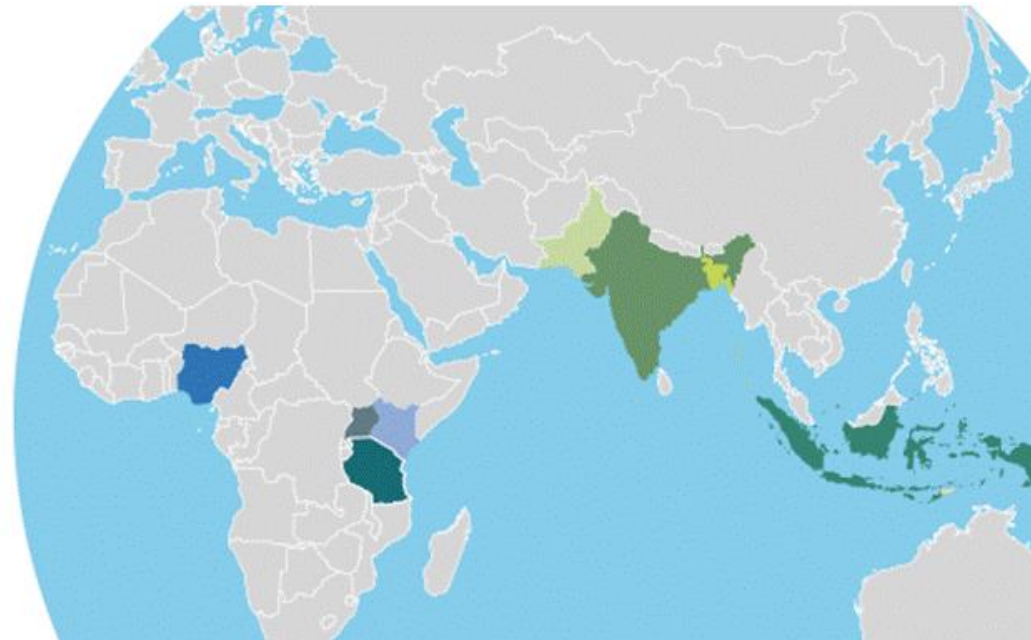
# THE FII SURVEY RESEARCH PROGRAM

## AFRICA

- Kenya
- Nigeria
- Tanzania
- Uganda

## ASIA

- Bangladesh
- India
- Indonesia
- Pakistan



	Bangladesh	India	Indonesia	Nigeria	Kenya	Pakistan	Tanzania	Uganda
Surveys per Year	1	1	1	1	1	1	1	1
Interviews per Survey*	6,000	45,000	6,000	6,000	3,000	6,000	3,000	3,000

\*Number of interviews per survey might vary insignificantly (+/-5) due to the local context at the time of the survey

# THE KENYA FII TRACKER SURVEY

## Survey summary

- Annual, nationally representative survey (N=3,000) of Kenyan individuals aged 15+
- Face-to-face interviews lasting 45 to 60 minutes
- First survey conducted from 9/12/2013 to 10/4/2013
- Provides baseline measurements. Subsequent annual surveys will measure trends and track market developments in DFS

## Data collected

- Basic demographics
- Poverty measurement (Grameen Progress Out of Poverty Index)
- Access/use of mobile devices
- Access/use of mobile money (MM)
- Access/use of formal financial services (e.g., bank accounts)
- Level of satisfaction with financial service providers and products
- Influencers and drivers of adoption
- Interoperability
- New product development

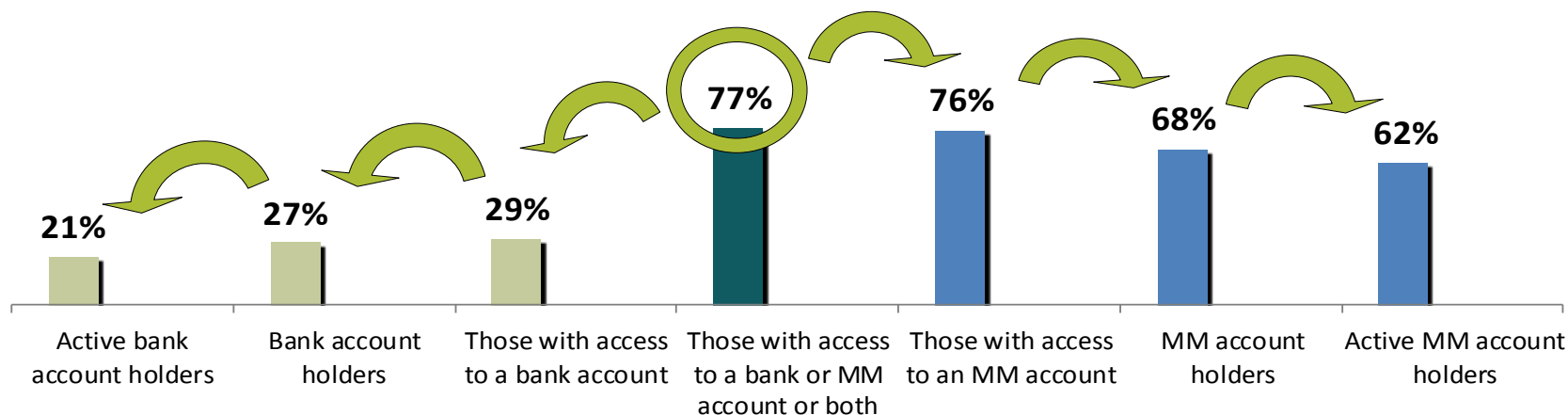
## Focus of Analysis

- **Analysis in this report focuses on active mobile money account holders and active bank account holders.**
- Why? Banks and mobile money represent the most common methods for financial inclusion.
- **Active account holders** were selected as they best represent what is commonly understood as financially included individuals who hold their own personal account (as opposed to using someone else's account) and use the account regularly (defined as used in the last 90 days)

## KENYA

### The Kenyan Financial Inclusion Landscape: General Overview

(Percentage of Kenyan adults who fall into each category)



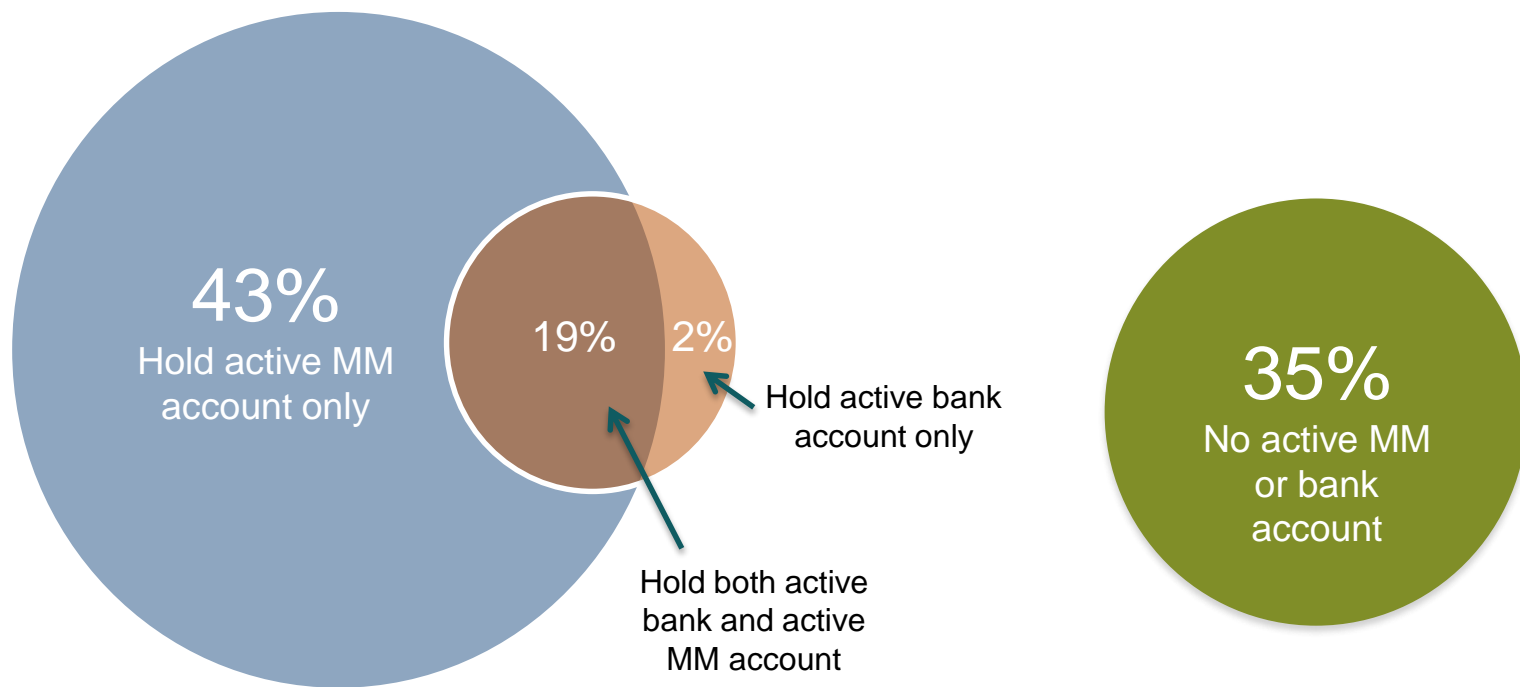
#### Key takeaways:

- Three-quarters of Kenyans have access to financial services through either a bank or mobile money account, or through both
- Almost all those with access to a bank account also have access to a mobile money account
- Most account holders actively use their accounts
- Only 2% of bank account holders have accounts that are dormant

*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 holders are those with a registered mobile money and/or bank account who have used that account in the last 90 days. Dormant accounts are those that have been registered but have never been used.*

Source: InterMedia Kenya FII Tracker survey (N=3,000, 15+) September-October 2013

## Mobile Money and Bank Account Ownership Overlaps



Source: InterMedia Kenya FII Tracker survey (N=3,000, 15+) September-October 2013. **Active account holder** = an individual who has a registered digital financial services account (specifically, a mobile money account and/or a bank account) and has used this type of account in the last 90 days

**KENYA**

## More Kenyans are Active Mobile Money Account Holders than Active Bank Account Holders

Financial Inclusion Measures by Key Demographic Groups (percentage of each sample)				
Demographic	Active Bank Account Holder	Active MM Account Holder	Both	Neither
Total Population N=3,000	21	62	19	35
Male n=1,139	29	65	26	33
Female n=1,861	13	60	12	49
Urban n=1,101	29	75	27	23
Rural n=1,899	16	55	14	43
Above Poverty Line n=1,484	31	75	29	22
Below Poverty Line n=1,516	11	50	9	49

Source: InterMedia Kenya FII Tracker survey (N=3,000, 15+) September-October 2013. Categories are not mutually exclusive.

## KENYA

### The Youngest Age Group, Those Aged 15 to 24, Are Least Likely to Hold an Active Mobile Money Account

Financial Inclusion Measures by Key Demographic Groups (cont.)  
(percentage of each sample)

Demographic	Active Bank Account Holder	Active MM Account Holder	Both	Neither
Total Population N=3,000	21	62	19	35
Ages 15-24 n=669	12	50	11	49
Ages 25-34 n=908	26	73	24	25
Ages 35-44 n=639	29	73	26	24
Ages 45-54 n=370	27	66	23	31
Ages 55+ n=414	24	59	19	36

Source: InterMedia Kenya FII Tracker survey (N=3,000, 15+) September-October 2013. Categories are not mutually exclusive.



## Literacy, Numeracy Rates Fairly Constant Among User Segments

**National average**  
(n=3,000)

**59%**

of Kenyan **ADULTS** have basic literacy



**Active BANK account holders**  
(n=659)

**60%**

of active **BANK** account holders have basic literacy



**Active MM account holders**  
(n=1,999)

**59%**

of active **MM** account holders have basic literacy



Literacy

**85%**

of Kenyan **ADULTS** have basic numeracy



**82 %**

of active **BANK** account holders have basic numeracy



**84%**

of active **MM** account holders have basic numeracy



Numeracy

### Key takeaways:

Active mobile money account users are no more likely to be literate or numerate than the national average. This suggests the lack of either (*or both*) may not be a barrier to mobile money uptake.


Higher rates of numeracy than literacy could be factors to consider in mobile money product development.

### Definitions of basic literacy and numeracy:

Basic literacy – the ability of an individual to read and understand a short, simple statement with little or no help from another person during the survey.

Basic numeracy – the ability to apply simple mathematical concepts by correctly answering at least two out of three simple arithmetic questions in the survey.

 Basic numeracy/ literacy

 Lack of basic numeracy/ literacy

## MM Awareness: Radio Plays the Biggest Role

*'From which source of information did you first learn about this mobile money service?'*

Rank	Top 5 initial sources (n=1,999)	%
①	Radio	74
②	Television	25
③	Family and/or friends	12
④	Billboards	8
⑤	Field registration agents	5

**Key takeaway:**

Few active MM account holders (n=1,999) learn about mobile money services through field registration agents.

Source: InterMedia Kenya FII Tracker survey (N=3,000, 15+) September-October 2013

Question allowed multiple responses.

## KENYA

# Mobile Money Use: Kenyans Open Mobile Money Accounts to Send/Receive Money but Use Them to Deposit/Withdraw Money

Rank	Top reasons for starting to use an MM account (n=1,999)	%	Rank	Top uses for MM accounts (n=1,999)	%
①	I had to receive money from another person	71	①	Withdraw money	98
②	I had to send money to another person	56	②	Deposit money	85
③	I wanted a safe place to store my money	26	③	Buy airtime top-ups	70
④	I wanted to start saving money with mobile money	11	④	Receive money from other people for regular support, receive allowances	54
⑤	I saw other people using it and wanted to try myself	5	⑤	Send money to other people for regular support, send allowances	50

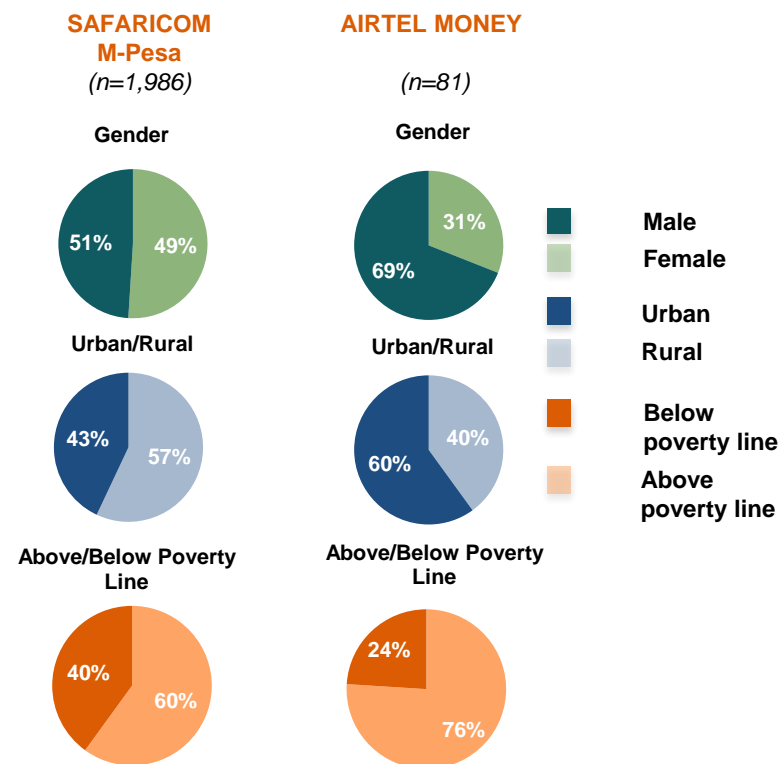
Source: InterMedia Kenya FII Tracker survey (N=3,000, 15+) September-October 2013. Question allowed multiple responses.

## KENYA

### The Kenyan Mobile Money Market: M-Pesa Retains Dominant Position

MM Provider *	% of active MM account holders using this service (n=1,999)
Safaricom M-Pesa	99.3
Airtel Money	4.4
YU Cash	0.8
Orange Money	0.4

#### Demographics of M-Pesa and Airtel Money Customers Differ



Safaricom, already with a near-monopoly, received another edge in November 2012 with the formation of a partnership with Commercial Bank of Africa to launch M-Shwari, a mobile savings and credit service that has 2.4 million active users, according to its most recent count.

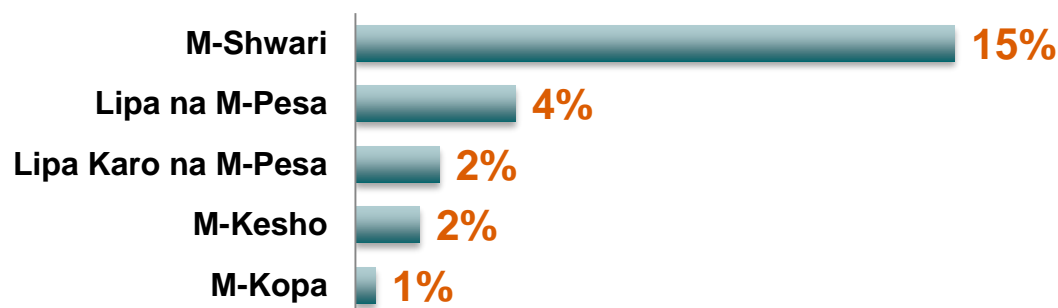
Proposals published by the Central Bank of Kenya in October 2013 outlined plans to license small e-money issuers, which may help increase the number of service providers offering mobile money services and boost the level of competition.

Source: InterMedia Kenya FII Tracker survey (N=3,000, 15+) September-October 2013 . \*Active MM account holders can have accounts with more than one provider.

## KENYA

### Value-added DFS are Developing to Meet New Demands

Percentage of Active MM Account Holders Who Have Used the Following Safaricom Services Beyond Basic Wallet (n = 1,999)



Top five uses beyond money transfer among active MM account holders

Rank	Top services (n=1,999)	%
1	Save money	10
2	Pay a utility bill	9
3	Pay a school fee	7
4	Receive wages	4
5	Pay for goods at a grocery store, clothing shop, etc.	3

An increasing number of innovative mobile money services (often referred to as “services beyond basic wallet”) are being brought to market by Safaricom and other partners or providers to meet demand for tools that build on money transfer. Those in the chart to the left are:

**M-Shwari:** savings account and credit provider

**Lipa na M-Pesa:** merchant payments tool

**M-Kesho:** bank-linked savings accounts

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

**M-Kopa:** MM-based product for acquiring solar electric systems

Source: InterMedia Kenya FII Tracker survey (N=3,000, 15+) September-October 2013

Both questions allowed multiple responses.

## KENYA

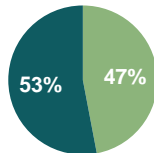
# MM Transaction Problems

**Key takeaway:**  
Network and agent system problems each affected half of active MM account holders during transactions.

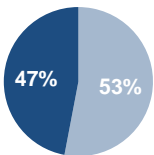
### Top 3 issues

① **50%**  
Mobile Network Down  
(n=1,017)

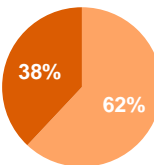
Gender



Urban/Rural

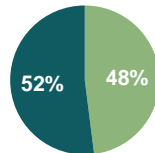


Above/Below Poverty Line

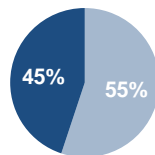


② **49%**  
Agent system down  
(n=992)

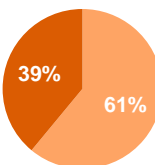
Gender



Urban/Rural

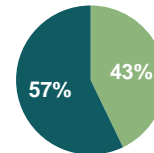


Above/Below Poverty Line

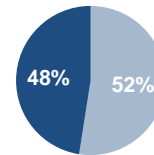


③ **42%**  
Agent did not have enough e-float  
(n=847)

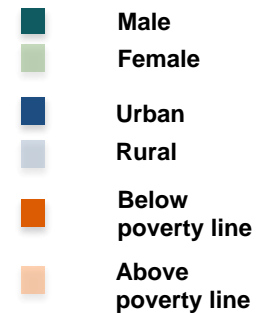
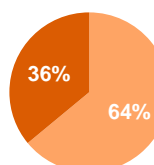
Gender



Urban/Rural



Above/Below Poverty Line

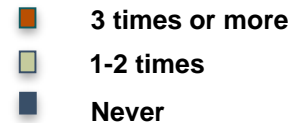
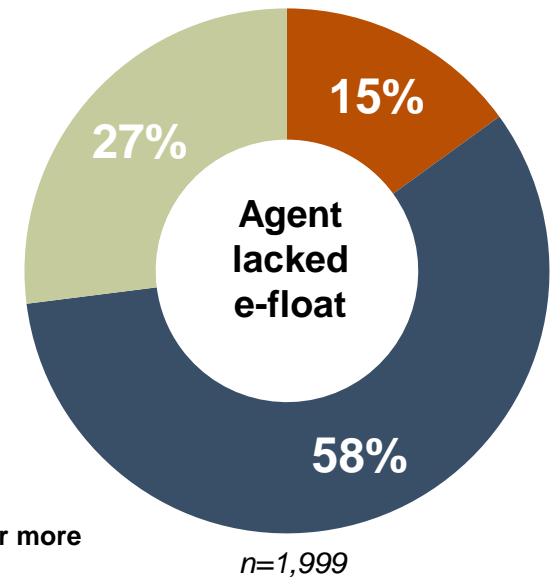
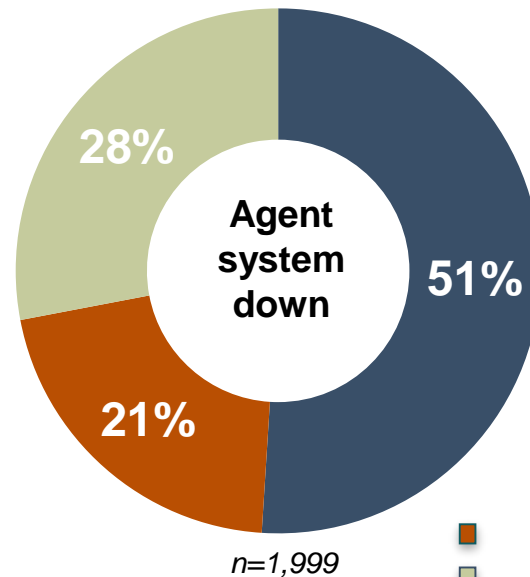
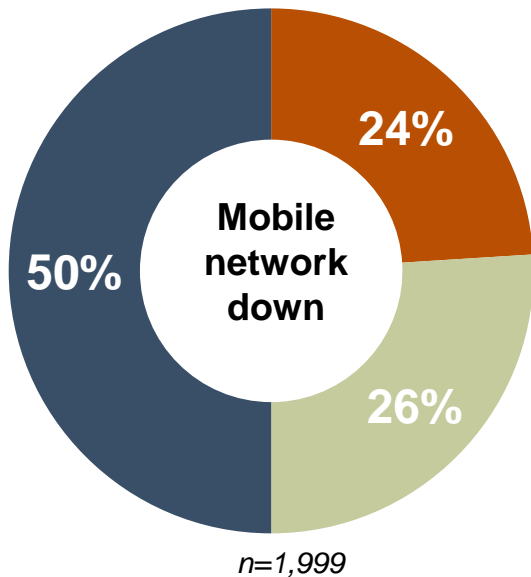


Source: InterMedia Kenya FII Tracker survey (N= 3,000, 15+) September-October 2013.

## Frequency of MM Transaction Problems

Number of times active MM account holders experienced this issue in the last six months

**Key takeaway:**  
Active MM account holders experience mobile network problems more frequently than other problems.



Source: InterMedia Kenya FII Tracker survey (N=3,000, 15+) September-October 2013

## KENYA

### Active bank account holders in Kenya open accounts to save money

Rank	Top reasons for starting to use a BANK account ( <i>n=659, active bank account holders</i> )	%
①	I wanted to start saving money with a bank	59
②	I wanted a safe place to store my money	34
③	I had to receive money from an organization/government agency, e.g., a pension or unemployment payment	17
④	I had to receive money from another person	13
⑤	An organization/government agency requested that I sign up for an account	10

### Active bank account holders don't use many services beyond cash deposits and withdrawals

Rank	Top uses for BANK accounts ( <i>n=659, active bank account holders</i> )	%
①	Withdraw money	96
②	Deposit money	89
③	Pay a school fee	22
④	Receive wages for primary job	20
⑤	Receive money from other people for regular support, receive allowances	19



**KENYA**

## National Survey Demographics

Demographic	% of Survey (N=3,000)
Male	49
Female	51
Urban	36
Rural	64
Above the \$2.50/day poverty line	50
Below the \$2.50/day poverty line	50
Ages 15-24	36
Ages 25-34	26
Ages 35-44	16
Ages 45-54	10
Ages 55+	12

Source: InterMedia Kenya FII Tracker survey (N=3,000, 15+) September-October 2013. Figures are weighted to reflect national census data demographics.

# SAMPLING APPROACH

## Working with Kenya National Bureau of Statistics (KNBS)

- InterMedia worked with KNBS to agree to a sample size of 3,000 and draw a sample that was nationally representative of adults (15+ older).

## Combining Two Sampling Frames (NASSEP IV and NASSEP V)

- InterMedia combined two purpose built sampling frames (NASSEP V and NASSEP IV) provided by KNBS to ensure full national representation.
- NASSEP V covers all districts except the northeast and was drawn from updated 2009 household census data released in 2013 by KNBS as part of their 5th National Sample Survey and Evaluation Programme.
- NASSEP IV covers the northeast and was drawn from updated 2009 census data. NASSEP IV provides the most current available population data for the northeast (NASSEP V was on-going in the northeast when this survey went to field).

## Sampling Enumeration Areas (EAs)

- The combined NASSEP frame sampled a total of 5,360 EAs from urban and rural strata within each county using the probability proportional to population size method (using numbers of households rather than people).
- Systematic random sampling was then used to distribute the total number of selected urban and rural EAs (5,360) equally into 4 sub-samples (a total of 1,340 EAs in each) ensuring each had a uniform urban/rural composition.
- Selected EAs within each sub-sample were then further standardized into uniform size units ranging from between 50 and 149 households.
- Simple random sampling from within one of the 4 sub-frames was used to select the final 300 EAs (10 interviews in each) used in the study (as well as 7 subsequent replacements due to access, security and language barriers).

## Sampling Start-Points, Households and Respondents

- One start point within each EA was chosen by randomly selecting from a list of local landmarks identified by village elders.
- Households (see definition in glossary) were selected using a random route walk, standardized skip pattern and process for substitution.
- One respondent per household was selected using the Kish grid method and relevant consent for eligible respondents under 18 years of age was obtained. Ten interviews were conducted per EA.

# GLOSSARY OF TERMS

- **Active account holder** – An individual who has a registered DFS account and has used it in the last 90 days.
- **Active user** – An individual who has used any DFS for any type of transaction in the past 90 days via his/her own account or somebody else's account.
- **Agent** – A person or business contracted by a DFS provider to provide services to DFS customers using their own bank or mobile money account.
- **Banked** – An individual with a registered account at a formal financial institution. For this particular study, banked are all individuals with their own bank accounts.
- **Basic literacy** – The ability of an individual to read and understand a short, simple statement with no or minimal help from another person.
- **Basic numeracy** – The ability to apply simple mathematical concepts. In the survey, basic numeracy refers to the ability of an individual to correctly answer at least two out of three simple arithmetic questions.
- **Below the Poverty Line** - Adults living on less than \$2.50 per day, as classified by the Grameen Progress Out of Poverty Index.
- **DFS Access** – Adults who either own a digital financial services account or have access to someone else's account.
- **Digital financial services (DFS)** – Financial services that are provided through an electronic platform (mobile phones, electronic cards, the internet, etc.). **For this particular study, digital financial services include bank services and mobile money services.**
- **Digital stored-value account** – An account in which funds or monetary value are represented in a digital electronic format and can be retrieved/transferred by the owner of the account remotely, without him/her physically present at a branch of a financial institution providing the account. For this particular study, DSVAs include a bank card (debit or credit) and a mobile money account.
- **Dormant registered users** - Adults who own a registered bank or mobile money account but have never used the account after the registration.

# GLOSSARY OF TERMS (CONT.)

- **Financial inclusion** – A state in which all people who are able to use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. (CFI)
- **Financially included** – An adult who owns or has access to digital financial services.
- **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.
- **Households** – All those who satisfy at least two of the following three conditions: (1) share the same food pot, (2) share the same roof or (3) have a common decision maker.
- **Interoperability** – The ability of users of different digital financial services (e.g., Safaricom M-PESA and Airtel Money) to transact directly with each other without the use of intermediary organizations.
- **KSH/KES currency** – Kenyan shilling, the official currency of Kenya.
- **Lapsed registered/non-registered user** – An individual who has used a DFS on own or somebody else's account, but has not done so in the last 90 days.
- **Mobile money (MM)** – A service in which a mobile phone is used to access financial services.
- **Value-added services** – DFS transactions that go beyond simple deposits, withdrawals, or money transfers.
- **Unbanked** – Individuals without a registered bank account.
- **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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The Financial Inclusion Insights program is operated by InterMedia and supported by the Bill & Melinda Gates Foundation. All data and materials resulting from the program are the property of the Gates Foundation, but the findings and conclusions within are those of the authors and do not necessarily reflect positions or policies of the foundation.



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