

FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

KENYA

DIGITAL PATHWAYS TO FINANCIAL INCLUSION 2014 SURVEY REPORT

FEBRUARY 2015

KENYA



PUTTING THE USER FRONT AND CENTER

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

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

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

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

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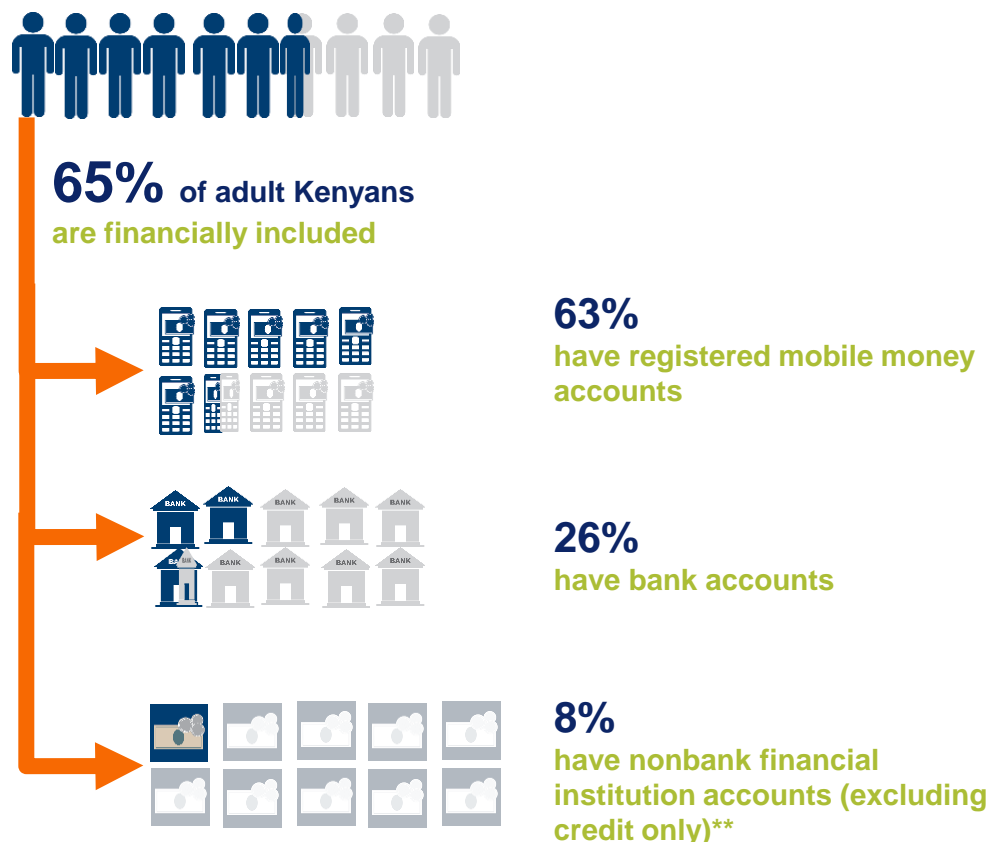
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EXECUTIVE SUMMARY

KENYA

Almost two-thirds of Kenyan adults are financially included

- Inclusion is driven primarily by mobile money services.
- Mobile money account holders have more than just a mobile money account.
 - 49% of mobile money account holders also have a bank account and 15% have a registered NBFi account.



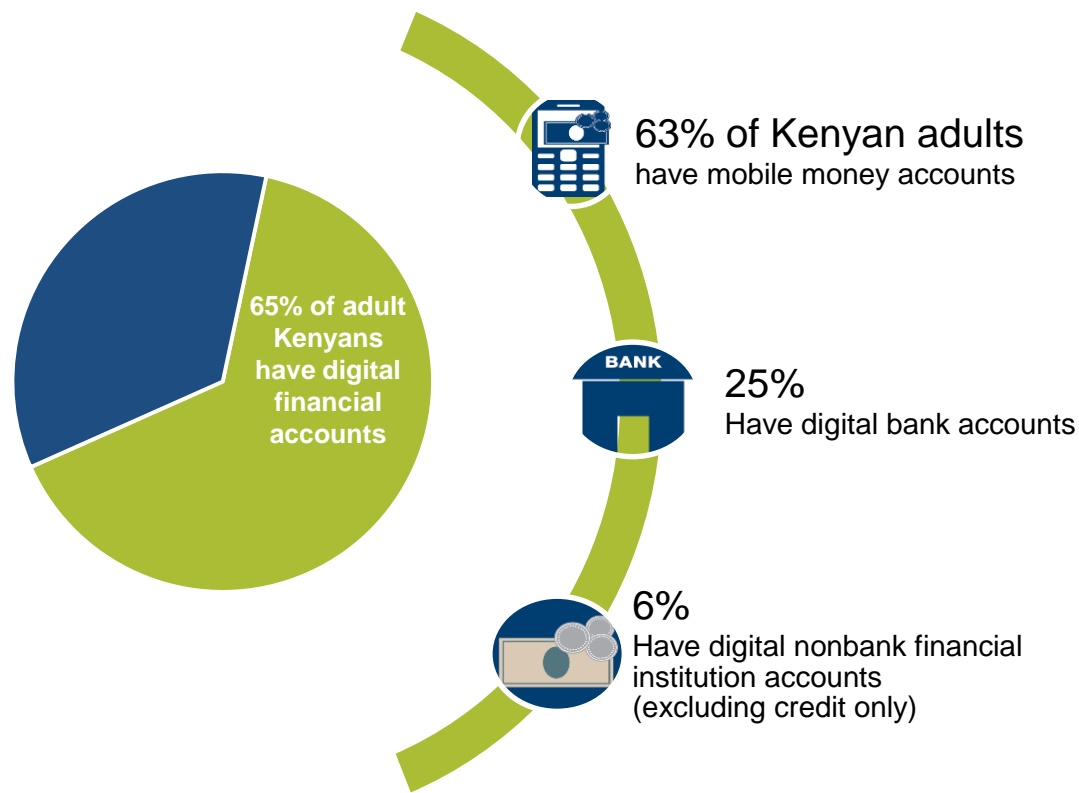
*Overlap representing those who have multiple kinds of financial accounts is not shown.

**There is anecdotal evidence that the use of nonbank financial institutions (NBFi) could be somewhat under-reported possibly out of fear of fraud or taxation.

KENYA

Nearly two-thirds have digital access to their financial accounts

- Mobile money accounts remain the most common form of digital financial accounts.
- Most bank account holders also have digital access.
 - 89% can access their accounts digitally through an ATM card, mobile apps, or online.
 - 11% are likely customers of banks that use a traditional paper-log approach to documenting transactions.
- One in 10 have an account at a nonbanking financial institution, and most of them (76%) can access their accounts digitally.



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

Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

KENYA

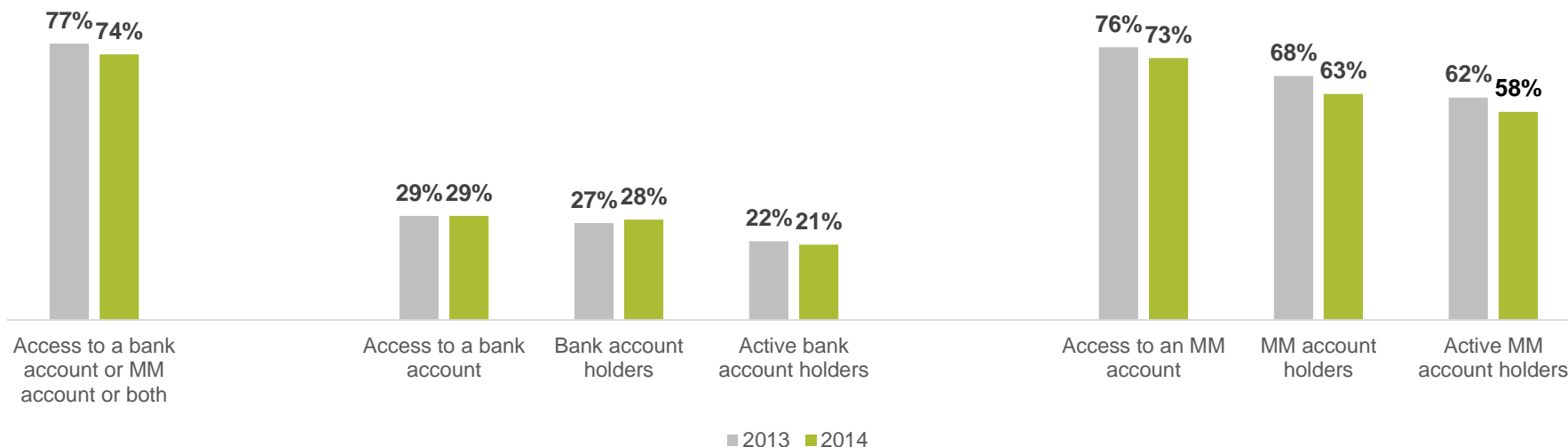
There's parity between account holders and active users, suggesting that once an account is opened, regular use follows

Bank and mobile-money (MM) account access and use: 2013 vs. 2014*

(Shown: Percentage of Kenyan adults who fall into each category, 2013 (W1) N=3,000, 2014 (W2) N=2,995)

Banks

Mobile money



*Differences in waves are not significant at the 95% confidence level for access to a bank account, bank account holders, MM account holders and active MM account holders. Categories are not mutually exclusive.

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

KENYA

The population's financial vulnerability is the key challenge to advancing the use of DFS and financial services in general

CHALLENGES

- **Extreme financial vulnerability of the population:** The majority of adults spend more than they earn and have debt exceeding their savings. Few are prepared to face an emergency.
- **High rate of remittance-reliance, including international remittances:** 45% of adults receive remittances (employed or unemployed). The percentage is higher among rural and poor. Among the employed, the majority of remittance-recipients are self-employed and farmers.
- **High level of migration, including emigration as a result of terrorist activity:** With the high level of insecurity and active population migration, many go back to using cash because it's easy to access.
- **A shrinking agent network as dissatisfied agents exit the business:** Aside from agent absenteeism, low agent liquidity and poor GSM network continue to negatively affect MM user experiences.

POSSIBLE ACTIONS

- The combination of clear relevance and low cost are key to uptake and use of DFS.
- A remittance culture defines the financial landscape in Kenya. Offering more roaming-remittance services, including with Western countries, might attract more users to DFS.
- While migration patterns clearly interfere with the use of DFS and any other financial services, migrants usually remain connected to Kenya via a remittance corridor. Using such internal and external corridors to offer DFS products might help mitigate the overall negative effects of migration.
- DFS providers might have to re-evaluate their approach to training and supporting DFS agents to be able to take advantage of Safaricom opening its agent network to other financial service providers.

KENYA

Kenyan market offers a multitude of opportunities to advance DFS and financial inclusion

OPPORTUNITIES

- **High level of preparedness for using digital financial services:** 74% own mobile phones and most can perform even advanced activities on a phone without help; most also have all documents required to open a financial account.
- **Kenyans are open to trying new VAS:** About two years after the launch, both M-PESA and Lipa na M-PESA's reach continue to expand at a fast pace.
- **Kenyans easily switch providers when they discover better and/or cheaper services:** In anticipation of a cheaper Equatel mobile money product, many joined Equity Bank.
- **The majority of bank and NBFI accounts come with digital access:** This adds a layer of cross-product competition (banks vs. mobile money vs. nonbank financial institutions) as opposed to just between-product competition.
- **High rates of P2P activities:** Remittance is the second most common way of dealing with money leftover after paying expenses. Remittance-sending behaviors do not differ by demographics. Even poor and rural adults send remittances regularly.
- **Historically vibrant culture of saving and borrowing:** Kenyans actively save and borrow through informal financial networks and semi-formal financial institutions.

POSSIBLE ACTIONS

- The Kenyan market is very welcoming for new and creative DFS offers. It allows for massive real-life testing of new product and service offers.
- Interoperability of DFS, including between telcos and banks can reinforce the market positions of both and allow to leverage market strength and seize market opportunities.
- P2P transfers have been for a long time, and will continue to be, the staple of Kenyans' financial behaviors. Improving and advancing P2P offers will help to expand the audience of DFS users.
- Flexibility in savings, and, especially, borrowing, terms and conditions make informal financial networks more attractive than very restrictive DFS products (e.g. M-Shwari). Re-evaluating borrowing and savings terms might help tailor products to existing needs without increasing the risks associated with lending to the poor.

CHANGES TO THE KENYAN FINANCIAL INCLUSION ECOSYSTEM IN 2013-2014

KENYA

Economic and political instability have hindered financial services use, despite active government involvement in promoting financial inclusion

- **Government encouragement:** President Kenyatta openly supported Equity Bank's introduction of the Thin SIM Technology arguing that competition would deepen mobile money reach and benefit ordinary Kenyans.
- **End of agent monopoly:** The Communications Authority of Kenya (CAK) ordered Safaricom to share its M-PESA agent network with other financial organizations, including banks and telcos. M-PESA agents are now allowed to serve clients of any providers. This move is expected to expand agents' reach and benefit underserved populations.
- **Declining number of mobile money agents:** The Central Bank of Kenya reports an unprecedented decline in the number of active mobile money agents. Just in the last three months of 2014, approximately 8,000 agents closed their agencies. According to the Microsave ANA survey of agents, Kenyan agents showed the lowest average profit and highest level of dissatisfaction compared with agents in other East African countries. In addition, agents also suffered from an increased level of crime, augmented by the lack of provider support.
- **Intensified migration:** According to the University of Nairobi Populations Studies and Research Institute, deteriorating security and terrorist attacks over the past two years have negatively affected the economic wellbeing and physical safety of Kenyans across the country, including along the Somalian border. As a result, there has been a migration from border counties to central areas and Nairobi, as well as emigration from Nairobi and vicinities to other countries including the U.K. and the U.S. With the majority of migrants being remittance senders, the migration patterns are affecting the choice of remittance channels, in particular, mobile money.

KENYA

Customers are benefitting from the competition among telcos by getting access to better services at lower costs

- **New players in the market:** The Communications Authority of Kenya (CAK) licensed three new Mobile Virtual Network Operators (MVNOs) -- Mobile Pay, Finserve Africa and Zioncell Kenya -- to offer mobile money services to Kenyans.
- **New VAS:** Mobile money service provider Airtel Kenya, in partnership with the Kenya Revenue Authority, added a tax payments service that allows Kenyan citizens the opportunity to pay their taxes through mobile money.
- **Reduced M-PESA tariffs:** Safaricom reduced the cost of P2P transfers via M-PESA by 67% for small- and medium-value transactions.
- **Mobile money roaming:** Airtel Kenya launched cross-boarder mobile money transfers allowing Airtel customers to transfer money, top up airtime and use data seamlessly while traveling in Kenya, Rwanda, Uganda and Tanzania. Roaming customers can pay utility bills, buy goods and services, and withdraw cash at selected ATMs in any of these countries.

KENYA












The line between formal banks and mobile money providers is blurring as Equity Bank leads the way to mobile money services offered through banks

- **Equity Bank's strategy to delivering mobile money:** Equity Bank is getting ready to launch its mobile money platform, Equitel, in the first quarter of 2015, offering a competitive alternative to Safaricom in price, quality and value.
 - Equity Bank will have a head start because it already has a large customer base and a strong following among low- and middle-class Kenyans.
 - Registration of customers on the Equitel platform has been ongoing since summer 2014, ahead of the official launch.
 - Equity bank provided all of its customers with a free SIM card to gauge preliminary interest in its mobile money services, and prepare customers for the switch to the Thin SIM;
 - Equity Bank has created a holding company (Equitel) that can support the Bank's portfolio diversification, including the launch and promotion of the mobile money service;
 - Equitel's promise is to reduce the cost of transferring money through mobile phones by up to 50% of the current average market rate.

CONTEXT: THE DEMAND-SIDE CONSUMER

KENYA

The Kenyan adult population is mostly under 35 and is in rural areas, and lives equally above and below the poverty line

Demographic	% of Survey (N=2,995)
 Male	49%
 Female	51%
 Urban	36%
 Rural	64%
 Above the \$2.50/day poverty line	49%
 Below the \$2.50/day poverty line	51%
 Ages 15-24	36%
 Ages 25-34	26%
 Ages 35-44	16%
 Ages 45-54	11%
 Ages 55+	11%

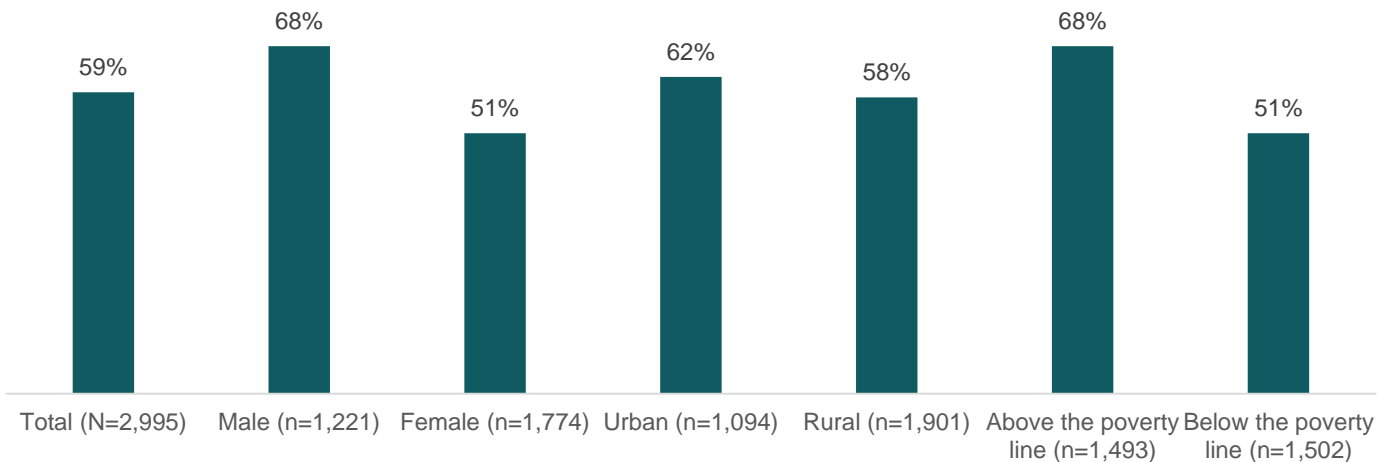
Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

KENYA

Three in five Kenyans have a job; while gaps exist by gender and poverty status, more than half of women and the poor are employed

Employment demographics

(Shown: Percentage of each demographic group who have a job with regular pay, occasional pay, or self-employment)

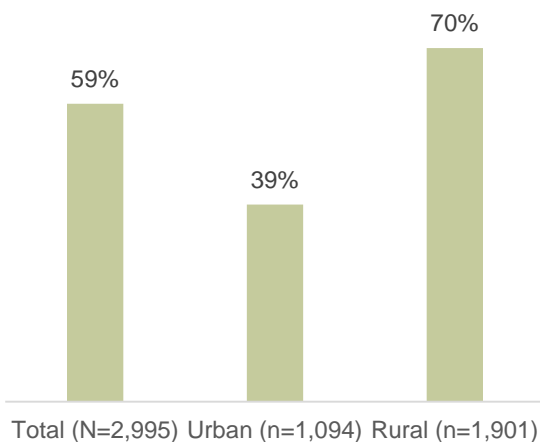


KENYA

Agriculture* is the leading industry, with most growing and selling agricultural products

Kenyan adults working in agriculture by place of residence

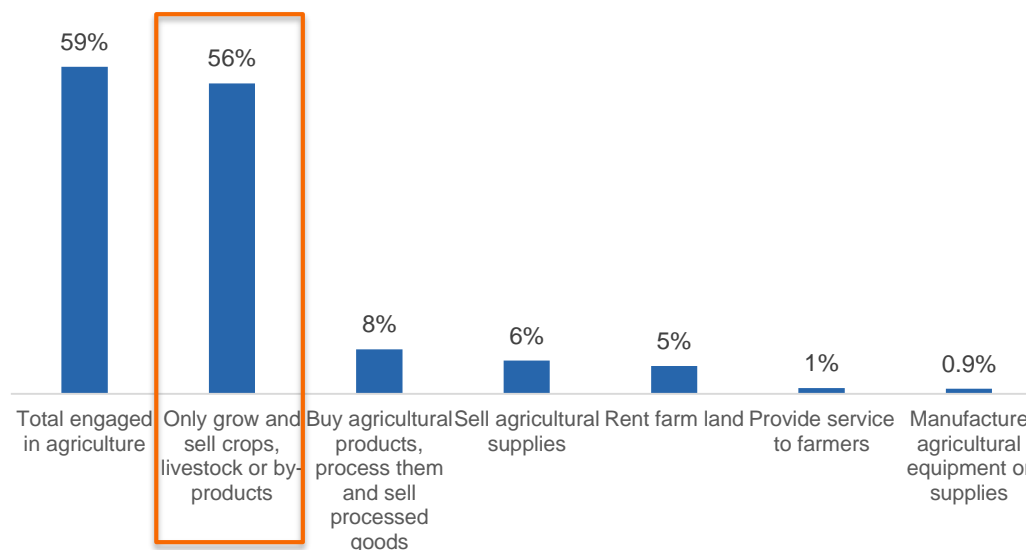
(Shown: Percentage of Kenyan adults, N=2,995)



Two in five urbanites are engaged in agriculture.

Kenyan adults working in agriculture by type of agricultural activity

(Shown: Percentage of Kenyan adults, N=2,995)



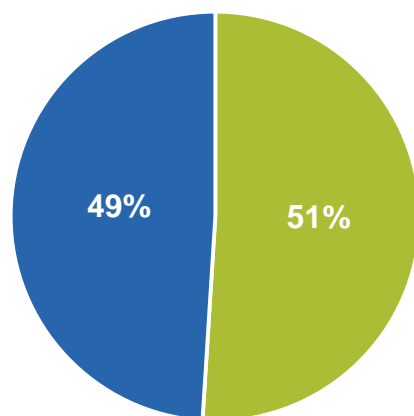
*People who work in agriculture include all Kenyans who said they engage in agriculture-related activities, including growing, selling, processing, as well as producing and selling farming inputs (supplies, equipment and services, and renting farm land).

KENYA

Two-thirds of the poor struggle to cover their basic needs; a third can save and afford some expensive goods

Poverty status

(Shown: Total population, N=2,995)

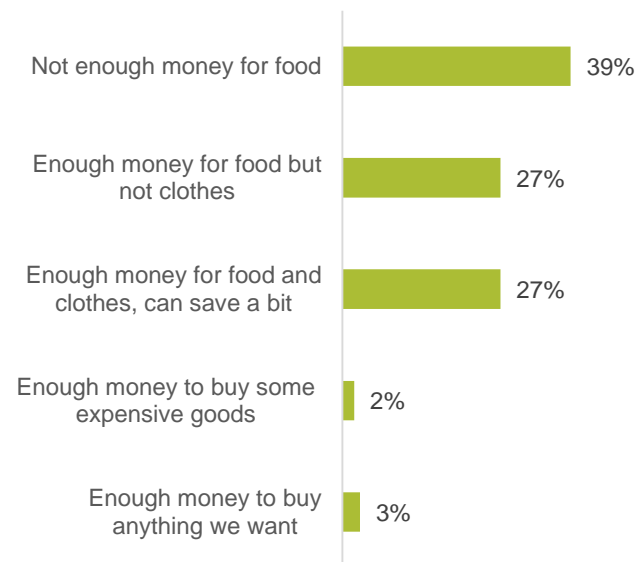


- Below the poverty line
- Above the poverty line

Among those below the poverty line, 32 percent are comfortable with their income

Poor household's self-reported purchasing power

(Shown: Kenyans living below the poverty line, n=1,502)



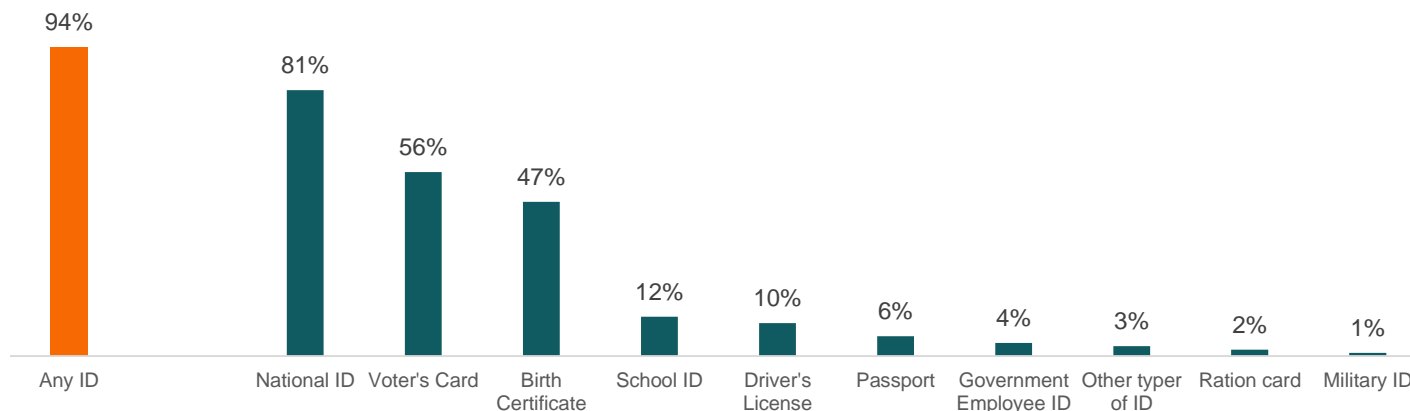
Three in 10 of those below the poverty line can afford to save and buy expensive goods.

KENYA

Attributable to the National ID system, most Kenyans have a least one form of identification necessary to open a financial account

Type of identification reported by Kenyan adults

(Shown: Percentage of Kenyan adults who report each type of ID, N=2,995)



Only 9 percent of adults say the lack of an ID is the reason they don't have a bank account and 4 percent say the same about a mobile money account. The majority of nonusers have other reasons for not signing up for either type of account.

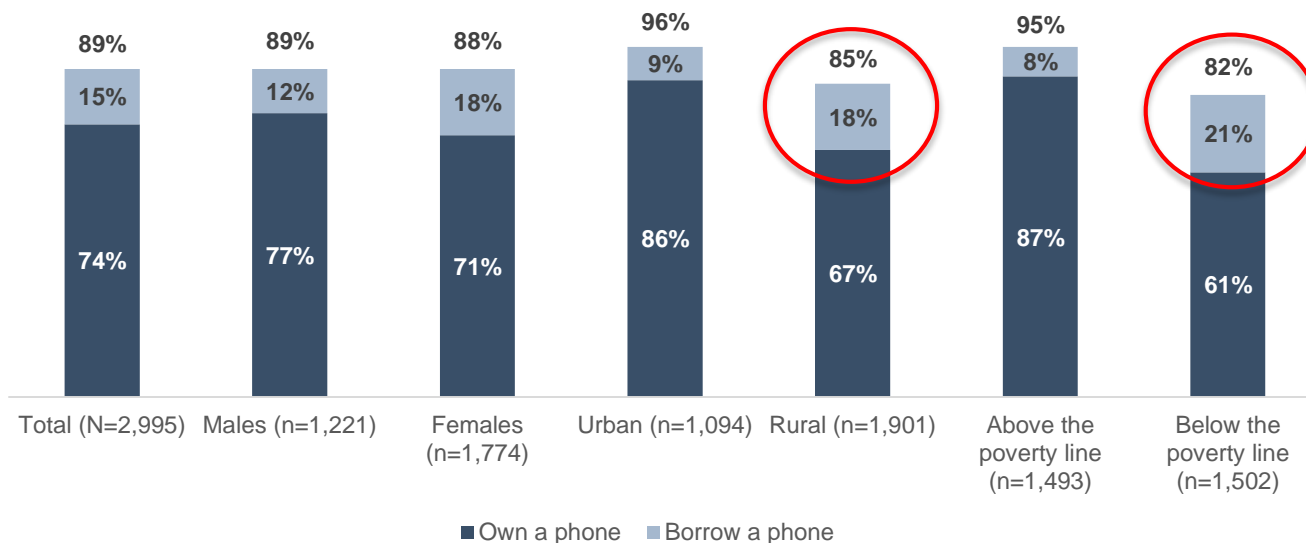
KENYA

KENYANS' MOBILE PHONE USE

KENYA

There's widespread access to mobile phones; most own their devices

Mobile phone ownership and access by demographic group
 (Shown: Percentage of each demographic group who owns a mobile phone)



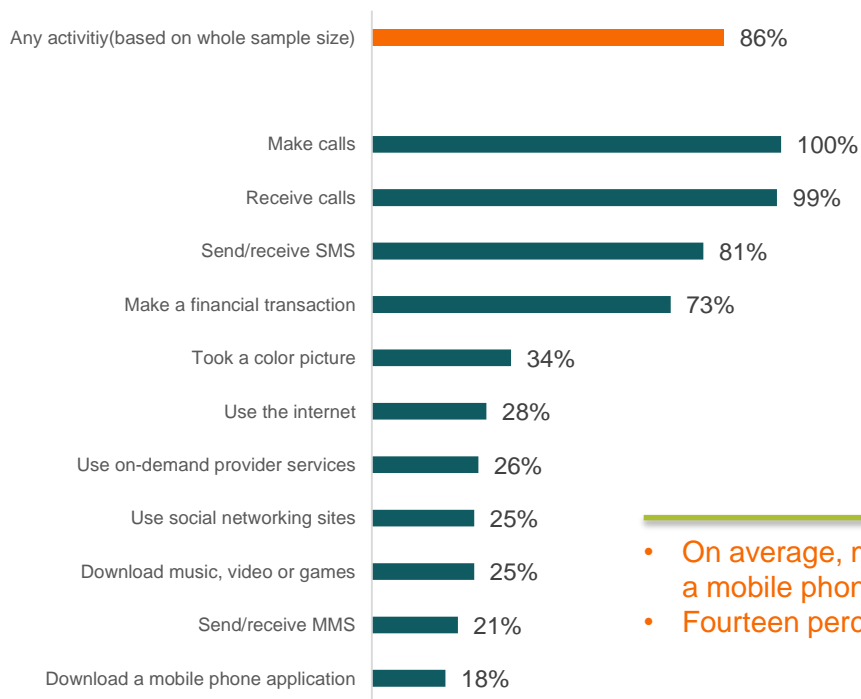
Rural and below the poverty line: lower access, more borrowing

KENYA

Kenyans are avid mobile phone users, utilizing phones in a number of ways, including for financial transactions, browsing and social media engagement

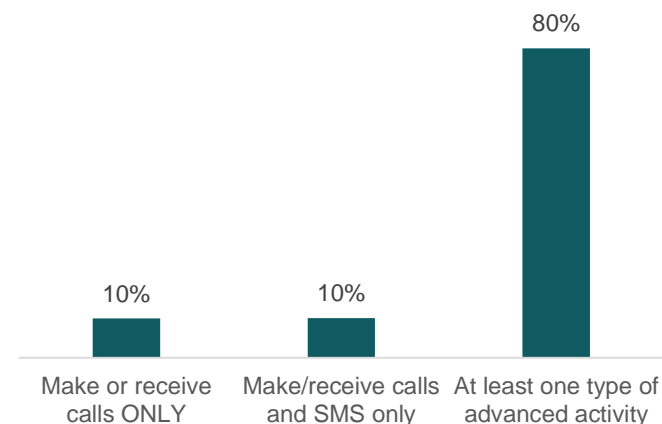
Mobile phone uses

(Shown: Percentage of Kenyan adults with access to mobile phones, n=2,649)



Types of mobile phone uses

(Shown: Percentage of Kenyan adults with access to mobile phones, n=2,649)



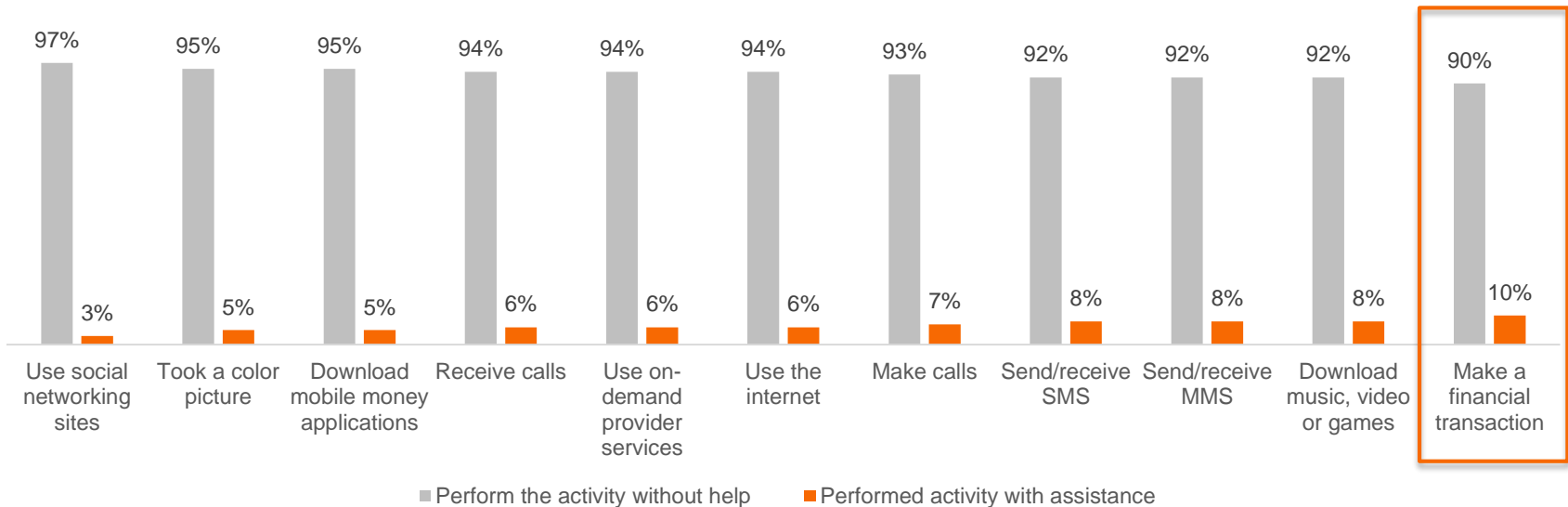
- On average, mobile phone users perform four activities on a mobile phone.
- Fourteen percent can do 10 or more activities.

KENYA

Most users do not need help using their phones, even when it comes to financial transactions, though more do need assistance with this

Mobile phone uses with and without assistance

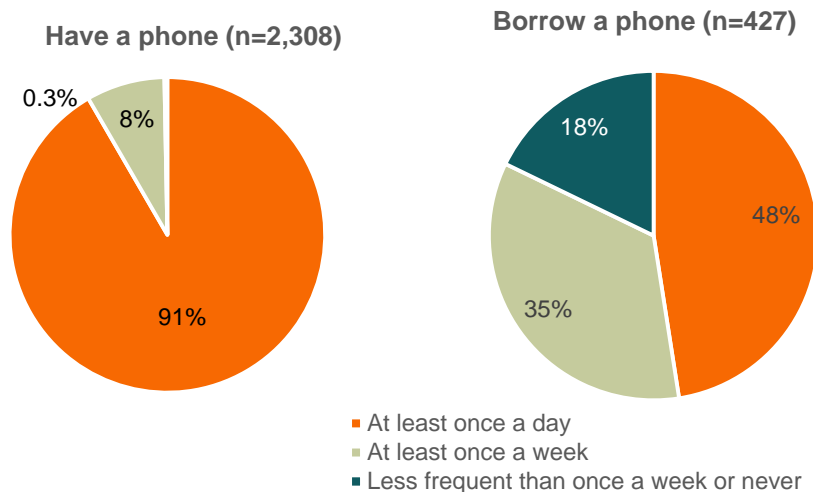
(Shown: Percentage of those who ever performed a specific activity)



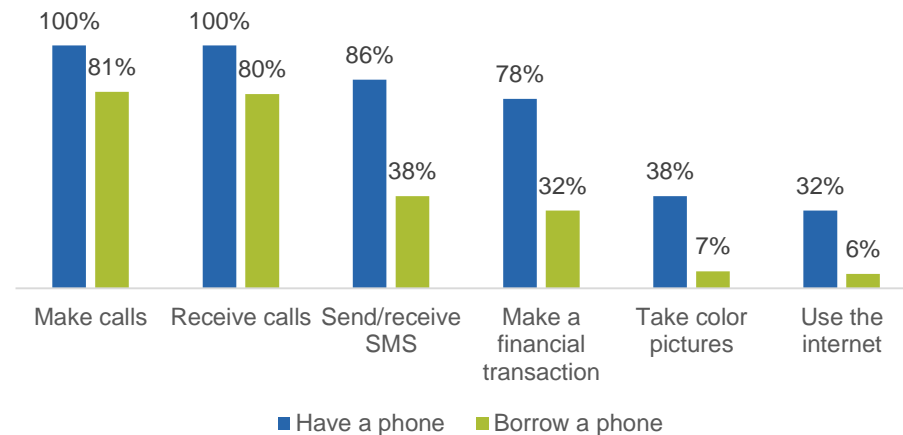
KENYA

Even users who borrow a phone still engage in advanced activities, including financial transactions

Frequency of mobile phone use by mobile phone ownership



Types of mobile phone uses by mobile phone ownership
(Shown: Percentage of Kenyan adults who ever performed a given activity)



KENYA

KENYANS' FINANCIAL BEHAVIORS

KENYA

There's extreme vulnerability due to strong remittance-reliance, including foreign remittances, and high living expenses along with low earnings

87% have debts that exceed their savings, at least occasionally

81% are unable to earn more than they spend each month at least occasionally

83% had no money left over last month after paying all expenses

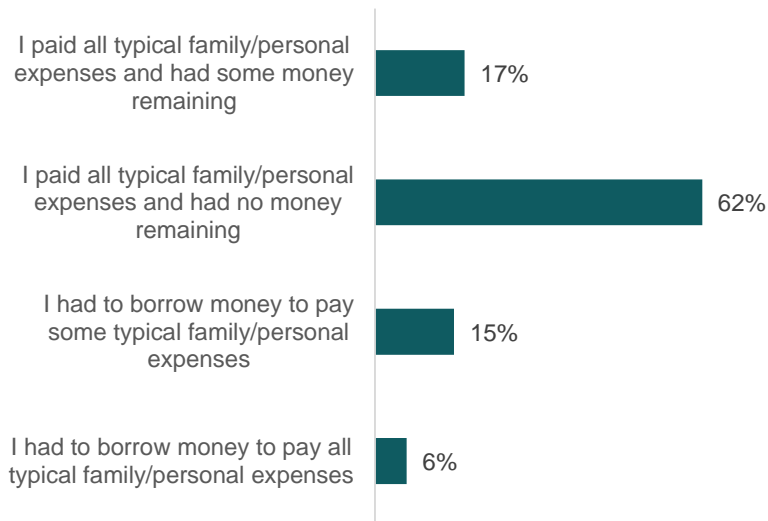
50% do not have an emergency fund to cover unplanned expenses

KENYA

It's common to end the month with no remaining funds; spending less than the monthly earnings is unusual

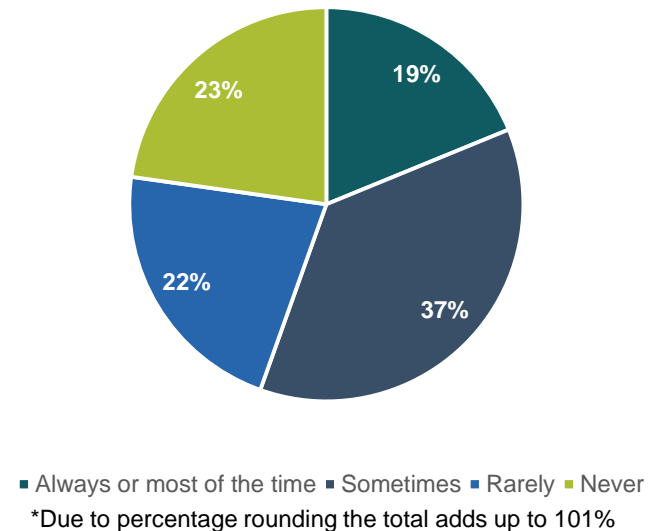
Which of the following statements describes your financial situation last month?

(Total population, N=2,995)



How often does the following apply to you: I spend less money than I make each month?

(Total population, N=2,995)*

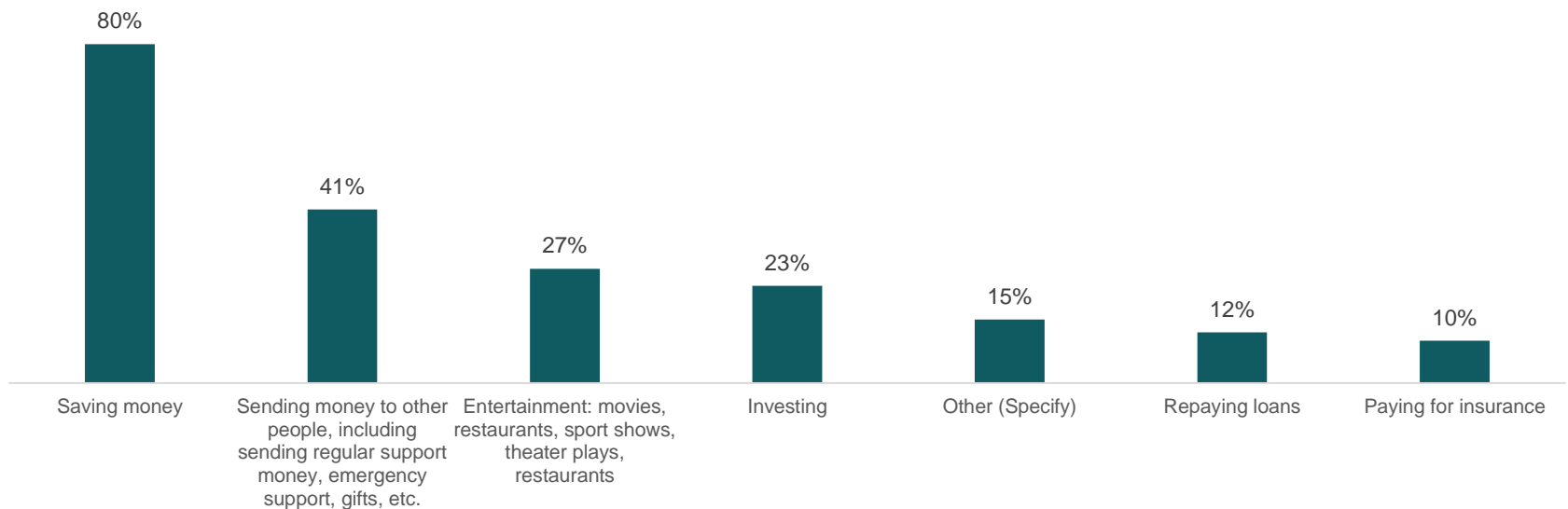


KENYA

When there is money left over at the end of the month, Kenyans opt to save; it's also common to send remittances

After paying your and your family's typical expenses, what was the largest expense for which you used leftover money last month?

(Shown: Percentage of adults who had leftover money "last month," n=526)



The question allowed for multiple responses.

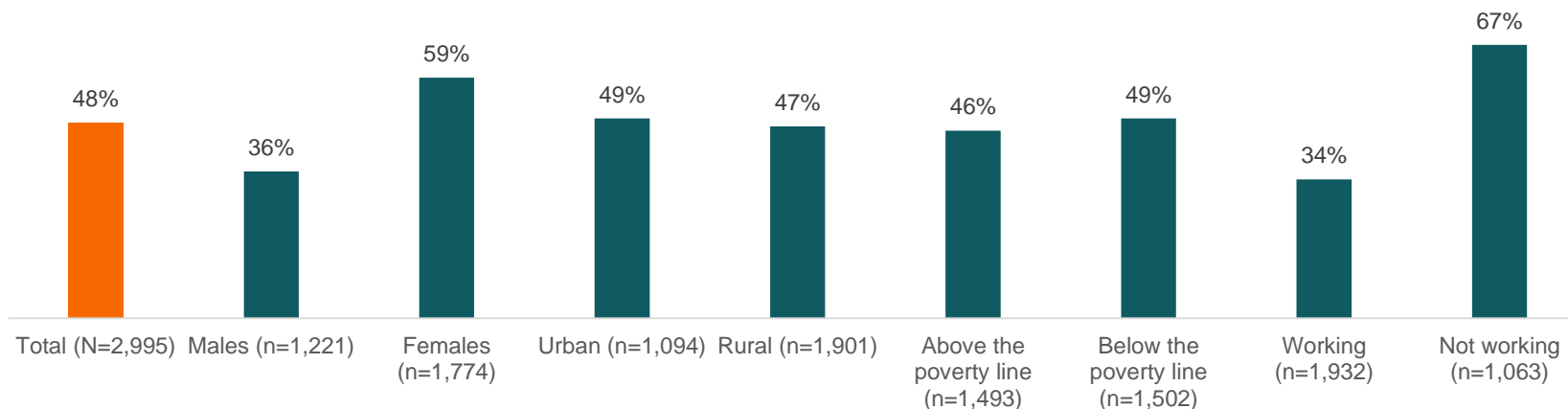
Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

KENYA

Remittances are a habitual part of Kenyans' financial lives

Remittance recipients, by demographics

(Shown: Percentage of each demographic group who receives remittances)



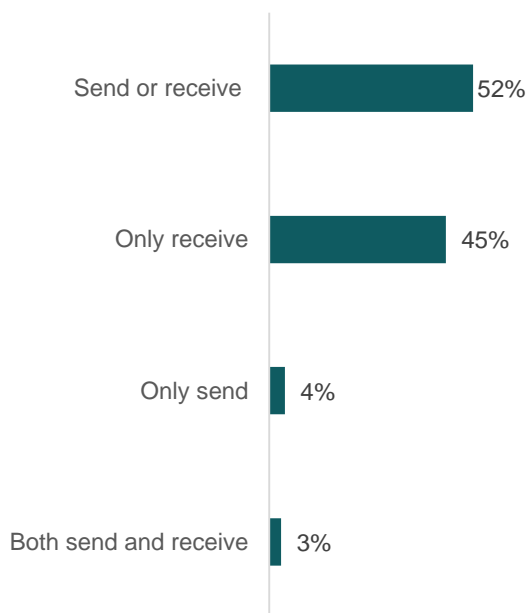
- Women are 64% more likely to receive remittances than males. However, there is no difference in remittance-reliance among females by poverty status and urban-rural residence.
- Self-employed (36%) and farmers (51%) are the most likely of all employed adults to receive remittances.

KENYA

It's more common to receive than it is to send remittances; with some variation, all demographic groups are participating in remittance activities

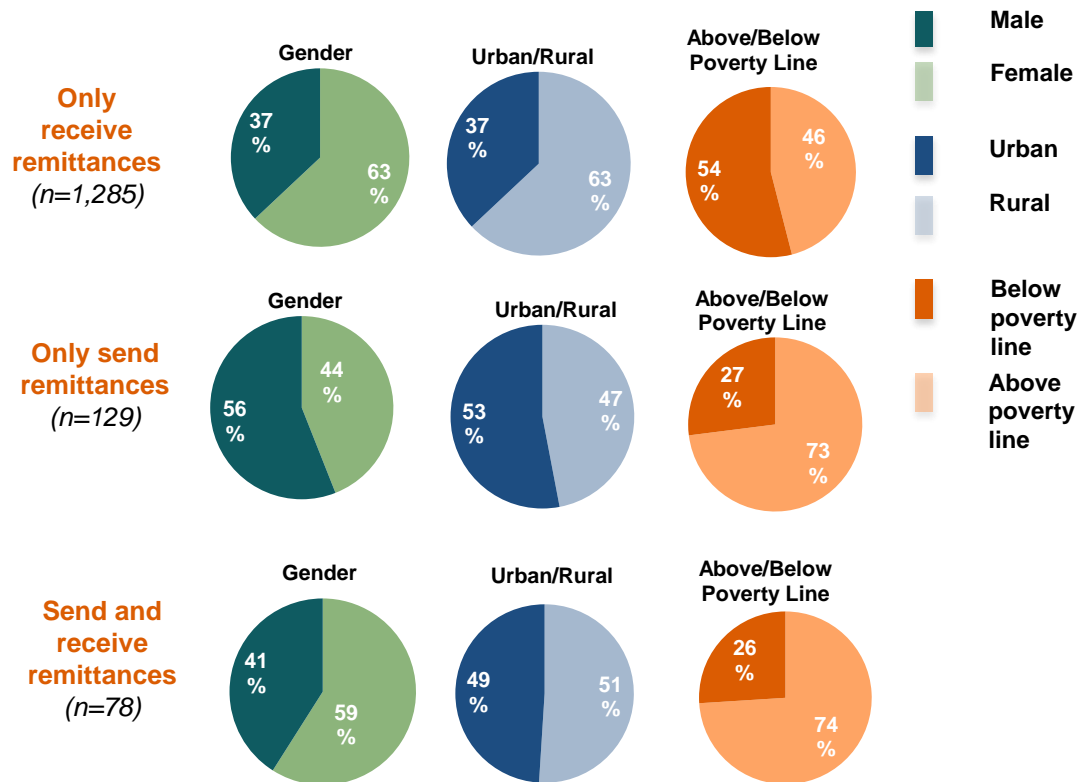
Remittance activities

(Total population, N=2,995)



Remittance activities by demographic characteristics

(Percent for each subgroup of those engaged in remittance-related behaviors)



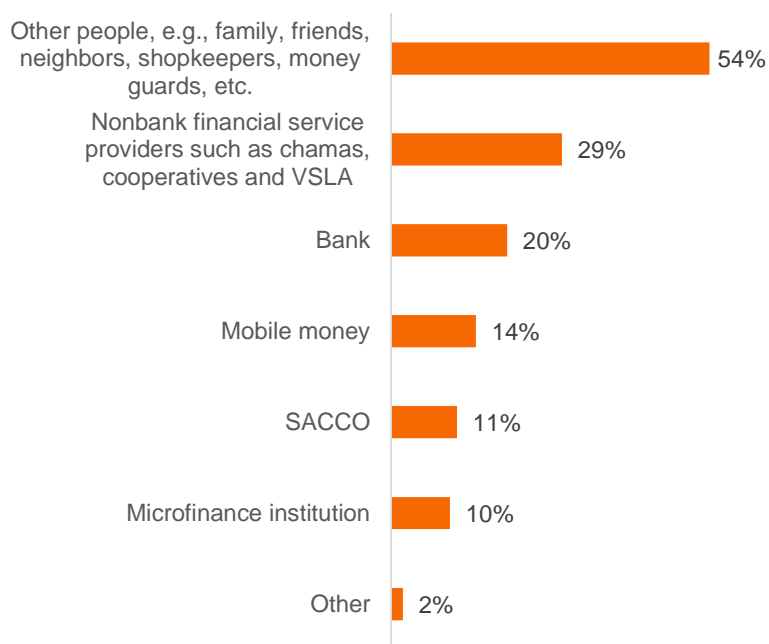
Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

KENYA

Three in 10 borrow money, mostly from other people, and largely for investments and education

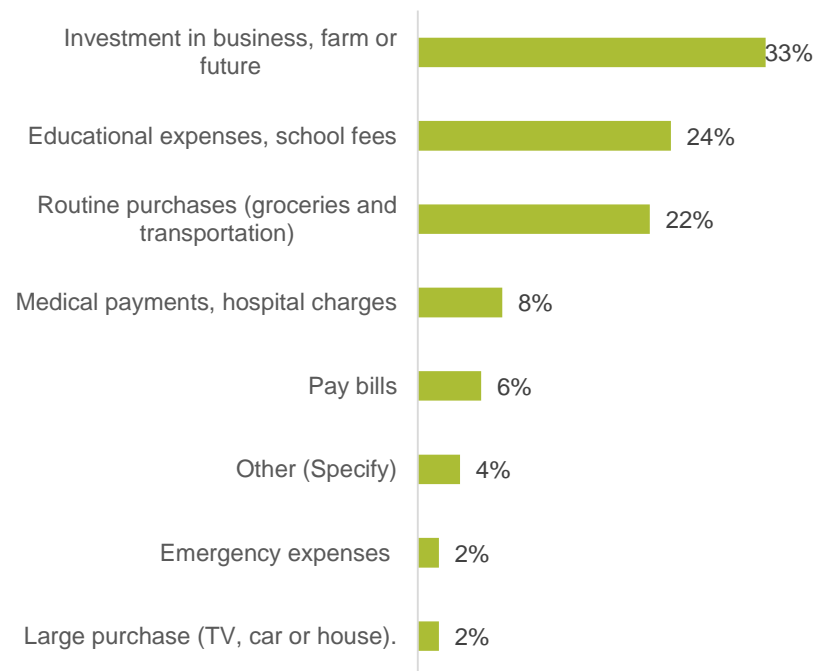
Where do you borrow from?

(Shown: Percentage of adults who take loans, n=968)



How do you spend borrowed money?

(Shown: Percentage of adults who take loans, n=968)



KENYA

Borrowers mostly know the loan interest rates; rate awareness among those borrowing via mobile money services lags awareness of other product rates

Do you know what interest rate you pay on a loan from this institution?

(Shown: Percentage of adults who take loans from each type of lender)

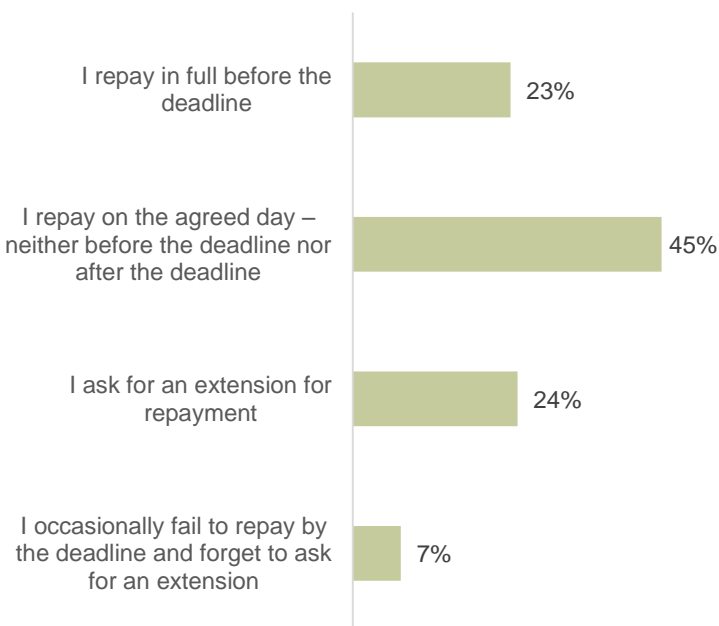
	Yes	No
Total borrowers (n=968)	73%	27%
Microfinance institution (n=107)	87%	13%
Informal financial service provider, e.g., chamas, VSLA (n=321)	86%	14%
SACCO (n=123)	83%	17%
Bank (n=200)	81%	19%
Mobile money (n=137)	68%	32%
Other people, e.g., family, friends, neighbors, shopkeepers, money guards, etc. (n=551)	58%	42%

KENYA

Most borrowers repay on time or early, but there's a core group that needs extensions – mostly those without access to formal financial services

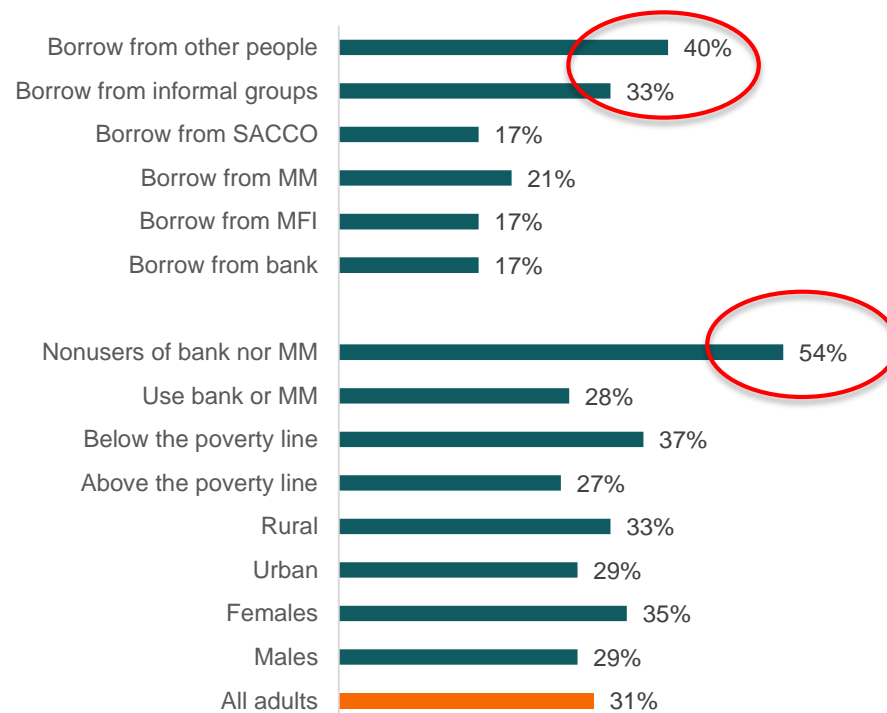
How do you usually repay your loans?

(Shown: Percentage of adults who take loans, n=968)



Those who do not repay loan on time/at all?

(Shown: Percentage of adults who borrow in each category and within subgroups, such as urban, male, etc.)

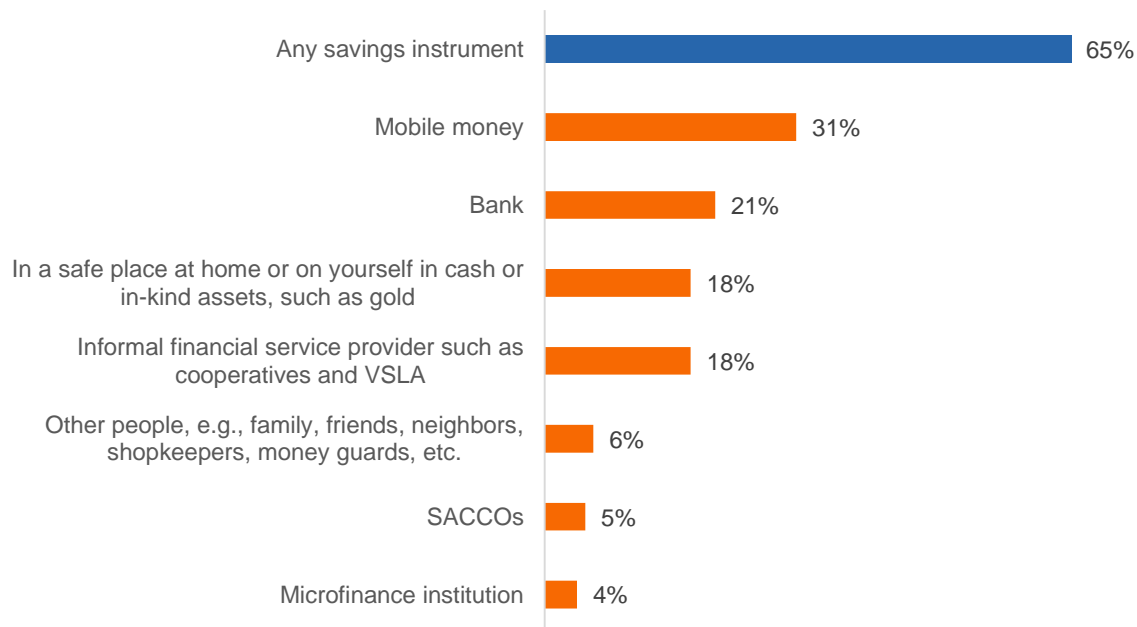


KENYA

Mobile money is popular for savings, as are banks; vs. other East African countries, formal saving tools are ahead of informal options like hiding places

Where do you save money?

(Shown: Percentage of Kenyan adults, N=2,995)



The question allowed for multiple responses. The percentages do not add up to 100%.

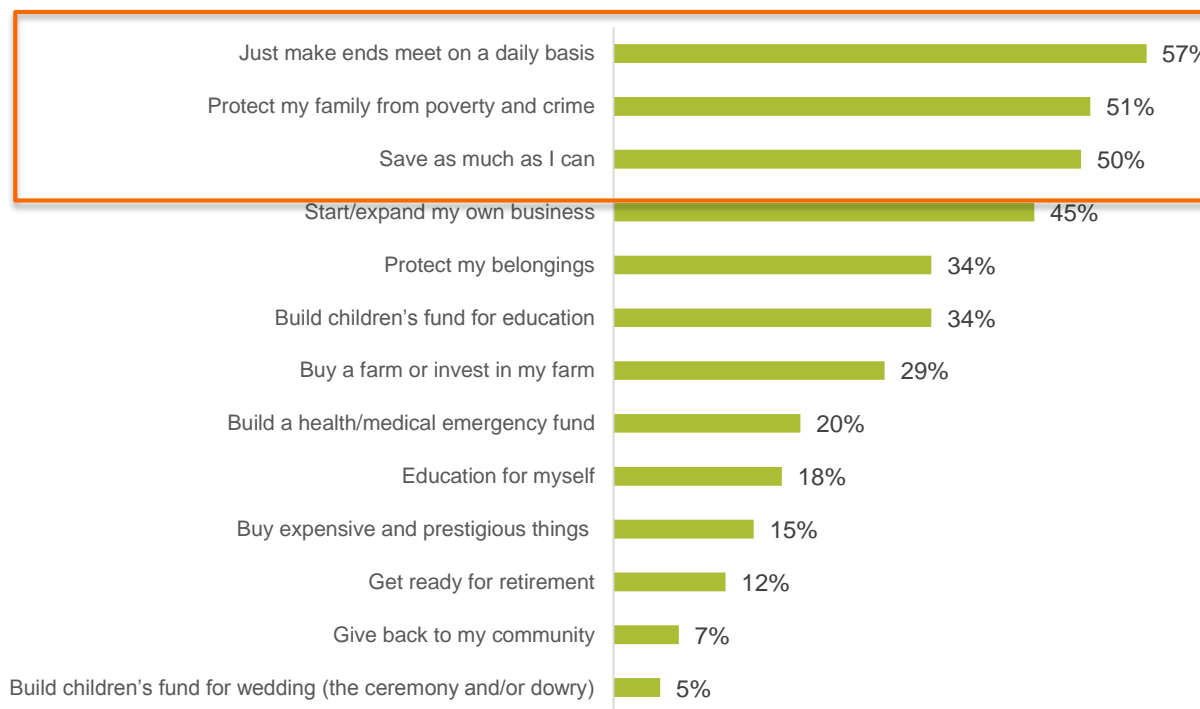
Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

KENYA

Managing financial ups and downs, protection and saving “just in case” are the three core reasons for saving money

Why do you save money?*

(Shown: Percentage of adults who save, n=2,036)



*The question allowed for multiple responses. The percentages do not add up to 100%.

Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

KENYA

Perceived lack of money is a top barrier formal financial institution (FIs) savings products; Borrowing terms, other options are barriers to loans

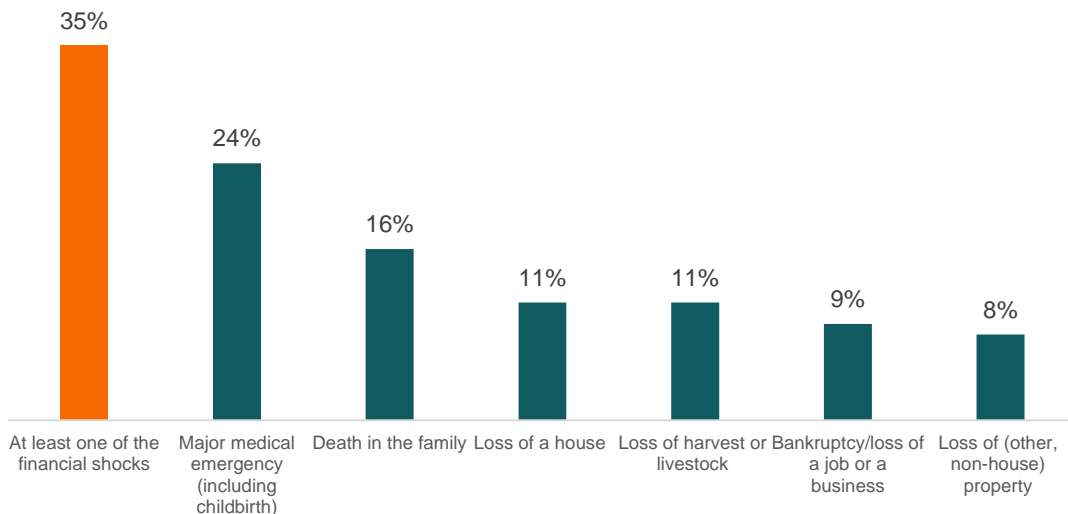
Rank	Top five reasons Kenyans do not save with formal FIs <i>(n=1,591, those who do not save with FI)</i>	%	Rank	Top five reasons Kenyans do not borrow from formal FIs <i>(n=624, those who do not borrow from FI)</i>	%
①	I do not have enough money to save	45	①	I can borrow through other means	14
②	I do not have a state ID or other required documents	16	②	Interest rate is too high	10
③	I can save through other means	9	③	Fees for using this service is too high	10
④	I have difficulty understanding how to use formal FIs for savings	4	④	The amount of money I need to borrow is too small for such service	8
⑤	There is no formal financial institution close to where I live	3	⑤	I prefer to rely on my family and friends	7

KENYA

Only a third have a plan to deal with financial shocks and mostly medical emergencies

Does your family have a plan to manage the unexpected expenses/financial shocks, which might result from the following?

(Shown: All adults, N=2,995)



Only a third have an emergency fund available *at least sometimes*; 7% *always* have money to cover financial shocks.

Urban dwellers are more likely to have an emergency plan than rural residents: 40% vs. 32%, respectively.

Only 7% have a living will.

UPTAKE AND USE OF MOBILE FINANCIAL SERVICES

KENYA

Just over six-in-ten are registered mobile money users; and a greater number use mobile money

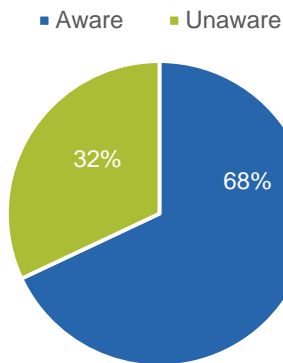
	2013	2014
Mobile money concept awareness	Not asked	68%
Mobile money provider awareness	97%	95%
Mobile money users	76%	73%
Mobile money registered users	68%	63%
Mobile money assisted/shared use	8%	10%

Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

KENYA

More Kenyans know about mobile money brands than about the concept of mobile money

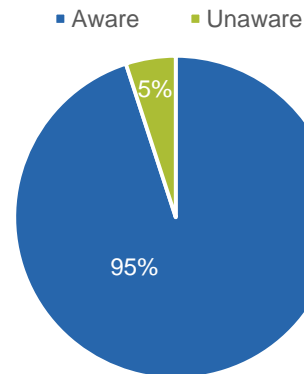
Concept awareness
(Recognize concept of MM)



Among those aware

- 100% are aware of at least one mobile money provider
- 84% have used mobile money
- 75% have registered mobile money accounts

Brand awareness
(Recognize at least one MM provider)



Among those aware

- 71% are aware of the concept of mobile money
- 76% have used mobile money
- 66% have registered mobile money accounts

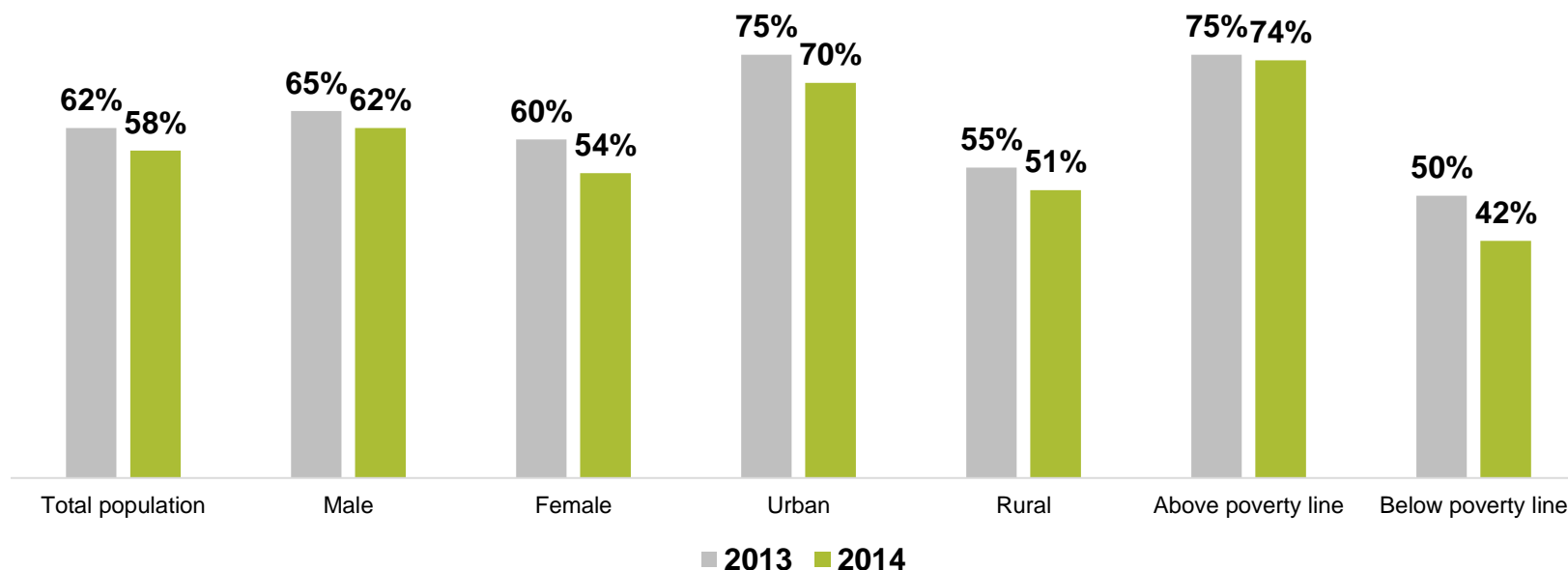
Those who understand the concept are more likely to be users than those who know about brands.

KENYA

Over half of Kenyans have active registered mobile money accounts

Demographic trends for active registered mobile money account use*

(Shown: Percentage of Kenyan adults who fall into each category, W1 N=3,000, W2 N=2,995)



*Differences in waves are not significant at the 95% confidence level for access to a bank account, bank account holders, MM account holders and active MM account holders. Categories are not mutually exclusive.

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

KENYA

P2P transfers are the typical impetus for opening an account; once opened, it's commonly used for deposits and withdrawals

Rank	Top reasons for opening an MM account (percentage of active account holders n=1,859)	%	Rank	Top uses for MM accounts (percentage of active account holders n=1,859)	%
①	I had to receive money from another person	42	①	Deposit money	90
②	I had to send money to another person	21	②	Withdraw money	87
③	I wanted a safe place to keep/store our money	8	③	Buy airtime top-ups	68
④	I wanted to start saving money with a mobile money account	6	④	Receive money from other people for regular support/allowances, or emergencies	54
⑤	A person I know tried it and recommended it to me	3	⑤	Receive money from other people for other reasons or no particular reason	43
⑥	Most of my friends/family members are already using the services	2	⑥	Send money to other people for other reasons or no particular reason	38

Question allowed for multiple responses.

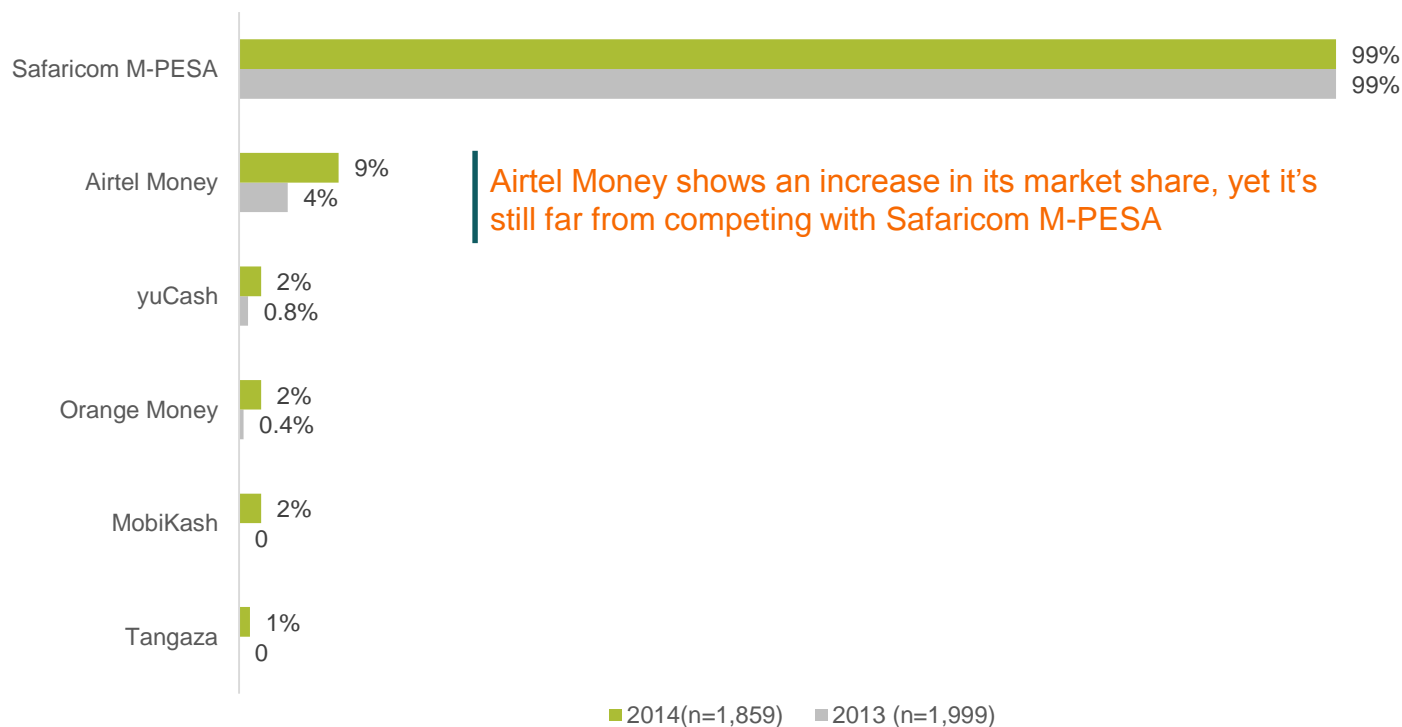
Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

KENYA

Safaricom M-PESA continues to dominate the market, in line with 2013

Active mobile-money provider account holdings

(Shown: Percentage of active mobile-money account holders who report using specific providers, by wave)



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

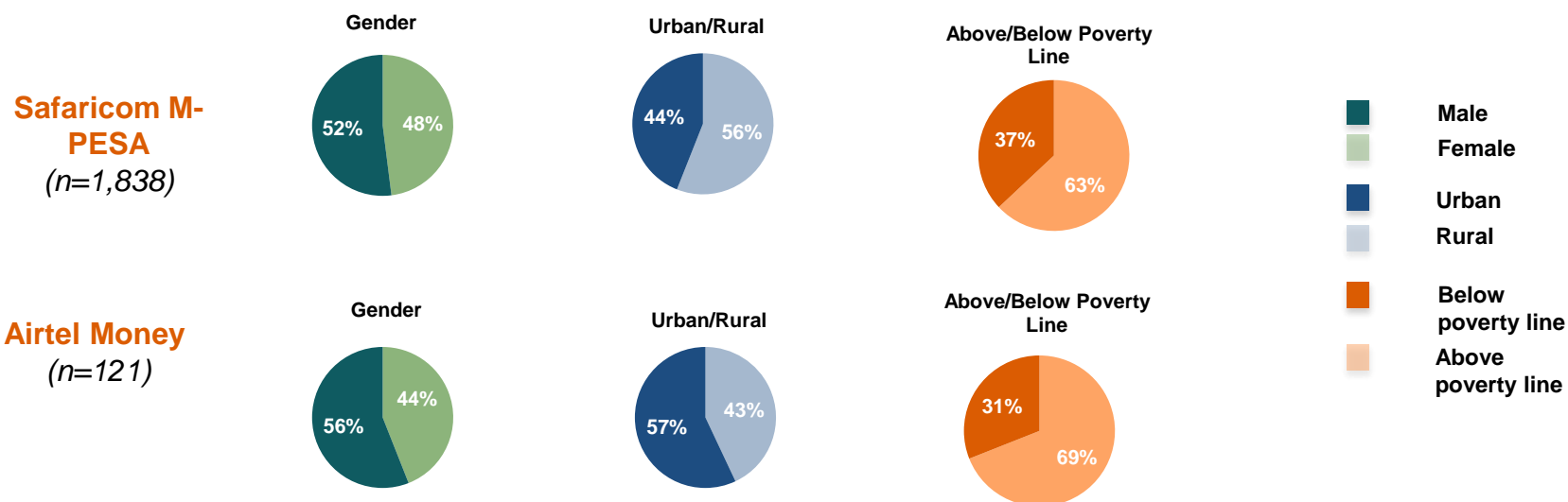
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October, 2013, and Wave 2 (N=2,995, 15+), September 2014.

KENYA

Airtel Money has more urbanites; Safaricom M-PESA has more rural and below-the-poverty-line active account holders

Demographic trends for active mobile money account use, by provider

(Shown: Percentage of active account holders for each provider)



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

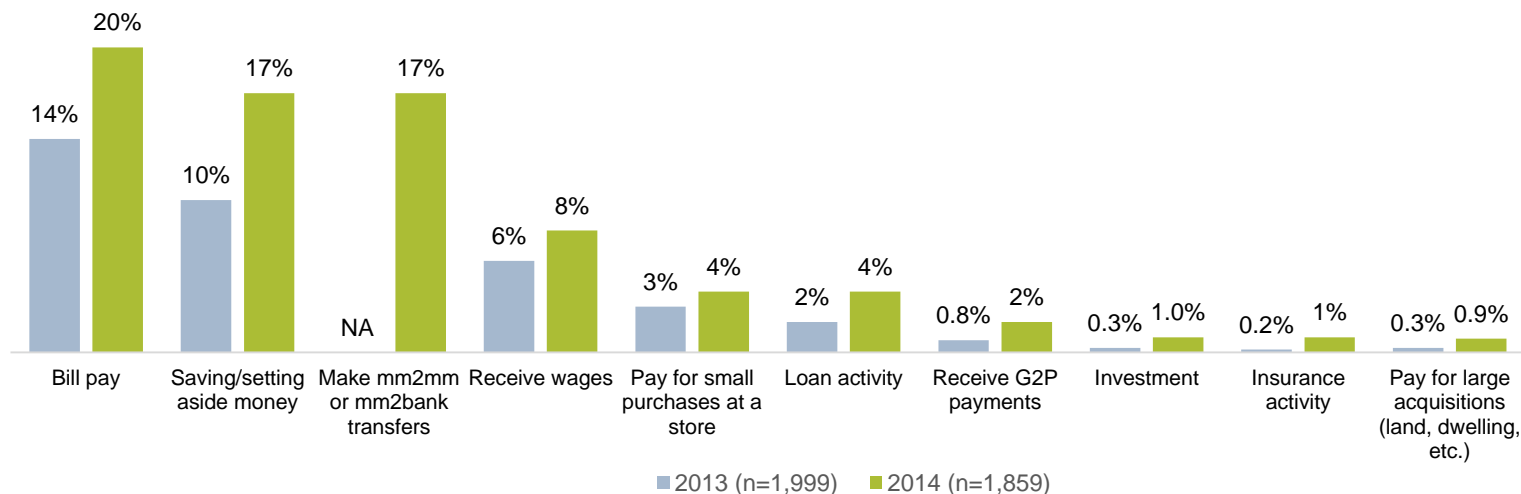
Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

KENYA

Bill pay, savings and inter-account transfers are common advanced uses for mobile money; receiving wages and paying for small purchases follow

Advanced mobile money (MM) account uses*

(Shown: Percentage of active mobile-money account holders n=1,859)



*Due to the changes in the questionnaire between Waves 1 and 2, some data points are not directly comparable.

Question allowed for multiple responses.

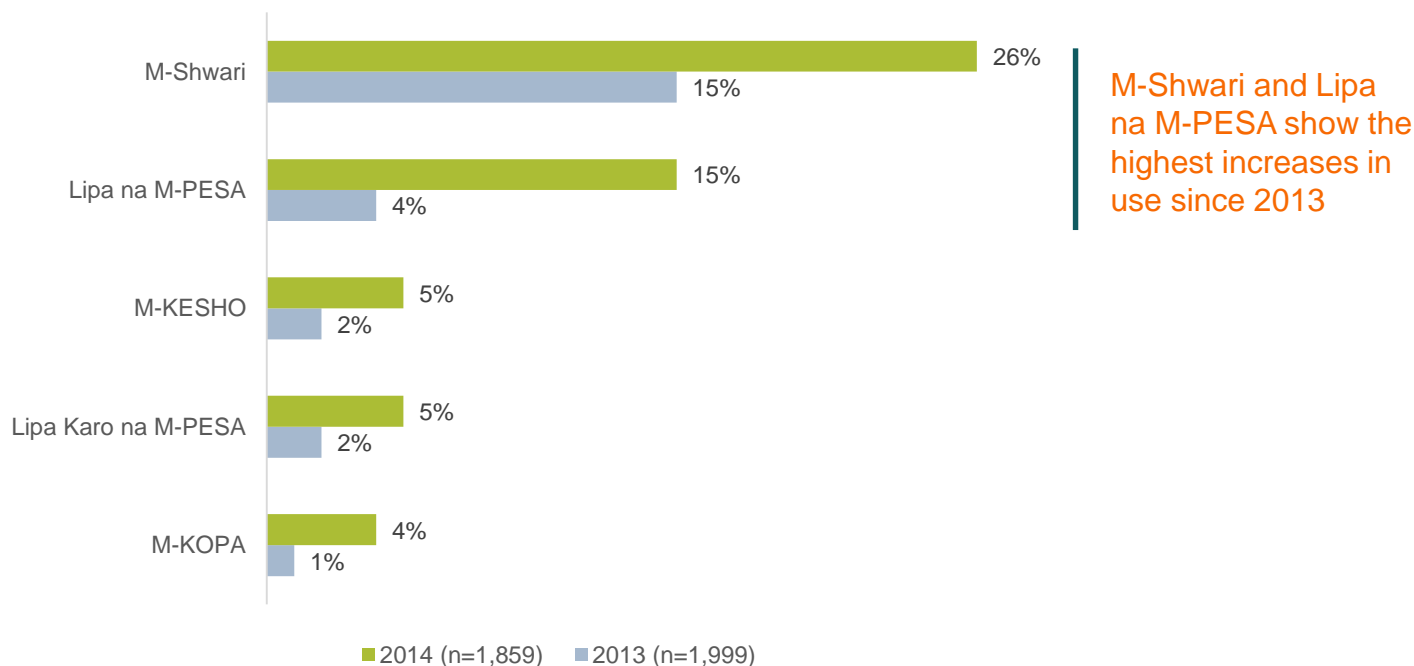
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October, 2013, and Wave 2 (N=2,995, 15+), September 2014.

KENYA

There are more M-Shwari and Lipa na M-PESA users vs. 2013; other value-added services are also attracting users

Use of value-added services

(Shown: Percentage of active mobile money account holders who use each VAS)

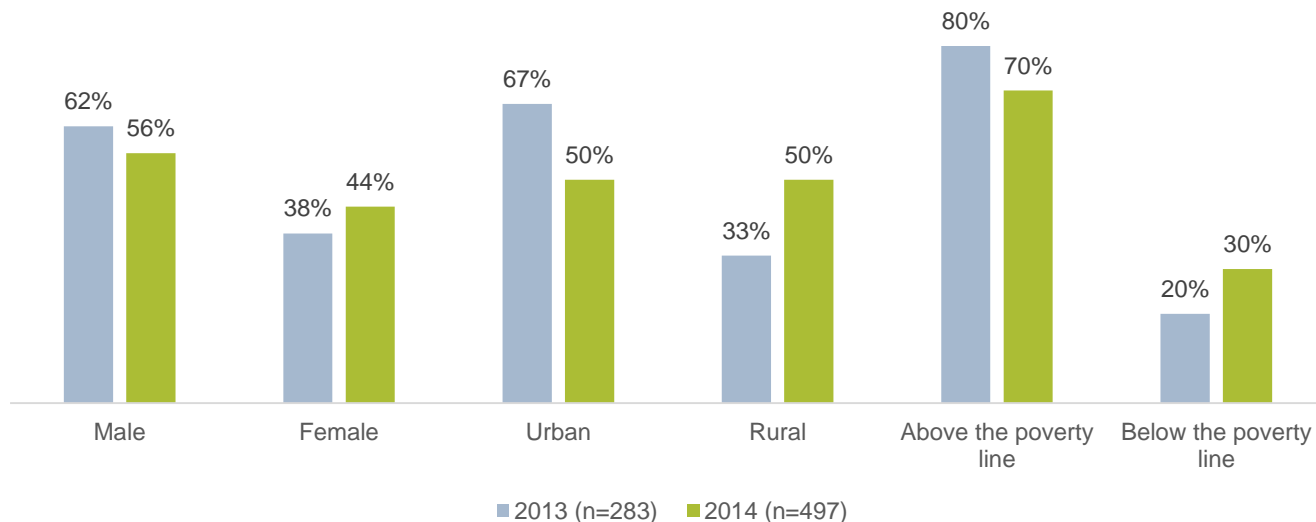


KENYA

M-Shwari user demographics are changing to include more vulnerable populations: rural users of mobile money and those below the poverty line

M-Shwari user demographics




(Shown: Percentage of M-Shwari users who fall into each category, n=497)



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

KENYA

The three factors that are most likely to predict the use of digital financial services among Kenyan adults include:

1. Demographics 
2. Financial knowledge and behavior 
3. Technical comfort 

Technical comfort is defined as a combination of skills necessary to conduct activities on a mobile phone and confidence to conduct such activities independently (without other people's assistance).

KENYA

Demographic characteristics and access to a mobile device impact the likelihood of being an active registered mobile money account user

- Poverty status
- Urbanicity
- Age
- Level of education
- Employment status
- Access to a mobile device

PREDICT

Active
registered
mobile
money use



An individual who resides in an urban area, lives above the poverty line, is older than 34, is employed and has access to a phone is highly likely to be an active mobile money account holder. When controlling for the mentioned demographic variables, gender does not predict active registered mobile money account use.

KENYA

Higher levels of financial knowledge and responsible financial behavior predict registered mobile money use



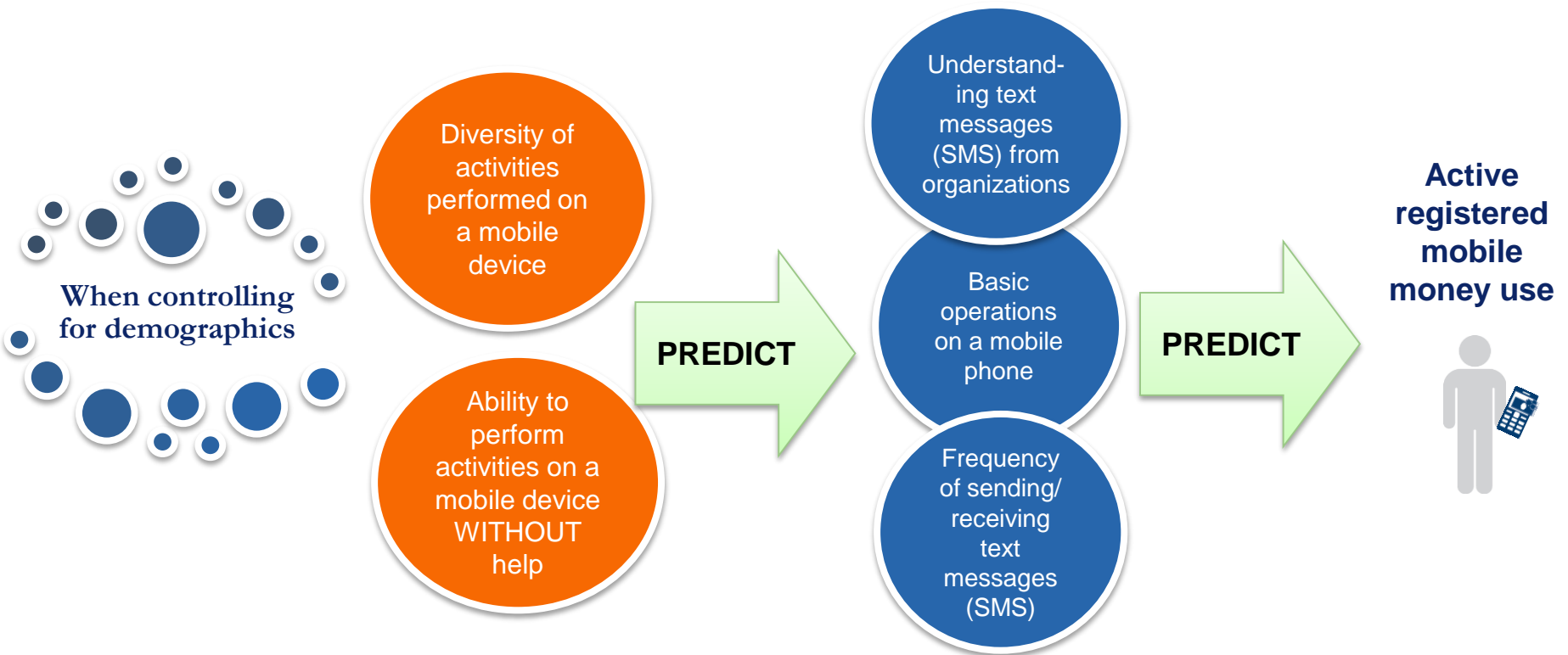
Defined by indexed constructs:

- Financial plans
- Financial behaviors
- Financial numeracy

Aside from demographic characteristics, individuals who have formal financial plans such as retirement and emergency-preparedness plans, those who borrow money and repay it on time/before the deadline, and those who have good financial numeracy are highly likely to be active mobile money account holders.

KENYA

The ability to send, receive and understand complex text messages is a strong predictor of active mobile money use



- Technical literacy, particularly as it relates to the ability to comfortably use text-based mobile phone features, is positively correlated with active registered mobile money use.
- Reducing the difficulties of using mobile phones beyond simple calling might help advance mobile money use among existing consumers, and stimulate uptake and registration for the services.

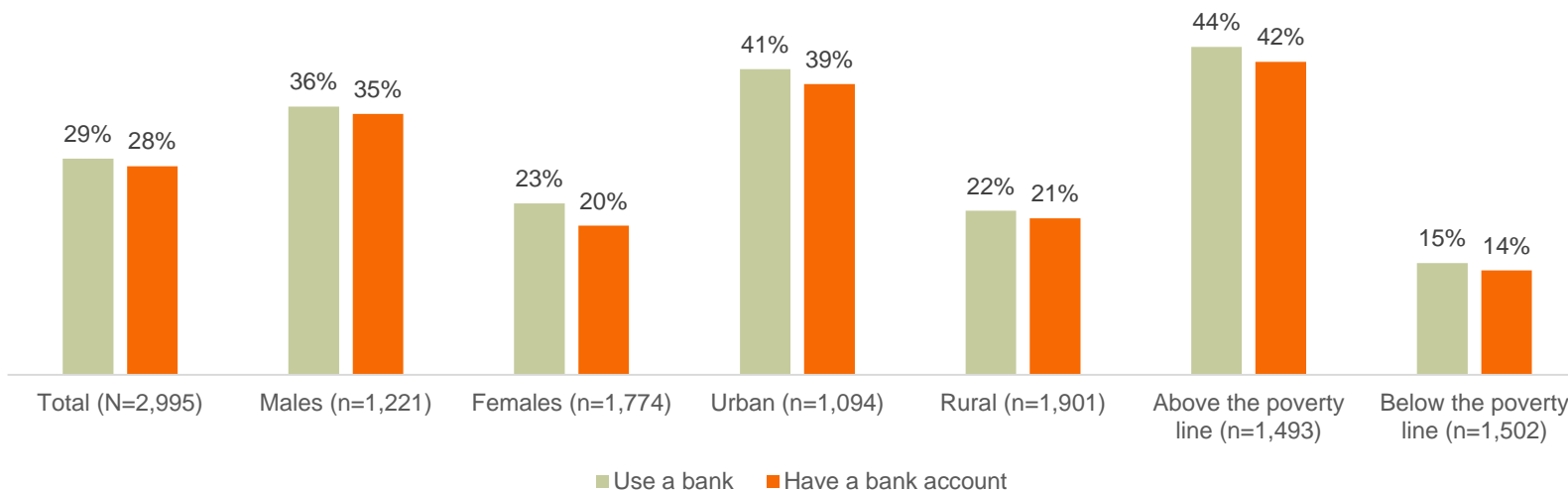
USE OF BANKING SERVICES IN KENYA

KENYA

Less than a third of adults use banks; formal banking appeals mostly to men, urbanites and those living above the poverty line

Demographic trends for access to and registered use of bank accounts

(Shown: Percentage of Kenyan adults who fall into each category, N=2,995)



Differences in waves are not significant at the 95% confidence level. Categories are not mutually exclusive.

Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

KENYA

More than half of active bank account holders engage in advanced financial activities, including savings and bill pay

	Top uses for active bank accounts (n=666)	%
Basic Uses	Withdraw money	97
	Deposit money	92
	P2P transfers	36
Advanced Uses	Save/set aside money	47
	Bill pay	44
	Receive wages	34
	Make MM2MM / MM2Bank transfer	25
	Loan activity	19
	Buy airtime top-up	16

- The most common bank account uses still mainly involve withdrawing and depositing.
- More than a third of active account holders receive their salaries via direct deposit to their bank accounts.

Question allowed for multiple responses.

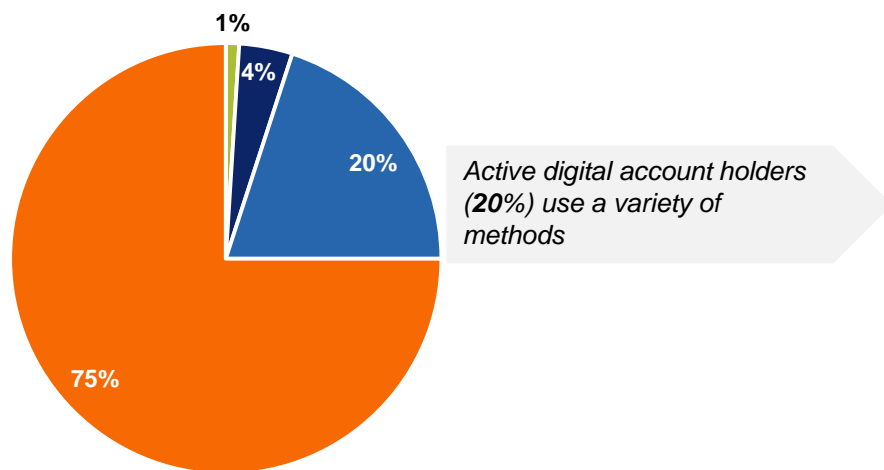
Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

KENYA

A quarter of adult Kenyans can access a bank account via various digital means

Digital bank account access*

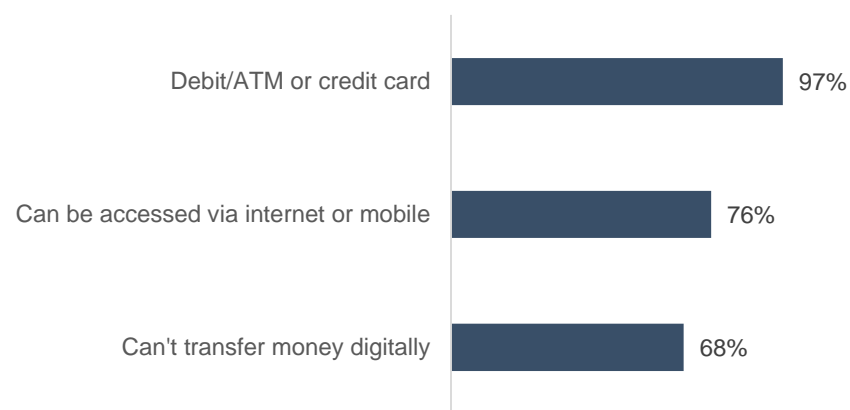
(Total population, N=2,995)



- Digital bank account users, not registered
- Lapsed digital bank account holders
- Active digital bank account holders
- Do not have digital access to a bank account

Method of access

(Shown: Active digital bank account holders, n=636)



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

*Question allowed for multiple responses.

Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

Digital access might be enabling or stimulating active use of bank accounts

89% of bank account holders can access their bank account digitally



77% of bank account holders are active users of a bank

96% of active bank account holders can access their bank accounts digitally



83% of bank account holders with digital access are active bank account users

Those with digital access tend to be more active in using their bank accounts compared with those who cannot access their bank accounts digitally.

KENYA

There's a lack of a perceived need for bank accounts, and an insufficient understanding of services; many feel they lack the money to open an account

Rank	Top five reasons Kenyans do not have a bank account (n=2,124, those who do not have a bank account)	%
1	I do not have any money	36
2	I do not have money to make transactions with such account	20
3	I do not have ID/documents required to open such an account	13
4	There is no bank close to where I live	4
5	I do not need one, I do not make any transactions	3

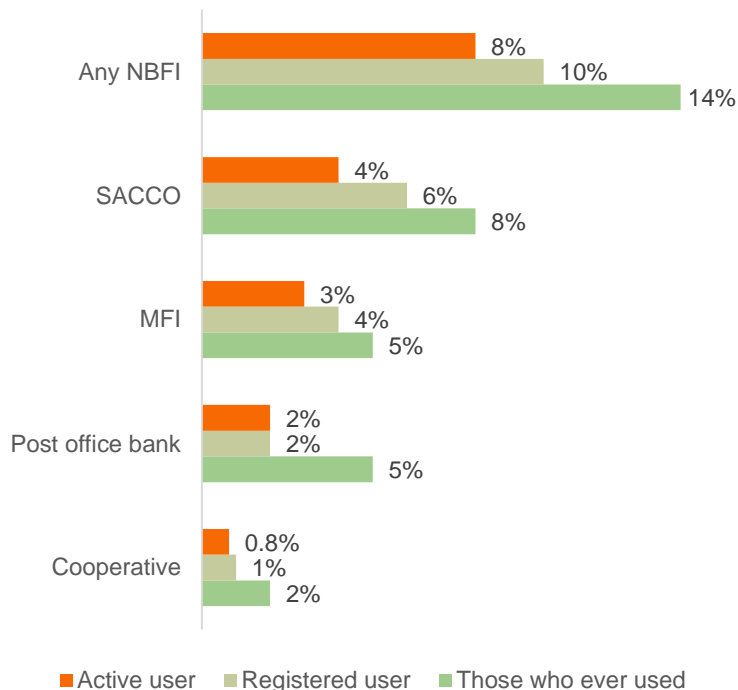
UPTAKE AND USE OF NONBANK FINANCIAL SERVICES

KENYA

Few use nonbank financial institutions (NBFI), mostly for basic purposes, saving and loans

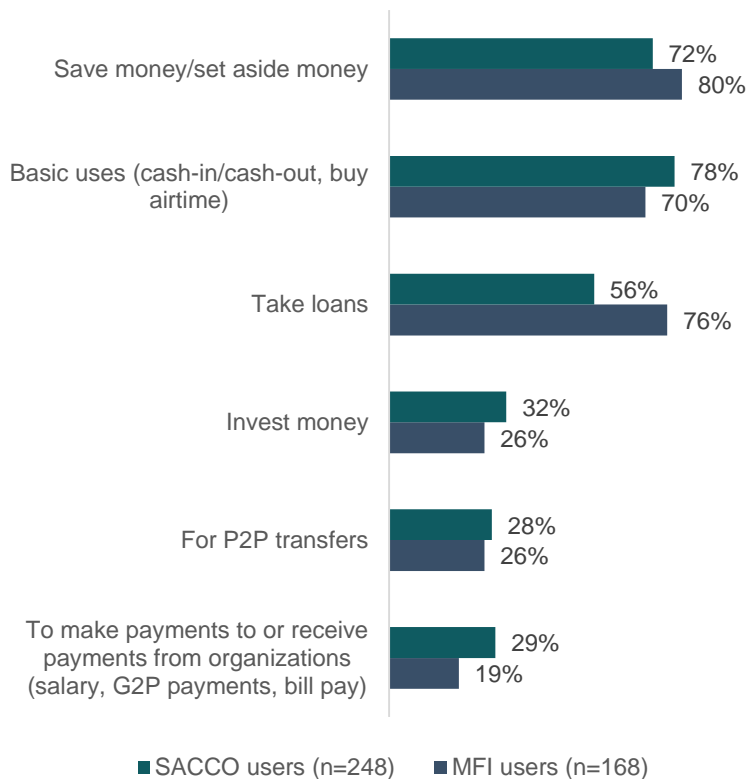
Financial institution usage

(Percentage of nonbank financial institution account holders among the total population N=2,995)



How nonbank financial institutions are used

(Shown: Percentage of nonbank financial institution users)



All question allowed for multiple responses.

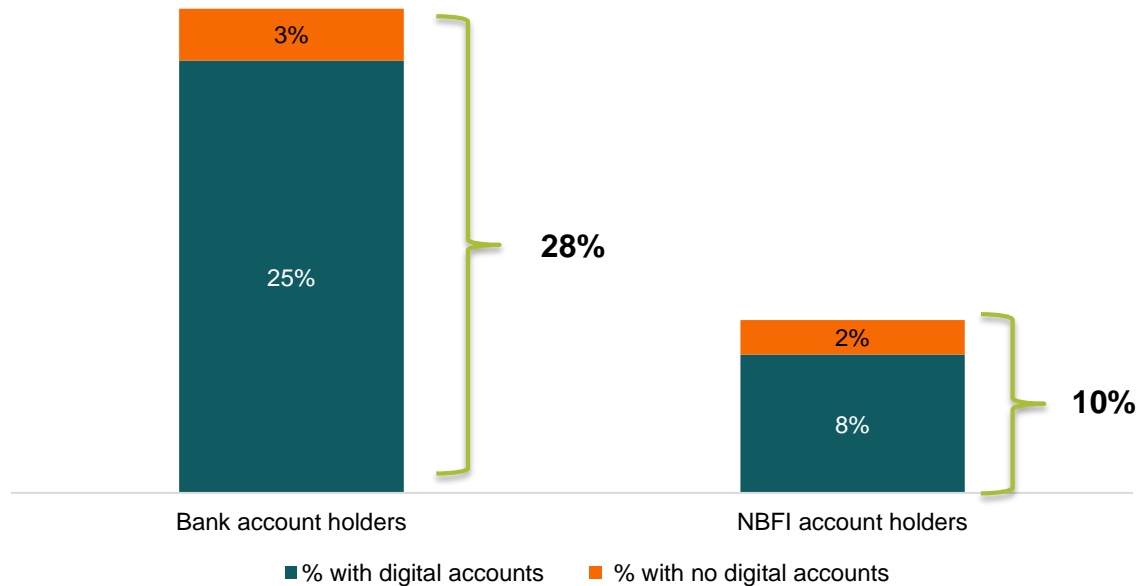
Source: InterMedia Kenya FII Tracker survey (N=3,001, 15+), September 2014.

KENYA

Digital access is similarly common for bank and nonbank account holders

Account holders and digital access

(Shown: All adults, N=2,995)



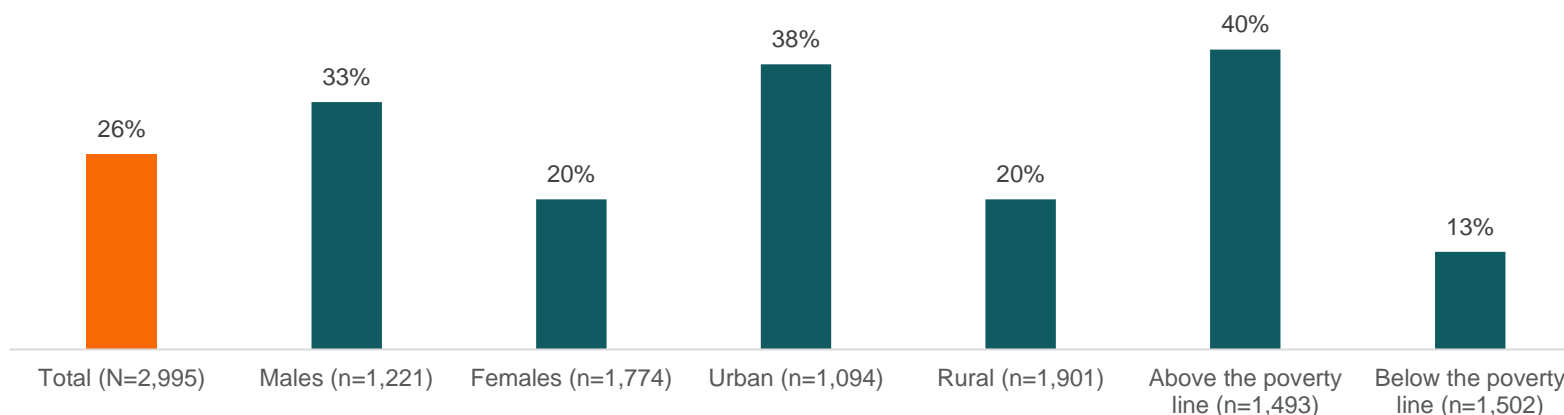
SPECIAL TOPICS: ADVANCED DFS USERS

KENYA

Twenty-six percent of Kenyan adults are advanced users of digital financial services (DFS), mostly males, urban residents and those above the poverty line

Demographic trends for advanced DFS use

(Shown: Percentage of Kenyan adults who fall into each category, N=2,995)

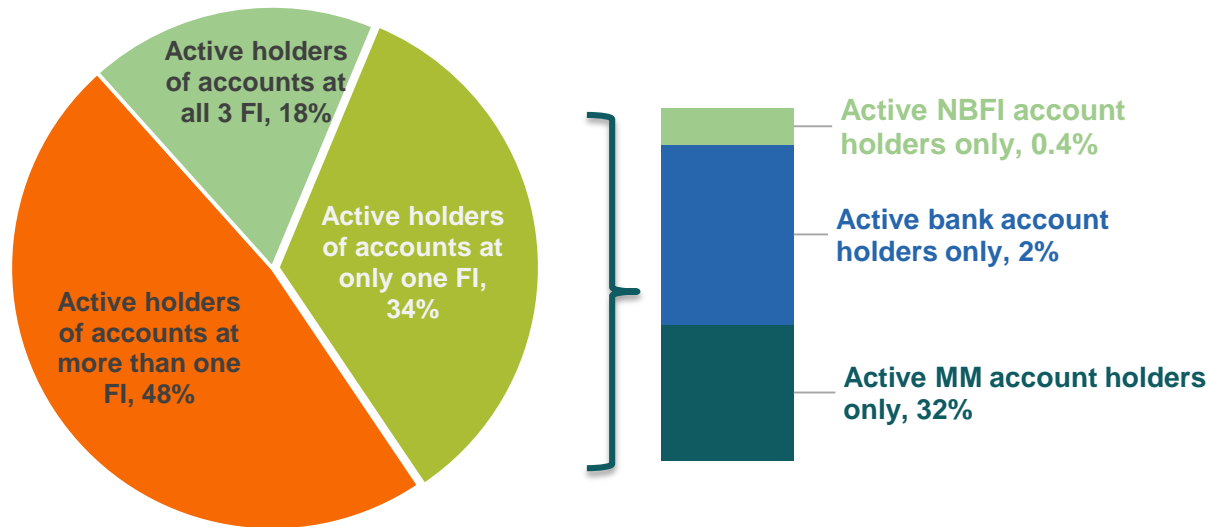


Advanced DFS users are defined as those who have active digital stored-value accounts and use them to access financial services beyond basic wallet, P2P, and bill pay.

Two-thirds of advanced DFS users are active account holders at more than one type of financial institution (FI)

Active use of financial accounts among advanced DFS users

(Shown: Percentage of advanced DFS users, n=811)

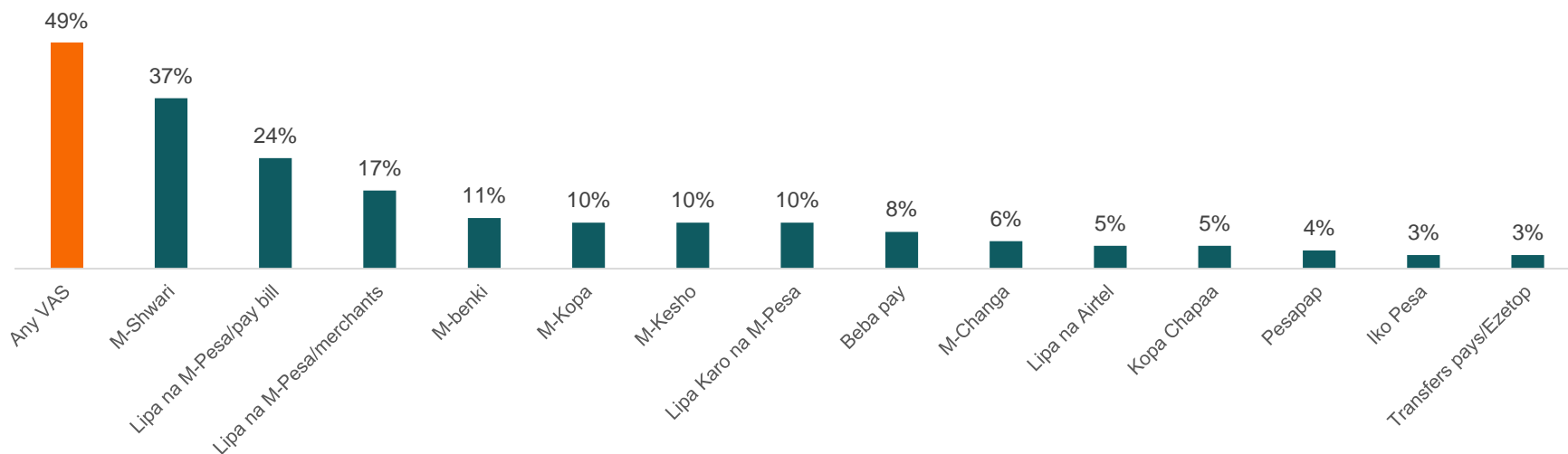


KENYA

Half of all advanced DFS users use at least one digital value-added service (VAS); M-Shwari and Lipa na M-PESA are most common

Value-added service use among advanced DFS users

(Shown: Percentage of advanced DFS users, n=811)



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

KENYA

There is a noticeable difference in how advanced DFS users employ bank, mobile money (MM) and nonbank accounts

Top uses for different financial accounts among advanced DFS users

(Shown: Percentage of advanced DFS users, n=811)

Rank	Top five bank account activities	%	Rank	Top five MM account activities	%	Rank	Top five NBFI account activities	%
①	Save/store money	40%	①	Send or receive remittances to/from other people	76%	①	Save/store money	28%
②	Pay bills such as utility, medical bills, school fee etc.	32%	②	Save/store money	38%	②	Take loans, borrow money	21%
③	Receive payments from organizations (salary, pensions, etc.)	32%	③	Transfer money among bank, MM and NBFI	32%	③	Send or receive remittances to/from other people	13%
④	Send or receive remittances to/from other people	27%	④	Make business transactions with MM account	29%	④	Make investment	13%
⑤	Transfer money among bank, MM and NBFI	21%	⑤	Receive payments from organizations (salary, pensions, etc.)	27%	⑤	Transfer money between an account at NBFI institution and bank or MM	12%

Question allowed for multiple responses.

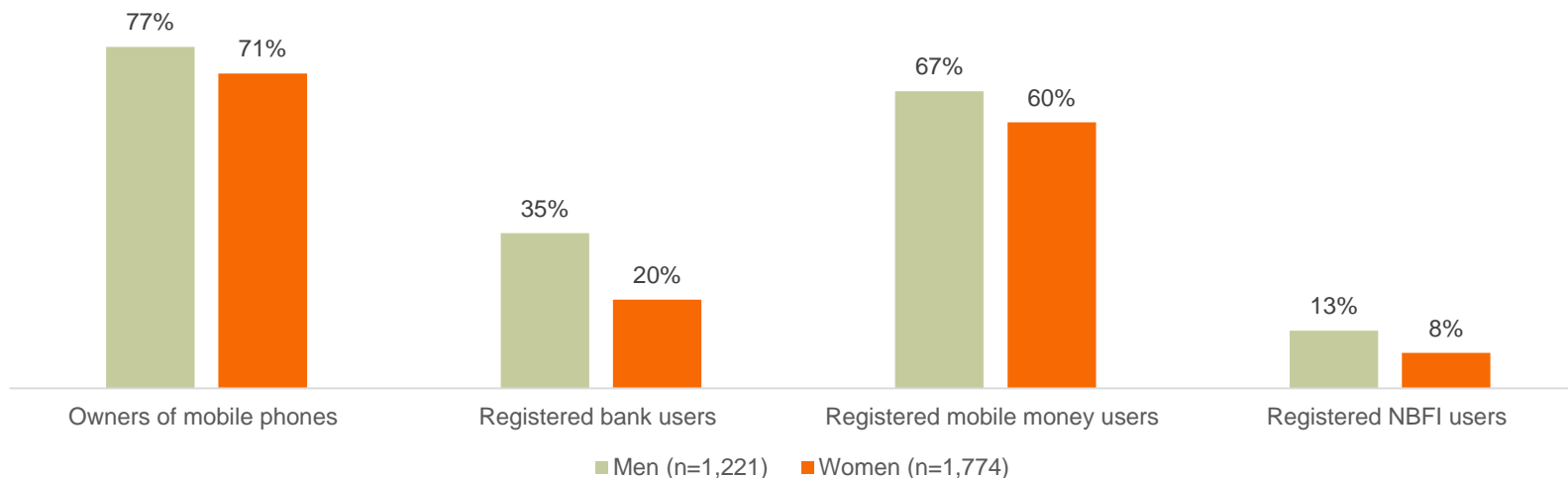
Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

SPECIAL TOPICS: THE GENDER STORY

KENYA

Men slightly outpace women in ownership of mobile phones and financial accounts; the gender gap in bank account ownership is wide

Phone ownership and financial usage by gender
(Shown: Percentage of males and females in each category)

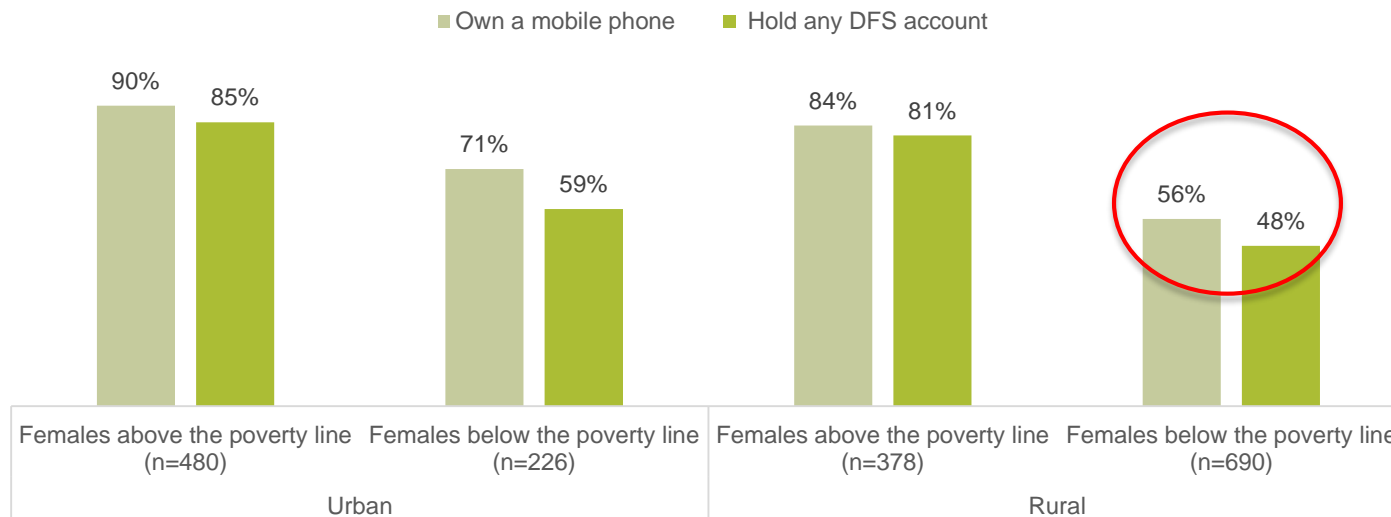


Source: InterMedia Kenya FII Tracker surveys Wave 2 (N=2,995, 15+) September, 2014.

KENYA

The least likely demographic group to own a mobile phone or have a financial account is poor women in rural areas

Percentage of women who own mobile phones and DFS accounts, by poverty and urban-rural status
(Shown: Percentage of females in each category)

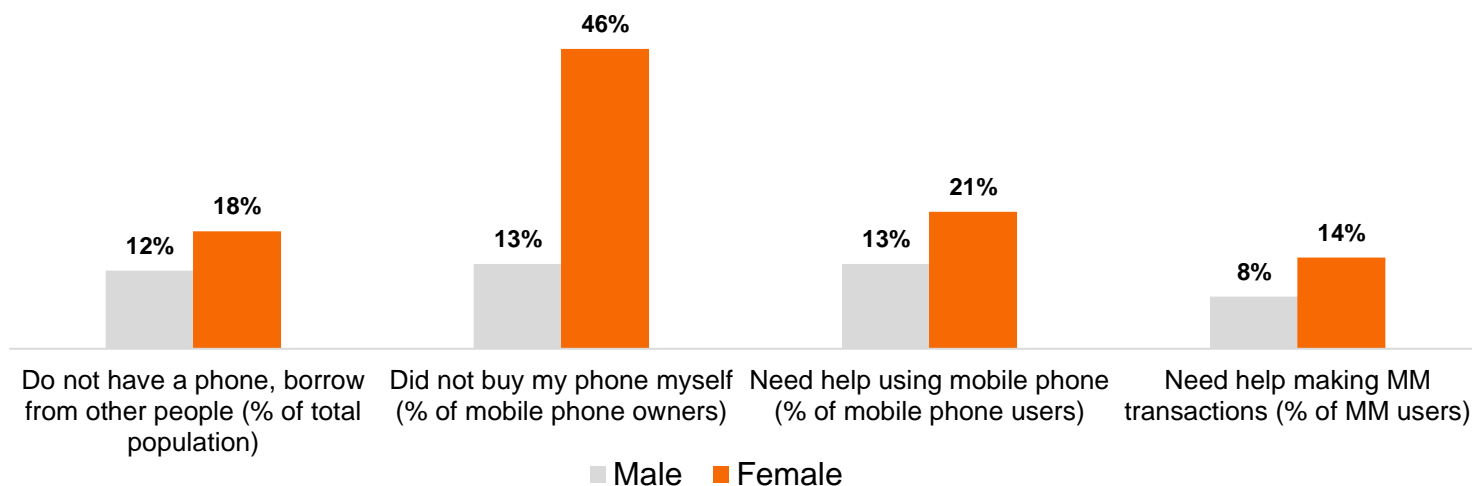


KENYA

Almost half of women did not buy their phones themselves; almost twice as many females as males need help using their phones for any activities

Mobile phone use and related behaviors

(Shown: Percentage of males and females in each category)

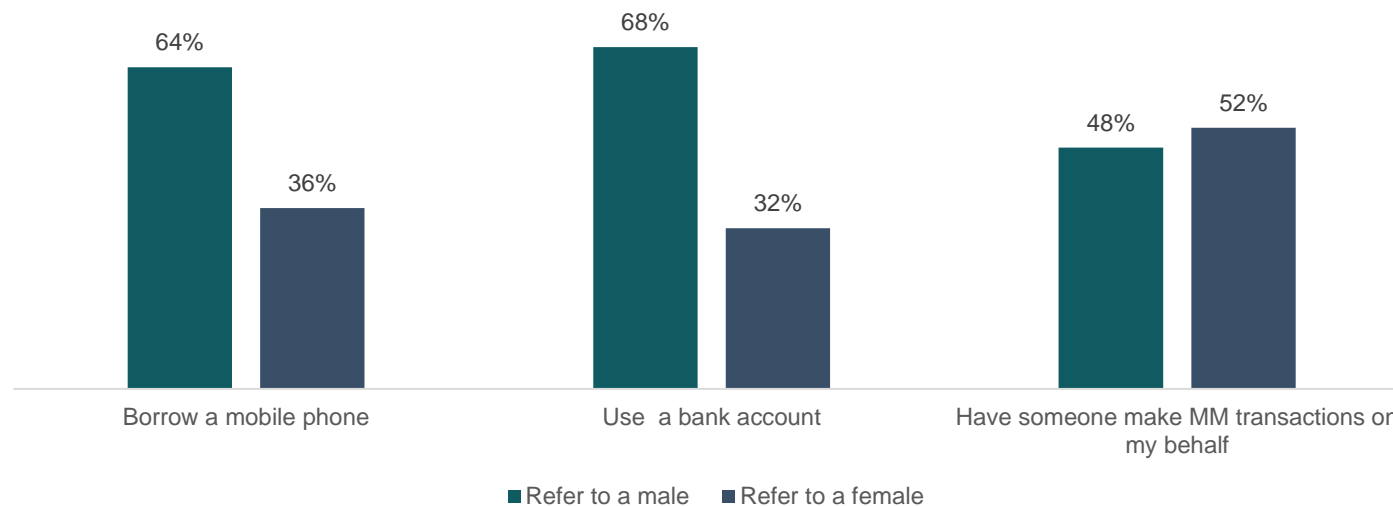


Females appear to be less comfortable using their mobile phones than males. Still only about one in six women require help with mobile money transactions.

KENYA

Women are more likely to turn to men for help when they need to borrow a mobile phone or use a bank account

Gender preferences for females using other people's mobile phones and financial accounts
(Shown: Percentage of females in each category)



KENYA

Women seek help with financial services others in and outside the home; They are most likely to ask either male or female agents for MM help, both male and female, for help

Gender preferences for females when referring to other people for help/access to services*

(Shown: Percentage of females in each category)

***Some of the analysis is done on small numbers (n<50) and should be treated with caution**

Borrow a phone	%		Help using own bank account*	%
Husband	47%		Male child	33%
Female neighbor	13%		Husband	13%
Male child	7%		Any other person	7%
Borrow a bank account*	%		Help using own MM account	%
Husband	52%		Female MM agent	35%
Female neighbor	13%		Male MM agent	27%
Male or female parent	11%		Male child	17%

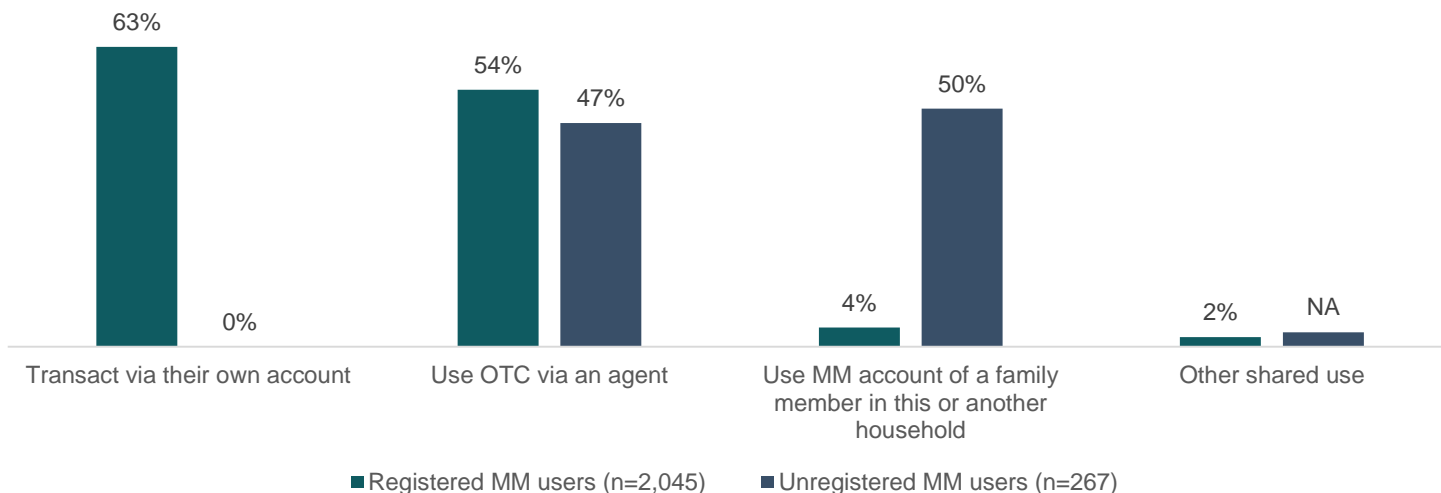
SPECIAL TOPICS: MOBILE MONEY AGENTS

KENYA

Agent-assisted transactions are very common among registered and unregistered mobile money users

Preferred way to use mobile money services

(Percentage of registered and unregistered users who chose each method)

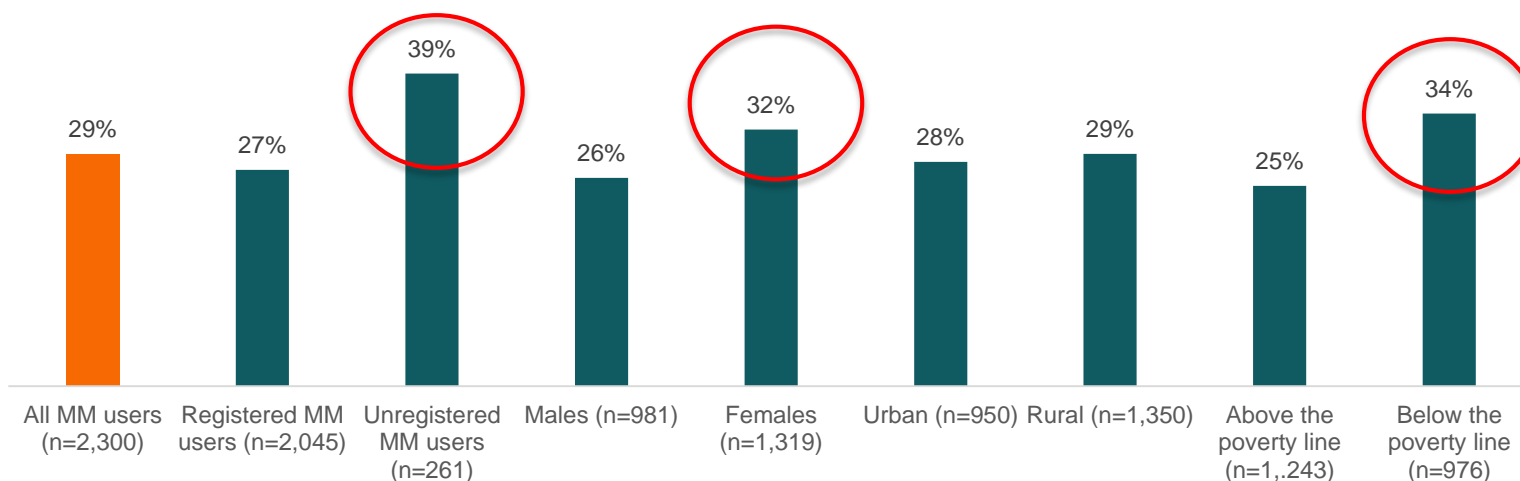


The high reliance on agents might be explained by the dominance of basic activities on mobile money – including deposits and withdrawals – which can be done either through an agent or by using ATM or a bank branch. Access to ATM/banks in Kenya is lower than access to agents.

KENYA

Only a third of mobile money users have a regular agent; the majority use any agent available when and where they need to make a transaction

Users who have regular mobile money (MM) agents
(Shown: Percentage of each category of MM users)

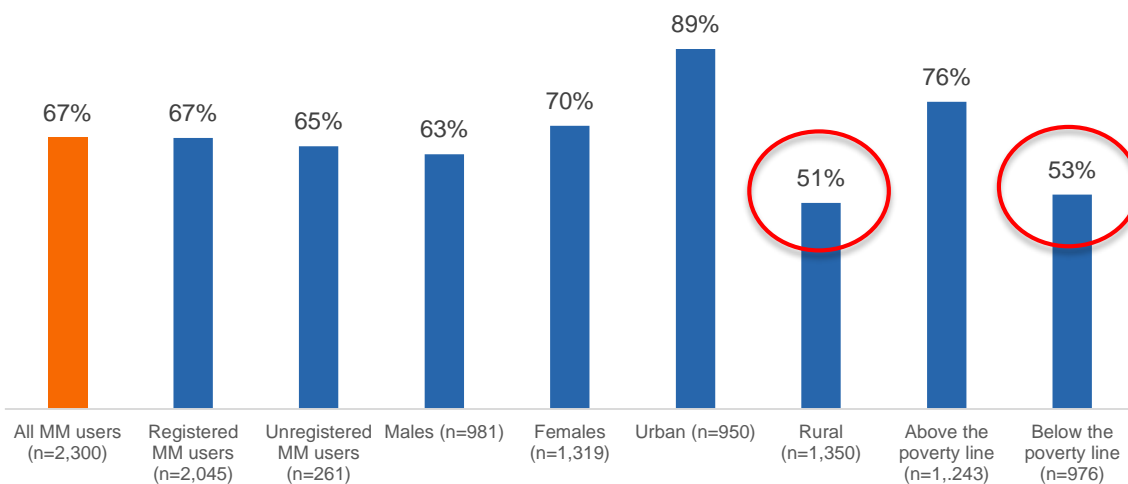


The lack of loyalty to mobile money agents might be explained by the high turnover rate among agents. According to the Agent Network Accelerator survey by Microsave (ANA survey), only 58 percent of mobile money agents in Kenya said they would continue working as agents next year, significantly less than what was reported for Tanzania and Uganda.

KENYA

More than half of Kenyan mobile money users have an agent nearby, even in rural and impoverished areas, confirming intense market competition

Those who have an agent within 1km radius from where they live
(Percentage of each category of mobile money users)



According to the ANA study, Kenyan mobile money agents tend to set their agencies close to re-balancing facilities: places where agents can exchange e-float for cash and vice versa, typically bank branches.

This geographic tethering, however, does not seem to affect the accessibility of agents, even in rural areas. The fact that most mobile money users can find an agent within 1 km radius from their homes confirms the intense competition in the market, which, according to agents, negatively affect the agency's profitability.

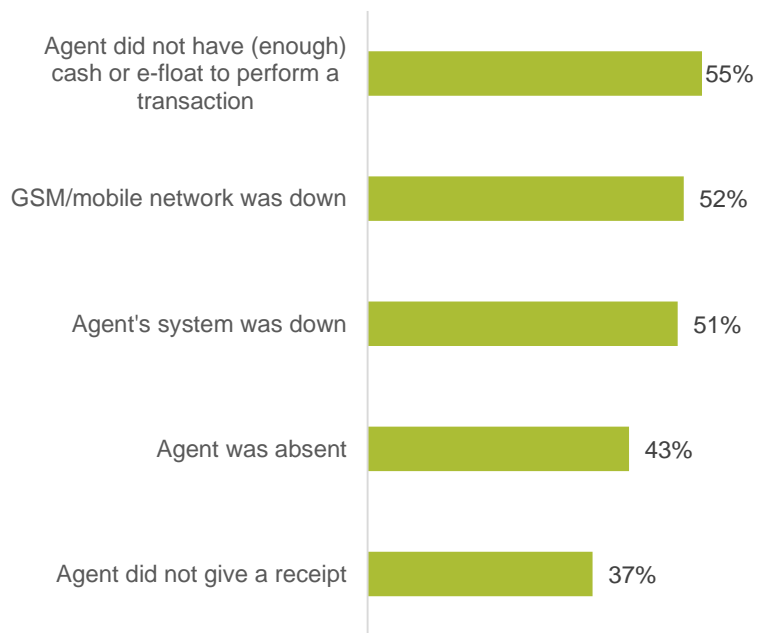
Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

KENYA

Nearly all users had problems transacting with an agent, mainly because of low liquidity or network downtime

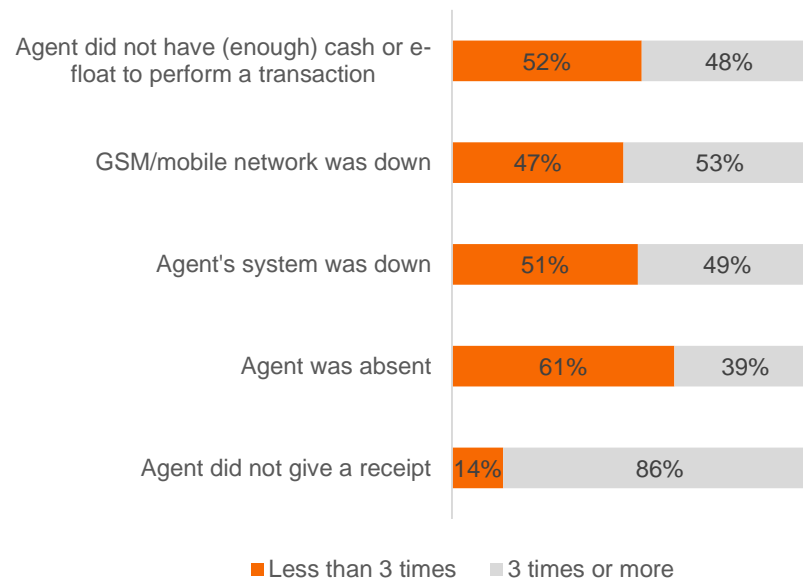
The top five problems with mobile money agents

(Percentage of mobile money users, n=2,300)



How many times have you experienced this issue in the past 6 months?

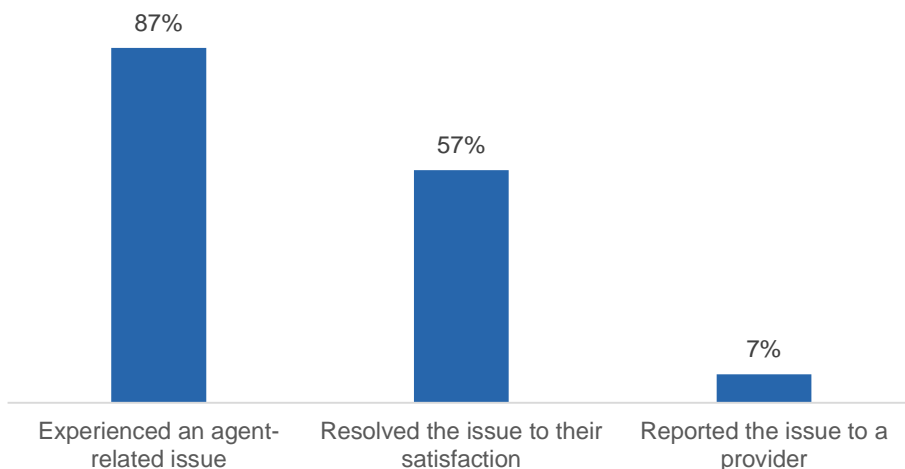
(Percentage of mobile money users who reported each issue)



KENYA

Most customers say they do not report agent-related issues; this makes it harder for providers to quickly resolve problems

Agent-issue-related behaviors
(Percentage of mobile money users, n=2,300)



- Many mobile money users turn to agents for basic activities, including deposits, withdrawals, airtime top-ups and P2P transfers.
- The combination of agent accessibility/proximity and basic operations prevents customers from developing agent loyalty. The majority use any agent that is available when they need to make a transaction.
- Females, rural residents and those living below the poverty level require the most help from agents. They also tend to be at a disadvantage compared with males, urbanites and non-poor because they are less likely to have an agent nearby.
- While there are a lot of issues with agents, most of them are resolved to customers' satisfaction.

Source: InterMedia Kenya FII Tracker survey (N=2,995, 15+), September 2014.

SPECIAL TOPICS: CROSS-COUNTRY INDICATORS

KENYA

CROSS-COUNTRY INDICATORS	Wave 2 (%)	Wave 2 (Base n)
% of adults (15+) access to digital financial services	74%	2,995
% of adults (15+) with a registered digital stored-value accounts	65%	2,995
% of adults (15+) with active digital stored-value accounts	59%	2,995
% of adults (15+) below the poverty line (<\$2/day) with active digital stored-value accounts	43%	1,502
% of males (15+) with active digital stored-value accounts	63%	1,221
% of females (15+) with active digital stored-value accounts	55%	1,774
% of rural males (15+) with active digital stored-value accounts	57%	833
% of rural females (15+) with active digital stored-value accounts	47%	1,068
% of adults (15+) who actively use at least one digital financial service beyond basic wallet, P2P and bill pay payments	26%	2,995
% of adults (15+) below the poverty line (<\$2/day) who actively use at least one digital financial service beyond basic wallet, P2P and bill pay payments	13%	1,502
% of males (15+) who actively use at least one digital financial service beyond basic wallet, person-to-person (P2P) and bill pay payments	33%	1,221
% of females (15+) who actively use at least one digital financial service beyond basic wallet, P2P and bill pay payments	20%	1,774
% of rural males (15+) who actively use at least one digital financial service beyond basic wallet, P2P and bill pay payments	26%	833
% of rural females (15+) who actively use at least one digital financial service beyond basic wallet, P2P and bill pay payments	13%	1,068
% of adults (15+) who use mobile money (OTC or their own account)	73%	2,995

**Differences in waves are not significant at the 95% confidence level for access to a bank account, bank account holders, MM account holders and active MM account holders. Categories are not mutually exclusive.*

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

METHODOLOGY AND RESEARCH DESCRIPTION

THE KENYA FII TRACKER SURVEY - DETAILS

Survey summary

- Annual, nationally representative survey (N=2,995) of Kenya adults aged 15+
- Face-to-face interviews lasting, on average, 63 minutes
- Second survey (wave 2) conducted from 9/10/2014 to 9/30/2014
- Tracks trends and market developments in DFS based on the information gathered in the first survey, conducted from 9/12/2013 to 10/4/2013

Data collected

- Basic demographics
- 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., SACCO, cooperatives, self-help groups)
- Financial literacy and preparedness
- Technical literacy

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). The achieved sample was 2,995 respondents.

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 ongoing 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 four subsamples (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.

KENYA

GLOSSARY

- **Access to an account**—An individual is said to have access to an account if he/she has used either mobile money or bank services, at least once, either via their own account or via an account of another person.
- **Account holder**—An individual who has a registered bank or mobile money digital account.
- **Active account holder**—An individual who has a registered digital account and has used it in the last 90 days.
- **Agent**—A person or business contracted by a DFS provider to provide services to customers using their own bank or mobile money account.
- **Bank/banking services**—All services offered by a bank through a branch, ATM, kiosk, business correspondent, or other delivery channel.
- **Banked**—An individual with a registered account at a formal financial institution. For this particular study, the banked are all individuals with their own bank accounts.
- **Digital account**—A financial account that can be accessed through digital means such as an ATM/debit card or via the internet or mobile phone.
- **Digital financial services (DFS)** — All bank and mobile money services.
- **Financial inclusion**—For the purposes of this study, those with a bank, nonbank financial institution or registered mobile money account that offer a range of financial services beyond credit are considered financially included.
- **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.
- **Household** – For the purposes of this study, a household is defined as a group of people who fulfill any two of the following requirements: sleep under one roof, eat from one pot, or have one common decision-maker.
- **Mobile money services**—Mobile money services include 1) nonbank semi-closed mobile money accounts/wallets and 2) full-service mobile money bank accounts that allow for cash withdrawals. Semi-closed mobile wallets are *not* considered to be bank accounts, while full-service mobile money bank accounts are considered bank accounts
- **Poor/below poverty line**— “Poor” adults, or those living below the poverty line, are defined as those living on less than \$2.50 per day (at 2005 purchasing power parity), as classified by the Grameen Progress out of Poverty Index (PPI).
- **SIM card**—A removable micro-card that contains a subscriber identity module that securely stores the electronic codes used to verify subscribers’ identities on mobile phones and computers.
- **Technical comfort** – A combination of skills necessary to conduct activities on a mobile phone and confidence to conduct such activities independently, without other people’s assistance
- **Unbanked**—Individuals without a registered bank account.
- **Urban/rural**—Urban and rural persons are defined according to their residence in urban or rural areas. The population in the survey was divided between towns and villages, which were classified as such based on the size of each of their populations. Towns are urban areas, villages are rural.

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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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