

FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

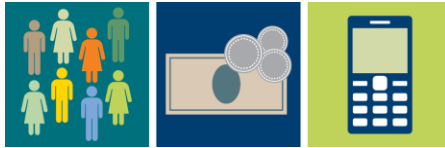
KENYA

WAVE 3 REPORT FII TRACKER SURVEY

Conducted September 2015

April 2016

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:

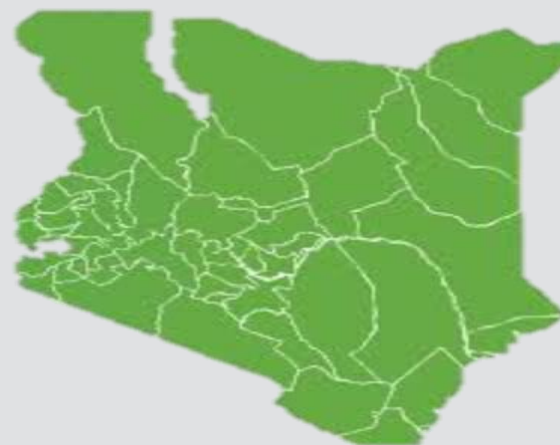
- [Track access to and demand](#) for financial services generally, and the uptake and use of DFS specifically;
- [Measure adoption and use](#) of DFS among key target groups (females, BOP, rural, unbanked, etc.);
- [Identify drivers and barriers](#) to further adoption of DFS;
- [Evaluate the agent 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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CONTENTS

1.	Executive Summary	4
2.	Financial Inclusion	8
3.	Kenyans' Financial Lives	16
4.	Access to and Use of Mobile Phones	25
5.	Financial Services Use	31
6.	Banks	44
7.	Nonbank Financial Institutions	50
8.	Mobile Money	56
9.	Mobile Money: Active Users	68
10.	Mobile Money: Aware Nonusers	72
11.	Comparative Data for Aware Nonusers & Active Users	76
12.	Use of Value-Added Services	81
13.	Special Topic: Cross-Country Indicators	87
14.	Methodology & Research Description	89
15.	Glossary	92



EXECUTIVE SUMMARY

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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.

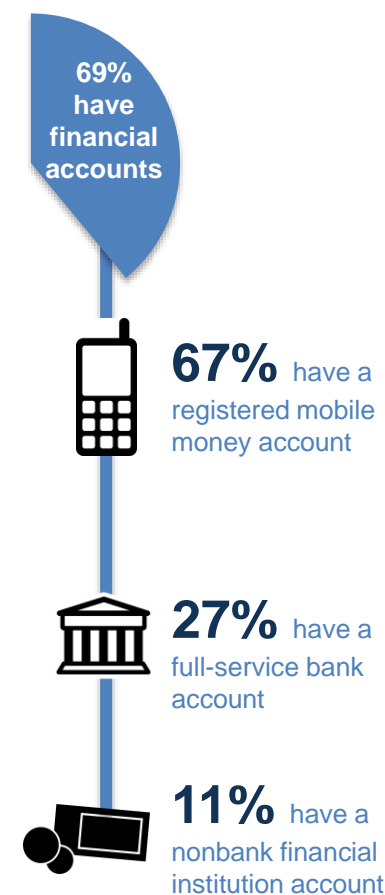
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Notable statistics

- **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 substantially 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

Notable statistics

- **Mobile money services in Kenya drive financial inclusion. Access to, registered usage and active use of mobile money saw a steep incline in 2015 after a slight drop in 2014.* Bank usage also increased from 2014; NBFi use showed a slight increase.**
 - Sixty-seven percent of adults now have a registered mobile money account, compared with 63 percent in 2014 and 68 percent in 2013. Sixty-one percent of adults are now active mobile money account users, compared with 58 percent in 2014 and 62 percent in 2013.
 - Those who use mobile money use advanced services like loans, savings and investments less than those who use banks and NBFIs.
- **Twenty percent of Kenyans are “aware nonusers” of mobile money. 61 percent of aware nonusers are between the ages of 15-24; 75 percent live below the poverty line and 74 percent live in rural areas. Looking at their mobile-phone use capabilities:**
 - Ninety-six percent of aware nonusers have basic numeracy, allowing them to understand financial transactions. But, only 47 percent of these adults have a national ID (one of the requirements to open a mobile money account); 44 percent have ever sent or received text messages; 35 percent have an active SIM card; and only 30 percent have a mobile phone. By addressing the technical and skills capabilities, and increasing access to IDs and mobile phones, the number of aware nonusers is expected to decrease. With the upcoming national elections, issuance of national identity cards is expected to increase among this group.
 - Many of those in the 15-to-21 age group are in school and lack disposable income, possibly factoring into nonusage. Working on providing them with the necessary capabilities and skills in anticipation of this group taking up financial services in the future is key.
- **More active accountholders now utilize mobile money value-added services; 32 percent of active users have used M-Shwari compared with 26 percent in 2014, and 22 percent have used Lipa na M-PESA in 2015 compared with 15 percent in 2014.**
 - Traditionally, school fees are paid in cash or via banker's checks. The introduction of Lipa Karo na M-PESA, a bill pay service that facilitates paying school fees through mobile money, is expected to grow digital payments. Currently, those using Lipa Karo na M-PESA stands at 4 percent.
- **Mobile money use for business activities by those who are self-employed stood at 22 percent. The data showed females, those living in rural areas, those below the poverty line, and adults over 35 years old are less likely to use mobile money for business activities.**

*The 2014 decline in mobile money usage and account ownership was largely due to contained attrition likely stemming from environmental factors (cyberterrorism attacks, terrorist attacks, and the lack of mobile money agent liquidity). The survey also detected consumer confusion over product ownership and usage with the introduction of M-Shwari to the market; small portions of consumers did not associate M-Shwari with mobile money.

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

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FINANCIAL INCLUSION

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Understanding financial inclusion

What is financial inclusion?

Financial inclusion is having an account with an institution that provides a full suite of financial services and comes under some form of government regulation.

These services include savings, money transfers, insurance or investment. Institutions that only offer loans to consumers, such as some microfinance institutions (MFIs), are not considered to be full-service institutions. *(Source: InterMedia FII Program)*

How is it measured?

To determine financial inclusion, we look at the percentage of adults who report having an account in their name with at least one institution offering a full suite of financial services.

What is included in this?

Banks, nonbank institutions and mobile money services are included in the financial inclusion measure. In the case of Tanzania, nonbank financial institutions include MFIs, cooperatives, Post Banks and village savings groups. In all countries, individuals must have an account in their own name.

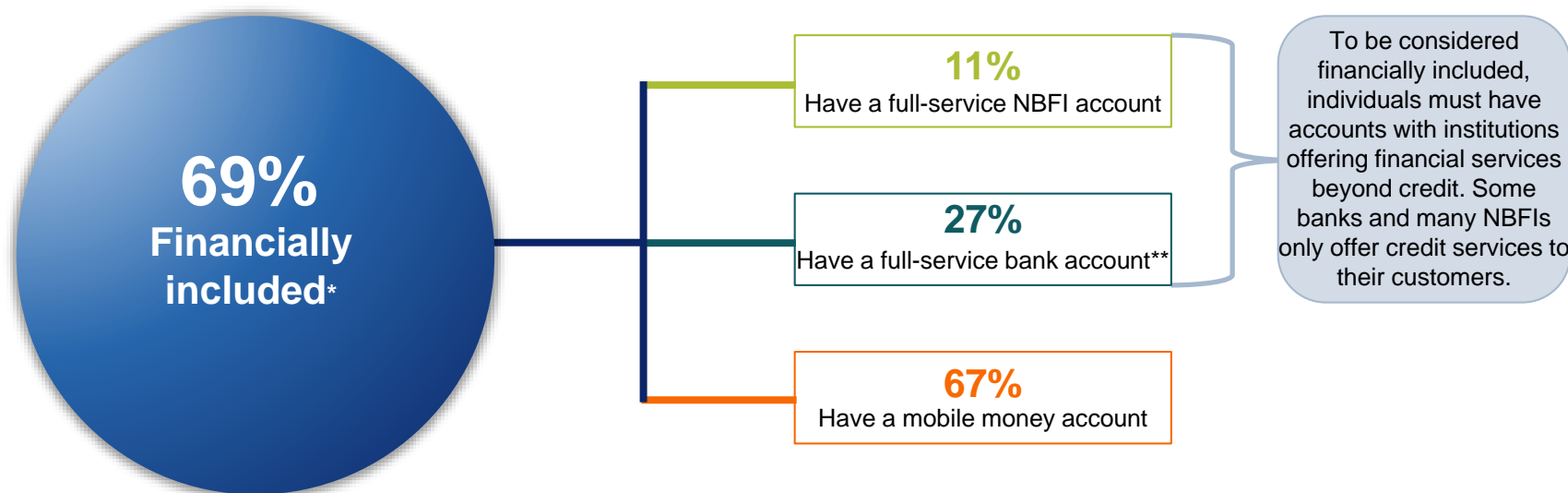
What isn't included?

Excluded from the financial inclusion measure are money guards, savings collectors, and digital recharge cards – such as gift cards – that are not attached to a bank or MFI account.

Additionally, individuals who have accessed formal financial services but do not have their own account, such as those using another family member's account, are not included.

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Nearly seven in 10 Kenyans are financially included, largely through mobile money accounts



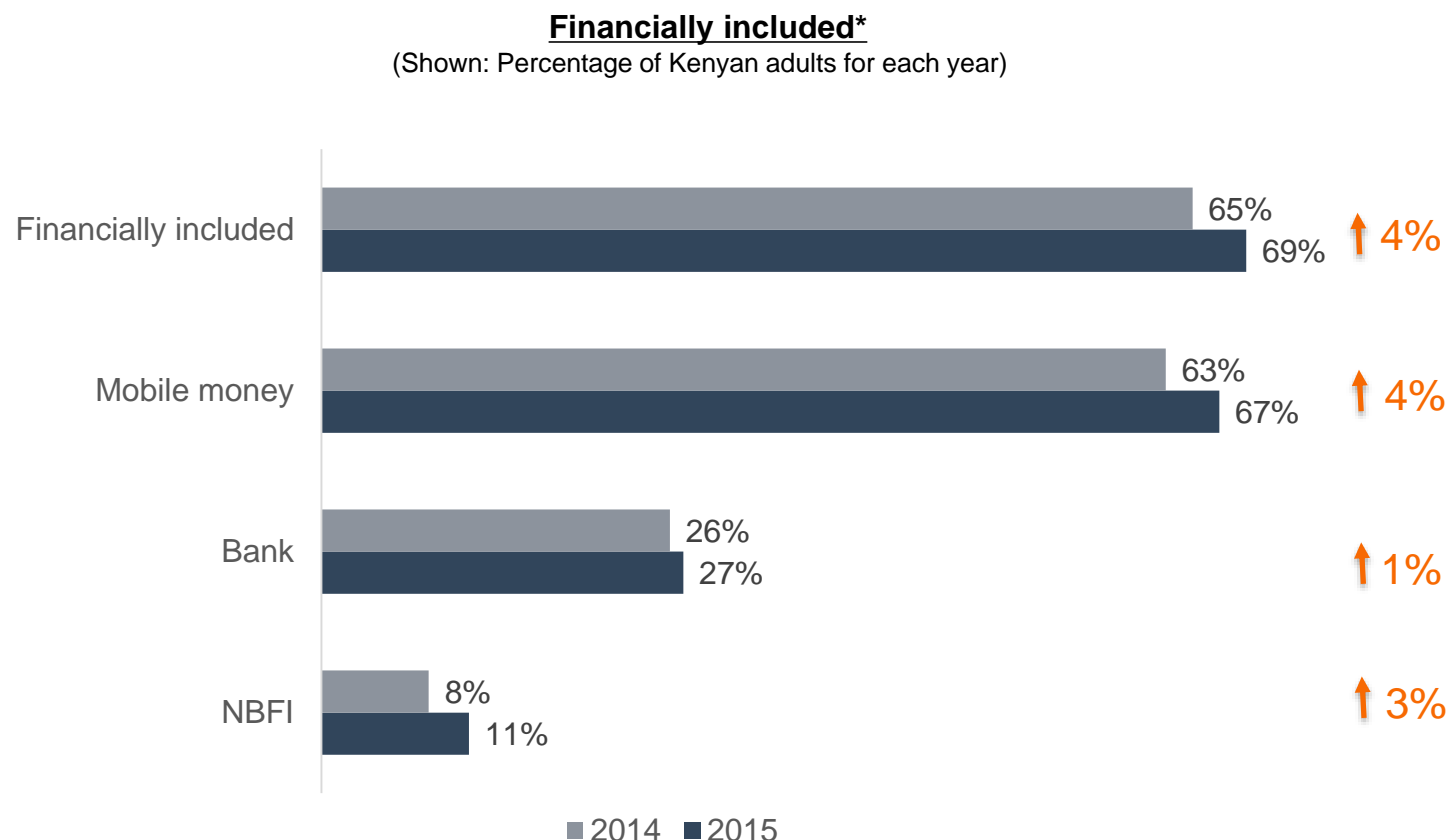
*Overlap representing those who have multiple kinds of financial accounts is not shown.

**Throughout this report, bank account holders have accounts at full-service institutions, unless otherwise noted.

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

KENYA

Financial inclusion rose in 2015; more Kenyans had mobile money, bank and/or NBFi accounts



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

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

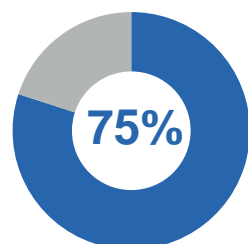
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Preparedness for DFS improves with greater texting, numeracy skills and phone access

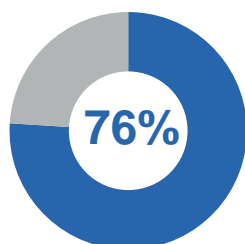
2015: Key indicators of preparedness for digital financial services

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

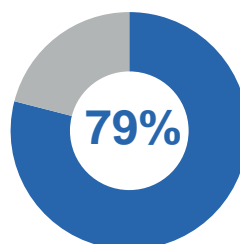
The national elections, slated for next year, will lead to an increase in the issuance of IDs



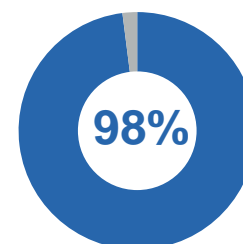
Ever send/receive text messages



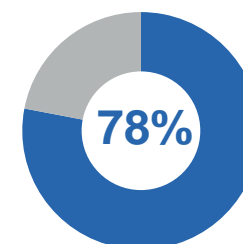
Own a mobile phone



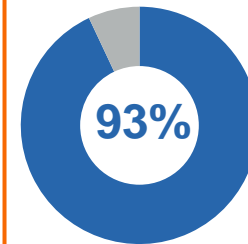
Own a SIM card



Have basic numeracy



Have the necessary ID*



Have access to a mobile phone

	Ever send/receive text messages	Own a mobile phone	Own a SIM card	Have basic numeracy	Have the necessary ID*	Have access to a mobile phone
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.

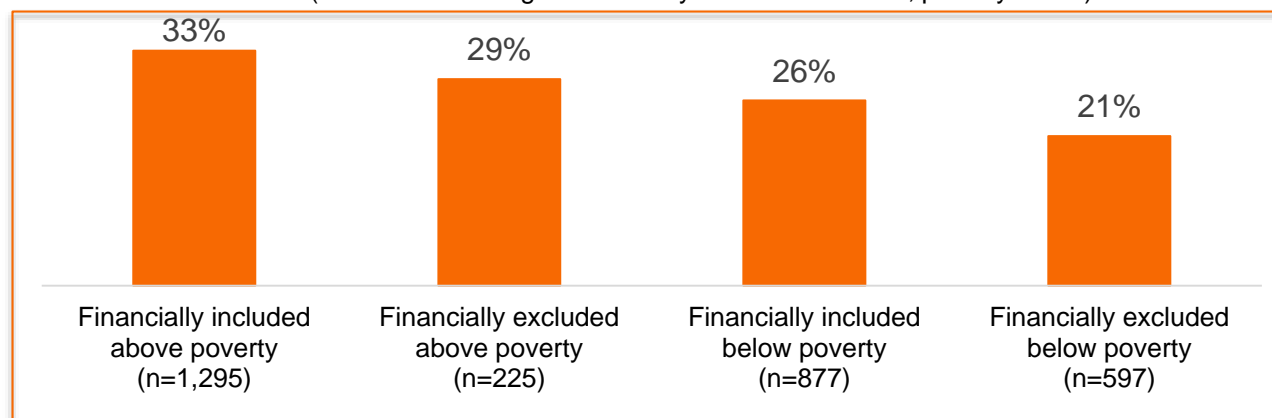
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

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Financial inclusion fosters planning for unexpected events, but it has not yet had a pronounced effect on economic vulnerability

2015: Have a financial plan for unexpected events

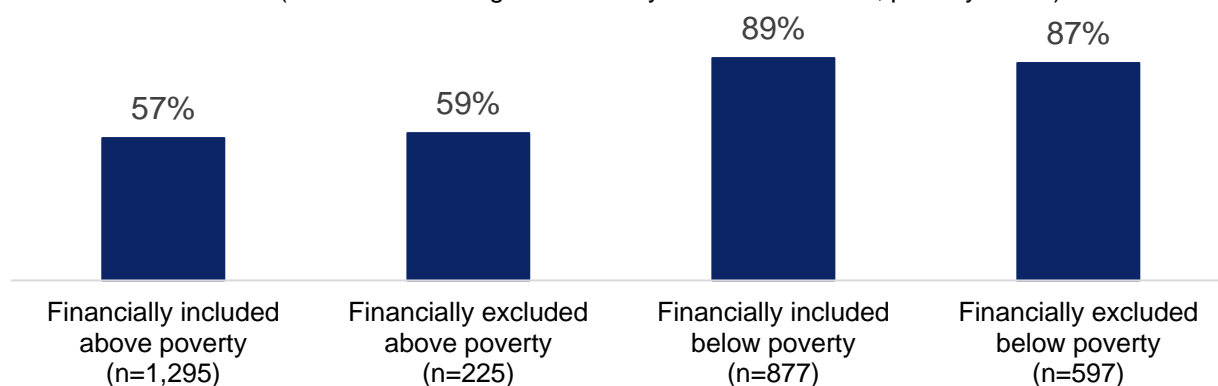
(Shown: Percentage of adults by financial inclusion, poverty levels)



More financial planning among included segments, even the poor

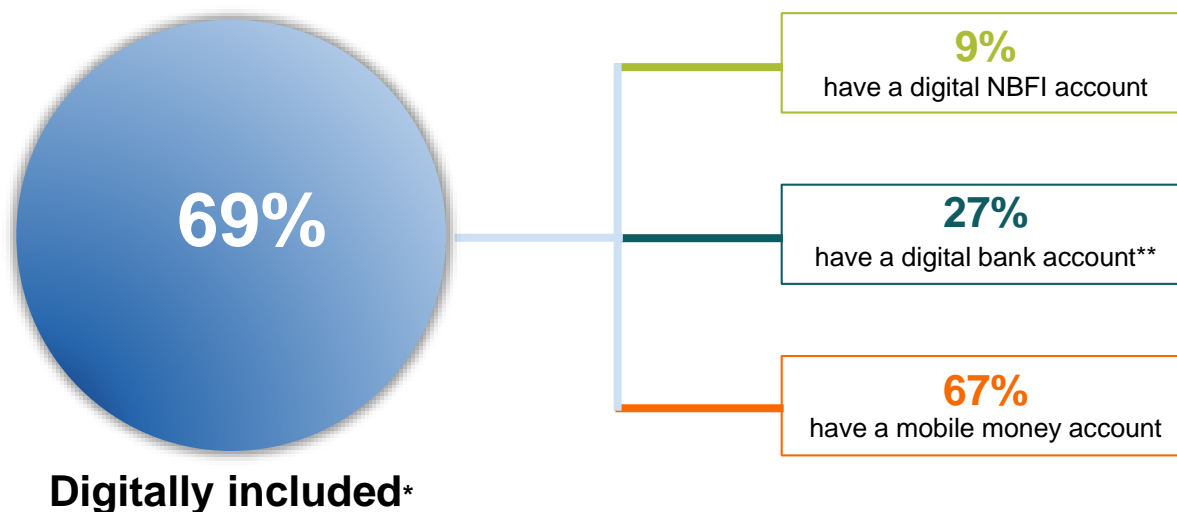
2015: Economically vulnerable

(Shown: Percentage of adults by financial inclusion, poverty levels)



KENYA

Nearly seven in 10 adults have financial service accounts with digital access



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

**Digital access to an account means that an individual can access their account via any number of electronic platforms, including debit and credit cards, electronic money transfers, or mobile phones.

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

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Nearly all of the financially included have digital accounts; digital NBFI accounts lag slightly

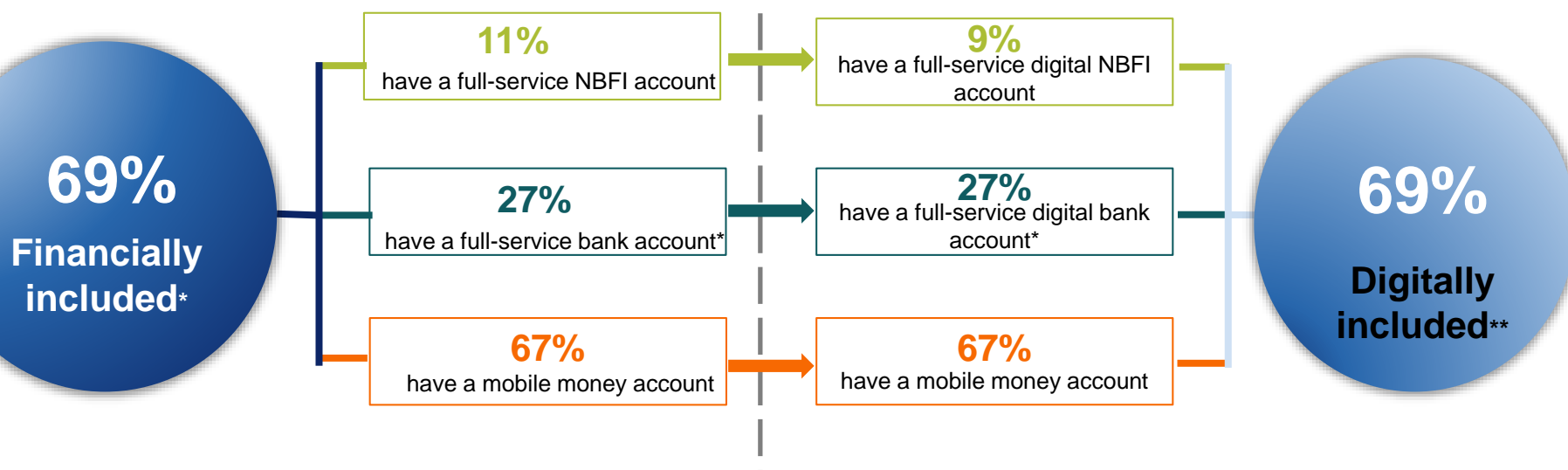
2015: Financially included

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

2015: Digitally included

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

Digital inclusion is financially included with digital access** to the account.



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

**Digital access to an account means that an individual can access their account via any number of electronic platforms, including debit and credit cards, electronic money transfers, or mobile phones.

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

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KENYANS' FINANCIAL LIVES

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Economic vulnerability is a reality for more than seven in 10 Kenyans; the ability to pay bills on time is twice as difficult for the financially excluded

2015: Financial responsibility, vulnerability

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

Regularly experience economic vulnerability (i.e., can't afford food, medical expenses)

72%

Financially included
(n=2,172)

70%

Financially excluded
(n=822)

79%

Able to pay bills on time

34%

40%

20%

Have a financial plan for unexpected events

28%

30%

23%

Question allowed for multiple responses.

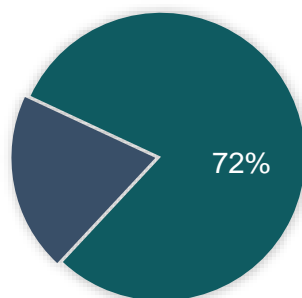
Source: InterMedia Kenya FII Tracker survey Wave 3 (N=2,994, 15+), September 2015.

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Bad weather and loss of employment are the most common forms of economic vulnerability

2015: Economic vulnerability

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



Regularly experience some form of economic vulnerability

52% (Fe)male

68% Rural

60% Live on less than \$2.50 a day

97% Numeracy

20% Can't read

Form of economic vulnerability

(Shown: Percentage of vulnerable adults, n=669)

%

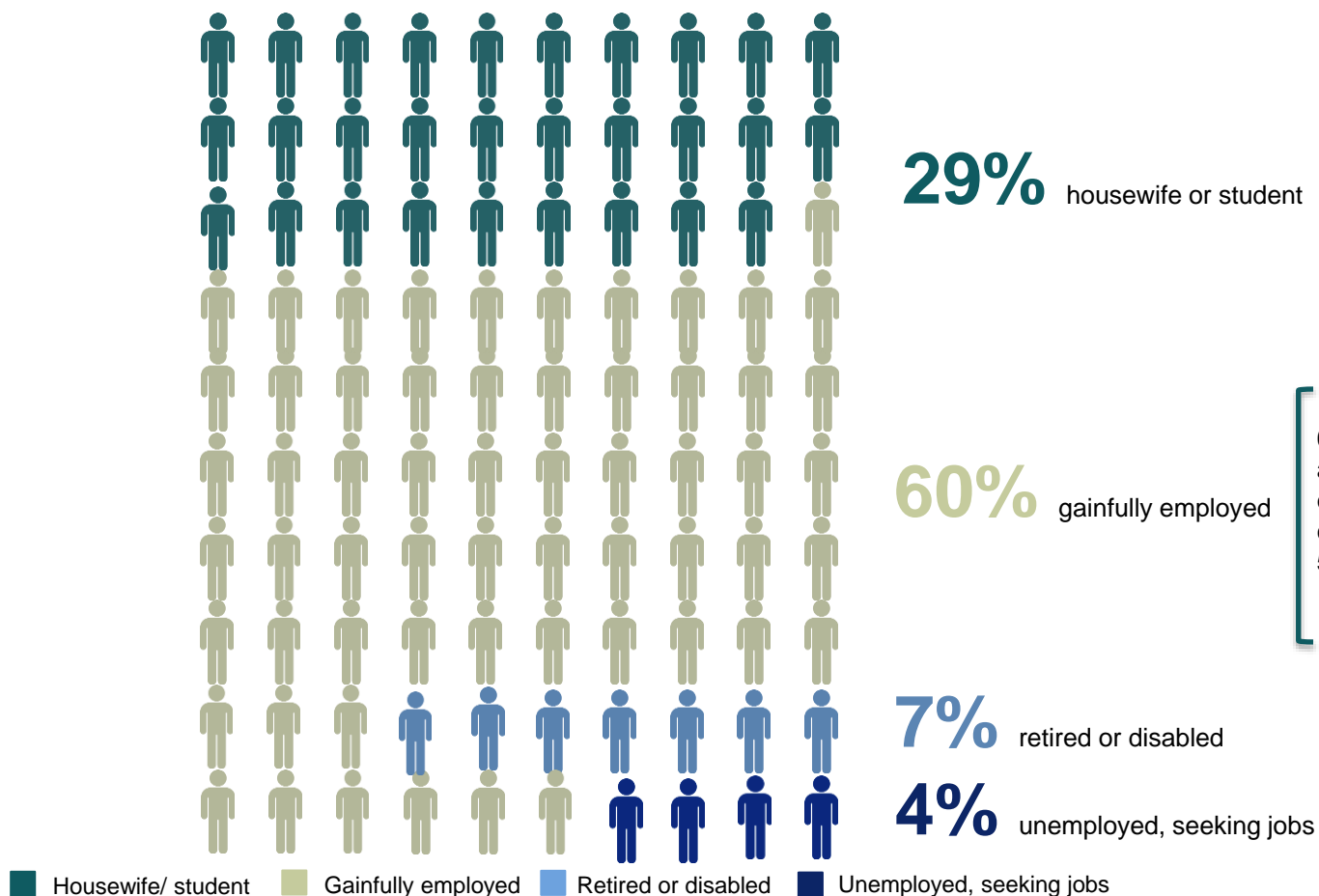
Weather	24%
Job loss	20%
Medical emergency	12%
Increased costs	9%
Loss of cash	8%
Theft	8%

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Six in 10 Kenyans are gainfully employed

2015: Employment

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



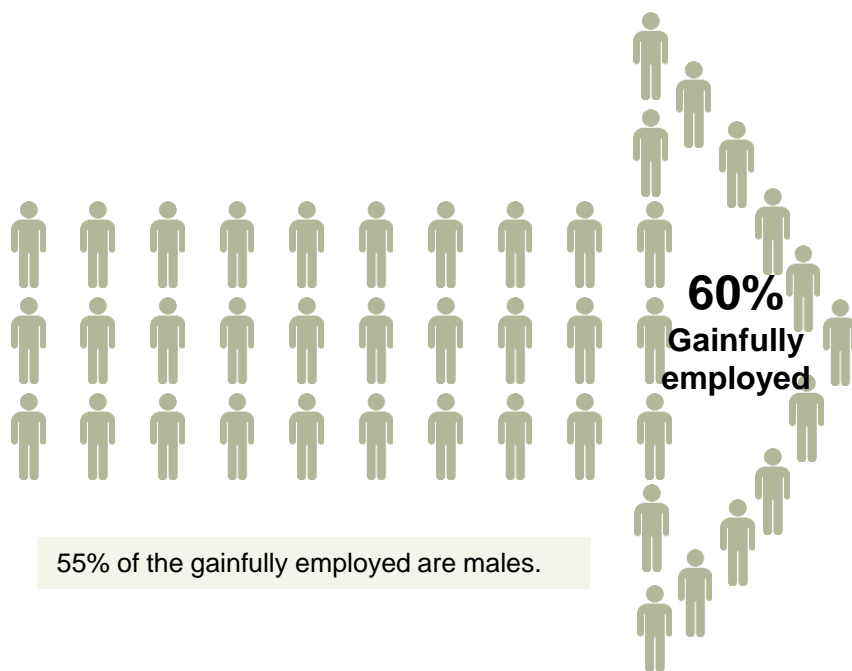
Source: InterMedia Kenya FII Tracker survey Wave 3 (N=2,994, 15+), September 2015.

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Over one-third of gainfully employed adults work on or own a farm

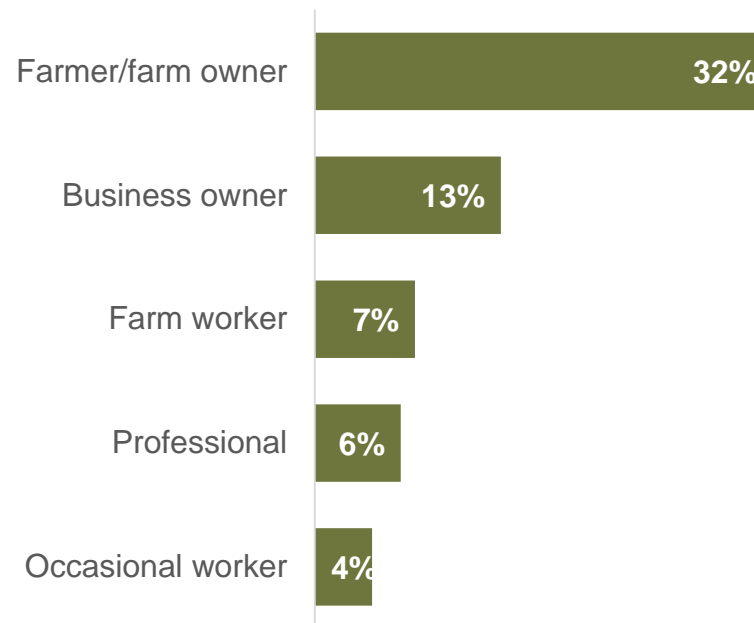
2015: Employment

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



2015: Most common primary occupation

(Shown: Percentage of gainfully employed adults, n=1,930)

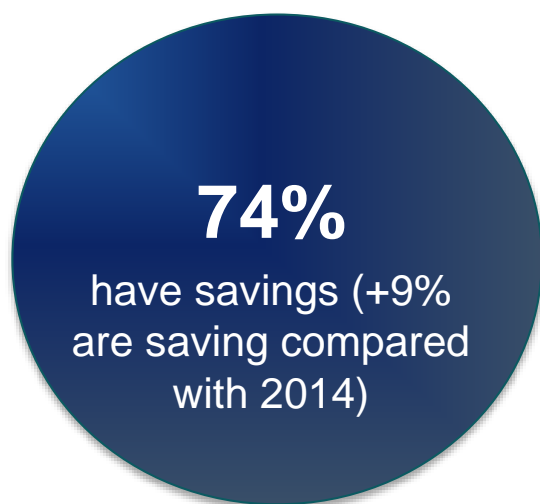


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Three-quarters of adults have savings, and more save using mobile money than saving at home or at a bank

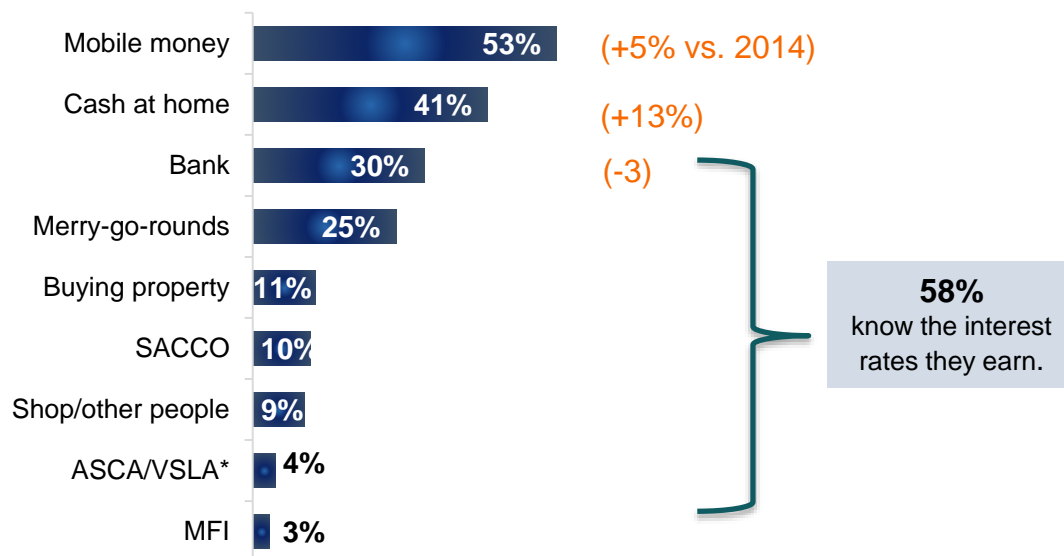
2015: Savings

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



2015: Location of savings

(Shown: Percentage of adults who save, n=2,287)



*ASCA (Accumulating Savings and Credit Associations) and VSLA (Village Savings and Lending Associations) are groups of individuals who agree to meet for a defined period in order to save and borrow together, a form of combined peer-to-peer banking and peer-to-peer lending.

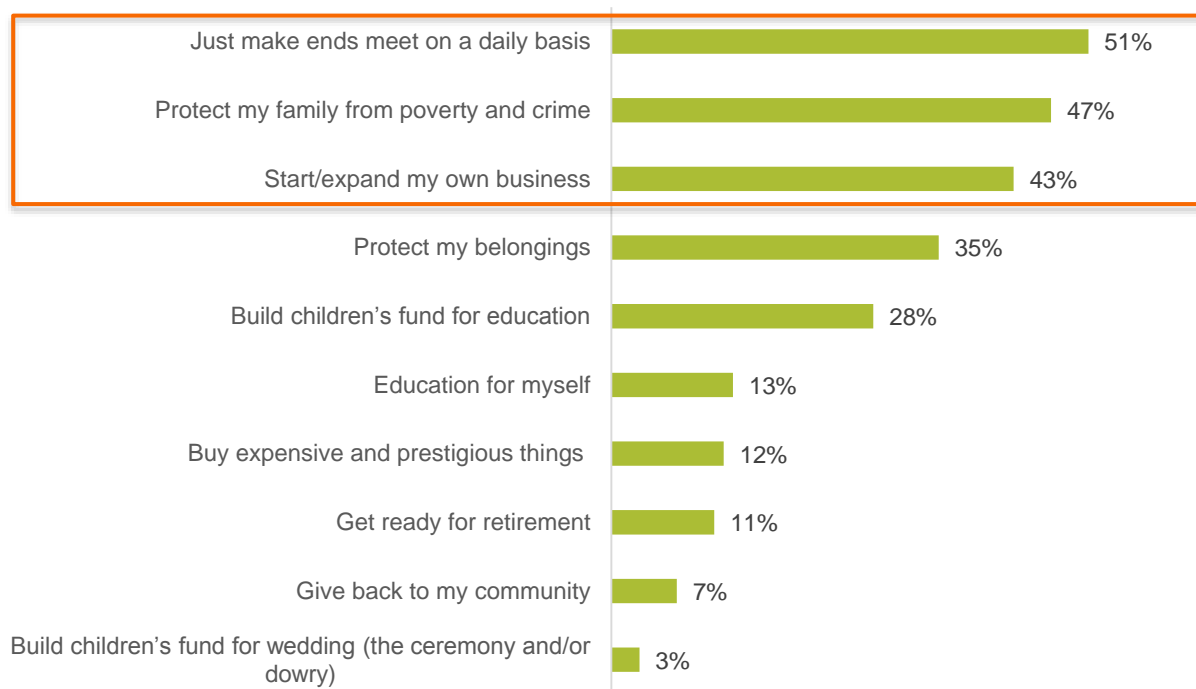
Source: InterMedia Kenya FII Tracker survey Wave 2 (N=2,995, 15+), September 2014, Wave 3 (N=2,994, 15+), September 2015.

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Managing financial ups and downs, protecting the family and growing a business are the three core reasons for saving money

2015: Why do you save money?*

(Shown: Percentage of adults who save, n=2,287)



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

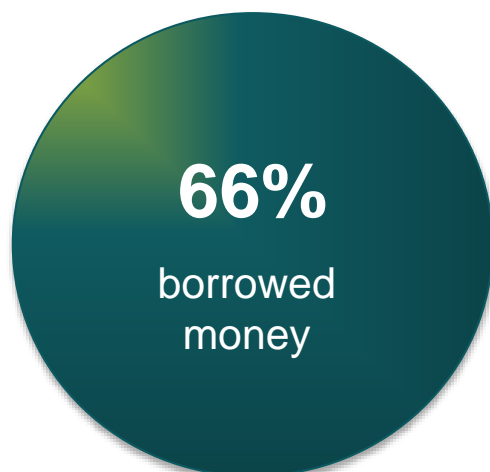
Source: InterMedia Kenya FII Tracker survey Wave 3 (N=2,994, 15+), September 2015.

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Borrowing is largely informal, through family and friends

2015: Borrowing

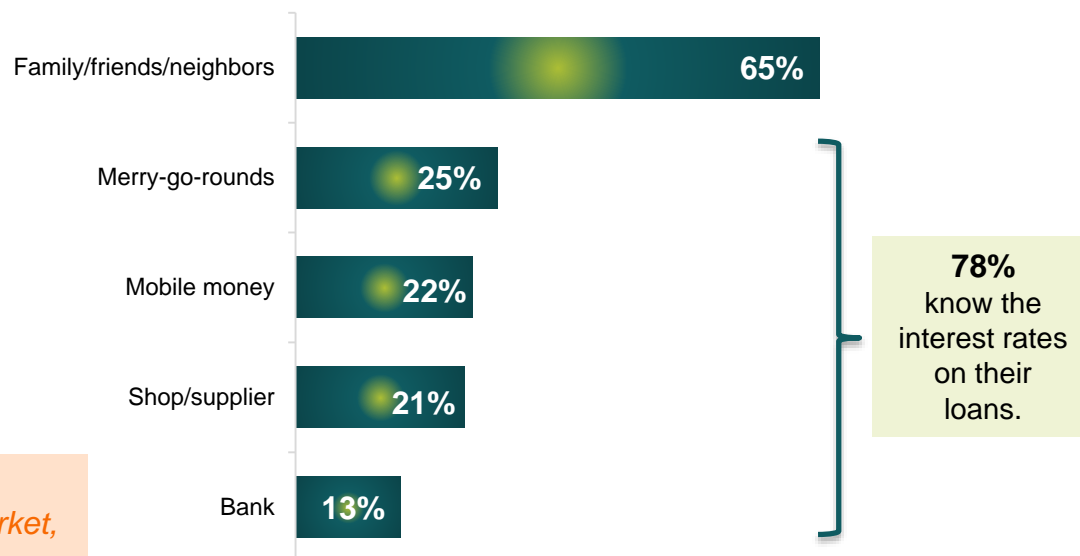
(Shown: Percentage of Kenyan adults, N=2,994)



- With the advent of KCB M-PESA and the introduction of Equitel Easy Loan to the market, borrowing via mobile money is expected to increase.
- Out of those who borrow, only 16% are not actively saving.

2015: Source of loans

(Shown: Percentage of adults who borrow, n=2,062)



KENYA

There is only limited ownership of insurance outside of medical coverage, which is driven by mandatory NHIF employee health coverage and NSSF pensions

2015: Insurance

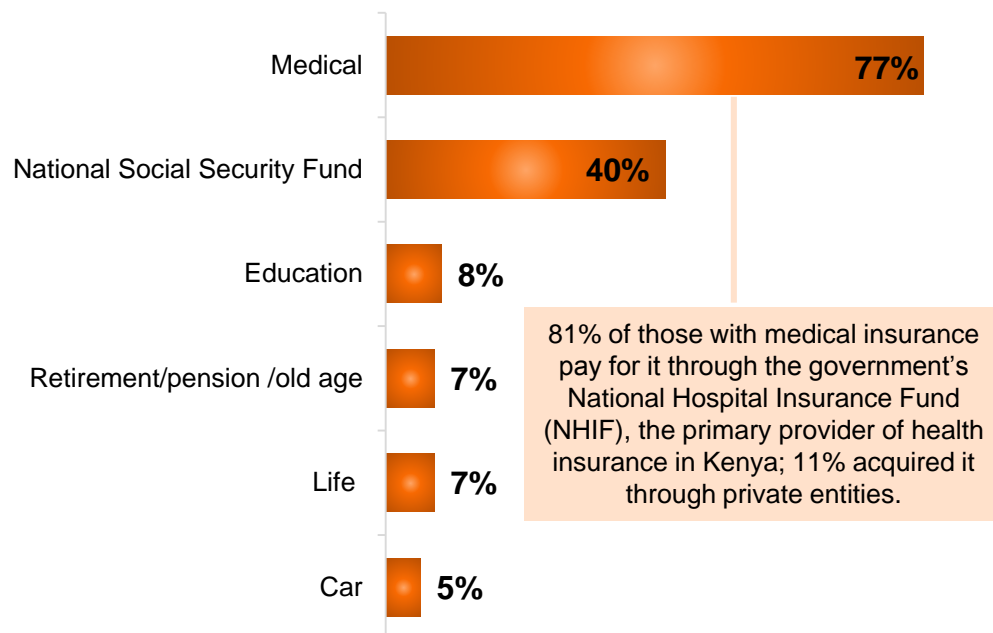
(Shown: Percentage of Kenyan adults, N=2,994)



- The number of insured is driven by compulsory salary deductions through the NHIF and NSSF.
- While 60 percent of adults are gainfully employed, the percentage of insured does not reflect this because many are employed informally and are not subject to statutory salary deductions for insurance.
- Micro insurance is an emerging trend in Kenya, and mobile money products have been introduced into the market that cater to low-income and informally employed adults. The effects of these new products are not yet known as they have not been fully studied or documented.

2015: Type of insurance

(Shown: Percentage of adults with insurance, n=789)



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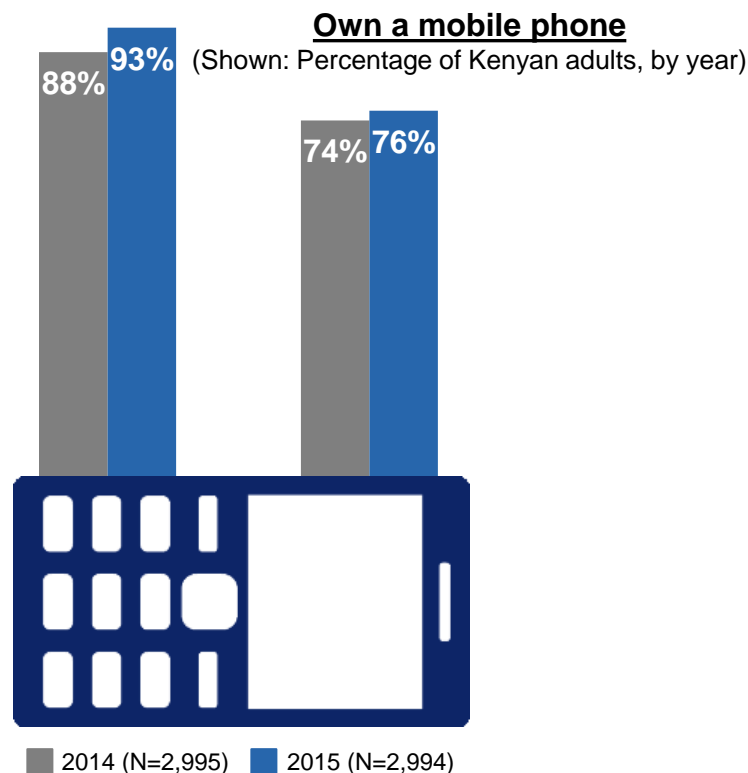
ACCESS TO AND USE OF MOBILE PHONES

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More have access to and own mobile phones, translating into an increase in those sending and receiving text messages

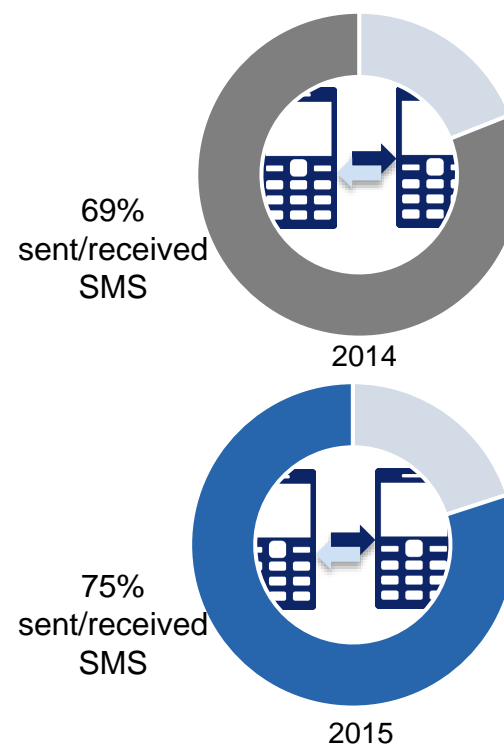
Have access to a mobile phone

(Shown: Percentage of Kenyan adults, by year)



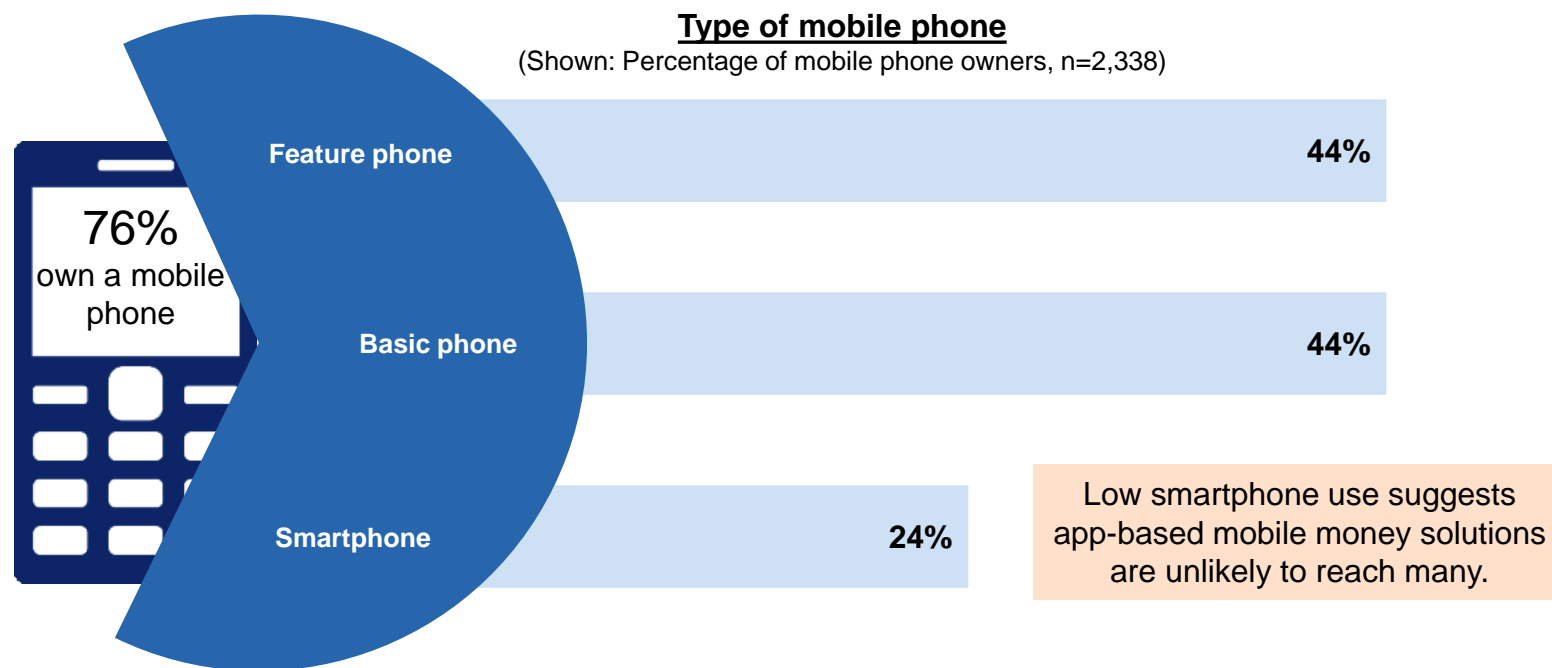
Basic mobile phone competency (has sent/received text messages [SMS])

(Shown: Percentage of Kenyan adults, by year)



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Feature phone and basic phone ownership outpace smartphone ownership

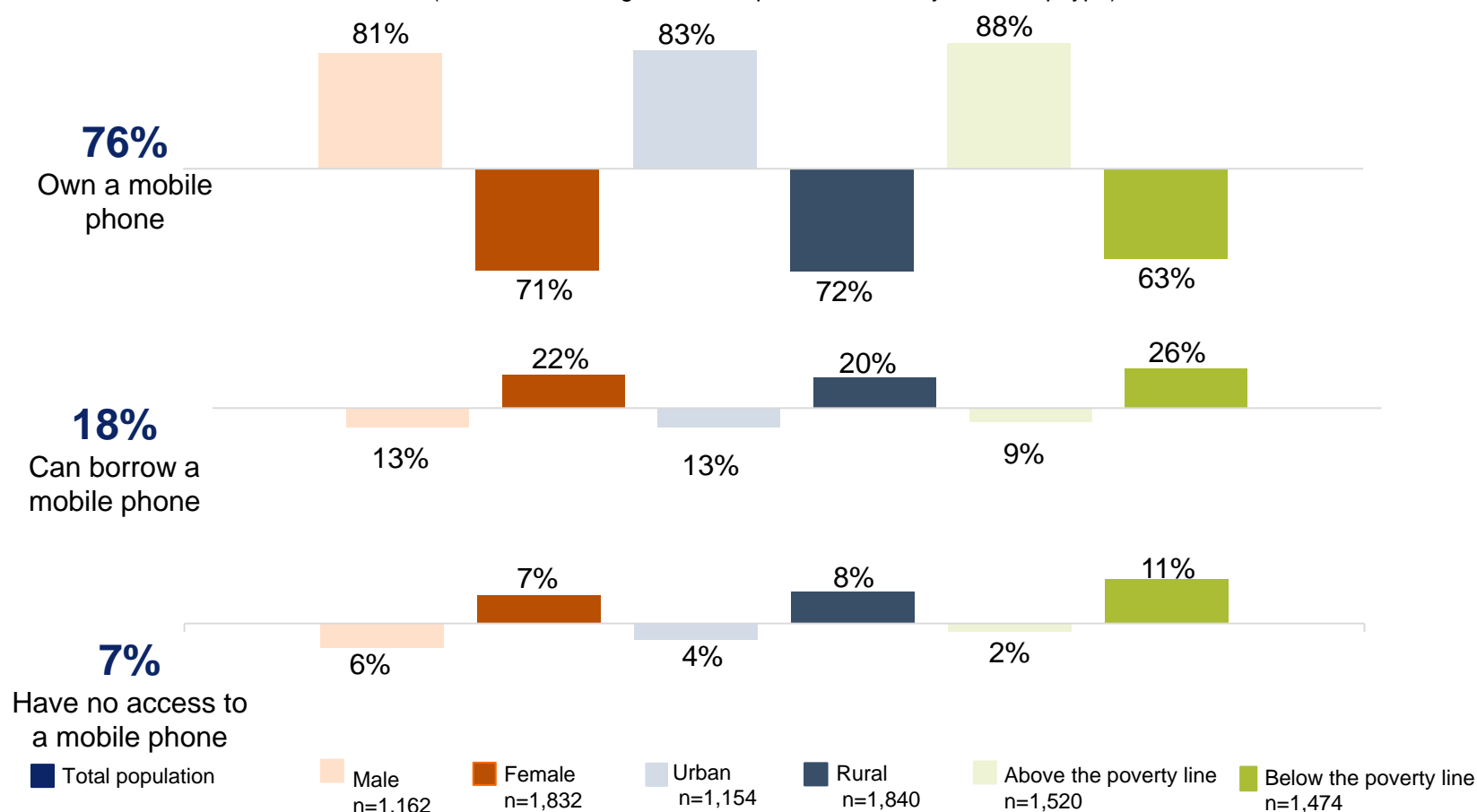


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Phone ownership is widespread, and more pronounced for men, urban and higher income groups

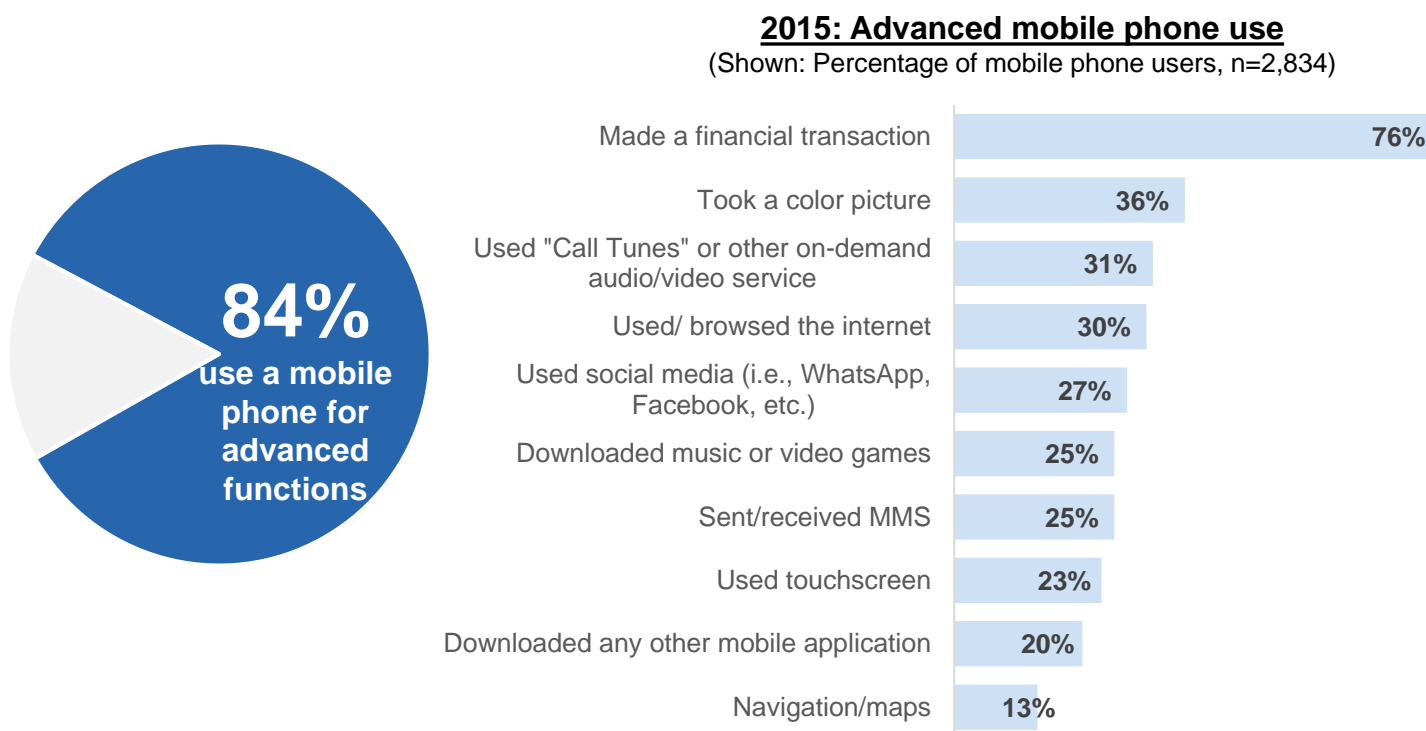
2015: Dynamics of mobile phone access

(Shown: Percentage of mobile phone owners, by ownership type)



KENYA

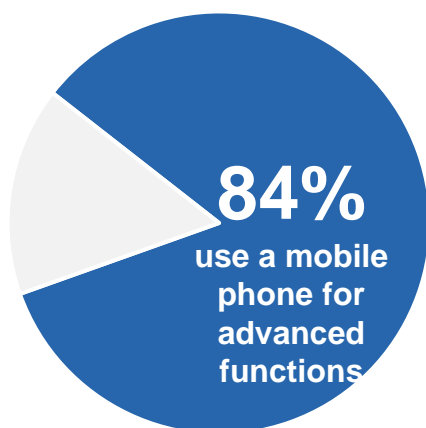
Conducting financial transactions is the most common advanced phone use



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

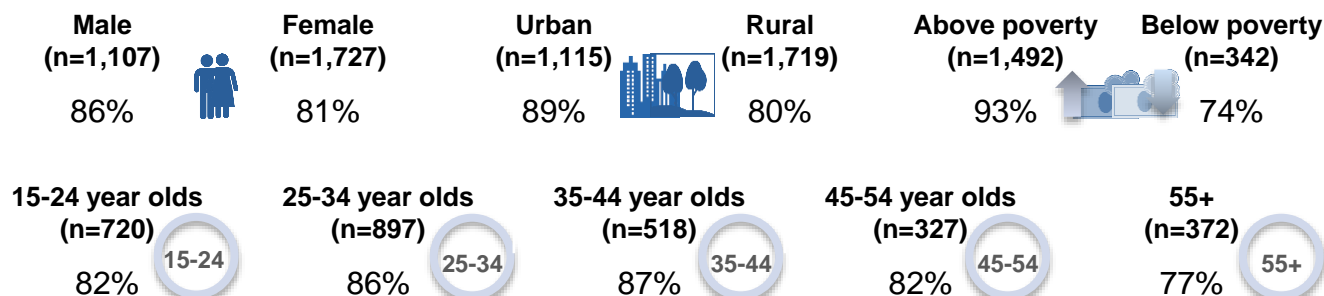
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Advanced phone usage spans demographic groups; older, below poverty and rural groups lag behind their counterparts only slightly



2015: Advanced mobile phone use by demographic

(Shown: Percentage of mobile phone users, by subgroups)



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

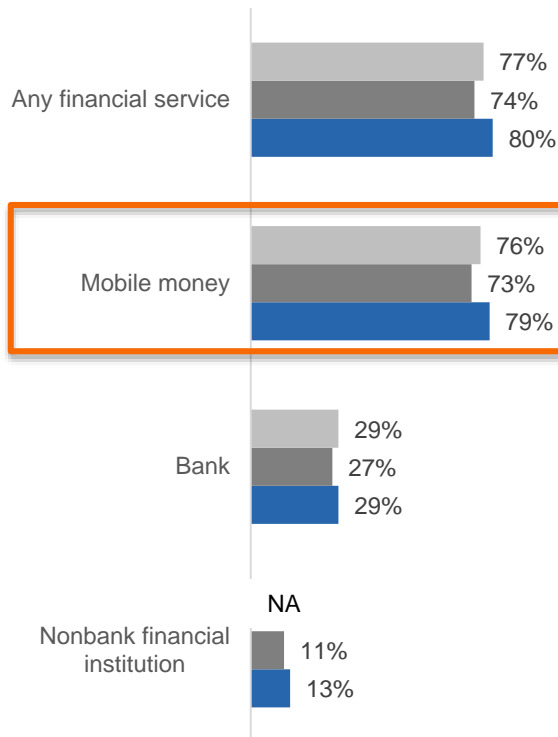
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FINANCIAL SERVICES USE

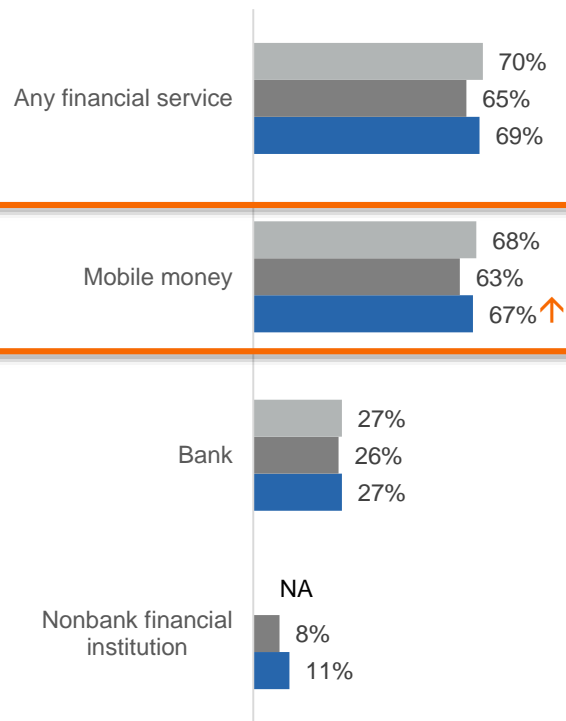
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Kenya at-a-glance: Account access and use is more in line with 2013 after a brief decline in 2014; mobile money drives the market

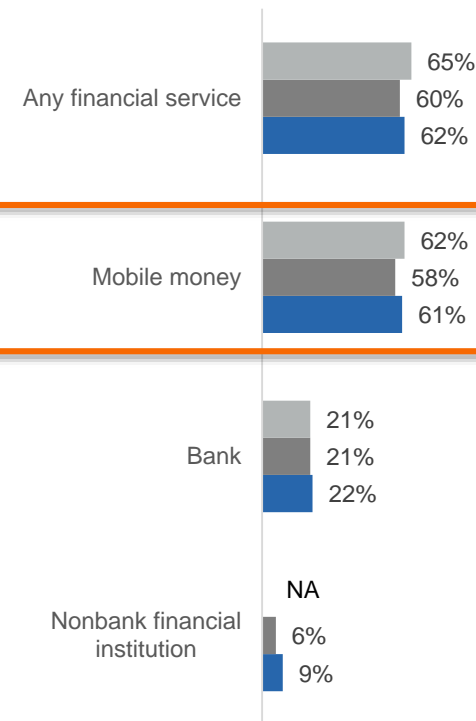
Financial account access



Registered financial service users (Shown: Percentage of Kenyan adults for each year)



Active* financial service users



■ 2013 (N=3,000) ■ 2014 (N=2,995) ■ 2015 (N=2,994)

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

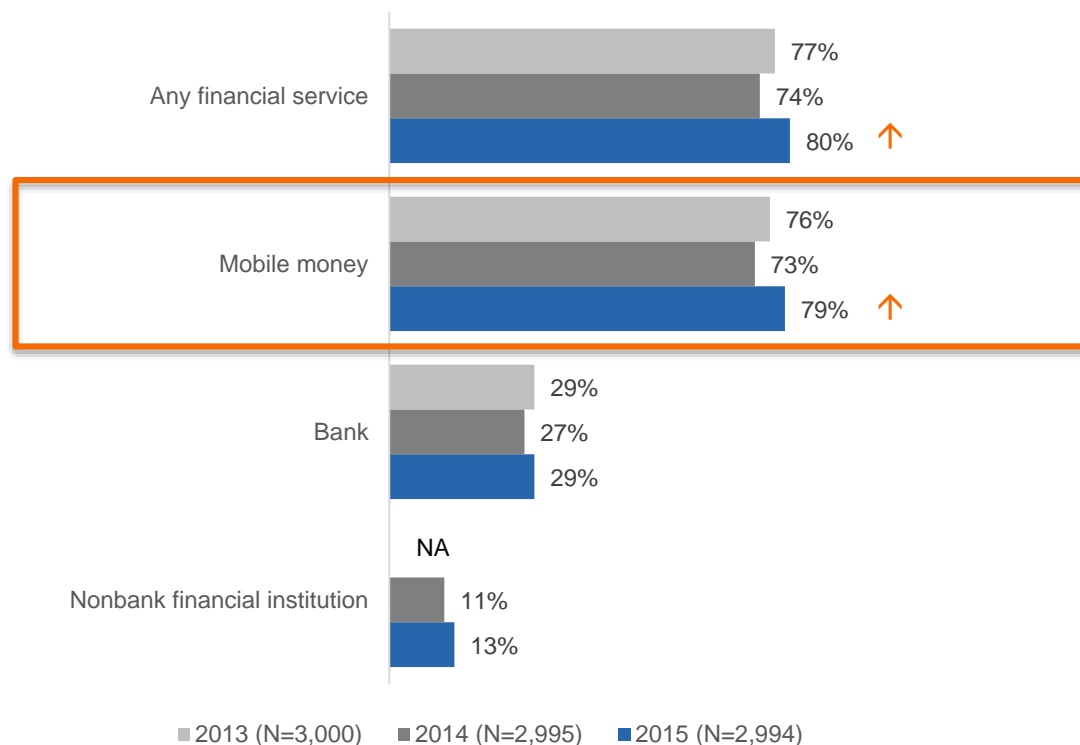
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

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

Access to financial services

(Shown: Percentage of Kenyan adults for each year)



Types of accounts are not mutually exclusive.

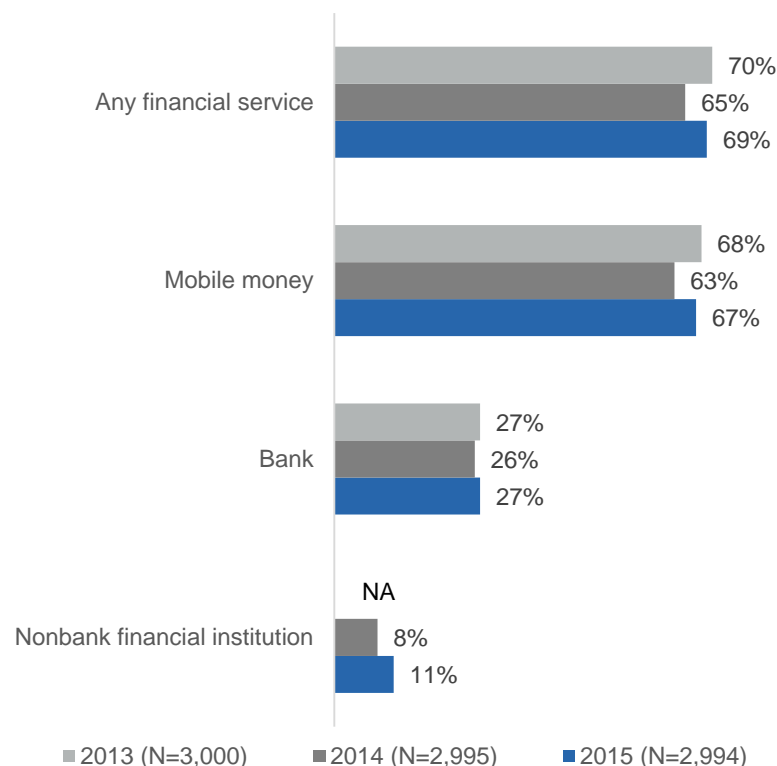
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

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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.

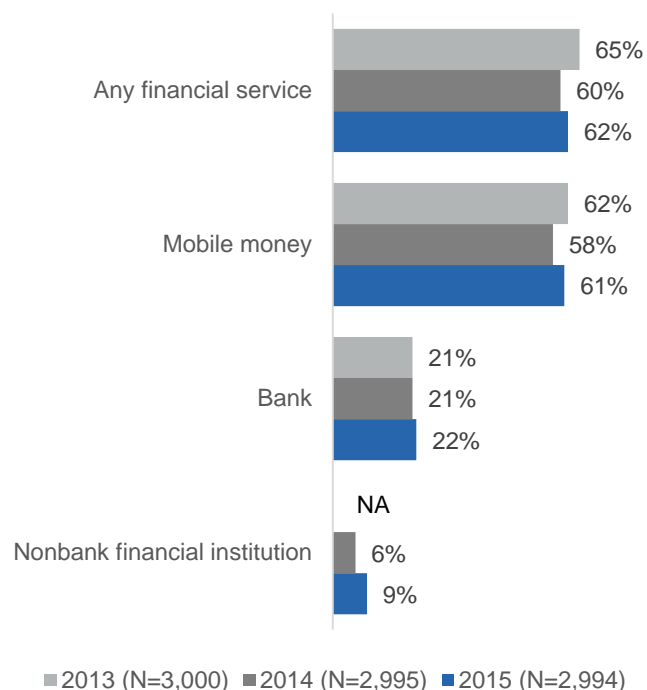
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

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

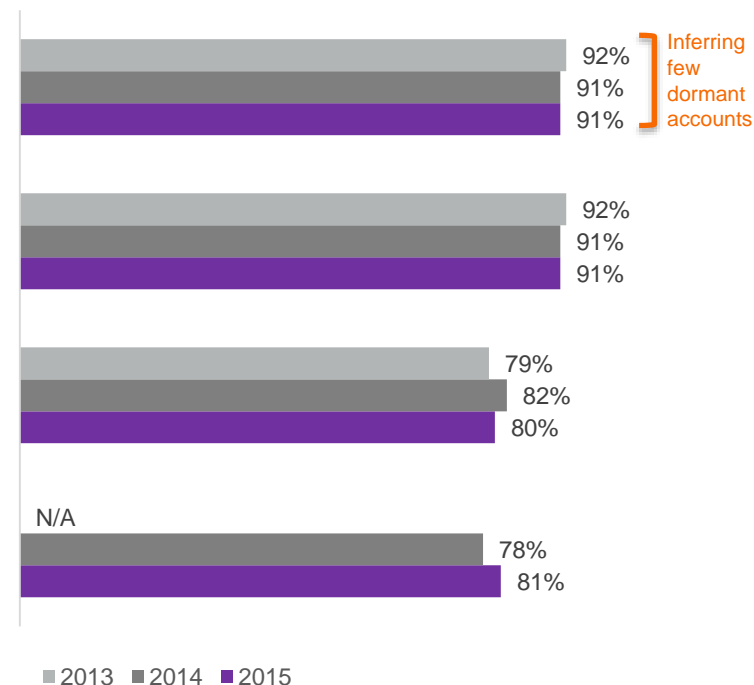
Active financial account holders

(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.

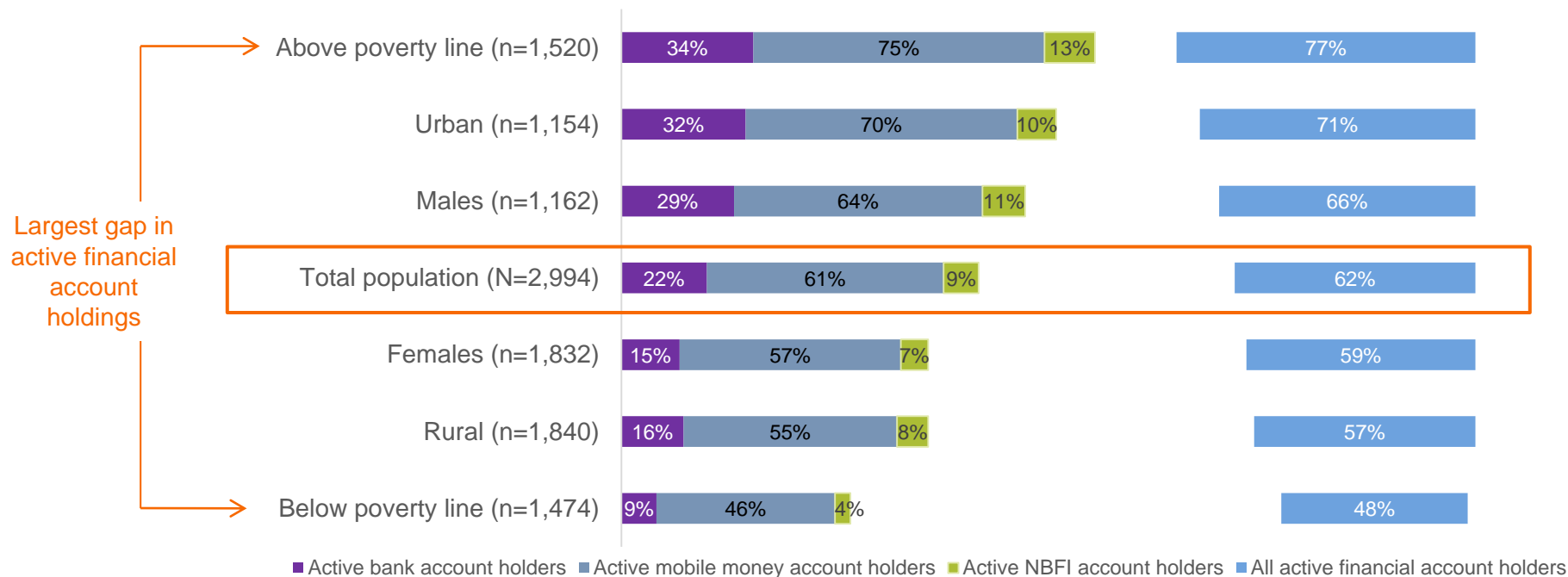
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

KENYA

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.

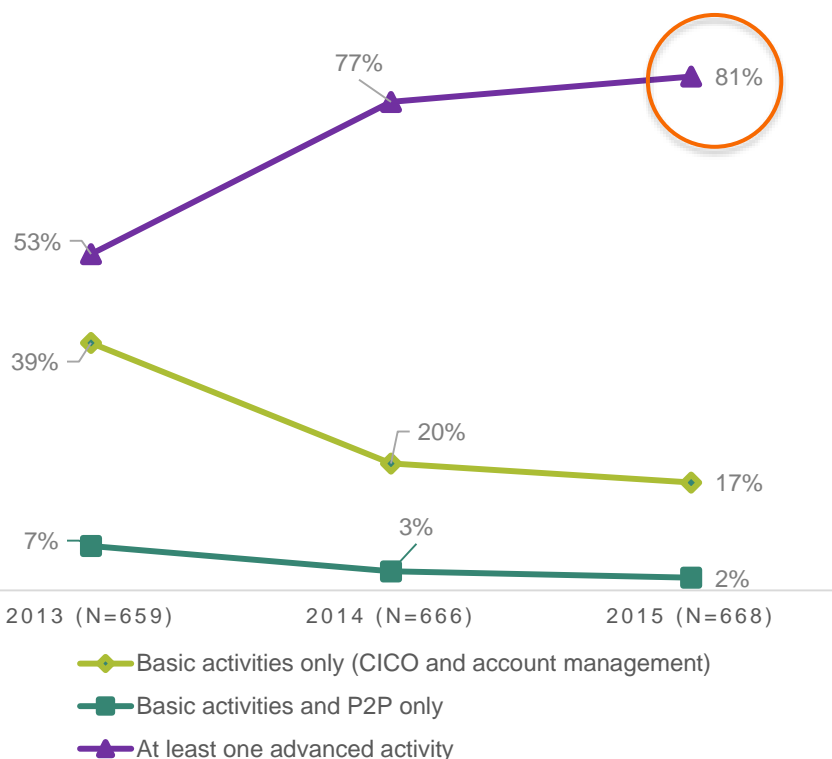
Source: InterMedia Kenya FII Tracker survey Wave 3 (N=2,994, 15+), September 2015.

KENYA

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

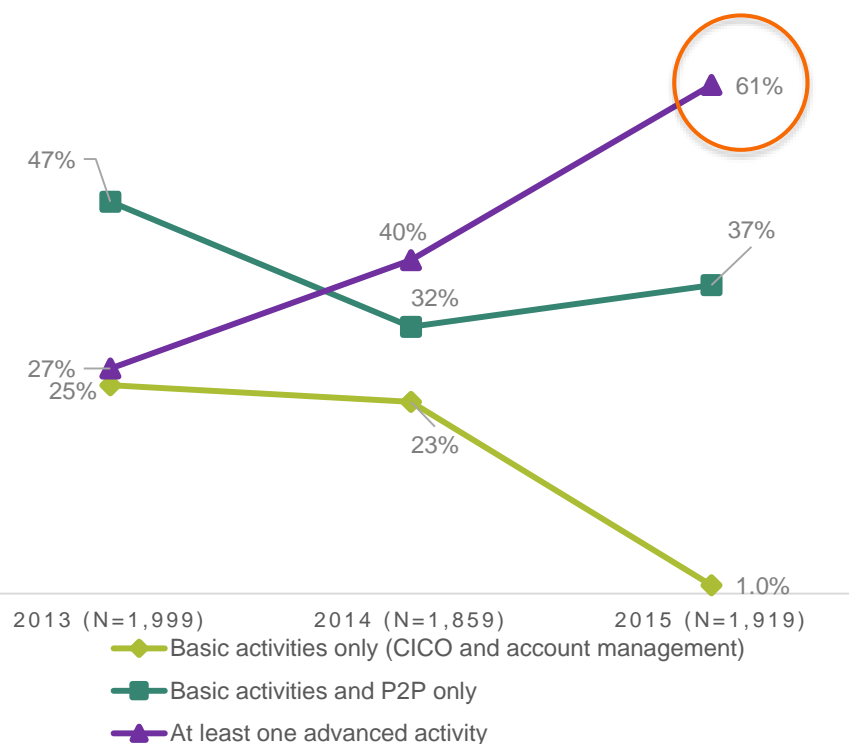
Bank uses, by type

(Shown: Percentage of active bank account holders)



Mobile money uses, by type

(Shown: Percentage of active mobile money account holders)

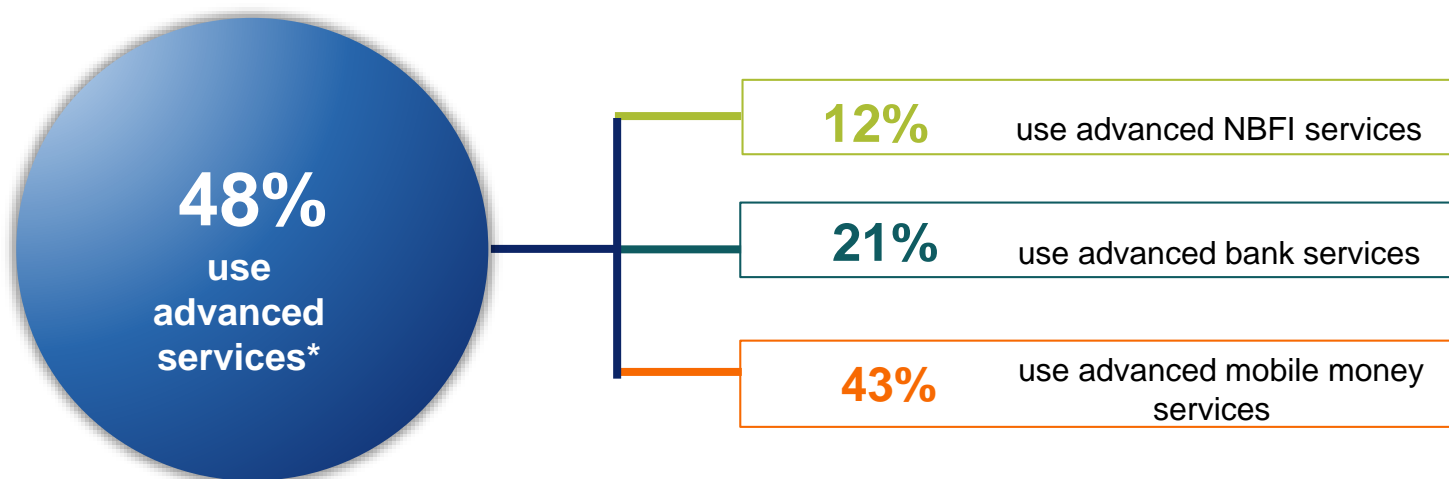


Due to the changes in the questionnaire some data points may not be directly comparable across years. Obtaining airtime through mobile money is no longer considered an advanced activity.

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.

KENYA

Use of advanced services stands at 48 percent, driven by mobile money; advanced mobile money use is at 43 percent



*Overlap representing those who use multiple advanced financial services is not shown.

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

KENYA

Advanced financial services use is higher for males than females, and increases with higher education levels and reduced poverty levels

Demographic characteristics of advanced users of mobile money, banks and NBFIs

(Shown: Percentage of each subgroup)



MM advanced services users
(n=1,315)



Bank advanced services users (n=651)



NBFI advanced services users (n=402)

	MM advanced services users (n=1,315)	Bank advanced services users (n=651)	NBFI advanced services users (n=402)
Males	56	65	60
Younger than 35 years old	59	49	38
Rural	54	48	61
Below the poverty line	33	24	25
At least secondary education	61	71	67

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

KENYA

Almost all advanced users are literate, numerate, have mobile phone skills and access to mobile technology

Advanced users of mobile money, banks and NBFIs, by technical skills and equipment ownership

(Shown: Percentage of each subgroup)

The majority of advanced users own phones, are able to send and receive text messages, and have high literacy levels. These traits are fundamental to advanced DFS use.



MM advanced services users
(n=1,315)



Bank advanced services users (n=651)



NBFI advanced services users (n=402)

Own a phone	95%	96%	94%
Own a SIM card	97%	97%	96%
Ever sent/received an SMS	90%	93%	89%
Basic literacy	92%	95%	93%
Basic numeracy	99%	100%	99%

KENYA

Mobile money advanced services users lag behind bank and NBFIs users of these services

Financial services for advanced users of mobile money, banks and NBFIs

(Shown: Percentage of each subgroup)



MM advanced services users
(n=1,315)



Bank advanced services users
(n=651)



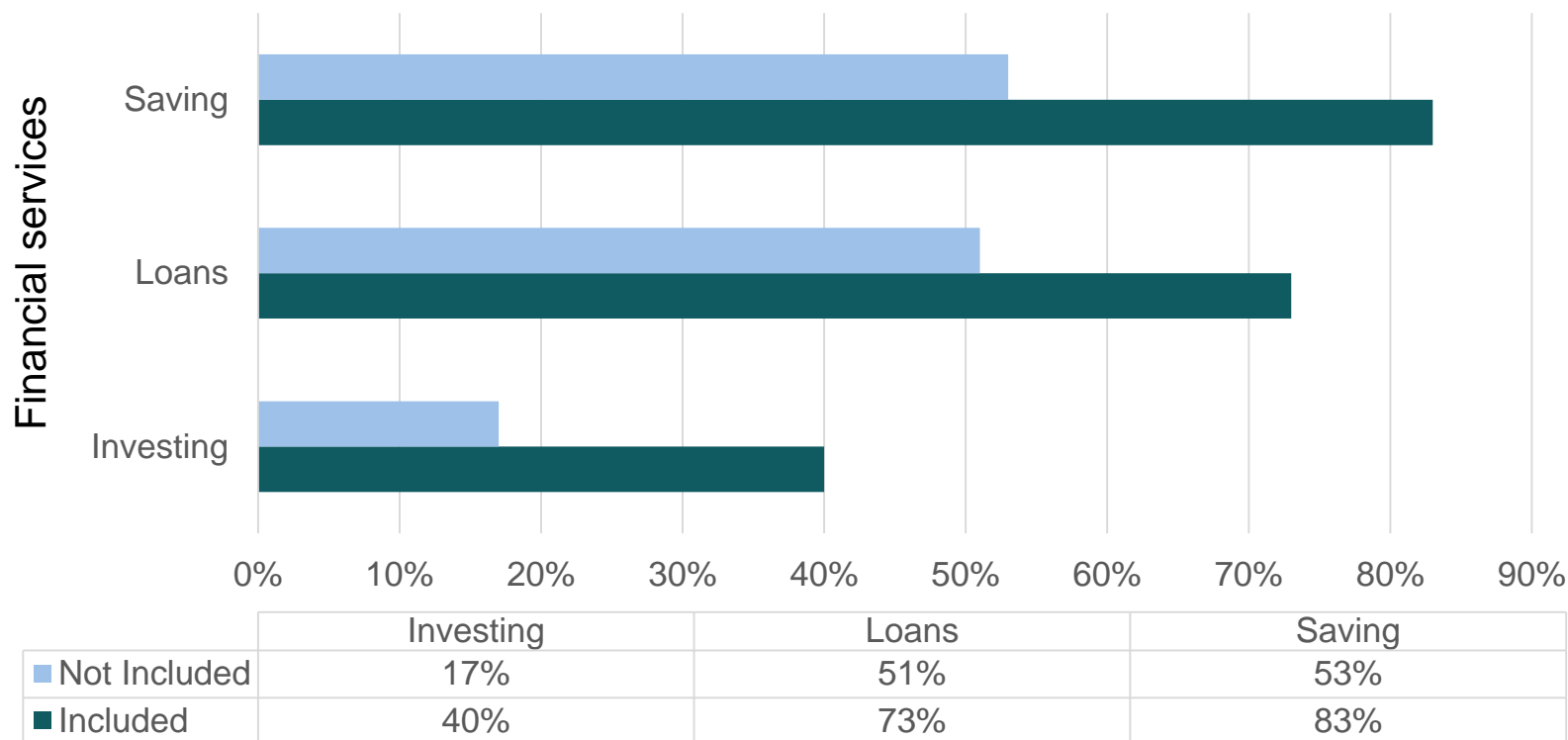
NBFIs advanced services users
(n=402)

More bank and NBFIs advanced users save, borrow, invest, and purchase insurance than do advanced mobile money (MM) users.

	MM advanced services users (n=1,315)	Bank advanced services users (n=651)	NBFIs advanced services users (n=402)
Save	91%	96%	97%
Have a loan	80%	85%	91%
Invest	44%	50%	57%
Have insurance	40%	61%	64%

KENYA

Financially included adults use more financial services than those who are excluded



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

KENYA

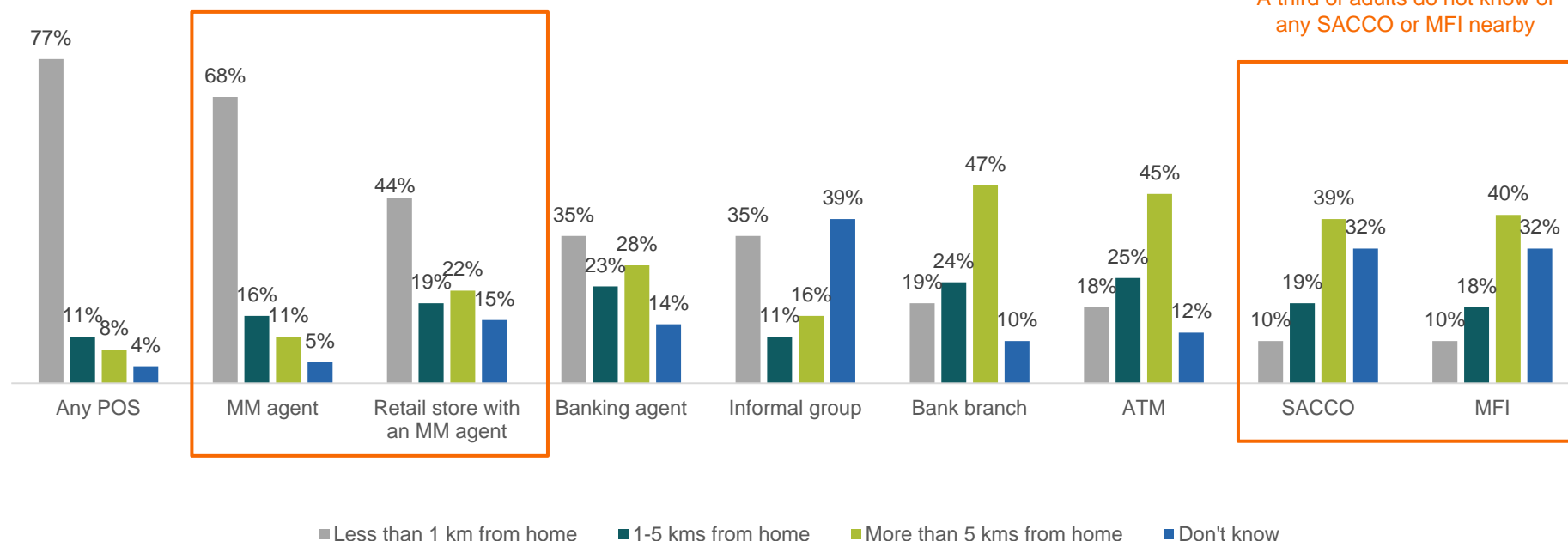
Seven in 10 consumers know of a mobile money (MM) agent within 1 km of where they live; nonbank financial institution points-of-service are farther away

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

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

69% of adults know of an MM agent within 1 km of their homes, 42% know of 2+ agents

A third of adults do not know of any SACCO or MFI nearby



KENYA

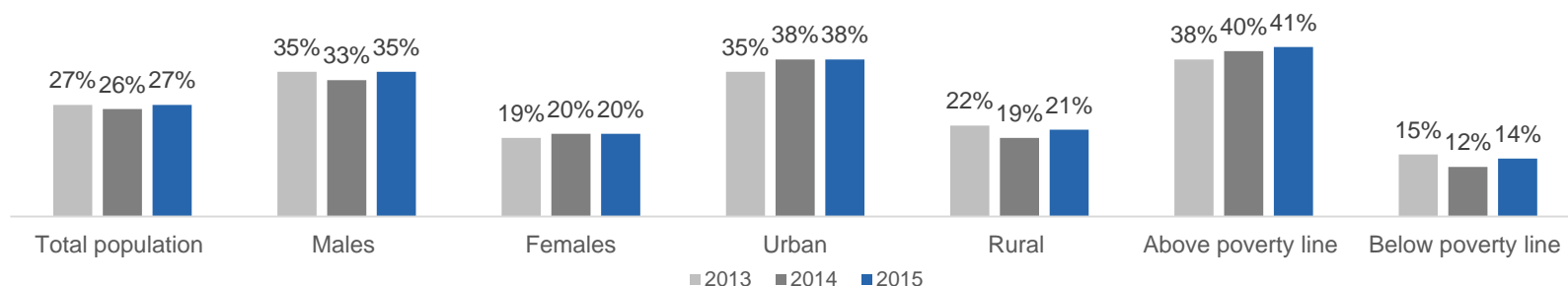
BANKS

KENYA

Close to three in 10 now have a registered bank account, including more men, rural and lower income Kenyans than previous years

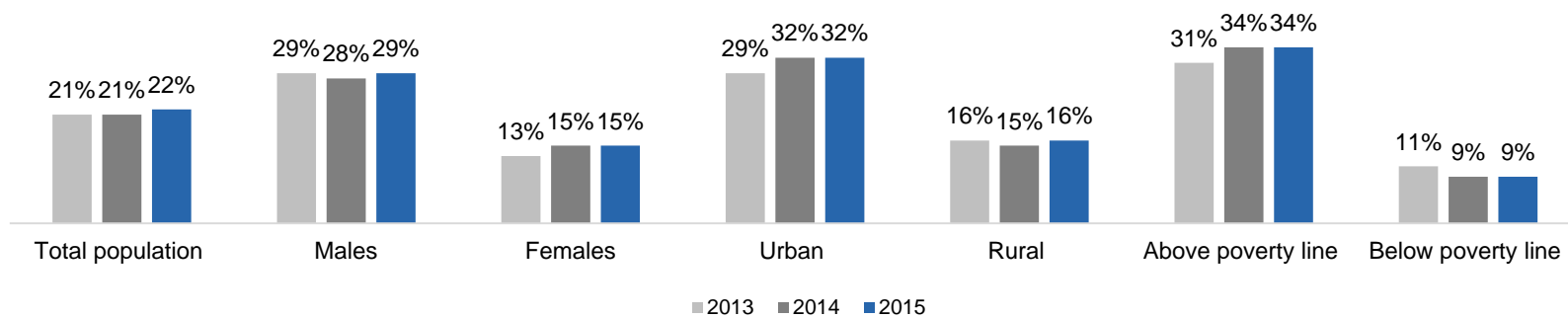
Demographic trends for **all** registered bank account users

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



Demographic trends for **active** registered bank account users

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



*Categories are not mutually exclusive.

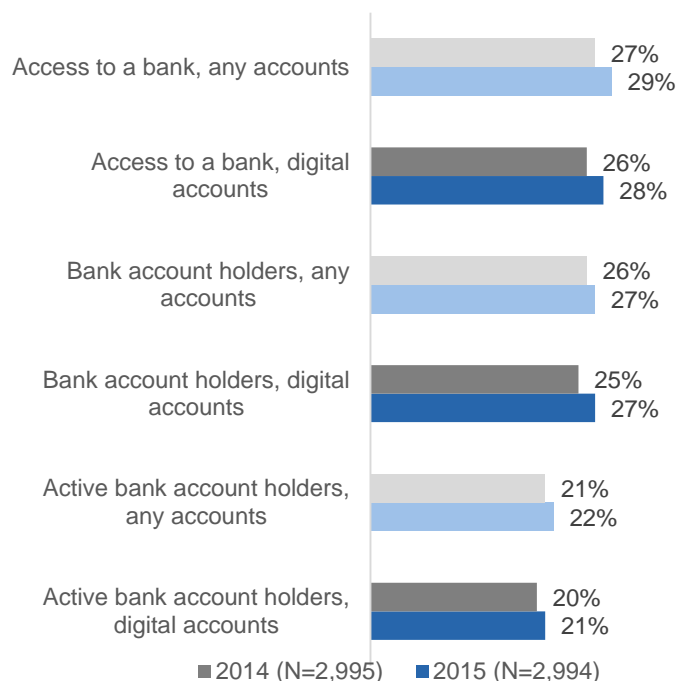
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October, 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

KENYA

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

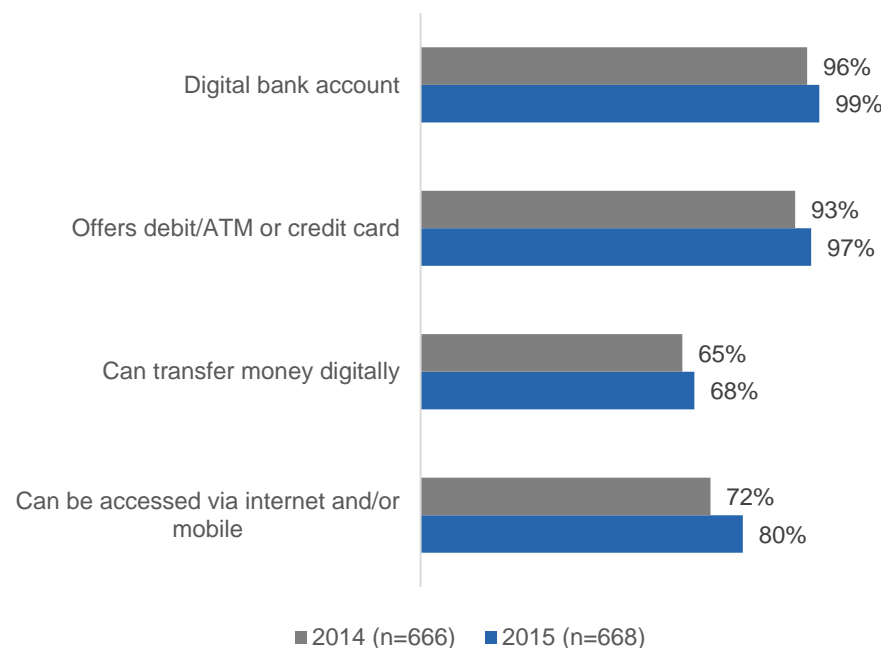
Digital bank account access and usage

(Shown: Percentage of Kenyan adults)



Digital access among active bank account holders

(Shown: Percentage of active bank account holders)



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.

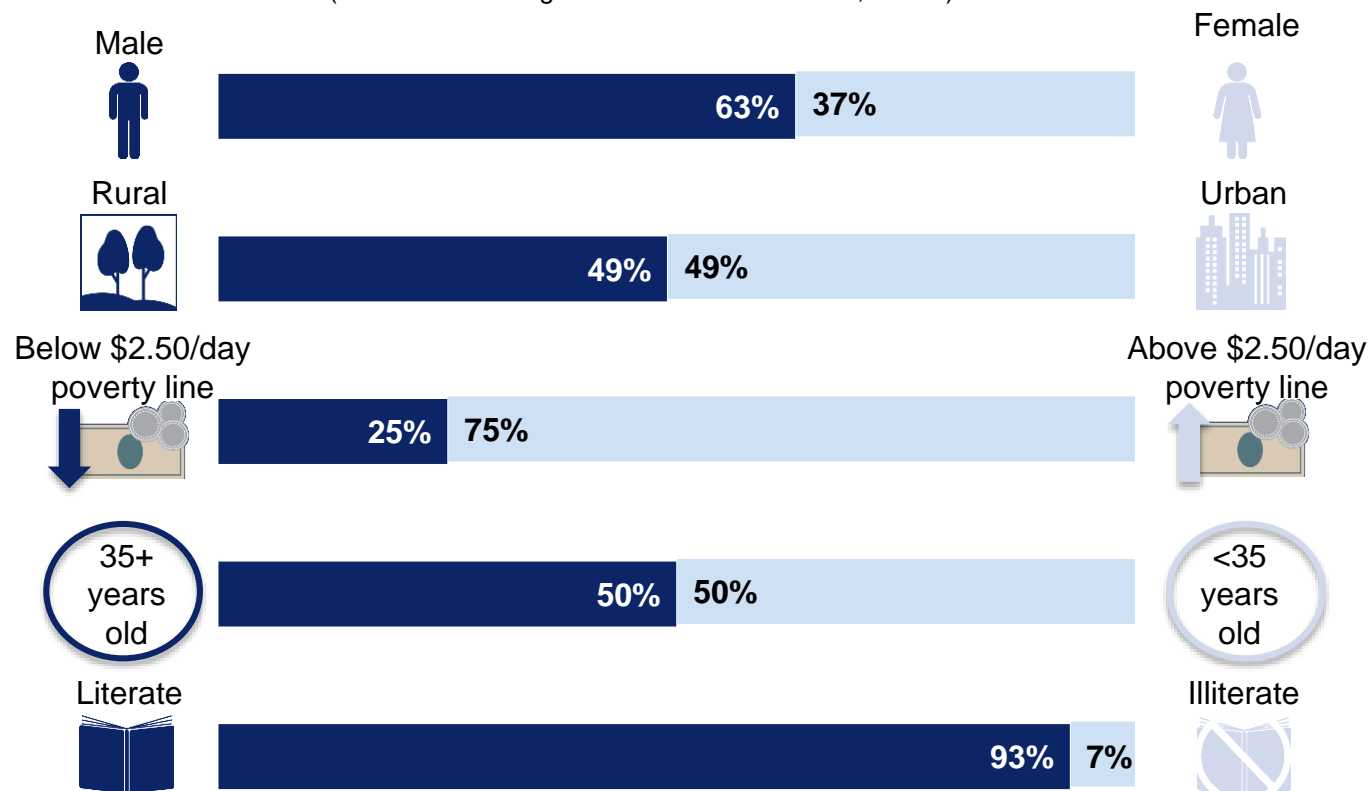
Source: InterMedia Kenya FII Tracker surveys Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

KENYA

Bank account holders are primarily male, literate and living on more than \$2.50 a day

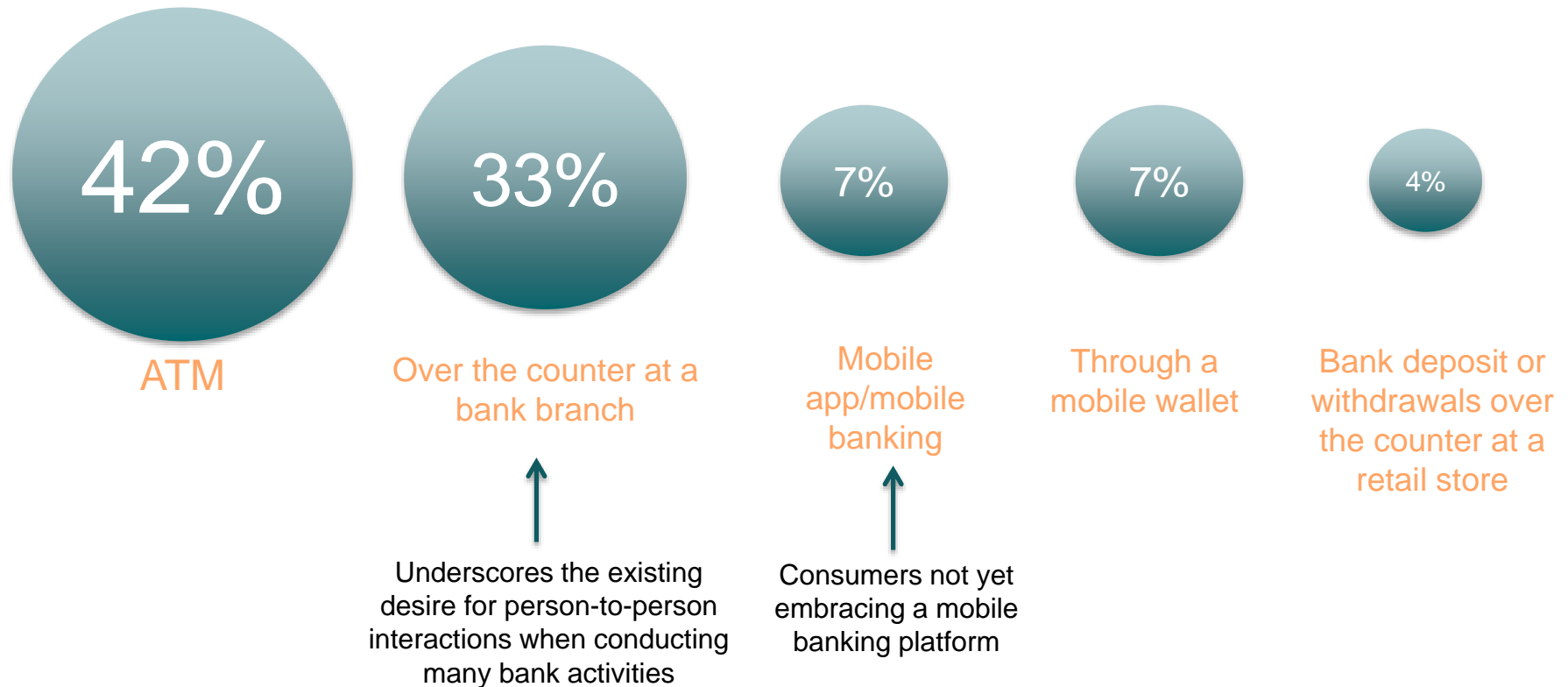
2015: Profile of bank account holders

(Shown: Percentage of bank account holders, n=840)



KENYA

To access their finances, bank account holders prefer ATMs and over-the-counter use at a bank by more than four to one over mobile apps, wallet



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

KENYA

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

81%

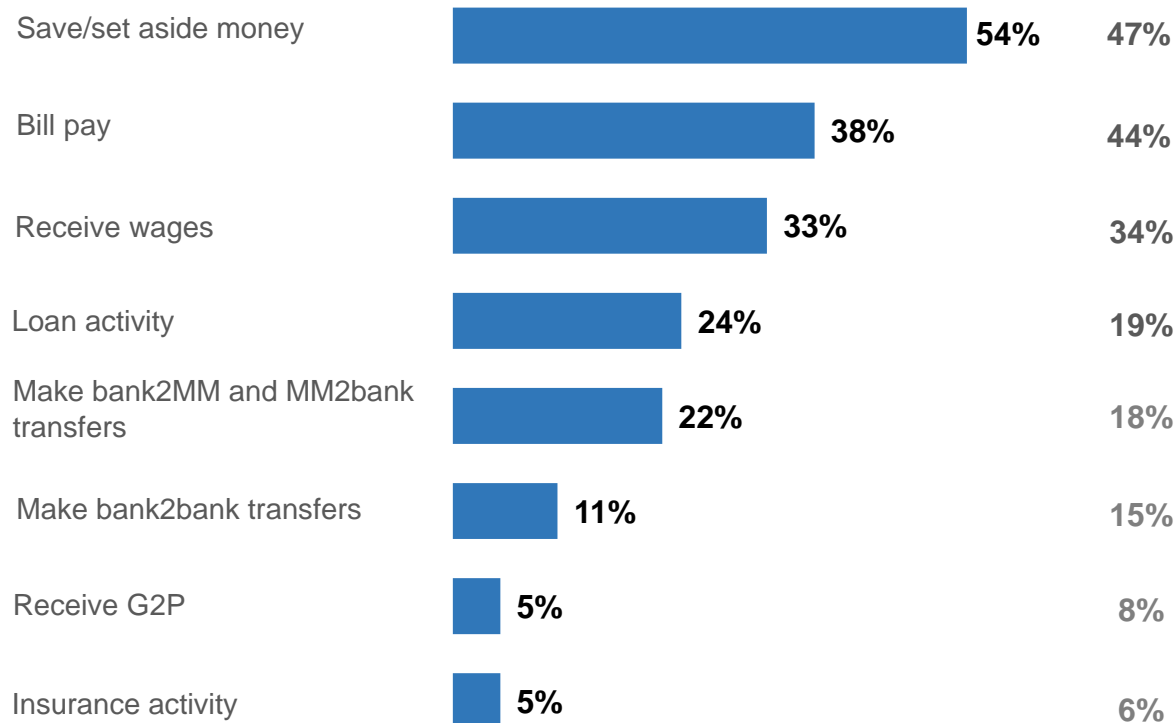
of active bank account holders have used at least one advanced banking feature

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

2015: Advanced bank account uses

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

2014
(n=666)



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

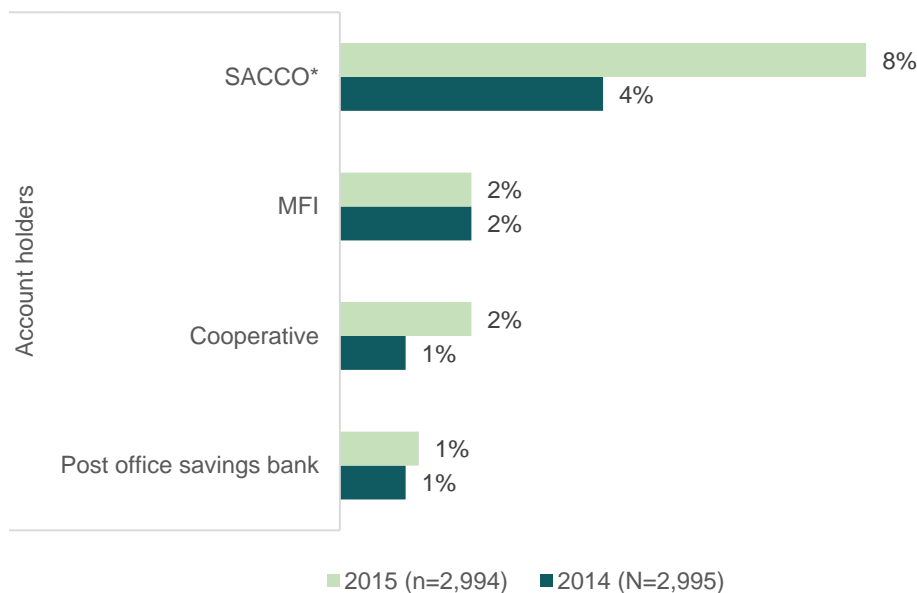
NONBANK FINANCIAL INSTITUTIONS (NBFIs)

KENYA

SACCO is the more commonly used nonbank financial institution (NBFI); close to one in every 10 adults has a SACCO account

Financial institution registration and use, by year

(Percentage of NBFI account holders among the total population for each year)



2015: NBFI use

(Percentage of NBFI account holders among the total population, N=2,994)

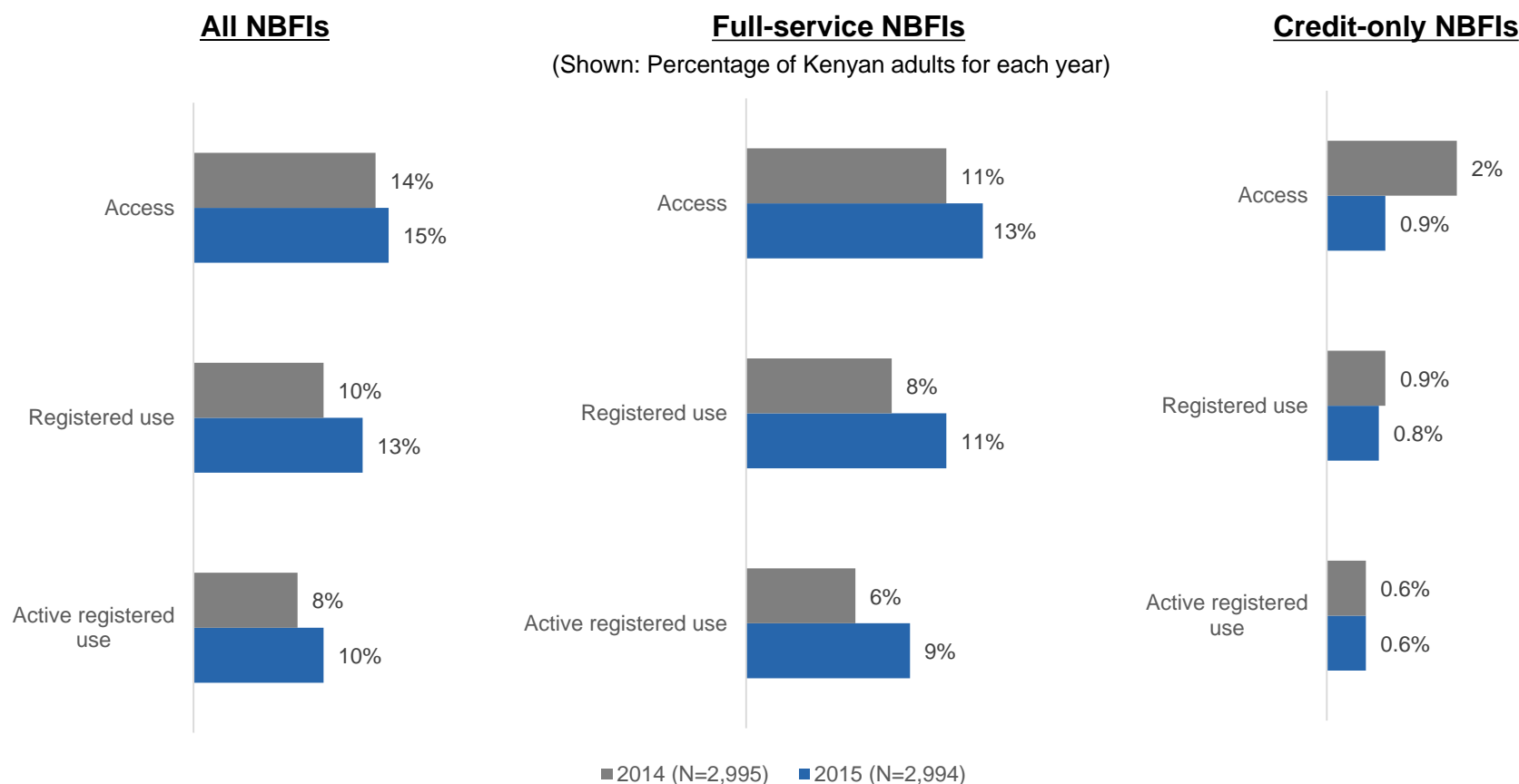
	Ever used	Active use
SACCO	8%	6%
MFI	3%	2%
Cooperative	2%	1%
Post office savings bank	2%	0.5%

*Savings and credit cooperative organization

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



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

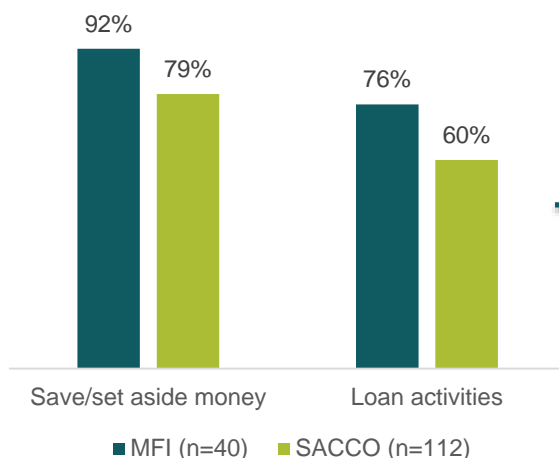
KENYA

NBFIs continue to serve as secondary savings products for consumers who are not accessing formal institutions

Use of nonbank financial institution (NBFI) accounts*

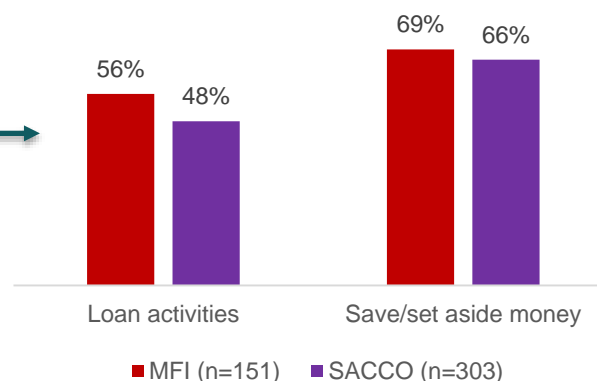
(Shown: Percentage of account holders for each institution)

2014



Decline in the use of MFIs and SACCOs for loan activities is due to more appealing alternative credit products

2015



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

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

KENYA

NBFIs serve more of the vulnerable population than do banks

2015: Dynamics of bank account holders, who use banks exclusively

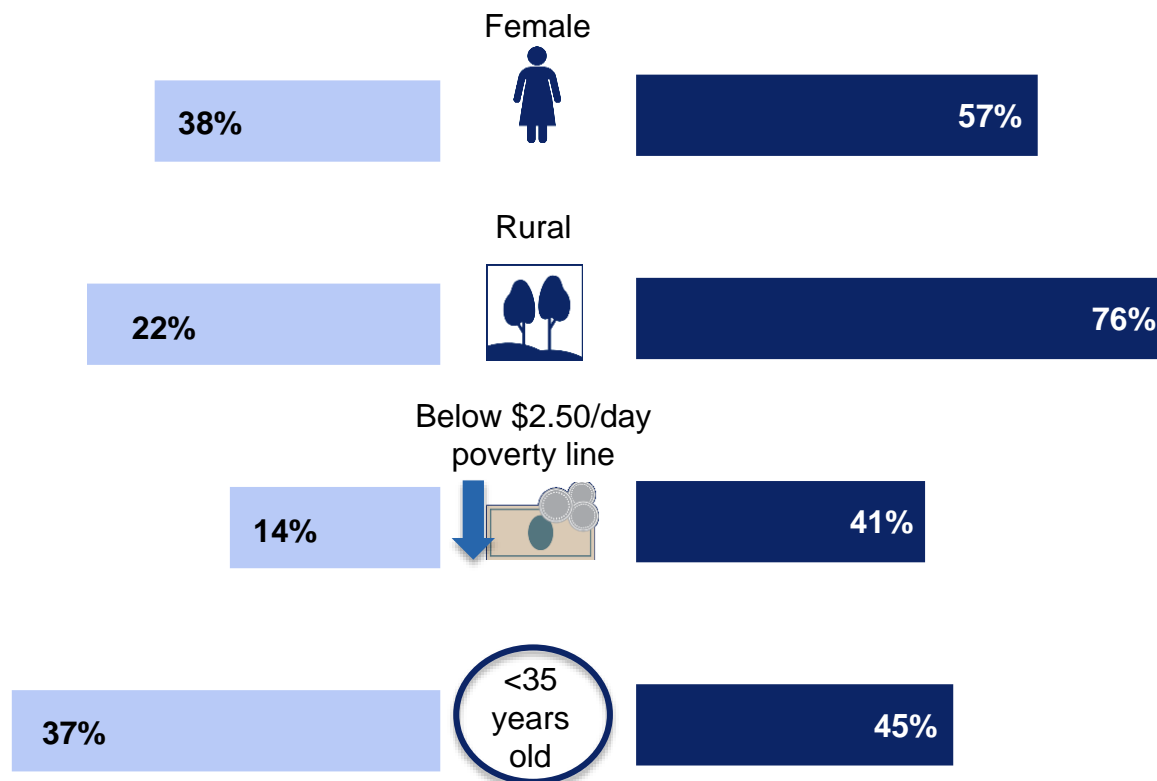
(Shown: Percentage of bank account holders who do not use NBFIs, n= 834)

2015: Dynamics of NBFI account holders, who use NBFIs exclusively

(Shown: Percentage of NBFI account holders who do not use banks, n=89)

BANK ONLY

NBFI ONLY



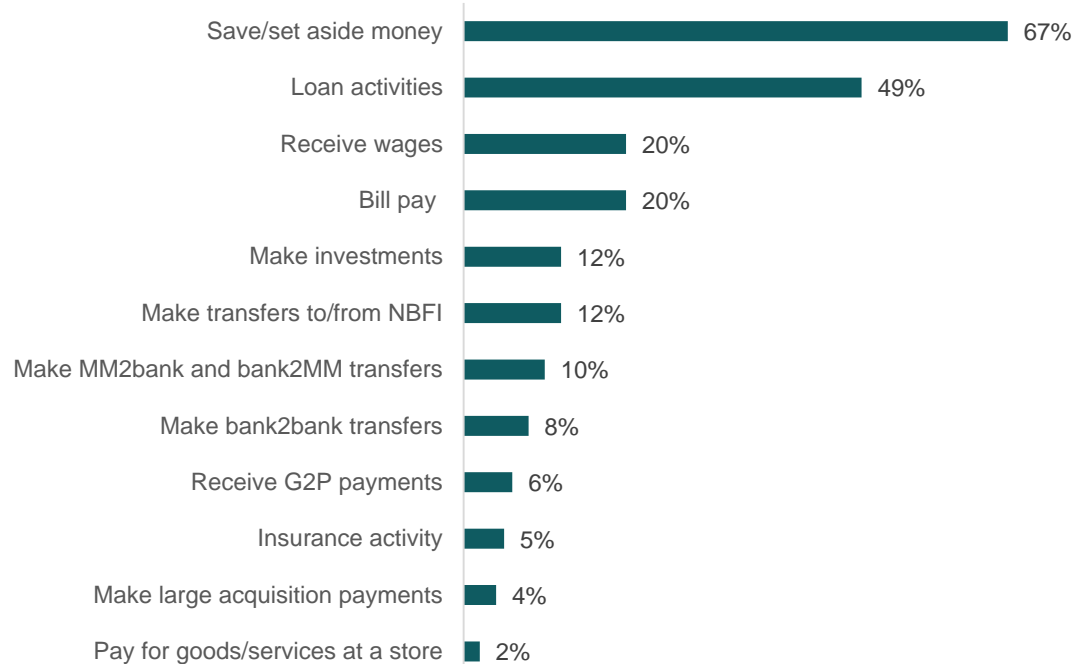
KENYA

Nonbank financial institution account holders use their accounts mostly for saving and loan activities

2015: Advanced nonbank account uses

(Shown: Percentage of active NBFI account holders, n=283)

89%
of active nonbank
account holders have
used at least one
advanced non-
banking feature



Question allowed for multiple responses.

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

KENYA

MOBILE MONEY

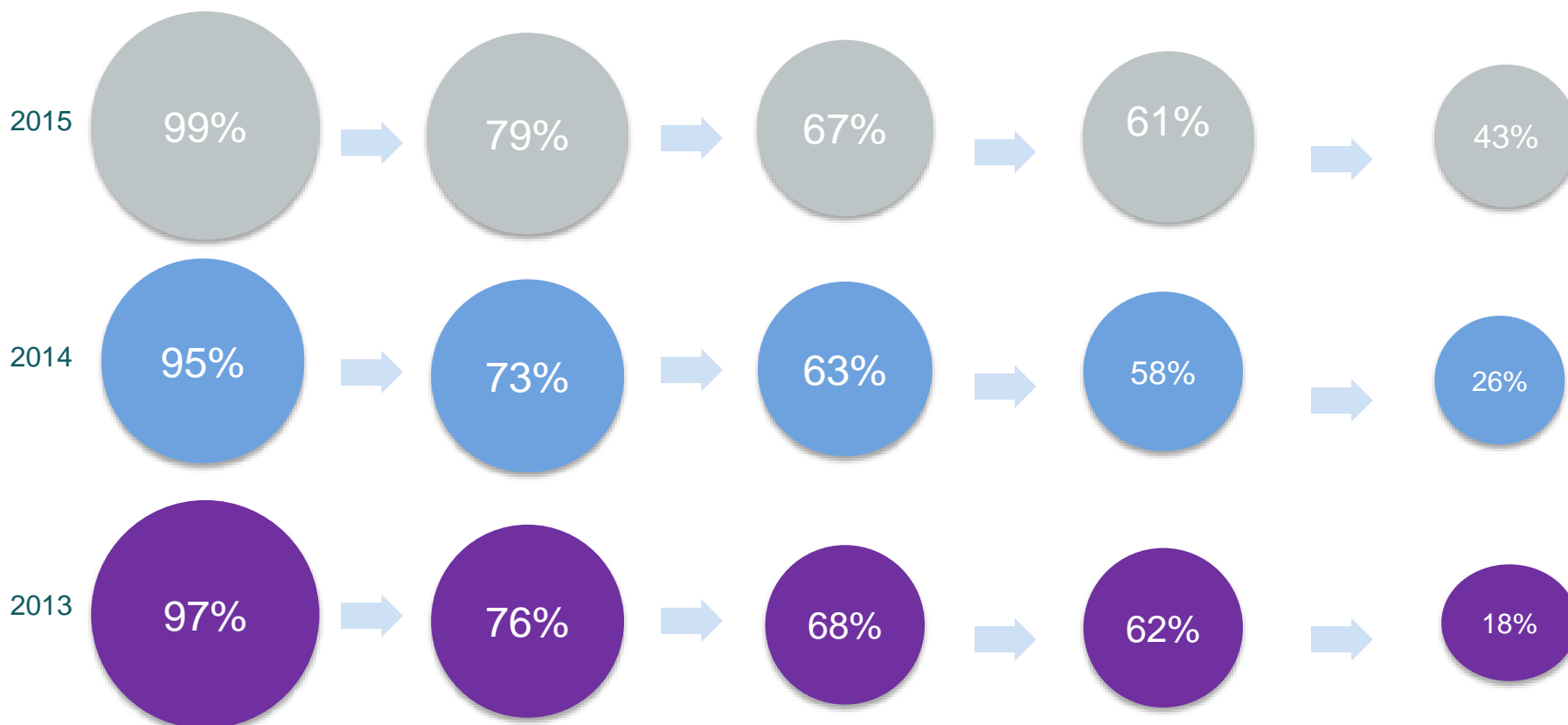
KENYA

Key measures: Mobile money provider awareness as well as usage showed an increase vs. 2014; advanced usage grew substantially

2013 to 2015: Progression from awareness of at least one mobile money (MM) provider to use

(Shown: Percentage of Kenyan adults for each year)

Aware of MM Provider	Use Mobile Money	Mobile Money Account Holder	Active Mobile Money Use	Advanced Mobile Money Use
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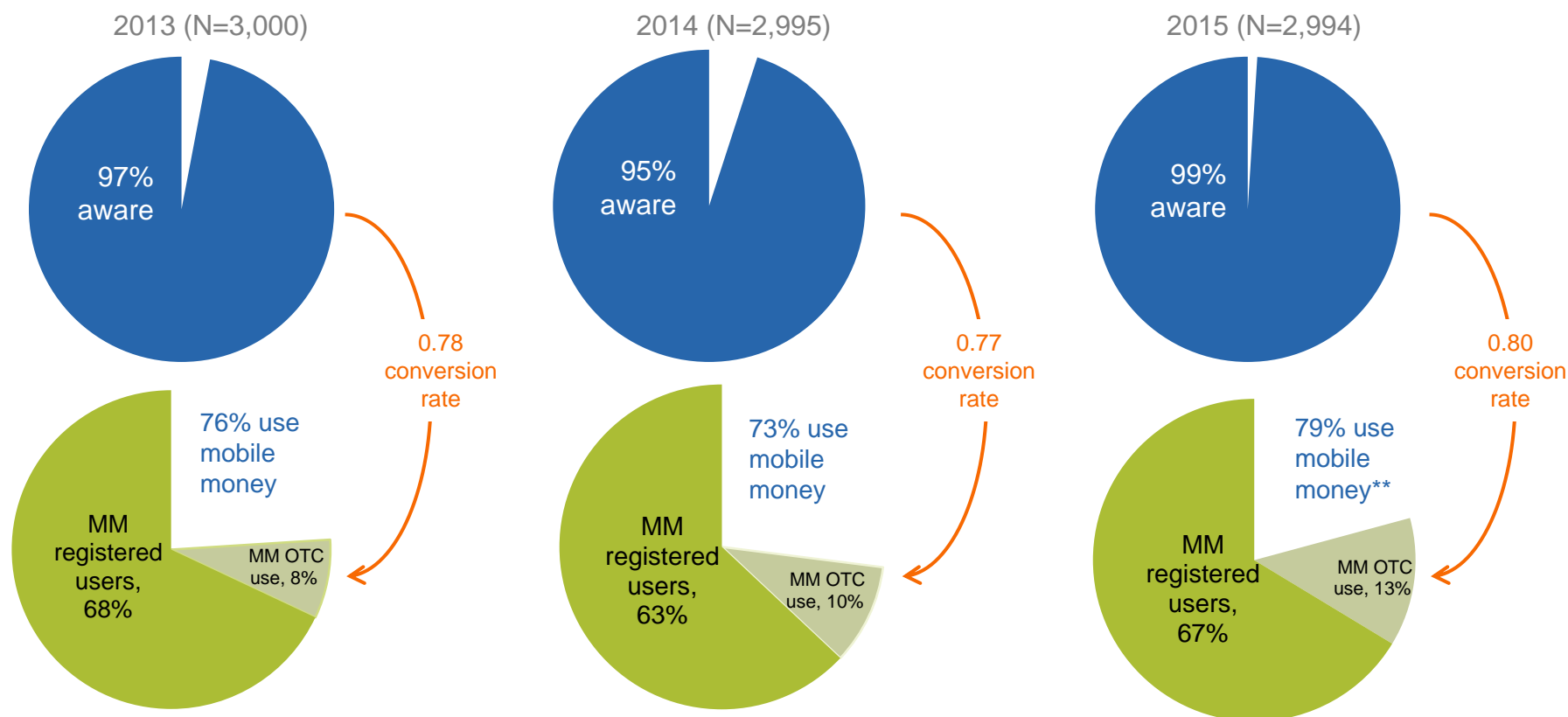
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October, 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015

KENYA

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.

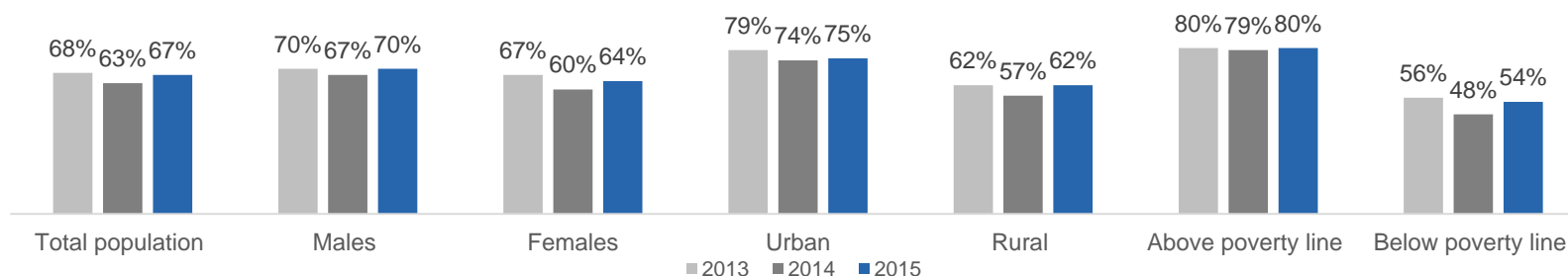
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October, 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

KENYA

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

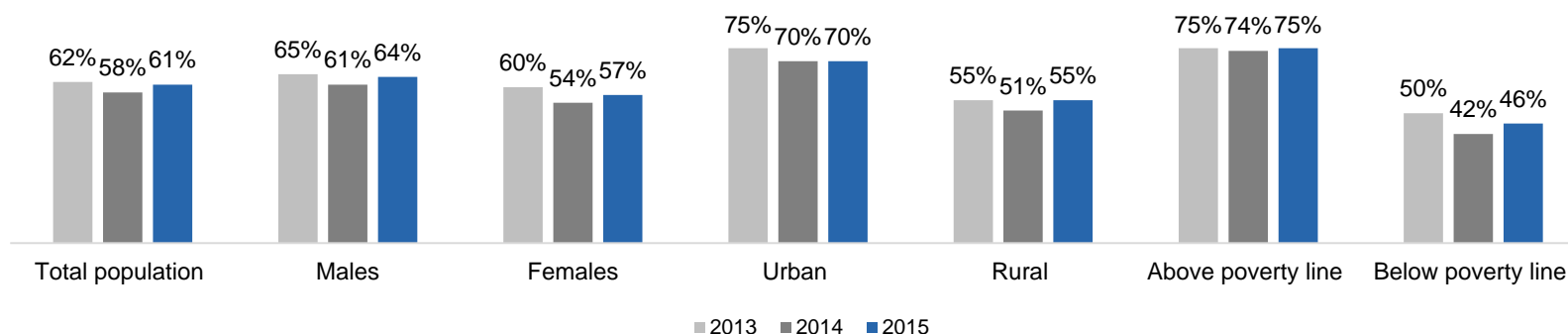
Demographic trends for **all** registered mobile money account use

(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

Advanced mobile money (MM) account uses

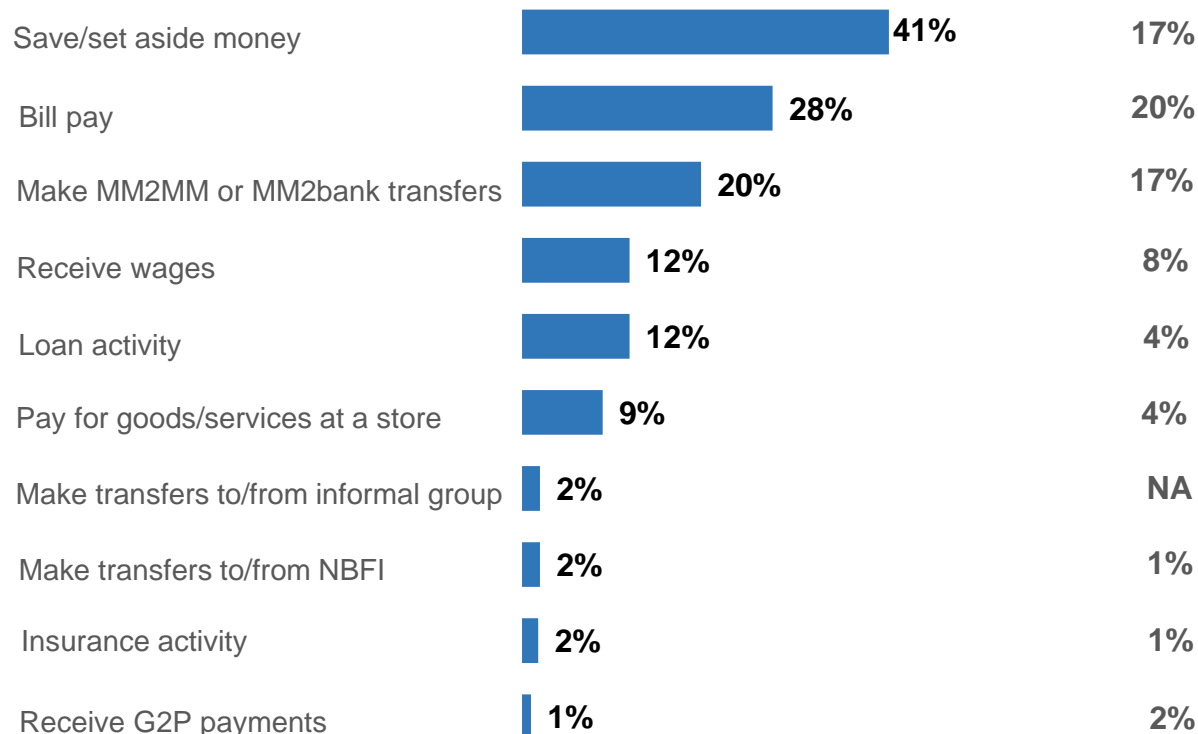
(Shown: Percentage of active mobile money account holders, n=1,919)

2014
(n=1,859)

61%

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

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



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

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

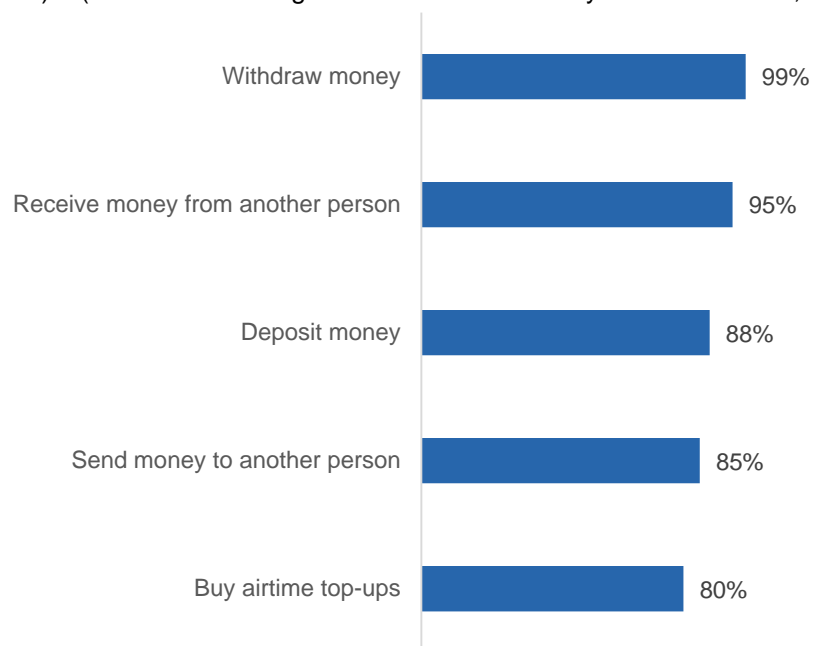
2015: Top reasons active account holders start to use mobile money

(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.

KENYA

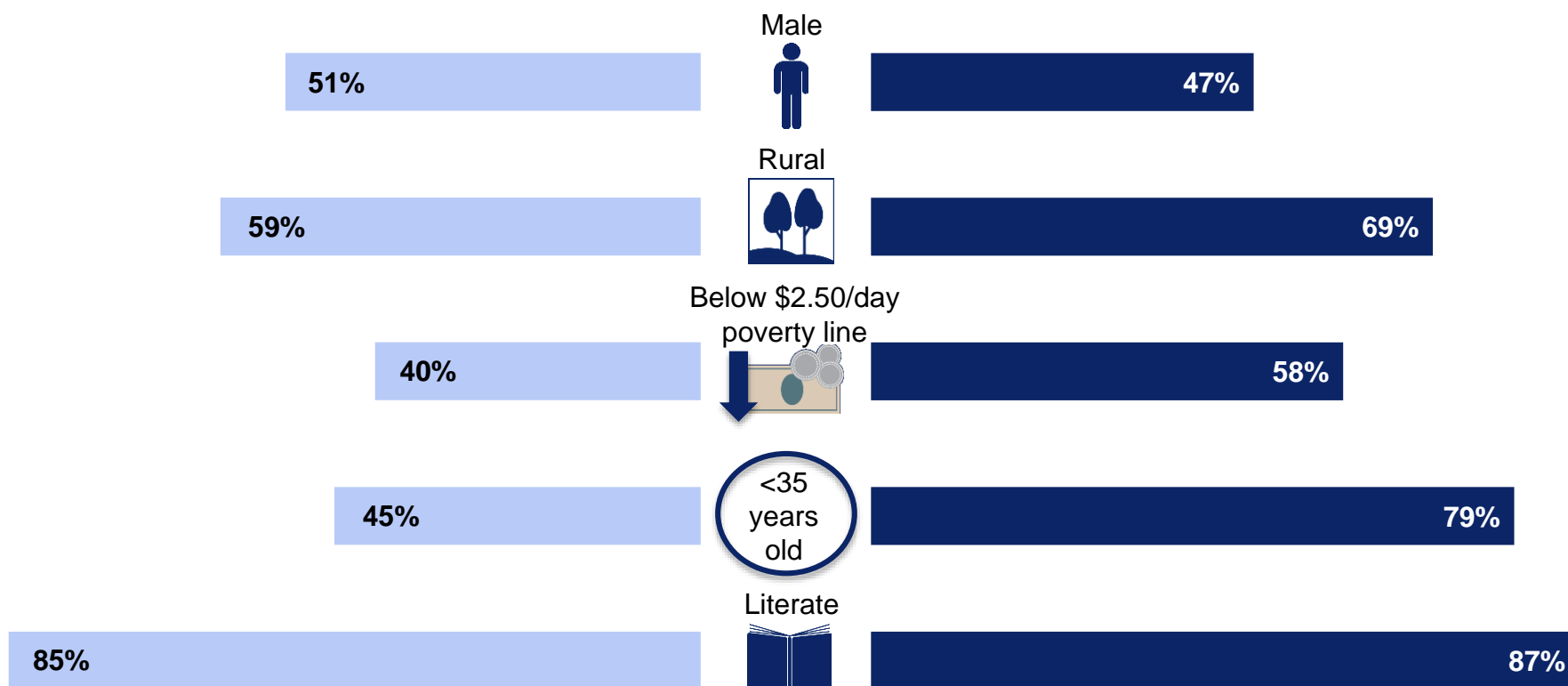
Unregistered mobile money users are more educated, younger and poorer than registered mobile money users

2015: Profile of registered mobile money users

(Shown: Percentage of registered mobile money users, n=2,116)

2015: Profile of unregistered mobile money users

(Shown: Percentage of unregistered mobile money users, n=336)

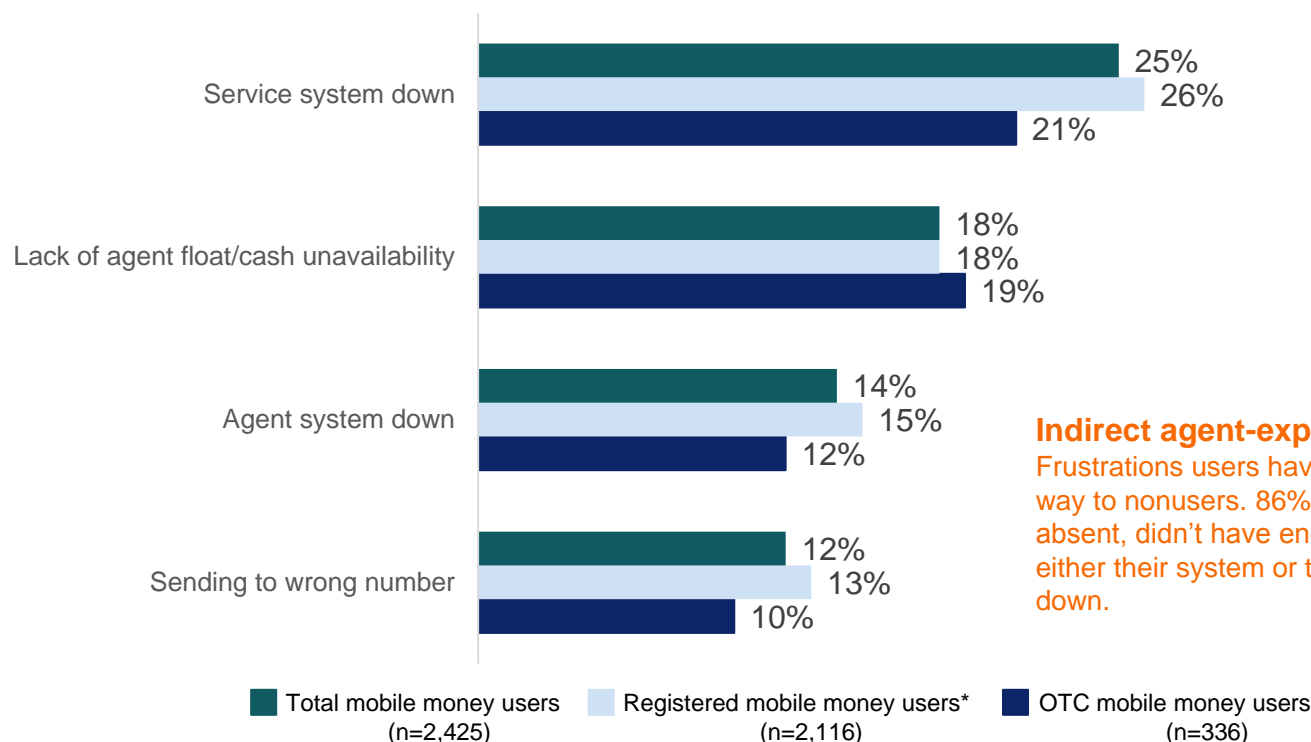


KENYA

System issues are the top problems for mobile money users, especially registered users

2015: Top challenges of mobile money users

(Shown: Percentage of mobile money users, by use type)



Indirect agent-experience influence:

Frustrations users have with agents may make their way to nonusers. 86% of users found agents were absent, didn't have enough cash or e-float, and either their system or the GSM/mobile network was down.

*24% still report the agent refused to provide service because the customer did not have an ID card with them; there are still people who request service without an ID.

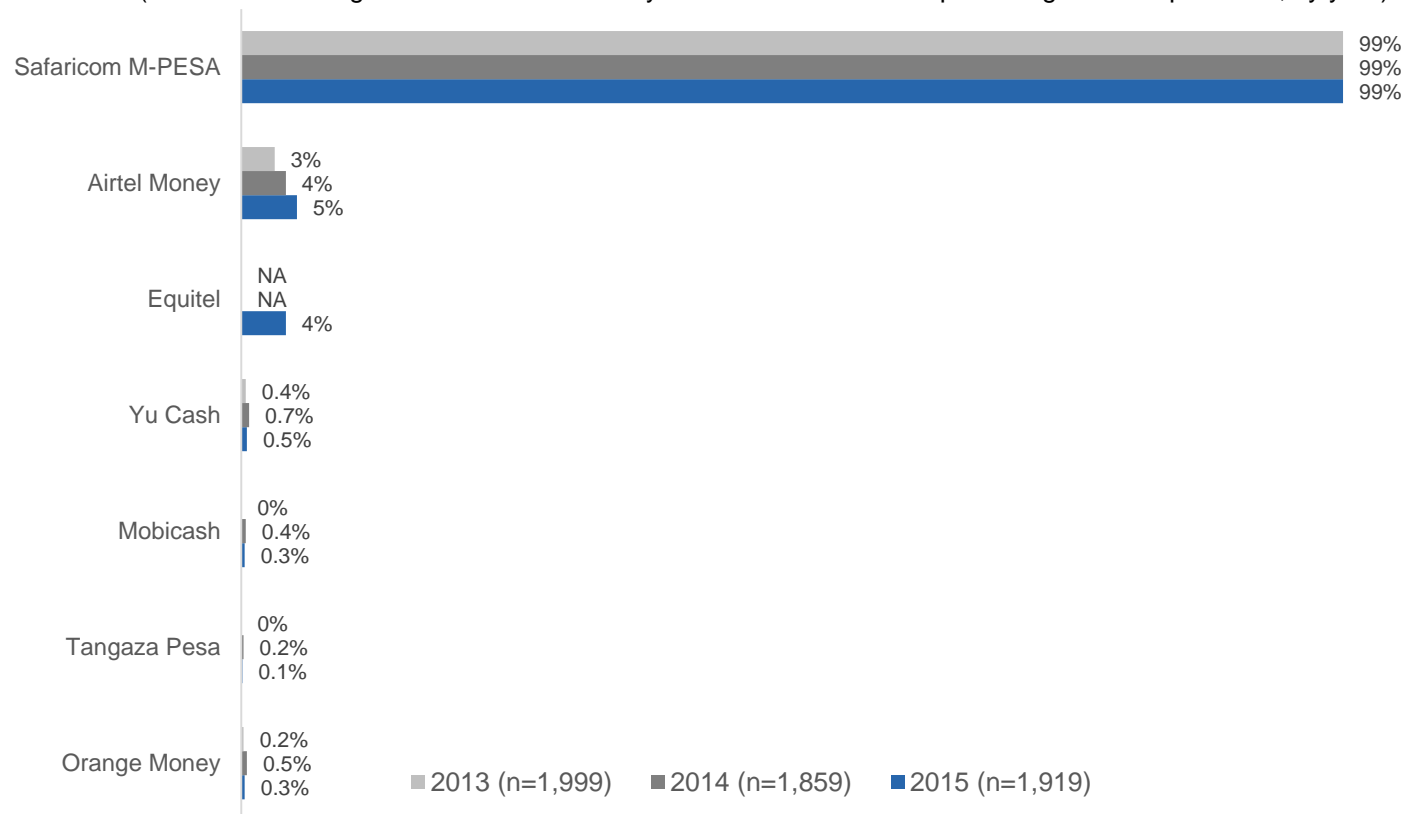
Source: InterMedia Kenya FII Tracker survey Wave 3 (N=2,994, 15+), September 2015.

KENYA

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

Active mobile-money provider account holdings

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



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

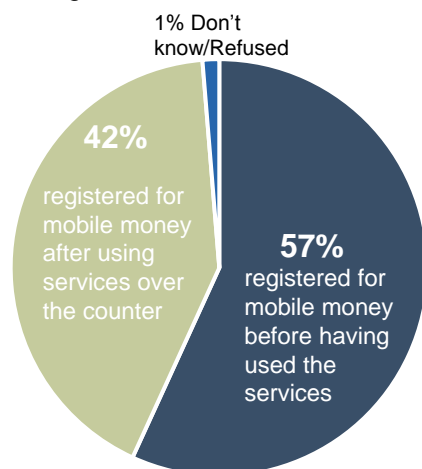
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

KENYA

Almost half of M-PESA and Airtel Money users did not register for an account with the provider until after they used the services OTC

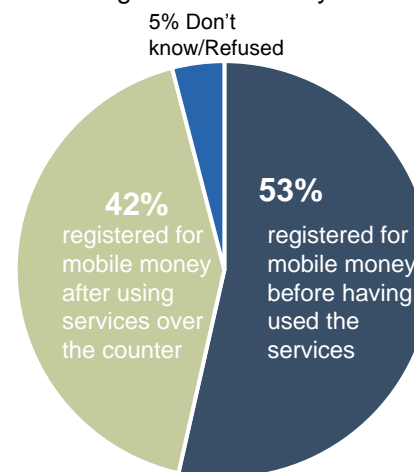
2015: M-PESA

(Shown: Percentage of M-PESA account holders, n=2,035)



2015: Airtel Money

(Shown: Percentage of Airtel Money account holders, n=95)



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

KENYA

M-PESA has greater agent-assisted/OTC usage than Airtel Money; many M-PESA customers access services through their own accounts

2015: Modes of account access, M-PESA vs. Airtel Money users

(Shown: Percentage of mobile money users, by account ownership)

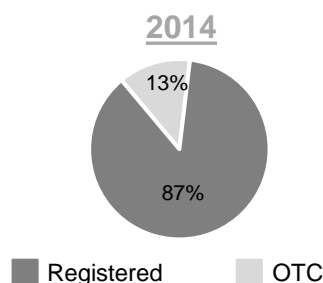
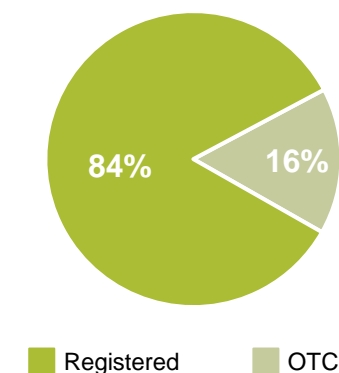
Means of access	M-PESA	Airtel Money
	Mobile money users (registered or OTC) (n=2,381)	Mobile money users (registered or OTC) (n=153)
Own account	61%	59%
OTC	45%	36%
Household account	8%	3%
Family/friend account	4%	4%

KENYA

Lack of ID and seeing no need to have an account, especially if someone in the family has an account, are the main reasons for OTC use

2015: Mobile money use: registered vs. OTC

(Shown: Percentage of mobile money users, n=2,425)



Top reason for not signing up for mobile money

(Shown: Percentage of OTC users, n=389)

Top reason for not signing up for mobile money	%
I don't have an ID or other requirements	45
Someone in the family already has an account	10
I don't see any advantages to registration	3
There are no service point agents close	3
I don't have money to make transactions	2

KENYA

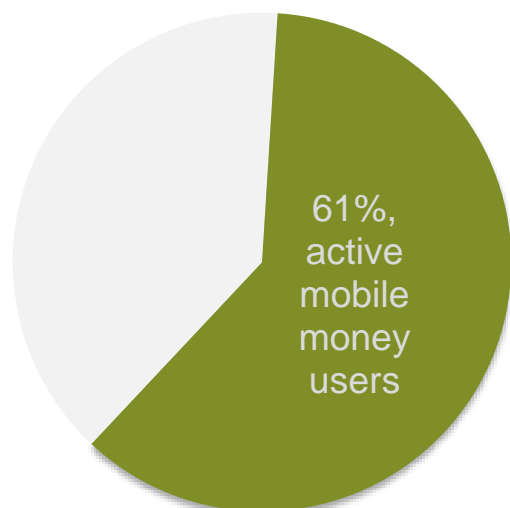
MOBILE MONEY: ACTIVE USERS

KENYA

Three in five Kenyans are “active users,” having used mobile money “in the last 90 days”; most live above the poverty line, in rural areas, and/or are employed

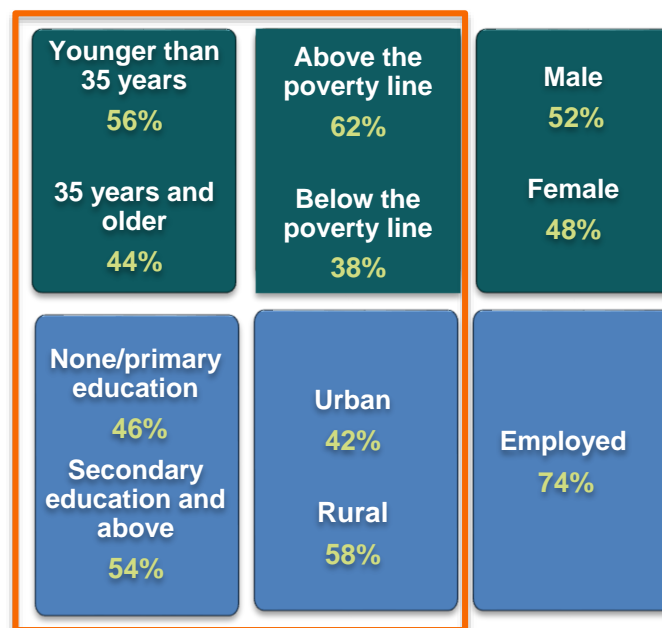
2015: Active mobile money users

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



2015: Profile of active mobile money users

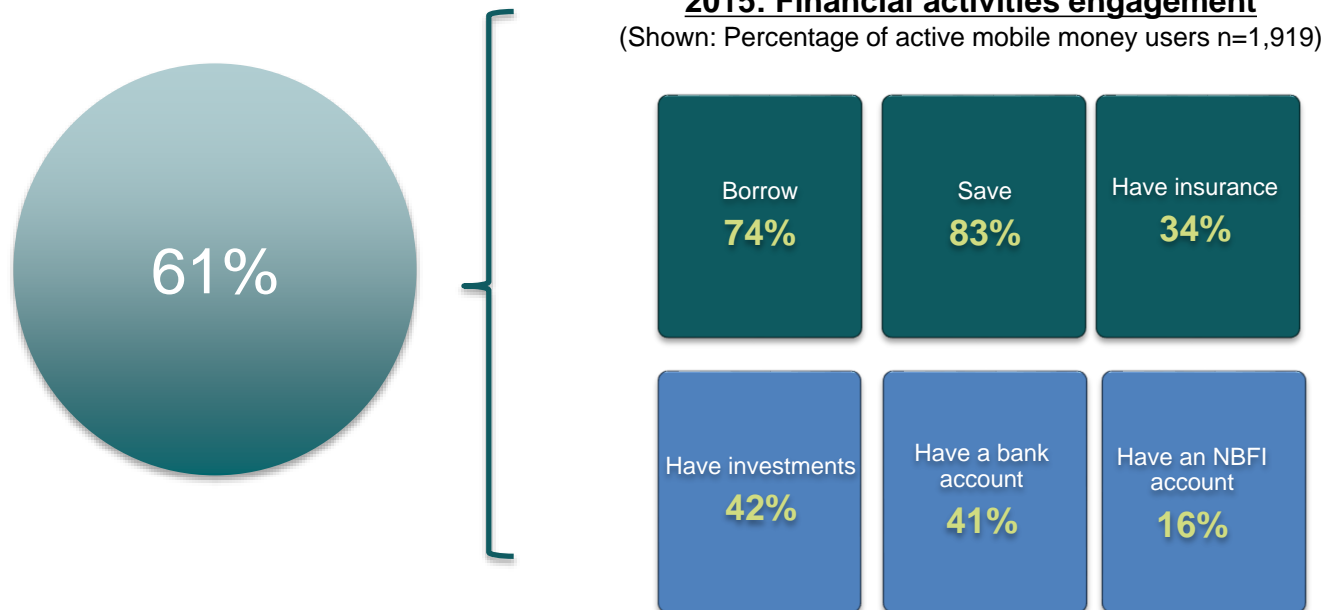
(Shown: Percentage of active mobile money users n=1,919)



Above the poverty line, younger, rural and more educated

KENYA

Four in 10 active mobile money users have a bank account and make investments; the majority of active users borrow

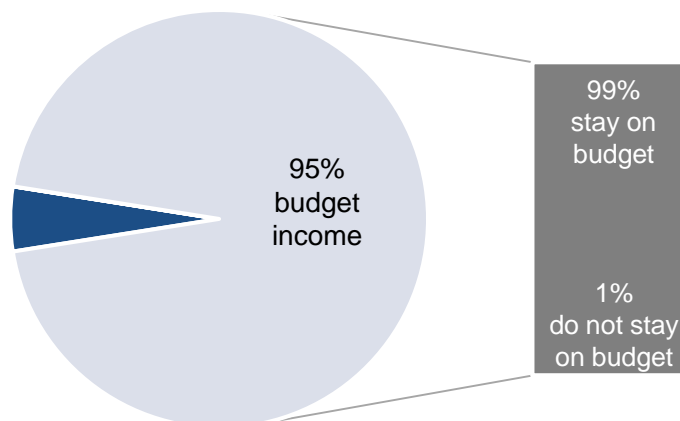


KENYA

Active mobile money users maintain they stick to their budgets; they still experience cash-flow and spending challenges

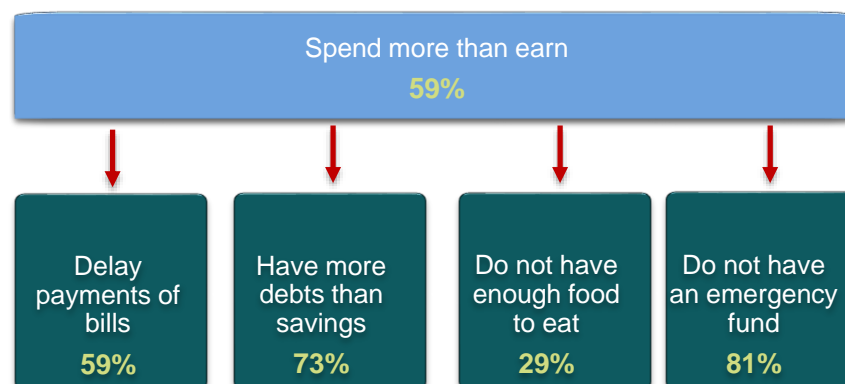
2015: Behavior responsiveness for active users

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



2015: Behavior responsiveness for active users

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



KENYA

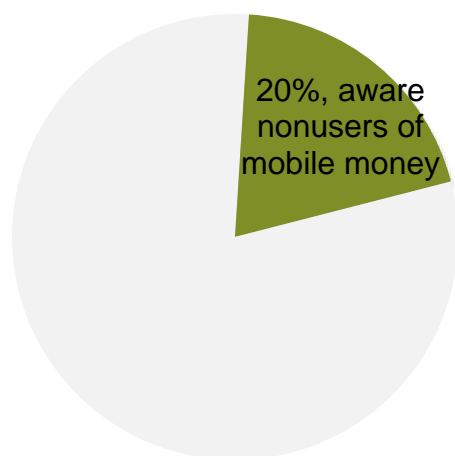
MOBILE MONEY: AWARE NONUSERS

KENYA

One in five Kenyans knows about mobile money but does not use it; these “aware nonusers” tend to be young, live in rural areas and poor

2015: Aware nonusers of mobile money

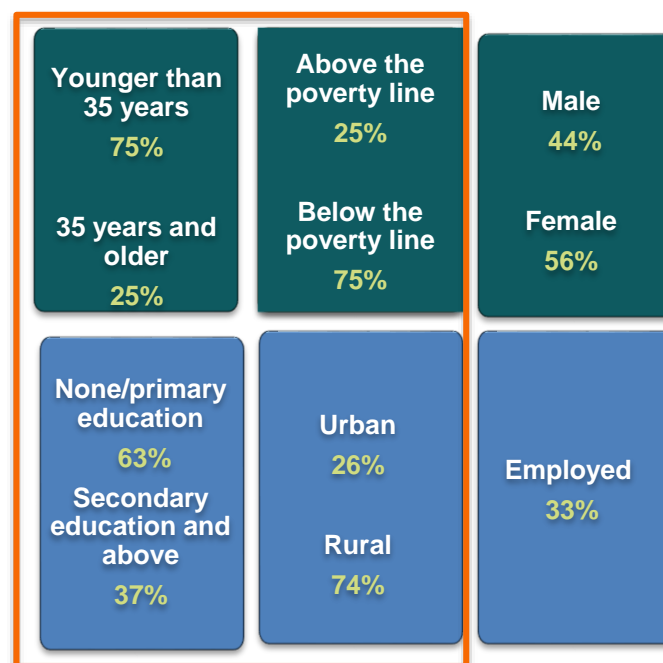
(Shown: Percentage of Kenyans adults, N=2,994)



Those aged 15-24 comprise 61% of aware nonusers. Considering those in this age group do not yet have the resources to acquire and make use of mobile money, the high level of aware nonusers is expected; this also applies to those who live below the poverty line and in rural areas.

2015: Profile of aware nonusers of mobile money

(Shown: Percentage of aware nonusers, n=528)



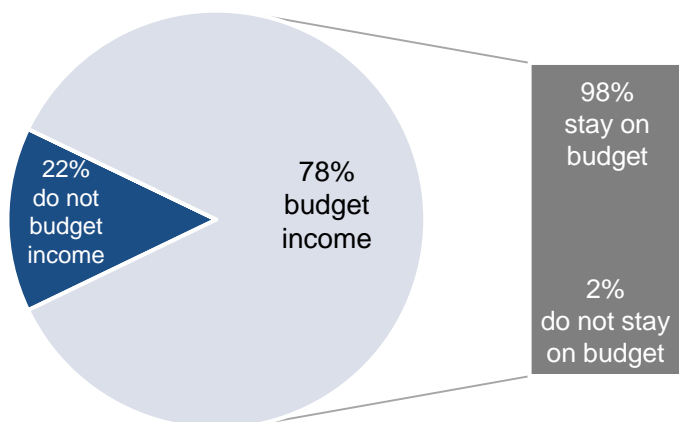
Rural, young, below poverty line and less educated

KENYA

The majority of aware nonusers feel that they adhere to the budget they set out for themselves

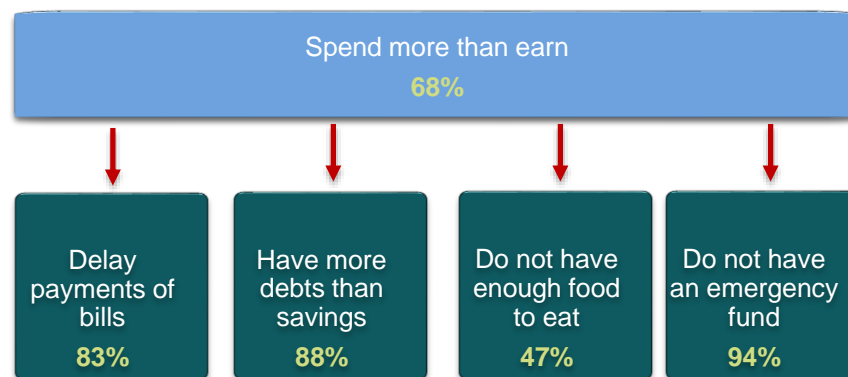
2015: Behavior responsiveness for aware nonusers

(Shown: Percentage of aware nonusers, n=528)



2015: Behavior responsiveness for aware nonusers

(Shown: Percentage of aware nonusers, n=528)

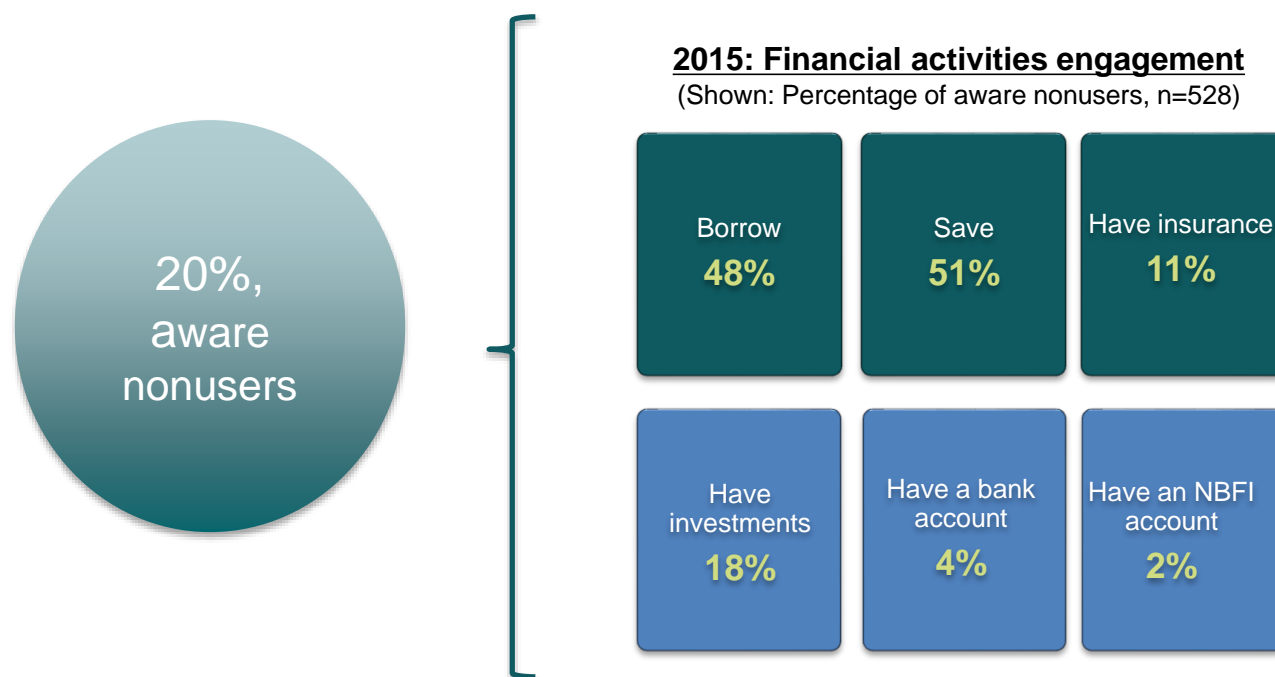


Despite their efforts to stay on budget, aware nonusers have difficulty making ends meet, and find themselves in debt and having to pay their bills late.

Financial behaviors

KENYA

Half of aware nonusers save and borrow; typically, they do not have financial accounts, insurance or investments



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

KENYA

COMPARATIVE DATA FOR AWARE NONUSERS & ACTIVE USERS

KENYA

Aware nonusers face more barriers than active mobile money users; they lack the necessary ID, do not have access to phones, and haven't used SMS

Aware nonusers		Active MM users
96%	Have basic numeracy	99%
48%	Have an ID*	94%
44%	Ever sent and received text messages (SMS)	86%
35%	Have at least one active SIM card	99%
30%	Have a mobile phone	96%

*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.

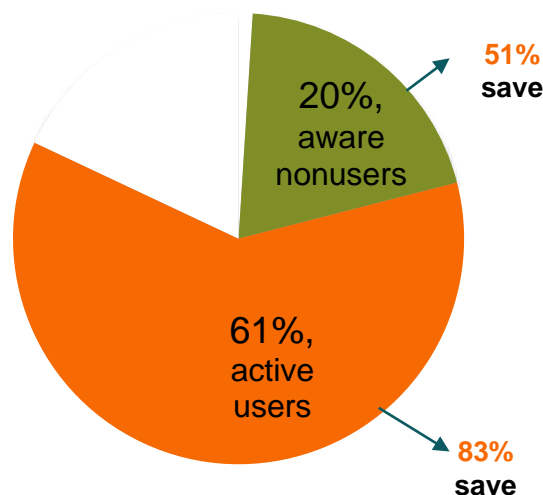
Source: InterMedia Kenya FII Tracker survey Wave 3 (N=2,994, 15+), September 2015.

KENYA

Aware nonusers of mobile money are saving in informal, unsecure places; active users save in formal, secure places

2015: Profile of mobile money use

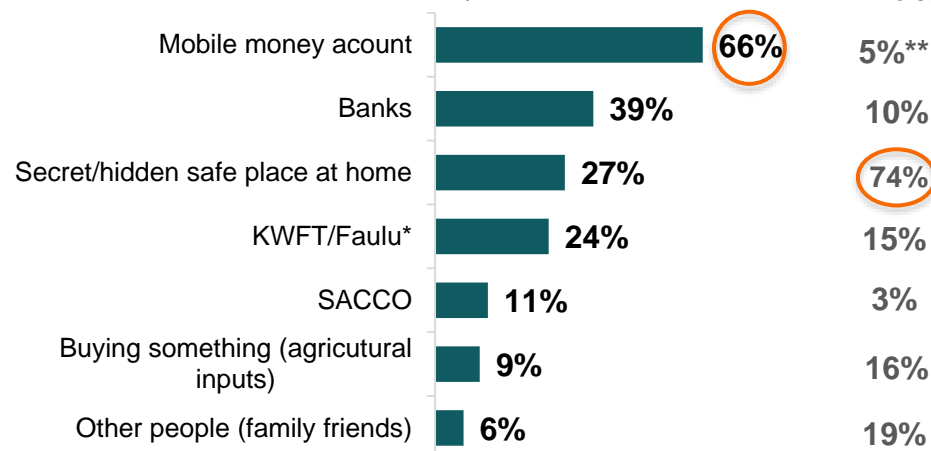
(Shown: Percentage of Kenyan adults N=2,994)



2015: Location of savings

(Shown: Percentage of active users who save, n=1,613)

(Shown: Percentage of aware nonusers who save, n=291)



*KWFT (Kenya Women Finance Trust) and Faulu are microfinance institutions.

**Five percent of aware nonusers said they save with mobile money despite being nonusers; this may mean they use another person's account or a mobile money agent, but still regard themselves as nonusers.

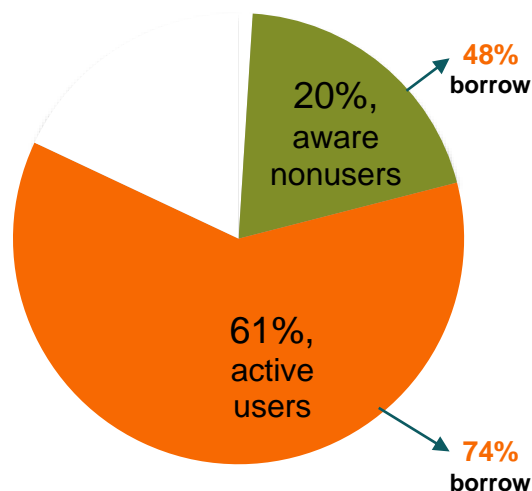
Source: InterMedia Kenya FII Tracker survey Wave 3 (N=2,994, 15+), September 2015.

KENYA

Opportunity may exist for formal financial services as most borrowing is between family/friends/neighbors

2015: Profile of mobile money use

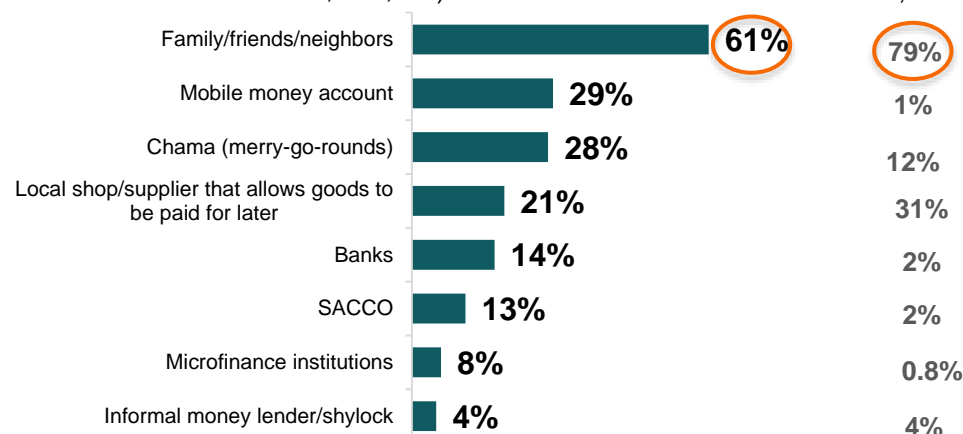
(Shown: Percentage of Kenyan adults N=2,994)



2015: Sources of borrowing

(Shown: Percentage of active users who borrow, n=1,437)

(Shown: Percentage of aware nonusers who borrow, n=287)

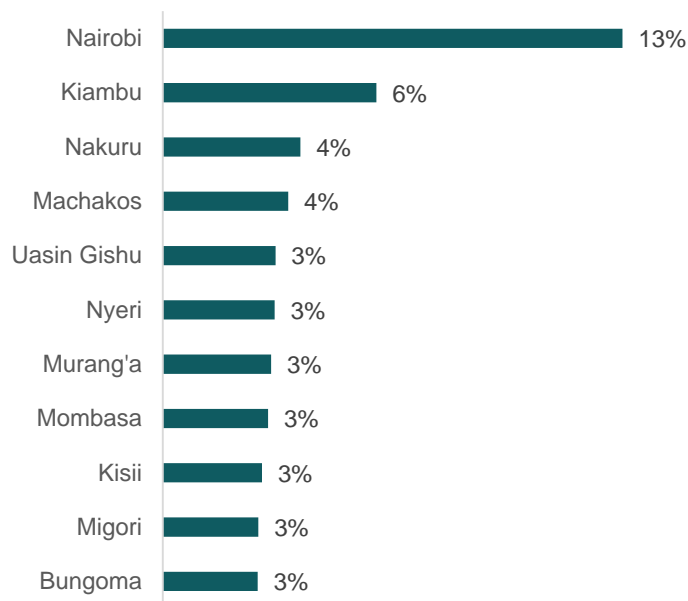


KENYA

Areas with poor infrastructure and higher poverty rates dominate counties with aware nonusers

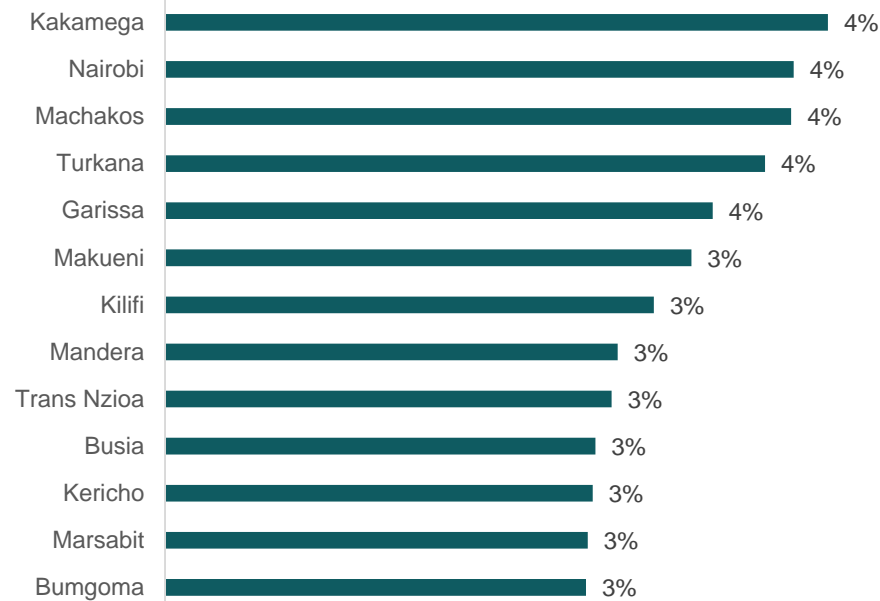
2015: Top 10 counties of active users

(Shown: Percentage of active users N= 1,919)



2015: Top 10 counties of aware nonusers

(Shown: Percentage of aware nonusers N=528)



Despite leading in infrastructure and active use, Nairobi County still has a sizeable number of mobile money aware nonusers.

KENYA

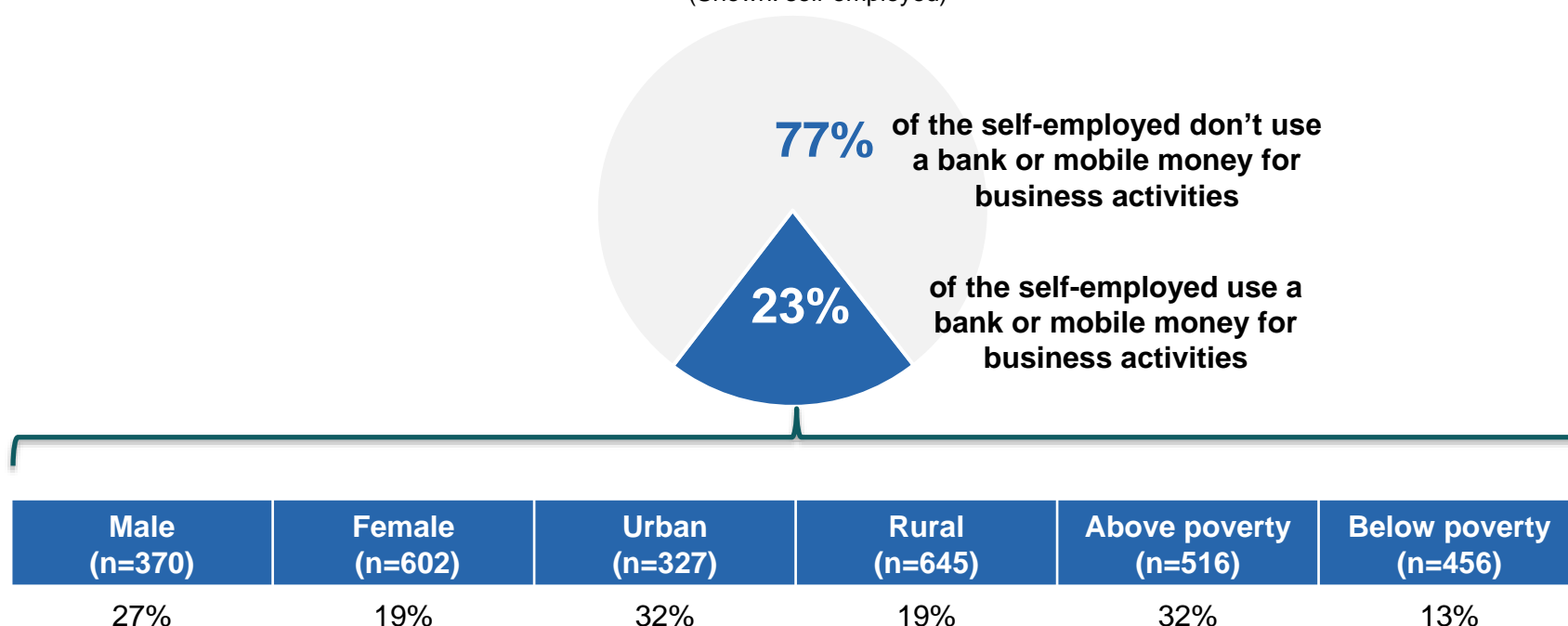
USE OF VALUE-ADDED SERVICES

KENYA

Self-employed women, those in rural areas and those living below poverty are the least likely to use mobile money or banks for business activities

2015: Comparison of digital financial services business use, by demographic

(Shown: self-employed)

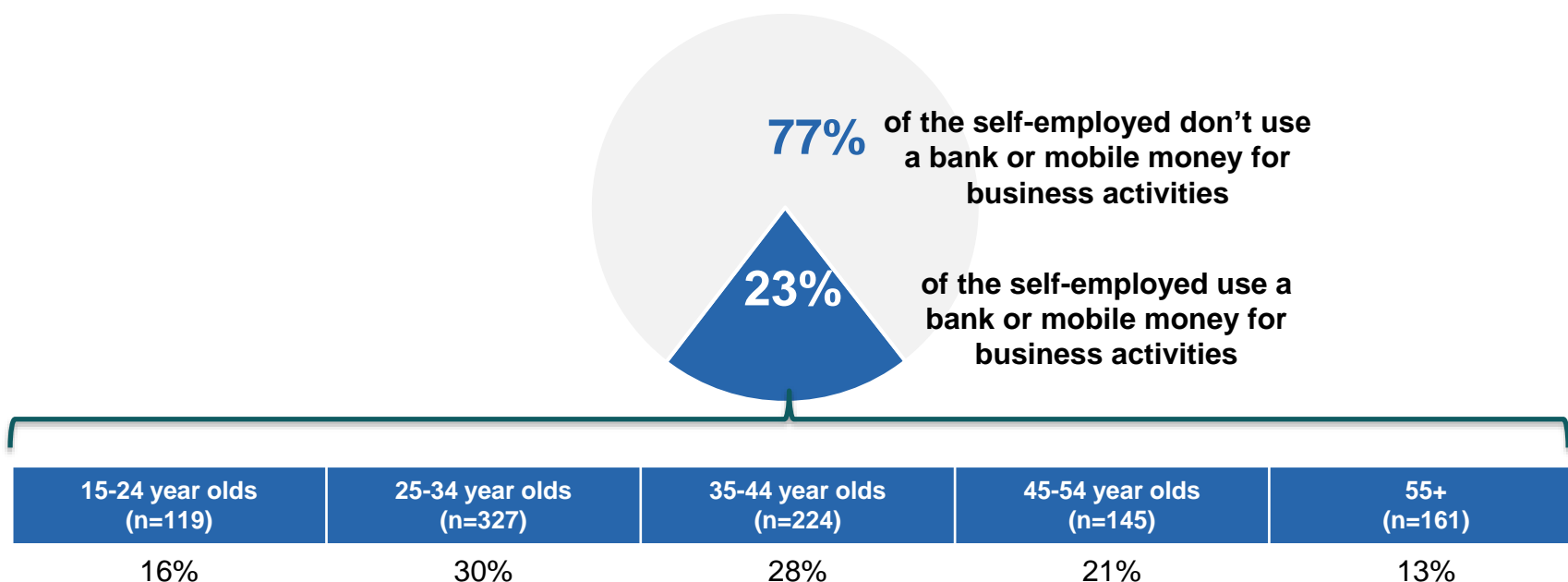


KENYA

The older self-employed individuals are the less likely they are to use mobile money or banks for business activities

2015: Comparison of digital financial services business use, by demographic

(Shown: self-employed)



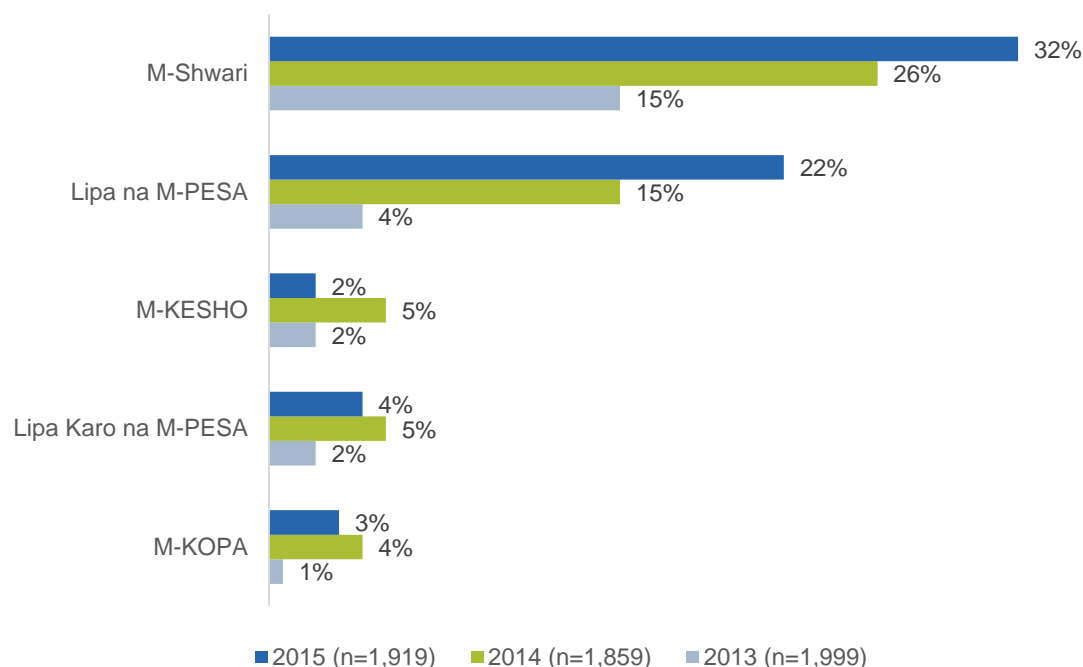
Other factors explored in this report also affect the use of mobile money and banks for business among the self-employed. These include: level of education, literacy, numeracy, having a national ID and owning a mobile phone. Progress and improvements made in any or all of these areas can directly influence and contribute to the increased use of mobile money or banks for business activities among the self-employed.

KENYA

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.

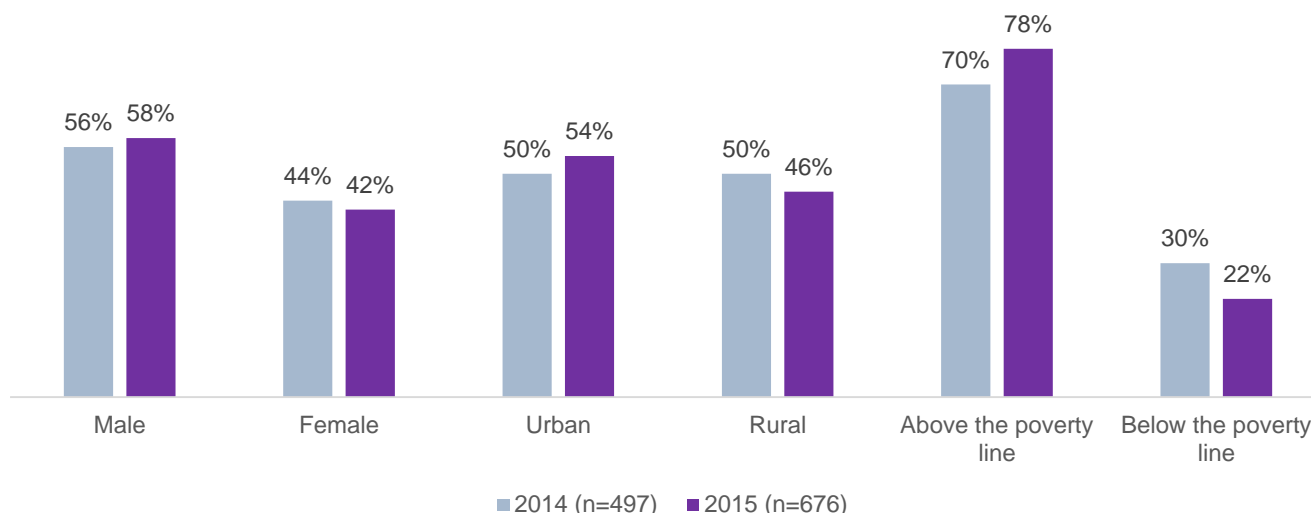
Source: InterMedia Kenya FII Tracker surveys Wave 1 (N=3,000, 15+), September-October 2013; Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

KENYA

M-Shwari user demographics are changing; fewer females, people in rural areas, and those living below the poverty line are using the service

M-Shwari user demographics

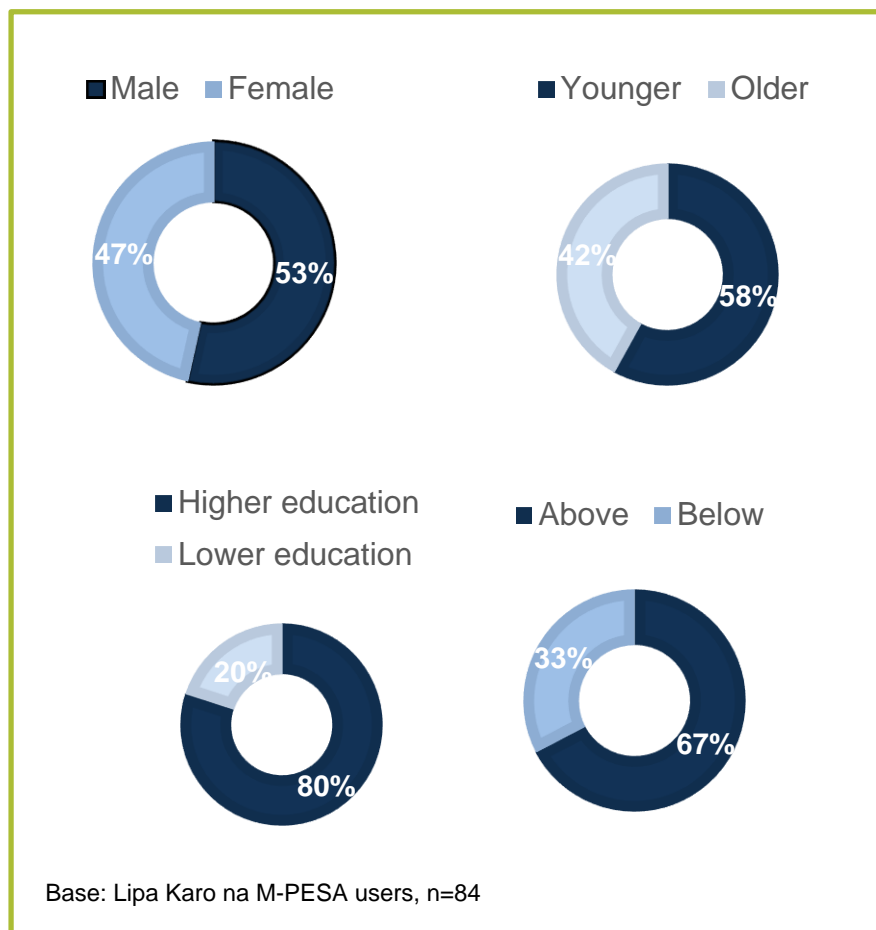
(Shown: Percentage of M-Shwari users who fall into each category)



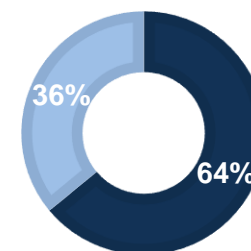
Source: InterMedia Kenya FII Tracker surveys Wave 2 (N=2,995, 15+), September 2014; Wave 3 (N=2,994, 15+), September 2015.

KENYA

4 percent use Lipa Karo na M-PESA to pay school fees, even though half of the population is aware of this product



■ With children ■ Without children



- Out of the 4% that uses Lipa Karo na M-PESA, 64% comprise those with children.
- Gender and age do not seem to affect the use of Lipa Karo na M-PESA.
- Traditionally, school fees have been paid through cash and bank deposits (banker's checks). This value-added service is expected to gain traction with the increased use of advanced services and more schools enrolling with the service.

KENYA

SPECIAL TOPIC: CROSS-COUNTRY INDICATORS

KENYA

KPIs indicate the right type of growth overall, especially for poor adults and rural women

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.

KENYA

METHODOLOGY & RESEARCH DESCRIPTION

KENYA

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

KENYA

SAMPLING APPROACH

Kenya National Bureau of Statistics (KNBS)

- InterMedia worked with KNBS to produce a sample size of 3,000 and draw a sample that was nationally representative of adults (15+). The achieved sample was 2,994 respondents.

Combining Sampling Frames (NASSEP IV and NASSEP V)

- InterMedia combined two purposive 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 subsample were then further standardized into uniform size units ranging from between 50 and 149 households.
- Simple random sampling from within one of the four sub-frames was used to select the final 300 EAs (10 interviews in each) used in the study (as well as seven 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 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

KENYA

GLOSSARY

- **Access** – Access to a bank, NBFI or mobile money account; those with access have used the services either via their own account or via the account of another person.
- **Active account holder** – An individual who has a registered financial services account and has used it in the last 90 days.
- **Advanced use** – The use of an account for services other than basic or P2P services. (For the purposes of this study, in the case of mobile money, airtime top-ups are not considered an advanced use.)
- **Basic use** – The use of an account to cash-in (deposit) or cash-out (withdraw), or conduct account maintenance.
- **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 financial institution** – A financial institution that only disperses loans to its customers.
- **DFS access** – Access to a DFS account through one's own account or someone else's account.
- **Digital financial services (DFS)** – Financial services that are provided through an electronic platform (mobile phones, electronic cards, the internet, etc.).
- **Financial inclusion** – For the purposes of this report, financial inclusion is defined as having an account with an institution that provides a full suite of financial services and comes under some form of government regulation. Services include: savings, money transfers, insurance or investment.
- **Full-service financial institution** – Financial institution that offers its customers at least one of the following services: savings, money transfers, insurance or investment.
- **Informal financial institutions** – Financial institutions or services that do not offer accounts or a full suite of services. These vary from highly informal services such as money guards (individuals who keep money for others) to established community savings groups or collectives.
- **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.

GLOSSARY (CONT.)

- **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 respective country. Such financial institutions include microfinance institutions (MFI), cooperatives, Post Office Savings Banks, and village-level, semi-formal savings groups.
- **Post Office Savings Bank** – A government-run bank that operates through local post offices.
- **P2P transaction** – The use of an account to send or receive money to or from other individuals.
- **Registered account holder** – An individual who has a full-service bank, NBFI or mobile money account in their own name that offers more than just credit services.
- **Savings and credit cooperative organization (SACCO)** – A unique member driven, self-help group, which is 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/OTC user** – An individual who has ever used bank, NBFI or mobile money services through someone else's account, including a mobile money agent's account or the account of a family member or 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.
- **Village-level semi-formal savings group** – A savings group, often tied to initial or ongoing support from an NGO, that requires members to regularly contribute to a group-managed fund and disburses loans based on pre-determined requirements and loan terms.

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