



# Money matters

## Citizens and financial inclusion

### 1. Introduction

Financial services can play a key role in improving the lives of the poor, primarily through the direct benefits that such services can provide. Access to credit and insurance, the ability to send and receive money simply and securely, and a safe place to store savings can all help reduce the vulnerability of the poor and increase their productivity.

Formal banks and microfinance institutions are traditionally the key providers of financial services, but mobile money services have transformed the sector in the past ten years. This began with the launch of the M-Pesa service in 2007<sup>1</sup>, with Kenya blazing a trail that many other countries have since followed.

This research brief presents data on citizens' use of various financial services – banking, insurance, credit and mobile money. In what ways do people use these services? How has financial inclusion changed over time? Who remains excluded?

Data for this brief comes from Twaweza's flagship *Sauti za Wananchi*, which is a nationally representative, high-frequency mobile phone panel survey. Information on the overall methodology is available at [www.twaweza.org/sauti](http://www.twaweza.org/sauti). For this brief data were collected from 1,739 respondents from the Kenya *Sauti za Wananchi* panel. This was the fourth round of calls to the panel, conducted between 23 September and 11 October 2016.

The key findings are:

- Half of all Kenyan adults have a bank account, either alone or jointly with someone else, up from 14% ten years ago.
- Access to banking services is significantly below average among women, people living in rural areas, and the poor.
- One third of Kenyans have borrowed money in the past five years. Three quarters (75%) of Kenyan adults are users

1 M-Pesa timeline [http://www.safaricom.co.ke/mpesa\\_timeline/timeline.html](http://www.safaricom.co.ke/mpesa_timeline/timeline.html) Web. 28.November 2017

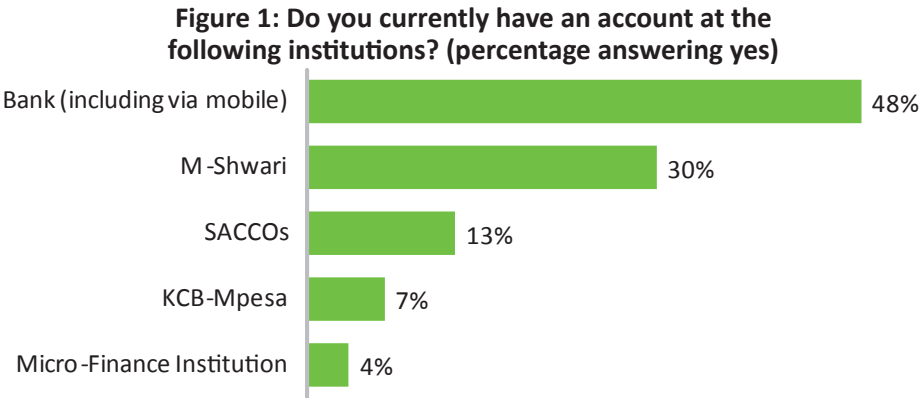
of mobile money services, up from 62% in 2013.

- The number of users of mobile money services in Tanzania has overtaken the figure for Kenya.
- M-Pesa is the dominant provider of mobile money services, with a market share of 98% of all users.
- Three quarters of mobile money service users are satisfied with the cost of the services provided.

## 2. Ten facts about financial inclusion in Kenya

### Fact 1: Half of all Kenyan adults have a bank account, either alone or jointly with someone else

One in two citizens (48%) has a bank account, including mobile banking. Three in ten (30%) have an account with M-Shwari – Safaricom’s mobile banking service. Smaller numbers have accounts with Savings and Credit Cooperative Unions (SACCOs; 13%), KCBMPesa (7%) or with a micro-finance institution (MFI; 4%).



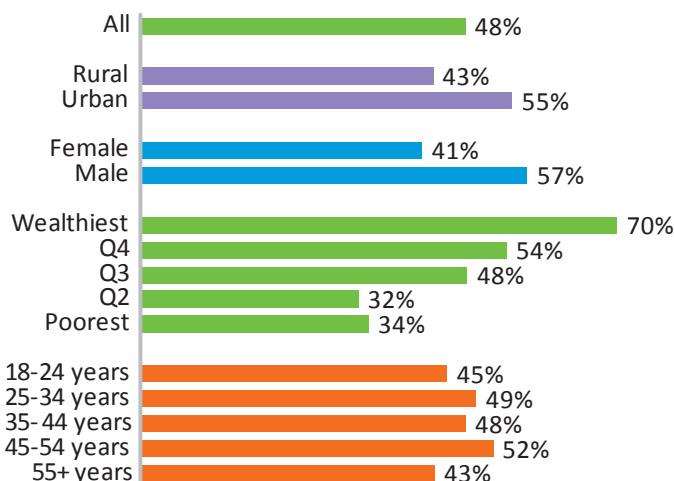
**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).

**Base:** All respondents,  $n=1,739$ . Multiple responses allowed.

Access to bank accounts varies considerably between different demographic groups. More people in urban areas (55%) report having a bank account than those in rural areas (43%). More men (57%) have a bank account than women (41%). Wealthier people (70%) are more than twice as likely to have a bank account than poorer people (32%-34%)<sup>2</sup>. There is no clear pattern among different age groups.

2 Wealth is categorized through wealth quintile calculation based on ownership of various household items rather than direct financial income

**Figure 2: Those with a bank account, among different demographic groups**

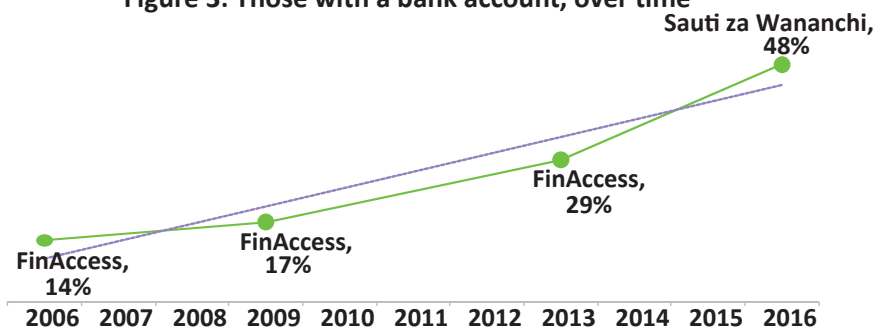


**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).  
*Base: All respondents, n=1,739*

## Fact 2: Access to bank accounts has more than tripled over the past ten years in Kenya

Comparing data from this *Sauti za Wananchi* survey with earlier data collected by the Financial Sector Deepening Trust Kenya (FDT) through their FinAccess<sup>3</sup> surveys in 2006, 2009 and 2013, there has been significant growth in access to bank accounts in Kenya over the past ten years. The first FinAccess survey, in 2006, found that just 14% of Kenyan adults had a bank account. By 2016, this *Sauti* survey finds the figure has increased to 48%.

**Figure 3: Those with a bank account, over time**



**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).  
*Base: All respondents, n=1,739*

And FinAccess 2013, Financial Sector Deepening Trust.

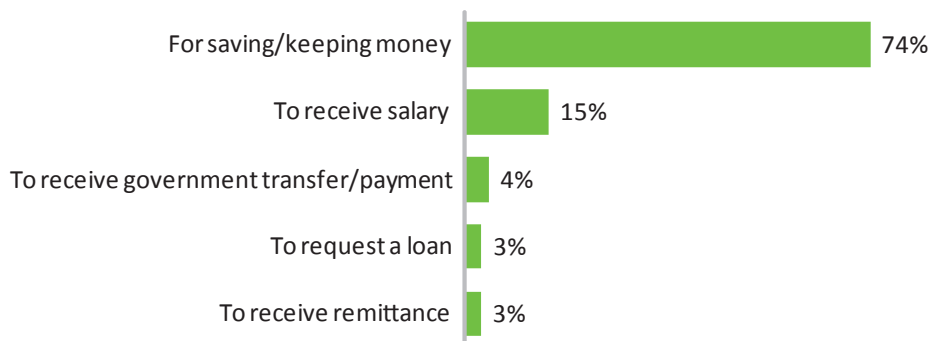
[http://fsdkenya.org/wp-content/uploads/2015/08/13-10-31\\_FinAccess\\_2013\\_Report.pdf](http://fsdkenya.org/wp-content/uploads/2015/08/13-10-31_FinAccess_2013_Report.pdf)

3 FinAccess 2013, Financial Sector Deepening. Available at [http://fsdkenya.org/wp-content/uploads/2015/08/13-10-31\\_FinAccess\\_2013\\_Report.pdf](http://fsdkenya.org/wp-content/uploads/2015/08/13-10-31_FinAccess_2013_Report.pdf) Web. 24 November 2017

### Fact 3: The main reason people open bank accounts is to keep money safe (74%)

Amongst citizens with bank accounts, three in four (74%) say their main reason for opening the account is to save or to keep money safe. One in six (15%) say they needed the account in order to receive their salary, and smaller numbers said it was in order to receive a government transfer or payment (4%), to request a loan (4%) or to receive remittances (3%).

**Figure 4: “What was the main reason for opening the account?”**

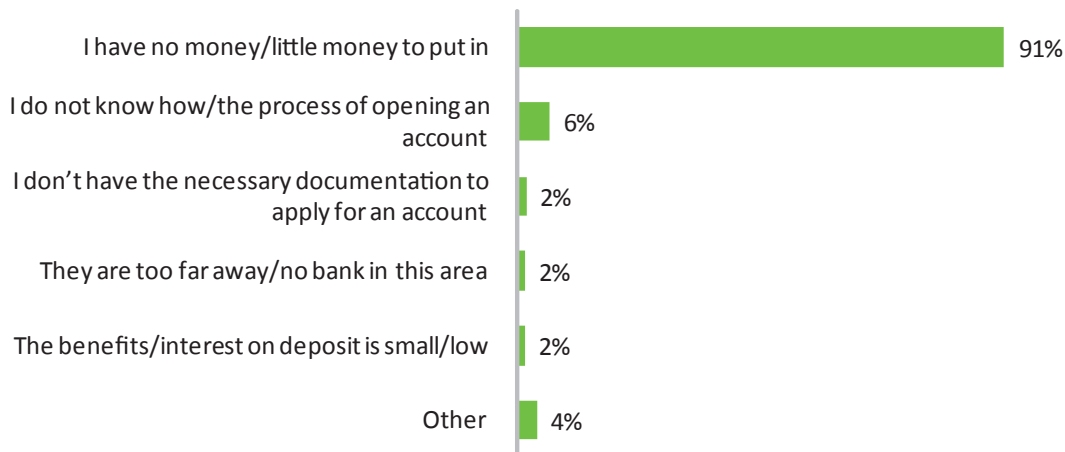


**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).

**Base:** *Those indicating that they have a bank account, n=733*

Among those who do not have any type of account (bank, mobile banking, SACCOs or MFI), nine-in-ten (91%) cite a lack of money as the main reason.

**Figure 5: “Please tell me why you do not have an account?”**



**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).

**Base:** *Those indicating that they do not have a bank account, n=533*

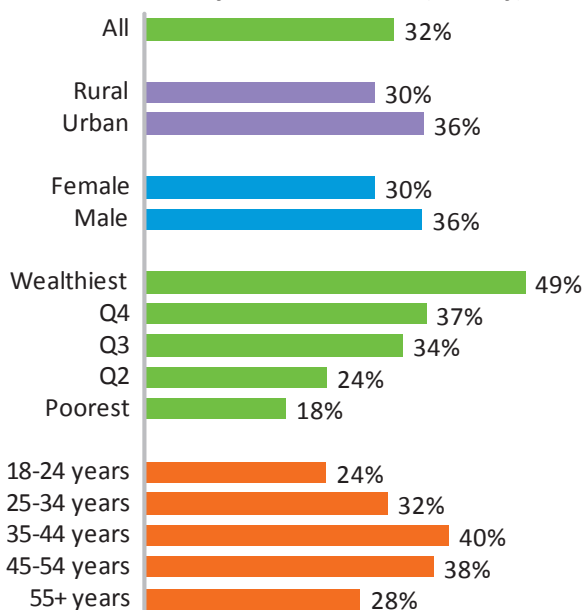
#### Fact 4: One in three (32%) have borrowed money in the past five years

One in three adults (32%) have borrowed money or taken a loan in the past five years. This figure is slightly higher among urban dwellers (36%) than among those in rural areas (30%), and slightly higher among men (36%) than women (30%).

A bigger difference can be seen between wealthier and poorer sections of society: half (49%) of the wealthiest quintile of the population have borrowed money in this period, compared to just one in five (18%) in the poorest quintile.

Among different age groups, both the young (24% of those under 25 years) and the old (28% of those 55 years or over) have borrowed less than those aged 25-54 years. Among this group, those aged 35-44 years (40%) and those aged 45-54 years (38%) are most likely to have borrowed money.

**Figure 6: “Have you borrowed money or taken a loan (money) in the past 5 years?”**

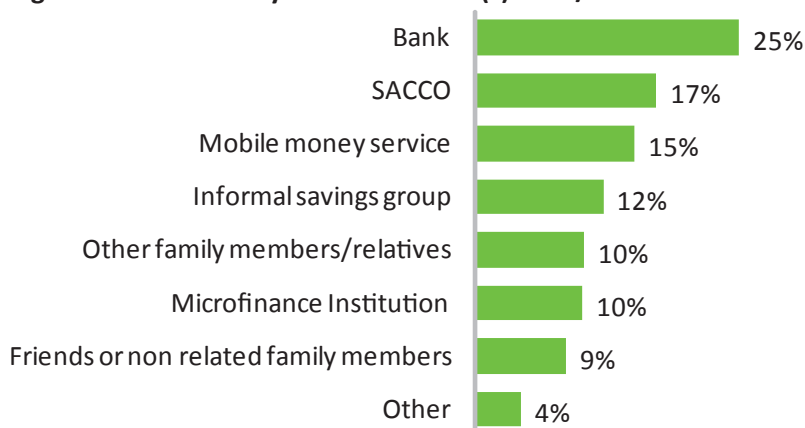


**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).

*Base: All respondents, n=1,739*

Citizens turn to a variety of sources for loans, with banks being the most common (25%), followed by SACCOs (17%) and mobile money services (15%). Informal sources, such as informal savings groups (12%), family members (10%) and friends (9%) account for nearly a third (31%) of all those who borrowed money during this time.

**Figure 7: “Where did you take the loan(s) from/borrow from?”**

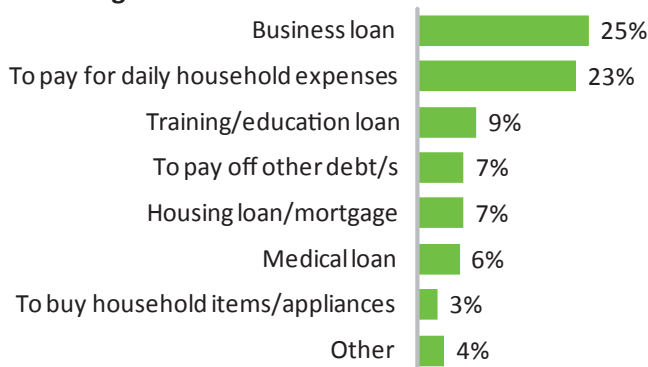


**Source of data:** *Sauti za Wananchi* Mobile Phone Survey –  
(23 September – 11 October 2016).

*Base: Those indicating that they do have taken a financial loan in the past 5 years, n=533*

The main purposes for borrowing money were for business (25%) and for daily household expenses (23%). Together, these account for around half of those who have borrowed money. Loans are also used for training or education (9%), to pay off other debts (7%), housing (7%) or medical costs (6%).

**Figure 8: “What was the most recent loan for?”**



**Source of data:** *Sauti za Wananchi* Mobile Phone Survey –  
(23 September – 11 October 2016).

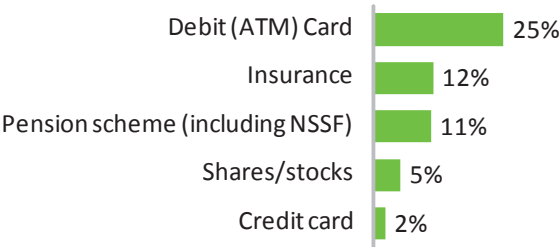
*Base: Those indicating that they have taken a financial loan in the past 5 years, n=533*

### **Fact 5: One in four Kenyans has a debit or ATM card, and one in ten have an insurance product**

One in four (25%) Kenyan adults has a debit card for making purchases and withdrawing cash, compared to just one in fifty (2%) with a credit card.

One in ten (12%) has at least one form of insurance product<sup>4</sup>, and a similar number (11%) have a pension scheme.

**Figure 9: “Do you have or use any of the following financial products?”**

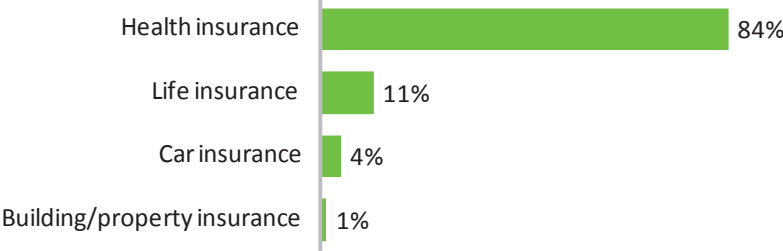


**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).

*Base: All respondents, n=1,739*

Among those with insurance, a large majority report having health insurance (84%), with much smaller numbers having other forms of insurance.

**Figure 10: “What type of insurance do you have?”**



**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).

*Base: Those indicating that they have any kind of insurance, n=181*

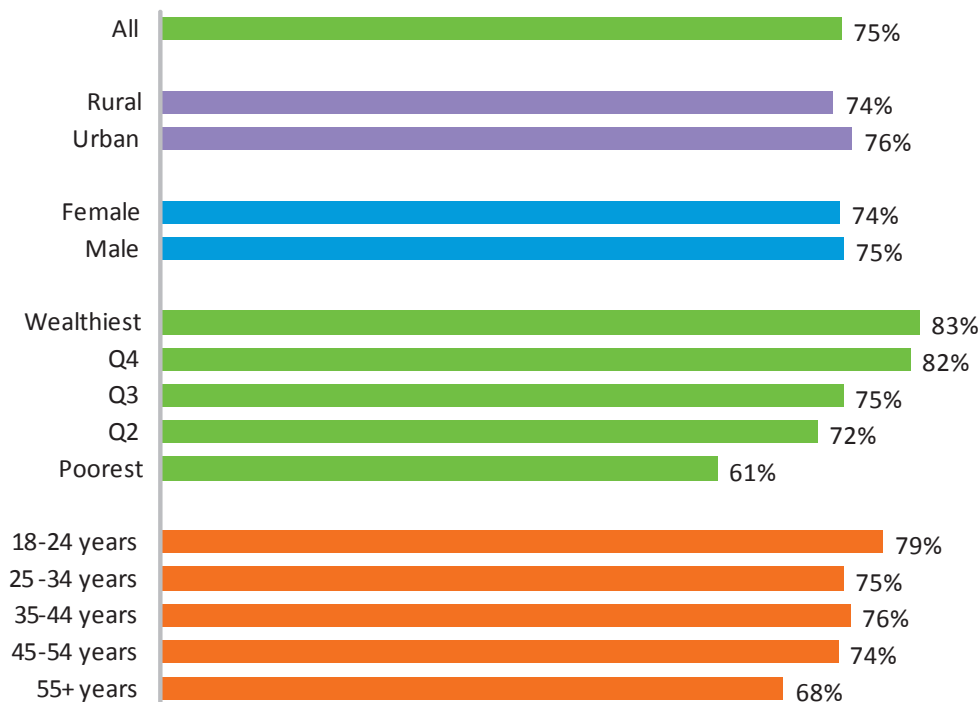
**Fact 6: Three in four (75%) Kenyan adults use mobile money services**

Mobile money services are used by three out of four (75%) adults in Kenya. There is no significant difference between those in rural and urban areas (74% and 76%), or between women and men (74% and 75%).

There are differences between different wealth groups, however, with eight in ten (82-83%) of the wealthiest quintiles using mobile money services compared to six in ten (61%) of the poorest quintile. There are also smaller differences in the use of mobile money services between different age groups, with younger Kenyans reporting greater use of the service than older people: 79% compared to 68%.

4 This figure is substantially lower than the number of people with health insurance as reported in a previous survey round [<http://twaweza.org/go/sauti-ke-2016-health>]. This may be because many people do not immediately think of their membership of a health cover as a form of insurance, unless asked specifically about this.”

**Figure 11: “Do you use any mobile money service?”**



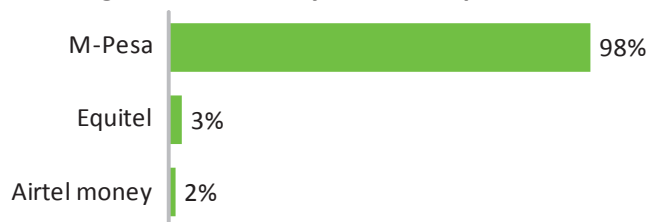
**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).

*Base: All respondents, n=1,739*

### **Fact 7: M-Pesa is the dominant provider of mobile money services**

Almost all mobile money users (98%) report using M-Pesa as their service provider. Much smaller numbers use Equitel (3%) or Airtel money (2%). Many of these Equitel and Airtel money users are also users of the M-Pesa service, with 3% of mobile money users have accounts with more than one service provider (not shown in charts).

**Figure 12: “Who is your mobile provider?”**



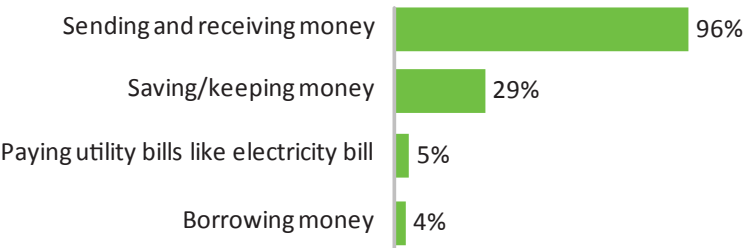
**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).

*Base: Those indicating that they use mobile money services, n=1,183*



The main function of mobile money is to send and receive money (96%), though a significant number (29%) report also using the service to save / keep money safe. Much smaller numbers use mobile money for paying utility bills (5%) or for borrowing money (4%).

**Figure 13: “What services do you mainly use your mobile money for?”**



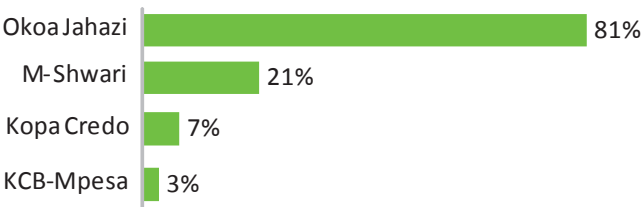
**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).

*Base: Those indicating that they use mobile money services, n=1,183*

**Fact 8: Eight in ten (81%) mobile money users have borrowed airtime or money using the *Okoa Jahazi* service**

Among users of mobile money services, eight in ten (81%) have borrowed airtime or money through the *Okoa Jahazi* service offered by Safaricom. Smaller numbers have used the *M-Shwari* service (21%) from the same provider, or *Kopa Credo* from Airtel (7%).

**Figure 14: “Have you ever borrowed money or airtime from the following?”**



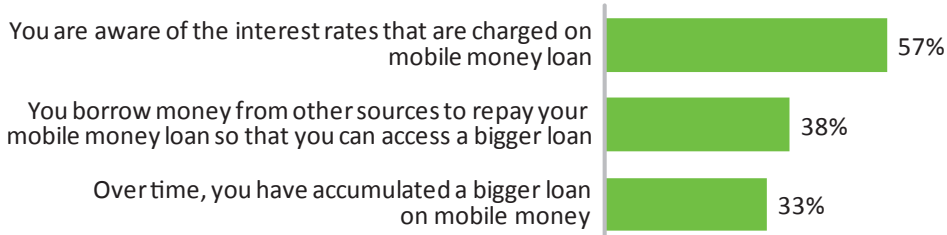
**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).

*Base: Those indicating that they use mobile money services, n=1,183*

Among users of mobile money loans, a majority (57%) say they are aware of the interest rates being charged. A third (33%) say they have earned the ability to access bigger and bigger loans over time.

However, more than a third (38%) say they have had to borrow money from other sources in order to repay their mobile money loans so they can access larger loans. This suggests that the debts may in some cases be problematic or unsustainable.

**Figure 15: “Which of the following statements best represent your opinion about mobile money services / products that you use?” (% saying that the statement is “TRUE”)**



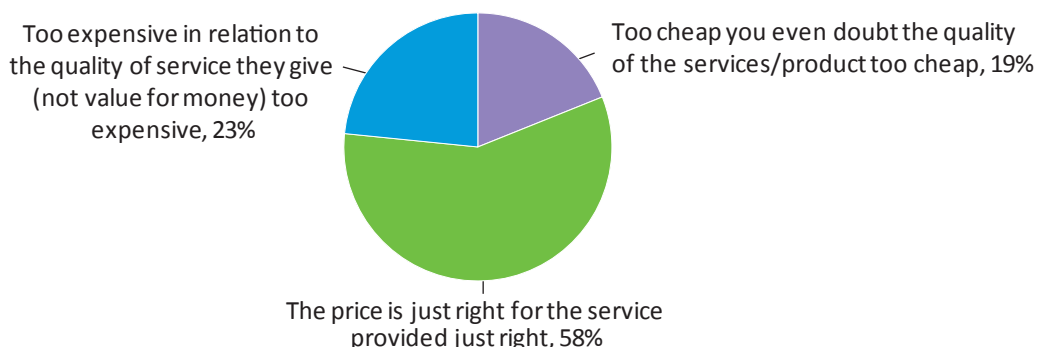
**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).

*Base: Those indicating that they have made borrowings on mobile money services, n=303*

### Fact 9: Three quarters of mobile money service users are happy with the cost of the service

Six in ten (58%) mobile money users in Kenya say the cost of the service is just right, while a further two in ten (19%) say the cost is too cheap, making them doubt the quality of the service. One quarter of mobile money users (23%) think that the service was too expensive.

**Figure 16: “Which of the following statements best represent your opinion about mobile money services / products that you use?” (% saying that the statement is “TRUE”)**



**Source of data:** *Sauti za Wananchi* Mobile Phone Survey – (23 September – 11 October 2016).

*Base: Those indicating that they use mobile money services, n=1,183*

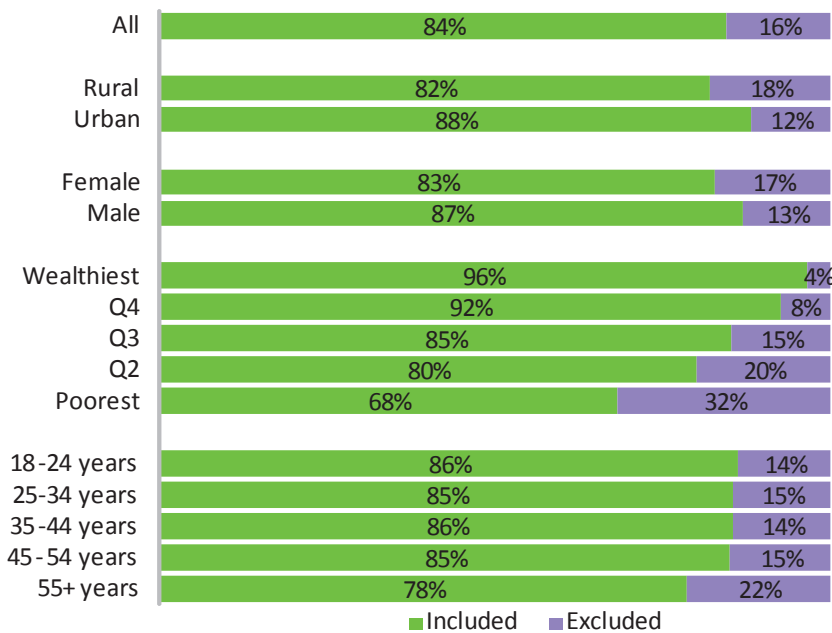
### Fact 10: One in six Kenyan adults is financially excluded

One in six (15%) adults in Kenya is financially excluded, defined as not having a bank account, mobile money account, insurance product or loan from a formal financial institution (bank, MFI or SACCO).

Financial exclusion is slightly higher in rural areas (18%) compared to urban areas (12%), and among women (17%) than men (13%). There is a clear link with economic status, with the poorest citizens far more likely to be financially excluded than the rich (32% of the poorest fifth of the population, 4% of the richest fifth). Differences by age group are smaller, but

citizens aged 55 or over (22%) are slightly more likely than younger citizens (14-15%) to be financially excluded.

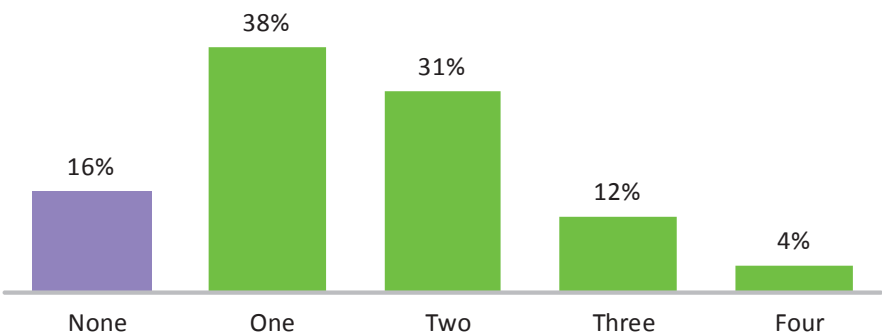
**Figure 17: Financial inclusion and exclusion by demographic group**



**Source of data:** *Sauti za Wananchi* Mobile Phone Survey –  
(23 September – 11 October 2016).  
*Base: All respondents, n=1,739*

One in twenty citizens (4%) has all four of these financial products (bank account, mobile money, insurance and a loan from a formal institution), and one in eight (12%) have three such products. Four in ten (38%) have one financial product.

**Figure 18: Number of formal financial products held by Kenyan**



**Source of data:** *Sauti za Wananchi* Mobile Phone Survey –  
(23 September – 11 October 2016).  
*Base: All respondents, n=1,739*

### 3. Conclusion

There is no doubt that Kenya's financial inclusion landscape has experienced a considerable and positive transformation since 2006. In his speech during the launch of the FinAccess National Survey 2013 Report on 31 October 2013 in Nairobi, the Central Bank of Kenya (CBK) Governor Njuguna Ndung'u said that the country's financial system increasingly offers a more diverse range of financial services and products to citizens, and covers a broader geographical area that extends beyond the nation's borders. According to the FinAccess 2013 report, on the African continent, Kenya has risen to claim the second highest level of financial inclusion after South Africa.

These Sauti za Wananchi findings reveal that indeed there has been tremendous growth in Kenya's financial sector where the proportion of the adult population that use different forms of formal financial services has risen to 84% in 2016 compared to 67% in 2013 and 27% in 2006. Similarly, the proportion of the financially excluded adult population has declined to 16% compared to 25% in 2013 and from 39% in 2006. It is clear from the findings that more people, especially the under-served and unserved segments, now access and use financial services and products provided by different providers.

Furthermore the results show that the number of adults who are banked has tripled in the last 10 years (14% in 2006 to 48% in 2016). The percentage of the population who use more than one financial service has also increased significantly from 19% in 2006 to 46% in 2016. This shows nearly half of the population uses various combinations of service offerings to meet their financial needs. Mobile money continues to be the most widely used financial service, rising from 62% penetration in 2013 to 75% in 2016. Other financial services ATMs, insurance, pensions; shares/stocks and credit cards are also used, but by fewer citizens. While there is positive growth in the financial market there is room for more growth especially amongst the estimated 16% of the adult population who remain excluded from financial services (no bank account, mobile money account, insurance product or loan from a formal financial institution (bank, MFI or SACCO)). This segment is mainly rural, poor and female.

More inclusive policy strategies and reforms by the government and financial sector players' initiatives and innovations (private and public) can help to ensure that more people will be included. Particular emphasis could be placed on the segments of the population that have been historically excluded from the formal financial sector, often because of income levels, volatility of income, gender, location, source of income and level of financial literacy. In addressing financial inclusion, the untapped potential of those individuals and businesses currently excluded from or underserved by the formal financial sector can be harnessed. Thus more people will be able to develop their capacity, strengthen their human and physical capital, engage in income-generating activities, and manage risks associated with their livelihoods. As clearly expressed in the Sustainable Development Goal agenda; broadening access to financial services will mobilize greater household savings, marshal capital for investment, expand the class of entrepreneurs, and enable more people to invest in themselves, their families and their community.