



2021 FinAccess Household Survey: Key Findings



CENTRAL BANK OF KENYA



FinAccess partners:



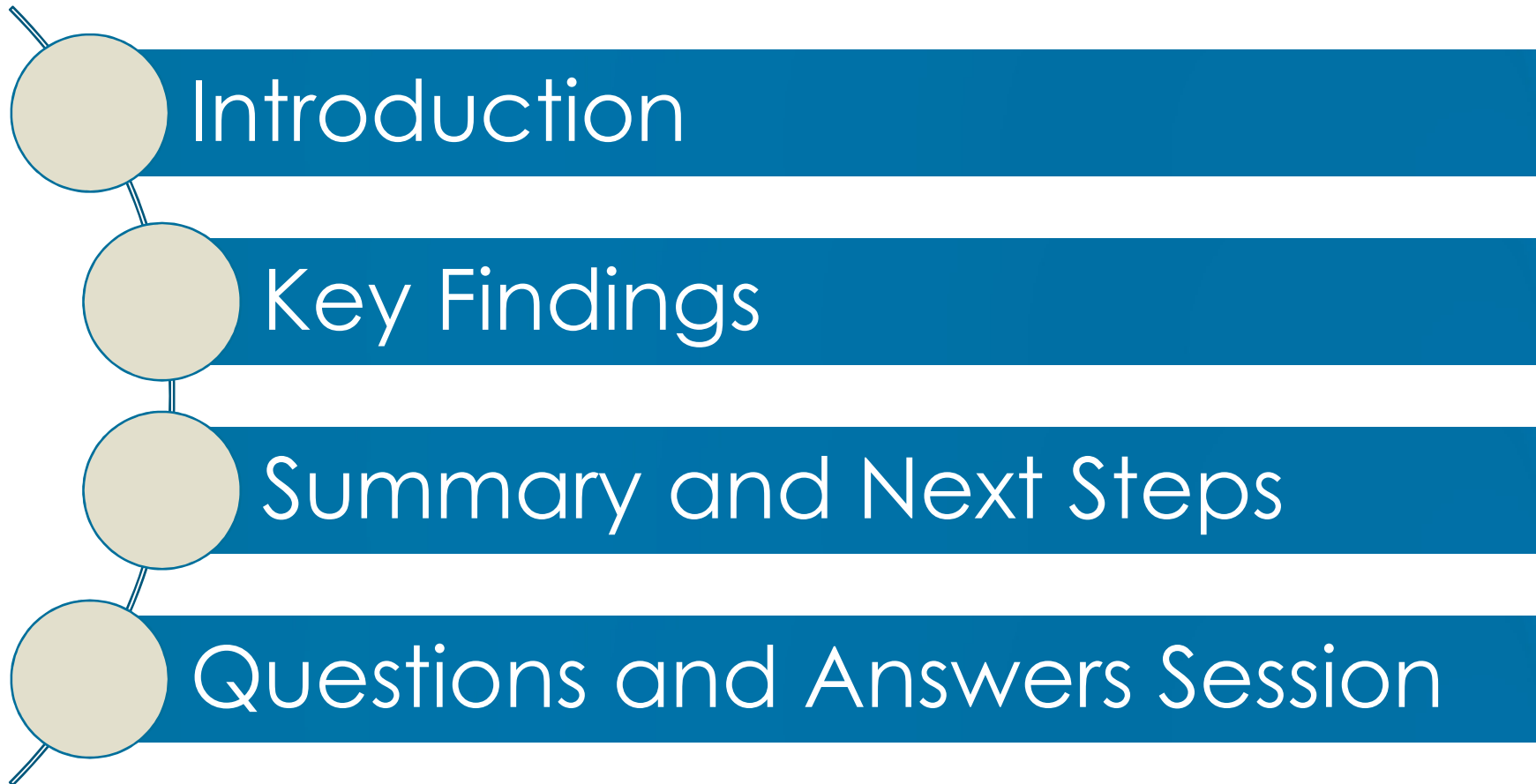
Central Bank of Kenya



With funding support from:



Presentation Flow



INTRODUCTION

Survey Methodology, Sample and Demographics

Methodology

- The 2021 FinAccess is a cross-sectional survey undertaken to provide indicators on financial inclusion from four measurement dimensions:
 - ✓ **Access;**
 - ✓ **Usage;**
 - ✓ **Quality;** and
 - ✓ **Impact/Welfare**
- Targeted persons aged 16 years and above living within conventional households in Kenya at the time of data collection
- Interviewees selected randomly

Survey Sample

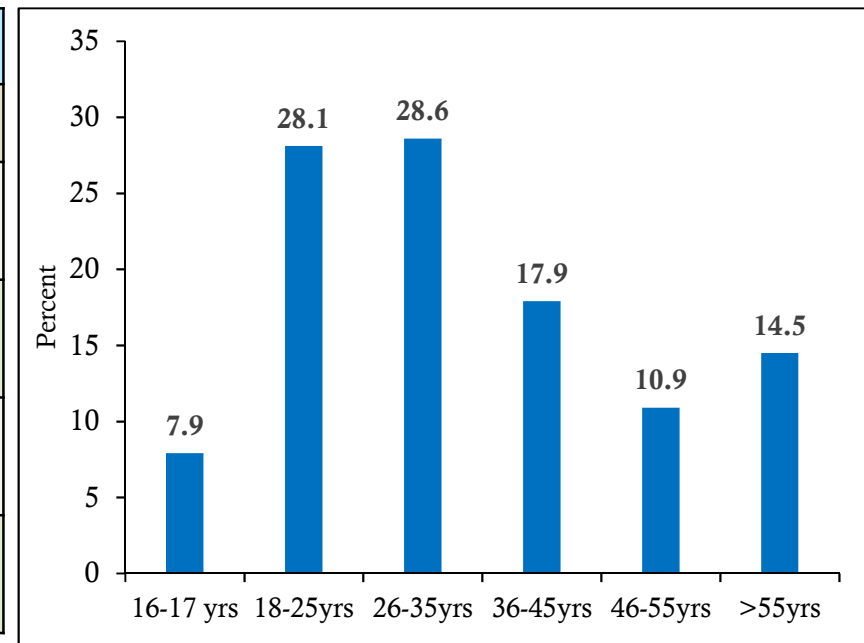
- Study domains used: **50** i.e. National; Rural, Urban; and 47 Counties
- Sample size: **30,600 households**
- Used the newly created Kenya Household Master Sample Frame (K-HMSF) based on the 2019 Kenya Population and Housing Census data
- Overall response rate: **85.6 percent**

Survey Demographics

Fig.: Response rates

RESULTS	RESIDENCE		
	RURAL	URBAN	TOTAL
Selected Households	18,774	11,826	30,600
Eligible Households	16,316	9,408	25,724
Households Interviewed	14,455	7,569	22,024
Response Rate (%)	88.6	80.5	85.6

Fig.: Age Distribution



Survey Demographics

Fig.: Population by Sex

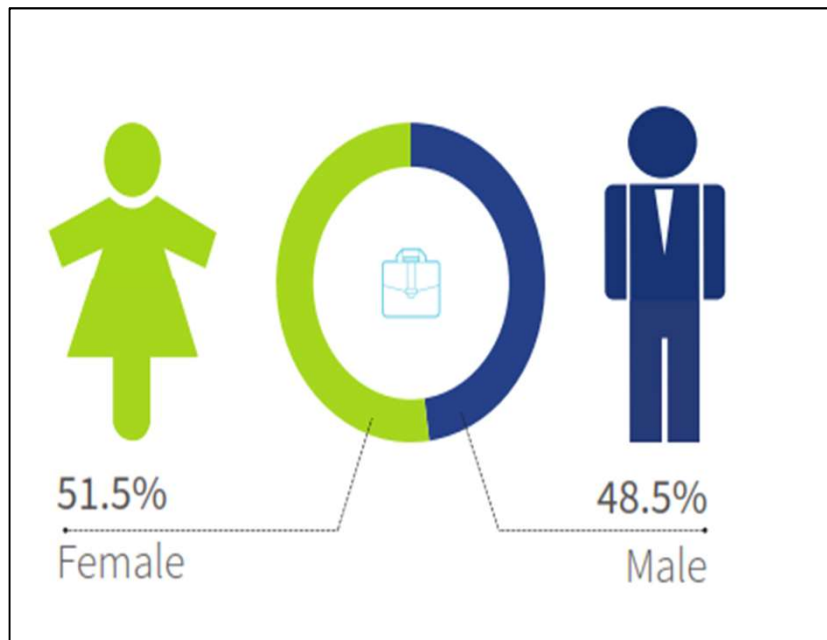
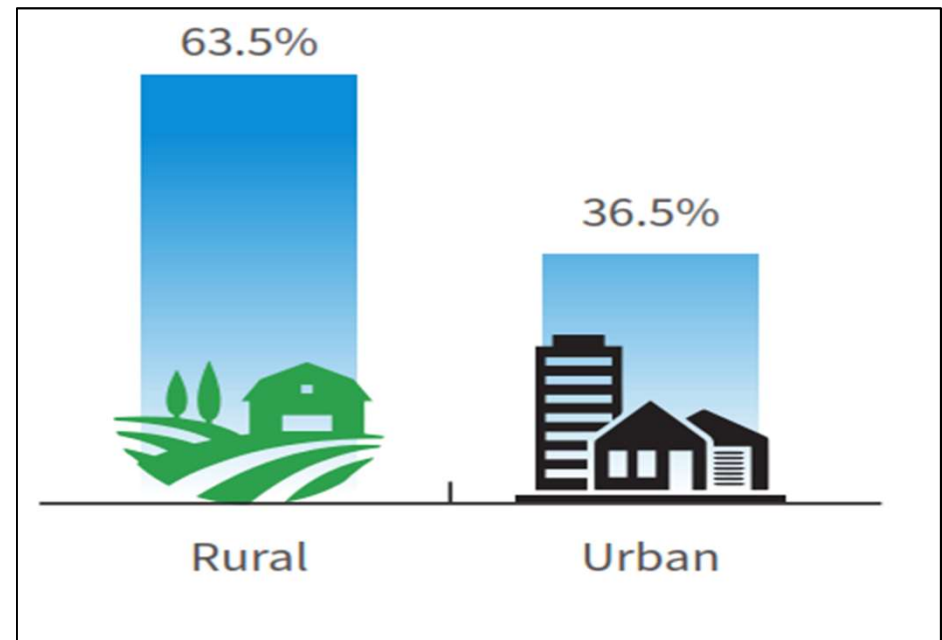


Fig.: Population by Residence



Survey Administration

- The survey used Computer Aided Personal Interview (CAPI) through face-to-face interviews;
 - ✓ in English, and translations in several local languages,
 - ✓ with Kiswahili being the most preferred interview language
- KNBS cleaned and weighted the data to total population,
 - ✓ *representing those aged 16+ years*

Key findings

Access | Usage | Quality | Impact

Expanding Access

- Access to formal financial services providers rose to **83.7 %** in 2021 but those accessing informal providers declined further. The excluded population was **11.6%** in 2021 from **11%** in 2019

Fig.: Access Trends – 2006:2021

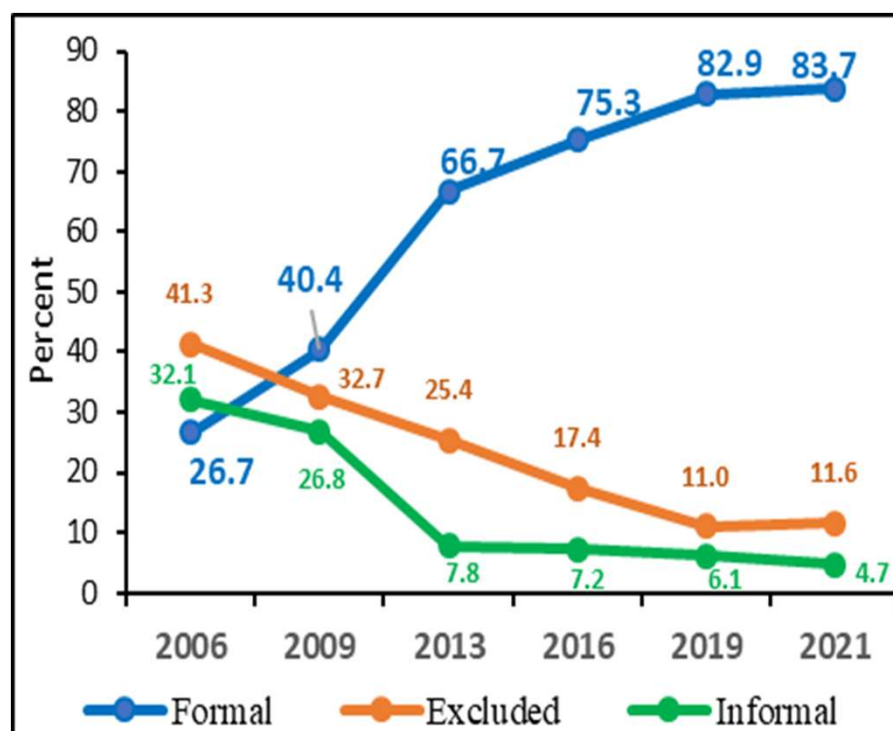
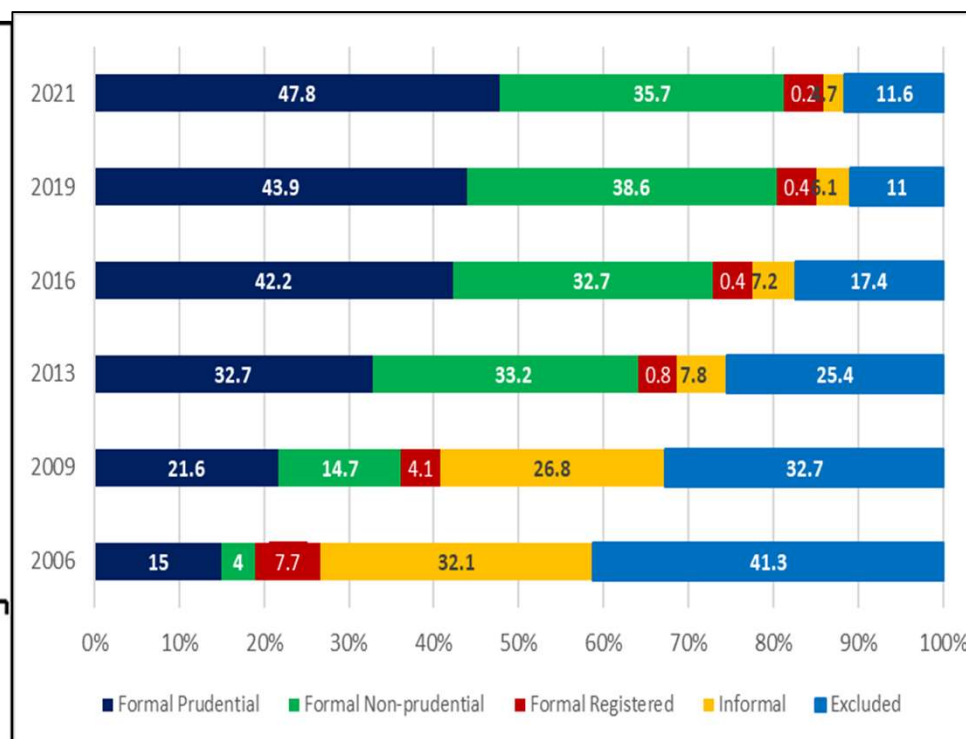
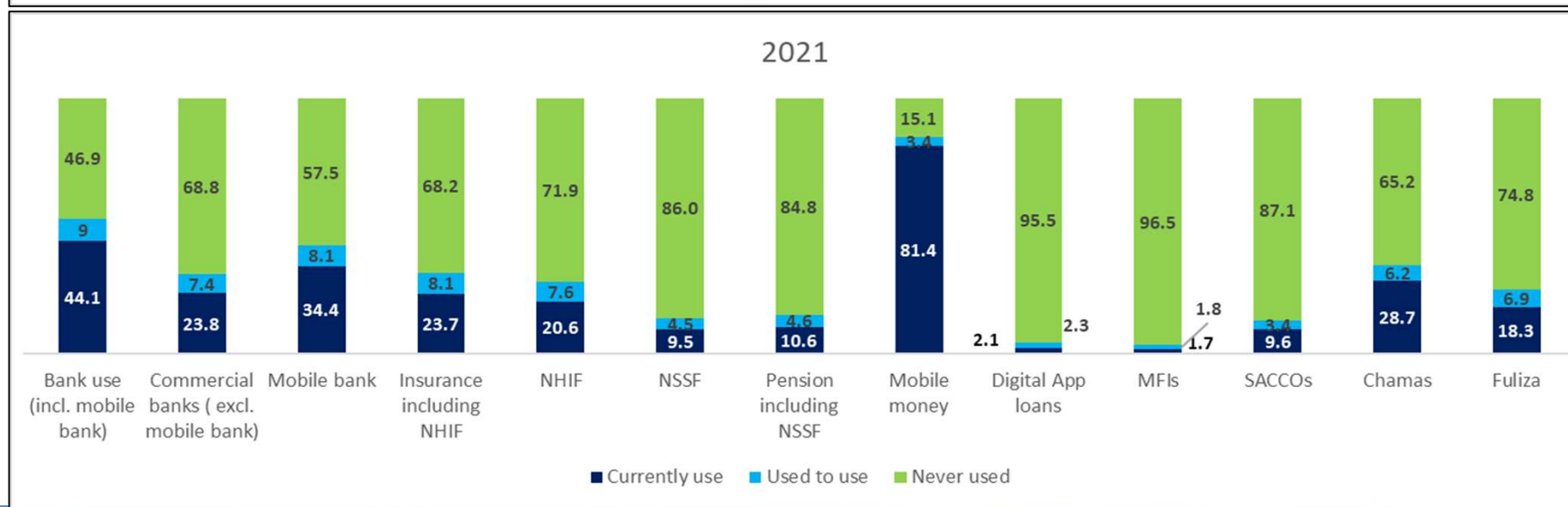
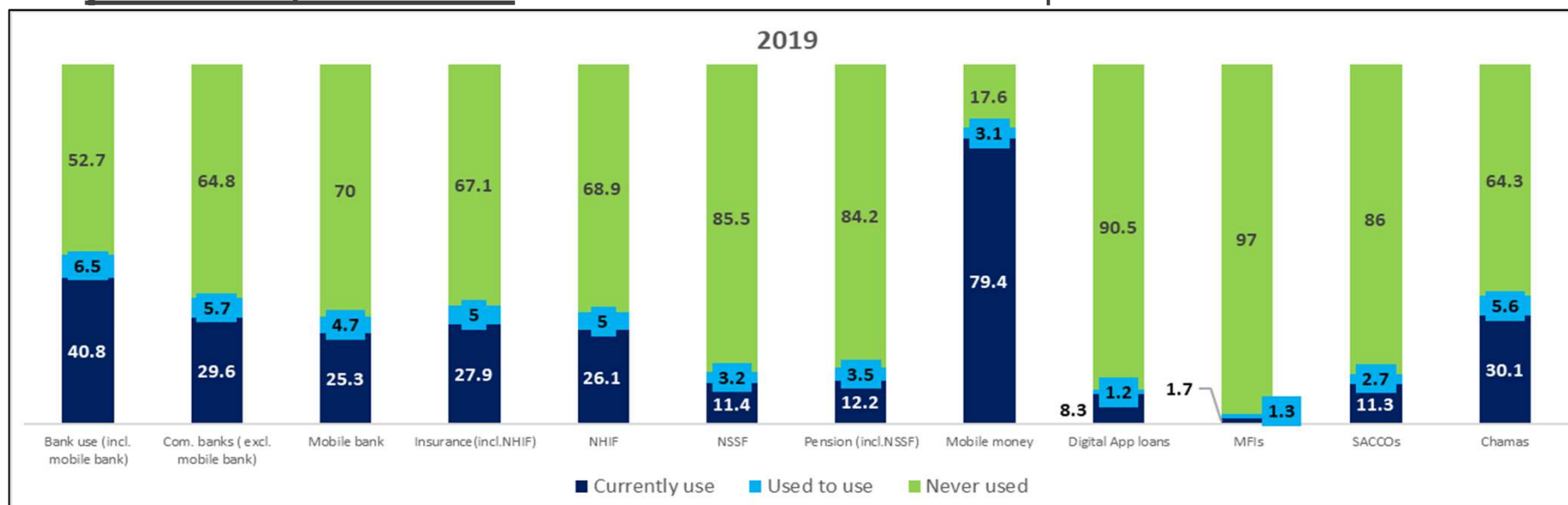


Fig.: Access by Categories

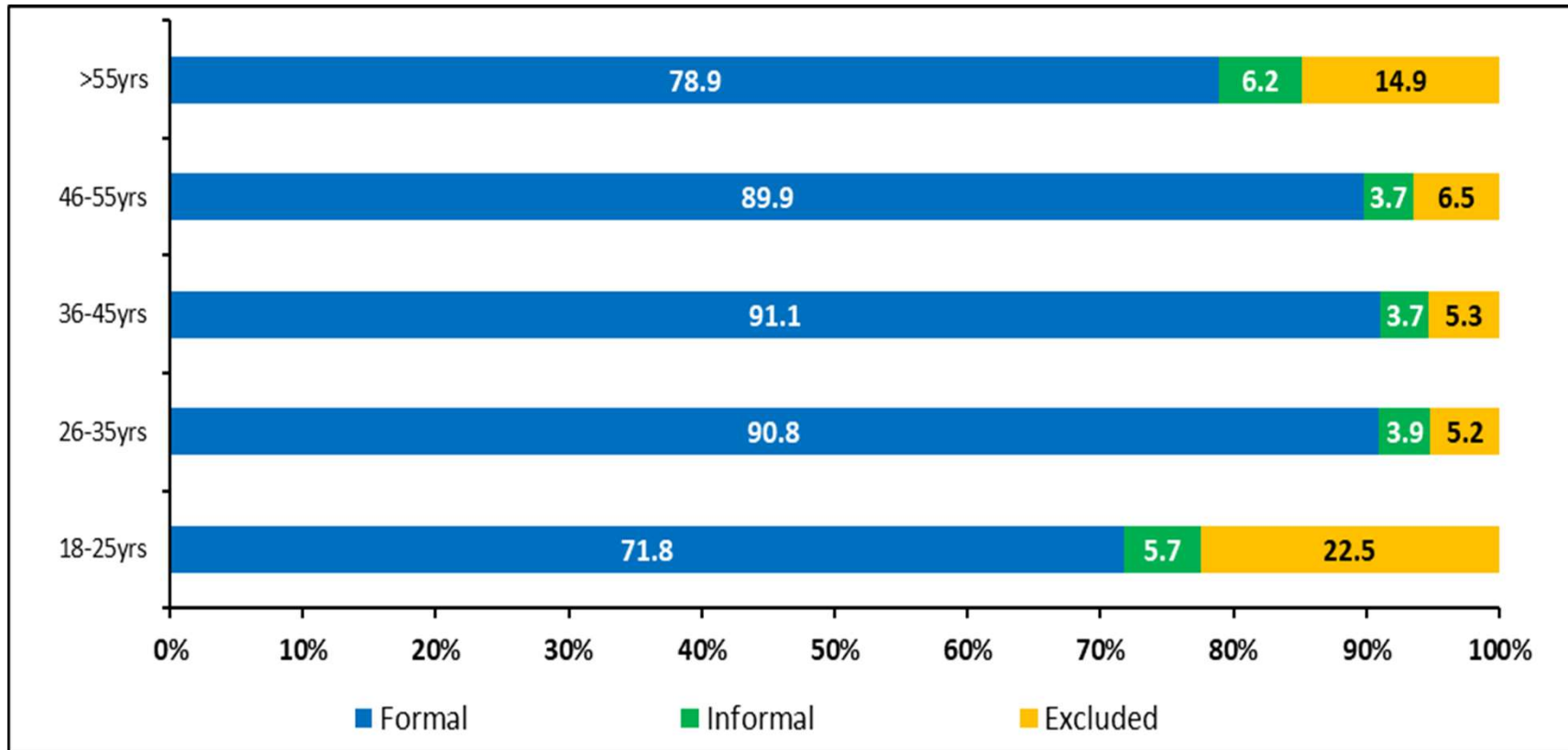


- Overall, number of those who **Used to Have certain products/services** increased in 2021 compared to 2019



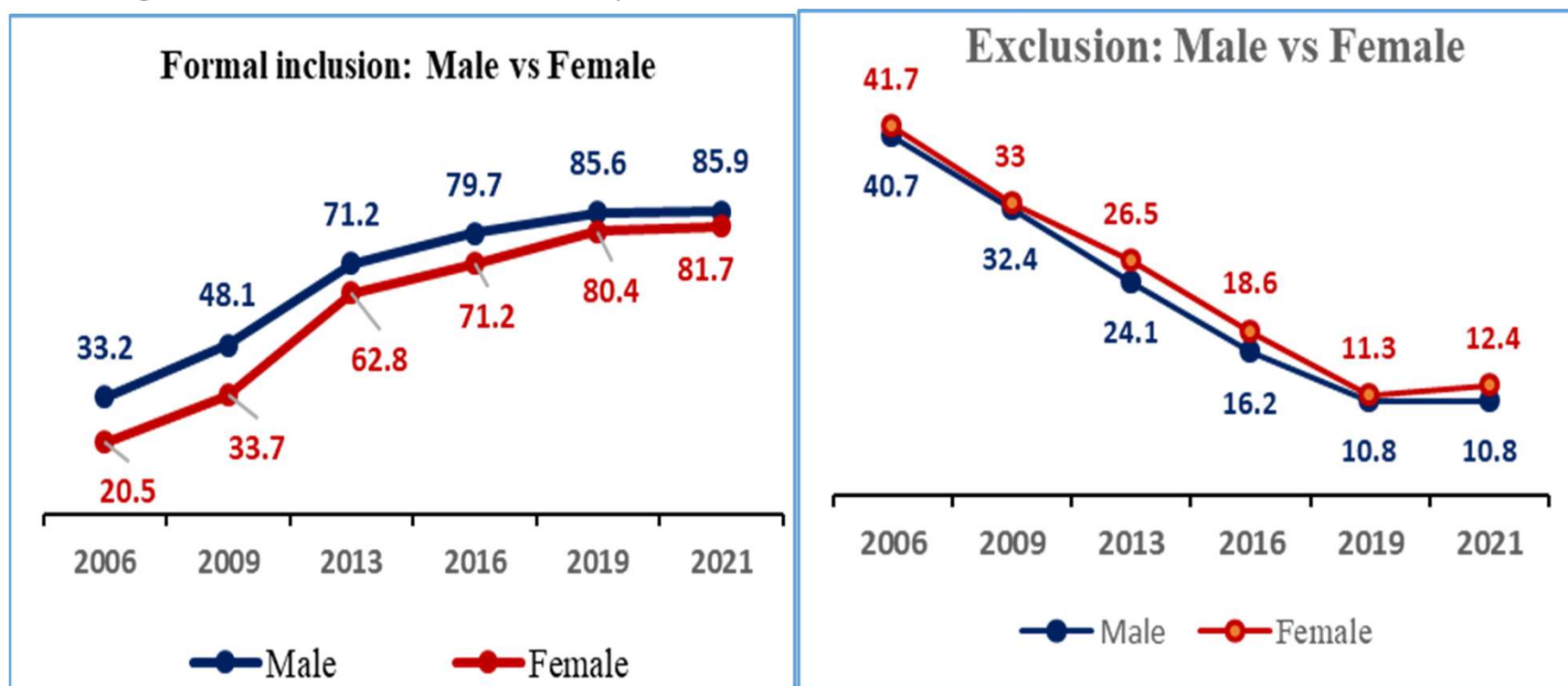
- Youths and the elderly above 55 years largely explain increased exclusion rate. Those aged 18–25 years most excluded at 22.5% in 2021, up from 18.2% exclusion rate in 2019.

Fig.: Exclusion Rates by Age in 2021 (Percent)



- The gap between male and female improved to 4.2% in 2021 from 8.5 percent in 2016, implying rising equality among the two genders in terms of formal inclusion.

Fig.: Included Vs Excluded by Sex (Percent)



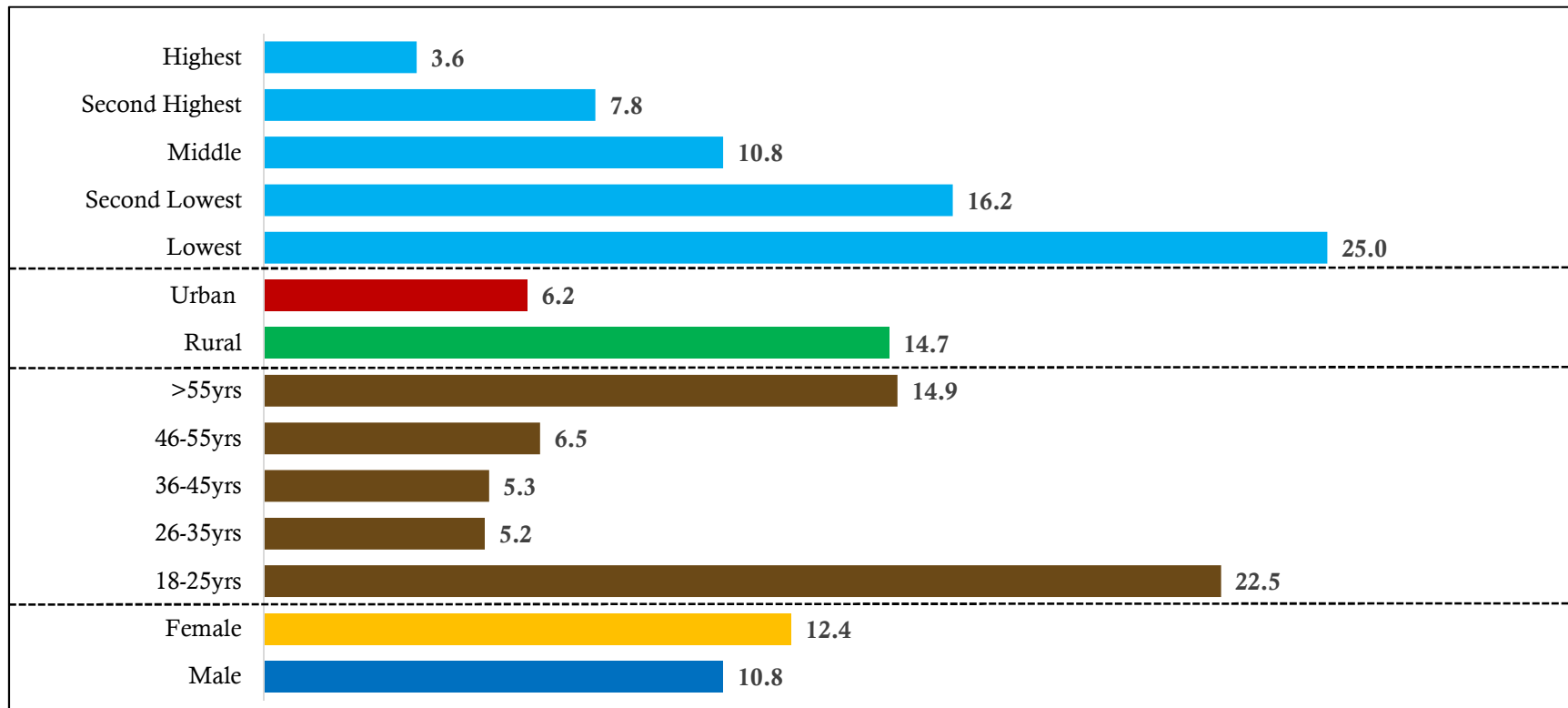
- Slow growth in mobile money uptake - only by 2 percentage points growth in 2021–2019 compared to 33.7 percentage points in 2013–2009. May explain overall slow growth in inclusion

Fig: Slow Growth of Mobile Money Uptake

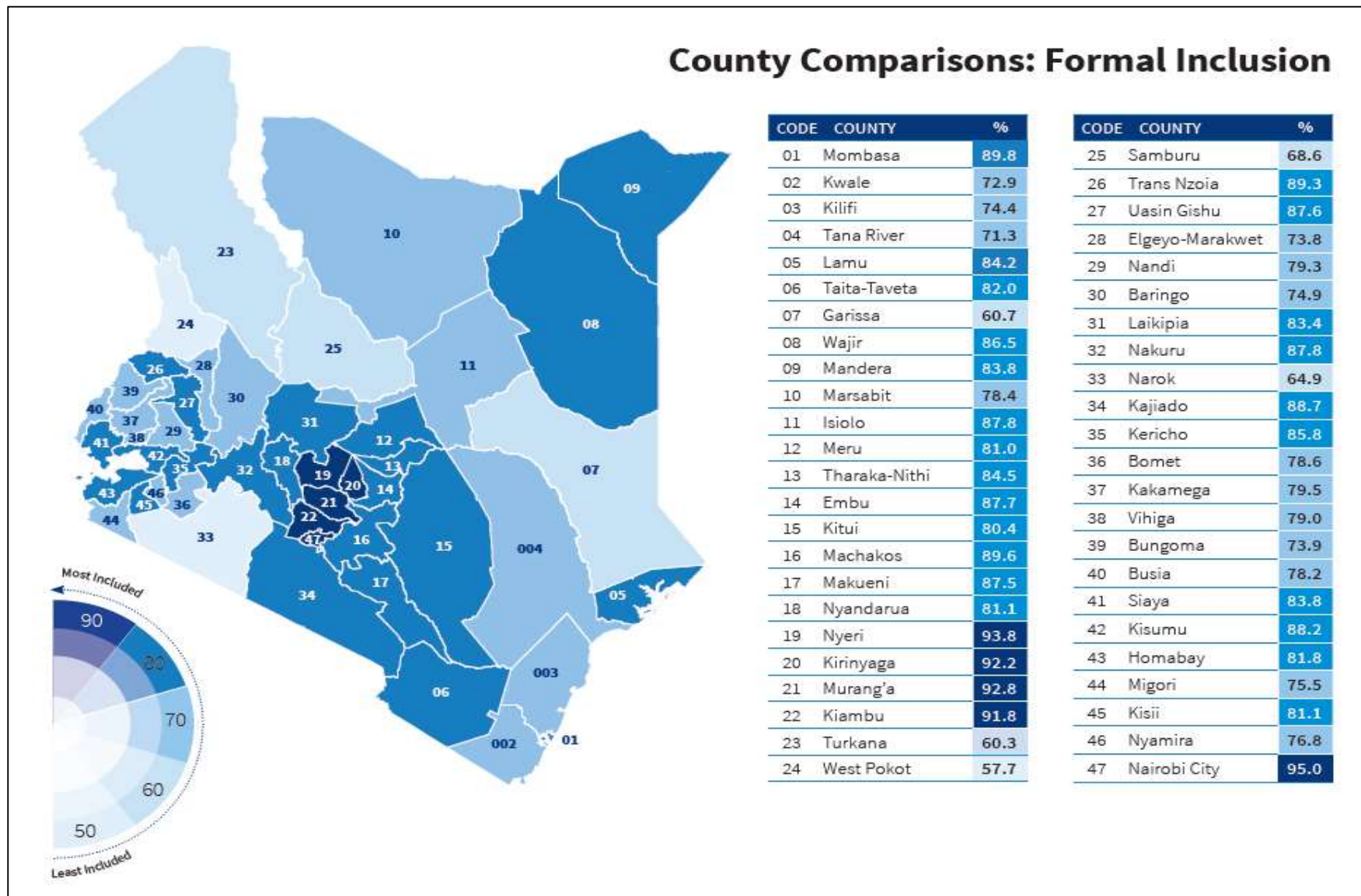
Survey Year	Uptake (Percent)	Change in Percentage Point
2006	Base year	Base year
2009	27.9	27.9
2013	61.6	33.7
2016	71.4	9.8
2019	79.4	8
2021	81.4	2

- In addition, income disparities (measured by wealth quintiles), age, and residence appear to explain the marginal uptick in exclusion rate in 2021.

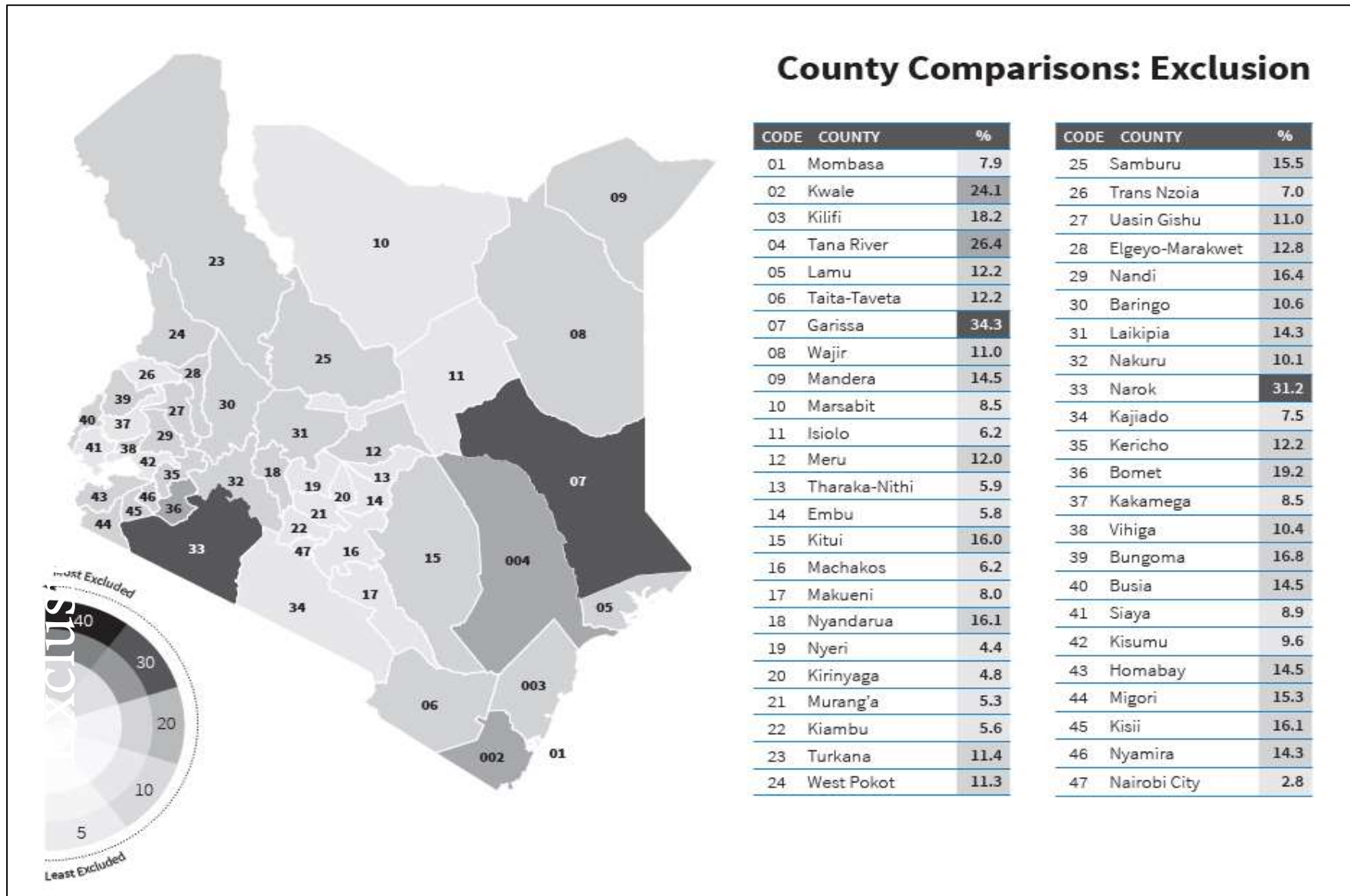
Fig.: Exclusion by Demographics



- Significant variation in formal financial access across counties



Financial exclusion is determined by various socio-economic factors?

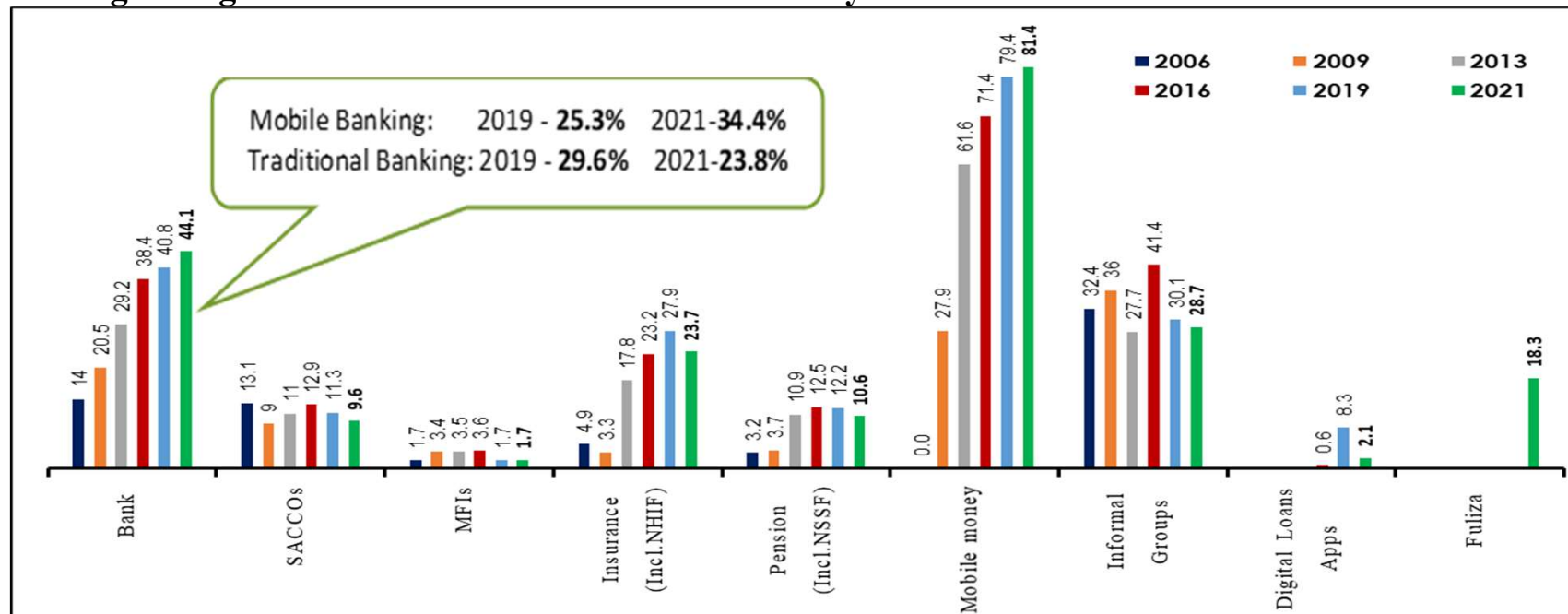


Deepening Usage: Providers, Services and Products

- We are interested in measuring;
 - √ How frequent people actually use these providers, services or products
 - √ How long (duration) people take using these financial providers, services and products
 - √ Reasons for use or non-use of certain providers, services or products
- We analyse the providers, products and services along key demographic indicators - age, sex, education, residence, wealth quintile and County
- Since the respondents use these providers and products in multiples, proportions of usage are not additive

- Mobile money and mobile banking usage including Fuliza are driving financial inclusion. Decline in Digital Apps Loans may reflect competition from the regulated digital credit providers and unfair debt collection practices that scare potential users .

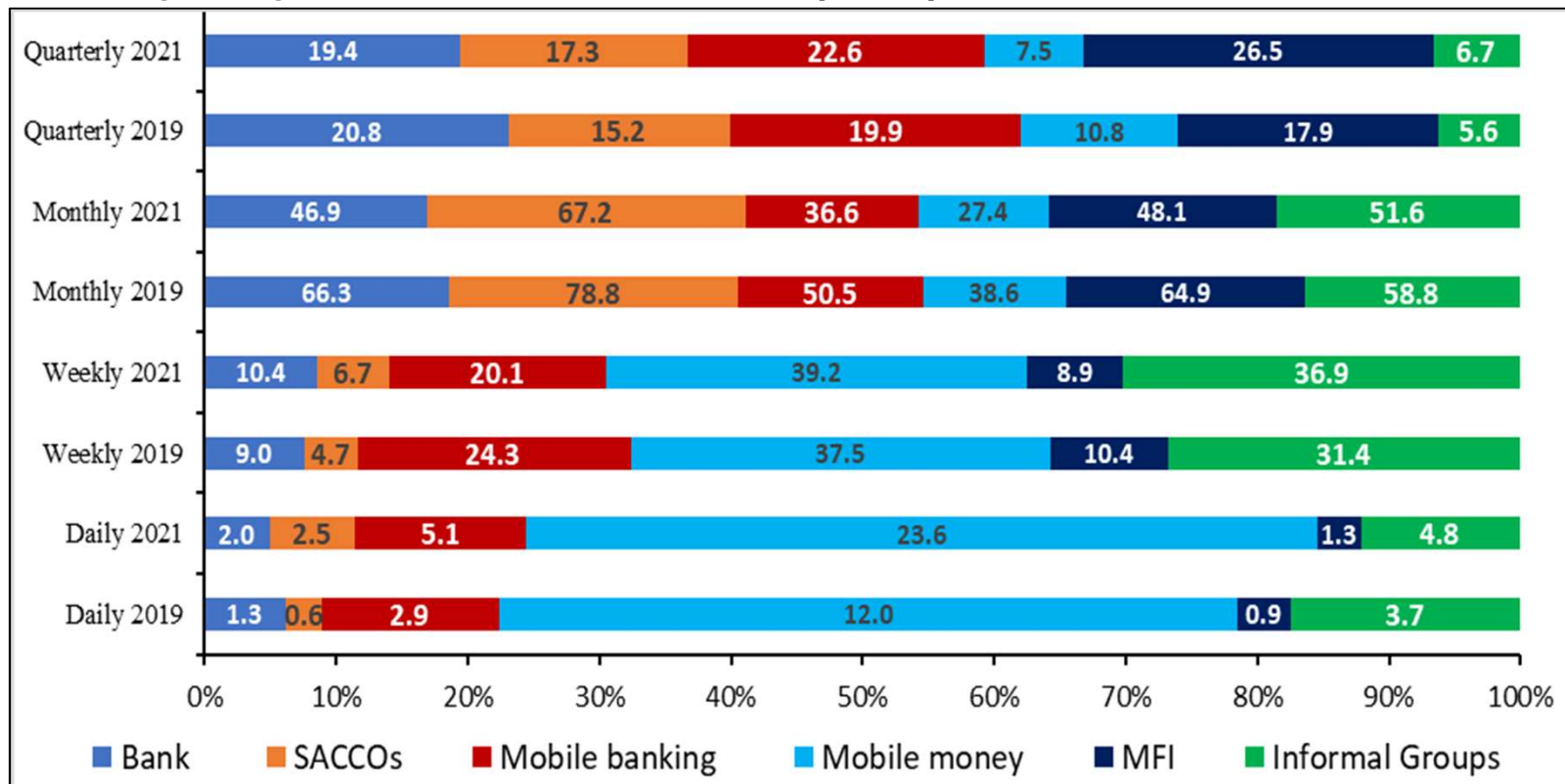
Fig.: Usage of Financial Services and Products by Providers



- Usage of all the non-bank related providers declined in 2021, an area of deep dive research

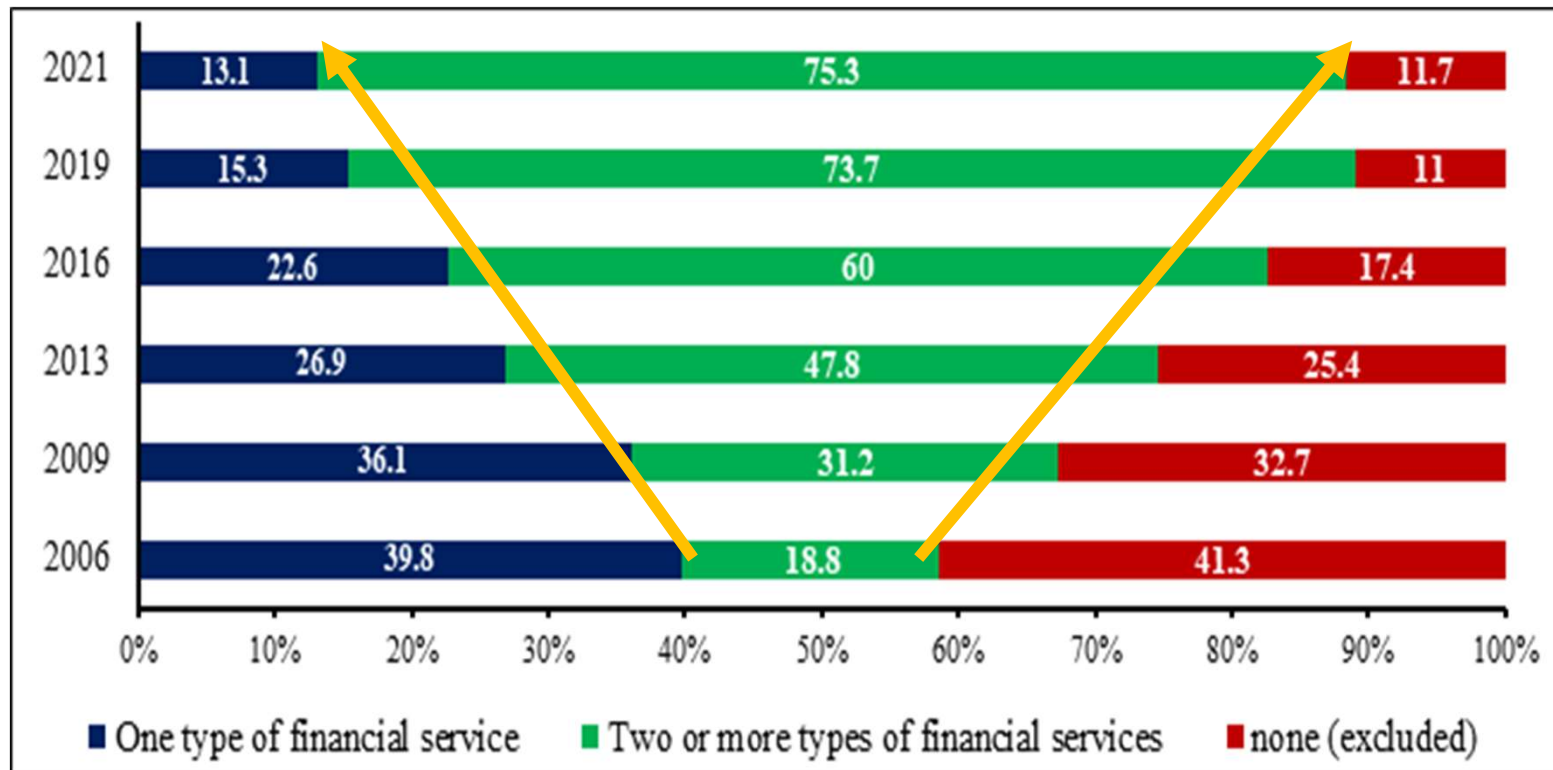
- Increased frequency of **mobile money** and **informal groups** usage in 2021 may indicate increased liquidity needs, government policy to curb the spread of COVID-19 in 2020, and waiver of transaction charges

Fig.: Usage of Financial Providers by Frequency



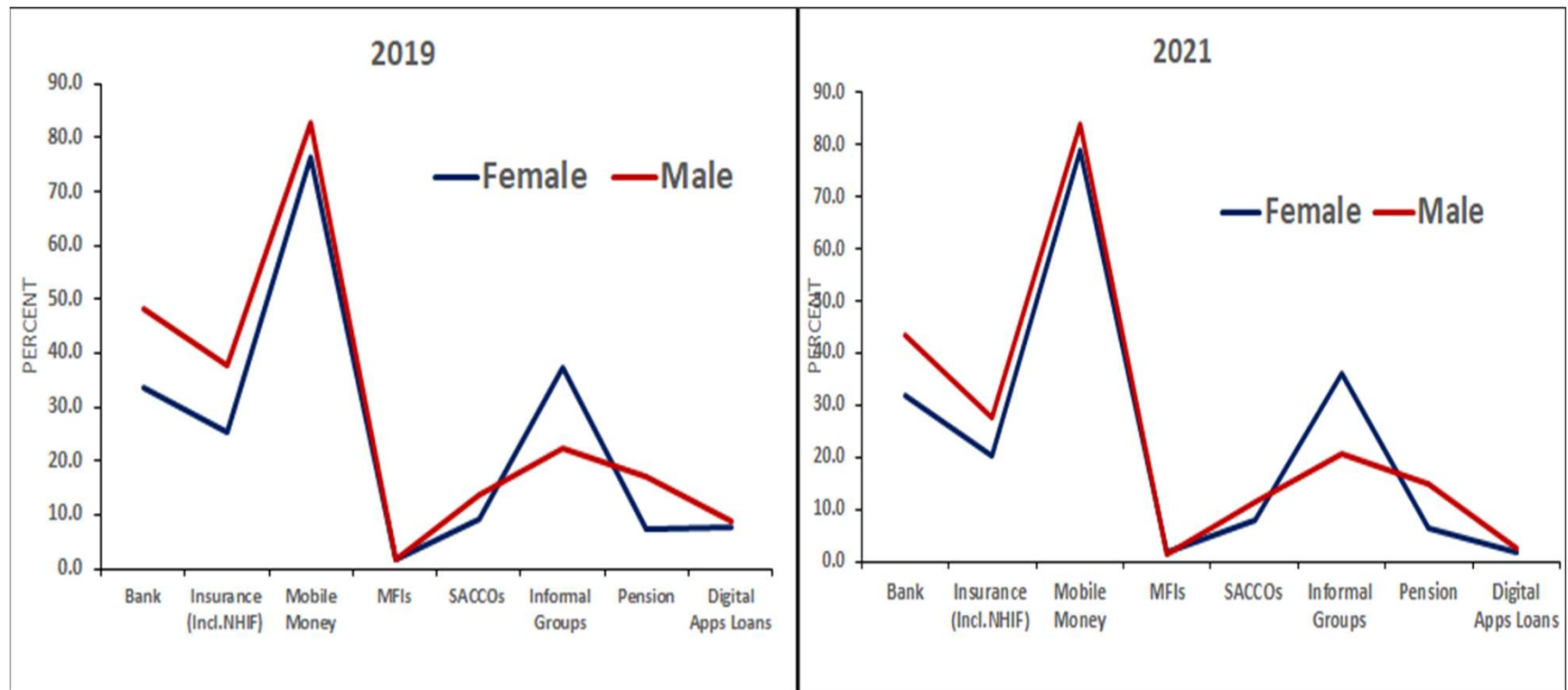
- Consumers use a portfolio of financial providers, services and products in terms of formal and informal in order to meet their needs

Fig.: Usage by Combination of Financial services providers



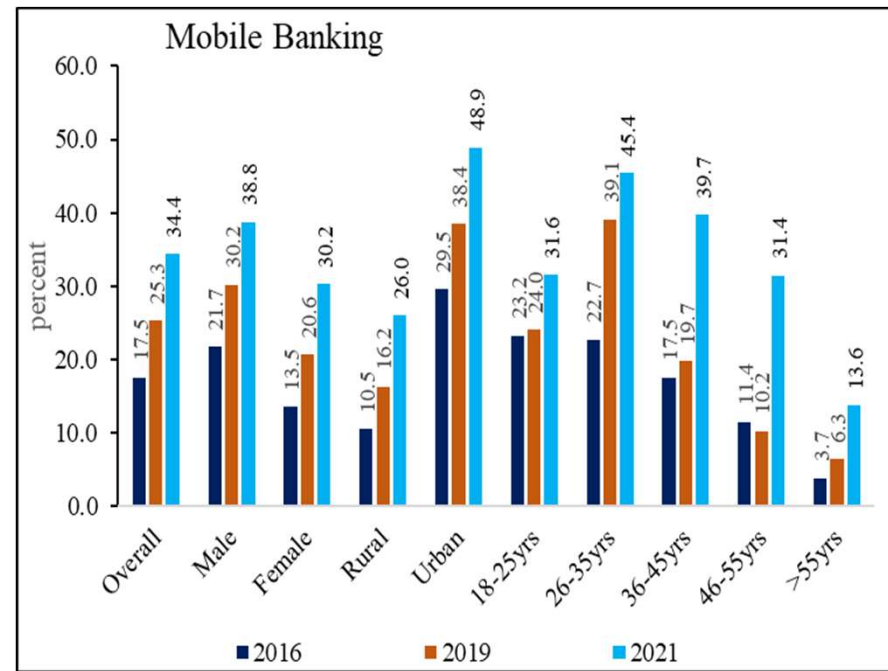
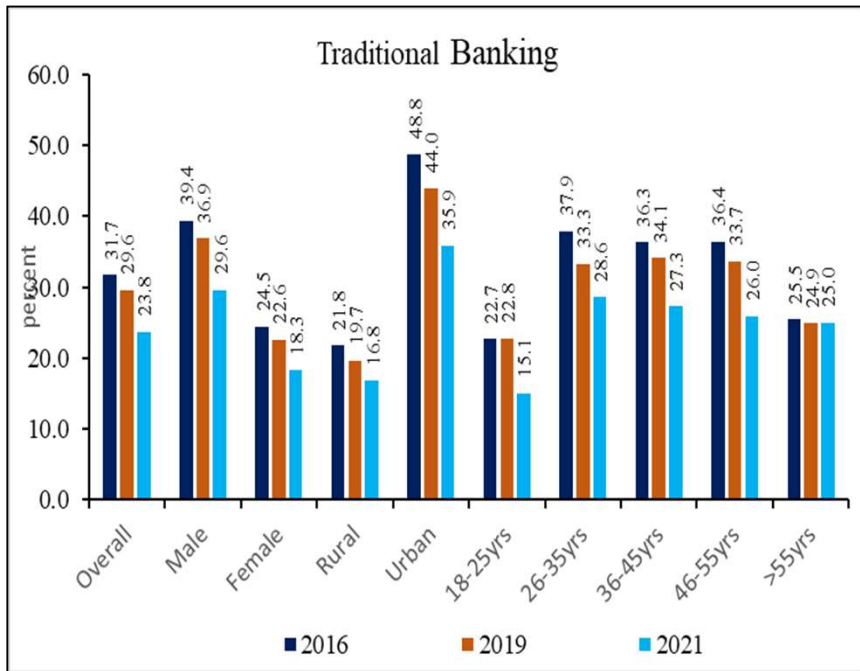
- Mobile money including Fuliza usage continues to drive narrowing gap between male and female users...however more female than male use informal sources/products

Fig.: Usage of Financial Providers and Products by Sex



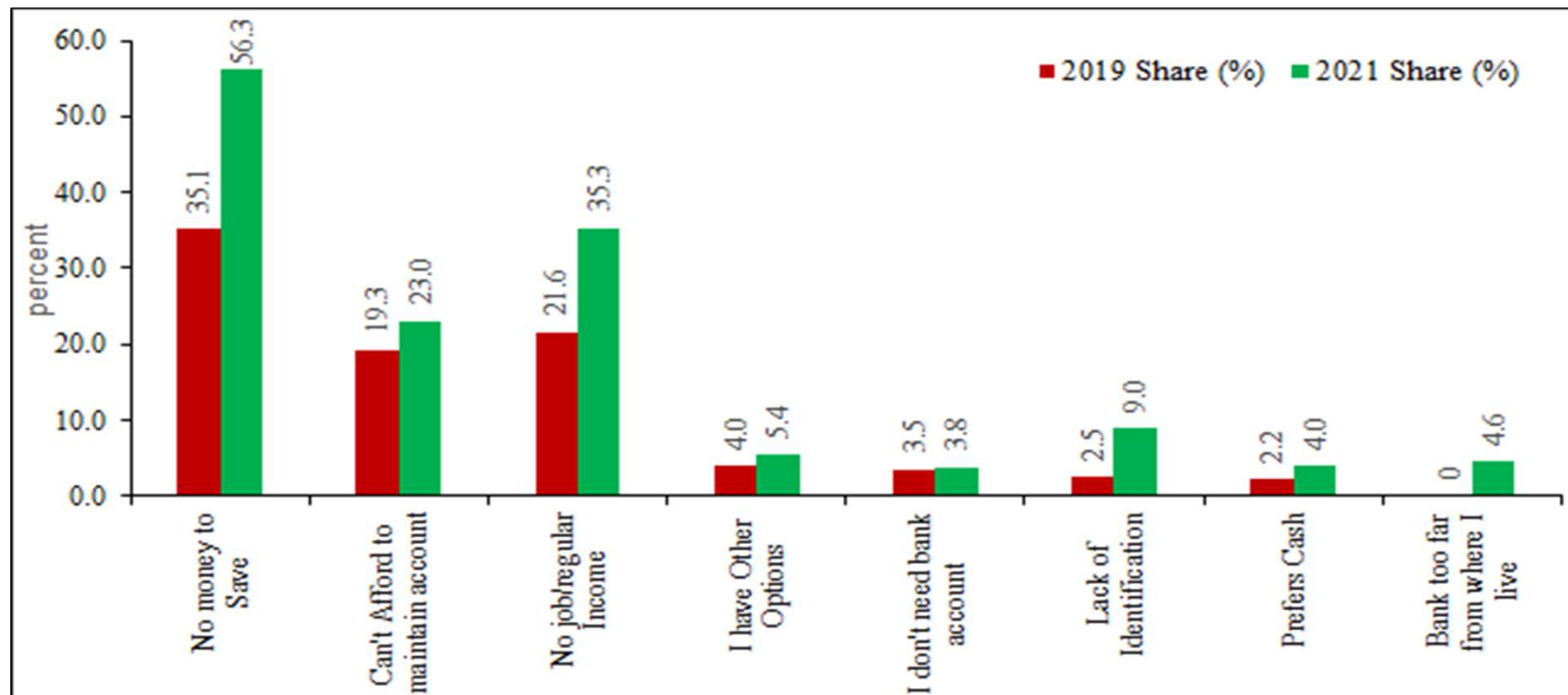
- Traditional banking (brick and mortar) usage continue to decline since 2016 as more people embrace Mobile banking across all demographics
- Female and rural residents adopting mobile banking faster – improved infrastructure (including cheaper smart phones), convenience,

Fig.: Traditional versus Mobile Banking Usage Overtime by Demographics



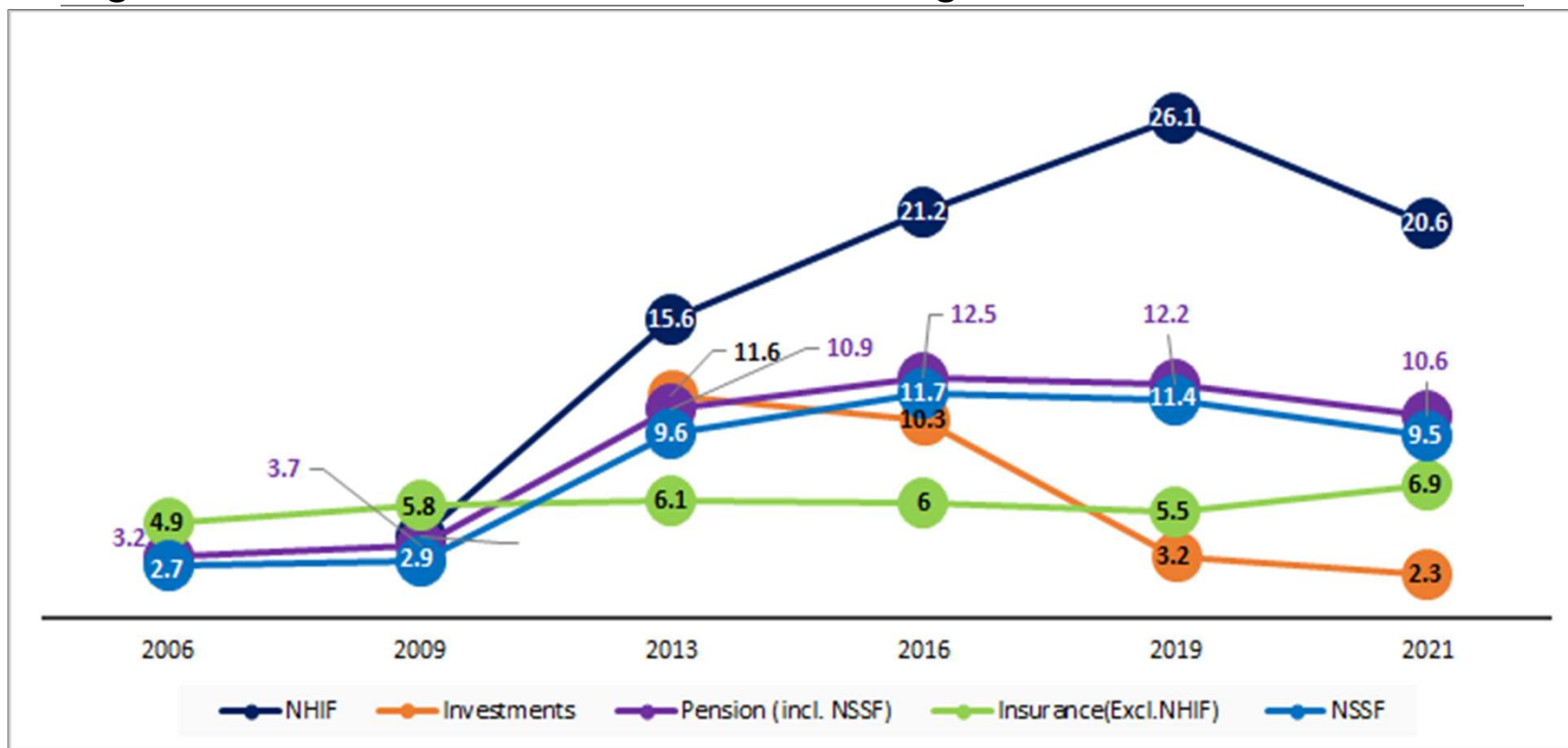
- Lack of money to save, no regular income and high cost of operating a bank account cited as main reasons why people have not used bank account in the last 12 months prior to the survey

Fig.: Reasons for Not Using Bank Account



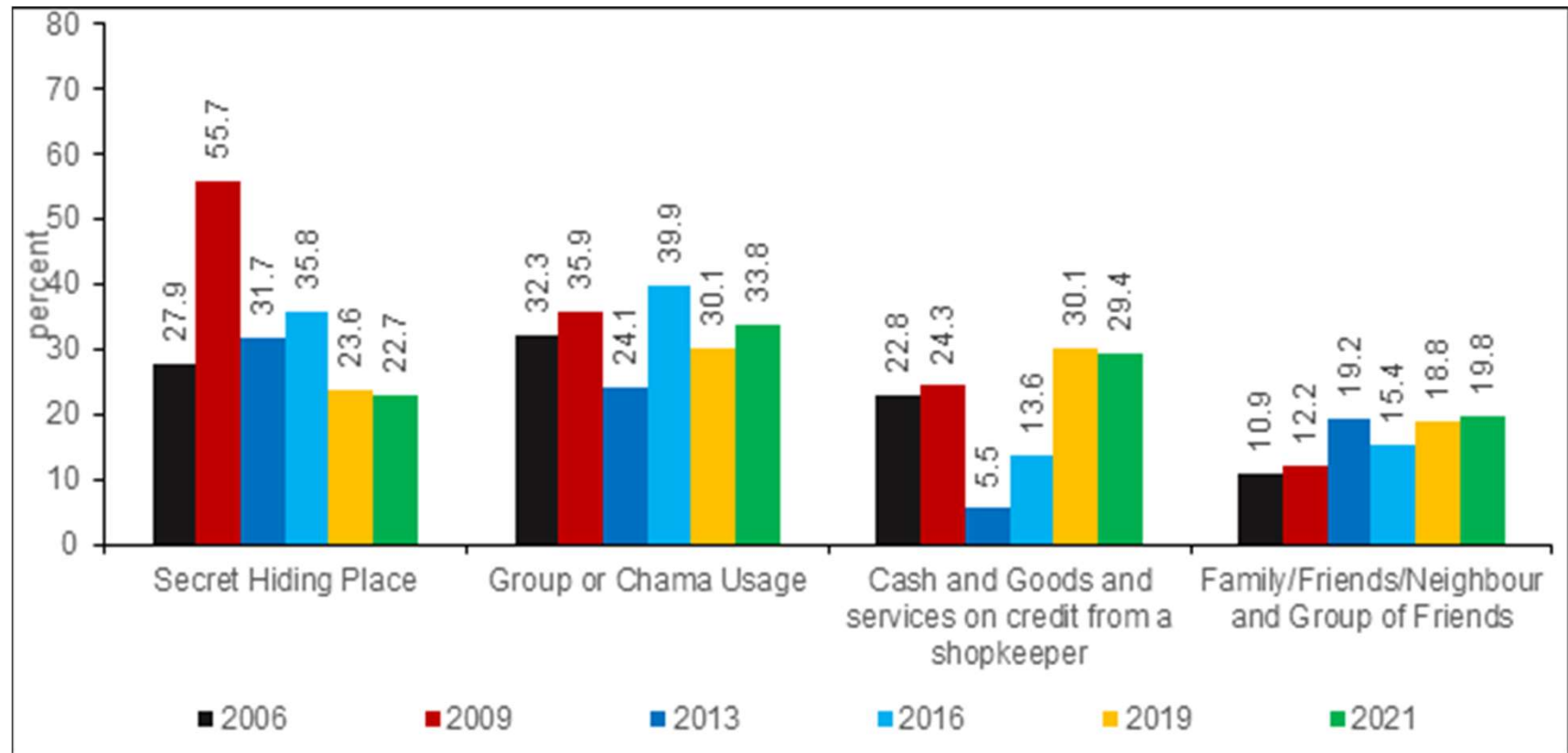
- Actual usage of all non-bank financial providers, services and products, except for Insurance regulated by IRA, declined in 2021. Even the use of NHIF declined despite the recent initiatives – may be due to COVID-19 related restrictions and their impact

Fig.: Insurance, Pension and Investments Usage



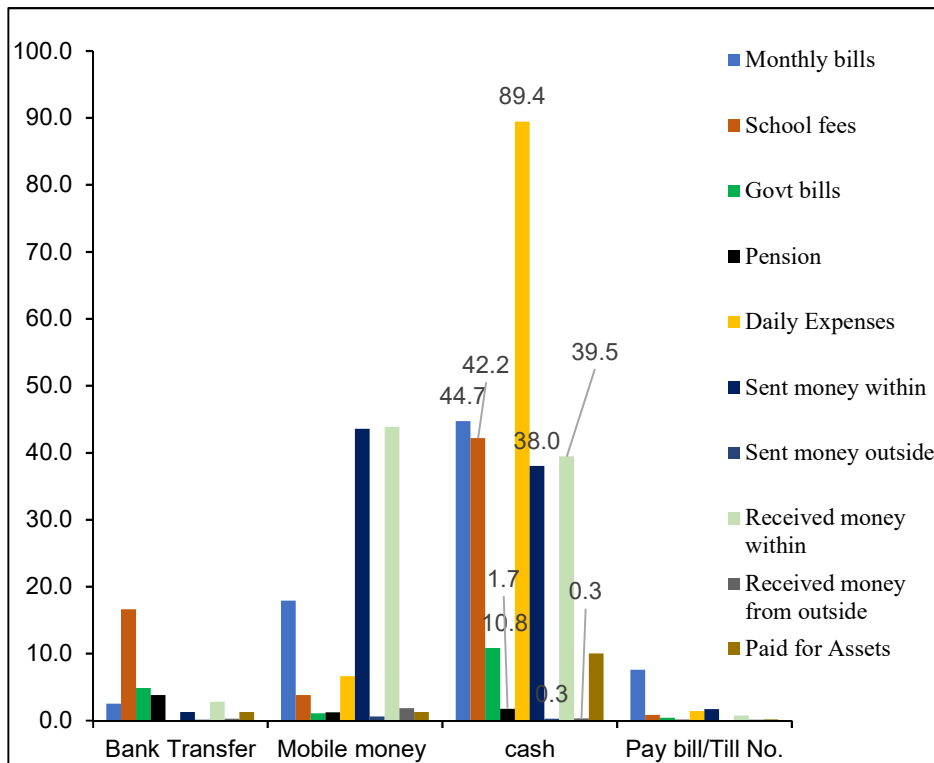
- Usage of Chamas/Groups and Family/Neighbours/ friends increased in 2021, highlighting the important role of social networks in financial inclusion at household level
- Use of secret hiding places and shopkeepers declined marginally

Fig: Breakdown in Informal Group over time

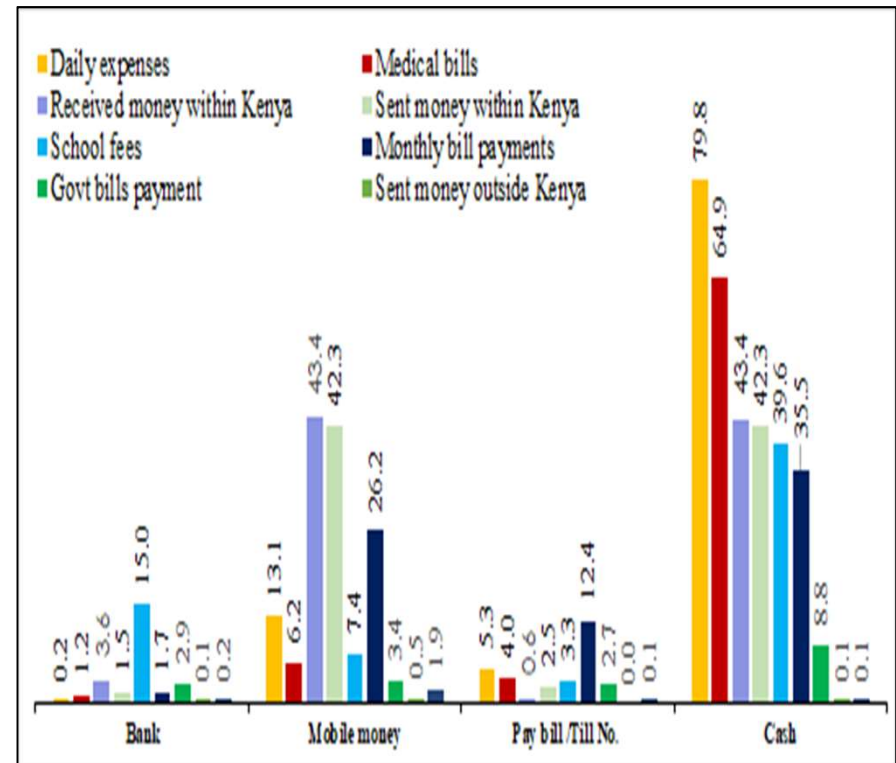


- Use of Cash followed by mobile money dominate all transactions channels in 2021 compared to 2019

2019

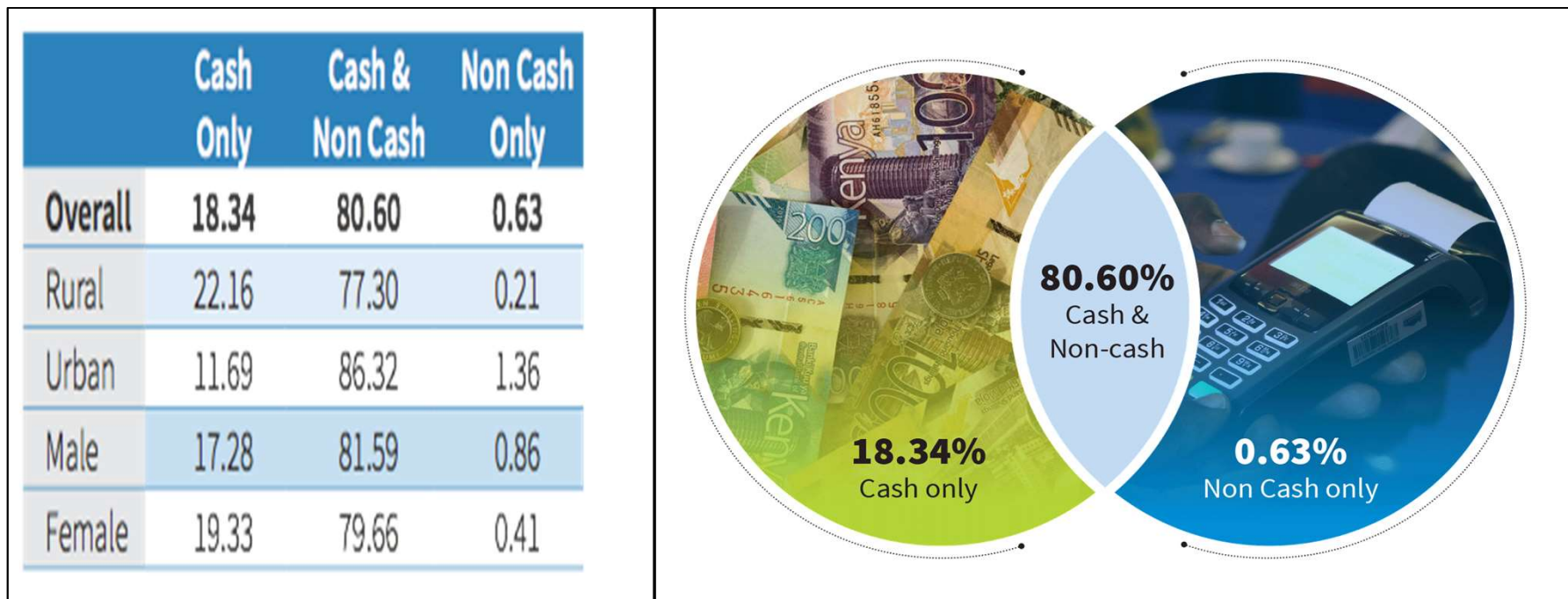


2021



- A majority of Kenyans use both cash and non-cash across all types of transactions.

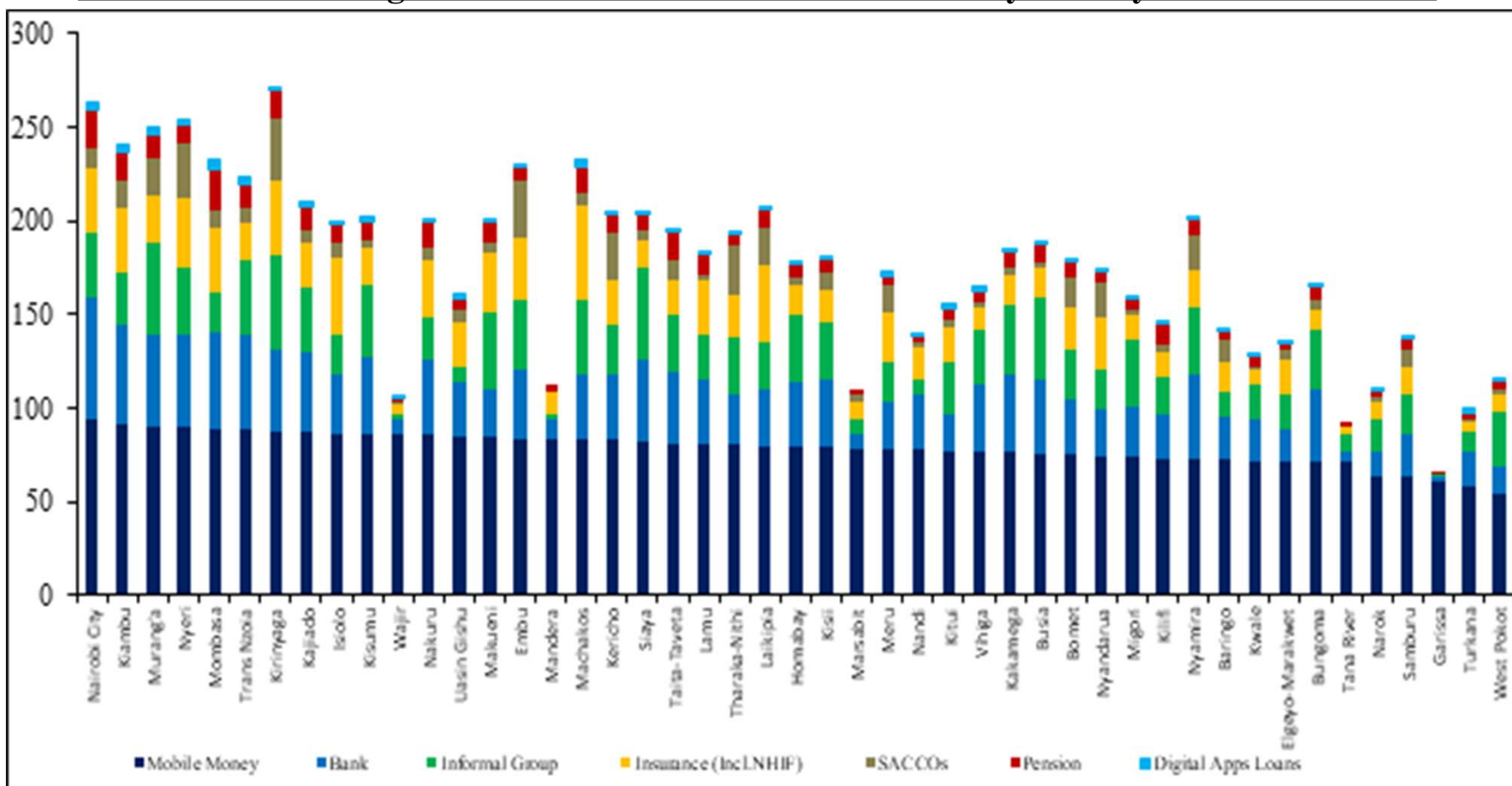
Exclusive use of non-cash quite marginal, at below 1 percent



The Questionnaire did not ask about cash limits. Proposal for a follow up tracker survey on digitization

- Mobile money usage is the equalizing factor across Counties by provider and product
Usage of different providers seem to follow economic and socio-cultural orientation of counties

Usage of Financial Services and Products by County





QUALITY DIMENSION

“

**Enhancing the Quality of
Financial Services and
Products Overtime**

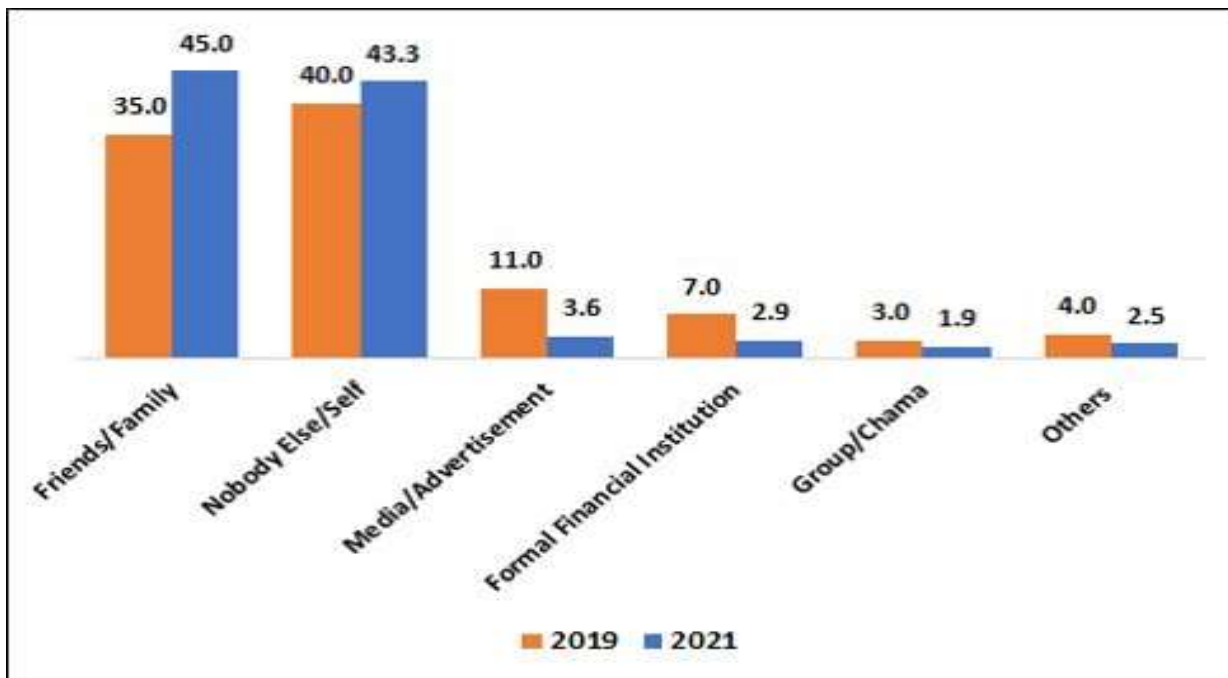
Theme: “Addressing quality concerns in the era of financial digitalisation and misinformation”

- The objective is to measure whether the financial products and services match clients' needs, the range of options available to customers, and clients' awareness and understanding of financial products by focussing on financial literacy and consumer protection concerns.

Financial Literacy

Majority of Kenyans seek financial advice from informal sources – family and friends and personal knowledge/experience

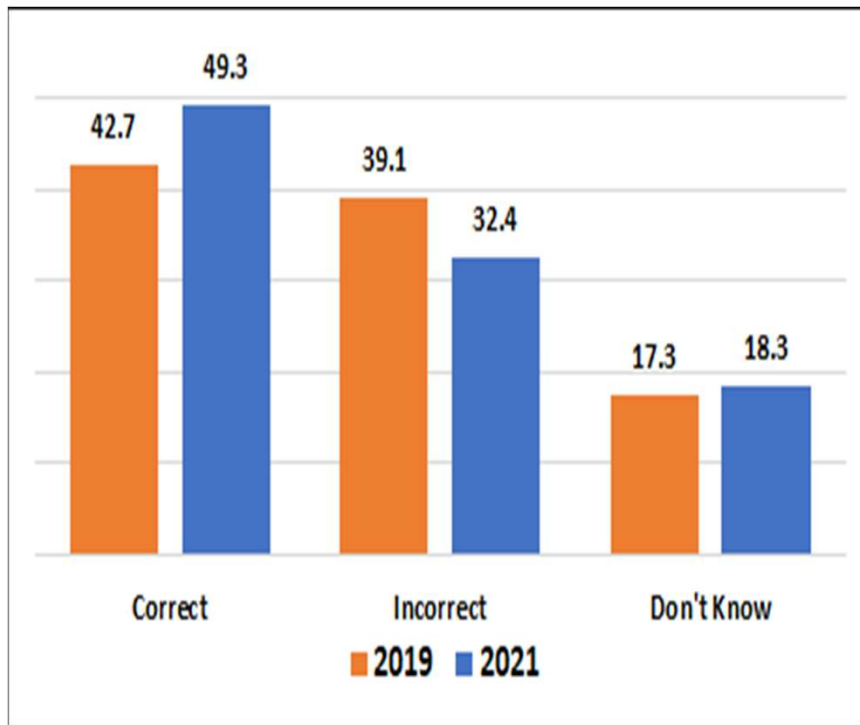
Fig.: Sources of financial advice (%)



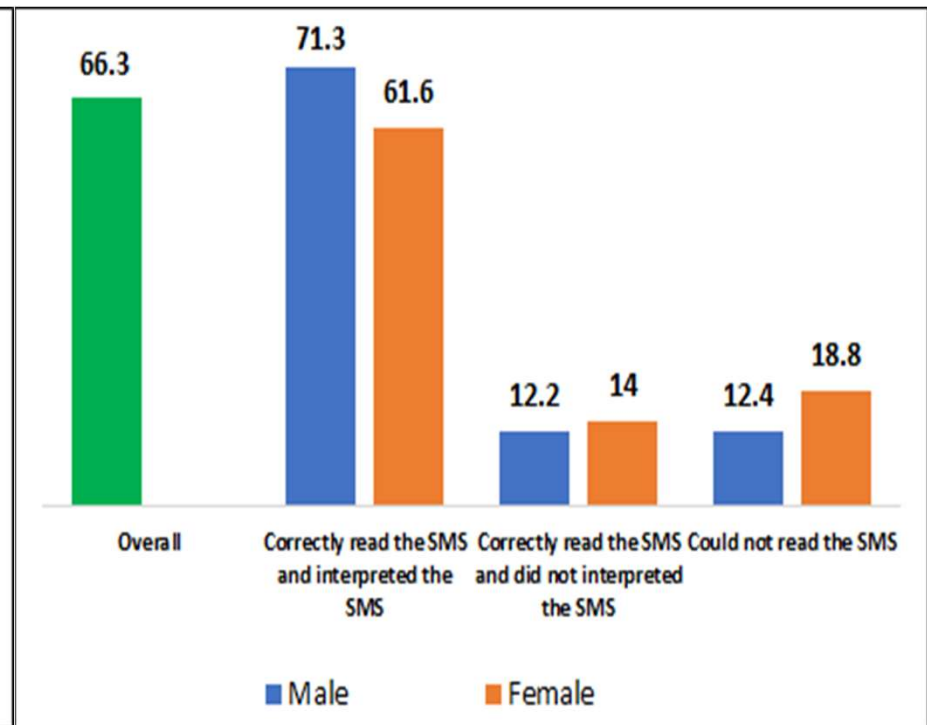
- 45.0% of adults rely on friends and family for financial advice
- 43.3% rely on their own knowledge for financial advice

- The survey tested the ability of respondents to accurately compute a 10 percent interest on a KSh 10,000 loan:
 - ✓ 49.3% of the adult population got correct answer
 - ✓ 66.3% correctly identified transaction costs on a mobile phone

Knowledge about Cost of Borrowing



Knowledge about Transaction costs



- More respondents reported increased Unexpected/unclear charges in 2021 compared to 2019. Other major challenges: frequent system downtime, poor customer service and lost money from account

Fig.: Challenges cited by Consumers in 2021 by Provider (percent

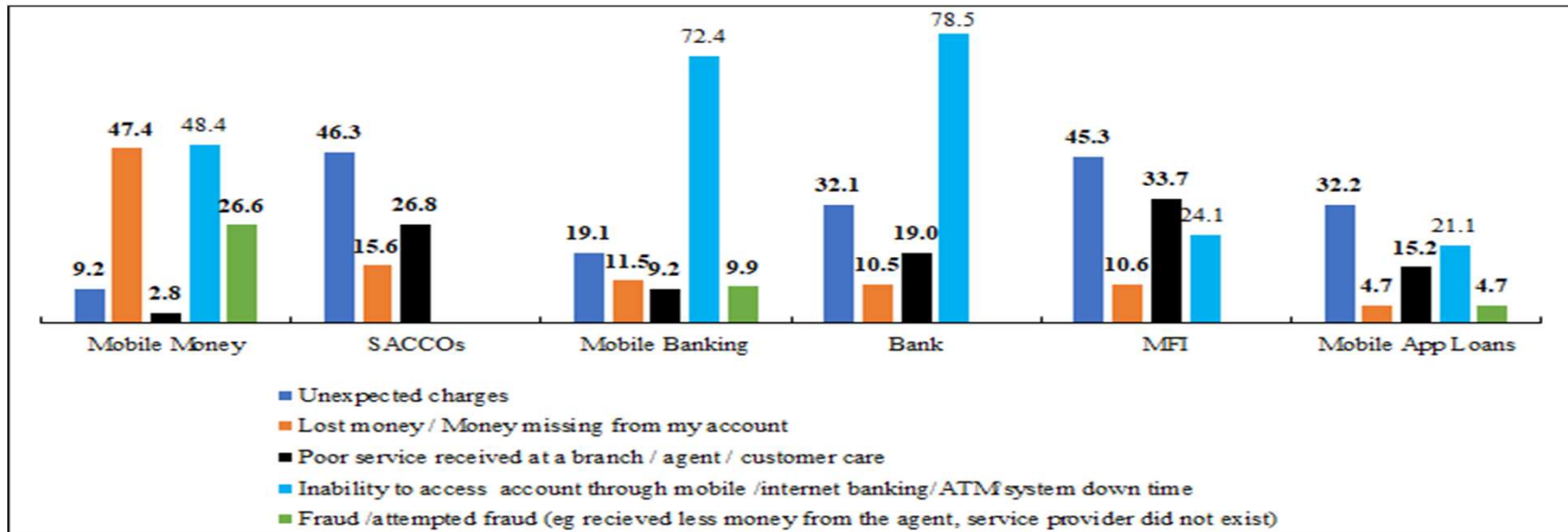
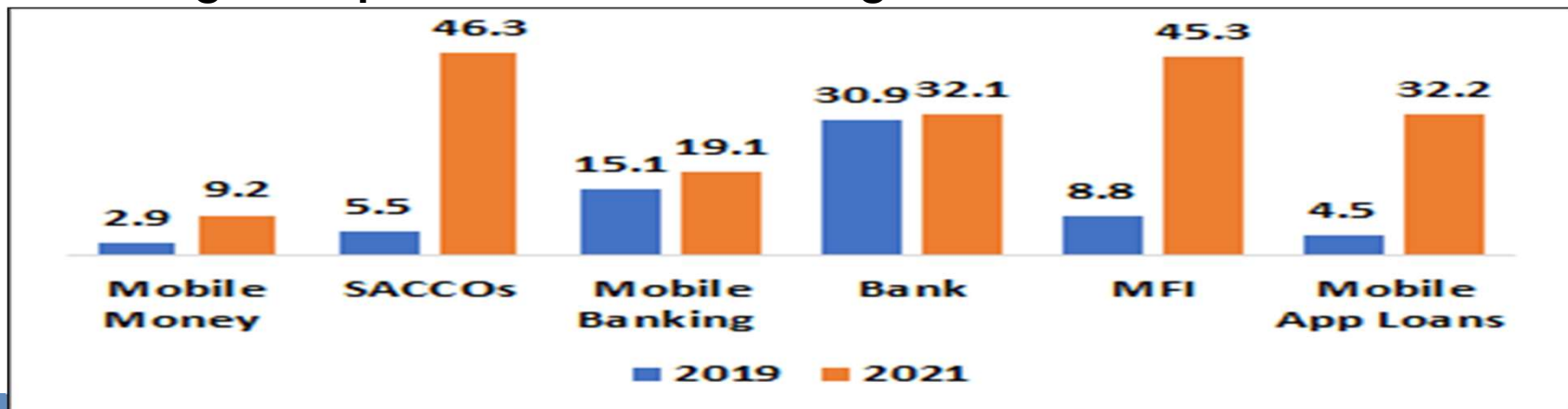
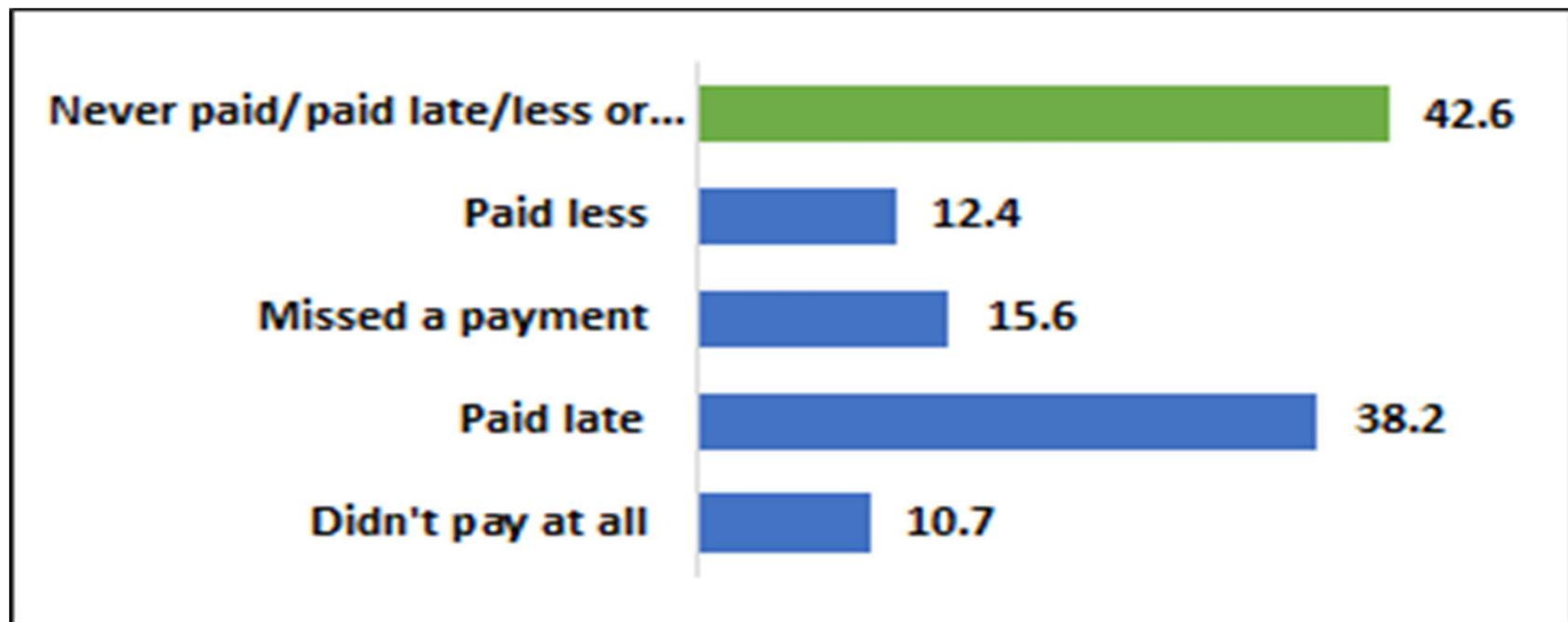


Fig: Unexpected or unclear charges



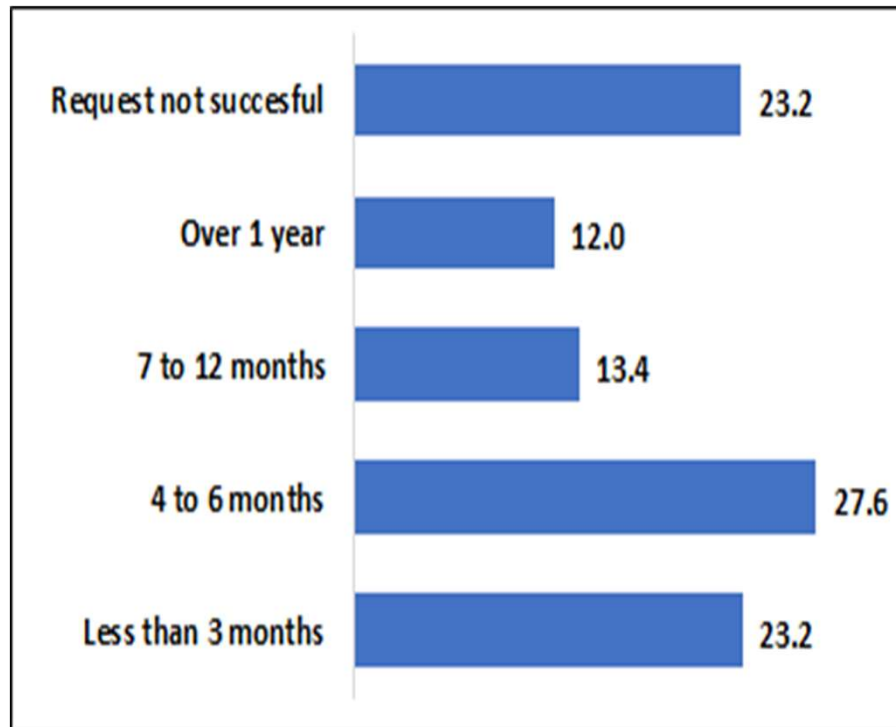
- We also analyse the household indebtedness. We noted that debt distress is a major challenge affecting consumers in 2021, with 10.7% of borrowers completely defaulting (did not pay at all) on their loans

Fig.: Default by Type

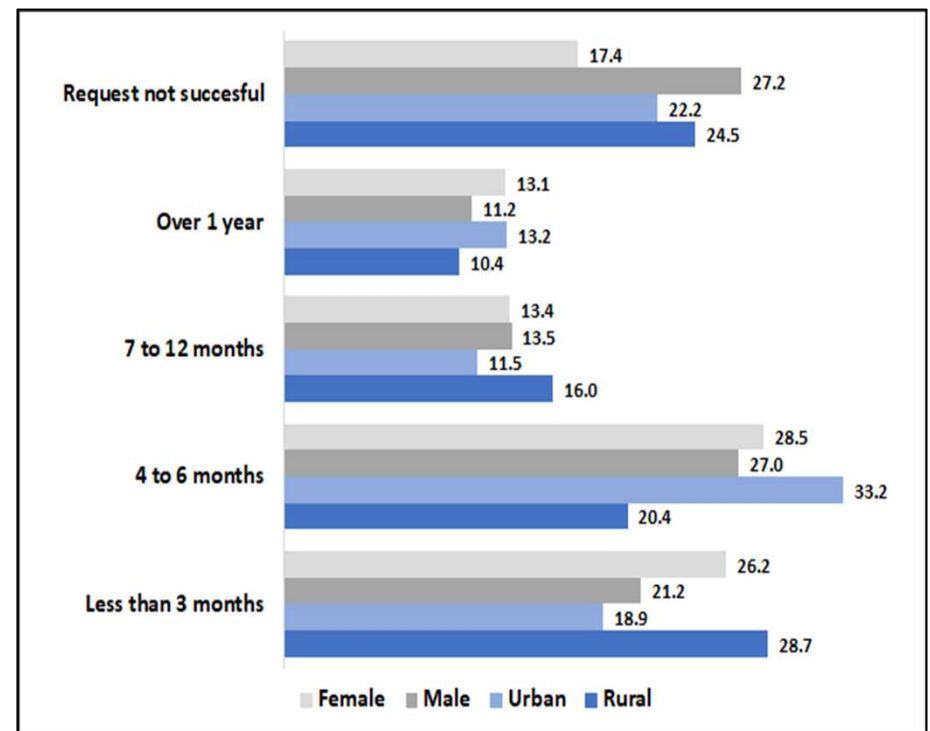


- About 14.4% of respondents with existing loan from a bank, MFBs or SACCOs in 2020/201 applied for loan restructuring, with close 77 percent being successful

(a) Requested for restructuring

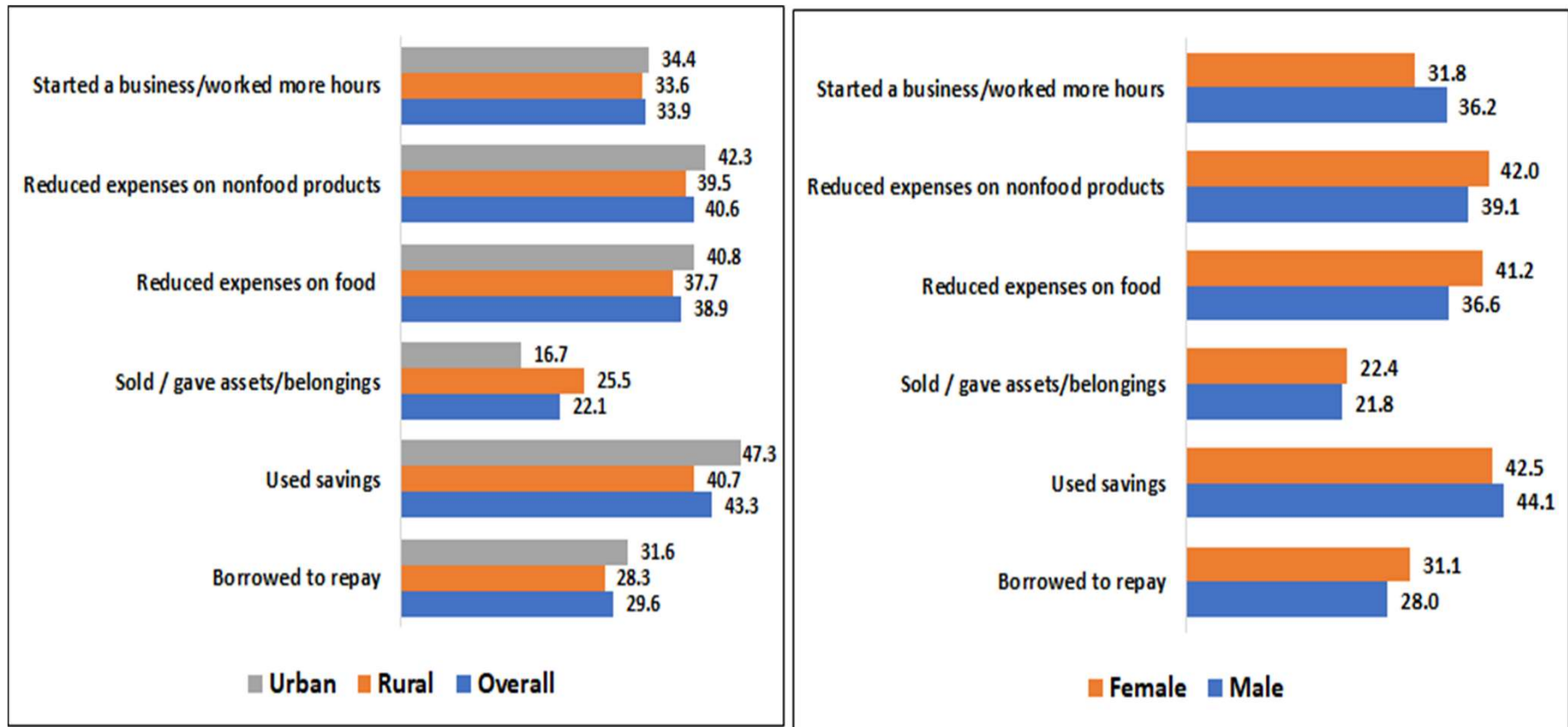


(b) Loans Were Restructured



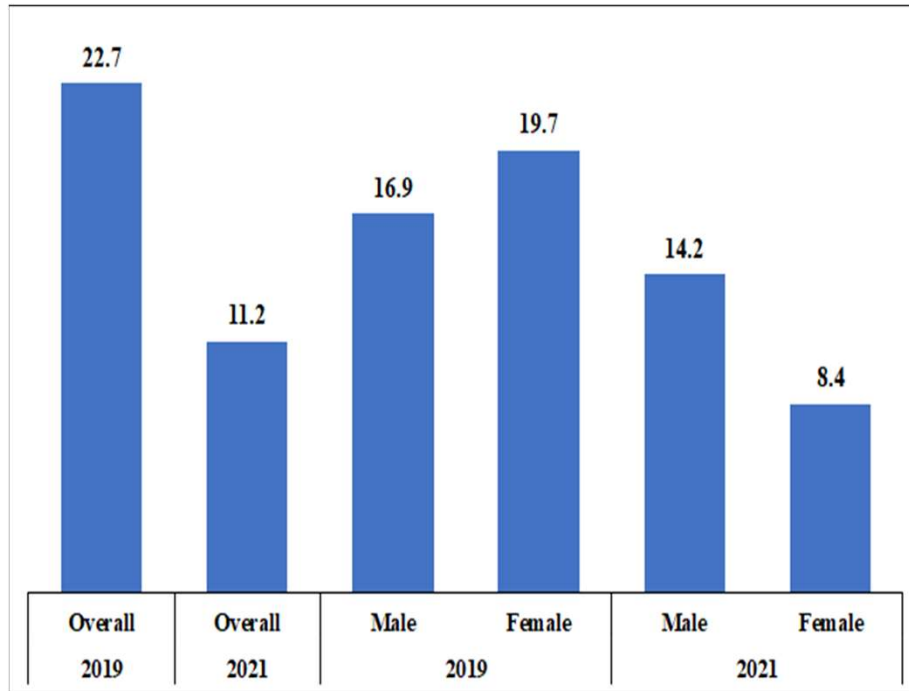
- Strategies employed by households in debt repayment and resolving household indebtedness in 2021 ... Cut down on other expenses (food and non-food), ran down savings, looked for additional work/business and took another loan to repay

Fig.: Strategies Employed to Repay Debt

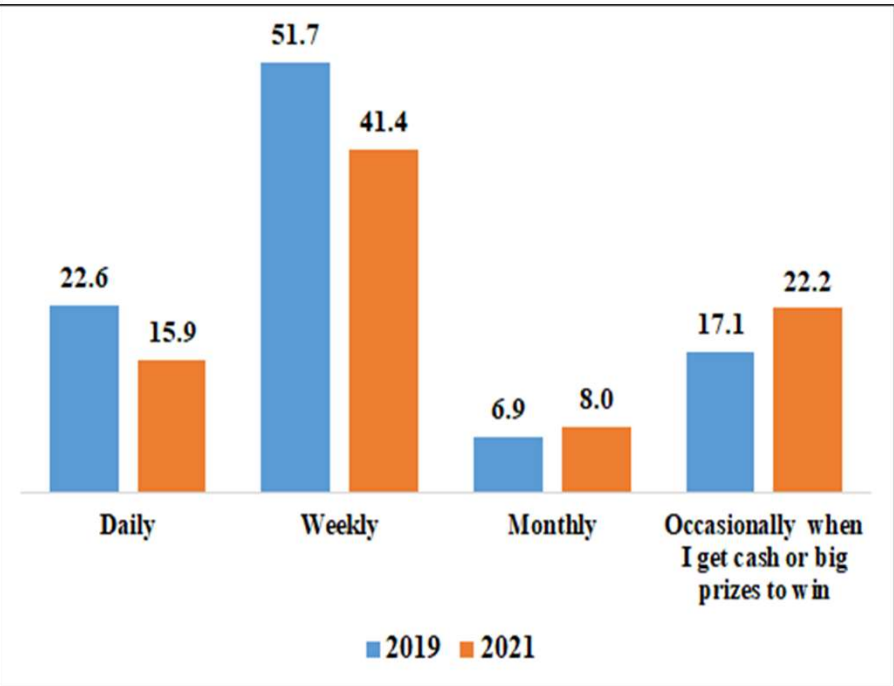


- Those who perceive betting as a good source of income halved in 2021, a majority being female respondents...people also bet less frequently and amount per bet has reduced.

(a) Those Perceiving Betting a good source of income



(b): Frequency of betting





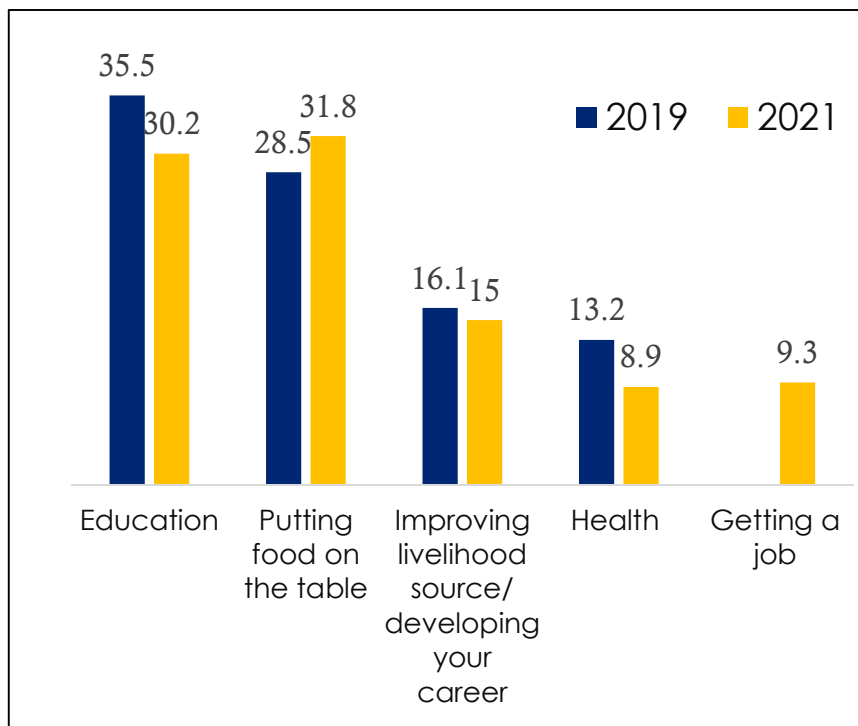
IMPACT DIMENSIONS

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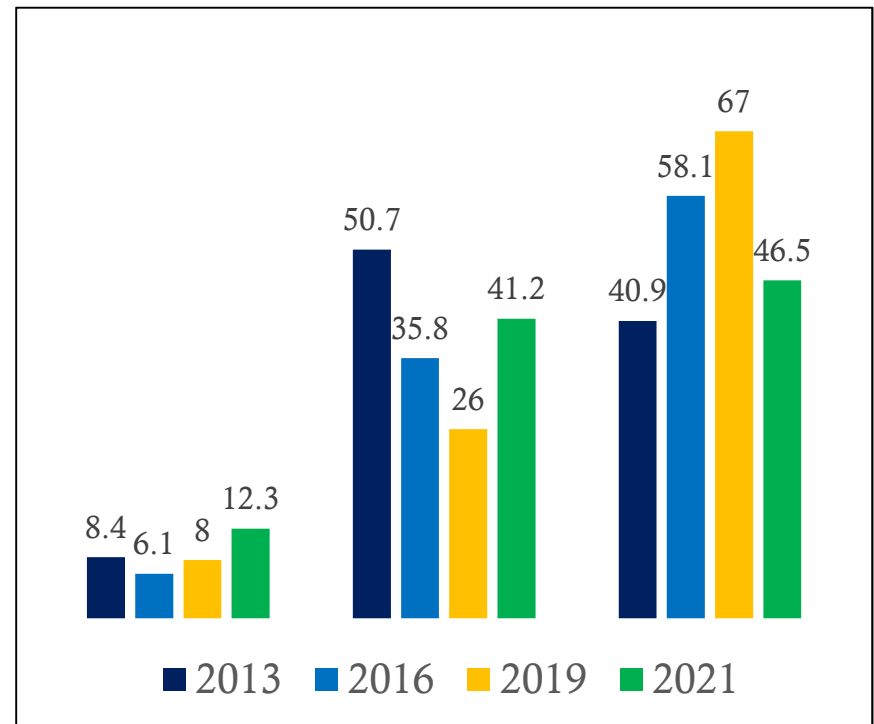
**Dividends of inclusive finance
for enhanced Sustainable
Financial Health**

- Putting food on the table was a key life priority for Kenyans, with overall food vulnerability increasing in 2021 – 12% of respondents reported that they often slept without food in 2021

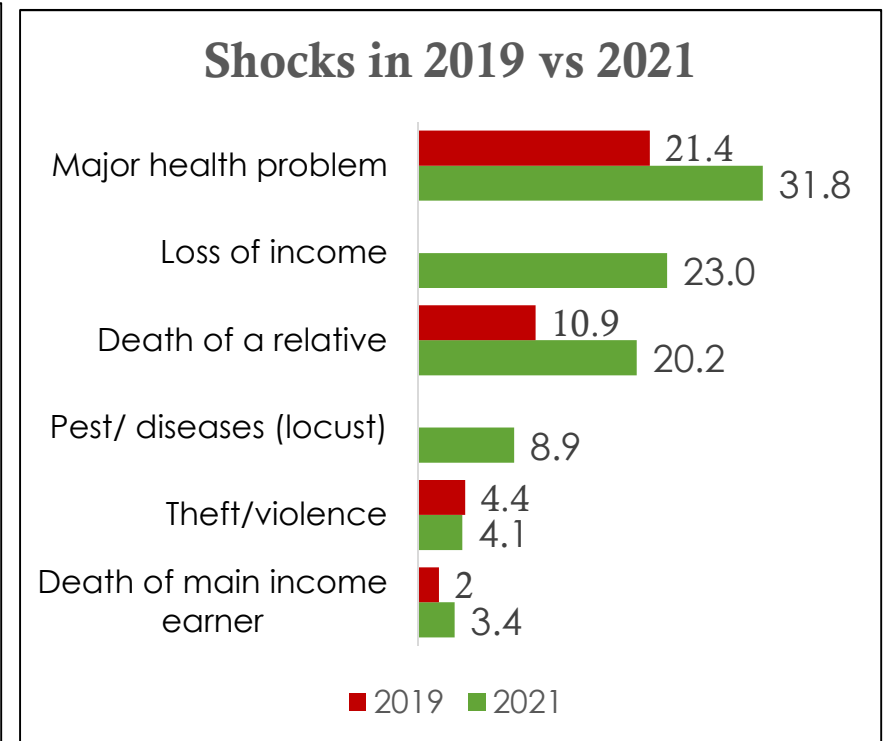
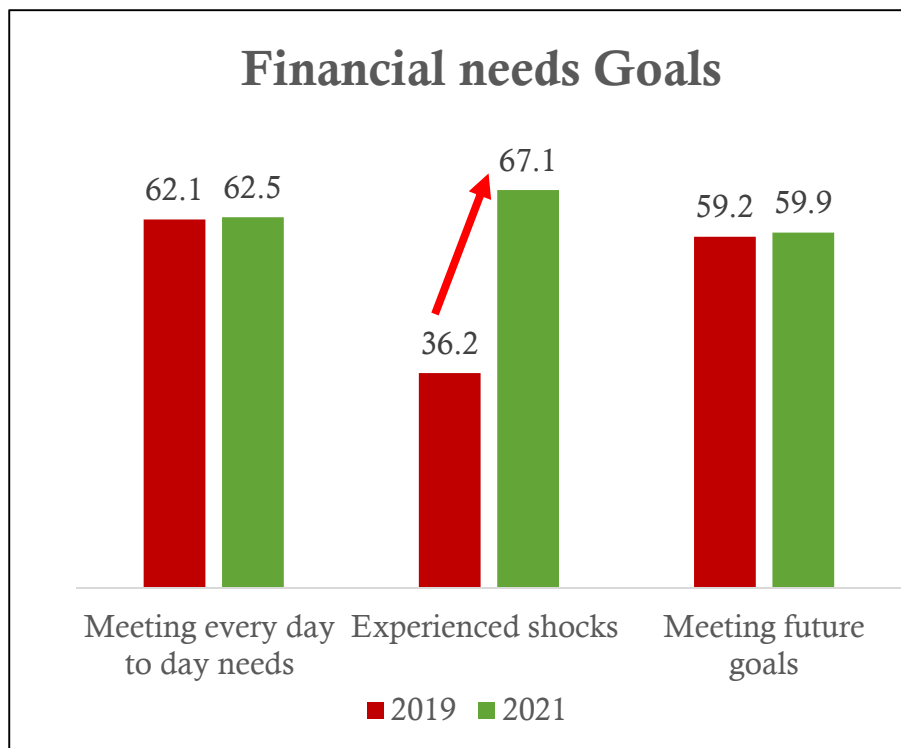
Life Goals



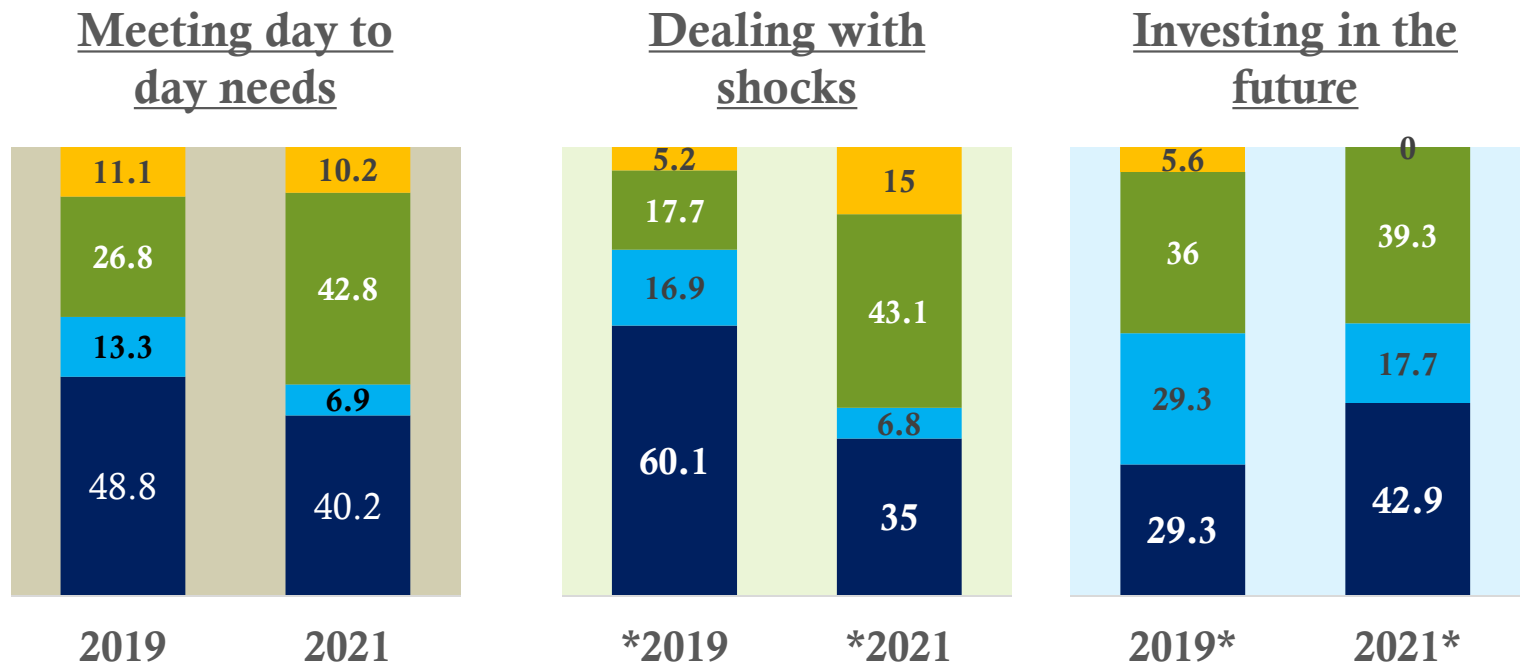
Food Vulnerability



- The number of respondents who reported financial needs to deal with a shock increased 67.1% in 2021 from 36.2 % in 2019 – the main shock being health related

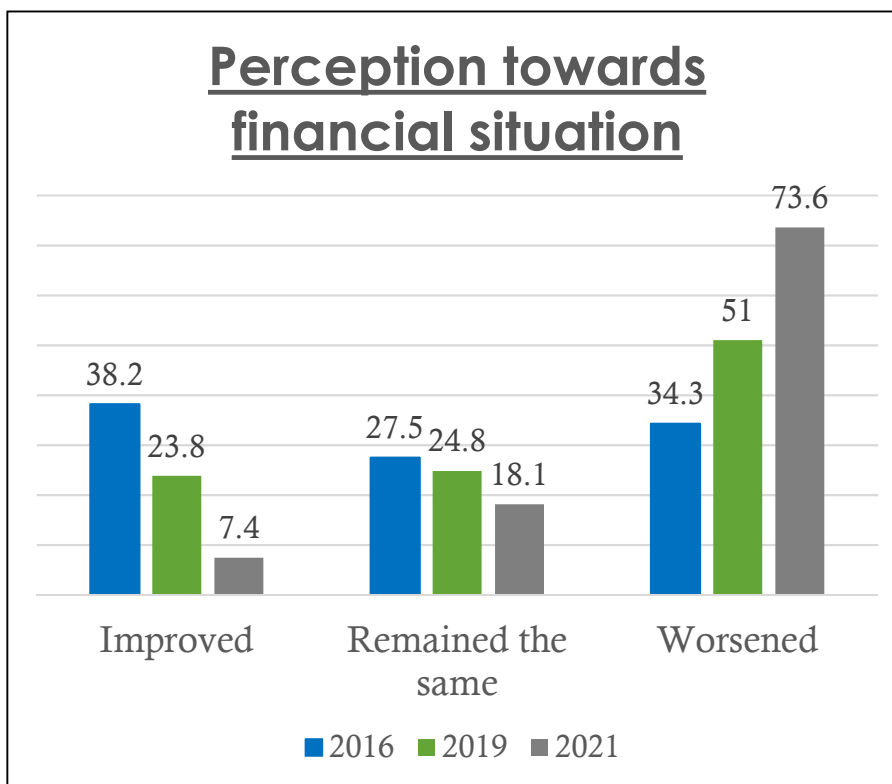
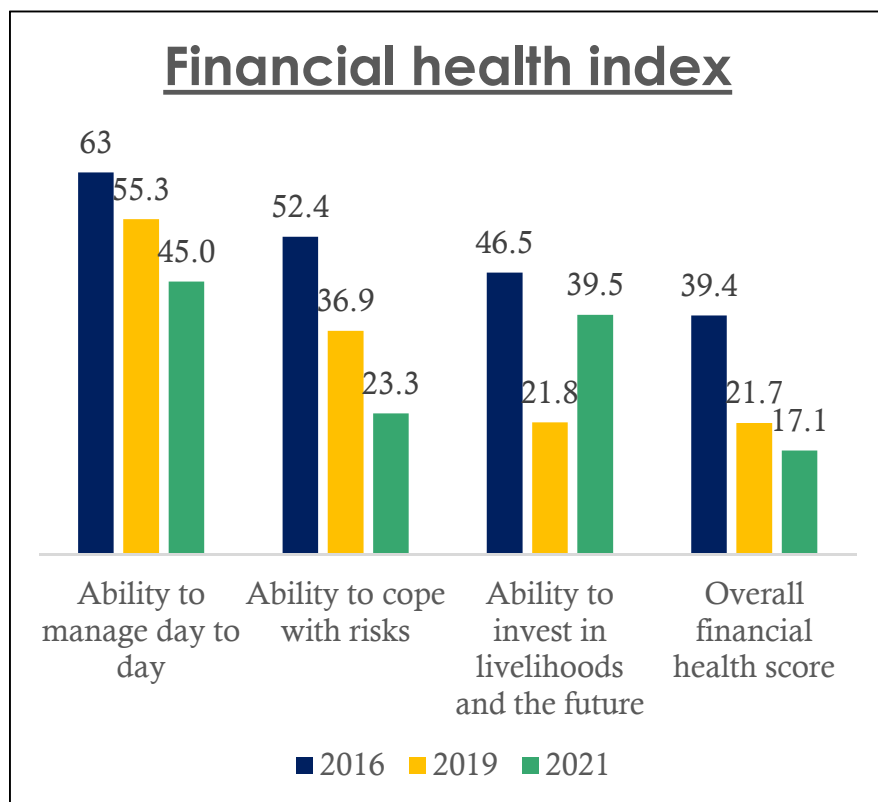


- Use of formal solutions declined by almost half in meeting all 3 financial needs
- Decline in use of informal solutions in dealing with day to day needs and shocks but increased for future investments



■ Did nothing/other
 ■ Got additional work/cut back on expenses
 ■ Formal
 ■ Informal

- Overall, financial health index declined in 2021 compared to 2019, mainly on account of inability to meet day to day needs and coping with shocks. There is however optimism about investing more for their future.



Summary and Conclusions

- The 2021 FinAccess Survey provide very rich data and indicators for tracking developments in the financial inclusion space in terms of changing consumer behaviour, technological innovations, policy changes, demographic dynamics, entry of new players as well as globalization of economies.
- Expanding the scope of the survey to all access, usage, quality and impact/welfare dimensions provide a holistic view to inclusive finance
- We welcome more in-depth research from academia, development partners, private sector and policy makers in order to guide policy solutions, provide new knowledge and influence innovations that would benefit consumers



finaccess

Thank You!