



CENTRAL BANK OF KENYA

LAUNCH OF THE FINACCESS HOUSEHOLD SURVEY 2019 REPORT

Intercontinental Hotel, Nairobi

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Good morning!

Today is a good day. Not only because, it is one day closer to the rains which will bring some relief and transform the brown landscape to a lovely hue of green. Today is a good day because it is one of those days when economics comes to life. Often, we economists are in our own little corners, crunching away at some statistics, hoping that our work resonates with our fellow citizens. All too often, that hope does not get fulfilled. But sometimes, as it is this morning, our work has direct resonance with the vast majority of our people. It serves as a map for how they access financial services, and more broadly, the impact of policy on how Kenyans live their lives.

This is the fifth time we have done the FinAccess Survey. In every one of them since the first one in 2006, we have learned something new and profound about Kenyans and their interaction with finance. This one is no different, and I will highlight some of the issues and conclusions that jumped out at me. But before I do that, let me tell you why we carry out the Survey, and why it is some of the most important work that we do.

Globally, financial inclusion surveys have become an increasingly important source of valuable data and information that supports evidence-based policy and decision

making. These surveys provide data that track progress and dynamics of the financial inclusion landscape; and provide data to various stakeholders including policy makers, private sector players and researchers. I need not remind you, since it is something that we're consistently proud of, that we take the global gold medal in financial inclusion. So, for us Kenyans, this is doubly important.

Even as we continue to appreciate the Survey and what it does to aid policymaking, certain constants remain, well, constant. We continue to strengthen the measurement of the financial inclusion landscape in terms of access and usage, while incorporating new dimensions of a Needs-Based Framework that measures the relevance of financial services and products, financial service providers and payments channels in meeting household financial needs. This Survey also has new information on financial health and livelihoods, and perceptions on financial literacy and consumer protection. It thus measures aspects of quality and impact dimensions of financial inclusion.

We at the Central Bank have consistently said that the dynamism of the Kenyan economy is largely driven by Micro, Small and Medium Enterprises, or MSMEs, and thus this Survey contained some related questions. It also contained questions about Agricultural Finance modules that provide data for better understanding the usage of financial products and services within these specific aspects.

So what jumped out at me in this Survey?

First, some interesting numbers. Kenya's financial access has risen to 82.9 percent in 2018, up from 75.3 percent in 2016, and as low as 26.7 percent in 2006. This is a remarkable jump in just over a decade, and this number is despite the age, education, gender, residence, and income gaps. What is equally interesting – and bear with me for drilling down into the statistics – is that only 11 percent of Kenya's adult population is completely excluded from any form of financial services, products or institutions. This number was as high as 41.3 percent as recently as 2006. The most traditionally marginalised regions of the country also recorded the highest declines of excluded adults. The North Eastern region recorded a decline of 47.2 percentage

points, the Upper Eastern region a decline of 24.6 percentage points, and the Coast region a decline of 18.6 percentage points. This is something to celebrate.

Here is another statistic. The number of Kenyans using more than one type of financial service and product, and this is both formal and informal, increased to 73.7 percent in 2019, compared to 18.8 percent in 2006.

Digital finance is also showing strong growth. In just the years between the 2016 Survey and this one, the uptake of loans through digital apps grew from 0.6 percent to 8.3 percent.

What will come as no surprise to any Kenyan in this room is the place of friends and family. Kenyans still rely a great deal on these groups to tide them over day to day, and a third of Kenyan households say that this is the primary way they get by. The number jumps when they are asked about how they deal with a financial shock, with just about half, or 50.1 percent, saying that friends and family are the key. Social capital remains crucial.

What are the flies in the ointment? It's not all good news, and some concerns remain. Some questions we are asking ourselves out of the Survey findings include the following:

Why are Kenyans increasingly tapping the digital apps loans? Do they care about pricing of these products? What are these loans used for? How are the new emerging risk and consumer protection concerns handled?

What is hindering rapid uptake of Microfinance Institutions (MFIs), Insurance and Pension services and products?

Why do almost a third of Kenyans still use informal sources – a ‘Secret Hiding Place’, credit in form of cash and goods from a shopkeeper, and chamas? Is there a policy gap we need to fill? How do we handle consumer protection concerns?

Should we be concerned that cash is still the dominant mode of transaction at about 90 percent, despite rapid financial technology and innovations?

Despite the rapid growth in financial inclusion, why is the financial health of Kenyans still low at just one fifth of the adult population?

There are also other challenges. Accessing and using financial services and products still costs more than it should, locking out many. Fraud is becoming an increasing concern, as are unexpected transaction charges. Lack of transparency in pricing of financial services and products; and unreliable market infrastructure mainly due to downtime for ATMs, Point of Sale (POS) devices and Mobile money and electronic funds transfer ecosystems remain problematic, although we are attempting to address these systematically.

These are issues we will ponder on in the coming days, weeks and months. Before I let researchers, the media and the general public loose on this Survey and its findings, one last thing. The datasets will be released through the KNBS website, and you can find links on the CBK and FSD websites. This year, for the first time, we have created and made available a tool that will enable you interrogate these datasets. So, dive in! Ask questions of the data, and share the answers the data gives you.

The researchers have finished their jobs, and will now get a chance to have more than three hours of sleep a night, which they haven't done for many months. As a matter of fact, let me recognise them now – the Director General and staff of the Kenya National Bureau of Statistics (KNBS), who also served a dual role of being the Research House and a funding partner. It is the first time KNBS played the role of a Research House in the FinAccess Surveys, and the Bureau has proved its capability by collecting high quality and comprehensive data. I am also indebted to the Director and staff of the Financial Sector Deepening Trust (FSD) Kenya for financial and analytical support offered during the entire survey process. Lastly, I thank my colleagues from the Central Bank of Kenya (CBK) for the excellent work in coordinating the survey work including planning, logistics, ensuring security for enumerators, analytical work, technical support and CBK funding.

We had some excellent partners along the journey. These included Airtel Kenya Limited, Diamond Trust Bank, Kenya Post Office Savings Bank, and NIC Bank Limited. Their support, which was both financial and material, enabled successful completion of the survey. We thank you, and I ask that you join me in applauding them.

Asanteni nyote.

As I finish reflecting on the outcome of the Survey, I remember those that hesitated in proffering support. As you have seen this morning, this is crucial work, which not only touches the lives of all Kenyans, but also informs crucial policy decisions. I challenge you – join us. Be part of the team! Lean in! There is still a lot of research to do, even with these Survey findings. We ask you to avail your financial and material support for this next phase, and also for future surveys.

Let me now do the traditional Kenyan thing: it gives me great pleasure to officially launch the 2019 FinAccess Household Survey Report

Thank you.