2021 FinAccess Household Survey

December 2021

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2021 FinAccess Household Survey

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Communicating Financial Inclusion Information and Insights to Support Evidence-Based Decisions

FOREWORD

We are pleased to present the 2021 FinAccess Household Survey report highlighting the key findings to our stakeholders. This is the sixth Survey since the 2006 baseline Survey and subsequent Surveys in 2009, 2013, 2016, and 2019. The FinAccess Surveys were initiated to enhance financial inclusion measurement; provide better understanding of the financial inclusion landscape indicators to track financial inclusion dynamics over time; and data to various stakeholders. The financial inclusion measurement cuts across the four dimensions of: *Access, Usage, Quality* and *Impact/ Welfare*. The Surveys are conducted in line with the Kenya Vision 2030 financial sector development agenda outlined in the Medium–Term Plans (MTP) towards achieving an inclusive financial services ecosystem.

The 2021 Survey was conducted and funded by the Central Bank of Kenya (CBK) in collaboration with the Kenya National Bureau of Statistics (KNBS) and Financial Sector Deepening Trust (FSD) Kenya. We also acknowledge with appreciation the financial support from the Alliance for Financial Inclusion (AFI), SACCO Societies Regulatory Authority (SASRA), Equity Bank, Insurance Regulatory Authority (IRA), Capital Markets Authority (CMA), Retirement Benefits Authority (RBA), Kenya Deposit Insurance Corporation (KDIC), Safaricom Limited, Postbank and Muungano Microfinance Bank. We take this opportunity to encourage other public and private sector players to join in future Surveys for sustainability in collecting rich and most current data that captures evolving dynamics in the financial sector at the household level. The Surveys provide very useful data that is widely used by the public and private sector players in influencing policy, strategies, innovations and supporting research.

Implementation of the 2021 Survey followed a set of statistical methodological standards of conducting Surveys that promote best practices in Survey planning and design, data collection, analysis and reporting. The KNBS gives assurances that the Survey provides reliable data and

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useful insights to guide evidence-based decision-making and policies geared towards financial deepening and enhanced financial inclusion across the country. The definitions have been maintained across the various Survey cycles to provide comparisons across time and countries.

The 2021 Survey is unique in a number of ways. Firstly, it was undertaken in the midst of the evolving Corona virus disease (COVID-19) pandemic coupled with localized shocks such has the locust invasion and drought, which is likely to impact the Survey outcomes. Secondly, this Survey is the first in the series to provide national and County (47 Devolved Government Units) level data. The data will, therefore, provide very useful information in terms of heterogeneity of financial inclusion landscape across the Counties. Lastly, the questionnaire was expanded to cover all the dimensions of financial inclusion including sustainable finance (green finance) and financial health matrices. These new additions, coupled with continuous tracking of time series variables along the access, usage, quality and impact dimensions, provide rich information for policy makers, private sector players, investors, researchers and academicians.

Results of the top line findings indicate that the financial inclusion landscape was impacted by the COVID-19 pandemic. Overall, financial access increased to 83.7 percent in 2021, from 82.9 percent in 2019, mainly driven by use of technology. Of interest also is the adult population that reported to be completely excluded from accessing any form of financial services or products in the last 12 months.

This number edged up to 11.6 percent in 2021, from 11.0 percent in 2019, highlighting the impact of COVID-19 restrictions that made it difficult for the youths turning 18 years to take national Identity (ID) Cards, which are necessary in direct access to formal financial service providers.

The usage and quality of financial services and products continue to deepen, on account of increased adoption of technology and innovations, use of a portfolio of products and services; government policies; and private sector strategies. Indeed, technology is acting as an equalizer among the genders, closing the rural-urban gap and across Counties.

We wish to take this opportunity to thank the analytical team that delved through the massive datasets to prepare this report. Special mention goes to the staff from CBK, KNBS, FSD Kenya, CMA, IRA, RBA and SASRA.

We invite the public to access the Survey information including the Survey report, Survey inforgraphics presentations and datasets through the CBK, KNBS and FSD Kenya websites. We also encourage you to conduct analysis and research towards meeting your needs or in furtherance of knowledge. We have also created a data visualization portal available at the KNBS website to enable users manipulate data and generate their own charts for quick research work and genarate user-specific reports. We hope all the readers and stakeholders will find this report and the datasets very enlightening.

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ACKNOWLEDGEMENTS

This report presents the top line findings of the sixth edition of the FinAccess Household Surveys since the baseline Survey in 2006. The Survey was made possible through public–private partnership involving the Central Bank of Kenya (CBK), Kenya National Bureau of Statistics (KNBS) and Financial Sector Deepening Trust (FSD) Kenya. It also benefited from funding and technical reviews from other domestic financial sector regulators and stakeholders. We acknowledge financial contribution and technical review of the questionnaire from Alliance for Financial Inclusion (AFI) towards the supporting the Survey.

We take this opportunity to thank the leadership of CBK, KNBS and FSD Kenya for their direction, guidance, funding and unwavering support to ensure the Survey was successfully conducted. The stewardship was ably provided by: Dr Patrick Njoroge, Governor of the CBK, Mr McDonald Obudho, MBS, Director General, KNBS and Ms. Tamara Cook, CEO, FSD Kenya. We also acknowledge and appreciate financial support received from; AFI, CMA, IRA, RBA, SASRA, KDIC, Equity Bank, Safaricom Limited and Muungano Microfinance Bank that made it possible to conduct this Survey.

We also wish to thank Prof. Robert Mudida, Director of Research Department at the CBK; Mr Raphael Otieno and Mr Daniel K.A Tallam, Assistant Directors of Research Department at the CBK; Mr Collins Omondi, Director of Macroeconomic Statistics, KNBS; and Dr Amrik Heyer, Senior Research Advisor at FSD Kenya for providing invaluable oversight, support and guidance in planning, implementing and conducting the Survey under FAM. Special thanks to the Technical Coordinating Team led by Dr Isaac Mwangi of CBK, as well as Mr William Etwasi of KNBS and Geraldine Makunda of FSD Kenya for overall implementation of the Survey.

Successful rollout of the 2021 Survey and publication of this report was made possible by joint efforts of the Coordinators, Supervisors, Research Assistants, among other personnel. Special mention includes: Cappitus Chironga, Irene W. Rugiri, Dr Peter Wamalwa, and Dr Samuel Kiemo from the CBK; Simon Gaitho, Tabitha Wambui, Zachary Ochola, James Ng'ang'a, Paul Waweru, Paul Samoei, Samuel Kipruto, Maurice Kamau, Rajab Mbaruku and Peter Kamau from KNBS; Peter Gakure (FSD Kenya); Wilberforce Ong'ondo and Samuel Kamunyu of CMA, Teresa Nyatuka of IRA; Kenneth Bichang'a (SASRA); and Ben Kipanga (RBA). Dr Maureen Were of CBK provided useful review of the first draft report.

We also recognize; Chris Mwangi and Sylvia Anam of CBK and Conrad Karume of FSD Kenya for their long hours spent in designing this report. Our Communications Team led by Wallace Kantai (CBK) and Katunge Kiilu of KNBS. We also acknowledge efforts and contributions all other persons not mentioned here, but made the entire process of the 2021 FinAccess Household Survey successful.

EXECUTIVE SUMMARY

Financial Access (FinAccess) Surveys have been conducted in Kenya every 2 to 3 years since 2006, through Public-Private Partnership. The Surveys are used to improve the understanding of the financial inclusion landscape from the consumer side. The focus has been the measurement of access to financial services providers and products.

The Surveys provide rich datasets capturing the changing financial landscape as a result of technological innovations, change in products and consumer behaviour, demographic dynamics, impact of policy changes, entry of different players and other external factors. Besides measuring how people access financial services and products, insights on how people actually use these services and products, the quality derived by using them, and how livelihoods of users are affected are also assessed.

The 2021 Survey is unique in a number of ways. Firstly, this Survey was for the first time administered at the county level between June and September 2021. This provides firsthand information on challenges and opportunities across all the forty-seven (47) counties in terms of financial inclusion. Secondly, the Survey was conducted during the COVID-19 pandemic, therefore providing rich data on how the pandemic affected households' interaction with financial services providers and products. The Survey also covers the topical issues of green finance and the role of technology in shaping financial transactions. The inclusion of questions on climate-related developments in particular, is timely as the Survey seeks to align finance to sustainable development.

The Survey measures financial inclusion based on four main dimensions: Access, Usage, Quality and Impact/Welfare. The definitions used in the measurement are consistent with those used by the World Bank and

Alliance for Financial Inclusion, thus allowing for country comparisons. While the 2019, 2016, 2013, and 2009 Surveys focused more on the access dimension, the 2021 Survey has increased focus on other dimensions.

The 2021 Survey assessed that, formal financial inclusion as measured by the access dimension, expanded to 83.7 percent in 2021 from 82.9 percent in 2019. Financial inclusion in the baseline Survey conducted in 2006 was at 26.7 percent. The segment of the adult population that is excluded from accessing financial services and products (formal and informal) by providers, increased to 11.6 percent in 2021 compared to 11.0 percent in 2019. In the 2006 baseline Survey, this number was at 41.3 percent. The Survey also notes that the use of informal sources to access financial services has declined to 4.7 percent in 2021 from 6.1 percent in 2019, implying increasing formality in the financial sector, hence better regulation and safety. The access to informal financial services was at 32.1 percent in the 2006 baseline Survey. In particular, innovations in bank-based products continue to offer competition to unregulated digital lenders, hence the decline in usage of the later from 8.3 percent in 2019 to 2.1 percent in 2021.

The Survey findings indicates reduced disparities in the access to financial services by gender, which has narrowed over time, from 8.5 percent in 2016 to 4.2 percent in 2021, thus enabling women to participate more meaningfully in formal economic activities. Even those without formal education, and those in the lowest wealth quintile, are enjoying the dividends of financial technology

In terms of the usage dimension, the banking services including mobile banking increased to 44.1 percent in 2021 from 40.8 percent in 2019. This is attributed to the increased usage of mobile banking accounts; whose proportion rose to 34.4 percent in 2021 from 25.3 percent in 2019. Conversely, those who used physical bank branches declined from 29.6 percent in 2019 to 23.8 percent in 2021. In addition, the use of informal groups declined to 28.7 percent in 2021 from 30.1 percent in 2019, implying increasing formality in the financial sector, hence better regulation and safety.

The findings of the Survey also indicate increased usage of mobile money on daily and weekly basis in 2021 compared to 2019, but a decline for monthly usage. This may be attributed to the role of mobile money in addressing the cash needs of households; government policy on cashless transactions to curb the spread of COVID-19 pandemic; waiver of transaction fees on mobile money; and self-caution by users during the COVID-19 pandemic. In addition, there is narrowing gap between male and female, between rural and urban users, among different age groups and among users in different wealth quintiles. The Survey also noted the diminishing role of physical cash as technology continues to influence transactions behaviour, with only 18.3 percent of respondents using cash exclusively.

The data collected at the county level also provides notable disparities. For instance, Kirinyaga,Nairobi and Machakos counties have the most diverse usage of financial service providers and products. On the other hand, counties in the arid and semi-arid areas, such as Garissa, Wajir, Tana River and Marsabit, largely rely on mobile money, informal groups and insurance (mainly NHIF) for financial services as bank usage remains minuscule in these areas. The informal usage is mostly in Kirinyaga, Murang'a, Siaya, Busia and Makueni counties, which reported the highest number of adults who use informal groups (Chamas), perhaps reflecting agricultural and small businesses activities.

Turning to the quality dimension of financial inclusion, as assessed on the basis of financial literacy and consumer protection, the Survey indicated that 45 percent of respondents relied on friends and family members to get financial advice, with formal institutions playing a peripheral role. Some of the challenges cited by respondents include; fraud through loss of money, unexpected transaction charges, lack of transparency in the pricing of financial services and products, in addition to system downtime that affected the quality of services received. On the betting question, the results indicate that 13.9 percent of respondents actively engaged in betting in 2021. However, those who perceive betting as a source of income declined from 22.7 percent in 2019 to 11.2 percent in 2021, with an average amount used for betting per week declining from KSh 2,559 in 2019 to KSh 939 in 2021. The frequency of betting also declined in 2021 compared to 2019. This could be partly attributed to the Government's deliberate measures to combat irresponsible and illegal betting in 2019 and increased public awareness against betting.

Re-engineering our financial services to address climate-related risks and opportunities especially at the household level is of priority. Unlike in the 2019 Survey, the 2021 Survey included questions on climate-related shocks and their impact on households. The results indicate that 11 percent of respondents reported experiencing climate related shock as a main shock. Despite this, a majority of the respondents did not have a solution to the climate-related shocks should they recur, while 29.3 percent mentioned that they would wait for government intervention. On green finance, only 6.0 percent reported having the capacity to invest in green solutions needed to mitigate the frequent cases of drought, floods and pests (locusts) which were cited as the main challenges by farmers.

To measure the impact on livelihood of those using financial services and products by households, the Survey employed an improved framework of financial health constructed from a composite index of three main life goals (sub-indices with equal weighting) – ability to manage day-to-day needs; ability to cope with shocks; and the ability to invest in future goals. The aim was to determine the outcome of financial inclusion in terms of the resilience of the population and its potential for growth. The results of the Survey indicate that the financial health of respondents deteriorated to 17.1 percent in the 2021 Survey compared with 21.7 percent during the 2019 Survey. This implies that only 17.1 percent of those who answered this question could adequately and comfortably meet their day-to-day needs, cope with shocks and had the ability to invest in future goals like saving for old age. The main drivers of the deterioration were the inability to cope with shocks and challenges in managing their day-to-day needs. The analysis based on the needs-based framework indicate that the use of formal solutions in meeting financial needs declined by half. Further analysis shows that 73.6 percent of those who answered this question, noted that their lives had worsened in 2021 compared to 51.0 percent in 2019, supporting their argument about the adverse effects of the COVID-19 pandemic on the socio-economic well-being of households.

The assessment of households' perceptions on the socio-economic and financial impact of the COVID-19 pandemic reveals increased vulnerabilities across all the indicators analysed at the household level. In particular, households who reported often going without food increased from 7.7 percent in 2019 to 12.3 percent in 2021 while those who sometimes went without food, increased from 25.6 percent in 2019 to 41.2 percent in 2021. In addition, about 17 percent of children missed school due to lack of school fees, with 4.6 percent not returning to school at all.

1.0 INTRODUCTION

The Central Bank of Kenya (CBK) in collaboration with the Kenya National Bureau of Statistics (KNBS), Financial Sector Deepening Trust (FSD) Kenya, and other public-private sector stakeholders have carried out the Financial Access (FinAccess) Surveys every 2-3 years since 2006 in order to enhance financial inclusion measurement and provide indicators to track progress in financial inclusion in Kenya.

The Surveys have been conducted in 2006, 2009, 2013, 2016, 2019 and 2021. FinAccess Surveys remain a key source of data at household level on the access, usage and quality of financial services and products in Kenya. It is widely headlined in the local media, used by the private sector, Government, international development partners, and cited in academic and research works. Both the CBK and The National Treasury and Planning have used Surveys data to inform policies and strategies that support development of an inclusive financial ecosystem. Private sector players have used the data sets to conduct analysis that have shaped innovations in products and services as well as address consumer protection.

The 2021 Survey is unique in many ways: Firstly, it was conducted in the COVID-19 pandemic period and provide data at both the national and County levels, unlike the previous Surveys that were only national. These two conditions have implications on the Survey outcomes.

Unlike the previous Surveys, the 2021 FinAccess Survey had new measurement of poverty levels, inclusive green finance, and included respondents with physical difficulties such as

Survey objectives

- Strengthen financial inclusion measurement using demand–side data.
- Provide indicators that track progress and dynamics of the financial inclusion landscape in Kenya.
- Provide data to stakeholders including policy makers, private sector players and researchers.

seeing and hearing, improved usage dimension, needs based approach, and emerging innovations, while maintaining time series to track progress since 2006.

This Survey covered all the four dimensions of measuring financial inclusion – *Access, Usage, Quality* and *Impact/ Welfare*. It is therefore well aligned with global definitions and approaches such as those used by World Bank and AFI, thus enabling robust cross–country comparisons.

- ***Access*** captures individuals with an active account in their own name in the last twelve (12) months with at least one financial service provider in either the formal and informal category. Those individuals who have access to financial services but do not have their own account, such as those using another family member's account, are not included. A consumer who does not access any financial services or products from any formal or informal category is classified as excluded.
- ***Usage*** measures the actual use of an account in their own name and/or through someone else's account (indirect usage) in the last twelve (12) months with at least one financial service provider in either the formal and informal category.
- ***Quality*** measures whether the financial product/ service is appropriate and matches the clients' needs, the range of options available to customers, and clients' awareness and understanding of the product and services and its features.
- ***Impact*** captures the likely outcomes or welfare gain in the use of financial services and products on the consumers' financial behaviour and welfare.

This Survey benefited from financial contribution and technical support from the CBK, KNBS and FSD Kenya. This is in addition to financial and technical support from the Alliance for Financial Inclusion, Capital Markets Authority, Insurance Regulatory Authority, Retirement Benefits Authority, SACCO Societies Regulatory Authority, Safaricom Limited, KDIC and Muungano Microfinance Bank.

The rest of the report is organized along the various dimensions of financial inclusion namely; *Access, Usage, Quality* and *Impact/ Welfare*.

1.1 ECONOMIC CONTEXT

Kenya's economy was adversely affected by the Corona virus Disease (COVID-19) and the consequent containment measures both domestically and internationally. As a result, the real Gross Domestic Product (GDP) was estimated to have contracted by 0.3 per cent in 2020 compared to a revised growth of 5.0 per cent in 2019. However, the economy was shielded from a steeper slump by a combination of fiscal, monetary and financial policy measures.

The Central Bank of Kenya implemented accommodative monetary policy geared towards cushioning the economy from the adverse effects of the COVID-19 pandemic containment measures, that ensured adequate liquidity in the market and maintained steady credit flow to the real sector. The Central Bank Rate (CBR) was lowered from 8.25 percent in January 2020 to 7.00 per cent in April 2020. To ensure adequate liquidity in the market, the CBK lowered Cash Reserves Requirement (CRR) by 100 basis points, to 4.25 percent, injecting additional KSh 35 billion in circulation. The Bank also extended the maximum tenor of Repurchase Agreements (REPOs) from 28 days to 91 days to enable banks better manage their liquidity needs. Overall inflation remained stable, within the government medium term target range of 5 percent +/- 2.5 percent, rising marginally to 5.4 percent in 2020 from 5.3 percent in 2019.

The government implemented fiscal and administrative measures to mitigate effects of the pandemic to households and cushion the economy. These included; tax waivers and/or reduction, payment of pending bills to suppliers, tax relief, tax refunds and increased social transfers to vulnerable groups.

There were also financial policies implemented by the CBK and other sector regulators to cushion consumers. These included: renegotiation of terms and restructuring of loans for borrowers; suspension of the listing of defaulting borrowers with Credit Reference Bureaus (CRBs); a 3-month grace period to policyholders to avoid insurance lapses; Expeditiously settle all claims and payments related to COVID-19; waiver of charges on mobile money transactions; and increased money transfer limits. These measures proved very effective in cushioning households and overall economy from the effects of the pandemic.

1.2 SURVEY OBJECTIVES

The main objective of the FinAccess Surveys is to monitor developments and progress achieved in the financial sector, in order for policy makers and industry players to gain a better understanding of the inclusivity and overall dynamics of Kenya's financial landscape. Expected output from the Survey is to generate datasets that:

- Enhance financial inclusion measurement using demand–side data;
- Provide indicators that track progress and dynamics of the financial inclusion landscape;
- Support evidence-based decisions, strategies and policies;
- Provide data to stakeholders including policy–makers, public and private sector actors; and researchers; and
- Enable inter-country comparisons on financial inclusion.

1.3 SURVEY DESIGN

The Survey instrument (questionnaire) was prepared by a team of experts under the Questionnaire Technical Committee (QTC), drawn from CBK, KNBS and FSD-Kenya. Among the improvements in the 2021 Survey, were the inclusion of indicators capturing; digital innovations, consumer protection, financial literacy, and household indebtedness. The Survey design also incorporated indicators to capture needs-based framework and maintained time series of key variables to track progress made in the financial inclusion space since 2006.

1.4 SAMPLING

Sample Design

The 2021 FinAccess Household Survey utilizes a cross-sectional Survey design at household level. The Survey targeted individuals aged 16 years and above living within conventional households in Kenya. Data analysis however, was conducted on individuals aged above 18 years, given that they hold national identity cards, a key requirement to access formal financial services in own name.

Sample Size and Distribution

The Survey sample was designed to provide estimates at national, rural/ urban and across all the forty-seven (47) counties. The minimum sample size for integrated Surveys was computed for each of the Survey domains, with the total sample size at 1,700 Enumeration Areas (EAs) and 30,600 households. The sample distribution by counties is presented in **Annex 1**.

Sample Frame

The sample for the Survey was drawn from the Kenya Household Master Sample Frame (K-HMSF) developed from the 2019 Kenya Population and Housing Census. The K-HMSF comprises of 10,000 clusters selected with Probability Proportional to Size (PPS) from 128,239 Enumeration Areas (EAs) created during the 2019 Population and Housing Census. The Master sample frame is stratified into ninety-two (92) sampling strata, that is, urban and rural of the 47 counties with Nairobi and Mombasa being purely urban. The counties formed 1st level of stratification. The frame is further divided into four sub-samples; C1, C2, C3 and C4. Each is composed of 2,500 clusters, that can each serve as independent sample frames. Any two or more sub-samples can be combined whenever a Survey sample size requirement for a stratum is beyond the stratum sample size in a sub-sample of the frame.

Selection of Sampling Units

A multi-stage stratified cluster sampling procedure was employed to select the sampling units. Three sets of units were sampled, namely; EAs, the households and an eligible individual within the households.

Sampling of the EAs

The EAs were the primary sampling units and were randomly selected independently from each of 92 strata in the K-HMSF. The EAs were systematically selected with equal probability given that the master sample from which the sample was selected had been drawn with probability proportional to size.

Main objective: to monitor developments and progress achieved in the sector, in order for policy makers and industry players to gain a better understanding of the inclusivity and overall dynamics of Kenya's financial landscape

Sampling of Households

Each EA had 18 households, selected using systematic sampling procedure from the list of households enumerated during the 2019 KPHC. Sampling of the households was done centrally at the head-office and interviews were only undertaken in the preselected households to ensure no selection biases arising from enumerators judgements and conveniences.

Sampling Target Individuals within the Households

The Survey targeted one eligible individual per selected household. The interviewer listed all the usual members of the sampled households, from which one individual aged 16 years and above was randomly selected using Kish Grid for administering the questionnaire. The Kish Grid random number table was programmed into Survey solutions CAPI software. Selection of the respondent was automatic with no manual intervention by the enumerator.

Data Weighting

The collected data was weighted and adjusted for non-responses, resulting in a representative data at the national and county level. The sampling weights, are calculated as the inverse of the product of the selection probabilities. The probability of selecting an individual for a FinAccess Survey is a product of four factors:

The Survey data was not self-weighting due to non-proportional allocation of the sample to the sampling strata. The collected data was, therefore, weighted and further adjustments for non-response applied to the weights. The resulting data has therefore been weighted to be representative at the national level as well as at the county level. The sampling weights W are calculated as the inverse of the product of the selection probabilities. The probability (*P*) of selecting an individual for a FinAccess Survey is a product of four factors *P*:

$$P=\prod_{(i=1)}^{4} p_i$$

Where;

p_1 the probability of selecting an EA into the K-HMSF sample among all the EAs in the 2019 Population and Housing Census;

p_2 the probability of selecting an EA for the 2021 FinAccess, among all the EAs in the K-HMSF;

p_3 the probability of selecting a household among all the households listed in an EA; and

p_4 the probability of selecting an eligible individual from within the household.

The resulting inverse of the product of the selection probabilities is the design weight. The design weight is further adjusted for non-response to provide estimates that are representative of the target population. The EA weights for individual weights were computed as the product of sample EA design weight, household, and individual response adjustment factors as follows:

$$W_{ij}=D_{ij} \times \frac{S_{ij}}{I_{ij}} \times \frac{C_j}{c_j}$$

Where;

W_{ij} overall final cluster weight for cluster i in stratum j;

D_{ij} sample EA design weight obtained from inverse of cluster selection probabilities for cluster i in stratum j;

S_{ij} number of eligible households in EA i in stratum j; where eligible households include those successfully interviewed, those with partial interviews, those whose households were away at the time of visits and households who refused to be interviewed;

I_{ij} number of responding households in cluster i in stratum j;

C_j number of selected eligible individuals in stratum j; and

c_j number of responding selected individuals from stratum j;'

The weights were further post-stratified to the projected 2021 mid-year population based on the conventional households' population of the 2019 Kenya Population and Housing Census. Raking was further undertaken to adjust for county, sex and age distributions.

Survey Response Rates

A total of 30, 600 households were selected for the Survey at the national level. Of these, 25,724 were found to be eligible for interviews at the time of the data collection. Of the eligible households, 22,024 were successfully interviewed resulting in an overall household response rate of 85.6 per cent The rural households' response rate was88.6 percent compared 80.5 percent for the urban households (**Table 1.1**). At the domain level, the response rates varied from 97.2 per cent in Kakamega County to 49.8 per cent in Mombasa County (**Annex II**).

A total of 24 EAs, which had been selected for the Survey, could not be covered due a number of factors, in particular; insecurity, inability to identify all the selected households due to outdated census list of households or movement of the entire population in the EA in cases of nomadic areas as well as urban areas, for families affected by COVID-19 related losses.

Table 1.1: Response Rates

Results	Residence		Totals
	Rural	Urban	
Households Selected	18,774	11,826	**30,600**
Households Eligible	16,316	9,408	**25,724**
Households Interviewed	14,455	7,569	**22,024**
Response Rates (%)	88.6	80.5	**85.6**

1.5 SURVEY DEMOGRAPHICS

Figure 1.1: Age distribution (%)

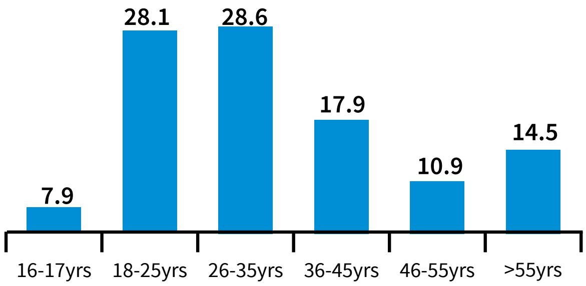


Figure 1.2: Distribution by sex (adults 18 years +)

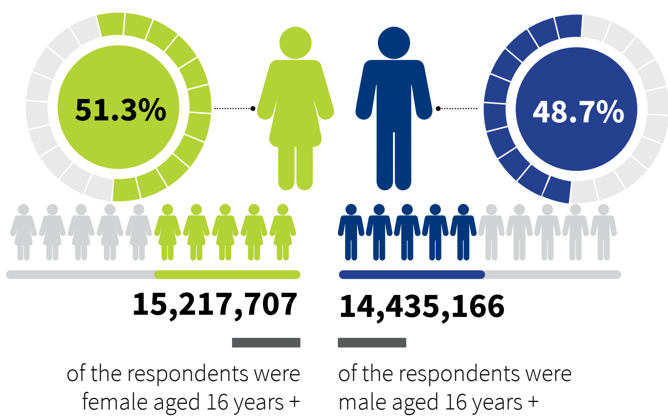


Figure 1.3: Residence (%)

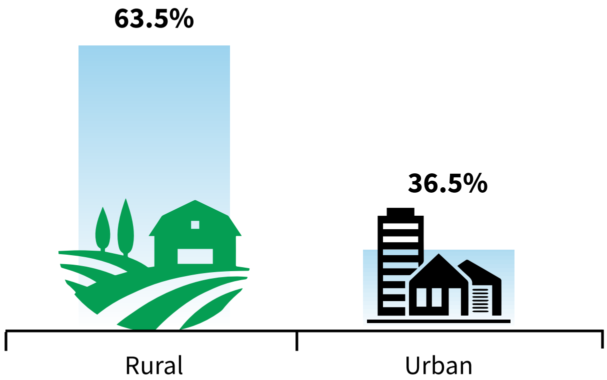


Table 1.2: Education by age (%)

Education level of Respondent	16-17yrs (%)	18-25yrs (%)	26-35yrs (%)	36-45yrs (%)	46-55yrs (%)	>55yrs (%)	N
None	2.0	13.0	20.9	14.1	11.1	40.9	3,362,850
Primary	7.3	18.9	28.7	23.2	13.7	15.4	10,833,762
Secondary	13.3	43.5	27.1	14.0	8.3	7.1	9,208,045
Tertiary	0.1	30.2	38.3	15.7	9.0	6.8	3,884,937
Other	14.5	1.9	38.4	16.7	7.4	35.7	18,084
	7.9	28.1	28.6	17.9	10.9	14.5	27,307,678

Figure 1.3 (a): Wealth quintile by residence

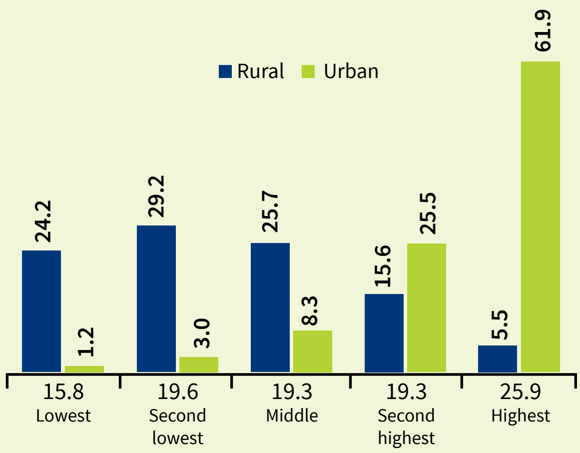


Figure 1.3 (b): Wealth quintile by sex

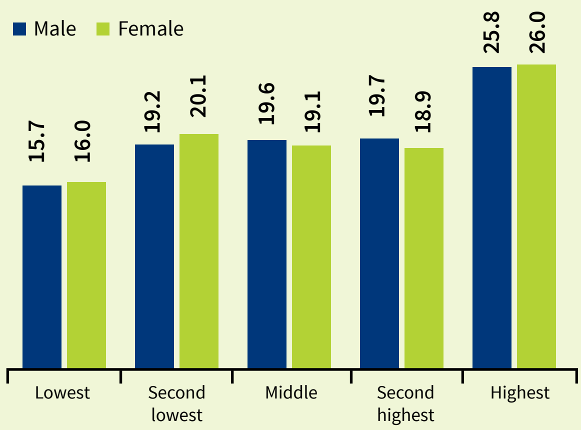
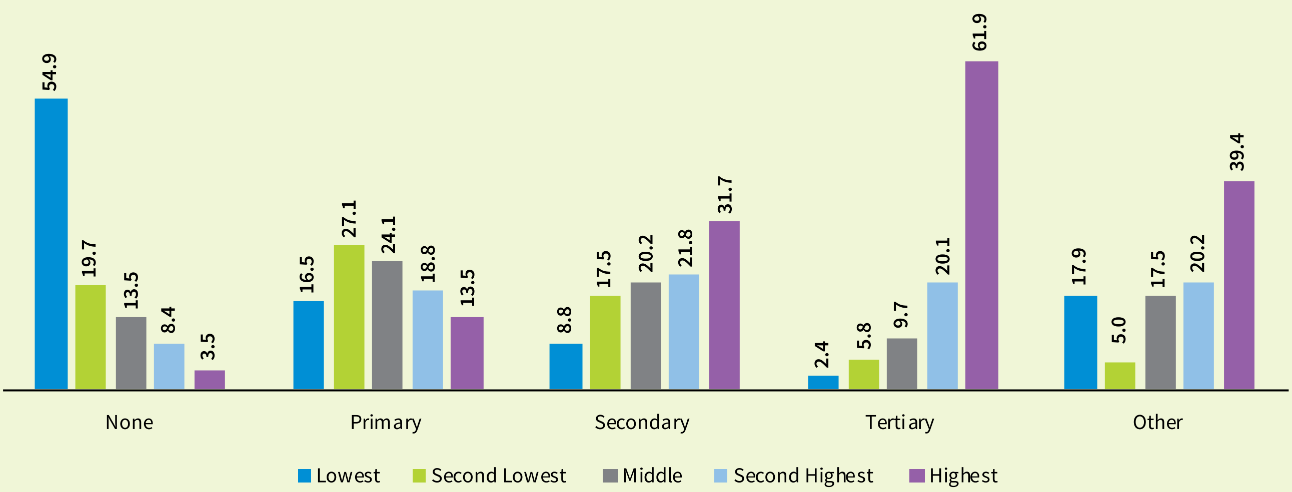


Figure 1.3 (c): Wealth quintile by education



1.6 CLASSIFICATION OF TERMS

Financial inclusion refers to access and use of appropriate and affordable financial services and products by different consumers to meet their needs. It is categorised in formality, informality and excluded. Formal providers are further classified into; formal prudential, formal non-prudential and formal registered. Definitions of these terms and providers are summarized in **Table 1.3.**

Table 1.3: Classification of access to financial services

Classification	Definition	Institution type	FinAccess Survey cycles					
			2006	2009	2013	2016	2019	2021
Formal (prudential)	Financial services and products used through prudentially regulated and supervised financial service providers by an independent statutory Government Agency including CBK, CMA, IRA, RBA and SASRA	Commercial banks and mortgage finance companies covering both traditional brick and mortar and mobile banking services regulated and supervised by CBK, such as: • Mobile banking products in partnership with MNOs such as KCB M–PESA, M–Coop Cash and M–Shwari, etc. • Equity Bank Equitel	✓	✓	✓	✓	✓	✓
		Fuliza is categorized as a bank product						✓
		Microfinance banks including mobile banking products offered by these institutions regulated by CBK			✓	✓	✓	✓
		Capital markets intermediaries licensed and regulated by CMA	✓	✓	✓	✓	✓	✓
		Insurance service providers licensed and regulated by IRA	✓	✓	✓	✓	✓	✓
		Pensions intermediaries licensed and regulated by RBA	✓	✓	✓	✓	✓	✓
		Deposit taking SACCO societies with Front Office Service Activity (FOSA) that are licensed and regulated by SASRA			✓	✓	✓	✓
		Specified Non-Deposit Taking SACCO societies including non-deposit taking business in which the total non-withdrawable deposits from members amounting to KSh 100 million and above. SACCOs mobilising membership from persons who are ordinarily resident outside the country (Diaspora SACCOs) and SACCOs mobilising membership through digital and other electronic payments platforms (Virtual SACCOs) that are authorized and regulated by SASRA						✓
Formal (non-prudential)	Financial services and products accessed and used through financial service providers/ channels that are subject to non-prudential regulation and supervision (oversight) by Government Ministries/ Departments with focused legislations.	Mobile Financial Services (MFS) or simply mobile money including:		✓	✓	✓	✓	✓
		Mobile money such as Safaricom M–PESA, Airtel money, MobiKash, T–cash, and Tangaza Pesa (no longer operational from 26th October 2021	✓	✓	✓	✓	✓	✓
		Kenya Post Office Savings Bank/ Postbank	✓	✓	✓	✓	✓	✓
		National Social Security Fund (NSSF)	✓	✓	✓	✓	✓	✓
		National Hospital Insurance Fund (NHIF)		✓	✓	✓	✓	✓

Classification	Definition	Institution type	FinAccess Survey cycles					
			2006	2009	2013	2016	2019	2021
Formal (registered)	Financial services and products offered through providers that are legally registered legal persons and/ or operate through some form of Government interventions/ oversight	Development Finance Institutions (DFIs) including AFC, ICDC, KIE, Youth Fund, Women Fund, HELB, and JLB, etc.	✓	✓	✓	✓	✓	✓
		Credit–Only Microfinance Institutions (MFIs) of various institutional forms	✓	✓	✓	✓	✓	✓
		Non–Specified Deposit Taking SACCO Societies include non-deposit taking business in which the total non-withdrawable deposits from members is below KSh 100 million. These SACCOs are regulated by the Commissioner for Co-operatives Development and County Cooperative Officers.	✓	✓	✓	✓	✓	✓
		Hire Purchase Companies	✓	✓	✓	✓	✓	✓
		Digital Apps/ Mobile money Apps such as TALA, BRANCH, etc.				✓	✓	✓
Informal	Financial services offered through different forms not subject to registration and regulation, but have a relatively well–defined organizational structure	Groups including ASCAs, ROSCAs and Chamas	✓	✓	✓	✓	✓	✓
		Shopkeepers, supermarkets and supply chain credit facilities, etc.	✓	✓	✓	✓	✓	✓
		Employers	✓	✓	✓	✓	✓	✓
		Moneylenders/ shylocks	✓	✓	✓	✓	✓	✓
		Unregulated or unregistered Online Forex Trading and Payment Platforms/ Account including crypto and community currencies						✓
Excluded	Consumers who have financial services and products from social networks or those excluded from any form of financial services and products	Social networks arrangements such as family, friends, and neighbours	✓	✓	✓	✓	✓	✓
		Keeping money in secret places	✓	✓	✓	✓	✓	✓
		Those not having any form of financial service and product	✓	✓	✓	✓	✓	✓

2.0 ACCESS TO FINANCIAL SERVICES AND PRODUCTS

This chapter presents the topline findings of the access dimension of financial inclusion. It is cross tabulated along different providers and demographic characteristics such as age, sex, education, residence and selected socio–economic characteristics including livelihoods, wealth quintiles and expenditures.

It also shows access dimension by county, thus enabling county-comparisons. Towards the end of this chapter, we have data on country comparisons based on the most recent Surveys per country.

> *Theme: The growth in financial access is on account of financial technology and innovations especially in mobile money and mobile banking*

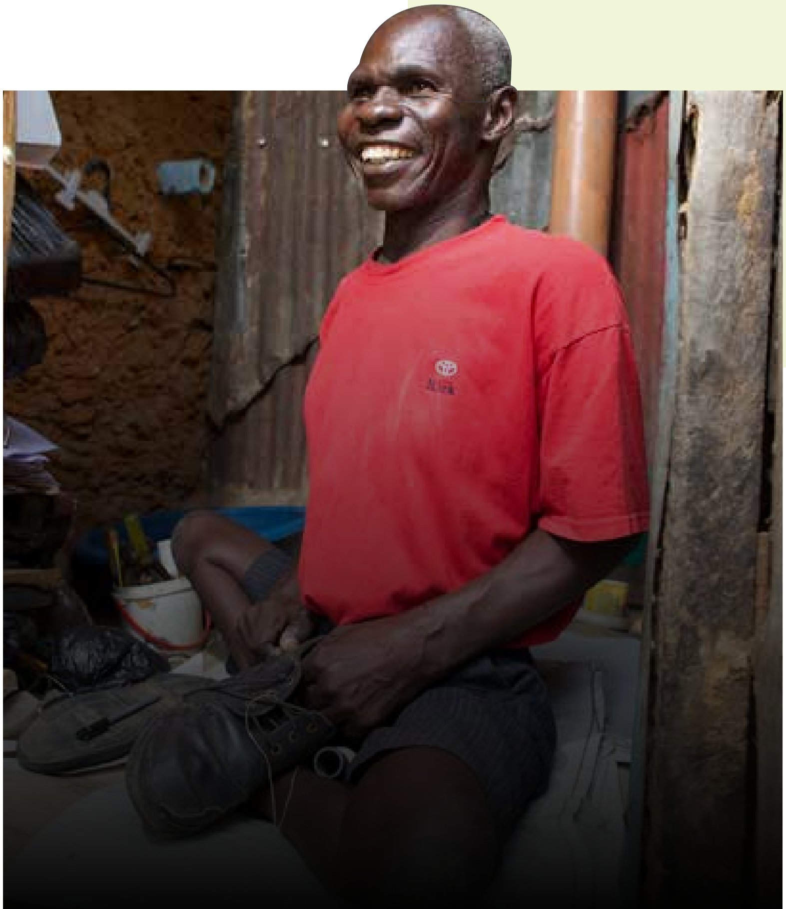


Figure 2.1: Overall access 2006-2021 (%)

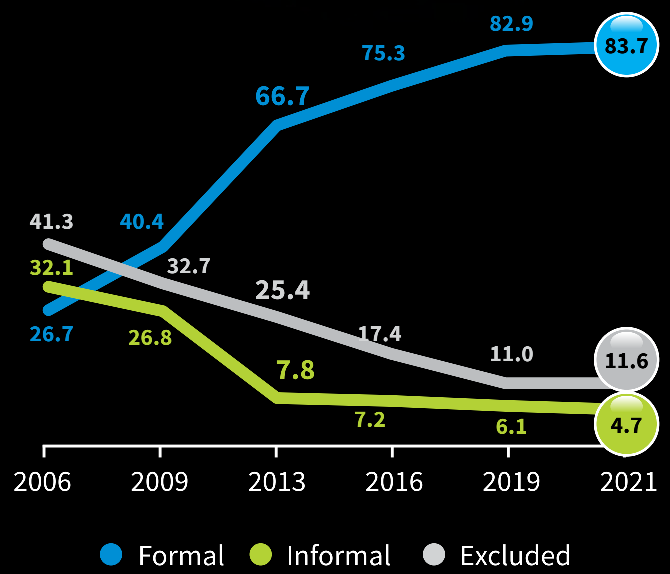
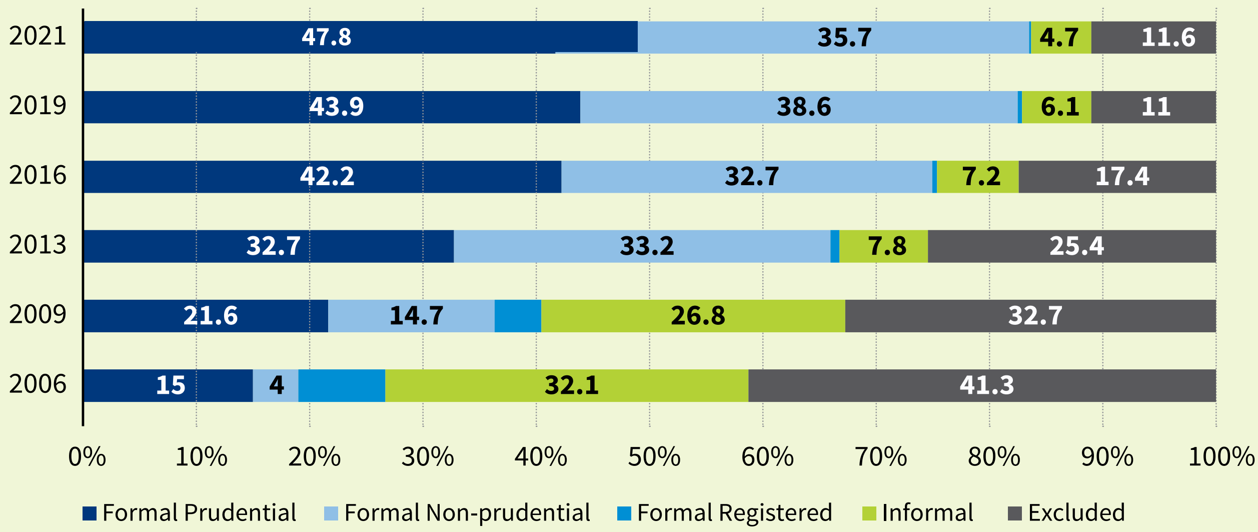


Figure 2.2: Access by categories (%)



2.1 OVERALL FINANCIAL ACCESS DYNAMICS 2006 TO 2021

Overall access to formal financial services and products continues to grow, since the 2006 baseline Survey, where access to formal financial services and products was 26.7 percent. Formal access has since then expanded to 83.7 percent in 2021 from 82.9 percent 2019. This growth is on account of financial technology and innovations especially in mobile money and mobile banking (**Figure 2.1**). Access through informal providers only has reduced from 6.1 percent in 2019 to 4.7 percent in 2021. Those excluded from accessing any form of financial services providers increased from 11 percent in 2019 to 11.6 percent in 2021, is partly explained by the effects of the evolving COVID-19 pandemic that adversely impacted on households' livelihoods and firms' earnings and employment.

Decomposition of formal access strand indicate that formal prudential channels increased by 3.9 percentage points from 43.9 percent in 2019 to 47.8 percent in 2021 on account of rapid uptake of mobile money overdraft facility, *Fuliza*[1] (**Figure 2.2**).

Conversely, access through formal non-prudential channels declined from 38.6 percent in 2019 to 35.7 percent in 2021. The negative 2.9 percentage point growth in formal non-prudential could be attributed to a 6.0 percentage points decline in NHIF, and reduced uptake of pensions, MFIs, investments, and SACCO societies. In addition, the Digital App Loans declined by 6.2 percentage points in 2021. The 0.6 percentage points increase in the exclusion rate from 11 percent in 2019, to 11.6 percent in 2021, could be attributed to the widening access gap by sex and residence in 2021–2019 compared to 2019–2016. Female and rural population recorded increases in exclusion rates in 2021, from 11.3 percent and 14.4 percent in 2019, to 12.4 percent and 14.7 percent in 2021, respectively. Income disparities, age, and residence appear to be key drivers of increased exclusion rate in 2021.

The analysis also looked at respondents who currently have, used to have or never had access to a given financial service or product in 2021 compared to 2019

1. *Fuliza* is an overdraft facility launched in January 2019

Figure 2.3 (a): Access strand by various definitions (2019)

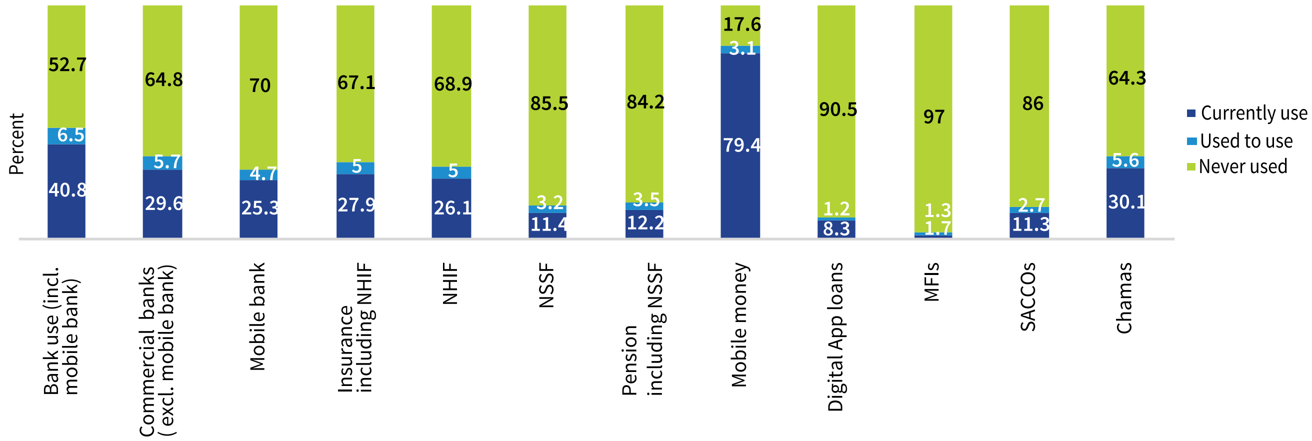
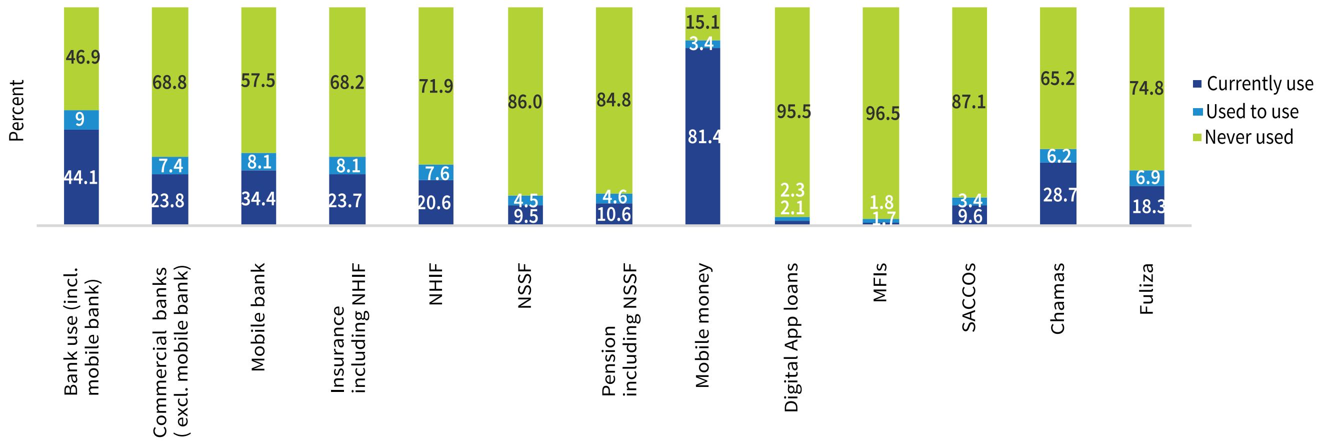


Figure 2.3 (b): Access strand by various definitions (2021)



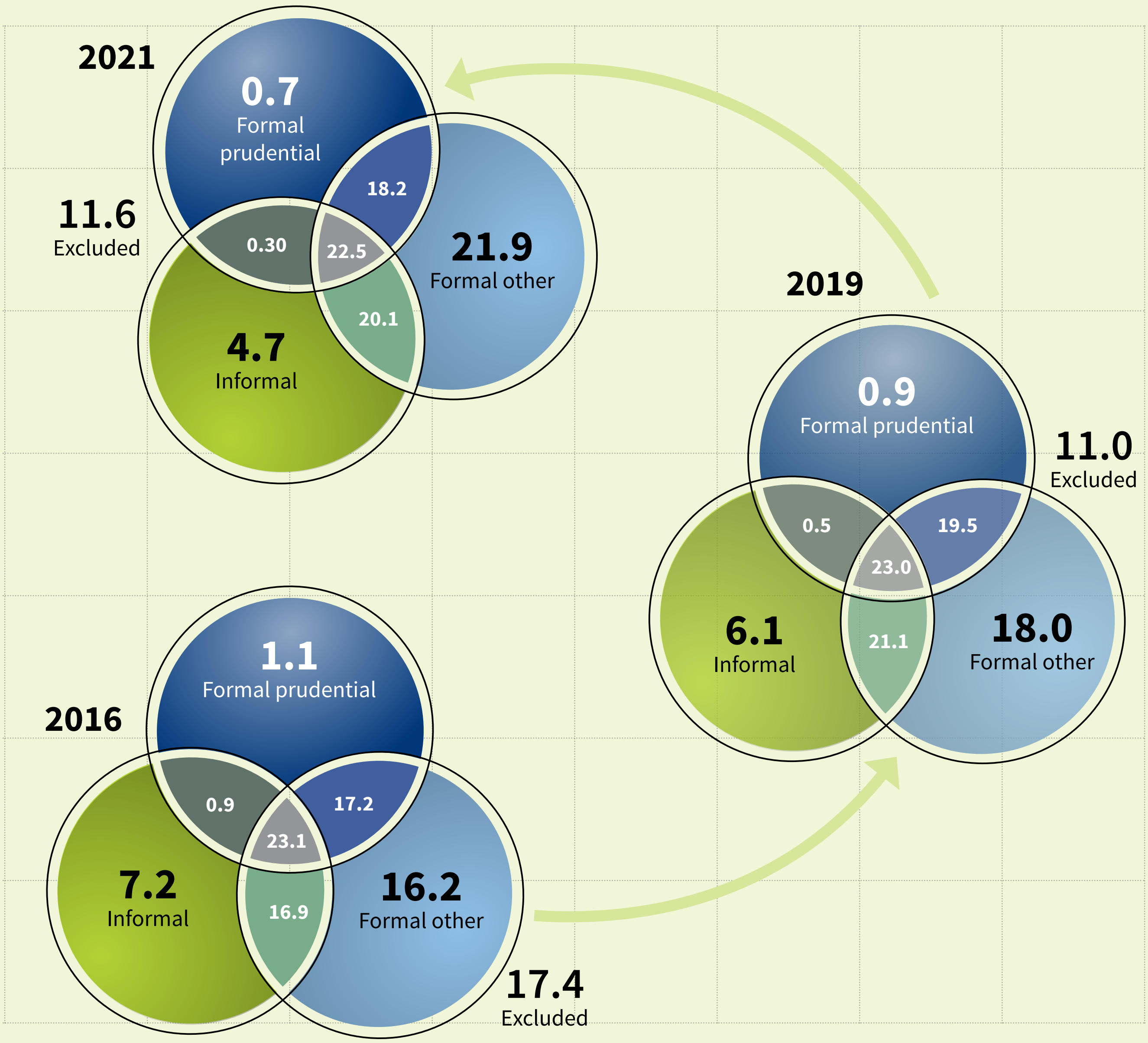
to establish the impact of COVID-19 on access. The results indicate that the proportion of people who **used to have**, has increased between 2019–2021, especially among bank products (**Figure 2.3**).

2.2 FINANCIAL ACCESS OVERLAPS

Kenyans continued to access multiple types of providers with a combination of both formal and informal financial services and products. The access overlaps of formal prudential, formal non-prudential, formal registered and informal channels have declined marginally overtime from 2016 to 2021 (**Figure 2.4**).

The proportion of those who accessed a combination of both formal prudential, formal non-prudential, formal registered and informal providers have declined from 23.1 percent in 2016 to 22.5 percent in 2021. However, those accessing both informal and formal non-prudential and registered channels expanded from 16.9 percent in 2016 to 20.1 percent in 2021 and those combining formal prudential and formal other (non-prudential and registered) increased from 17.2 percent in 2016 to 18.2 percent in 2021. Access is increasingly becoming formalized due to adoption of financial technology, mainly; mobile banking, *Fuliza* and mobile money.

Figure 2.4: Financial access overlaps/combinations (%)



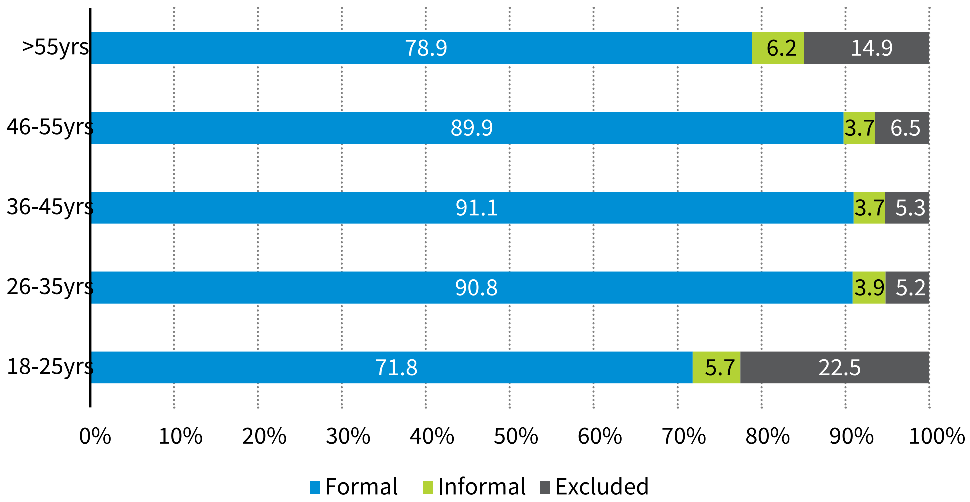
2.3 ACCESS BY DEMOGRAPHIC CATEGORY

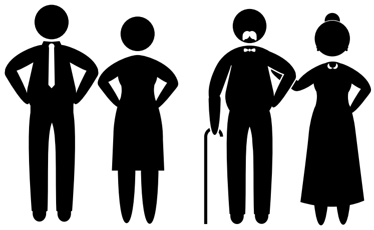
The report also analysed access strand by various demographic indicators, in particular; age, sex, education, residence, livelihoods wealth quintiles, and County. The section ends by combining a set of demographics to identify key drivers of exclusion.

2.3.1 Age factor in access

Young people in the age group of 18-25 years and older people above 55 years are the most excluded in accessing any form of financial services and/or products in the 2021 data. In particular, the youth (18–25 years old) had the highest exclusion rate of 22.5 percent in 2021, rising from 18.2 percent exclusion rate in 2019 (**Figure 2.5**).

Figure 2.5: Access by age





Lack of a National Identification Card (ID) among the Youth (18–25 years) appears to explain the high exclusion rate. Overall, adults without ID Cards increased by 3.3 percentage points in 2021, compared to 2019. This increase was driven by 8.7 percentage points increase in the population aged 18–25 years. This age group as a share of overall adult population, increased from 20.5 percent in 2019, to 28.1 percent in 2021, representing a larger proportion of the overall access strand. The COVID–19 restrictions and Alternative Working Arrangements (AWA), especially for government offices, could explain low acquisition of ID Cards by this group, who were turning 18 years during COVID–19 periods (**Table 2.1**).

Table 2.1: Ownership of ID card by age

Age Group	2019						2021						Overall Change (%)
	Population		Adults with ID		Adults without ID		Population		Adults with ID		Adults without ID		
	Number	Share (%)	Number	Share (%)	Number	Share (%)	Number	Share (%)	Number	Share (%)	Number	Share (%)	
TOTAL	**25,104,968**	**100**	**23,677,712**	**94.3**	**1,427,255**	**5.7**	**27,212,052**	**100**	**24,758,833**	**91.0**	**2,453,219**	**9.0**	**3.3**
16-25 yrs	25,104,968	20.5	4,152,978	80.8	4,152,978	19.2	7,649,688	28.1	5,515,340	72.1	2,133,348	27.9	8.7
26-35 yrs	25,104,968	28.3	6,936,426	97.5	6,936,426	2.4	7,777,703	28.6	7,599,551	97.7	178,152	2.3	-0.2
36-45 yrs	25,104,968	19.8	4,821,495	96.8	4,821,495	3.2	4,867,648	17.9	4,815,895	98.9	51,753	1.1	-2.1
46-55 yrs	25,104,968	12.2	3,018,284	98.6	3,018,284	1.4	2,967,200	10.9	2,928,767	98.7	38,433	1.3	-0.1
>55 yrs	25,104,968	19.2	4,748,529	98.7	4,748,529	1.3	3,950,813	14.5	3,899,280	98.7	51,533	1.3	0.0

2.3.2 Access by sex

Access to formal financial services and products decelerated among the female and male population in 2021, compared to 2019. The lower growth rate in the uptake of formal inclusion by sex in 2021–2019 compared to the growth rate in 2019–2016 indicate a very low uptake in the 2019–2021 period. Despite the slow growth in uptake of formal financial inclusion, the gap between male and female improved to 4.2 percent in 2021 from 5.2 percent in 2019, implying rising equality among the two genders. The gap declined steadily by 3.3 percentage points for the period between 2016 and 2019. The gap in exclusion rates among the two genders however increased to 1.6 percentage points in 2021 compared with 0.5 percentage points gap in 2019 (**Figure 2.6**).

Access through informal channels by females in 2021 was at 6.0 percent down from 8.4 percent in 2019. Access through informal channels by the male gender was at 3.2 percent in 2021 down from 3.7 percent in 2019. Access through informal channels among the female gender has declined much faster than access by the male has been reducing over the years with females recording a higher percentage than the males. The gaps between access through informal channels as compared between females and males over the three periods is 2.8 percentage points in 2021, 4.7 percentage points in 2019 and 6.1 percentage points in 2016. This implies a closing gap over the three periods. The Survey results indicate that a higher proportion of female gender continue to access financial services and products through informal providers compared to their male counterpart (**figure 2.7**).

Figure 2.6 (a): Formal inclusion male vs. female

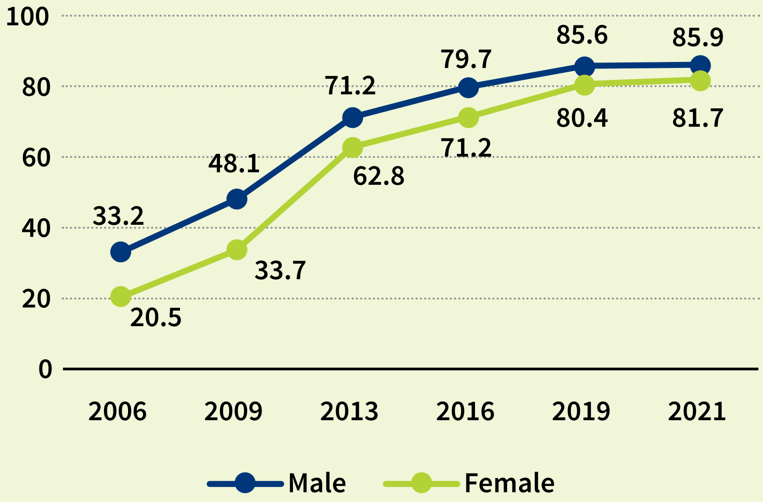


Figure 2.6 (B): financial exclusion male vs. Female

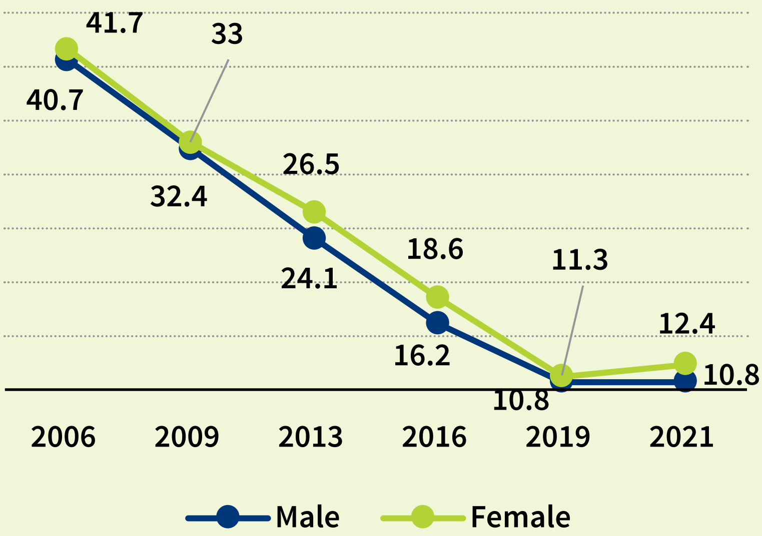
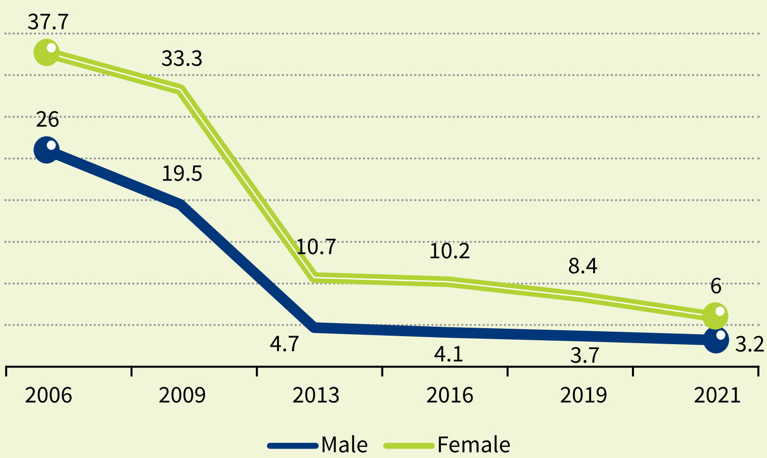


Figure 2.7: Informal access only

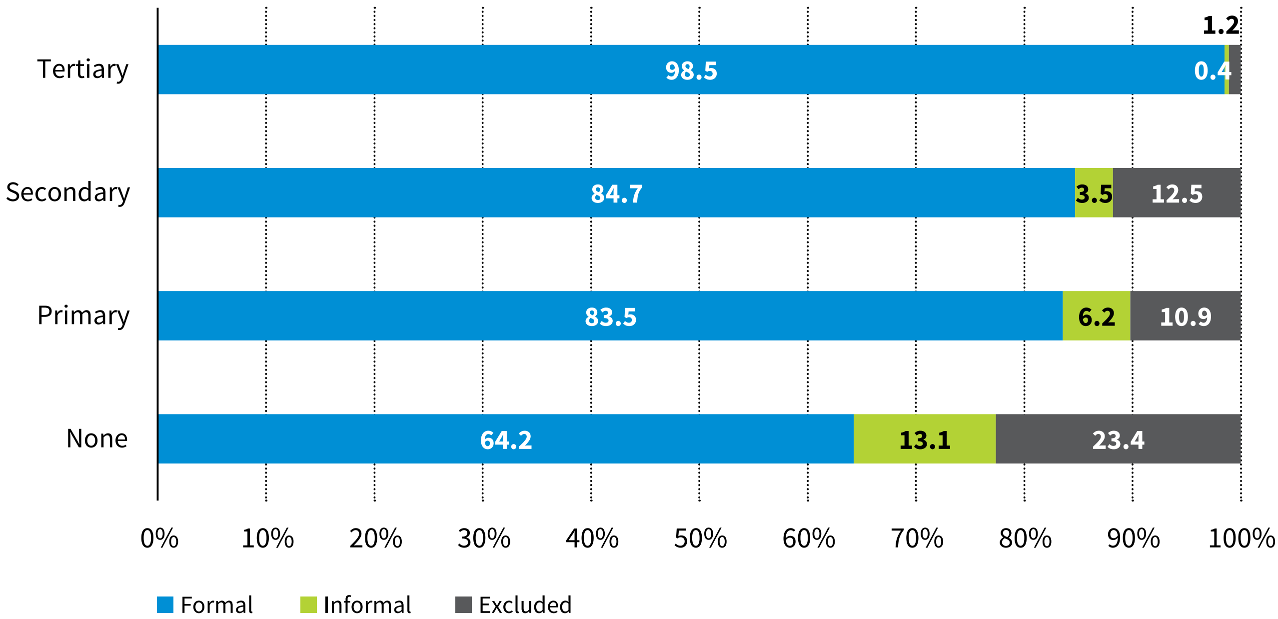


> *Population with no education had the highest exclusion rate of 23.4 percent*

2.3.3 Access by education level

Access to formal financial services and products is closely influenced by the level of education. In 2021, 98.5 percent of the respondents with tertiary education had access to formal financial services compared with 64.2 percent of those with no education that accessed formal financial services and products. In addition, population with no education had the highest exclusion rate of 23.4 percent and the highest access through informal channels at 13.1 percent (**figure 2.8**).

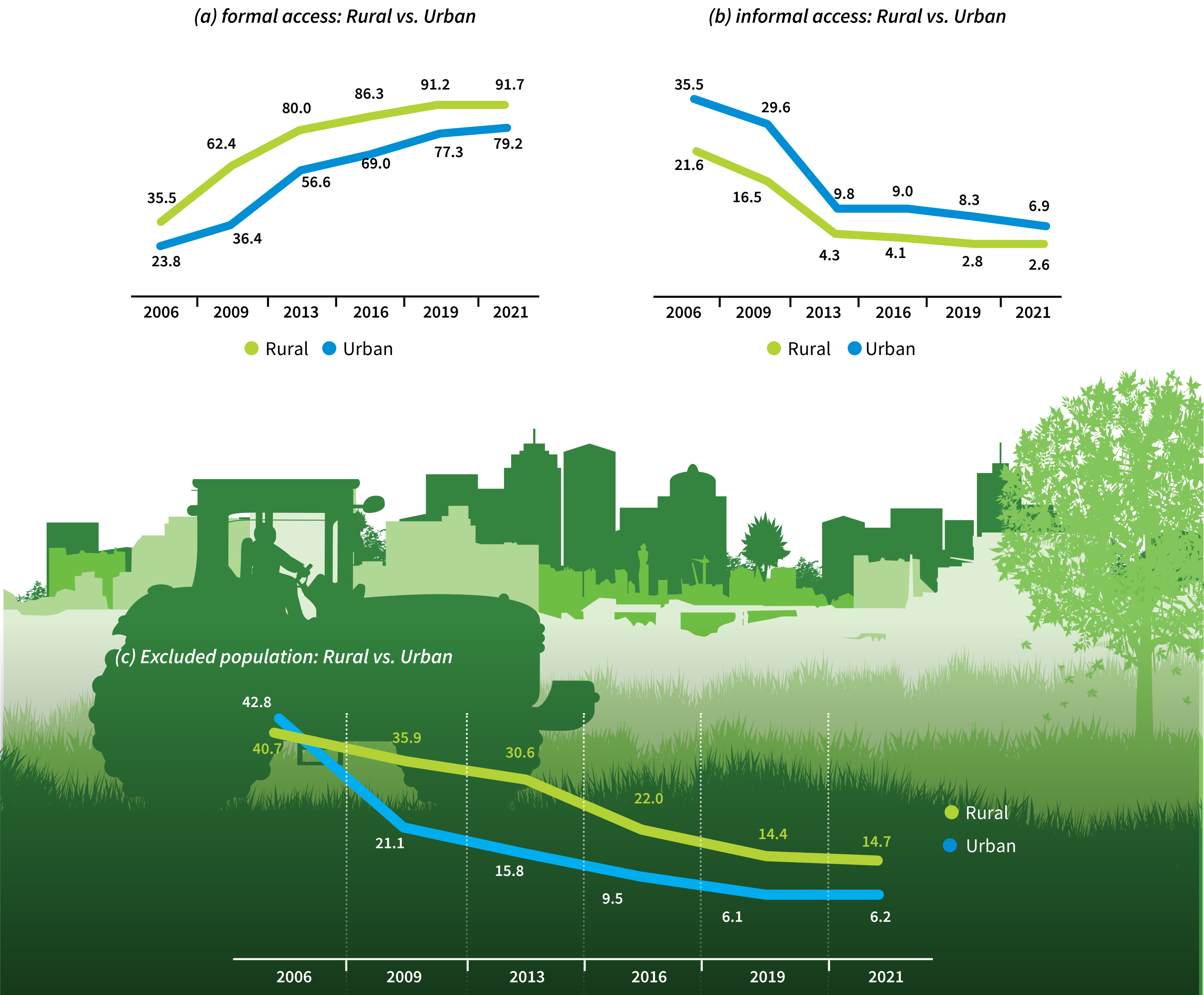
Figure: 2.8: Access by education



2.3.4 Access by residence

Urban population recorded the highest access to financial services and products through formal providers and had the lowest exclusion levels. Rural population, however, recorded the highest access to financial services and products through informal providers and have the highest exclusion rates. The rural -urban gap in access to formal financial services providers continued to narrow on account of faster adoption of mobile money among the rural population. This could be partly explained by the government policy in 2020 on limiting non-cash transactions to slow down the spread of the coronavirus pandemic. The excluded both in rural and urban increased marginally during the period from 14.4 percent and 6.1 percent in 2019 to 14.7 percent and 6.2 percent in 2021 respectively (**Figure 2.9**).

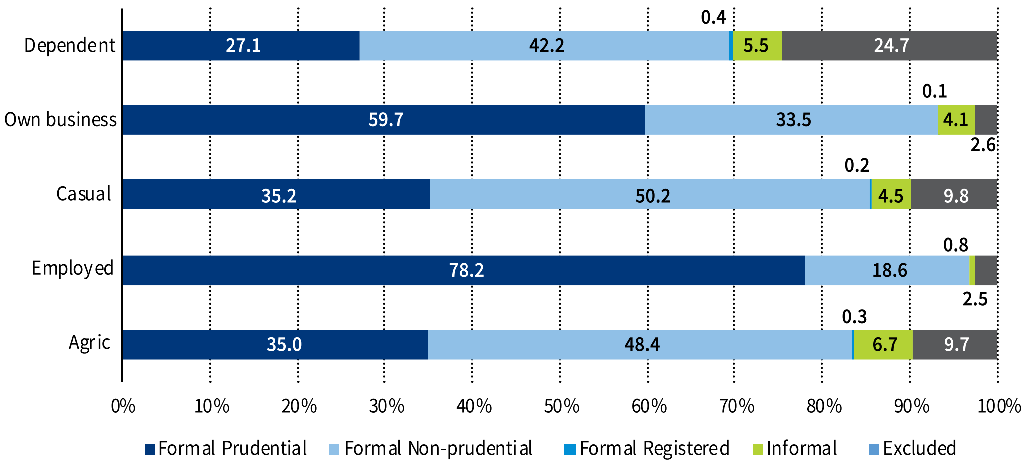
Figure 2.9: Access by residence (%)



2.3.5 Access by livelihood

The employed and those who own businesses recorded the highest access to financial services through formal prudential channels at 78.2 percent and 59.7 percent respectively. Casuals, those engaged in agricultural related activities and dependent relied more on informal channels to access financial services and products. The least excluded section of the population are those employed and own businesses. Hence livelihood has significant bearing on the financial inclusion (**figure 2.10**).

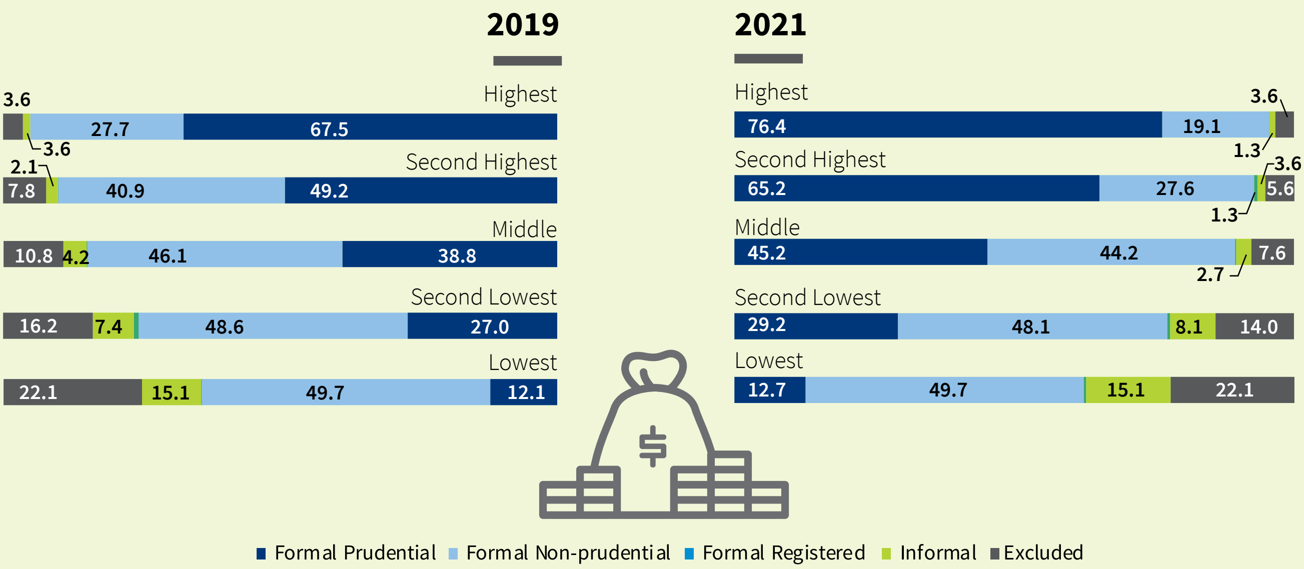
Figure 2.10: Access by livelihood



2.3.6 Access strand by wealth quintile

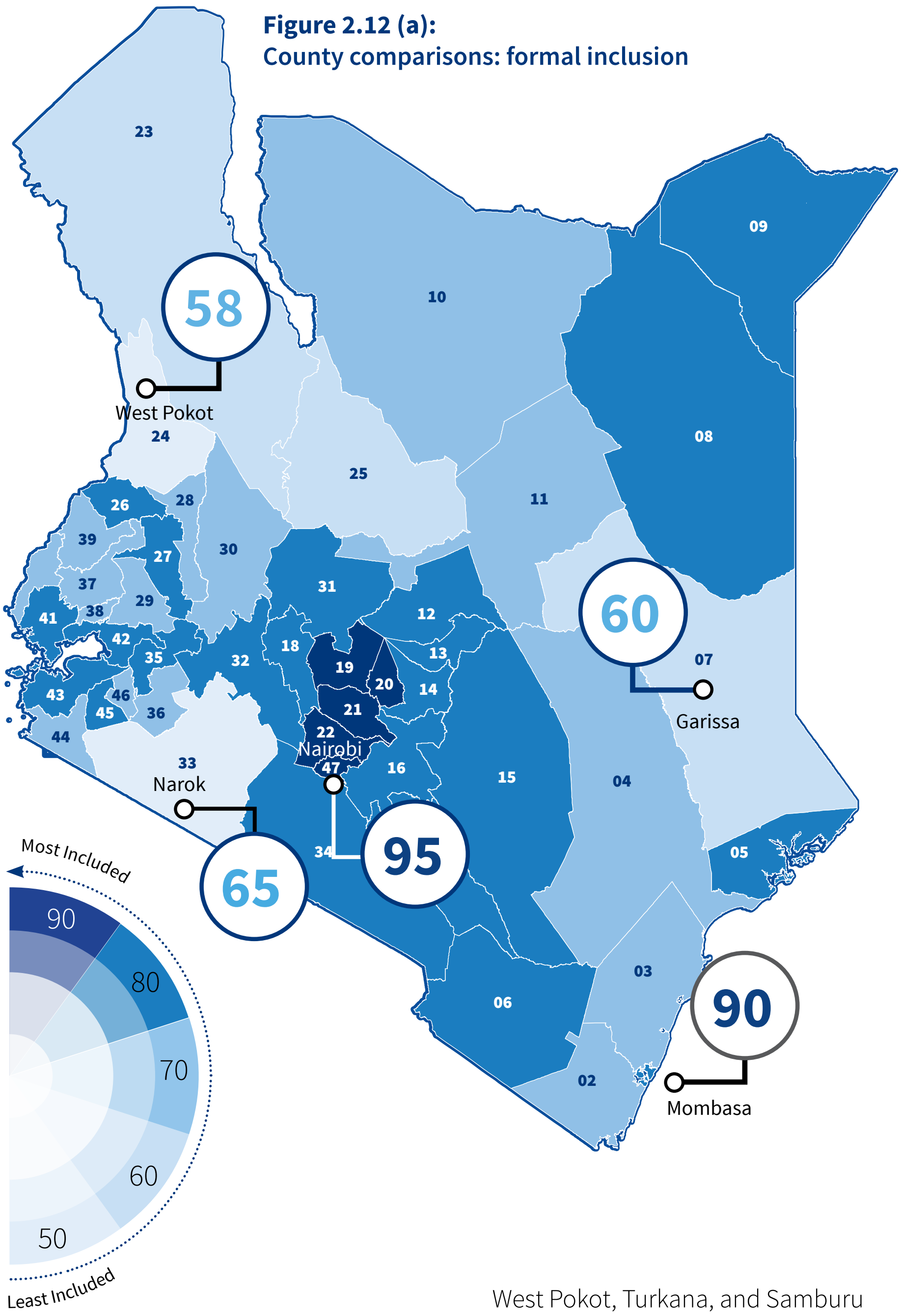
Wealth quintile refers to the relative measure of how wealth is distributed within the population from the quintiles were calculated. The highest wealth quintile had the highest access through formal prudential channels while the lowest quintile had the highest exclusion levels. The lowest quintile mainly accessed financial services and products through informal providers. Therefore, wealth ownership emerged a key factor in explaining formality and informality of access to financial services and products. Compared to 2019, there was a general decline in access through formal prudential channels across all the five wealth quintiles. Population in the lowest quintile had the highest levels of exclusion in 2021 compared to 2019, with population in the lowest quintile being most affected. Population in lowest wealth quintiles recorded increased access through formal prudential channels compared to those in the highest wealth quintile, whose access rate actually declined. This may be attributed to the rapid adoption of *Fuliza* by population in the lower wealth quintiles to access digital overdraft facility (**figure 2.11**)

Figure 2.11: Wealth quintiles 2019 vs. 2021



2.4 Access by county

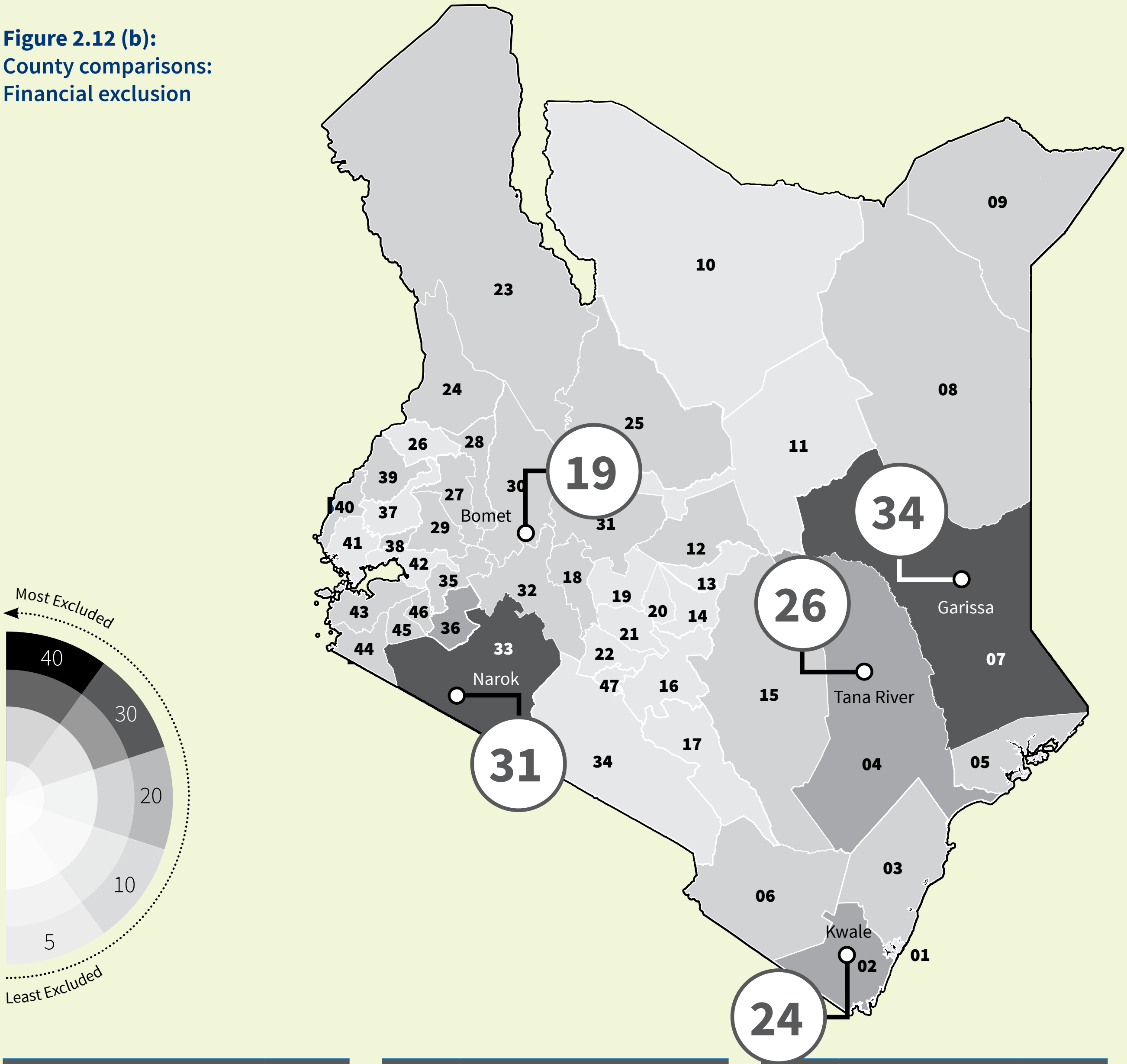
Figure 2.12 (a):
County comparisons: formal inclusion



CODE	COUNTY	%
01	Mombasa	89.8
02	Kwale	72.9
03	Kilifi	74.4
04	Tana River	71.3
05	Lamu	84.2
06	Taita-Taveta	82.0
07	Garissa	60.7
08	Wajir	86.5
09	Mandera	83.8
10	Marsabit	78.4
11	Isiolo	87.8
12	Meru	81.0
13	Tharaka-Nithi	84.5
14	Embu	87.7
15	Kitui	80.4
16	Machakos	89.6
17	Makueni	87.5
18	Nyandarua	81.1
19	Nyeri	93.8
20	Kirinyaga	92.2
21	Murang'a	92.8
22	Kiambu	91.8
23	Turkana	60.3
24	West Pokot	57.7
25	Samburu	68.6
26	Trans Nzoia	89.3
27	Uasin Gishu	87.6
28	Elgeyo-Marakwet	73.8
29	Nandi	79.3
30	Baringo	74.9
31	Laikipia	83.4
32	Nakuru	87.8
33	Narok	64.9
34	Kajiado	88.7
35	Kericho	85.8
36	Bomet	78.6
37	Kakamega	79.5
38	Vihiga	79.0
39	Bungoma	73.9
40	Busia	78.2
41	Siaya	83.8
42	Kisumu	88.2
43	Homabay	81.8
44	Migori	75.5
45	Kisii	81.1
46	Nyamira	76.8
47	Nairobi City	95.0

There are significant differences in how residents of different Counties in Kenya access financial services and products. Nairobi County has the highest access through formal providers while West Pokot County had the lowest access to formal channels. In terms of informality; West Pokot, Turkana, and Samburu counties top the list of those counties relying on informal channels. Exclusion rates were the highest in Garissa county, at 34.3 percent, followed by Narok County at 31.2 percent and Tana River county, which comes third, at 26.7 percent (**figure 2.12**).

Figure 2.12 (b): County comparisons: Financial exclusion



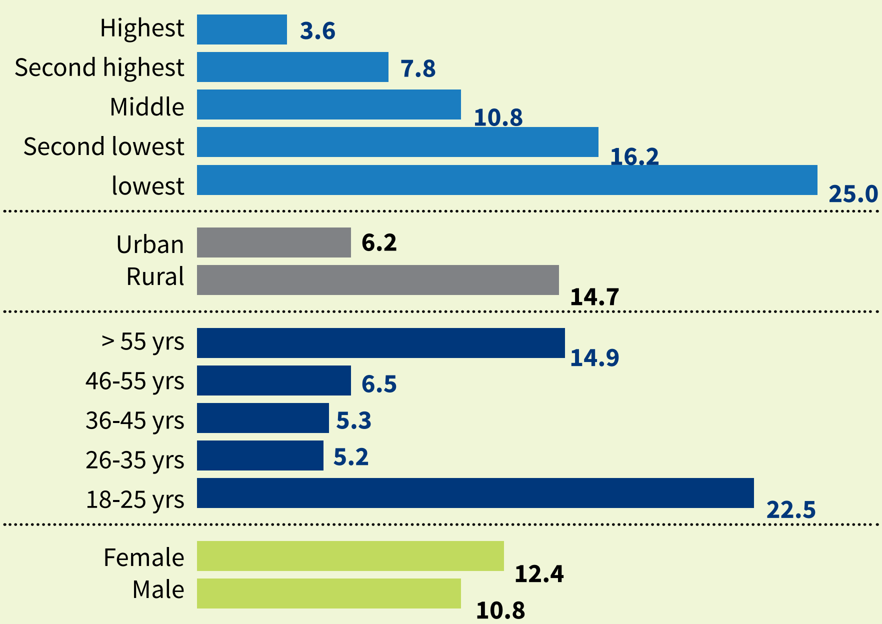
CODE	COUNTY	%
01	Mombasa	7.9
02	Kwale	24.1
03	Kilifi	18.2
04	Tana River	26.4
05	Lamu	12.2
06	Taita-Taveta	12.2
07	Garissa	34.3
08	Wajir	11.0
09	Mandera	14.5
10	Marsabit	8.5
11	Isiolo	6.2
12	Meru	12.0
13	Tharaka-Nithi	5.9
14	Embu	5.8
15	Kitui	16.0
16	Machakos	6.2

CODE	COUNTY	%
17	Makueni	8.0
18	Nyandarua	16.1
19	Nyeri	4.4
20	Kirinyaga	4.8
21	Murang'a	5.3
22	Kiambu	5.6
23	Turkana	11.4
24	West Pokot	11.3
25	Samburu	15.5
26	Trans Nzoia	7.0
27	Uasin Gishu	11.0
28	Elgeyo-Marakwet	12.8
29	Nandi	16.4
30	Baringo	10.6
31	Laikipia	14.3
32	Nakuru	10.1

CODE	COUNTY	%
33	Narok	31.2
34	Kajiado	7.5
35	Kericho	12.2
36	Bomet	19.2
37	Kakamega	8.5
38	Vihiga	10.4
39	Bungoma	16.8
40	Busia	14.5
41	Siaya	8.9
42	Kisumu	9.6
43	Homabay	14.5
44	Migori	15.3
45	Kisii	16.1
46	Nyamira	14.3
47	Nairobi City	2.8

Overall, income disparities, age, and residence appear to be the key drivers of increased exclusion rate in 2021. The 0.6 percentage points increase in the exclusion rate from 11 percent in 2019, to 11.6 percent in 2021, could be attributed to the widening access gap by sex and residence in 2021–2019 compared to 2019–2016. Female and rural population recorded increases in exclusion rates in 2021, from 11.3 percent and 14.4 percent in 2019, to 12.4 percent and 14.7 percent in 2021, respectively (**Figure 2.13**).

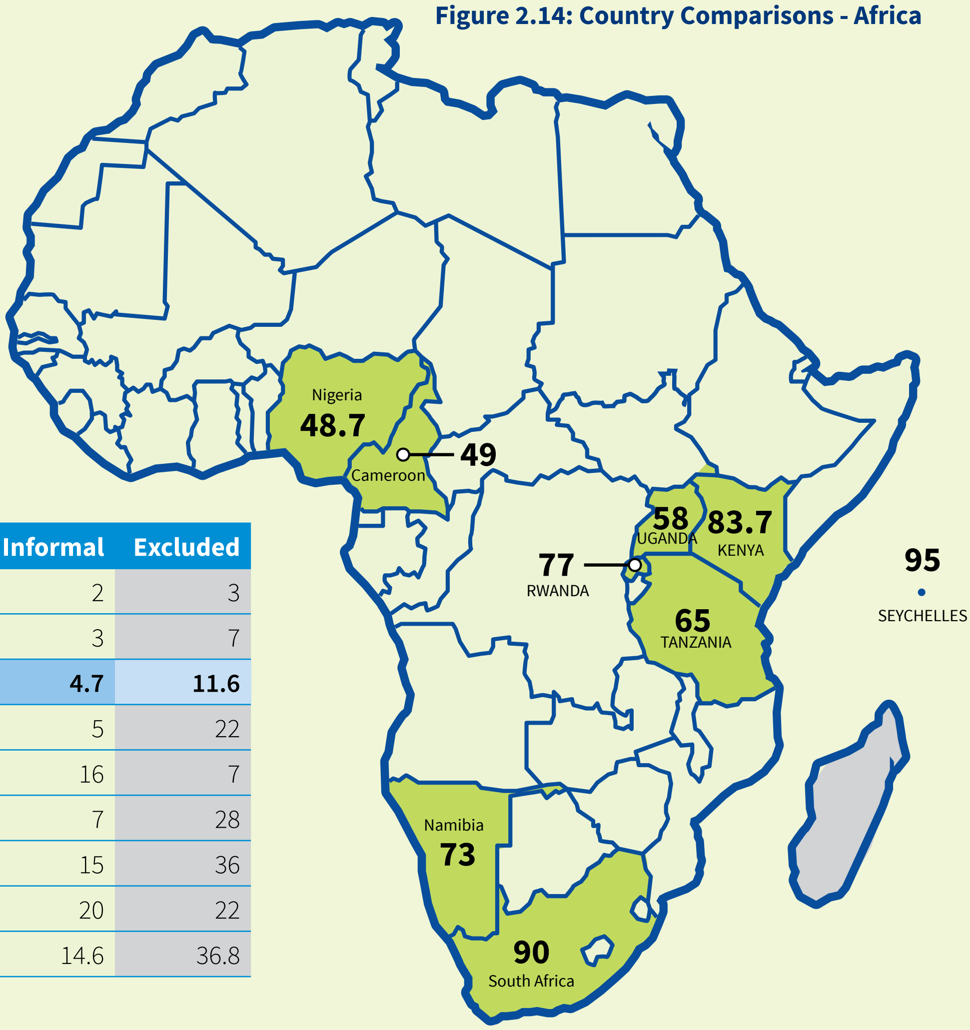
Figure 2.13: Exclusion by demographics



2.5 Country comparisons

Kenya ranks highly, among other African countries, with access level formal financial services at 83.7 percent in 2021while 11.6 percent remain excluded. Seychelles tops the list of formal access at 95 percent (2017) followed by South Africa at 91 percent (2019) (**Figure 2.14**)

Figure 2.14: Country Comparisons - Africa



	Formal	Informal	Excluded
Seychelles-2016	95	2	3
South Africa-2018	90	3	7
Kenya-2021	83.7	4.7	11.6
Namibia-2017	73	5	22
Rwanda-2020	77	16	7
Tanzania-2017	65	7	28
Cameroon-2017	49	15	36
Uganda-2018	58	20	22
Nigeria-2018	48.7	14.6	36.8

3.0 USAGE OF FINANCIAL SERVICES AND PRODUCTS

Theme: “Financial Technologies in Usage Transformation”

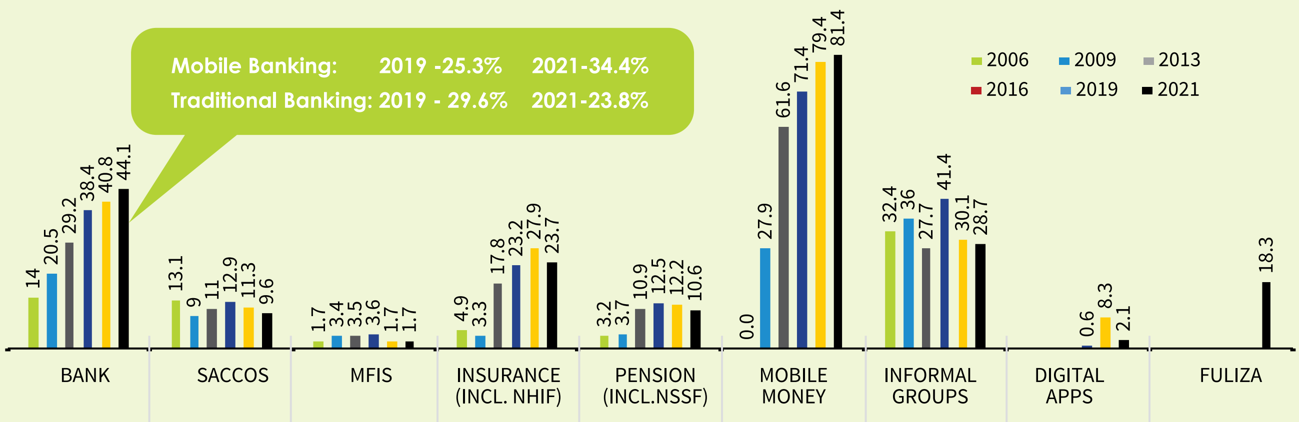
Usage” dimension of financial inclusion refers to the depth or extent to which financial services and products are used as measured by regularity, frequency and duration of their use over time. Usage dimension provides information on actual use or consumption of the financial services and products. It also provides information regarding reasons for use and/or not using given providers or products despite being accessible to such providers or products.

The 2021 FinAccess Household Survey report has enhanced focus on the usage dimension the financial inclusion and covers; providers, products, and digital platforms facilitating transactions. Some variables have been analyzed in time series to track the changing usage landscape over time. Analysis is based on key demographic indicators, specifically: age, sex, education, residence, Wealth quintile and at county level. The chapter concludes with observations on key findings from the Survey results on the Usage Dimension.

3.1 USAGE BY PROVIDERS OF FINANCIAL SERVICES AND PRODUCTS

The 2021 FinAccess Survey sought to assess how adult population in Kenya used different financial services and products by providers. The Survey results indicate that mobile money and bank services providers recorded the highest proportion of usage at 81.4 percent and 44.1 percent, respectively. Since users of these providers and products consume them as a portfolio, the response rates are not additive. This implies that consumers of mobile money are also consuming services and products offered by banks, insurance companies, SACCOs, pensions, among other providers **(Figure 3.1).**

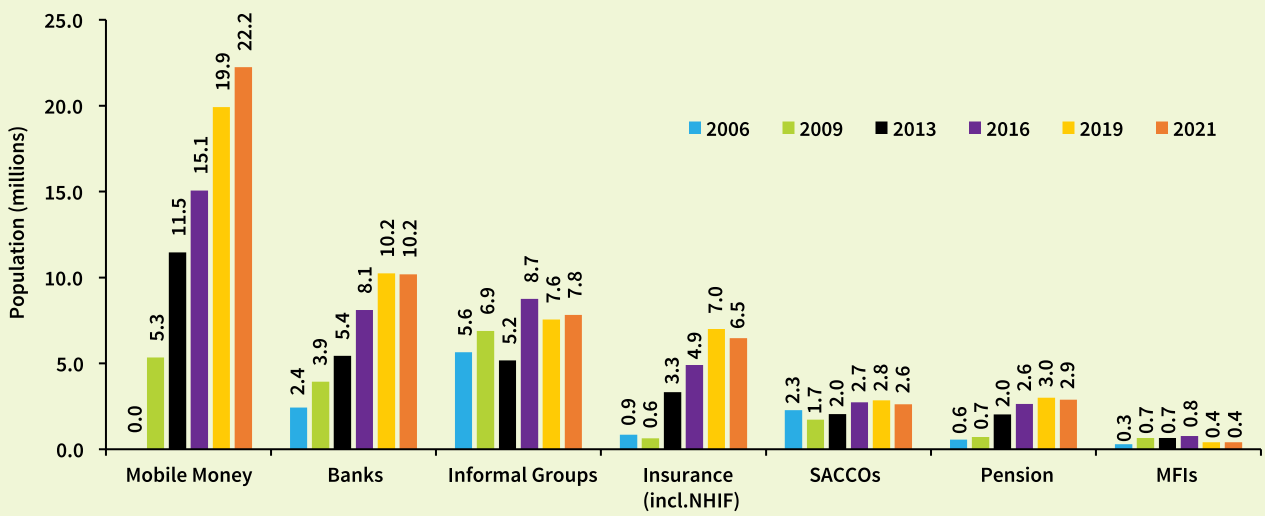
Figure 3.1: Usage of financial services and products by providers (%)



A key development in the bank and mobile money usage the launch and rapid adoption of *Fuliza*[2], a digital overdraft facility offered by select banks through mobile money operator, Safaricom. The Survey results indicate that 18.3 percent of respondents have used it in the last 12 months. The largest decline was reported in the use of Digital Loans Apps, at 6.2 percentage points. This may be explained by competition from formal digital credit products like Fuliza, unfair debt collection practices by the Digital Loan Apps, non-listing of borrowers to the Credit Reference Bureaus (CRBs), and anticipated regulation of the Apps by the CBK during the COVID-19 peak.

By adult population, mobile money and banks served the highest number of consumers at 22.2 million and 10.2 million, respectively, out of the 27.3 million analysed. The use of informal groups also increased among the adult population in 2021. On the other hand, the number of users of insurance (including NHIF), SACCOs, and pension financial service providers declined marginally in 2021 **(Figure 3.2).**

Figure 3.2: Usage of financial providers by population

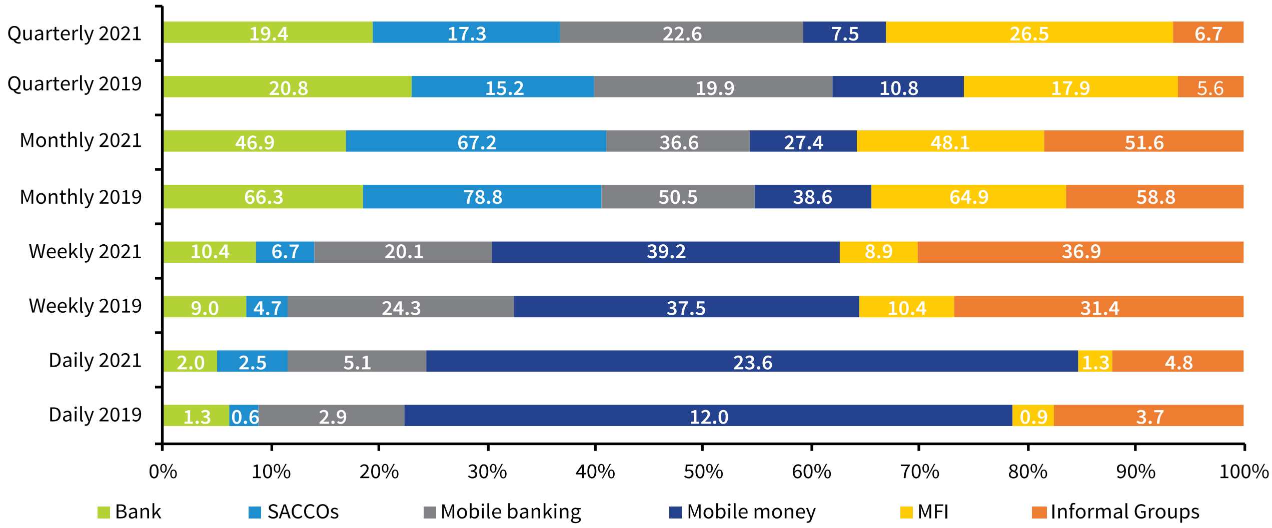


[2]Fuliza was launched in January 2019

3.2 ANALYSIS OF USAGE BY FREQUENCY

Usage of financial services and products by providers also looks at how long and frequent service, product or provider is used by consumers. The Survey results indicate that a majority of Kenyans used financial service providers on monthly basis, perhaps reflecting salaried employees, contractual arrangements, remittances to SACCOs, insurance policy premiums payments and Pension contributions **(Figure 3.3).**

Figure 3.3: Usage of financial providers by frequency



The daily and weekly usage of Mobile money increased significantly in 2021 compared to 2019, but declined for monthly usage. A similar trend was noted for informal groups usage. Increased frequency in the usage of mobile money and informal groups on daily and weekly basis may indicate increased liquidity needs of households, government policy on the digital financial services across most of the transactions to curb the spread of COVID-19 in 2020, waiver of transaction fees on mobile money transactions, and convenience and ease of access.

3.3 ANALYSIS OF USAGE DIMENSION BY DEMOGRAPHICS

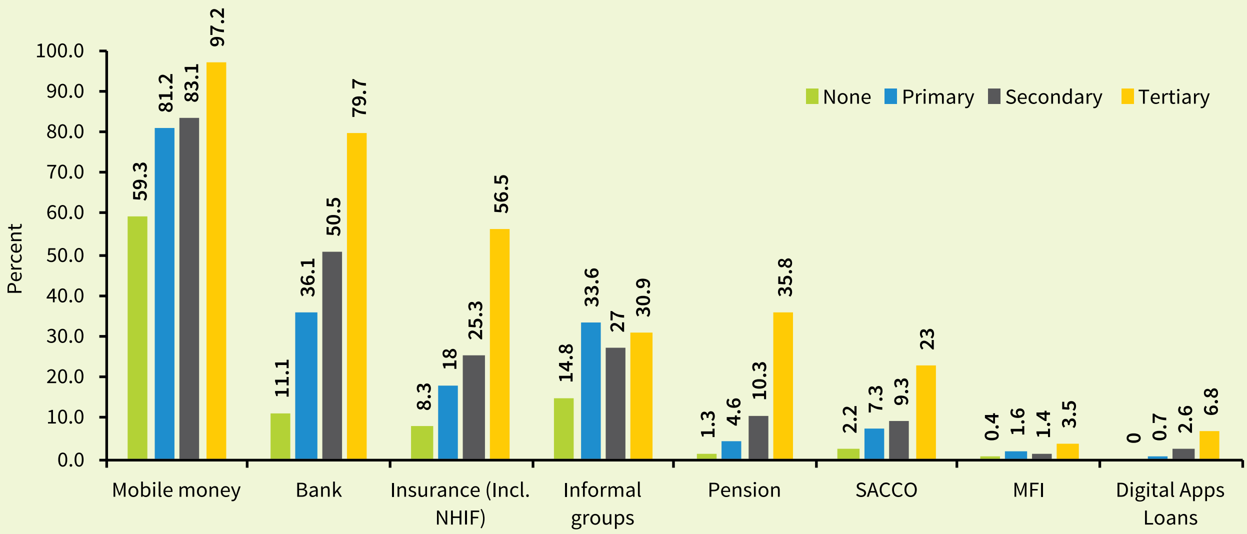
Financial service providers serve different people located in different geographical areas in the country. This section analyses usage by education, residence, sex and wealth quintile.

3.3.1 Education level and usage patterns

Education level affect how people use different financial services and products from various providers/ institutions. A higher proportion of adult population with

tertiary education use mobile money (97.2 percent) and bank financial services (75.7 percent). Individuals with no form of education largely rely on mobile money and informal groups, and are highly excluded from insurance, pension, MFI and SACCO services **(Figure 3.4).**

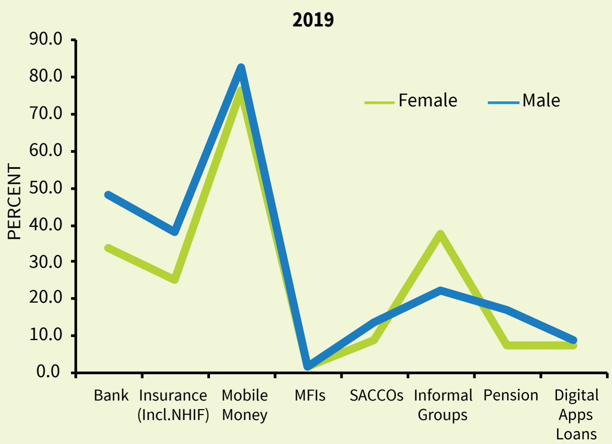
Figure 3.4: Usage of financial providers by education

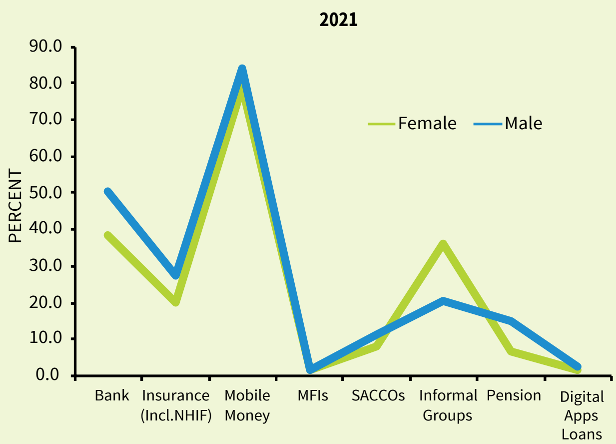


3.3.2. Narrowing gap between male and female

The gap in financial services usage between male and female has narrowed further across providers and products. The gap in the usage of mobile money narrowed by 5.2 percentage points in 2021 from 8 percentage points in 2016. The gap between male and female in the informal groups' usage also reduced by 15.5 percentage points in 2021 from 20.5 percentage points during the period. This outcome could be attributed to rapid adoption of digitalisation in financial services, especially by the female gender **(Figure 3.5).**

Figure 3.5: Usage of financial providers by sex

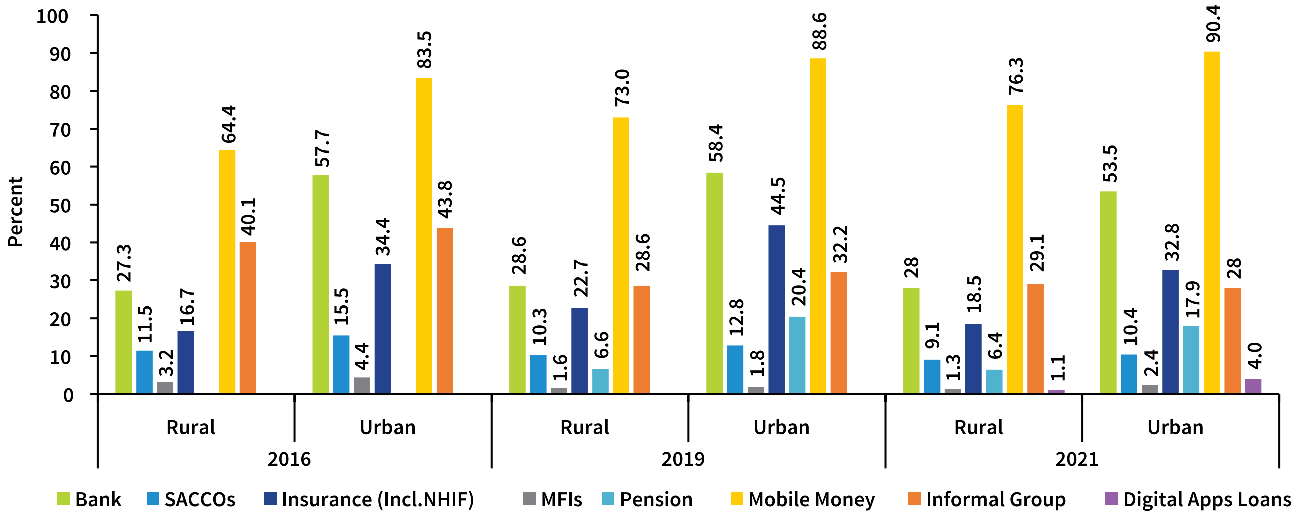




3.3.3. Does rural-urban divide impact usage?

Adoption of mobile money in 2007 and subsequent digitisation and digitalisation of financial services and products has greatly reduced the gap between rural and urban users of financial services. Uptake of mobile money by both rural and urban residents improved by 11.9 percentage points and 6.9 percentage points, respectively in 2021 compared 2016. There is notable decline in the use of informal providers for both rural and urban dwellers **(Figure 3.6).**

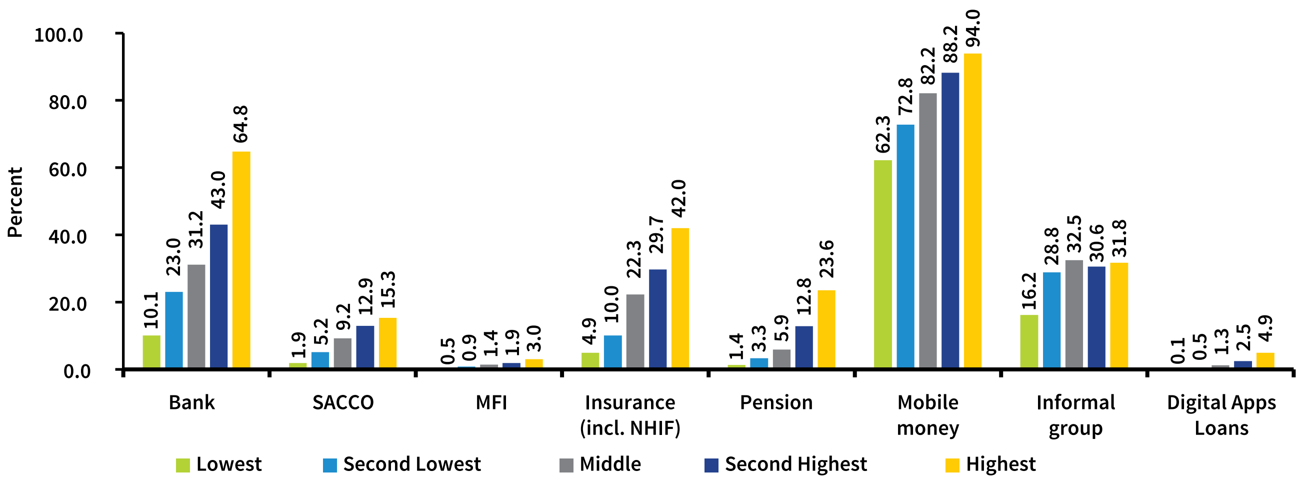
Figure 3.6: Usage of financial providers residence



3.3.4 Financial services by wealth quintile

Social stratum appears to be also influencing use of different providers and products. Informal group usage remains significant across all social class. The highest wealth quintile recorded the largest proportion across all the financial service providers **(Figure 3.7).**

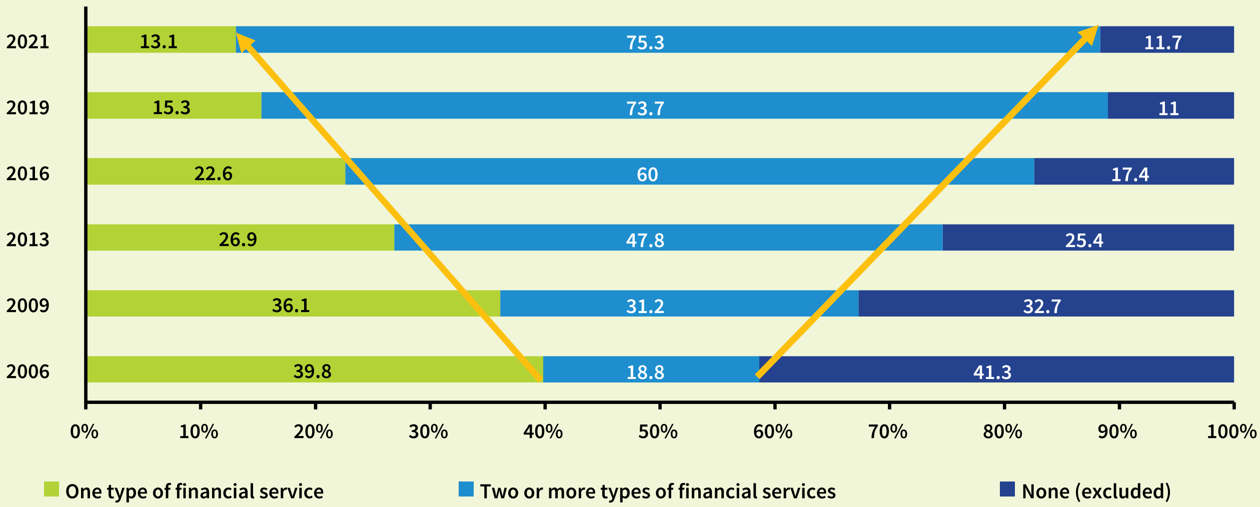
Figure 3.7: Usage of financial providers by wealth quintile



3.3.5. Usage by portfolio of financial service providers

The number of respondents that use two or more types of financial services and products simultaneously, increased by 1.6 percentage points between 2019 and 2021, highlighting preference for more range of providers and products. This partly explains the interlinkages between mobile money, digital platforms and traditional financial services providers. The adult population who reported to be using only one type of financial service and product declined by 2.2 percentage points while those who reported not to have used any type of financial service or product in the last 12 months prior to the Survey period, increased by 0.7 percentage point. This increase could partly be explained by loss of jobs and/or to the unemployed adults transitioning from schooling to job market and have just acquired the National Identity Card. These groups may not have used any form of financial services and products as the COVID-19 pandemic disrupted economic activities, movement of people and job market **(Figure 3.8).**

Figure 3.8: Usage by combination of financial services

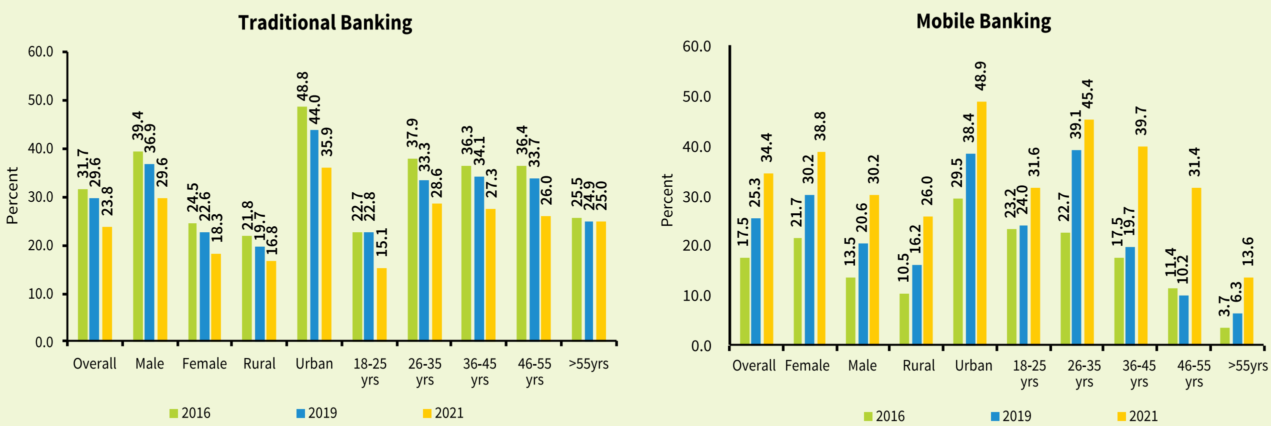


3.4 USAGE BY PROVIDERS, SERVICES AND PRODUCTS

3.4.1 Bank accounts usage

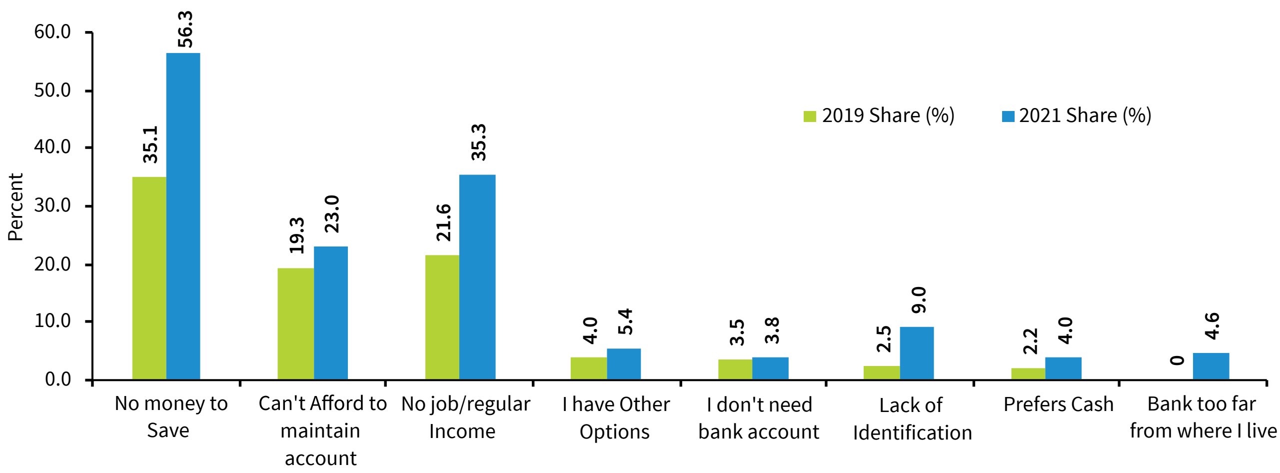
The overall usage of traditional bank accounts declined from 29.6 percent in 2019 to 23.8 percent in 2021. The mobile banking usage however increased to 34.4 percent from 25.3 percent during the period, as more people used technology to transact during COVID-29 period. Usage of mobile banking increased across all the demographics analysed. The use of the traditional banking (brick and mortar) however declined, except those in the age bracket of above 55 years **(Figure 3.9).**

Figure 3.9: Traditional versus mobile banking usage by demographics



A majority of respondents cited lack of money to save, no regular income and high cost of operating a bank account as main reasons why they have not used bank account in the last 12 months. Lack of documentation and distance to the nearest bank branch also emerged, but with less scores **(Figure 3.10).**

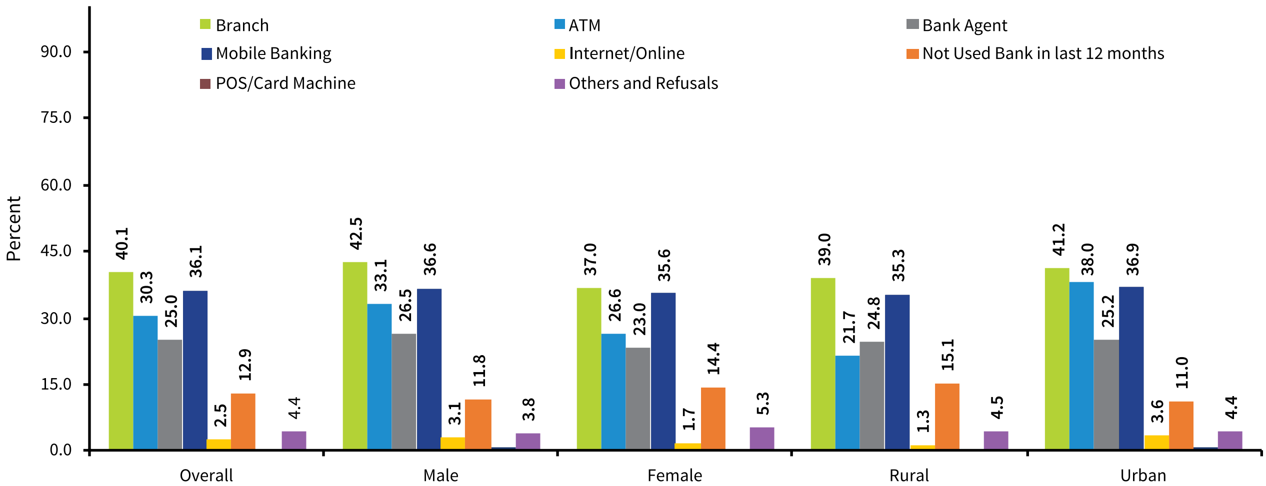
Figure 3.10: Reasons for non-use of bank account



3.4.2 Bank account usage channels

Physical visit to the bank branch and use of mobile banking apps were the main channels used to access and use banking services in 2021 across all the demographics analysed **(Figure 3.11).**

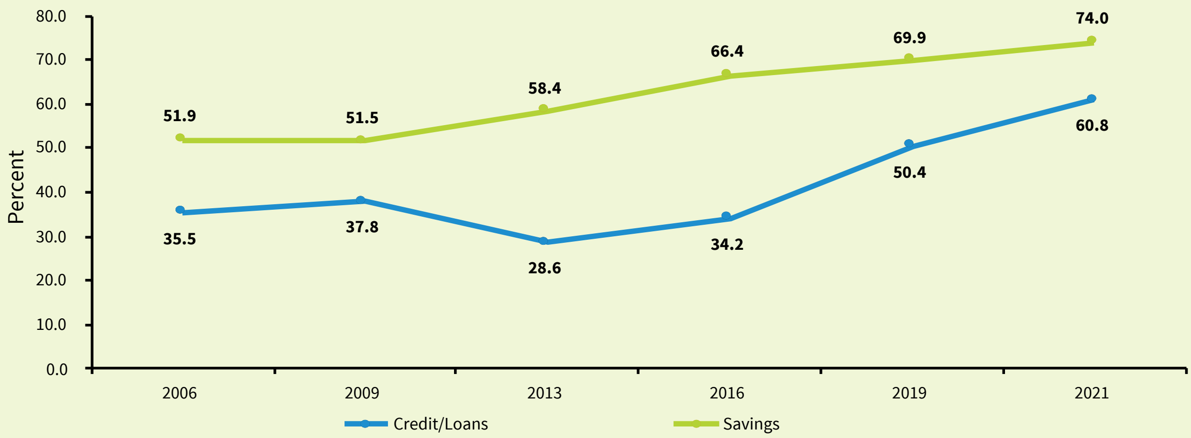
Figure 3.11: Channels of bank usage



3.4.3 Credit usage

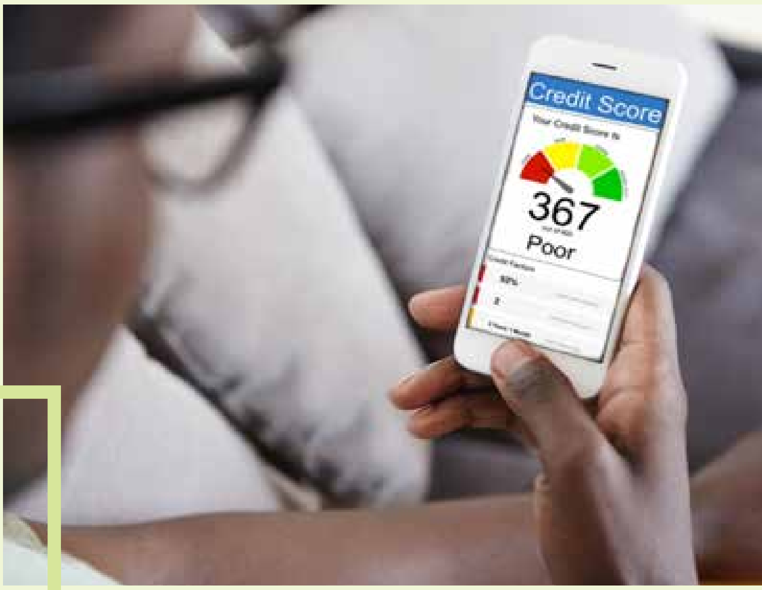
Uptake of credit by respondents rose much faster between 2016 and 2021 compared to the savings rate. This may imply credit providers need to look for alternative funding sources or upscale the savings mobilisation efforts to match the pace of credit uptake **(Figure 3.12).**

Figure 3.12: Uptake of credit against savings rate



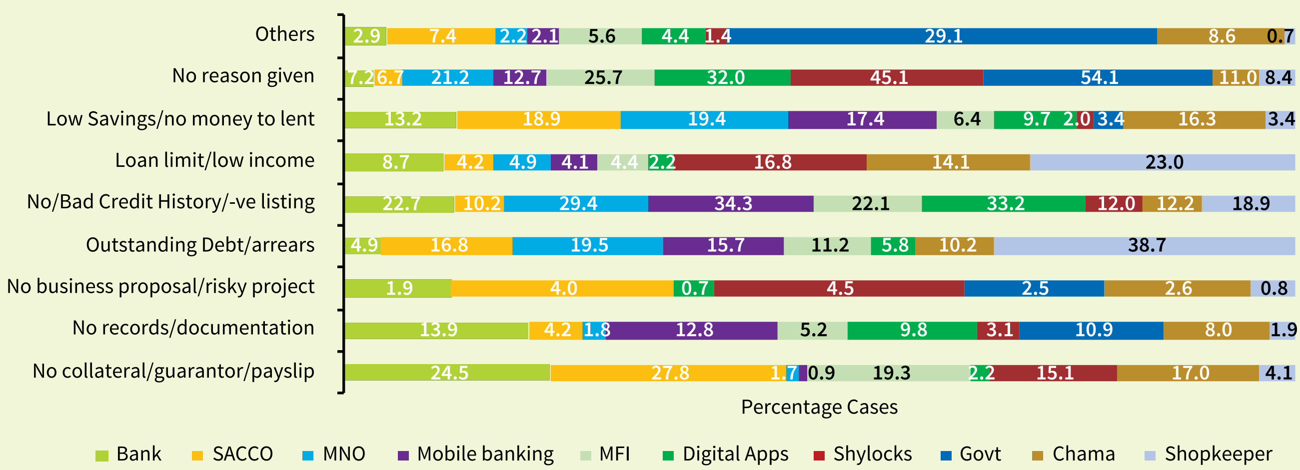
Reasons for being denied credit by various providers

Bad/no credit history and negative listing on CRBs were ranked as highest reasons why many potential borrowers were denied credit by different providers. Low income/savings and having outstanding loan followed **(Figure 3.13).**



> ***Bad/no credit history was ranked highest***

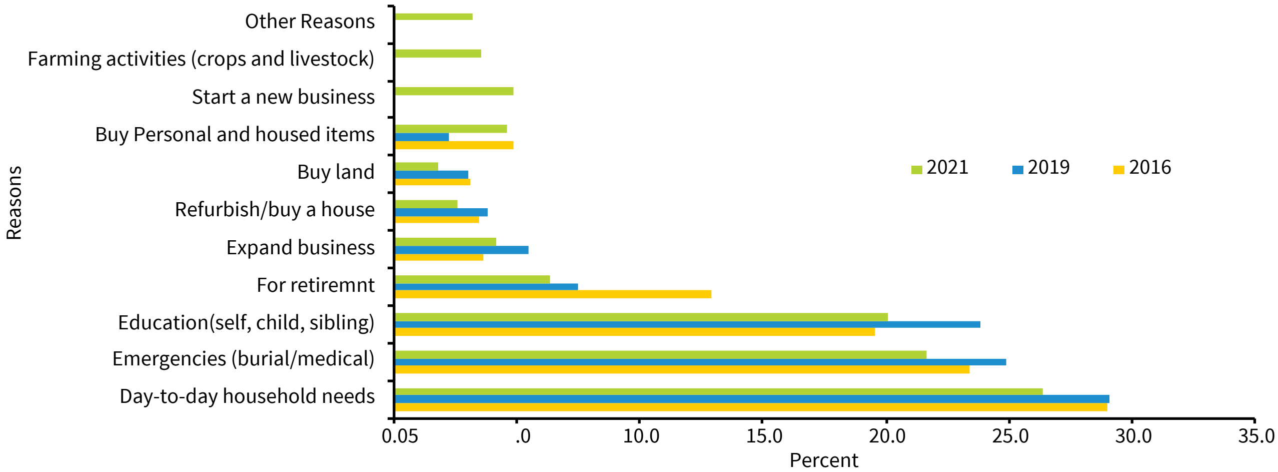
Figure 3.13: Reasons for NOT accessing credit by provider



3.4.4 Savings

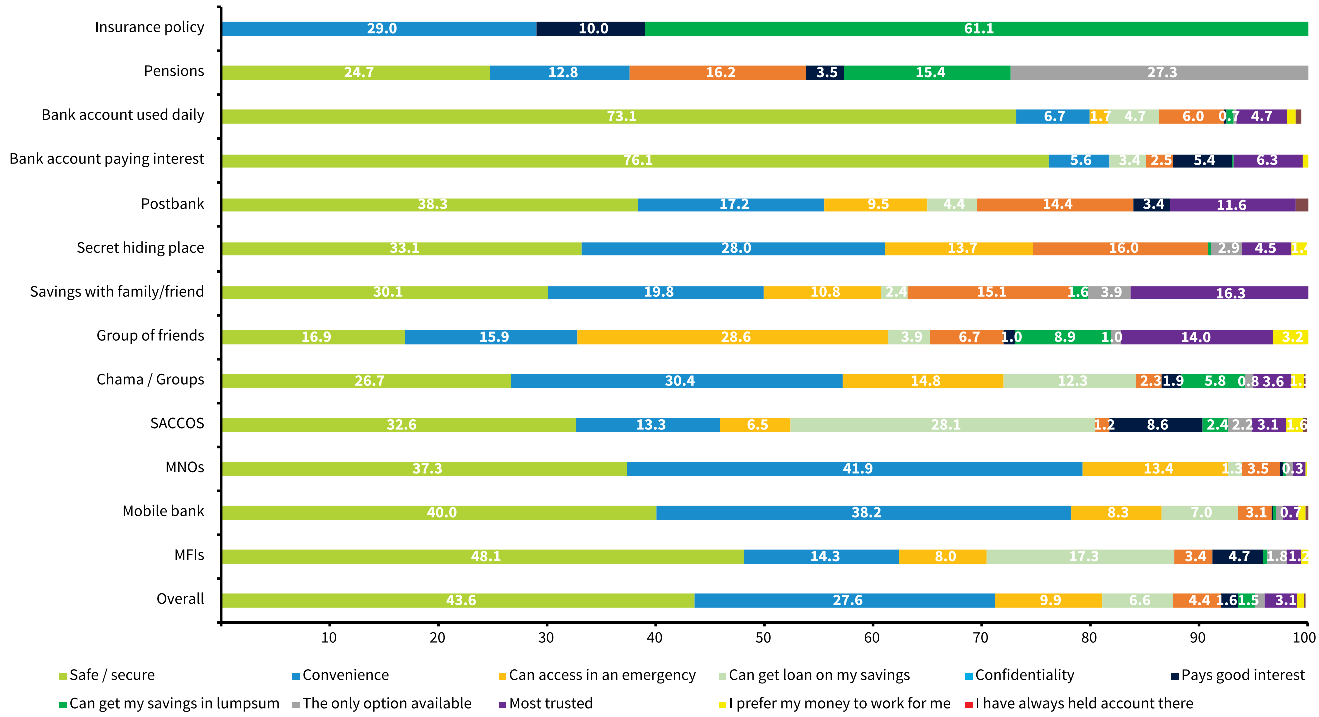
A majority of respondents identified; the need to meet day-to-day expenses, emergencies (burial and medical expenses) and for education as drivers of savings among households. Saving to start a new business and investing in farming related emerged in 2021 while it was absent in the previous years **(Figure 3.14).**

Figure 3.14: Main drivers of saving over time



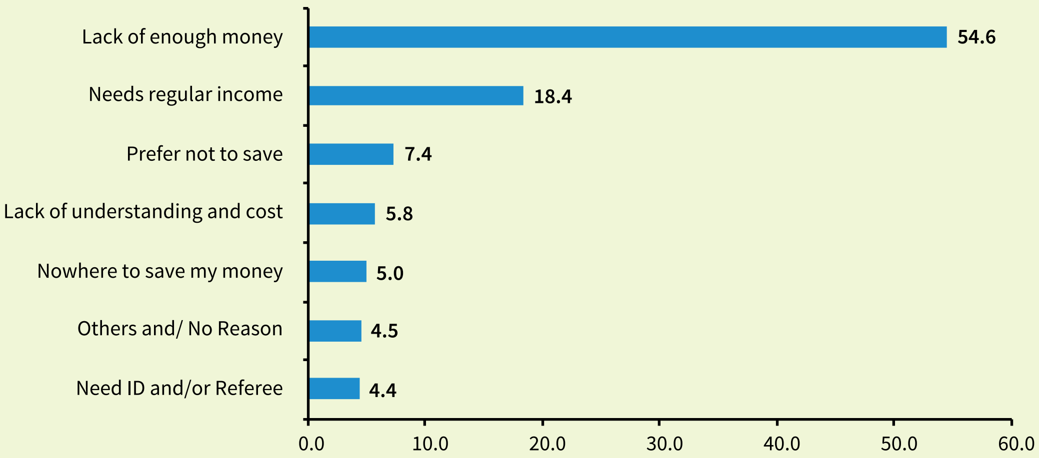
The main considerations by most of the respondents in choosing the savings product/device were; safety/ Security of their money, convenience and ease of access in case or emergencies. The response rates for the three reasons increased in 2021 compared with 2019. The three-consideration accounted for 81.1 percent of all reasons given in 2021 compared with 74.7 percent of the reasons given by the respondents in 2019 **(Figure 3.15).**

Figure 3.15: Reasons for choosing a savings product/devices



The most cited factors impacting savings among Kenyans were lack of regular income and sufficient money to save at 42.3 percent and 38.3 percent respectively in 2021. Given that the Survey mainly covered the COVID-19 period, the responses could easily be influenced by perception of hard economic times and job losses due to the COVID-19 shock **(Figure 3.16).**

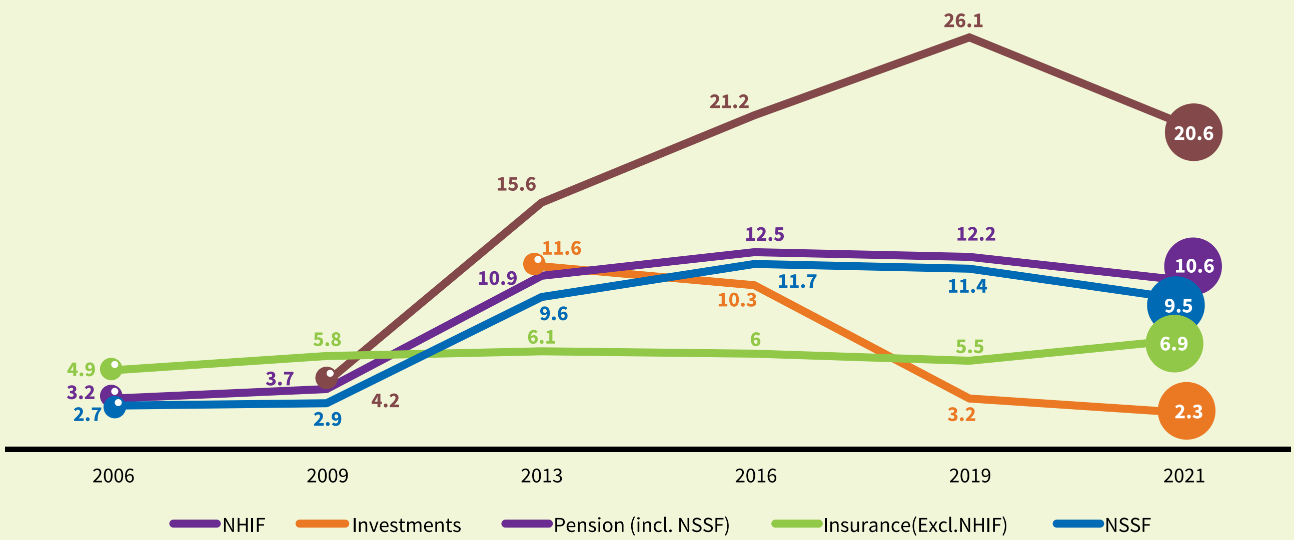
Figure 3.16: Reasons by those NOT saving



3.5 INSURANCE, PENSIONS AND INVESTMENTS USAGE

With exception of the insurance regulated by IRA, usage of pensions, investments and NHIF declined in 2021. The investments are measured by those respondents who reported that they invest in equities and bonds. During the Survey period the NSE-20 share index and the market capitalization have also been on a downward trend. Pensions usage including NSSF remains steady, on account of NSSF uptake **(Figure 3.17).**

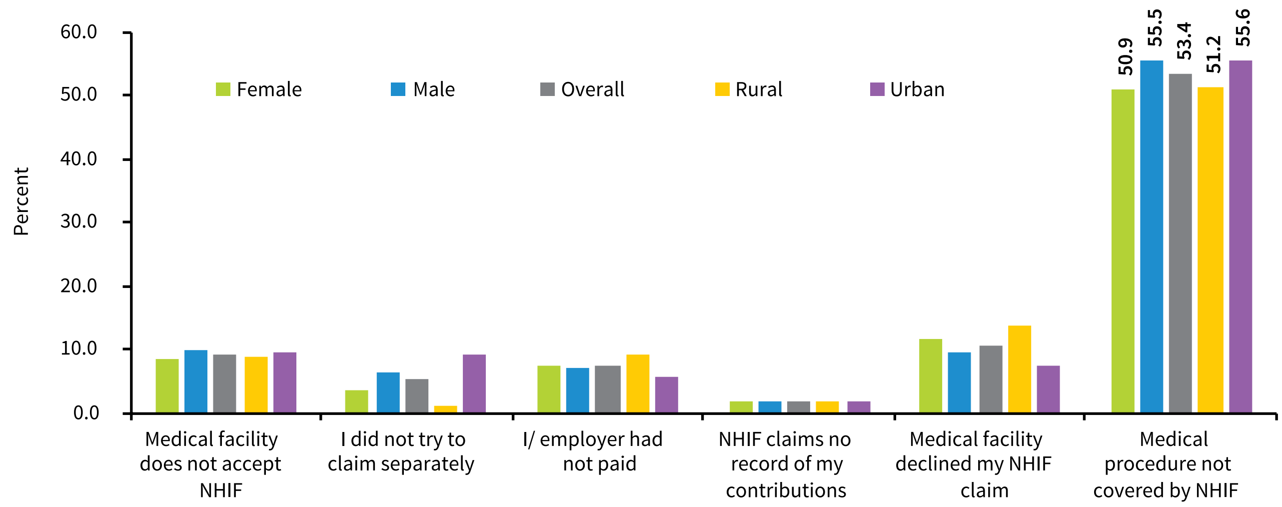
Figure 3.17: Usage of insurance, pension and investment provider (%)



3.5.1 Insurance (regulated by IRA) and NHIF usage

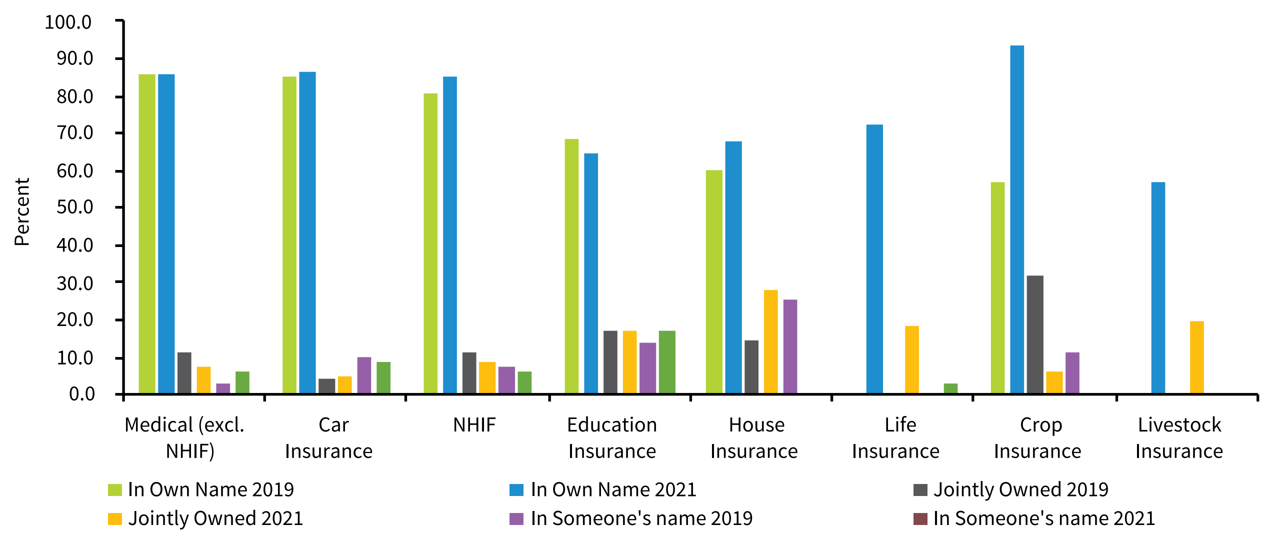
The NHIF remains the key driver of insurance usage despite declining in 2021. With exception private insurance usage, investments, Pension (including NSSF) and NSSF itself declined in 2021. The increase in private health insurance could be partly attributed to an increase in the uptake of medical insurance and awareness campaigns by the Insurance Regulatory Authority.

Figure 3.18: Response rates for NHIF not paying medical claims



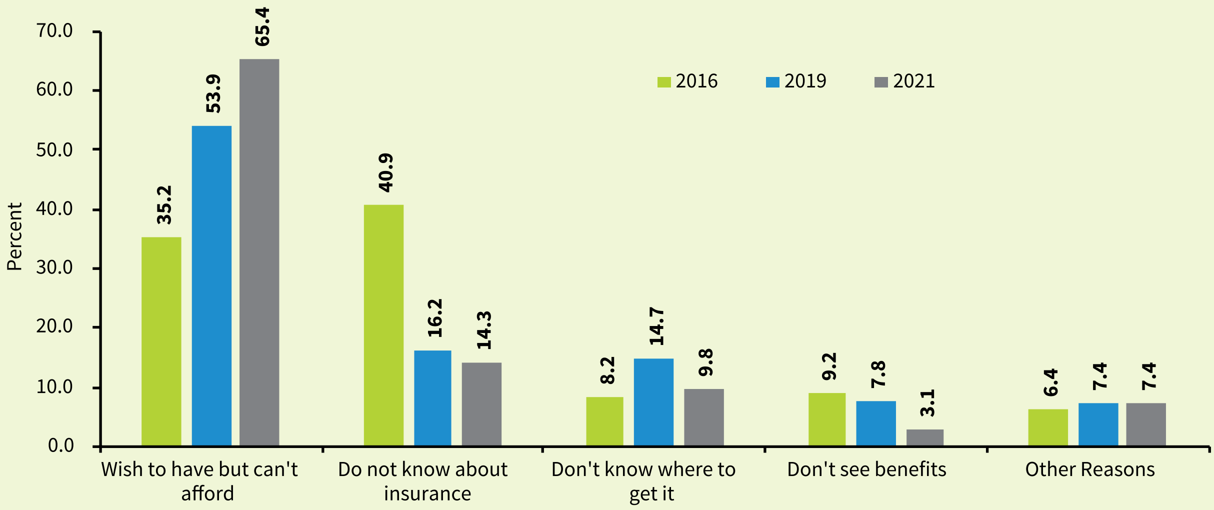
The Survey had questions on why the NHIF did not pay the medical facility for the beneficiaries. A majority of respondents cited the service/procedure not being covered under the NHIF policy **(Figure 3.18).** This may call for more public education on the part of the NHIF, especially targeting the male and urban population. The findings show that ownership of insurance is predominantly in the Own Name of policy holders. Only the education insurance policy ownership in Own Name declined in 2021 compared with 2019 **(Figure 3.19).**

Figure 3.19: Insurance policy ownership



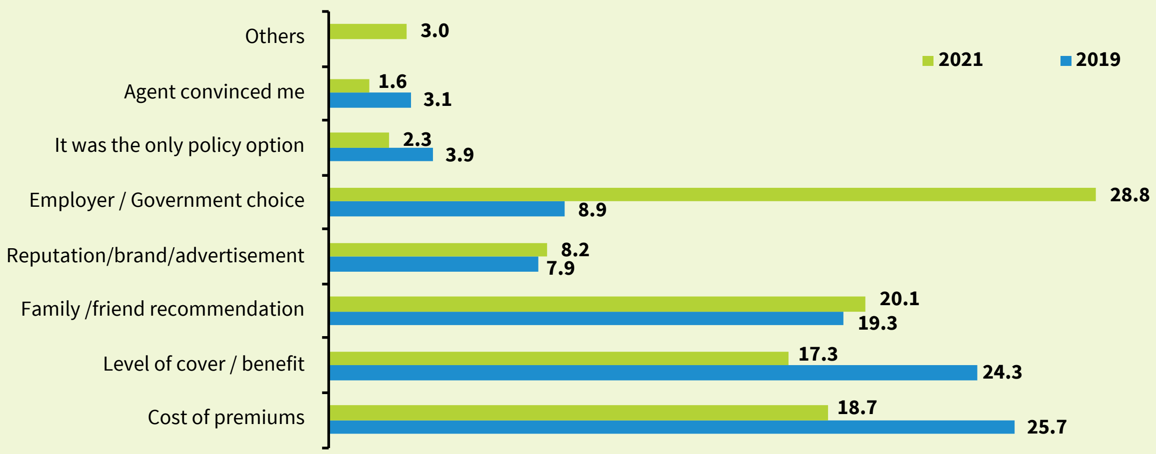
The main reason cited by the respondents for not having any form of insurance policy is the inability to meet the cost of insurance policy in terms of premiums payments, which the industry regulator may need to address in order to expand inclusion. The significant decline in response rates by those who reported not having knowledge of insurance and those not appreciating the benefits of having insurance between 20216 and 2021, reflects gains made by IRA through public education initiatives **(Figure 3.20).**

Figure 3.20: Main reasons for not having insurance policy



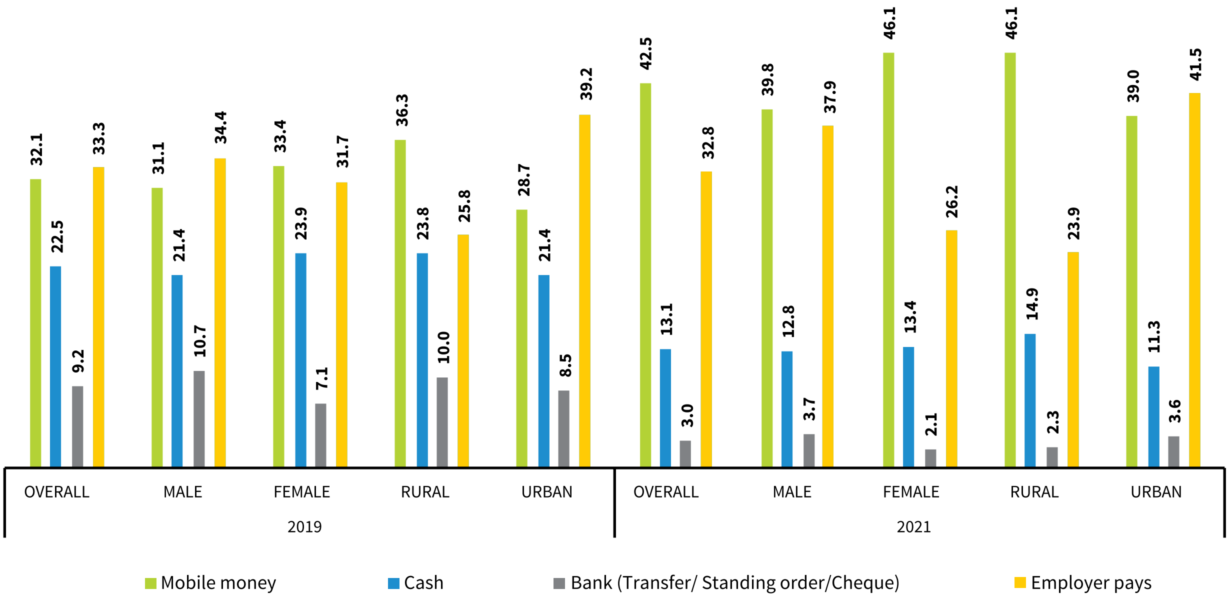
Employer/Government recommendation by the family and friends/friends/colleagues greatly influenced the choice of insurance provider in 2021 compared to 2019. Other key considerations are: cost of premium and the benefits of the cover; but the response rates have declined in 2021 **(Figure 3.21).**

Figure 3.21: Reasons for choosing insurance provider (%)



Mobile money and employer account for the largest proportion of channels used by the adult population in Kenya to make insurance premiums payments. The use of Cash and Bank transfers in paying for insurance premiums reduced significantly in 2021 across the rural-urban and male-female divides. Female gender and rural residents relied more on mobile money to make payments in 2021 compared to 2029, perhaps reflecting policy measures taken to go digital in order to curb the spread of COVID-19 (Figure 3.22).own name **(Figure 3.20).**

Figure 3.22: Channels for paying insurance premiums (%)



3.5.2 Pensions usage

A majority of the adult population sampled in this Survey reported that they have never used pension schemes including the National Social Security Fund (NSSF). About 10.6 percent, translating into 2.9 million Kenyans indicated that they currently use pension schemes while 4.6 percent or 1.3 million Kenyans reported to have used them in the past. The largest proportion of the adult population excluded from pensions usage was reported among the female gender and residents in the rural areas **(Figure 3.23).**

Figure 3.23: Pension schemes usage by demographics (%)

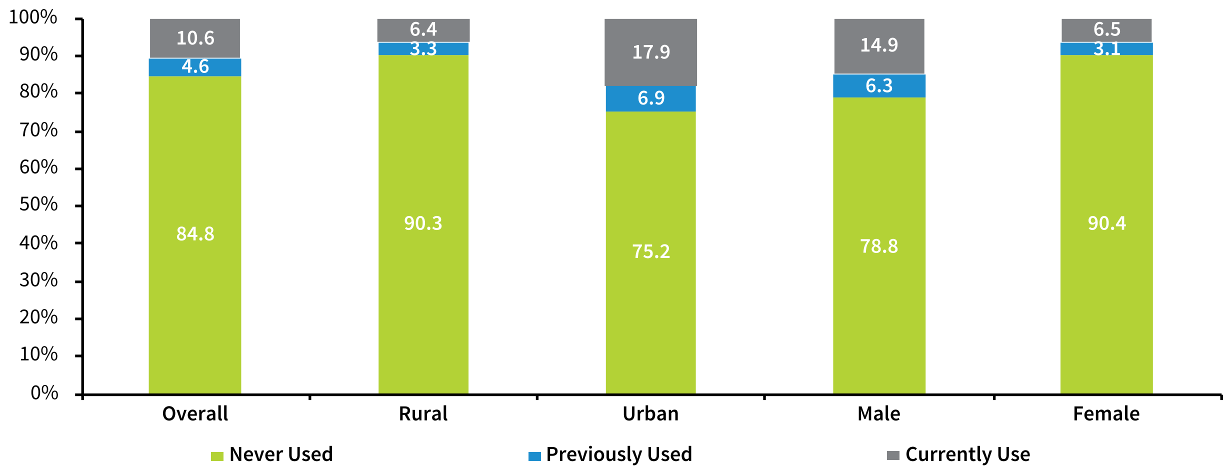


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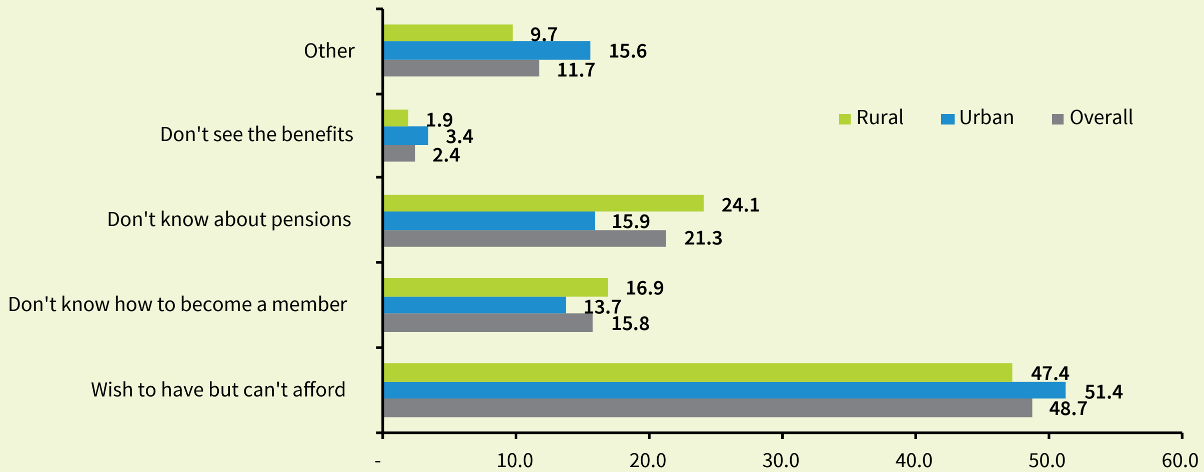
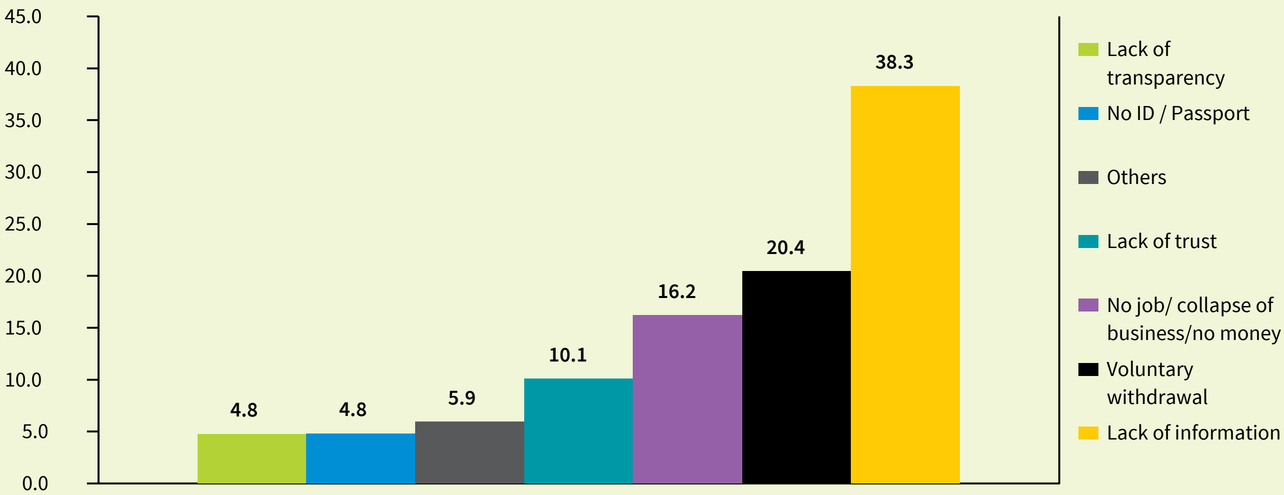
Figure 3.24: Main reasons for non-membership in a pension scheme (%)



3.5.3 SACCOs usage

The overall SACCO usage slightly dropped to 9.6 percent in 2021 from 11.3 percent in 2019, perhaps reflecting the negative impact of COVID-19 pandemic. The main reasons cited by the respondents for not using a SACCO account in 2021 are lack of information about a good SACCO at 38.3 percent, Voluntary withdrawal at 20.4 percent, No job/Collapse of business/no money at 16.2 percent and lack of trust at 10.1 percent **(Figure 3.25).**

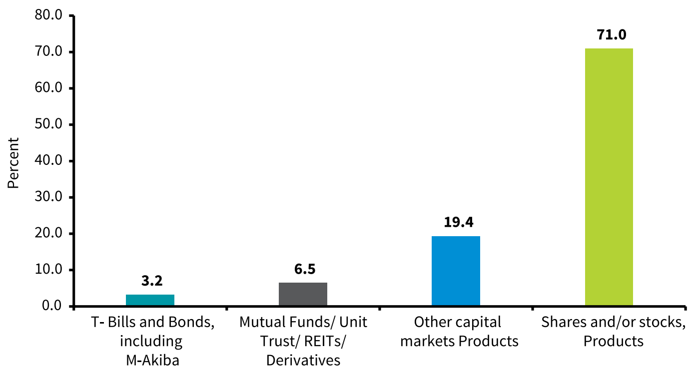
Figure 3.25: Reasons for not having a SACCO account



3.5.4. Investments

Continued steady decline in the investment's usage since 2012 may reflect Kenyans ranking investing low

Figure 3.26: Response rates on investment classes



among their priority areas under limited resources, constrained supply shares through Initial Public Offerings and limited savings/incomes. The decline in NHIF usage may be attributed either lack of contributions or reduced hospital visits during COVID-19 period. A majority of respondents in the Survey reported having knowledge and/or invested in the in shares, at 71 percent **(Figure 3.26).** There is room for creating more awareness on other channels like Bonds, unit trusts and derivatives to enhance usage of investments.

> ***M-Akiba bond was cited as safe to invest in, with minimum of Ksh 3,000***

Among those who know and/invested in the M-Akiba bond, a majority of them cited the safety of their money when they sell or at maturity of the bond. This was followed closely with minimum entry requirement of KSh 3,000 **(Figure 3.27).**

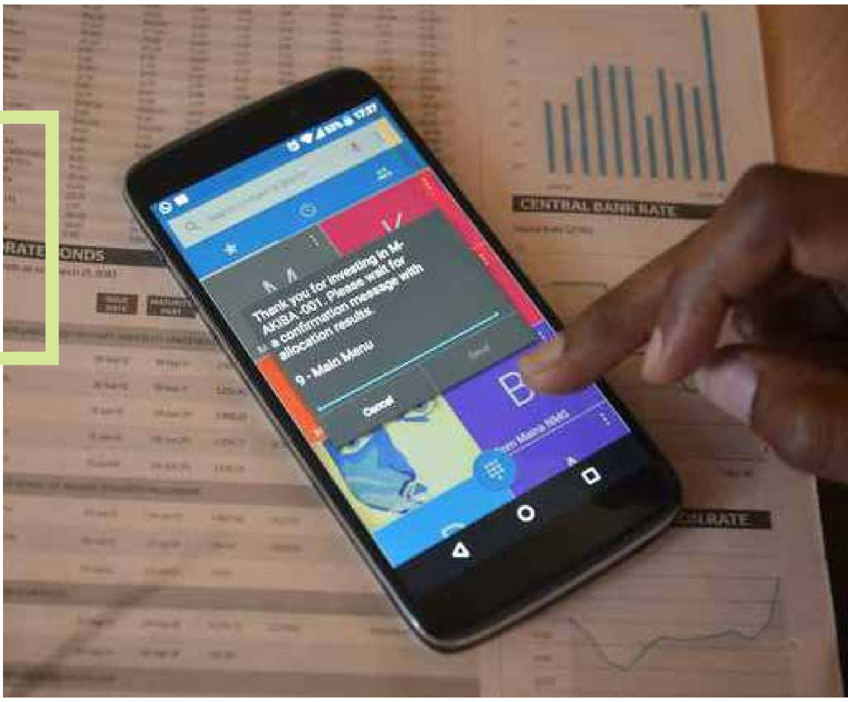
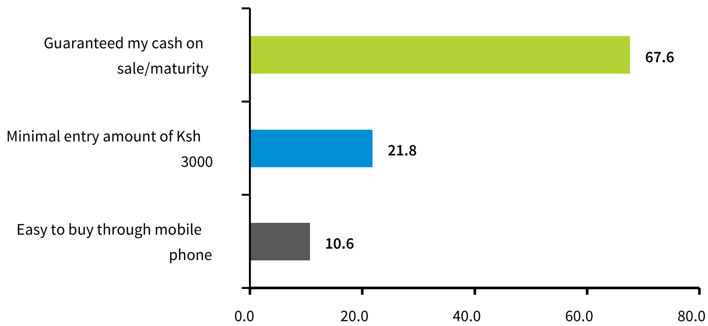
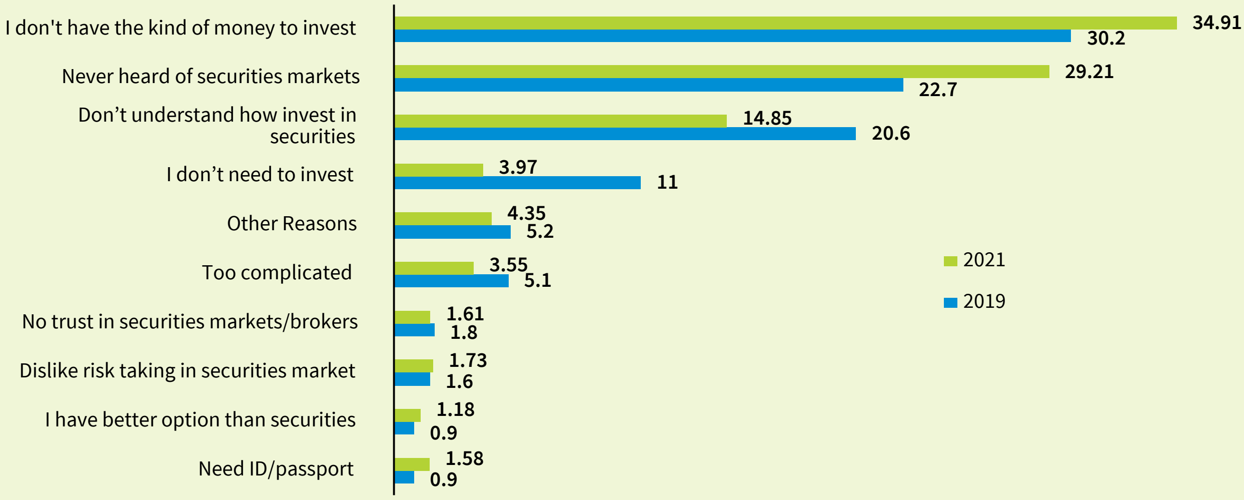


Figure 3.27: Main reasons by those invested in M-Akiba bond (%)



Three main reasons cited by respondents for not investing are; low income, lack of awareness about securities and low understanding on how securities market work. In addition, low income and lack of awareness have increased between 2019 and 2021 from 30.2 percent to 34.9 percent and from 22.7 percent to 29.2 percent, respectively **(Figure 3.28).** The reduction in lack of understanding can be attributed to the increased and robust investor education at industry and regulator level on existing capital markets opportunities to the investing public.

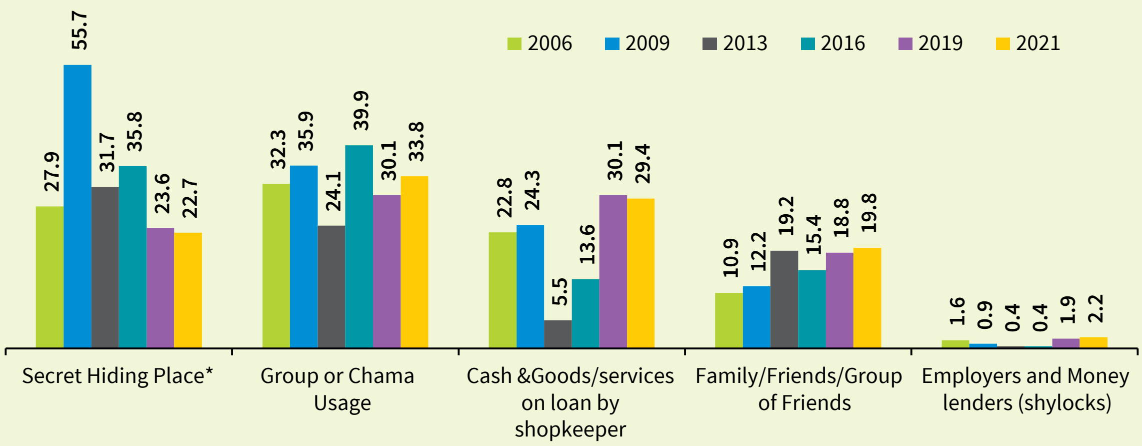
Figure 3.28: Reasons for not investing in securities (%)



Usage of informal channels

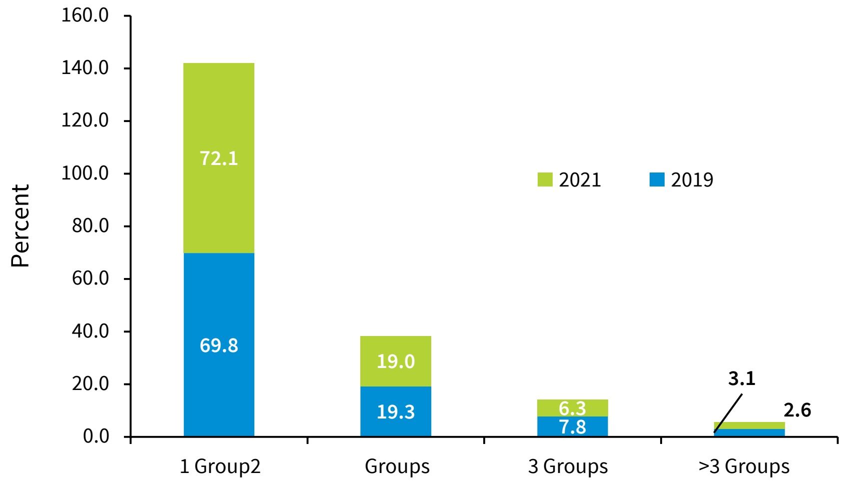
Informal providers in this Survey are those not registered and/or regulated by any authority or legal entity. Informal usage combines Informal Groups (ASCAS, ROSCAs and Chamas), Family/Neighbours/ friends, shopkeepers and employers. The increase in informal usage in 2021, may highlight the important role of the informal providers in supporting households during the COVID-19 pandemic period. The decline in the use of secret hiding places and shopkeepers however, may reflect the increasing role of digital platforms in supporting households. Employers and money lenders play insignificant role in the household usage **(Figure 3.29).**

Figure 3.29: Informal usage (%)



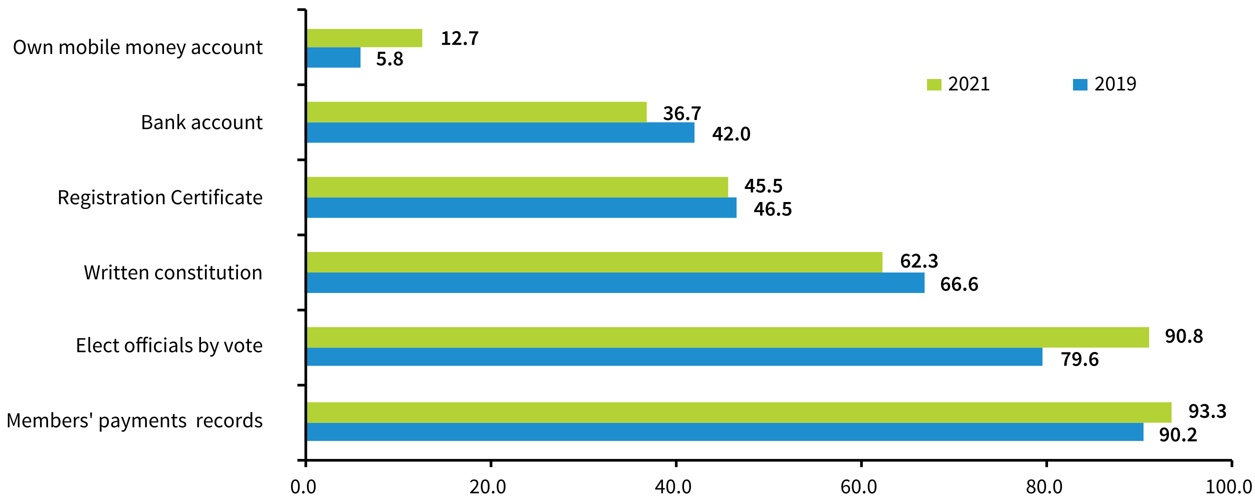
Out of the 28.7 percent of adult population who responded to having used informal groups in 2021, 72.1 percent had membership in one group, which was higher than the 69.8 percent recorded in 2019. Membership in 2 groups remained unchanged at 19 percent but declined for membership in 3 or more groups **(Figure 3.30).**

Figure 3.30: Membership of groups



In terms of the key features regarding the Informal Groups, keeping correct records of group members ranks highest at 93.3 percent with election of officials coming second at 90.8 percent. The two features also recorded response rates in 2021 compared with 2019. It is also interesting to note that ownership of mobile money account by groups more than doubled in 2021 compared with 2019, while ownership of bank account declined by 5.3 percentage point in the review period **(Figure 3.31).**

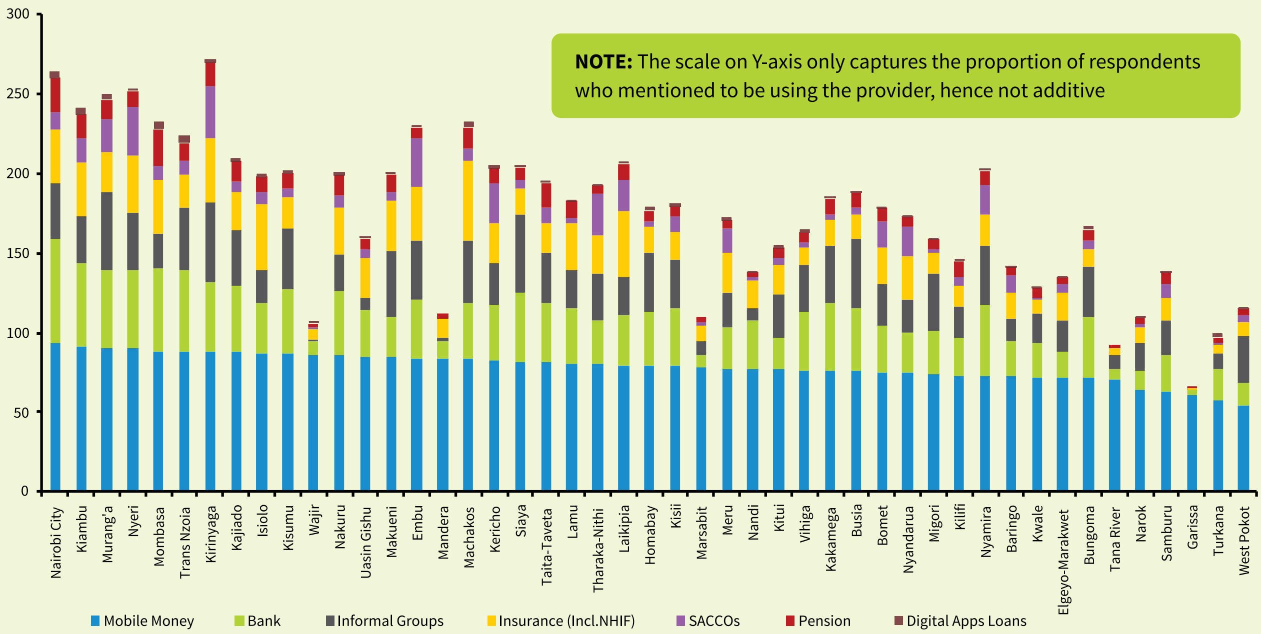
Figure 3.31: Key features of informal groups or chamas (%)



3.6 USAGE OF FINANCIAL PROVIDERS AND PRODUCTS BY COUNTY

This is the first time the Fin Access Survey is conducted at the County level in Kenya to establish usage across all the forty-seven (47) counties. Kirinyaga County has the most usage of diverse financial services providers. It is followed closely by Nairobi City County and Machakos County. The use of Mobile Money services dominates across all counties, with counties in the arid or marginalised areas, being highly dependent on this provider. Bank and Insurance Usage is least in the marginalised counties of the country. The informal group usage is most significant in the counties of Kirinyaga, Murang'a, Makueni and Busia, perhaps reflecting agricultural and small businesses activities **(Figure 3.32)**

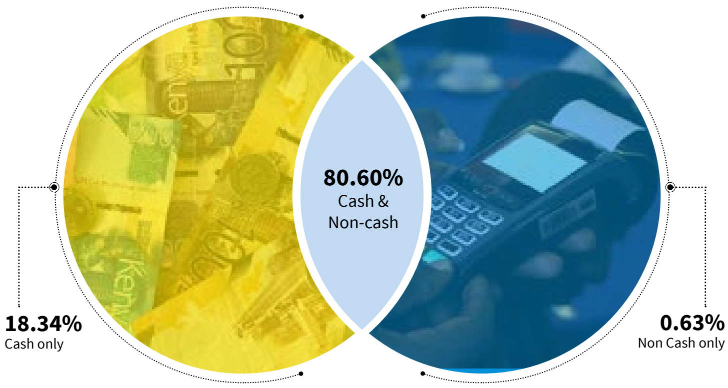
Figure 3.32: Usage of financial services and products by county (%)



The rapidly evolving financial technologies continue to impact on how people conduct their transactions across all their socio-economic activities. It is transforming the way people, firms and Government communicate, learn, work, send and receive money, undertake financial transactions, payment of bills, conduct trade and commerce, marketing and access to markets and reshaping business models, hence, facilitating financial inclusion and driving regulatory changes to address emerging and potential risks and vulnerabilities to promote financial literacy, trust, and confidence. Indeed, the COVID-19 pandemic and associated authorities' measures to mitigate the pandemic such as the travel restrictions and lockdown as well as fiscal, monetary and financial policies boosted the use of digital finance, thus sustaining financial transactions and economic activity.

In this section, we analysed the use of cash against all other non-cash payments to establish the extent to which, cash is still being used in Kenya. The adult population which indicated exclusive usage of Cash in the day today transactions was 18.3 percent, with 80.6 percent using both cash and non-cash methods. Very tiny number of respondents exclusively use non-cash only to transact their businesses. The rural and female respondents reported the highest use of Cash only, at 22.2 percent and 19.3 percent, respectively. Exclusive use of non-cash usage in transactions is marginal, with urban respondents reporting the highest score of 1.4 percent **(Figure 3.33).**

Figure 3.33: Cash versus non-cash usage for transactions (%)



	Cash Only	Cash & Non Cash	Non Cash Only
Overall	**18.34**	**80.60**	**0.63**
Rural	22.16	77.30	0.21
Urban	11.69	86.32	1.36
Male	17.28	81.59	0.86
Female	19.33	79.66	0.41

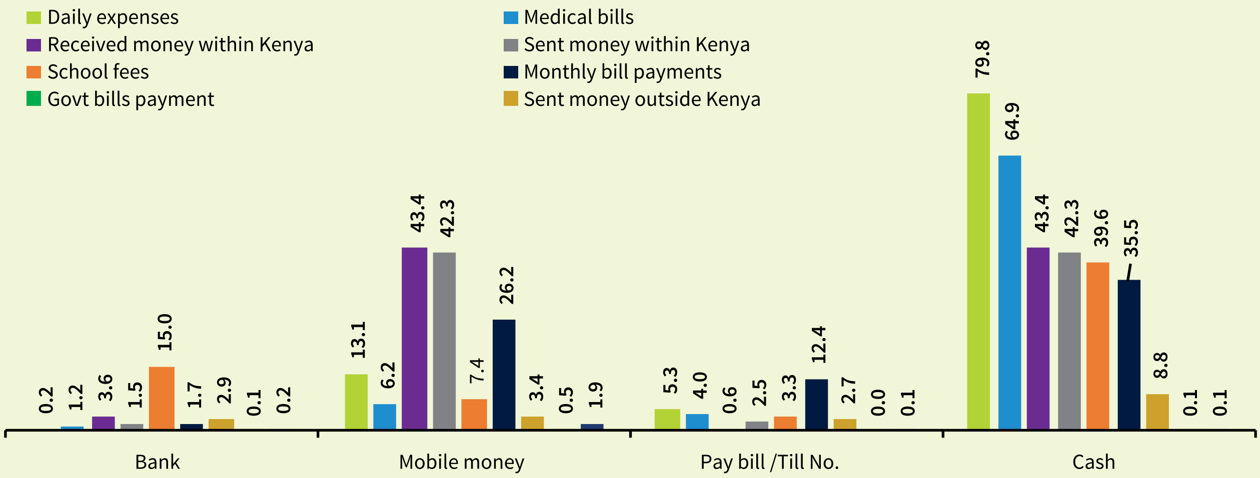
In terms of the age, population in the age of 18-25 years and that above 55 years, recorded the highest scores of 24.4 percent and 24.9 percent, respectively, in the use of Cash Only **(Table 3.1).** These two age brackets reflect dependency level and cash usage.

Table 3.1: Cash vs non-cash usage by age (%)

	Cash Only	Cash & Non Cash	Non Cash Only
Overall	18.34	80.60	0.63
18-25yrs	24.39	74.21	0.47
26-35yrs	14.25	85.01	0.65
36-45yrs	13.05	86.26	0.67
46-55yrs	13.35	85.78	0.81
>55yrs	24.91	73.41	0.73

Cash was the most used transaction device for day-to-day expenses and settling medical bills. The use of mobile money for receiving and sending money within Kenya is tied at the same level with the use of cash, both with response rates of 43.4 percent and 42.3 percent, respectively **(Figure 3.34).**

Figure 3.34: Usage of transactions devices by activity (%)



Overall, usage of financial service providers and products declined in 2021 compared to 2019, mainly on account of the devastating impact of COVID-19 pandemic that impacted households negatively. This is evident in most of the reasons given for not using given products and providers. Financial technology, in particular, digital financial services remains key to transactions usage and indeed overall usage of financial services.

Increased liquidity needs at household level, government policy on limiting the use of Cash to curb the spread of COVID-19 and waiver of transaction charges saw the increased frequency in the use of mobile money and informal groups. The significant differences in the usage of various providers and products across the forty-seven counties may reflect the level of economic development, agricultural activities and infrastructural differences. We expect economic recovery and improved business activities coupled with financial innovations to impact positively usage of financial service providers and products.

4.0 QUALITY OF FINANCIAL SERVICES AND PRODUCTS

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

The quality of financial services and products is measured on whether the financial products and services match clients’ needs, the range of options available to customers, and clients’ awareness and understanding of financial products. While rapid adoption of financial technologies and innovations has increased access to financial products and services, it has brought with it financial literacy and consumer protection concerns. The 2021 Survey questionnaire contained questions that address the level of financial awareness, literacy and consumer protection.

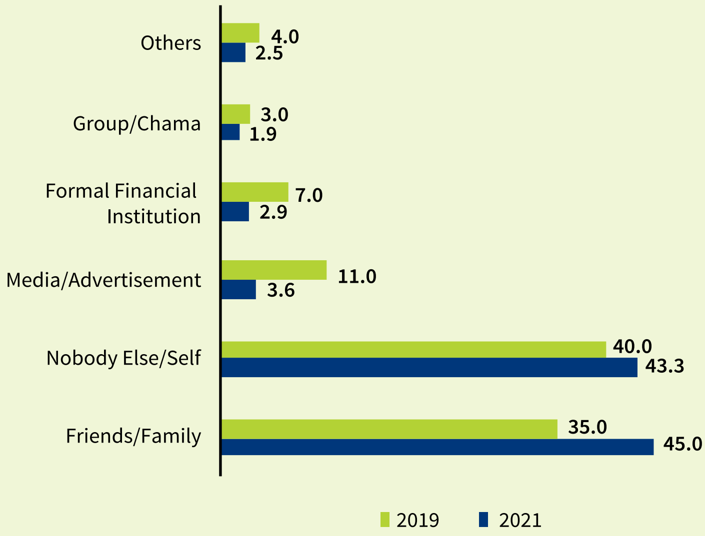
4.1 FINANCIAL LITERACY

Financial literacy is a combination of awareness, knowledge, skill, and attitude necessary to make sound financial decisions. The source of financial advice for individuals is an indicator of trust in institution (s)/ person (s). Knowledge of basic financial terms, ability to identify transaction costs related to a financial service are important elements in consumer protection and personal financial planning and budgeting.

4.1.1 Sources of financial advice

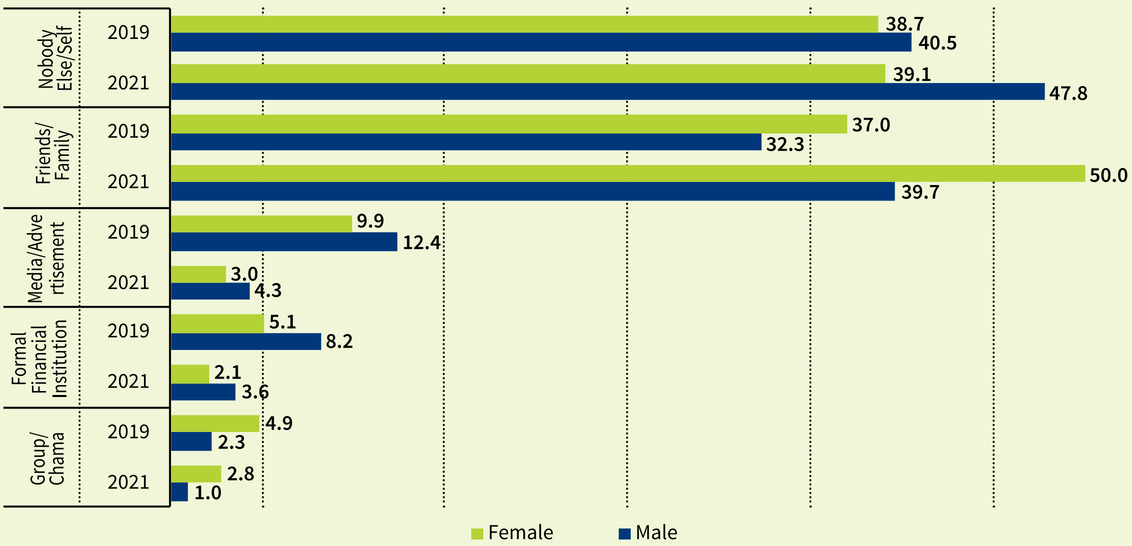
The Survey results indicate that 45 percent of respondents relied on friends and family members for financial advice compared to 43.3 percent who relied on their own knowledge **(Figure 4.1).**

Figure 4.1: Sources of financial advice (%)



In terms of demographics, 50.0 percent of females and 39.7 percent of males receive financial advice from friends/family. In terms of use of own knowledge in making financial decision, 39.1 percent of respondents were female and 47.8 percent of male **(Figure 4.2).**

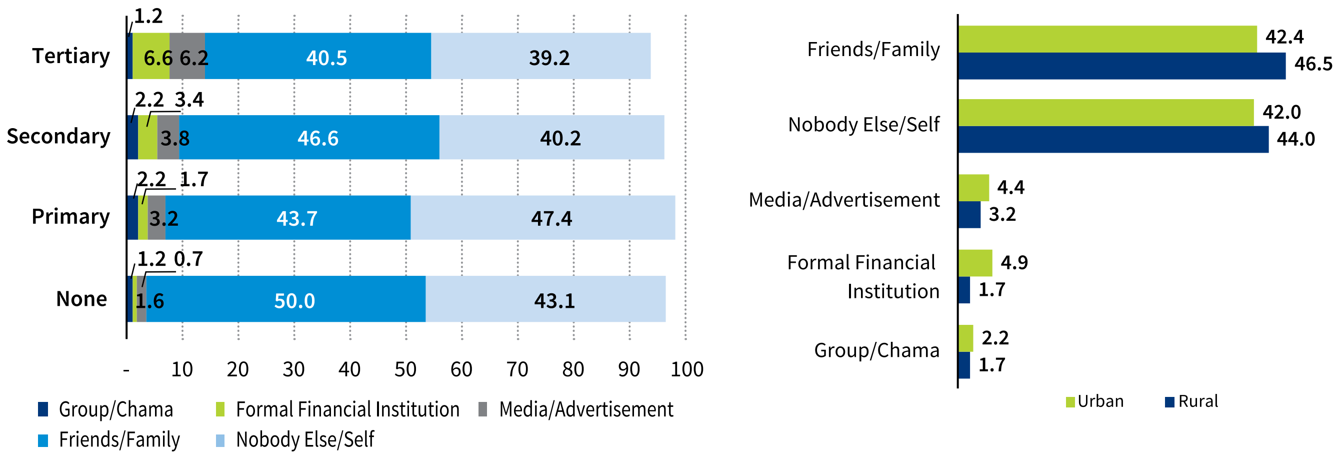
Figure 4.2: Sources of financial advice by sex (%)



When assessed by the level of education, 50.0 percent of the population with no education and 46.6 percent with Secondary education relied on friends/family for advice when making a financial decision in terms of rural-urban divide, 46.5 percent of residents in rural areas depended on friends/family in decision making on financial matters compared to 42.4 percent in urban areas **(Figure 4.3).**

Figure 4.3: Sources of financial advice by education and residence

(a) sources of financial advice by education *(b) Sources of financial advice by residence*



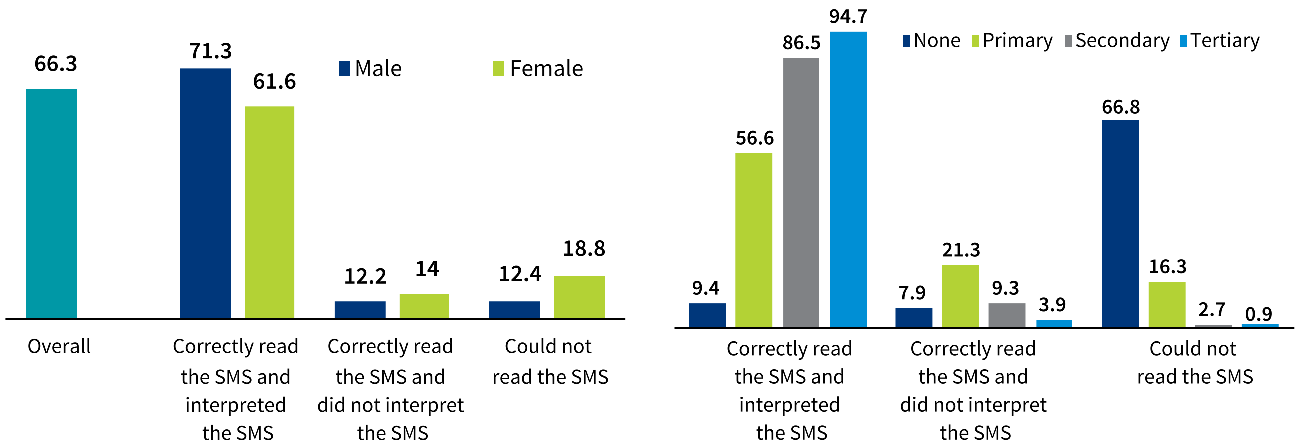
4.1.2 Knowledge of cost of borrowing and transaction cost

The Survey tested the ability of respondents to accurately compute 10 percent interest on a KSh 10,000 loan. About 49.3 percent of the respondents got the correct interest cost, while 32.4 percent gave the wrong answer. By demographics, 54.4 percent of males answered interest costs correctly, compared to 44.4 percent of females.

Respondents were shown a typical message on the mobile phone showing the transaction value and associated costs as a Short Message Service (SMS)/text as commonly used by providers of financial products and services. The Survey results indicate that 66.3 percent of respondents were able to read correctly a typical message showing transaction costs on a mobile phone. More males (71.3 percent) than females (61.6 percent) read and interpreted transaction costs correctly in an SMS **(Figure 4.4)**. About 1.1 percent of those identified as visually impaired did not participate in answering this question.

Figure 4.4: Knowledge of transaction costs

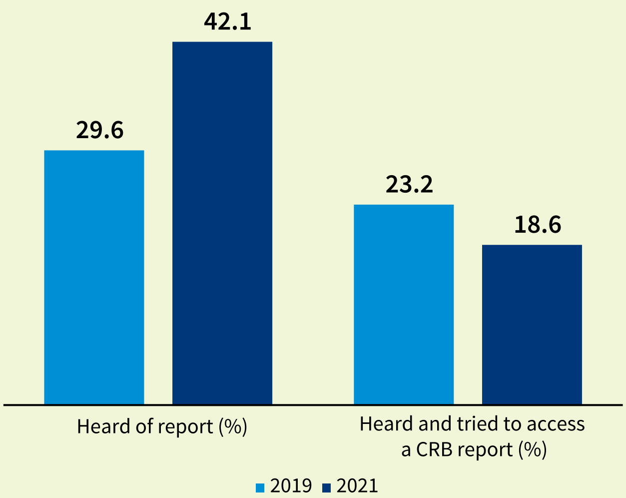
(a) Knowledge on transaction costs by sex *(b) Knowledge on transaction costs by education*



4.1.3 Knowledge of Credit Reference Bureaus (CRBs) and access to credit reports

The Survey assessed awareness of credit reference institutions. Awareness of Credit Reference Bureaus (CRBs) has increased in the general population from 29.6 per cent in 2019 to 42.1 per cent in 2021 **(Figure 4.5).** The Survey results indicate that 18.6 per cent of those with knowledge of CRBs tried to access their credit reports.

Figure 4.5: Awareness of CRB reports and access



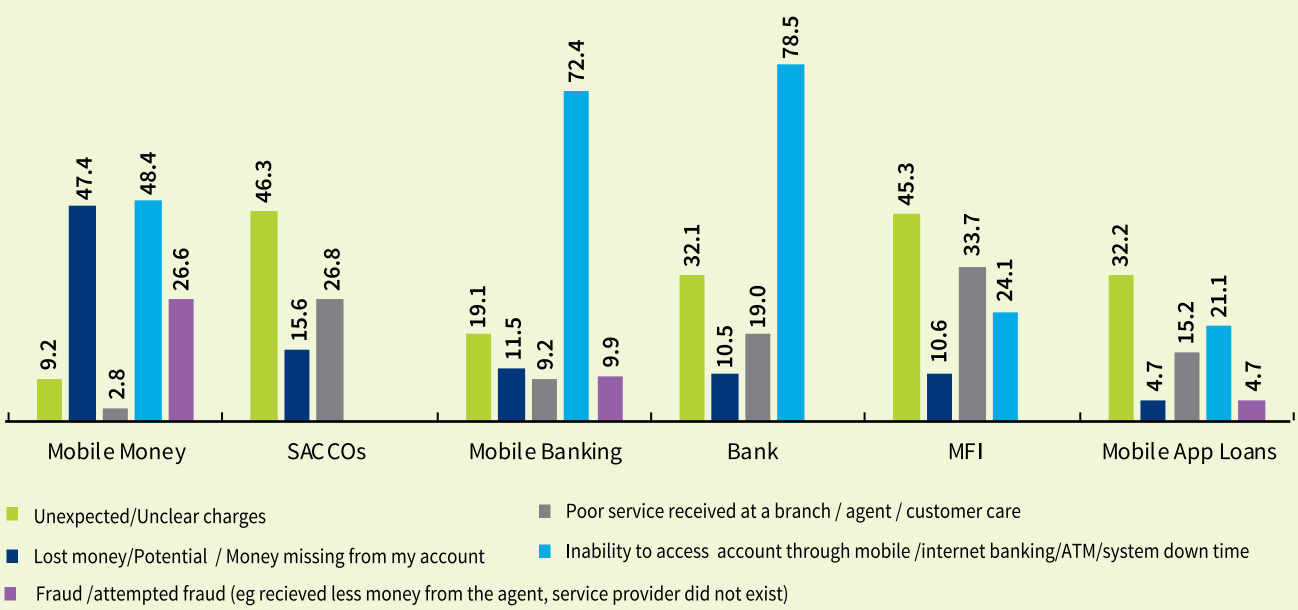
4.2 CHALLENGES FACED BY CONSUMERS OF FINANCIAL PRODUCTS AND SERVICES

The Constitution of Kenya and the Consumer Protection Act 2012 place a high premium on the rights of consumers of goods and services. This lays emphasis on the rights and responsibilities of consumers in terms of access to information as well as standards of service delivery. In the 2021 FinAccess Survey, customer experiences on services received as well access to information to customers by providers and were included to assess consumer protection practices.

Respondents reported various challenges in the use of financial services and products. Of the respondents sampled, 48.4 percent reported inability to access money for mobile money users; 46.3 percent reported unexpected charges for SACCOs users; and 78.5 percent reported inability to access bank services due to system down time or unavailability of internet and ATM services. In addition, 26.6 percent, 9.9 percent and 4.7 percent of respondents reported that they have experienced a fraud in the process of using mobile money, mobile bank account and digital app loan user in the last 12 months.

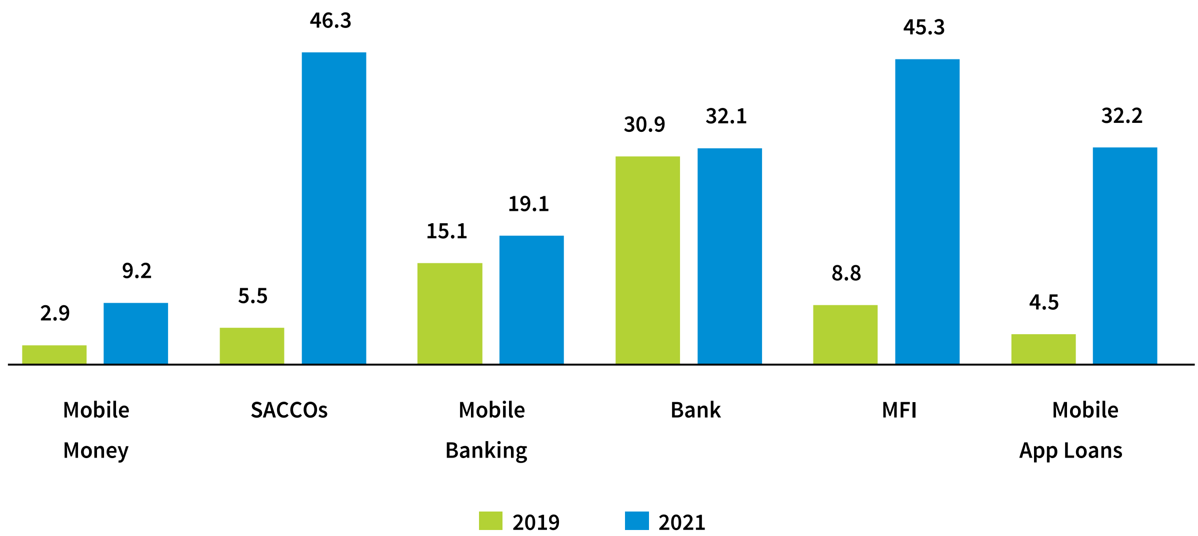
4.3 UNEXPECTED CHARGES AND TRANSPARENCY IN PRICING

Figure 4.6: Challenges cited by consumers in 2021 by provider (%)



Transparency in costs associated with use of a service by providers ensures all users have information they require to make informed decisions on certain products/services. The Survey results indicate increased incidences of unexpected and unclear charges in 2021 compared to 2019. Financial services providers are not providing sufficient in information on charges levied on products and services. The highest increases were reported for SACCOs and MFIs as reported by 5.5 per cent and 8.8 percent users in 2019 to 46.3 per cent and 45.3 per cent in 2021, respectively **(Figure 4.7)**.

Figure 4.7: Unexpected or unclear charges faced by consumers (%)



4.4 LOAN DEFAULT AND RESTRUCTURING

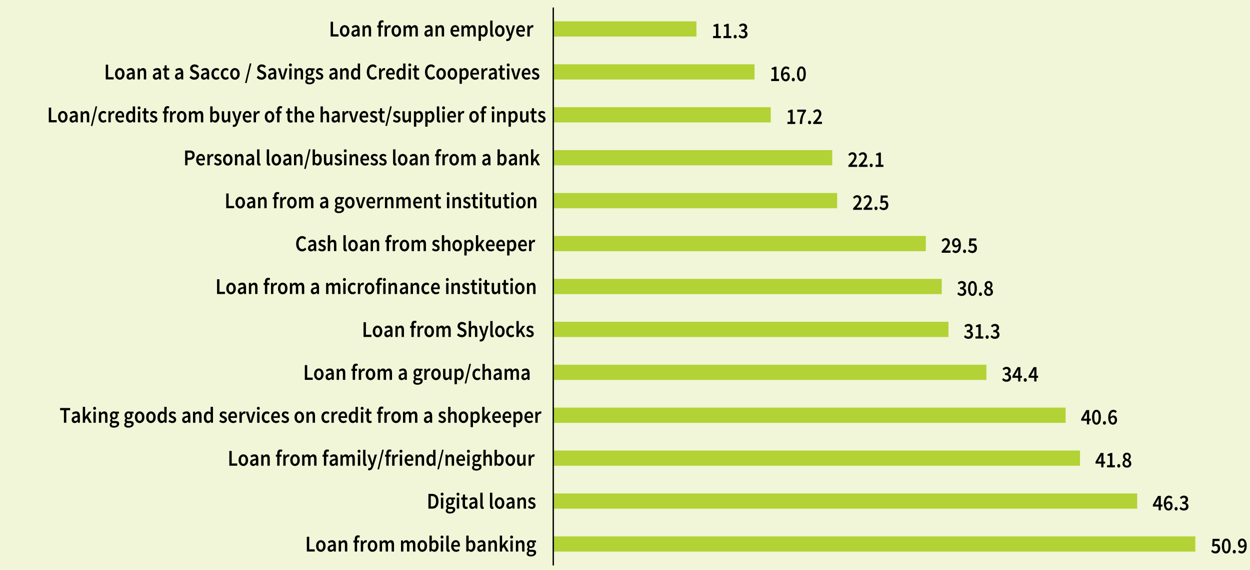
The Survey sought to measure the extent to which households defaulted on existing loans in 12 months to the period of the Survey. A default has been defined to include; missing a scheduled repayment, paying late and not making any payment at all. These indicators highlight abilities to manage cash flow and have implications on profitability of credit providers. The Survey results indicate that 10.7 percent of those who reported to have borrowed, had defaulted (did not pay at all the loan borrowed. Those who indicated to have paid late on any loan taken/outstanding in 12 months to the Survey period, was 38.2 percent **(Table 4.1)**.

The top three credit providers where a majority of respondents reported to have defaulted on a credit facility are; mobile banking loan (including *Fuliza*), Digital Apps Loan and loan from family/friend/neighbour. Loan from employer is the best performing perhaps reflecting the check-off system i.e. loan deduction at salary/wage payment time. These proportions are not aggregated to 100 percent as respondents have multiple loans from different sources **(Figure 4.8).**

Table 4.1: Defaulters by type

Type of Default	Description	Borrowers in default (%)
Paid less	Made payments amounts less than expected	**12.4**
Missed a payment/ Paid late	Made payments at a date later than agreed date	**45.8**
Didn't pay at all	Did not make any payments for loan	**10.7**

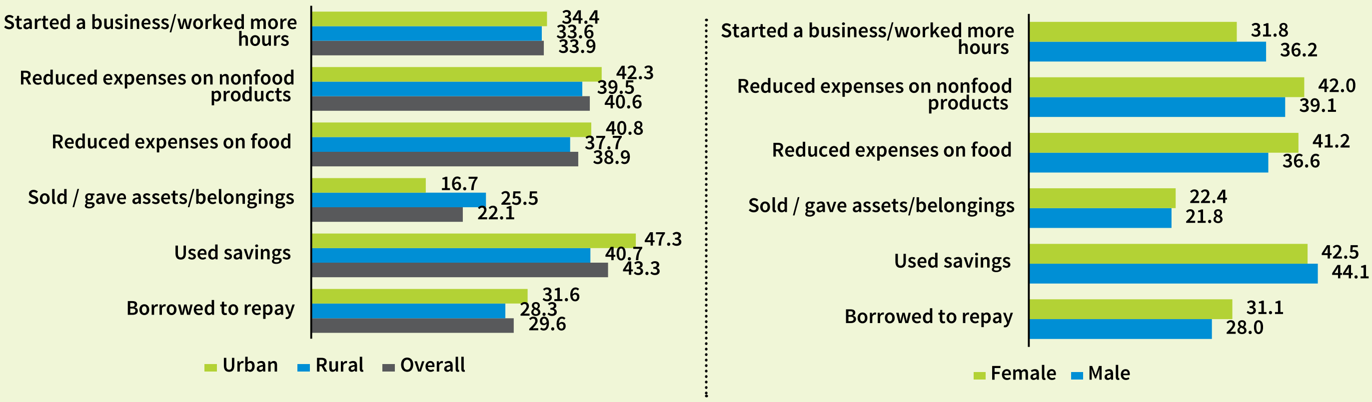
Figure 4.8: Loan default by credit provider (%)



Coping with loan defaults

The sought to establish the coping mechanisms used by respondents to their service loans. The results indicate that 43.3 percent of borrowers reported to have used their savings to repay loans. By demographics, 47.3 percent of those who used this mechanism were urban residents and 40.7 percent live in rural areas. A significant 29.6 percent of respondents reported to have taken a new loan to repay an existing loan in 2021 **(Figure 4.9)**.

Figure. 4.9: Action taken by borrowers to repay loans by residence and sex (%)



Loan restructuring

The Survey also sought to assess the proportion of respondents with existing loans from banks, SACCOs and MFBs that benefited from loan restructuring programme during COVID-19 Pandemic. The reference period of the Survey extended to the COVID-19 period in which financial institutions were encouraged to provide loan relief due to the effects of the pandemic. The Survey results indicate that 14.4 percent of respondents who had a performing loan from banks, MFBs and SACCOs, applied for loan restructuring. Of those who applied for the restructuring, about 76.8 percent were successful, with a majority of them being granted between 4 months and 1 year. By demographics, male and rural respondents benefited least from the restructuring programme **(Figure 4.10 (a))**.

Figure 4.10 (A): borrowers from banks, MFBs, and SACCOs that requested for loan restructuring (%)

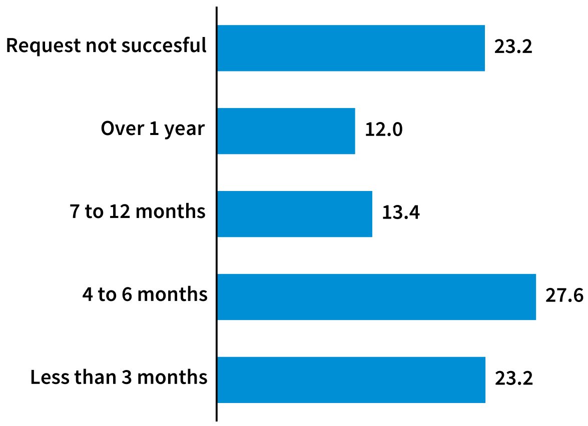
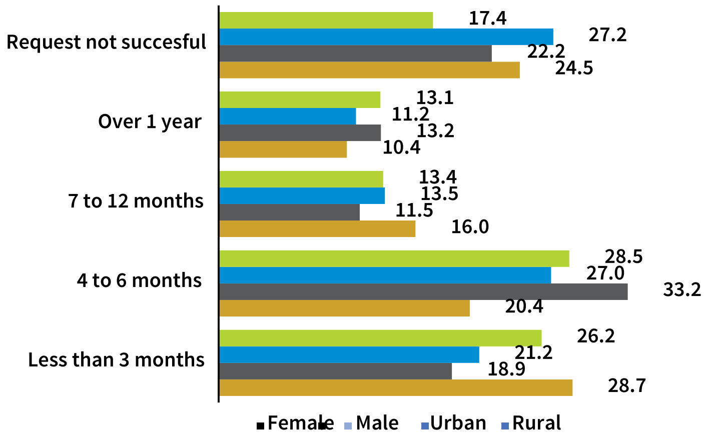


Figure 4.10 (b): Restructured loans by sex and residence (%)



4.5 RISKS OF MONEY LOSS AND INCIDENCES OF FRAUD

Respondents who reported to experienced of loss of money increased in 2021 compared to 2019. Mobile money account users who reported loss of money was 47.4 percent in 2021 compared to 8.4 percent reported in 2019. This may partly be due to increased use of mobile money during the period. A similar upward trend was reported by those used SACCOs, mobile banking, bank, informal groups, and MFIs **(Figure 4.11)**.

Among mobile money users reported to have faced the risk of losing money, 71.4 percent indicated sending money to wrong number as the key. Other challenges included; hoax phone calls or SMSs, and cybercrime and frauds on bank accounts and mobile bank accounts. Among bank account users, fraud was the main risk identified, with 34.5 percent of respondents indicating that such crimes were internal fraud and 25.9 perpetuated by phone fraud **(Figure 4.12)**.

Figure 4.11: Respondents reporting loss of money by provider/product (%)

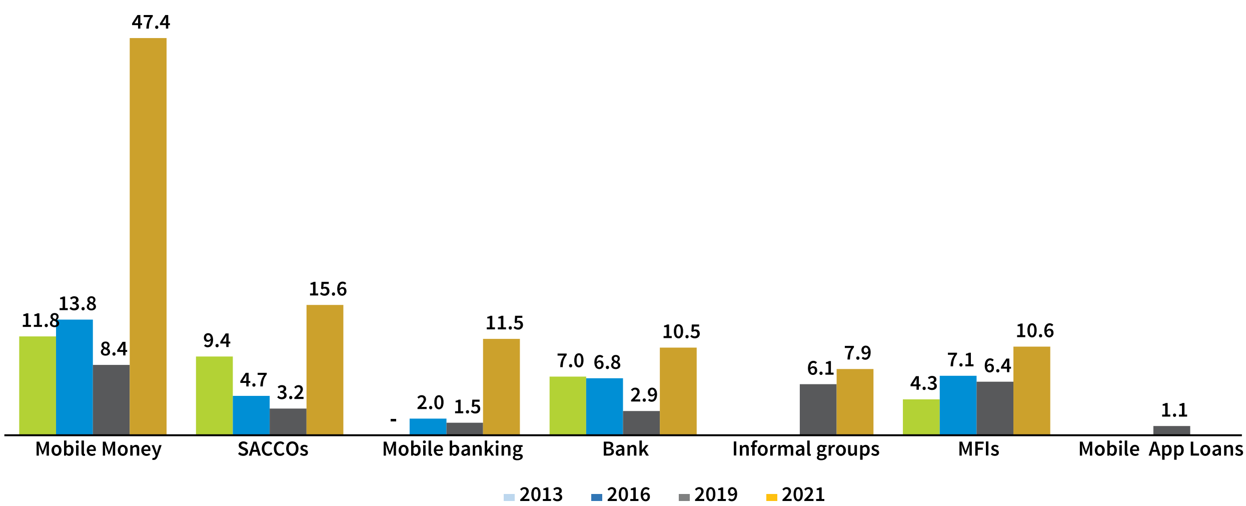
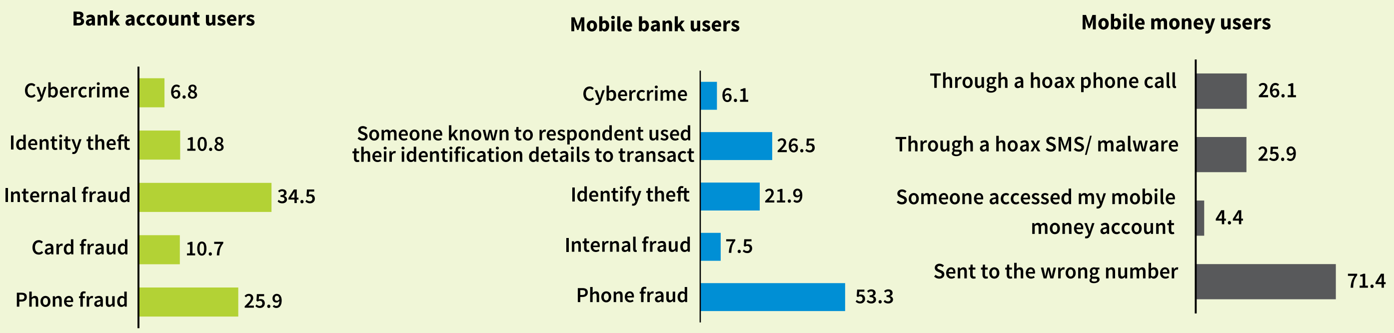


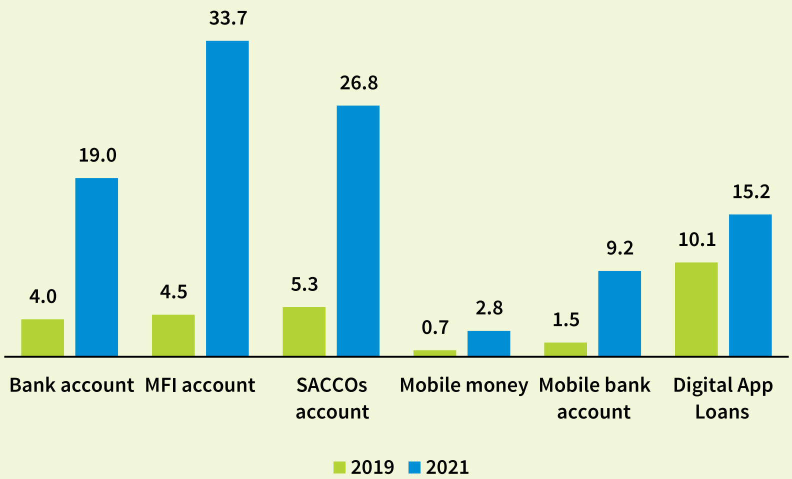
Figure 4.12: Ways in which users reported lost of money (%)



4.6 POOR SERVICE, SYSTEM DOWN TIME AND OUTAGES

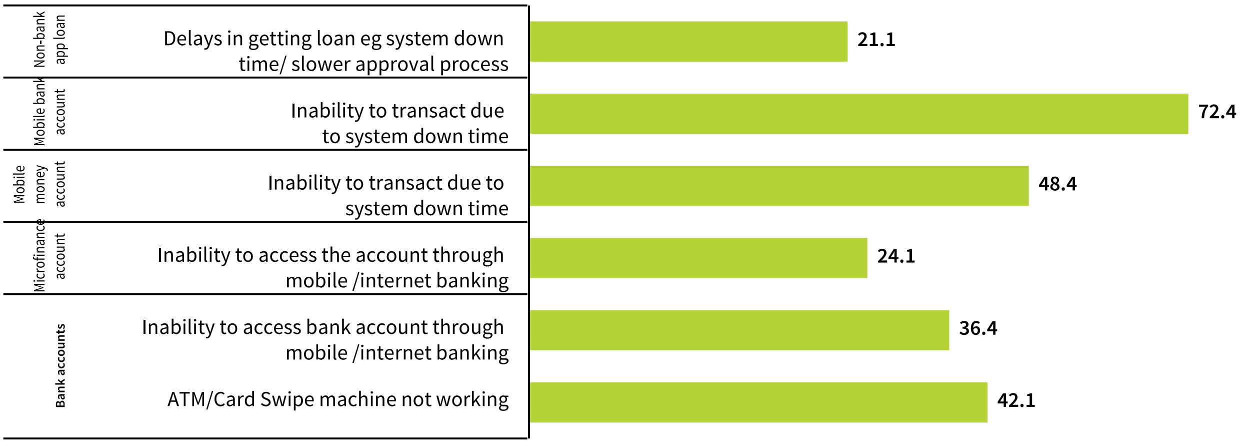
The experience of users of products and services is an important element for financial inclusion. Poor customer service and experience in comparison to expectation reduces service uptake and communicates a lack of understanding of the needs of the user by the service provider. Experiences with poor services were highest among MFIs and SACCOs account holders at 33.7 and 26.8 percent, respectively. Mobile money reported the least cases of poor service **(Figure 4.13)**.

Figure 4.13: Poor service experiences by provider (%)



The Survey results indicate that 72.4 percent mobile banking users and 48.4 percent of mobile money users experienced episodes of not being able transact at one point in time due to system down times and outages by providers in 12 months preceding the Survey **(Figure 4.14)**.

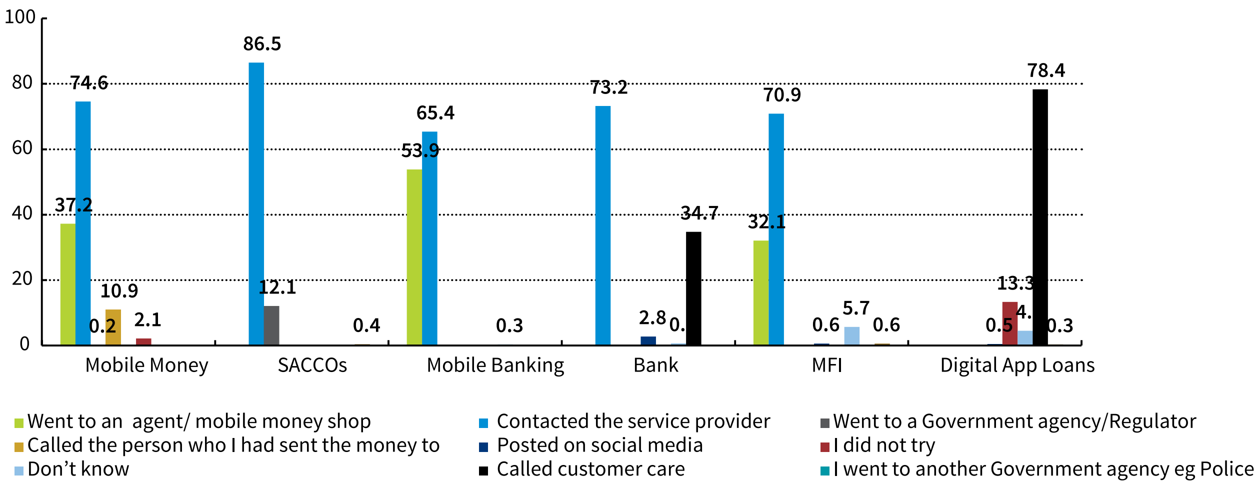
Figure 4.14: Cases of system downtime and outages by provider (%)



4.7 CONSUMER PROTECTION CHALLENGES

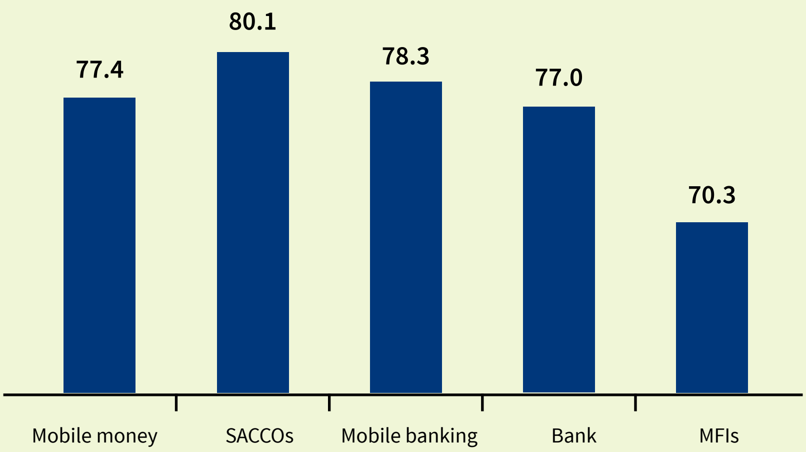
To resolve challenges faced, 74.6 percent of the respondents called the mobile money provider and 37.2 percent visited to a mobile money agent. A majority of respondents using SACCOs, banks and MFIs, made physical visits to the branches in order to report the challenges. Users of Apps based providers relied on SMS or phone calls to resolve the challenge **(Figure 4.15)**

Figure 4.15: Users actions to address challenges (%)



the existence of challenges in the course of providing and consuming financial services is a common on occurrence. A vibrant and robust financial system is responsive to challenges that emanate from consuming financial services effectively. SACCOs services providers were reported to be the most successful in resolving reported cases while MFI is the least effective **(Figure 4.16)**.

Figure 4.16: Users reporting successful resolution of a challenge (%)



4.8 PERCEPTIONS ON BETTING/ GAMBLING

Gaming companies have leveraged on mobile phone and mobile money to penetrate wider society through gambling, especially for sport betting. In the Survey, 13.9 percent of respondents reported to be actively engaged in betting, with 18.4 percent of those who bet are in urban areas and 11.4 percent in rural areas. The respondents between 18 to 25 years constituted 19.1 percent of those who bet and attained atleast secondary schooling education **(Figure 4.17)**

The gamers who perceive gaming as a source of income declined from 22.7 percent in 2019 to 11.2 percent in 2021 and average amount used for betting declined to KSh 939 in 2021 compared to KSh 2,559 in 2019. This could be partly attributed Government's deliberate measures to combat irresponsible and illegal betting

Figure. 4.17: Proportion of individuals engaged in betting (%)

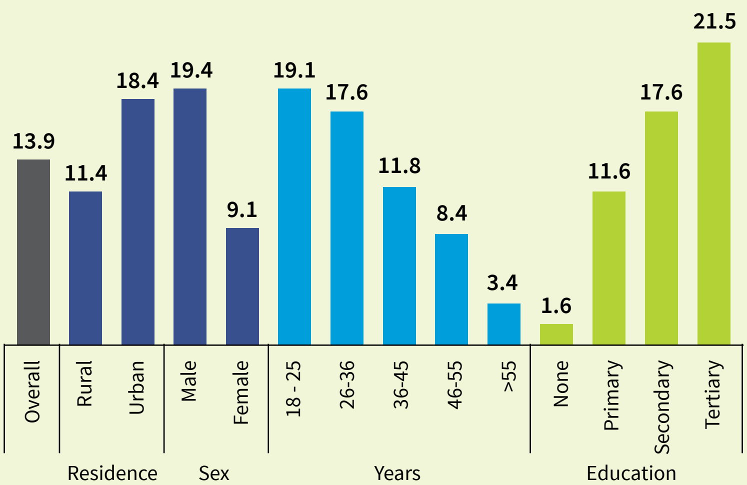
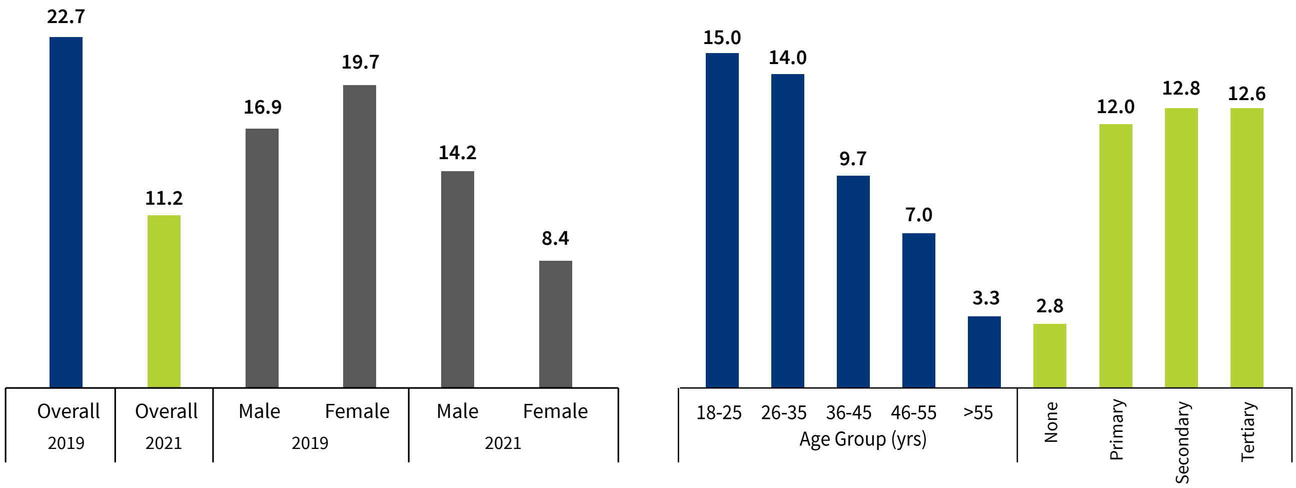


Figure 4.18: Individuals who perceive gaming as a good source of income by demographic (%)



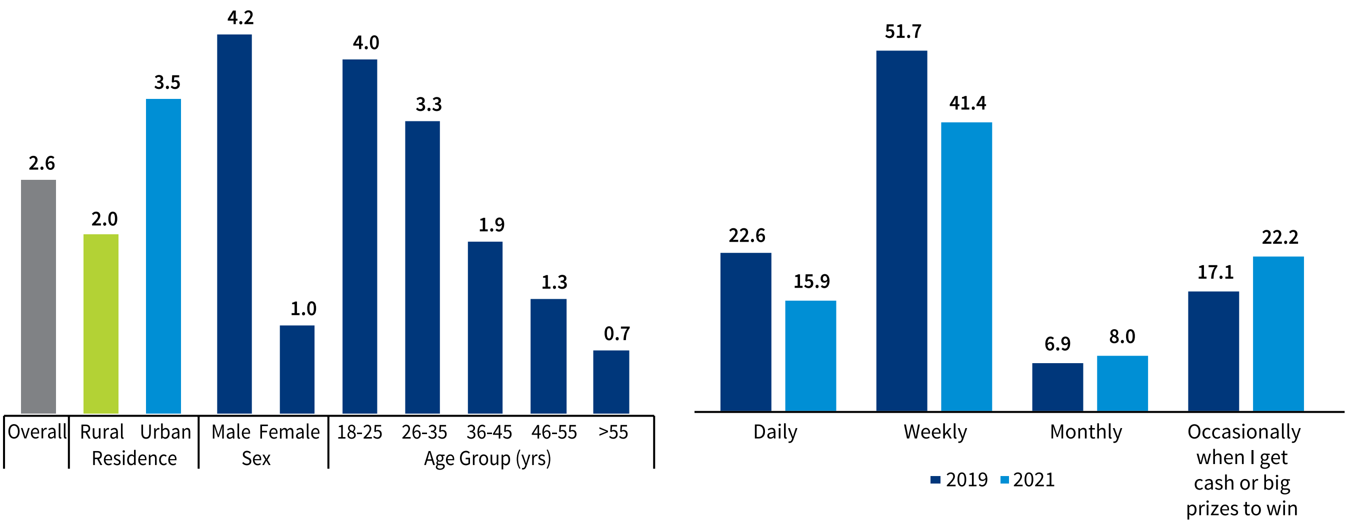
in 2019 as well as awareness. Respondents in urban areas account for 13.5 percent of the betters compared with 9.9 percent for rural residents. In terms of age, 15 percent of youths between age 18-25 years, perceive betting as a source of income, while 3.3 percent of the respondents above 55 years of age perceive betting as a source of income **(Figure 4.18)**.

The Survey also sought to find the extent of use of mobile money accounts for gaming. Overall, 2.6 per cent of mobile money account users, use their accounts for betting. Betting conducted through mobile money accounts is higher for males and persons aged 18-25 years at 4.2 percent and 4.0 per cent, respectively **(Figure 4.19)**.

Figure 4.19: Mobile money account users in betting (%)

(a): Betting via mobile money

(b): Frequency of betting



Overall, the frequency of betting through declined in the 2021 Survey compared to the 2019 Survey per day, per week to 15.9 percent and 41.4 percent from 22.6 percent and 51.7 percent respectively. However, monthly and occasional betting increased to 8.0 percent and 22.2 percent from 6.9 percent and 17.1 percent, respectively. The frequency of betting increased with age in the Survey, however the amount declined. The respondents who participate in betting and aged 55 years and above bet on average 49 times a week and average bet is KSh 735, which is the least among the age categories **(Figure 4.19 (b))**.

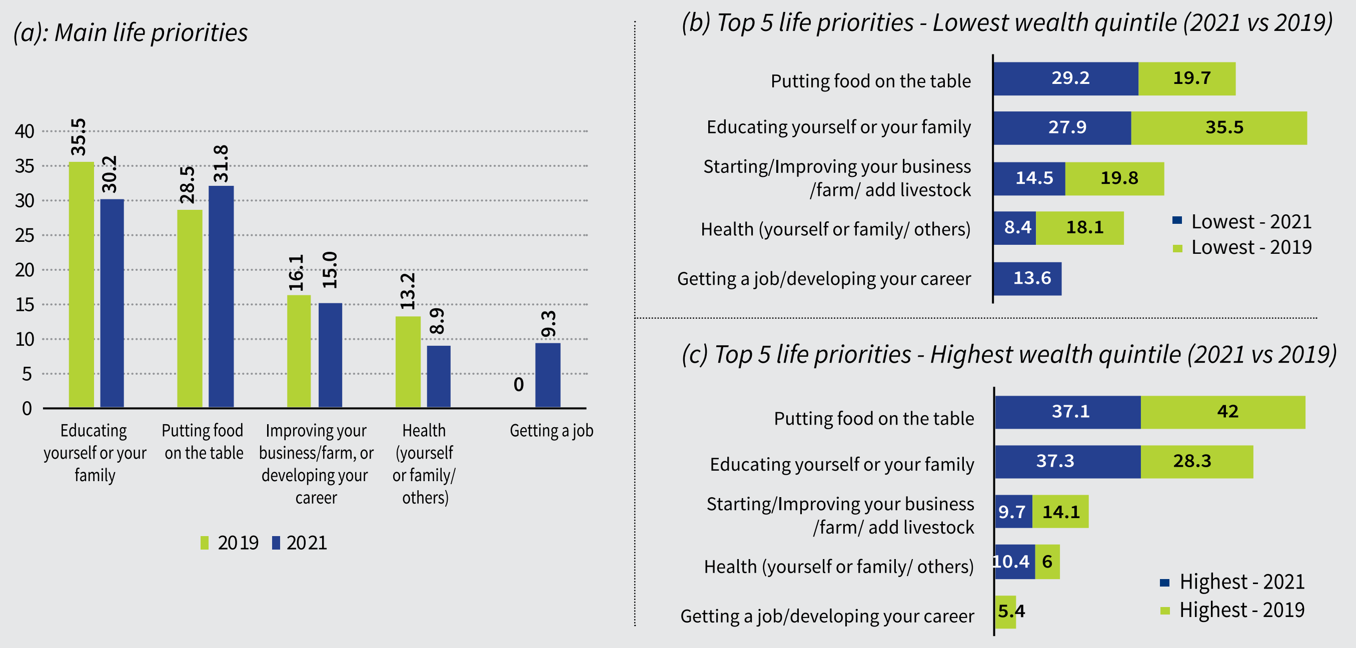
5.0 IMPACT OF FINANCIAL SERVICES AND PRODUCTS

*“**Theme:** Dividends of Expanding Financial Inclusion for Enhanced Sustainable Financial Health”*

This chapter analyses the impact derived by respondents from using financial services and products from different providers over time. It is assessed by analysing respondents’ life priorities and financial needs, exploring how they meet these needs whilst determining the relevance of the financial sector in supporting this.

In addition, it examines the financial health of respondents, by looking at their overall ability to deal with their day-to-day needs, deal with shocks and invest for their future. Lastly, impact is analysed by evaluating vulnerability and perceptions about respondents’ current financial situation. Given that the survey was conducted in the evolving COVID-19 pandemic, this chapter also analyses questions that sought to capture perceptions of respondents on the impact of the pandemic at household level.

Figure 5.1: Top priority in life (%)



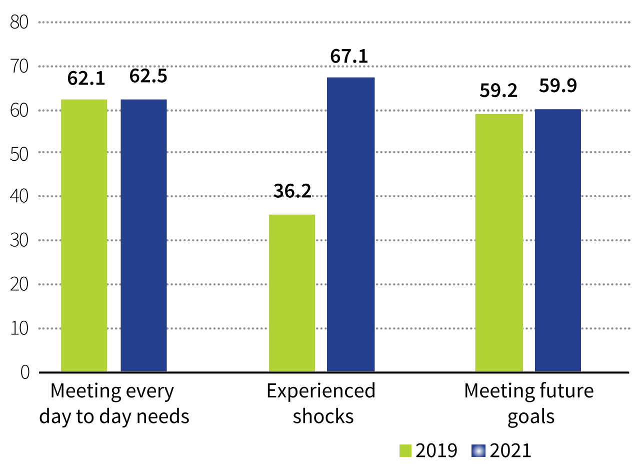
5.1 MAIN LIFE PRIORITIES

The survey results show that the key priority for respondents during 12 months leading up to the survey was putting food on the table, ranking higher than investing in education which was the highest reported priority in the 2019 survey. About 9.3 percent of respondents reported getting a job as a priority. This priority is much higher among the lowest income quintile at 42 percent compared to 29.2 percent for the respondents in the highest wealth quintile. Getting a job was not an answer option in 2019 (**Figure 5.1**).

5.2 RELEVANCE OF THE FINANCIAL SECTOR IN MEETING THE NEEDS OF KENYANS

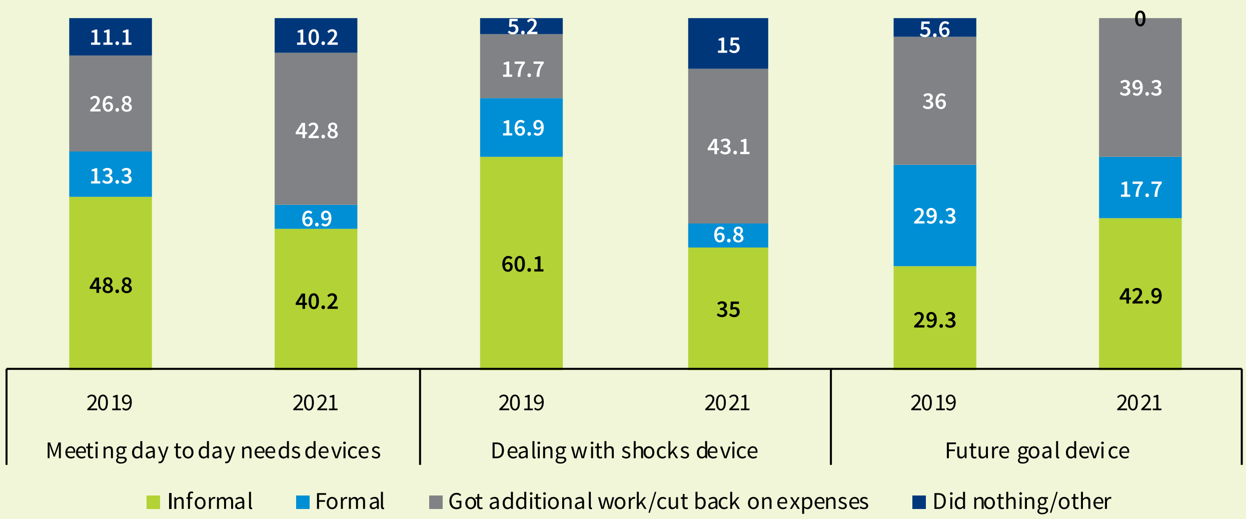
Kenyans need a financial system that works for them. Simply measuring the uptake and use of accounts doesn't tell us much about the relevance of the financial services and products being offered in meeting people's needs (**Figure 5.2**). We are therefore interested to know how effective available financial solutions are in helping people to manage their day to day lives when they face a shortfall between income cycles. Are the solutions available giving users the tools to deal with major shocks, the biggest contributor to a slide into poverty? And to what extent is the financial sector supporting people to grow and aspire?

Figure 5.2: Dealing with various financial needs (%)



Between 2019 and 2021, there has not been a significant change in the incidence of liquidity distress (inability to meet daily needs) or investments in goals. However, the incidence of shocks has almost doubled between 2019 and 2021.

Figure 5.3: Devices/solution for dealing with financial needs (%)



Use of formal solutions declined by almost half in meeting all 3 financial needs. There was a decline in the use of informal solutions in dealing with day to day needs and shocks but use of informal devices for future investments increased. (**Table 5.1**).

Table 5.1: Devices

Device/solution classification	
Got additional work/ cutback on expenses	Sell assets/livestock/poultry, get additional work, cut back on expenses
Formal	Use savings/borrow from formal institutions such as banks, MFIs, SACCOs
Informal	Borrow/savings from informal providers such as shylocks, Chama, employers, secret hiding place

5.3 MAIN SHOCKS EXPERIENCED

Besides cost of living emerging as the biggest shock faced by households in the 2021 survey, health shocks were also cited as having significantly impacted respondents.

The incidence of health shocks was higher in urban areas than rural areas. In addition, loss of an income source was more pronounced among urban respondents than rural respondents, and particularly impacted those in the highest wealth quintile. Unlike the 2019 survey, the 2021 survey included questions to capture climate-related shocks and their impact on households. The survey results indicate that 3.5 percent of respondents reported having experienced a climate related shock as the main shock they faced in the previous 12 months. Respondents were asked what financial products or solutions they would use to address shocks. The majority answered 'none'. However, 29.3 percent mentioned waiting for government support and 18.3 percent said they would deplete their savings (**Figure 5.5**).

5.4 FINANCING LIVELIHOODS

The survey results indicated that 30 percent of respondents sampled, derive their livelihoods through casual labour, overtaking agriculture which has previously been reported as the main source of income across the population. In the 2021 survey, only 18 percent consider Agriculture as their main source of livelihood, possibly

Figure 5.4: (a) Top 5 main shocks experienced (%)

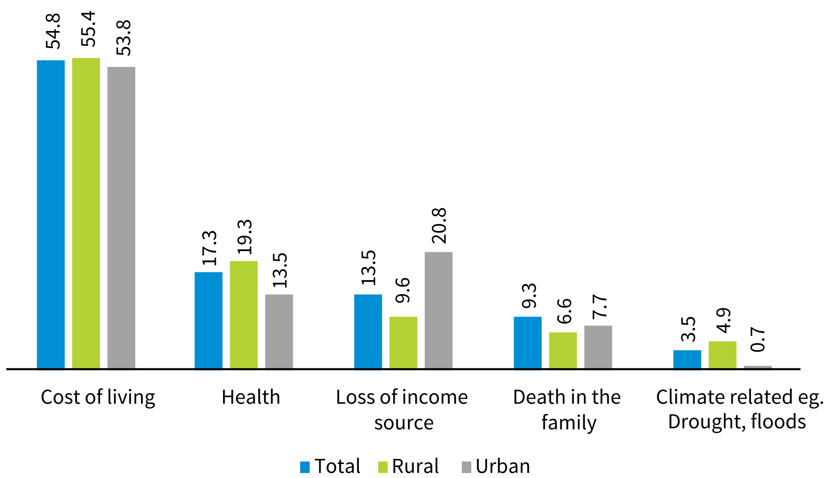


Figure 5.4: (b) 5 major shocks experienced by wealth quintile

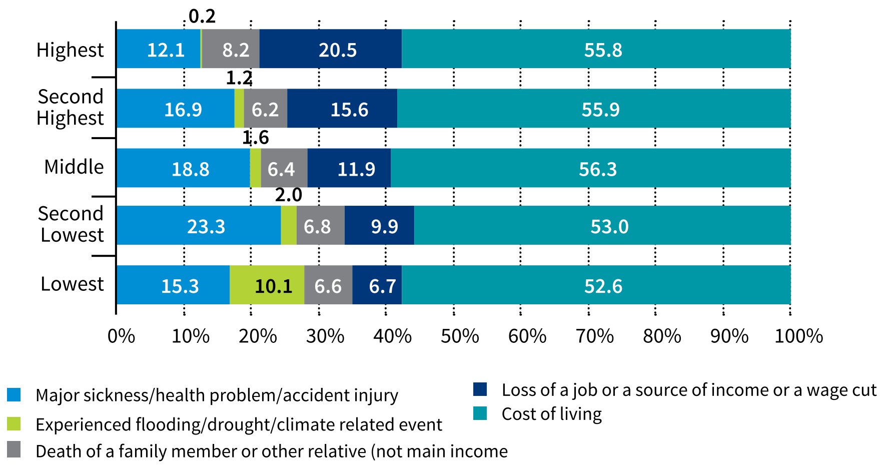


Figure 5.5: Potential financial product willing to take up for protection against climate related shock (%)

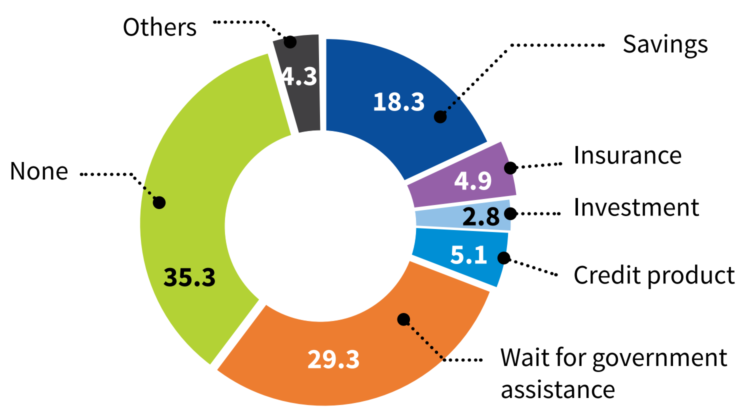
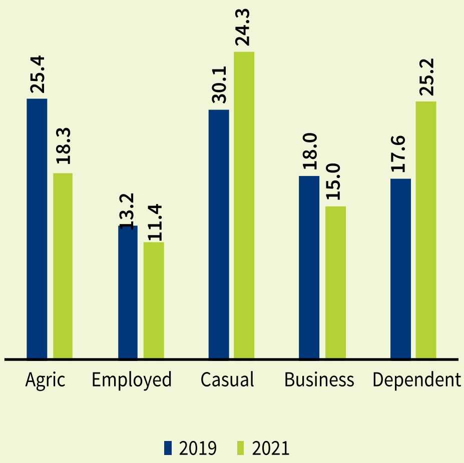
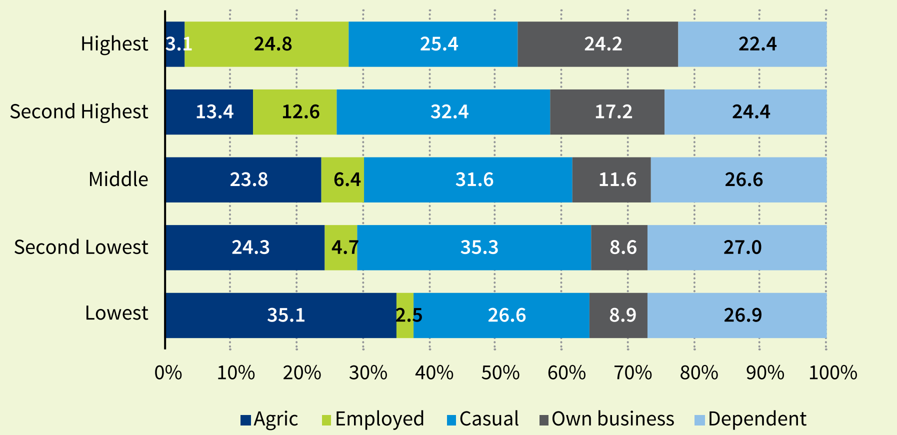


Figure 5.6: Source of livelihoods for Kenyans

(a) Sources of livelihood: 2019 vs 2021 (%)



(b) Source of livelihood by wealth quintile



due to diversification of livelihoods and agriculture being considered as a secondary income source alongside others. Meanwhile, there was a sharp rise in those reporting that they mainly depended on others for their source of income, possibly reflecting the impacts of the pandemic on income sources. (**Figure 5.6**).

The main challenge facing businesses was a reduction in customer numbers (cited by 57.3 percent of business owners), with 33 percent of the business owners citing limited access to credit as their main challenge. Social networks remain the key source of finance for start-up capital for businesses. More females rely on social networks to finance their businesses compared to males who rely on more formal sources such as mobile money (**Figure 5.7**).

Most of the respondents who reported to have taken business loans, indicated that the purpose was to fund business expansion (**Figure 5.8**), indicating demand for solutions tailored to this need.

Figure 5.7: Source of operating business capital male vs women (%)

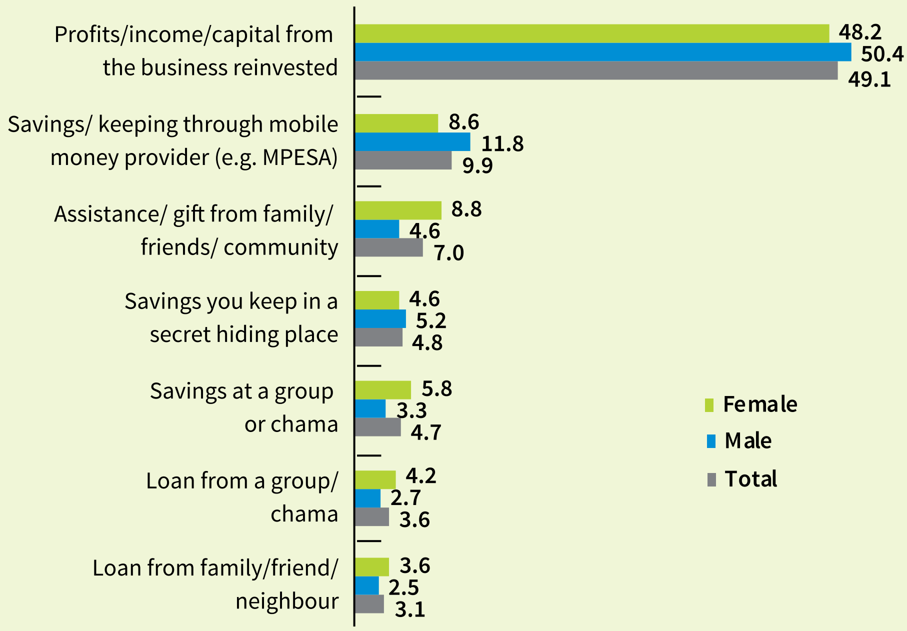
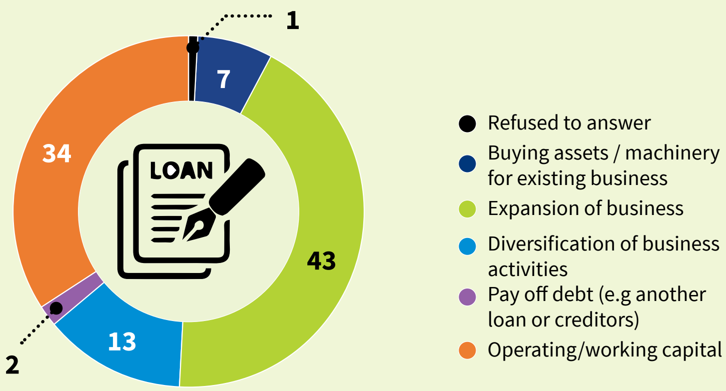


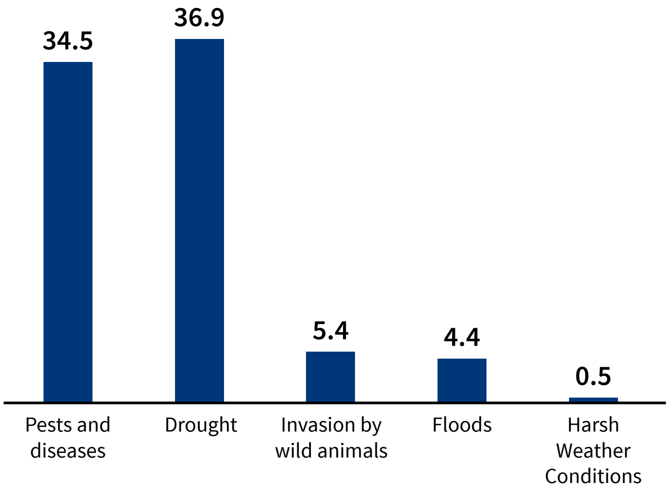
Figure 5.8: Purpose of business loans



Green finance

Majority of farmers identified pests and diseases and drought as the main challenges they faced (**figure 5.9**).

Figure 5.9: Challenges facing farmers



Most farmers have not invested in equipment designed to increase efficiency or save resources such as irrigation equipment, solar powered equipment, water harvesting. Those who have done so (6% of those whose main source of income is agriculture) have tertiary level education and their main source of finance is reinvested capital from farming. This shows the importance of education in addressing climate-related shocks (**Figure 5.10**).

Figure 5.10: Farmers investing in conserving energy and resources (going green)

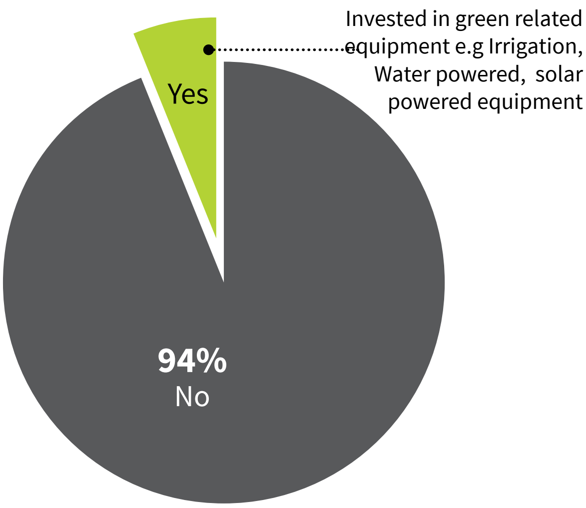
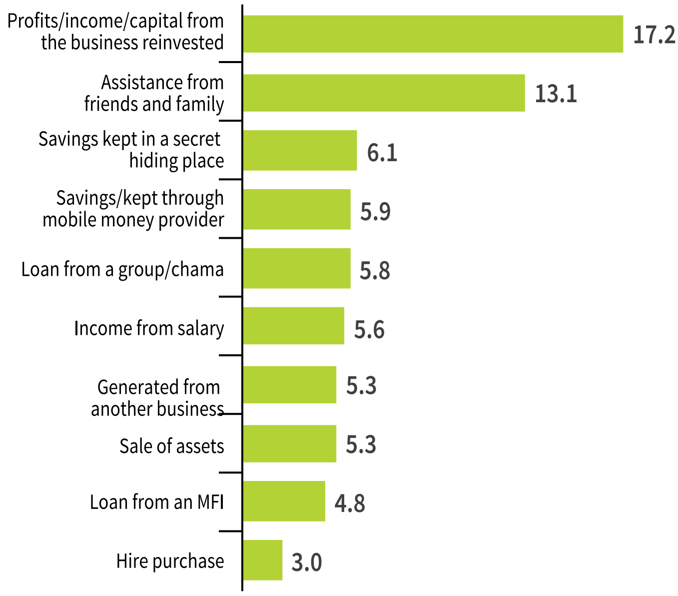


Figure 5.11: Top 10 sources of green finance



5.5 FINANCIAL HEALTH

Financial health provides information on the outcome of financial inclusion in terms of the resilience of the population and its potential for growth. Note that financial health goes beyond the financial sector as people's resilience and growth also depends on wider economic conditions as well as access to services such as social protection, health and education.

Access to finance however plays a vital role in catalysing the economy to enable inclusive growth and enhance financial health. The survey results indicate that while access to formal finance has improved significantly over the years, financial health has steadily worsened since 2016 when it was first measured in the 2016 FinAccess survey. This calls into question the assumption that financial inclusion in its current form will necessarily lead to improvements in financial wellbeing.

We measure financial health through a composite index derived from ability to achieve three core outcomes that finance can enable: : : – ability to manage day-to-day needs; ability to cope with shocks/risks; and ability to invest in future goals. Financial health is measured against each of these variables and as a composite across all three (those who are categorised as financially healthy need to achieve a 60% score against 9 equally weighted indicators.

Box 1: Financial Health Index

Ability to manage day to day:

- Never went without food during the last year
- Doesn't not have trouble making ends meet between income cycles
- Has a plan/budget for allocating income and expenses

Ability to cope with risk:

- Never went without medicine in the last year
- Regularly kept money aside for emergencies
- Can get hold of a lump sum within 3 days

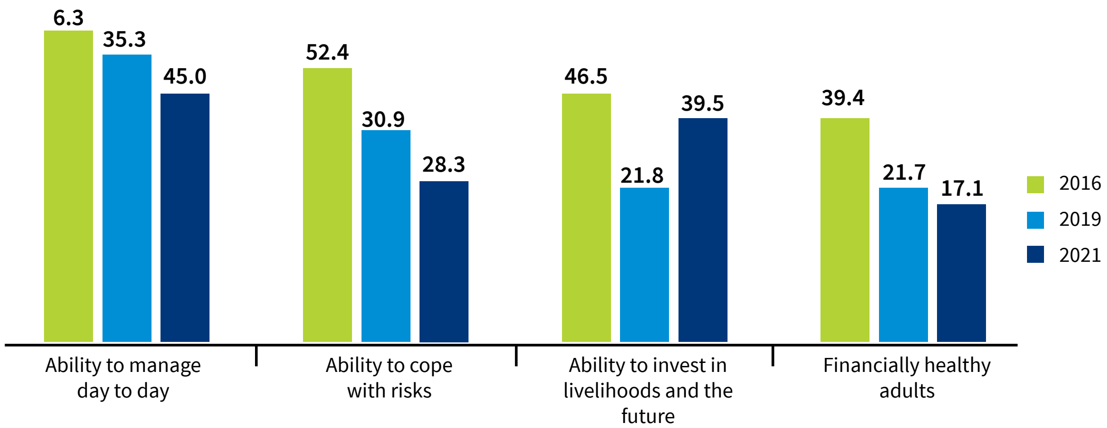
Ability to invest in the future:

- Using savings or credit to invest in productive assets
- Education or old age; is using /plans to use savings
- Pension or investment income to make ends meet in old age; has been regularly putting aside money for the future

Source: *https://www.fsdkenya.org/blogs-publications/blog/building-a-better-compass-creating-financial-inclusion-measures-that-are-allied-with-people-and-their-well-being-part-2/*

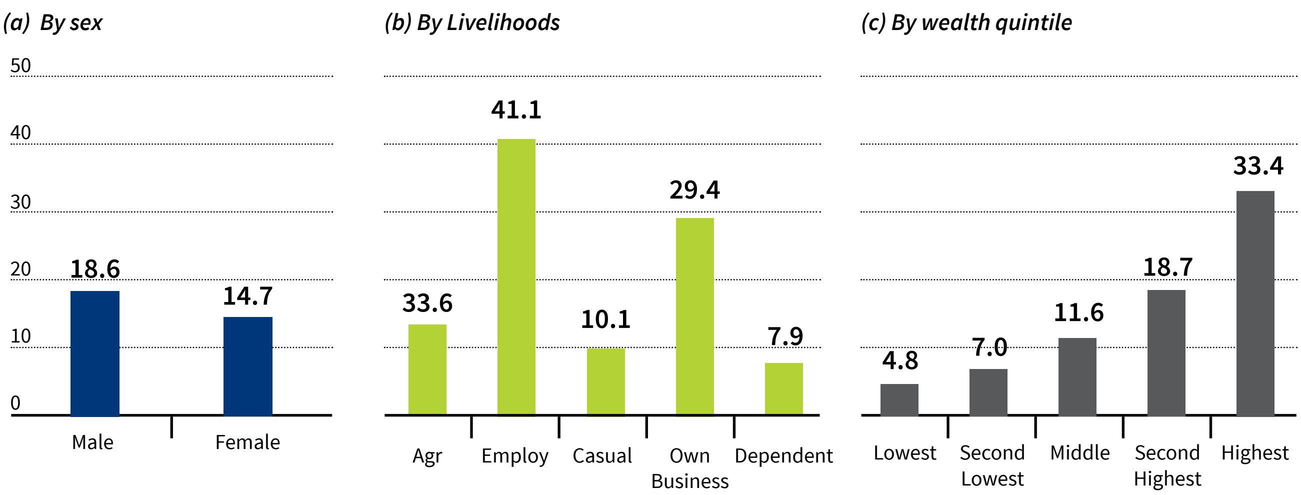
Overall, the financial health of the adult population deteriorated to 17.1 percent in the 2021 survey compared with 21.7 percent during the 2019 survey. This implies that, only 17.1 percent of adults were able to meet a minimum set of criteria indicating ability to meet the day-to-day needs, cope with shocks and invest in future goals. The rise in households able to meet goals was primarily driven by a high positive response rate to the use of savings or credit to invest in productive assets, education or old age, and the rise in those currently or intending to use savings, pension or investment income to make ends meet in old age. However, ability to address shocks and manage day to day had declined significantly since 2016 indicating increased levels of vulnerability across the population mainly driven by inability to put food on the table and pay for medical care.

Figure 5.12: Trends in overall financial health



Decomposing the financial health index used in this survey along different demographics, reveals that the employed and wealthy population enjoyed the highest level of financial health (**Figure 5.13**). This implies that having a reliable source of income as a result of being employed or owning business, enhances financial health of households as they able to meet all the three life goals.

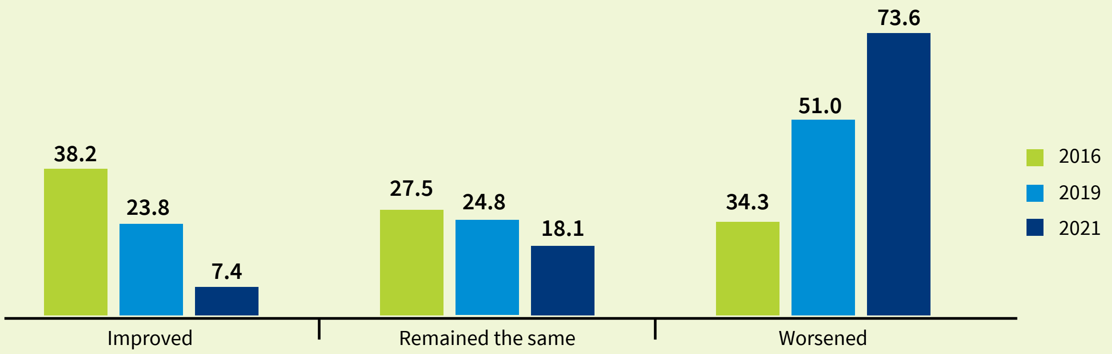
Figure 5.13: Overall financial health index by demographics



5.6 PERCEPTIONS ON FINANCIAL SITUATION

The 2021 survey data shows that the decline in financial health is corroborated by people's perception that their current financial status has worsened. The results indicate that 73.6 percent of the adult population reported that their lives had worsened in 2021 compared to 51 percent of adults in 2019 (**Figure 5.14**). These increasing levels of pessimism reflect consecutive economic shocks (elections, droughts, the COVID-19 pandemic) that have impacted with particular force on lower income households since 2016.

Figure 5.14: Perceptions on financial situation



5.7 PERCEPTIONS ON IMPACT OF COVID-19 PANDEMIC

Given that the survey was undertaken 18 months after the onset of the COVID-19 pandemic in Kenya, the survey included questions that sought to assess the perceptions at household level of the impact of COVID-19. The results are discussed along the social impact but the data has more on the financial impact.

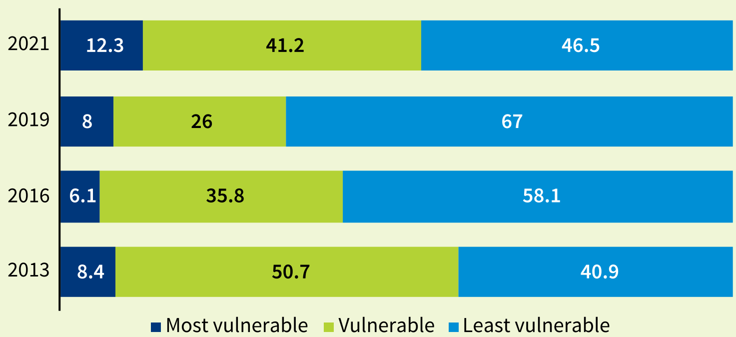
5.7.1 Social impacts: food vulnerability

Food vulnerability

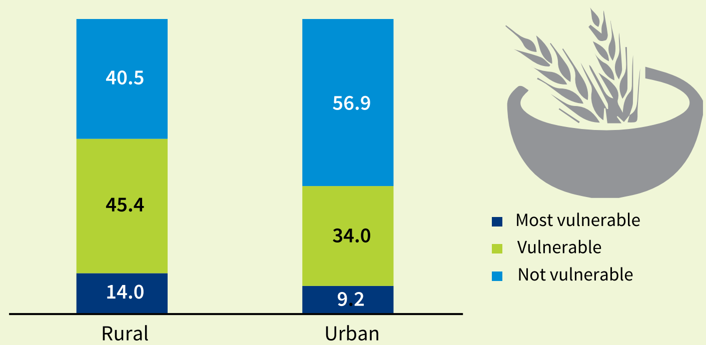
Vulnerability (food) was captured from a question asking how many times a household gone without food. In terms of ranking, the most vulnerable are the respondents who reported to have gone without food often, vulnerable households are those who have gone without food at times, and least vulnerable households are those who never gone without food in 12 months prior to the survey.

Figure 5.15: Food vunerabilty

(a) Vulnerability over the years



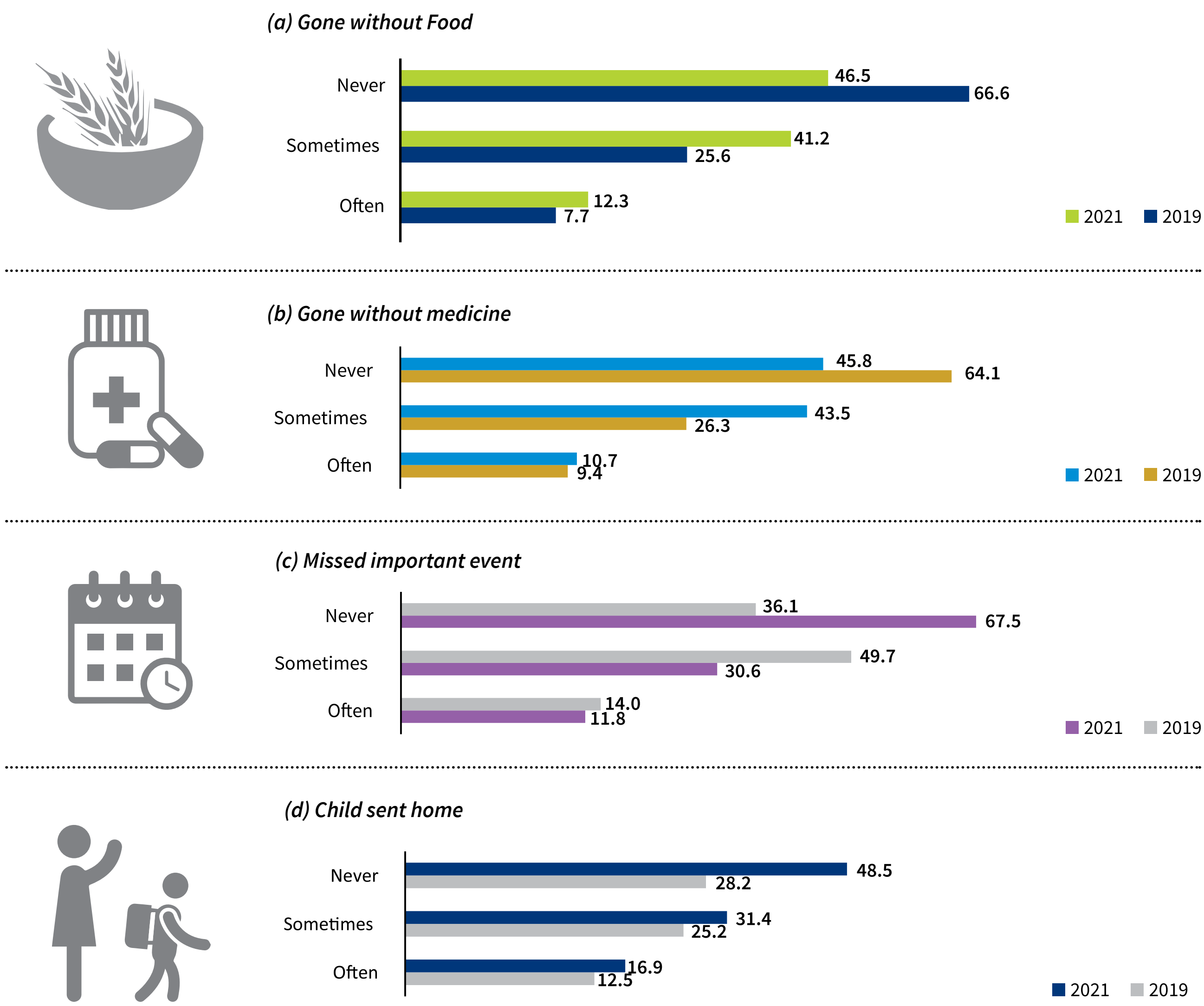
(b) Vulnerability by residence in 2021



The results indicate increased vulnerability for Kenyans, with 53.5 percent of the respondents reporting to have sometimes or often gone without food in the past 12 months compared with 34 percent in 2019. Rural populations are more vulnerable than urban populations with 59.4 percent of rural residents having sometimes or often gone without food in 2021 compared with 43.2 percent of urban residents.

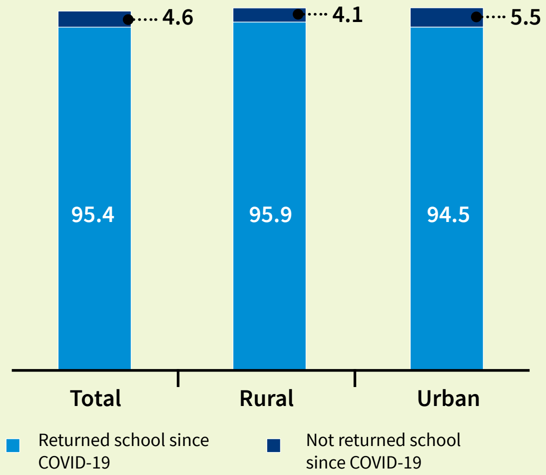
All indicators tracked show increased vulnerability among Kenyans in the 2021 survey, likely reflecting the effects of COVID-19 pandemic. The proportion of the population which reported going without food sometimes or often rose from 33.3 percent in 2019 to 53.5% in 2021; while the proportion of the population who reported that they had sometimes or often had to forgo medicine/medical care rose from 35.7 percent in 2019 to 54.2 percent in 2021. In addition, 54.3 percent of children were reportedly sent home for lack of school fees, which has significant social impact on their well-being (**Figure 5.16**).

Figure 5.16: Vulnerability indicators



About 4.6 percent of the respondents reported that their children did not return to school due to the pandemic, with urban areas being more affected compared with rural areas.

Figure 5.17: School attendance due to COVID-19 pandemic (%)



6.0 CONCLUSION

The FinAccess Household Surveys provide a full suite of data and indicators for tracking developments in the financial inclusion landscape as a result of changing consumer behaviour, technological innovations, policy changes, demographic dynamics, entry of new players as well as globalisation of economies.

These bi-annual Survey cycles are crucial in enhancing financial inclusion measurement using consumer data that support evidence-based decision making by both public and private sector actors; help in strategy and policy formulation; inform new innovations; and provide rich data for researchers and academics. The Surveys are based on the four main financial inclusion dimensions - access, usage, quality and impact.

The Survey methodology including sample selection and the entire process are robust as quality assurance was strictly followed under the Kenya National Bureau of Statistics (KNBS) benchmarks.

The Survey collected very rich data to support analysis on the quality and impact of accessing and using financial services and products while at the same time maintaining time series data for the access and usage dimensions. The needs-based framework was used to evaluate the use of the various financial devices and their relevance in meeting consumer needs. Indicators of financial

health and livelihoods; consumer protection and financial literacy also featured prominently.

Given that the Survey was undertaken during the COVID-19 period, it has independent modules on business and agricultural finance to help unravel usage of financial products and services within these livelihoods as coping mechanisms for businesses and farmers. Other innovations to this Survey include questions on green finance as well as collecting the baseline county level datasets.

> ***At the core to this growth is the rapid adoption of transformative financial technologies and innovations, deliberate government measures, supportive policies and entrepreneurial spirit of the private sector."***

From the key Survey findings, overall access to formal financial services and products expanded by 83.7 percent in 2021 from 82.9 percent in 2019. This compares favourably with 26.7 percent and 75.3 percent in 2006 and 2016, respectively. At the core of this growth is the rapid adoption of transformative financial technologies and innovations, deliberate government measures, supportive policies and the entrepreneurial spirit of the private sector. Despite great strides, there is still 11.6 percent of Kenya's population that is completely cut-off from accessing any formal and informal financial services and products. This reflects persistent financial inclusion gaps among several demographics - age and education levels, sex, income and livelihoods and rural-urban divide. This is an area of concern that should draw the attention of industry players.

The Survey findings also reveal consumer protection concerns and financial education issues affecting Kenyans. Consumer protections concerns identified include: high cost of accessing and maintaining a financial product or service, unexpected charges, loss of money through fraud, lack of transparency in pricing of financial services and products, and unreliable market infrastructure, mainly, systems downtime.

In terms of the usage dimension, the use of banking services including mobile banking increased to 44.1 percent in 2021 from 40.8 percent in 2019. This is attributed to the increased usage of mobile banking accounts, whose proportion rose to 34.4 percent in 2021 from 25.3 percent in 2019. Conversely, those who used physical bank branches declined from 29.6 percent in 2019 to 23.8 percent in 2021. In addition, the use of informal groups declined to 28.7 percent in 2021 from 30.1 percent in 2019, implying increasing formality in the financial sector, hence better regulation and safety.

The findings of the Survey also indicate increased usage of mobile money on daily and weekly basis in 2021 compared to 2019, but a decline for monthly usage. This may be attributed to the role of mobile money in addressing the cash needs of households; government policy on cashless transactions to curb the spread of COVID-19; waiver of transaction fees on mobile money; and self-caution by users during the COVID-19 pandemic. In addition, there is a narrowing gap between male and female, between rural and urban users, among different age groups and among users in different wealth quintiles. The Survey also noted the diminishing role of physical cash as technology continues to influence transactions behaviour, with only 18.3 percent of respondents using cash exclusively.

The data collected at the county level also provides notable disparities. For instance, Kirinyaga, Nairobi and Machakos counties have the most diverse usage of financial service providers and products. On the other hand, counties in the arid and semi-arid areas, such as Garissa, Wajir, Tana River and Marsabit, largely rely on mobile money, informal groups and insurance (mainly NHIF) for financial services as bank usage remains minuscule in these areas. The informal usage is mostly used in Kirinyaga, Murang'a, Siaya, Busia and Makueni counties, which reported the highest number of adults who use informal groups (Chamas), perhaps reflecting agricultural and small businesses activities.

Turning to the quality dimension of financial inclusion as assessed based on the level of financial literacy and consumer protection, the findings of the Survey indicate that 45 percent of respondents relied on friends and family members to get financial advice, with formal institutions playing a peripheral role. Some of the challenges cited by respondents include; fraud through loss of money, unexpected transaction charges, lack of transparency in the pricing of financial services and products, in addition to system downtime that affected the quality of services received. On the betting question, the results indicate that 13.9 percent of respondents actively engaged in betting in 2021. However, those who perceive betting as a source of income declined from 22.7 percent in 2019 to 11.2 percent in 2021, with an average amount used for betting per week declining from KSh 2,559 in 2019 to KSh 939 in 2021. The frequency of betting also declined in 2021 compared to 2019. This could be partly attributed to the Government's deliberate measures to combat irresponsible and illegal betting in 2019 and increased public awareness against betting.

Re-engineering our financial services to address climate-related risks and opportunities especially at the household level is of priority. Unlike in the 2019 Survey, the 2021 Survey included questions on climate-related shocks and their impact on households. The results indicate that 11 percent of respondents reported experiencing climate related shock as a main shock. Despite this, a majority of the respondents did not have a solution to the climate-related shocks should they reccur, while 29.3 percent mentioned that they would wait for government intervention. On green finance, only 6.0 percent reported to having the capacity to invest in green solutions needed to mitigate the frequent cases of drought, floods and pests (locusts) cited as the main challenges by farmers in the Survey.

To measure the impact on livelihood of those using financial services and products by households, the Survey employed an improved framework of financial health constructed from a composite index of three main life goals (sub-indices with equal weighting) – ability to manage day-to-day needs; ability to cope with shocks; and the ability to invest in future goals. The aim was to determine the outcome of financial inclusion in terms of the resilience of the population and its potential for growth. The results of the Survey indicate that the financial health of respondents deteriorated to 17.1 percent in the 2021 Survey compared with 21.7 percent during the 2019 Survey. This implies that only 17.1 percent of those who answered this question could adequately and comfortably meet their day-to-day needs, cope with shocks and had the ability to invest in future goals like saving for old age. The main drivers of this deterioration were the inability to cope with shocks and challenges in managing their day-to-day needs. Through the needs-based framework, it was noted that the use of formal solutions in meeting financial needs declined by half. Further analysis shows that 73.6 percent of those who answered this question, noted that their lives had worsened in 2021 compared to 51 percent in 2019, supporting argument about the adverse effects of the COVID-19 pandemic on the socio-economic well-being of households.

The assessment of households' perceptions on the socio-economic and financial impact of the COVID-19 pandemic reveals increased vulnerabilities across all the indicators analysed at the household level. In particular, households who reported often going without food increased from 7.7 percent in 2019 to 12.3 percent in 2021 while those who sometimes went without food, increased from 25.6 percent in 2019 to 41.2 percent in 2021. In addition, about 17 percent of children missed school due to lack of school fees, with 4.6 percent not returning to school at all.

The datasets released by KNBS with links available on the CBK and FSD Kenya websites are easily accessible by all, to undertake further analysis and research. KNBS has also established an interactive visualized web portal to enable users to interact with the datasets in different formats.

APPENDIX 1
COUNTY BREAKDOWN

Code	County Name	Enumeration Areas			Number of Households		
		Rural	Urban	Total	Rural	Urban	Total
1	Mombasa	-	55	55	-	990	990
2	Kwale	21	10	31	378	180	558
3	Kilifi	17	13	30	306	234	540
4	Tana River	22	13	35	396	234	630
5	Lamu	17	10	27	306	180	486
6	Taita-Taveta	18	11	29	324	198	522
7	Garissa	23	13	36	414	234	648
8	Wajir	25	14	39	450	252	702
9	Mandera	24	16	40	432	288	720
10	Marsabit	27	15	42	486	270	756
11	Isiolo	25	27	52	450	486	936
12	Meru	32	11	43	576	198	774
13	Tharaka-Nithi	22	7	29	396	126	522
14	Embu	20	8	28	360	144	504
15	Kitui	24	6	30	432	108	540
16	Machakos	27	20	47	486	360	846
17	Makueni	22	7	29	396	126	522
18	Nyandarua	22	8	30	396	144	540
19	Nyeri	26	13	39	468	234	702
20	Kirinyaga	21	12	33	378	216	594
21	Murang'a	26	9	35	468	162	630
22	Kiambu	17	30	47	306	540	846
23	Turkana	32	15	47	576	270	846
24	West Pokot	28	7	35	504	126	630
25	Samburu	22	10	32	396	180	576
26	Trans Nzoia	21	11	32	378	198	576

Code	County Name	Enumeration Areas			Households		
		Rural	Urban	Total	Rural	Urban	Total
27	Uasin Gishu	21	23	44	378	414	792
28	Elgeyo-Marakwet	24	6	30	432	108	540
29	Nandi	22	7	29	396	126	522
30	Baringo	21	9	30	378	162	540
31	Laikipia	17	10	27	306	180	486
32	Nakuru	25	28	53	450	504	954
33	Narok	21	7	28	378	126	504
34	Kajiado	14	20	34	252	360	612
35	Kericho	24	10	34	432	180	612
36	Bomet	25	5	30	450	90	540
37	Kakamega	27	10	37	486	180	666
38	Vihiga	23	8	31	414	144	558
39	Bungoma	25	9	34	450	162	612
40	Busia	24	9	33	432	162	594
41	Siaya	27	8	35	486	144	630
42	Kisumu	19	16	35	342	288	630
43	Homa Bay	25	9	34	450	162	612
44	Migori	26	12	38	468	216	684
45	Kisii	29	11	40	522	198	720
46	Nyamira	23	7	30	414	126	540
47	Nairobi City	-	62	62	-	1,116	1,116
	Total	1,043	657	1,700	18,774	11,826	30,600

APPENDIX 2
ABBREVIATION

Abbreviation/ Concept	Definition
Airtel money	Mobile–based money transfer service by Airtel Kenya Limited
AFC	Agricultural Finance Corporation
ASCA	Accumulating Savings and Credit Association
ATM	Automated Teller Machine
CBK	Central Bank of Kenya
Chama	Informal groups
CMA	Capital Markets Authority
CRB	Credit Reference Bureau
DFI	Development Finance Institution
DT–SACCO	Deposit Taking SACCO
EA	Enumeration Area
Equitel	A mobile app and Mobile phone–based banking services by Equity Bank Limited
FSD Kenya	Financial Sector Deepening Trust Kenya
HELB	Higher Education Loans Board
ICDC	Industrial and Commercial Development Corporation
Income earner	Individual who has work and/or investments that provide a defined income stream on a regular basis
Informal group	In this Survey, a group refers to a collection of individuals who use different financial services jointly, such as merry–go–rounds/ Chamas, investment clubs, welfare groups, ROSCAS and ASCAS (see definitions listed elsewhere here).
In kind	Refers to payment in form of a service or product but not with money value
IRA	Insurance Regulatory Authority
JLB	Joint Loans Board
KCB M–PESA	Mobile phone-based banking services and product by Kenya Commercial Bank Limited
KDIC	Kenya Deposit Insurance Corporation
KIE	Kenya Industrial Estate
KISH	Sampling method for randomly selecting an individual in the household
KNBS	Kenya National Bureau of Statistics
KYC	Know Your Customer
DFS	Digital Financial Services
KSh	Kenya Shilling
KYC	Know Your Customer

Abbreviation/ Concept	Definition
M-Coop Cash	Mobile phone–based banking services offered by the Cooperative Bank of Kenya Limited
Merry–go–round	A group in which the members contribute a fixed amount for a fixed duration, and each member is paid the entirety of the collected money on a rotating schedule
MFB	Microfinance bank
MFI	Microfinance Institution
MFS	Mobile phone financial services or simply mobile money offered by MNO
MNO	Mobile Network Operator
Mobile Money Apps	Financial services provided through mobile phone–based software applications such as BRANCH, TALA, etc.
M–PESA	Mobile–based money transfer service offered by Safaricom Kenya Limited
M–Shwari	Mobile phone–based banking services from Commercial Bank of Africa (CBA)
NASSEP	National Sample Survey and Evaluation Programme
NHIF	National Hospital Insurance Fund
NSE	Nairobi Securities Exchange
NSSF	National Social Security Fund
Orange Money	Mobile-based money transfer service offered by Telkom Limited (MNO)
POS	Point of Sale Device
QTC	Questionnaire Technical Committee
RBA	Retirement Benefits Authority
ROSCA	Rotating and Savings Credit Associations
SACCO	Savings and Credit Co–operative
SASRA	SACCO Societies Regulatory Authority
Tangaza Pesa	Mobile–based money transfer service
UNYMC	United Nations International Year of Microcredit
Wealth quintile	Each household respondent is given an affluence score based on household assets. The population is equally divided into groups (quintiles) and each respondent is placed in their corresponding quintile based on the level of affluence/ social strata

APPENDIX 3
FINANCIAL HEALTH

	2016	2019	2021	Question
Ability to manage day to day	**63**	**55.3**	**45.0**	
Manage: No trouble making money last	41.8	28	28.9	Adults that do not often have trouble making money last (FA2021.B1B.5)
Manage: Plan for allocating money	73.5	62.3	62.2	Adults that have a plan for how to spend money (FA2021.B1B.3)
Manage: Never went without food	58.1	66.6	46.5	Adults that did not go without food to eat in past year (FA2021.B1C1)
Ability to cope with risks	**52.4**	**36.9**	**23.3**	
Risk: Never went without medicine	64.6	64.1	45.8	Adults that did not go without medicine in past year (FA2021.B1C2)
Risk: Could raise lumpsum in 3 days	36.8	19.5	21.6	Adults that would be able to raise lump sum in 3 days (FA2021.B1H)
Risk: Kept money aside for future	56.4	41.4	35	Adults that regularly kept money aside for emergencies in last year (FA2021.B1B_2)
Ability to invest in livelihoods and the future	**46.5**	**21.8**	**39.5**	
Invest: Set money aside for future	55.7	33.4	38.1	Adults that kept money aside for a specific future purpose in last year (FA2021.R)
Invest: Money aside for productivity	39.6	17.4	32.4	Adults that mainly use savings or credit to invest in productive assets (FA2021.F2)
Invest: Saving for old age	43.7	22.5	58.1	Adults that intend to (or currently are) using savings, pension or investment income to make ends meet in old age (FA2021.B1E,F)
Financially healthy adults	39.4	21.7	17.1	

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