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Financial Inclusion in Kenya

Rome, 10 December 2018 – Financial Inclusion in Kenya is growing at a fast rate. A great part of this success is accorded to the use of mobile money services. The number of mobile money subscribers has been rising since the launch of M-Shwari in 2012. M-Shwari is a bank account offering both savings and loans that customers access via M-Pesa menu on a mobile phone. In 2016, 18% of the population were using new mobile banking services such as MShwari and KCB M-Pesa. This raised the bank account users to 38%. That is a 10% increase since 2013.[1]The increase of the number of subscribers persists in 2017, to 37.4 million from 35 million in 2016**.**

In Kenya, more than 80% of the population have access to a financial account, which includes mobile money accounts.[2] Approximately 75% of Kenyans have a mobile money account. Shockingly, more Kenyan adults have a mobile money account than they do a financial institution account.[3]To achieve this, Kenya relied on reforms, private sector innovation and a push to open low-cost accounts, including mobile and digitally enabled payments. Most subscribers of mobile money are from urban areas. The use of mobile money services is consistent between men and women, both tying at 76%.

The mobile money services have promoted access to formal credit. Digital credit is the leading source of credit in Kenya. More than 25% of Kenyans have taken a digital loan. It fills an important gap in the credit market especially in terms of low-income Kenyans can access credit whenever needed. For instance, coping with shocks of the day-to-day life such as paying for education or illness and they are able to manage unpredictable incomes. According to the FSD annual report 2017, the small loans offered by M-Shwari did not affect savings, employment and consumption, suggesting that M-Shwari has mostly helped bridge cash shortages as opposed to investments and building assets for the future.[4]

Before dawn of mobile money services, Kenyans rarely took any loans. By 2009, only 20% of Kenyans with phones had ever taken a loan. This tremendously raises to 55% in 2017.[5]This is a great step for formal financial inclusion. However, this has raised some concerns that increased usage of digital credit predisposes the economy to risks in terms of credit risks, money laundering/terrorist financial risks and technology risks.[6]On these grounds, Payments Association of Kenya (PAK) was established in 2017 to establish and facilitate dialogue between major payments providers (both banks and non-banks) to establish common rules and standards as stated in the National Payments Systems Act (2011) and National Payments Systems Regulations (2014).

To the contrary, the World Bank is convinced that when people are able to safely save money and access credit whenever needed, they are better able to manage financial risk.[7] However, mechanisms to prevent unmanageable debt be put in place and to better monitor consumer protection.

As much as Kenya's financial inclusion is promoted by mobile money services, more research needs to be conducted to understand the real economic and social impacts of digital credit on low-income Kenyans.[8]

[1] Finaccess survey report 2016, pg. 9
[2] World Bank Group, The little data book on financial inclusion 2018, pg. 84
[3] FSD Kenya annual report 2017, pg. 7
[4] FSD Kenya annual report 2017, pg. 9
[5] FSD Kenya annual report 2017, pg. 9
[6] Kenya Financial Sector Stability Report 2017, pg. 42
[7] Global findex 2017
[8] FSD Kenya annual report, pg. 9
