

Patrick Njoroge: Improving financial services for the Kenyan population

Speech by Dr Patrick Njoroge, Governor of the Central Bank of Kenya, at the launch of the FinAccess Geospatial Mapping Survey, 2015, Nairobi, 29 October 2015.

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I am delighted to join you today, to launch the key findings of the FinAccess Geospatial Mapping Survey, 2015. The Survey was conducted by the FinAccess Management Team, comprising of the Central Bank of Kenya (CBK), Financial Sector Deepening Trust (FSD), and the Kenya National Bureau of Statistics (KNBS), with funding from the Bill & Melinda Gates Foundation (B&MGF). The fieldwork was conducted by Brand Fusion Limited, a Research House contracted by B&MGF. I wish to thank the Bill and Melinda Gates Foundation for funding this Survey and all those who, in one way or another, participated and made this Survey a success.

1. *Policy Goal:* One of the goals of Kenya's Vision 2030 is to foster greater efficiency and delivery of financial services to a wider population. In order to achieve this, all stakeholders and associated financial sector players, both in the private and public sectors, have been working towards increasing financial inclusion through offering appropriate and affordable financial products and services. There is more focus on low-income households and Micro-, Small-, and Medium- Sized Enterprises, who are, as a whole, benefitting from these positive and significant endeavours. The CBK in collaboration with FSD Kenya, KNBS, and other key stakeholders has taken a leading role in fostering Kenya's financial inclusion agenda. It has also taken the lead in improving the measurement of financial inclusion and tracking its dynamics, thereby identifying evidence-based strategies to promote an inclusive and stable financial system.

2. *Existing Financial Inclusion Landscape:* The promotion of financial inclusion has been an area of focus of the Government over the past decade. Recent FinAccess Surveys indicated that Kenya has made significant progress in fostering financial inclusion since the first baseline survey in 2006. The three national FinAccess Household Surveys of 2006, 2009 and 2013 and the FinAccess Geospatial Mapping Survey, 2013 have clearly demonstrated that Kenya's financial inclusion landscape has changed considerably over the period 2006 – 2013. The proportion of adult population using formal financial services rose to 66.7 percent in 2013, from 27.4 percent in 2006, and 41.3 percent in 2009. The proportion of the financially excluded on the other hand has been falling steadily from 39.3 percent in 2006, to 31.4 percent in 2009, and 25.4 percent in 2013. In a nutshell, Kenyans have enjoyed better financial access over that period.

Kenya committed in 2012 at the G-20 Los Cabos Summit to achieve a higher level of financial inclusion through targeted interventions and strategies. To this end, a range of policies, strategies, products and technology-enabled delivery channels have been rolled-out by the public and private sectors. Ensuring the success of these endeavours is key, as financial inclusion is a vital component of sustained inclusive financial sector development, thus contributing significantly to inclusive growth and poverty reduction. Our efforts towards ensuring improved financial inclusion to majority of the Kenyan population have not gone unnoticed. I am pleased to note that the Brookings Financial and Digital Inclusion Project Report, 2015 ranked Kenya as the top-scoring country in financial inclusion world-wide. We are, however, cognizant that enhanced financial inclusion anchored on dynamic innovations brings forth some risks that we need to manage so that they do not negate the success so far achieved.

3. *Key Findings:* The first FinAccess Geospatial Mapping Survey took place in 2013 and collected Geographical Information System (GIS) data on all the financial services access touch points as well as some operational and transactional data through interviewing the financial service providers. The current FinAccess Geospatial Mapping Survey, 2015,

whose results I am pleased to launch today, collected GIS data on both financial and agricultural services access touch points as well as some operational and transactional data. This Survey, therefore, provides an update of datasets collected in the baseline survey in 2013 and enhanced understanding of the financial inclusion landscape in Kenya and its dynamics over time. In particular:

- The 2013 and 2015 GIS data provides a visual spatial distribution of the mapped financial and agricultural services access touch points. Analysis of the survey data provides better understanding of the financial inclusion constraints, potential opportunities and evidence-based strategies to expand inclusion. The success of these endeavours is well captured in the 2013 and 2015 Survey results.
- As the results to be launched shortly will show, the financial system is now offering a wider range of financial services and products to more Kenyans, while covering a wider geographical spread. Compared to the 2013 Survey, which captured 64,740 financial services access touch points, the 2015 Survey captured 91,186 financial access touch points and 27,684 agricultural services access touch points, which represents a growth of 40.8 percent financial services access touch points over a period of two years.
- The fieldwork interviews gave some interesting feedback, with some of the key issues that emerged indicating instances of fraud. Mobile money service providers reported the highest instances of fraud at 37 percent as compared to 10 percent of bank agents. Counterfeit money was the greatest reported type of fraud amongst service providers in forex bureaus and mobile money providers, while fake identification was the highest reported type of fraud amongst insurance providers and capital markets service providers.
- The results we are releasing today are derived from developments in the wider economy, infrastructural facilities, technological innovations, institutional developments as well as financial sector policy and regulatory reforms and financial markets innovations. I am delighted that the sector now has such a useful information resource at its disposal.

4. *Uses:* For policy makers and regulators, the application of GIS analysis to assess the spatial distribution of financial service access points relative to population and other parameters is clear. Such data can be used towards identifying the underserved geographical areas and instituting strategies and interventions that will address the identified bottlenecks to bring those populations who are otherwise excluded into the formal financial system. On the other hand, for the private sector players, GIS data can be used to identify opportunities for expansion as well as boosting their marketing strategies to be more geographically targeted for maximum effectiveness. It will also help to create rapid feedback loops about customer usage patterns and corridors of need. The analysis can also be used to better understand fraud events, profile of access touch points and determine risk profiles of clients. Moreover, the presentations will show that GIS analysis by private sector players can comprehensively identify those agents where cash shortfalls are likely to manifest themselves, and therefore, proactively build liquidity management infrastructure where it is needed most.

At this point, let me invite you to learn from today's presentations and urge you to make use of the opportunity offered and build-upon this information platform. The sustainability and growth of GIS data collection and usage will be driven by on-boarding amongst you, both public and private sectors stakeholders. Be assured that we in the FinAccess Management Team in collaboration with B&MGF among other partners will champion such efforts and will facilitate learning opportunities with you. This effort will facilitate modalities of self-reporting GIS data as well as assisting you in capacity building towards usage of the datasets to inform policy and business strategies. Already B&MGF has initiated a pilot in self-reporting of GIS data in order to achieve sustainability and we welcome you all to participate.

Finally, I would like at this juncture to inform you that we have just concluded conducting the fourth round of the FinAccess Household Surveys, 2015 and data cleaning is on-going. In this regard, we shall be inviting you to the launch of the top-line findings early next year around February 2016. We, therefore, urge you to diarise this activity as triangulation of datasets from both FinAccess Geospatial Mapping Survey, 2015 and FinAccess Household surveys, 2015 will provide deeper understanding of Kenya's financial inclusion landscape.

With these few remarks, I welcome you to this breakfast event and launch the Survey key findings and wish you fruitful deliberations.

Thank You!