

## Briefing Note. A consumer view of financial behaviour and ICT in Kenya

By Research ICT Africa! (Ria!)

This note presents the results of a household survey by Research ICT Africa! (Ria!) on the use of Information and Communication Technologies. The survey covered some aspects of financial behaviour in order to test the hypothesis that mobile phone enabled payments could offer financial inclusion to the unbanked. The results presented here are preliminary and nationally representative results will only be published in May 2008. [This note has been prepared for circulation at the CGAP/DfID Regulators Workshop on Branchless Banking, London, March 10<sup>th</sup>.](#)

### Do people have a bank account?

Of the 1508 people interviewed<sup>1</sup> just over 50% had access to an account (at least one member of the household had an account) of which 30% had their own bank account (only 23% in rural areas). When considering the male female divide, 39% of men had accounts, while only 24% of women had them.

Lack of access to a bank account has an impact. In terms of savings, many of the unbanked keep their money in a "safe place". It also means that when people need money, they end up borrowing from neighbours and family, stretching the community's resources.

Compare how people with and without bank accounts store cash	Yes (N=452) % respondents	No (N=1053) % respondents
Keep in the bank account	83.0	2.4
Keep in credit /savings group	18.6	8.8
Give it as a loan to family and friends	5.8	4.0
Buy some kind of goods to store money	30.3	24.8
Invest in the household	42.5	52.8
Keep in a personal "safe place"	33.0	66.2

Compare how people with and without bank accounts access small amounts of money	Yes (N=452) % respondents	No (N=1053) % respondents
Selling something	20.6	25.4
Borrow from friends	28.3	32.8
Borrow from family	43.1	68.5
Withdraw from some kind of formal savings scheme	15.3	8.7
Withdraw from bank	72.6	1.3
Borrow from a merchant	1.8	2.7
Other	6.4	8.3

Of those without bank accounts, only 37.6% of respondents indicated they do not need a bank account, implying that over 60% would like access to a bank account (that is 43% of the whole sample). Of those people who would like a bank account, but do not have one 41% own a mobile phone and 62% use phones (either own mobile or public phones).

### So would a mobile phone enabled proposition be attractive to the unbanked?

Attitudes towards banking – comparison between those with and without bank account	No (N=1053) % respondents	Yes (N=452) % respondents
You can easily live your life without having a bank account	60%	40%
Mobile phone banking can be trusted if backed by a mobile phone operator	27%	56%
Mobile phone banking can be trusted if backed by a bank	25%	55%
You would consider having your salary (or your main source of income) paid into mobile phone bank account.	28%	45%
You are prepared to use technology	46%	67%
You often don't feel in control of your finances	15%	19%
Banks take advantage of poor people	29%	35%
Computers frighten me	14%	14%
The Internet is here to stay	27%	59%
You try to avoid technology as much as possible	12%	15%
You do not like to carry cash	29%	38%
Having a bank account makes it easier to get a loan	39%	62%
You are saving for something specific (education, a holiday, appliances, furniture, a car	53%	69%

<sup>1</sup> The sample was split 40% major urban (Nairobi and Mombasa) 30% other urban (other urban areas excluding Mombasa and Nairobi), 30% rural. The results will be weighted to obtain nationally representative figures and unbiased estimators.

A considerable proportion of the respondents without a bank account felt that life could easily be lived without an account. Those with bank accounts exhibit more positive attitudes towards mobile banking and are more prepared to use technology; on the other hand there is little difference in attitudes towards technology itself. Note that more of the banked do not like carrying cash, so this appears to be an attractive feature of accounts.

When comparing the views of men and women there is only one issue on which opinions are divided - a greater proportion of men feel the internet is here to stay.

### Would a mobile phone enabled domestic money transfer system be enough?

Sending and receiving mobile phone airtime has been a strategy of users for trading and remitting finance at a distance. It has become a proxy payment system. So how many people get involved with airtime transfers? Approximately 50% of respondents had sent and 60% received airtime as a form of money transfer. Of those **without** a bank account 46% had sent airtime and 68% received airtime. Perhaps reflecting the sophistication of those with a bank account, 58% had sent airtime, and 64% had received airtime.

Certainly there is a demand for money transfer. There are considerable transfers between families (and friends). 9% of households received money from people living in other villages or cities. The amount received ranges from 100 to 50,000 Shilling; median is 2,000 and 83% use the money for household expenses.

How do people get the money? Many bring it home in person or send it with a relative, the post office serves a quarter of the flow, and only 10% use a bank account.

60% of people receiving national remittances make use of phones.

The strategies of receiving are of course reflected in the sending. But perhaps the higher status or disposable income of the senders means that 93% of people sending money nationally use phones.

Means used to receive and send national remittances	Receive % respondents	Send % respondents
Bring it home in person	36.8	34.5
By another relative	19.5	32.5
By a neighbour	4.5	6.9
By bus driver or stranger	18.0	18.7
Through a merchant	3.0	1.0
Through a bank account	11.3	12.8
Through western union / MoneyGram / Foreign exchange bureau	6.0	5.4
Through the post office	24.8	17.1
Other	7.5	5.6

### Would there be a demand for an international remittance service?

3% of respondents indicate that their household received money from people living abroad. The amount received is a larger range than domestic remittance and ranges from 5,000 to 100,000 Shilling; median is 20,000. Only 54.8% use money for household expenses, the rest being "invested" in business or a significant asset.

Means used to receive international remittances	(N=43) %
Bring it home in person	0
By another relative	2.3
By a neighbour	0
By bus driver or stranger	0
Through a merchant	4.7
Through a bank account	18.6
Through western union / MoneyGram / Foreign exchange bureau	74.4
Through the post office	4.7
Other	2.3

In this case Western Union, MoneyGram or Foreign Exchange Bureaus dominate the transfer flow.

Only a small number of people send money internationally (1.5%). Receiving international remittances appears to be a mainly urban phenomenon. Almost one half of urban households receiving money are receiving it from abroad, whereas 90% of money transaction to rural households comes from within the country. Of people receiving international remittances, 95% use phones.

### Adoption of Mobile Phone Propositions

A mobile phone based banking solution would cover 60% of those currently without bank accounts. Such a service would be used for storing cash securely and for making money transfers - people currently carry cash, use the post office services, and make extensive use of airtime transfers. An international remittances service would benefit only a relatively small number of people. Mobile services would reduce risks associated with storing cash in a safe place, and with carrying cash.

**Research ICT Africa! (RIA!)** [www.researchictafrica.net] fills a strategic gap in the development of a sustainable information society and network knowledge economy by building the ICT policy and regulatory research capacity needed to inform effective ICT governance in Africa. The network was launched with seed funding from the IDRC [www.idrc.ca] and seeks to extend its activities through national, regional and continental partnerships. The network is hosted at the Witwatersrand University, LINK Centre [link.wits.ac.za], under the directorship of Professor Alison Gillwald. The survey was designed and coordinated by Dr. Christoph Stork. Each member country has a nodal member responsible for coordinating RIA! activities in his/her respective country. There are further regional coordinators for East Africa, Dr Lishan Adam, and for West Africa, Dr Olivier Nana Nzèpa. This note was prepared with the assistance of Gamos UK [www.gamos.org], and with funding from IDRC and DFID [www.dfid.gov.uk]. This document is an output from a project funded by the respective donors for the benefit of developing countries. The views expressed are not necessarily those of the donors.