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Savings for the Poor in Kenya

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SAVINGS FOR THE POOR INNOVATION
AND KNOWLEDGE NETWORK (SPINNAKER)
Global Assets Project

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Contents

Kenya's financial market has caught the world's attention. The rise of mobile money in Kenya has become the interest of financial inclusion experts, the excitement of mobile network operators, and an opportunity for financial institutions to rethink their products and services.

However, the implications and transformative impact of mobile money and other related innovations in the financial landscape are often much less examined and understood. In particular, Kenya's supply of and demand for formal savings products, herein referred to as the "savings landscape", might have the most to gain from the rapidly evolving market, but the progress and opportunity often remain largely overlooked.

Through informant interviews, secondary research, and data collection at all levels of Kenya's financial market including with financial institutions, researchers, mobile network operators, and government regulators, this study will examine the changing savings landscape in Kenya and highlight innovations in product development, approaches, regulations, and technologies. In particular, this report will be broken down into four main sections. It will first examine the important underlying questions of why and how Kenyans save and provide an overview of the savings landscape's recent progress. The report will then explore the role, regulatory environment and impact of the different savings providers in Kenya, and will follow with an in-depth look at current savings product development in Kenya through our detailed product and institution focused data collection. It will end with an examination of the impact of technology, specifically mobile money and agent models, on the financial system. Throughout the report, case studies will be used to present a closer look at specific institutions and products whose intricacies and innovations are shaping the complex Kenyan savings landscape.

This Kenya study is the second research project conducted by the Savings for the Poor Innovation and Knowledge Network (SPINNAKER) to capture savings product data, on-the-ground perspectives, and efforts of local leaders driving forward the field. In the end, the SPINNAKER project works to aggregate, standardize and highlight the landscape of information and data on innovative savings products for the poor by coordinating with thinkers and doers in the field. It is our hope that these country-level studies will help the field better understand the local context and innovative efforts of a particular financial landscape and the role savings play in it.

Table 1. Research Methodologies Used

Tool	Purpose	Coverage
Informant Interviews	30 interviews provided insight as to how management at various institutions is dealing with the rapidly changing financial landscape and how mobile money has affected their product development strategies.	The key informant interview guide can be found in Annex 4, and the list of participating institutions in Annex 5.
Primary Data Collection	Data collected on 104 savings products across 20 institutions provided useful comparisons in order to determine innovative features and accessibility to the poor.	SPINNAKER's Kenya Savings Product Data Page[2]
Secondary Research	A review of reports, financial statements, websites, leaflets, and flyers, among other materials provided information on the overall Kenyan savings culture. In addition, secondary research highlighted demand-side data to complement SPINNAKER's primary supply-side data collection.	SPINNAKER's Kenya Resource Page[3]

Research Objectives

1. To explore the landscape of savings products for the poor in Kenya, including mobile money's impact and the response of formal financial institutions to its emergence;
2. To bring out insights on product innovation and development in order to examine what features make a savings product accessible and useful to the poor; and
3. To identify gaps for future research on savings product demand, usage, and evaluation.

Research Methodology

The study utilized three main research methodologies (Table 1):

1. Informant interviews with key institutions[1] in the field including regulators, commercial banks, microfinance institutions, SACCOs, mobile network operators, and researchers, among others;
2. Primary data collection focused on capturing what makes the different savings products being offered unique; and
3. Secondary research to build upon the wealth of resources and data that already exist.

Kenya Financial and Savings Landscape Overview

In 2006, the Government of Kenya announced its Vision 2030, a development and growth strategy to transform Kenya into a middle-income country over the following two and a half decades.[4] A key element of the plan involves financial services sector reform due to the recognition that in order to meet its growth targets, national savings must double to about 30 percent of GDP by 2030.[5]

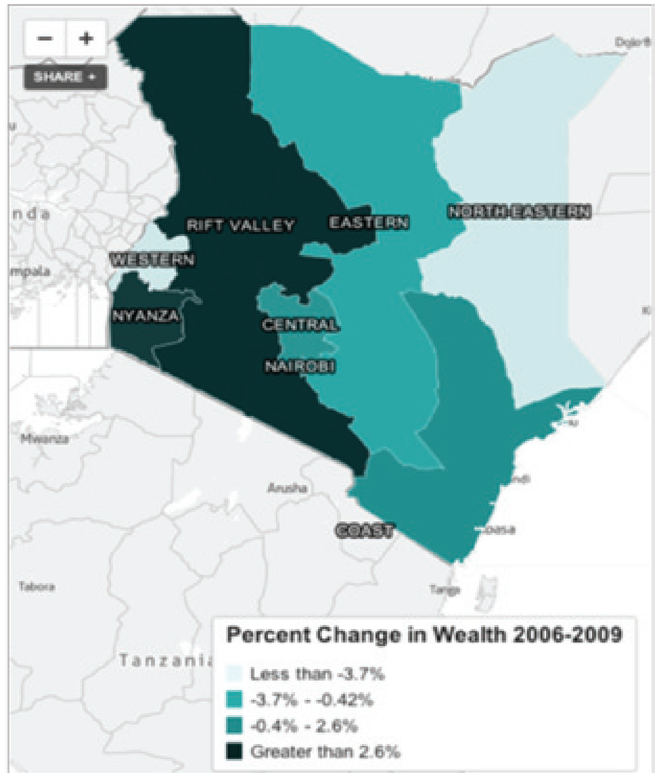
The Central Bank of Kenya (CBK) has also recognized that achieving this goal of increased savings "*cannot be realized with the lack of a comprehensive data set covering both demand and supply side data on the provision of financial services [...] data on the demand and supply of financial services is important in informing the design, implementation, monitoring and evaluation of the requisite policy programs to reach the goals set*".[6] As such, this section seeks to provide a glimpse of recent positive trends in poverty reduction and economic growth as well as an overview of the available data on demand-side and supply-side savings usage and mobilization.

This section has three parts. First, it will discuss Kenya's changing demographics in terms of poverty rates and economic growth. Next, it will cover demand-side savings habits and product usage by addressing the following questions:

- Do Kenyans want to save?
- Do Kenyans currently save?
- Why do Kenyans save?
- What are the barriers to saving?
- What types of savings products do Kenyans want?

Finally, the third part will address supply-side issues including the accessibility of both formal and informal savings services. In addition, this section as a whole will draw heavily on data provided by Financial Sector Deepening's (FSD) FinAccess surveys on financial inclusion in Kenya,[7] as well as supply-side data from the CBK.

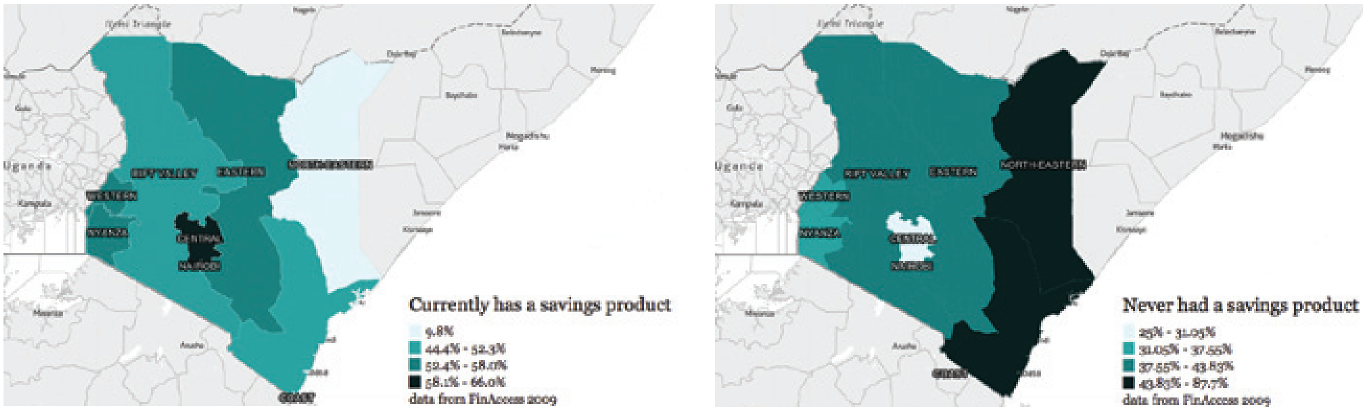
Figure 1. Percent Change in Wealth Index, by Province, 2006-2009



Changes in Poverty and Economic Growth

According to Vision 2030, the government aims to reduce the 2006 poverty rate of 46 percent to 28 percent by 2012.[8] Substantial economic growth and financial reforms put forth by an active government-led poverty reduction initiative have helped decrease the overall incidence of poverty by almost 13 percent from 2000 to 2006. In addition,

Figure 2: Percent of Population With and Without Savings Products, by Province, 2009



growth in per capita income has rebounded strongly from a decline of 2.5 percent in 2002 to a positive 2010 rate of 2.8 percent, in spite of post-election violence in 2007 and the global financial crisis of 2008 and beyond.[9]

While progress over the past decade in reducing poverty has been significant, Figure 1 shows the disparities in wealth across Kenya's 8 provinces.[10] From 2006 to 2009[11], wealth has shifted significantly across various provinces. Though this may be due to a migration of wealth, population or both, Figure 1 highlights Kenya's heterogeneous nature and the associated difficulties of implementing a centralized poverty reduction plan.

There is also a wide variation of absolute poverty rates within individual provinces. For example, the 2006 poverty rate in Kajiado stood at 11 percent compared to Turkana's 94 percent rate, both of which are districts located in Rift Valley Province.[12] Furthermore, there is a gender gap in the urban poverty for male headed households, which hovers at 30 percent and increases to 46.2 percent for female-headed households.[13] This underscores the difficulties faced by governments and financial institutions in developing savings services in a country where provinces have vastly different economic situations.

Demand Side: Saving Habits and Usage

Do Kenyans want to save?

Yes, according to interviews conducted by Zollman and Collins (2010)[14] in Coast Province which found that people saved on average 30 percent of all their income. They also concluded that a savings tradition in Kenya is seated in cultural mores, where "those who move ahead in the community are revered, often respected as leaders, less for their savvy use of financial instruments and successful investments, than for their being successful in avoiding vice".[15] Furthermore, a 2009 report by Austrian and Ngurukie, detailing the development of youth savings products for Kenyan girls, determined that if a savings product was easily accessible and confidential, girls would indeed use them.[16]

Do Kenyans currently save?

According to the FSD study of financial services in Kenya, 52 percent of Kenyans use at least one saving product (Figure 2).[17] In addition, the study found that uptake among urban populations was as high as 60 percent while rural population usage hovered at 49 percent. When respondents were asked what financial service they used to save, M-PESA and commercial banks both led the way.

Why do Kenyans save?

Based on the same survey results, 65.5 percent of respondents indicated ordinary household needs and 45.2 percent cited emergencies as their main reason for saving (Table 2). At the same time, over one quarter of respondents said they were saving for specific milestones like education and old age, suggesting again foundations of a strong savings culture.

What are the barriers to saving?

The FSD survey also revealed that an overwhelming 80 percent of respondents do not save because of one demand-side barrier: a lack of funds. Comparatively, the most frequently mentioned supply-side barrier of "lots of money

Table 2: For What Reasons are You Saving?[18]

Reason	Percent of respondents
Ordinary household needs	65.5
Emergency	45.2
Education	29.1
For old age	26.2
Personal	21.9
Expanding business	11.1
Starting up new business	10.0
Acquire household goods	9.7
Purchase livestock	8.9
Agricultural inputs	7.6

Table 3. Reasons for Not Saving (Barriers to Saving, Multiple Responses Given)[19]

Demand-Side Barriers	Percent
No money	80.3
Unemployed	36.4
Nothing left over	13.9
Invest in buying stock	11.3
My husband saves for me	9.0
Prefer investing in business	4.2

Supply-Side Barriers	Percent
Lots of money needed	13.2
Too expensive	3.3
ID and referee needed	2.7
Nowhere to save	2.8

needed" to open a savings account was only mentioned by 13 percent of respondents (Table 3). While the former describes consumers' own income scarcity, the latter refers to the notion that a formal savings account is too expensive to open. This gap between demand-side and supply-side barriers highlights important questions when it comes to savings product development: if formal savings products are made accessible, would they actually increase the savings rate among poor Kenyans, considering that many see an absence of regular income and employment as the main barrier to saving? Do regulators and practitioners have to choose between demand-driven and supply-driven growth of formal savings institutions?

What types of savings products do low-income Kenyans want?

According to two separate studies on product development and usage conducted in Coast and Western provinces, one of the most important factors for Kenyans deciding which savings product to use is ease of communication with the service provider.

In Coast Province, Zollman and Collins determined that if customers are choosing between M-PESA and a bank, their decision is more a function of specific product details, such as convenience and cost rather than more traditional measures of financial capability such as knowledge, familiarity and confidence.[20] They conclude that low uptake of basic financial products is a result of an inability of their features to meet client needs rather than a lack of financial education and ability to understand the products. This may be one reason behind the rapid uptake of M-PESA. When first introduced in 2007, mobile money payments were new technology and prone to mistrust among M-PESA's consumer base. However, the study determined that M-PESA has been widely accepted because its instantaneous nature allowed customers to test the service with very small sums of money before building up enough trust to use M-PESA for larger and more frequent transactions. Additionally, the survey found that commitment mechanisms, in the form of withdrawal fees, are oftentimes a welcome product feature because they aid money management and help consumers avoid temptation to spend their money freely.

The case of M-PESA's rapid uptake points to a question of access. Customers need not fully understand a savings product in order to use it, but barriers to entry need to be low enough for clients to be able to test new or innovative product features related to delivery methods and processes of enrollment, among others. If practitioners can reduce investment in marketing and financial education for each individual product, this may leave room for financial institutions to test new products and take bigger risks with innovative features.

The second study conducted by Dupas, Green, Keats and Robinson (2011) discusses quality of savings products using experimental and survey evidence from Western Province.[21] In their study, 60 percent of those offered savings accounts with no opening fees or minimum balance (they did garner withdrawal fees) signed up, but only 28 percent of these individuals made at least two deposits over the following year (18 percent of those initially offered the account). They attribute the relatively high dormancy rate to poor service quality and suggest that "any effort to expand financial access, if it is to successfully achieve financial inclusion, needs to include an important communication component in order to bring awareness of the various options available as well as the regulations around them (especially deposit insurance)".[22] While these findings complement those in Coast Province, they are also slightly at odds because Dupas et al. also point to high fees as a second reason for poor uptake. In order for fees to be considered an acceptable commitment mechanism, therefore, they should be accompanied by transparent and accessible customer service that makes it easy for consumers to understand the true costs of service. Thus, while it is uncertain as to whether fees themselves help or hinder uptake, *hidden* fees are particularly harmful to savings product usage.

Supply Side: Access to Financial Services and Savings

There are several ways of measuring financial access in Kenya. As of 2009, FSD put commercial banks' market

Table 4: Financial Services Market Penetration[23]

Financial Service Provider	Percent Adult Population (2006)	Percent Adult Population (2009)	Change 2006-2009 (Percent of Population)
M-PESA*	nil — service introduced 2007	25.8	+25.8
Commercial Banks	12.1	19.5	+7.4
SACCOs	13.1	8.3	-4.8
MFIs	1.7	3.1	+1.4
PostBank	5.5	2.2	-3.3

**M-PESA service not available until 2007.*

Table 5: CGAP Financial Access Indicators, 2010[24]

Institution Type	Number of Deposit Accounts Per 1,000 Adults
Commercial Bank	381.62
Microfinance Institution	8.00

Table 6: Definitions of Access Strands to Financial Services[25]

Access Strand	Type of Institution
Formal	Banks, Building Societies, PostBank, Insurance Companies
Formal other (semi-formal)	Savings and Credit Cooperative Organizations (SACCOs), Microfinance Institutions (MFIs), Government Institutions, M-PESA
Informal	Rotating Savings and Credit Associations (ROSCAs), Accumulating Savings and Credit Associates (ASCAs), Groups of friends, Employers, Money lenders, Hire purchase/ shop/buyer
Excluded	None of the above financial services

penetration rate at 19.5 percent of the adult population (Table 4). While the indicators in Table 4 are not exclusive to savings services, data provided by CGAP shows that as of 2010, commercial banks held deposit accounts for 38.1 percent of Kenya's adult population (Table 5).

The discrepancy between these two statistics may be attributed to several different factors. The first, which is highly unlikely, is that the percentage of adults with a commercial deposit account almost doubled over the course of one year. Another more likely reason that "number of accounts" (Table 5) is much higher than "number of adults" (Table 4) is that many Kenyans open multiple commercial bank deposit accounts.

While Kenyans may be opening multiple commercial bank accounts, FSD also found that many employ a combination of savings mechanisms. These different methods, called "access strands to financial services", refer to formal, informal, and formal other (semi-formal) institutions (Table 6).

Notably, Nairobi is the only province where the access strand with the highest uptake involves formal services. In half the provinces, the highest access strand is no access at all (excluded), with North Eastern province experiencing a 76 percent exclusion rate. The second highest access strand in these four provinces (and highest strand in Eastern, Nyanza, and Western) is informal services only.[26]

Overall, more than 30 percent of Kenyans are excluded from any sort of financial mechanisms, including savings, and 27 percent rely solely on informal, unregulated services. Only 2.5 percent use only formal services while 10 percent use a combination of all three methods.[27] As Kenya's legislative and regulatory authorities work to expand regulation of banking services, MFIs and SACCOs are quickly moving from "semi-formal" to "formal" financial services. The CBK began to regulate MFIs in 2006 while the SACCO Societies Regulatory Authority (SASRA) began to bring Kenya's SACCOs under its purview in 2008. This regulatory framework is described further in the following section.

According to FSD, 59 percent of adults have access to "formal" and "semi-formal" financial services, which include not only commercial banks, MFIs, and SACCOs, but M-PESA as well (Table 7). Table 8 indicates that Kenyans have over 16 million regulated deposit accounts, which numerically amount to 70 percent of the adult population.[28] The difference in these two figures suggests several things.

FSD's measurement of "access strands to *financial services*" is not a direct indicator of access to savings. According to Beck (2011)[29], the 19.7 percent increase in access to semi-formal services can be attributed mainly to M-PESA which is not a formally regulated savings service. The 59 percent access strand to "formal" and "semi-formal" financial services includes M-PESA, but is still below the 70 percent of adults with regulated deposit accounts. The 11 percent difference between the two measures may indicate increased accessed to deposit services from 2009 to 2011, but it may also suggest that many Kenyans open multiple deposit accounts under one name meaning that 16 million deposit accounts does not translate into 16 million depositors.

Table 7: FinAccess Access Strands, 2006 and 2009[30]

Access Strand	2006 (percent)	2009 (percent)	Change (percent)
Formal	18.5	22.6	+4.1
Semi-formal	16.3	36	+19.7
Informal only	26.8	26.8	-5.6
Excluded	32.7	32.7	-8.6

Table 8: Number of Regulated Financial Institutions

	Commercial Banks[31]	Deposit Taking MFIs	SACCOs[32]	Total
Number of Institutions	43	6	83[33]	132
Total Number of Deposit Accounts	13,650,000	1,520,000	1,546,966	16,716,996

In addition, a closer look at Table 8 shows that there are more than 16 times the number of regulated SACCOs than microfinance institutions; however, these SACCOs provide only slightly more deposit accounts. There is a question as to whether this indicates that MFIs are more effective at reaching depositors than regulated SACCOs.

Overall, the data suggest that Kenyans have a desire to save and many do so using formal financial services. However, demand-side and supply-side barriers to saving do exist, calling into question how and if low-income groups, in particular, utilize formal savings services. To answer this question, the next section will look at how specific types of financial service providers are working to develop and offer savings products to the poor.

Different Savings Service Providers in Kenya

The Kenyan savings landscape is molded by both traditional and non-traditional players, including:

1. Commercial Banks
2. Deposit-Taking Microfinance Institutions (MFIs)
3. Savings and Credit Cooperative Organizations (SACCOs)
4. Insurance & Asset Management Savings Providers (Non-Traditional Savings Providers)
5. Mobile Network Operators

This section reviews the role, usage, and regulatory environment surrounding these five different savings providers. A significant portion of the following analysis relies on publically available data provided by the Central Bank of Kenya.

Commercial Banks

Several statistics indicate that commercial banks have a significant and rapidly growing role in the Kenyan savings landscape. First, the growth of deposit accounts provided by commercial banks has dramatically increased between 2005 and 2011, rising from 2,550,905 to 13,650,000.[34] Figure 3 breaks these statistics into growth of deposit

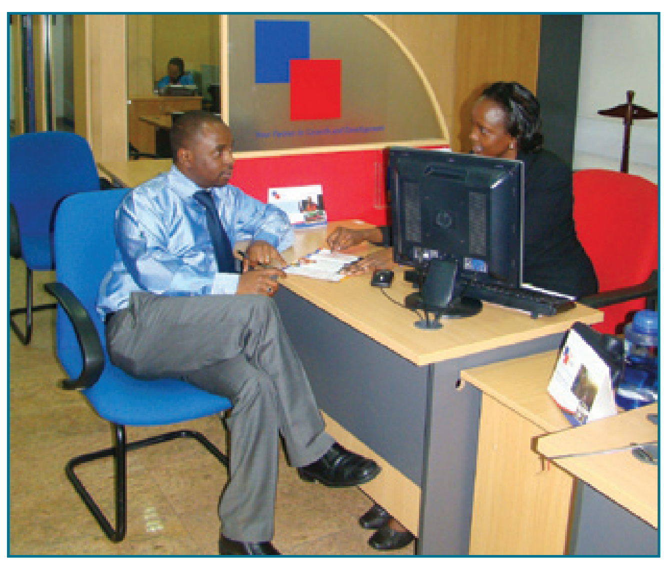


Figure 3: Growth in Number of Commercial Bank Deposit Accounts, 2005-2010[40]

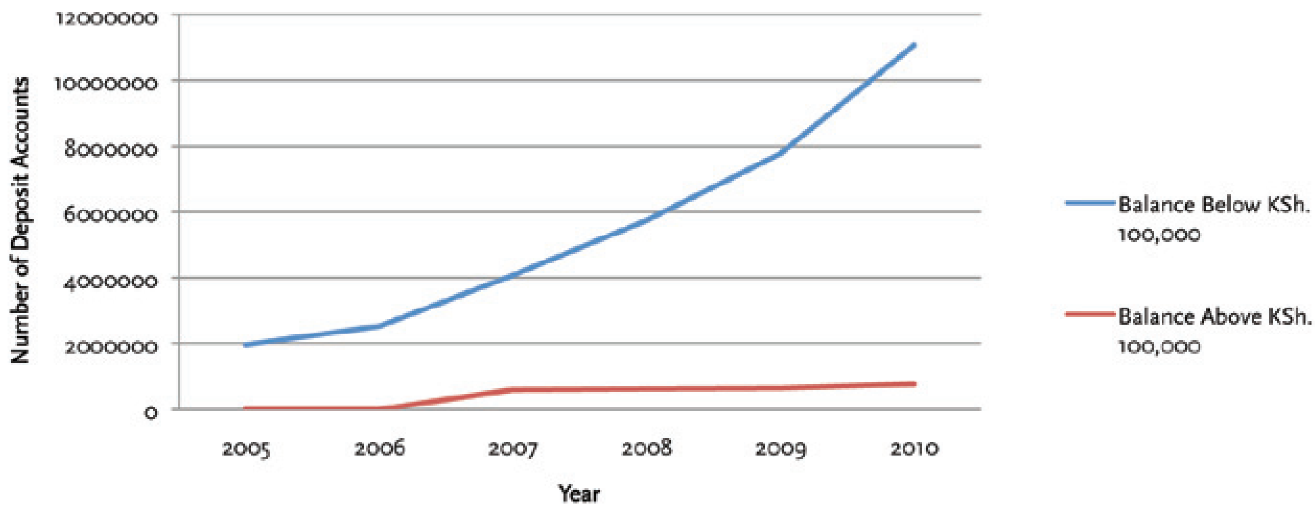
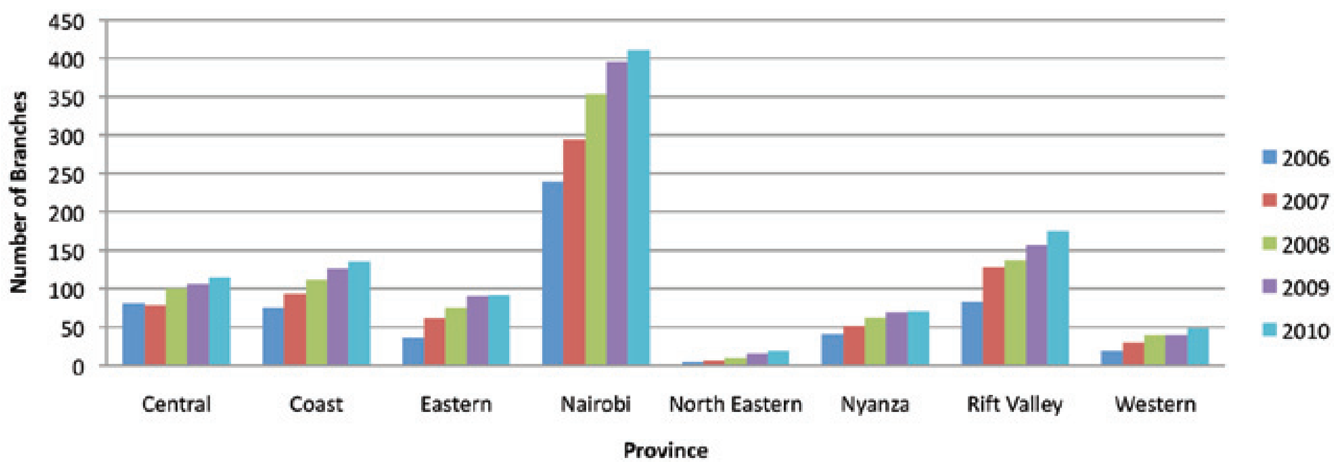


Figure 4: Growth of Commercial Bank Branches, by Province, 2006-2010[41]



accounts with less than KSh 100,000 and greater than KSh 100,000. From 2005 to 2010, accounts with less than KSh 100,000 (US $1,163)[35] grew at a much faster rate indicating that commercial banks may be reaching small companies and individuals rather than relying on large corporations and high-net-worth Kenyans. Accordingly, 2006 to 2010 saw an increase in commercial bank branches across all provinces (Figure 4), and the number of ATMs almost doubled.[36] As of September 2011, commercial banks held KSh 1.5 trillion (US $ 17.3 billion).[37]

Commercial banks are regulated by the Central Bank of Kenya under the Banking Act, which outlines the licensing of institutions, prohibited business activities, deposit protection fund, and information and reporting requirements. In particular, the CBK is responsible for maintaining the safety of the banking sector and therefore monitoring and managing reserve requirements, capital-asset ratios, and other indicators of bank health.[38] In 2010, the CBK issued guidelines for agent banking to permit banks to contract third parties to provide certain banking services on their behalf.[39]

Figures 6.1 and 6.2 below compare the size and growth of several commercial banks, in terms of volume of deposits and number of deposit accounts. Of note, Equity Bank, Kenya Commercial Bank, and Co-operative Bank of Kenya experienced growth in terms of both volume of deposits and number of deposit accounts. On the other hand, Standard Chartered Bank grew in volume of deposits to an amount slightly higher than Equity Bank in 2010; however, Standard Chartered clearly has significantly fewer deposit

Case Study: Equity Bank and KCB Successfully Going Down Market?

"KCB has tried to pay more attention to the bottom of the pyramid customer. This is where we saw an opportunity to grow."
— KCB Informant Interview

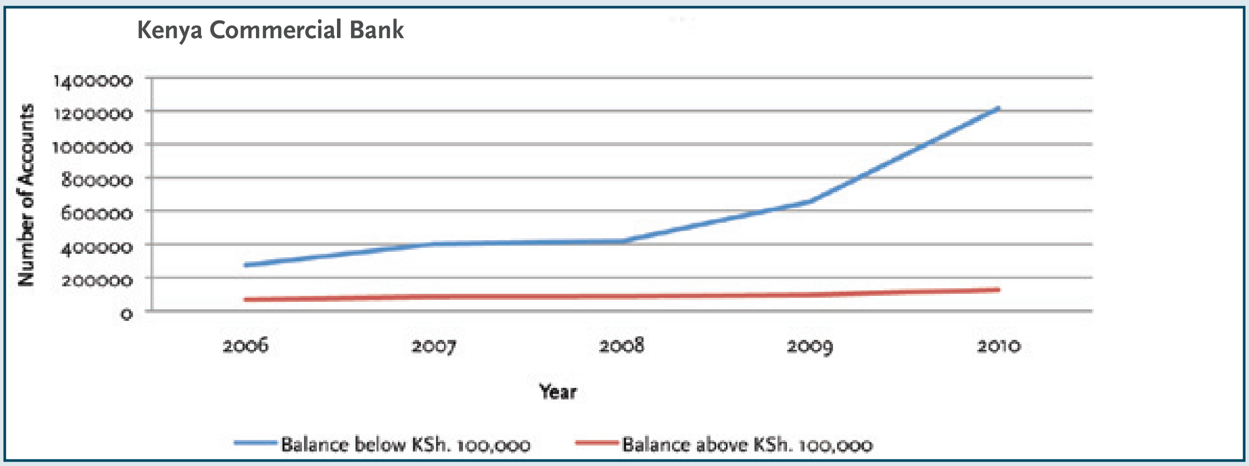
From 2005 to 2010, the number of deposit accounts with balances below KSh 100,000 grew dramatically faster than those accounts with balances above KSh 100,000 (Figure 3). A closer look at two institutions, Equity Bank and Kenya Commercial Bank (KCB), tells a similar story (Figure 5). However, while it is possible these smaller-balance accounts are reaching low-income populations, the KSh 100,000 (US $1163) threshold is not enough to conclude these institutions are reaching low-income markets. Product level data capturing fields such as dormancy rates would provide more useful information as to if and how the poor utilize the savings products offered.

In addition, it is worth examining the differences between each institution's mission statement:

- Equity Bank: "inclusive, customer focused financial services that socially and economically empower our clients" [44]
- Kenya Commercial Bank: "to be the preferred financial solutions provider in Africa with a global reach by 2013"[45]

While Equity Bank has a stated focus on low-income populations, the data suggest that KCB is an excellent example of an institution without a social mandate that is finding market incentives for expanding deposit services to low-balance clients.

Figure 5: Growth of Smaller and Larger Balance Accounts (Number of Accounts), Equity Bank & Kenya Commercial Bank, 2006-2010[46]



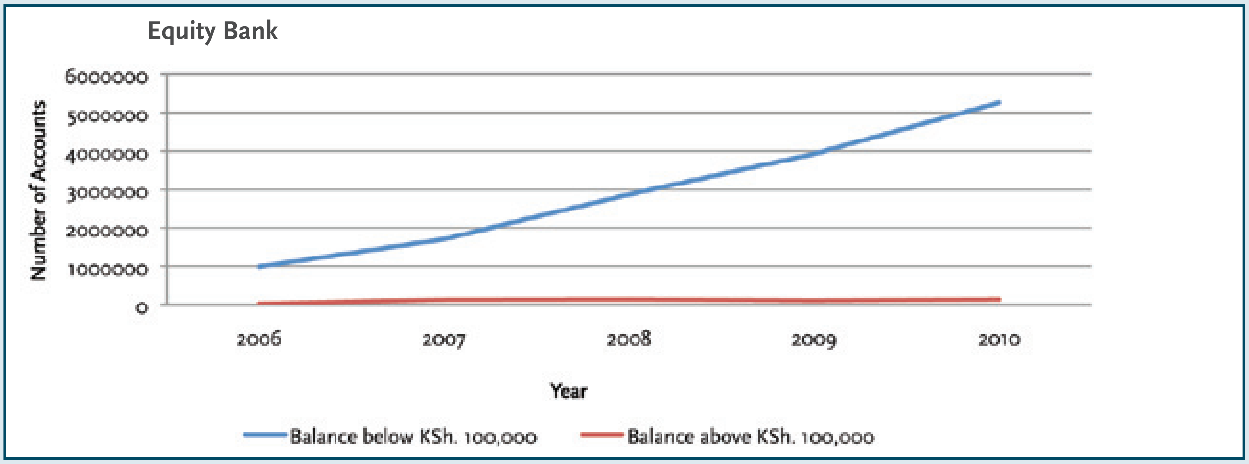


Figure 6.1: Volume of Deposits, Commercial Banks, 2006-2010[42]

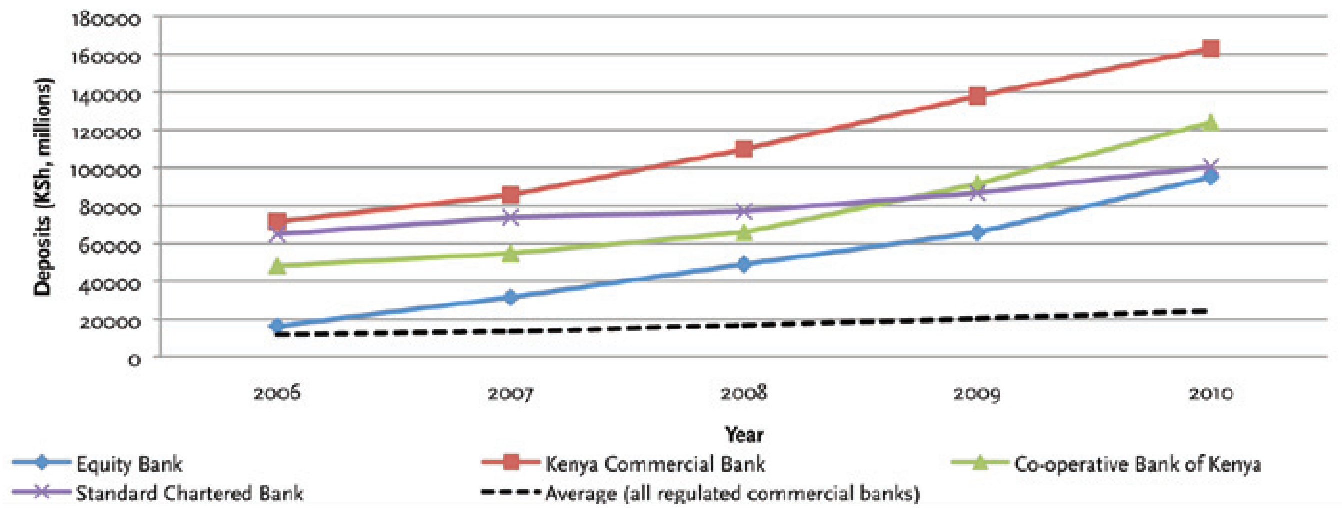
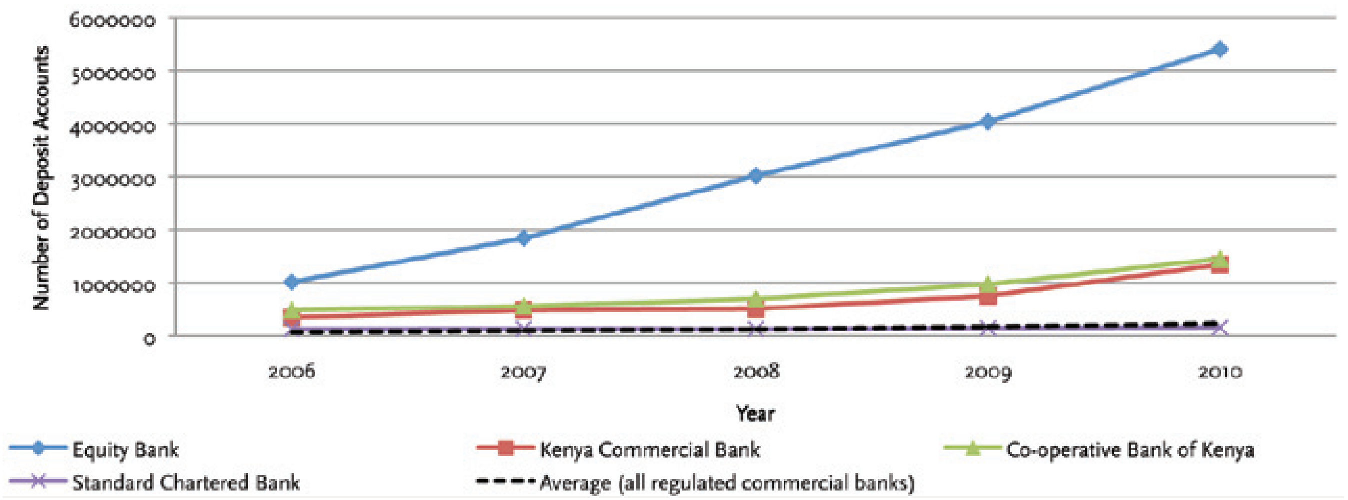


Figure 6.2: Number of Deposit Accounts, Commercial Banks, 2006-2010[43]



accounts. This is because Equity Bank is targeting a broad market to reach a large customer base while Standard Chartered's focus is more upmarket on fewer clients who possess larger volumes of savings.

Microfinance Institutions

Although less widespread than commercial banks, microfinance institutions play an important role in Kenya's savings sector. Traditionally a lender to the poor, the MFI sector was licensed to take deposits in 2006. And at the beginning of 2012, Kenya has licensed and regulated six deposit-taking microfinance institutions. As of September 2011, these MFIs held 1.52 million deposit accounts and close to KSh 10 billion (US $116 million) in deposits.[47] In addition, the CBK notes that deposit-taking MFI branches grew from 6 in 2009 to 47 in 2010. This expansion of MFI deposit services is one of several factors contributing to the 47.9 percent increase in deposit accounts over the same one year period.[48]

The Microfinance Act of 2006[49] was the first of several laws pertaining to licensing provisions, central bank supervisory powers, and protection of deposits. Further regulations defining and governing deposit-taking microfinance institutions include:

- Categorization of Deposit-Taking MFIs (2008)
- Deposit-Taking MFI Regulations[50] (2008)
- Deposit-Taking MFI Regulations — Consumer Protection (2008)
- Guideline on the Appointment and Operations of Third Party Agents by DTMs (2011)

Case Study: Adaptation of Services to Women at Kenya Women Finance Trust

"Women in Kenya have evolved over time. They are technologically savvy and more intelligent hence the need to develop products that match the said transformation." — KWFT Informant Interview

Kenya Women Finance Trust (KWFT) is a deposit-taking microfinance institution whose products are available exclusively to women and children. Its product development philosophy encompasses a long-term vision where the goal is to bring women, their children, and subsequent generations into its clientele. KWFT has been particularly successful in adapting its savings products to suit an evolving customer base.

KWFT attributes its rapidly growing client base (480,000 as of September 2011) to its unique marketing strategy, where only one product is promoted at a time. While heavy marketing through print materials, billboards, radio advertisements and organized campaigns is successful at getting the word out, KWFT also employs tools for staff to interact with potential clients and find areas for product adaptation. Through roadshows and a technique called "activation", where staff pitch tents in various areas to interact directly with current and future clients, KWFT has embraced the idea that their products have to adapt and evolve with the changing needs of their clients. Adaptations include a mobile banking partnership with Safaricom and correspondence banking partnerships with Kenya Commercial Bank and Kenya Co-operative Bank.

Yet macroeconomic factors such as high inflation are making it difficult and expensive to open branches, so it remains to be seen whether KWFT will be able to adapt its institution to a sometimes volatile and increasingly competitive atmosphere.

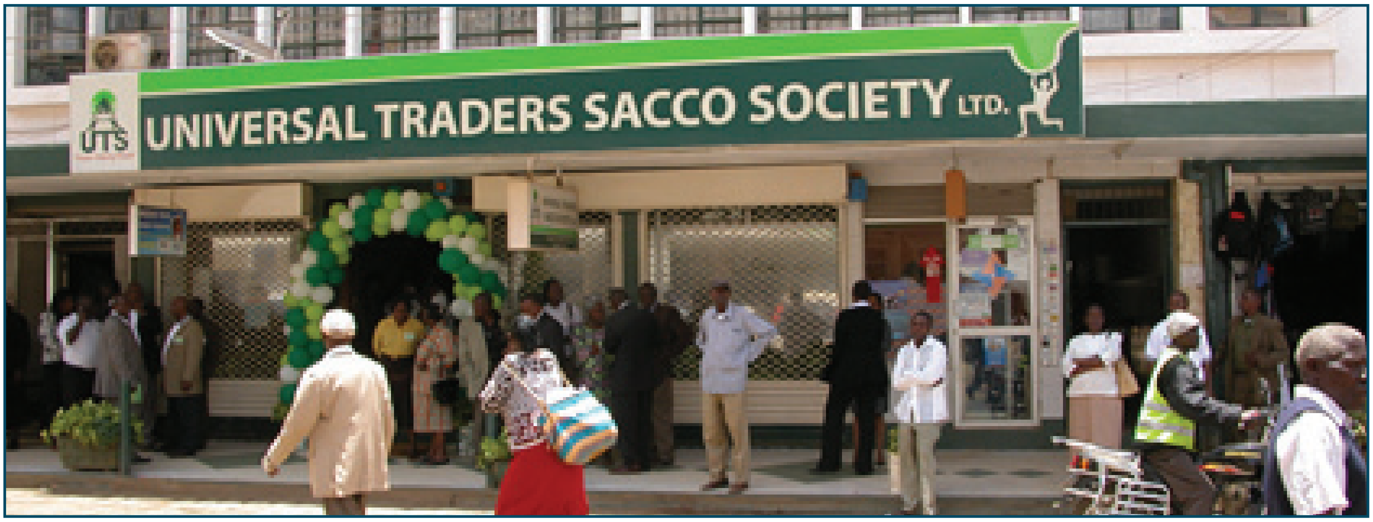
Savings and Credit Cooperative Societies

As of December, 2010, there were 3,280 savings and credit cooperative societies (credit unions) that were active across Kenya.[52] In October 2011, the Cooperative Development Minister Joe Nyagah announced that Kenya's entire SACCO industry had mobilized KSh 230 billion, equal to 31 percent of national savings.[53] Of the estimated 3,280 active SACCOs, 219 together control a full 67 percent of deposits in the sector. Because these institutions weigh heavily on the Kenyan financial system, the SACCO Societies Act of 2010 created the SACCO Societies Regulatory Authority (SASRA) to license, regulate, and supervise SACCOs. According to the CBK[54], SASRA's primary goal is to license these 219 institutions and as of January 2012, 96 have come under its purview.[55]

Case Study: Supporting SACCOs Growth with KUSCCO's Central Finance Fund

Many SACCOs in Kenya struggle to find adequate financial support to grow their services and client base. To better serve these SACCOS, the Kenya Union of Savings and Credit Cooperatives (KUSSCO) established a Central Finance Fund in 1989, which offers savings and loans products to member SACCOs. The fund is sourced by member SACCOs' deposits (minimum of KSh 5,000 per month), which accumulates interest (2 percent per annum for regular deposits) and builds the financial foundation for loans. The funds offer a wide range of loan and savings products to its SACCO members including[56]:

- SACCO Compliance Advance and Savings: An account designed to help SACCOs meet the SACCO Society Regulatory Authority's regulatory requirements and compliance measures by ensuring access to a wide range of advance funds.
- KUSCCO Jungu Kuu Loan: A loan given to SACCOs to help provide extension of credit to their members.
- Vijanaa Loan: A loan targeting youth-based SACCOs to facilitate the development of youth focused income generating projects.



Non-Traditional Savings Providers

Non-bank, for-profit institutions are also starting to gain ground in Kenya as companies such as Zimele Asset Management, Changamka Microhealth, and CIC Insurance begin to offer unique savings vehicles. While the products they offer are not technically regulated as savings accounts, they do offer ways for lower-income Kenyans to accumulate wealth.

CIC Insurance and Changamka Microhealth are both insurance companies licensed under the Insurance Act and each provides a unique savings instrument. CIC Insurance offers long-term savings plans coupled with their insurance products while Changamka provides mechanisms for saving towards discounted health-related services. Changamka also utilizes technology in delivering its products via M-PESA and electronic cards.

Case Study: Zimele, Where the Customer Becomes the Employer

Zimele Asset Management provides a savings plan which allows account holders to invest money in a mutual fund holding short-term instruments such as Treasury bills, commercial paper, and other interest-earning assets. According to informant interviews, professional management services in Kenya traditionally require KSh 7 to 15 million (US $81,000 to 175,000). Yet Zimele saw a large untapped market in the low-income populations, and they were able to reduce this barrier to KSh 5000 (US $58) with the Zimele Unit Trust Money Market Fund.

However, they encountered several initial problems in the implementation of this product. First, delivery channels and distribution were a major hindrance because the agency model proved problematic due to the difficulty of training agents to sell the product. In addition, the unfamiliarity of the terms "asset management" and "money market investments" often turned off potential clients and required an extensive awareness-raising marketing scheme.

To solve these problems, Zimele looked to the 2009 FinAccess report by FSD which indicated that "savings" was in higher demand than credit. This led to a simple, but effective, change in the investment product's name. Now called the Zimele Savings Plan, the product immediately reflects what it offers to the public and has garnered a significant number of new customers. In addition, Zimele found that the adoption of technology, in the form of M-PESA and the internet, allowed them to reduce the required opening amount to KSh 250 (US $2.90) and therefore greatly increase access to low-income Kenyans. Although clients do not have the flexibility to withdraw cash as they would in a liquid savings account, they have the opportunity to see greater returns on their investments than with commercial bank accounts where the interest rates tend to be much lower. One of the starkest differences between Zimele and commercial banks is that "the customer is the employer", meaning that the client pays Zimele to manage their funds and the returns on investments go to the customer, instead of the bank.

Mobile Network Operators

In the last five years, mobile network operators (MNOs) have established themselves as a central player in the Kenya financial landscape. At the end of 2011, there were four MNOs offering mobile money services in Kenya: Safaricom, Airtel, Orange, and Essar. In June 2011, mobile subscriptions across all MNOs totaled almost 26.5 million subscribers with mobile money subscriptions growing to reach 69 percent of all mobile subscriptions.[58] Mobile money deposits for the four months between July and September of 2011 totaled more than KSh 56 billion (US $651 million). This was a 58.6 percent increase from the year before and translates to KSh 2,774 (US$32.26) on average per mobile wallet.[59]

The diversity of different financial service providers in Kenya has helped to drive competition and progress of Kenya's financial inclusion efforts. In particular, with the entrance of mobile network operators into the financial landscape, increasing presence of non-traditional savings providers, and formalization of the SACCO sector, traditional players have been forced to compete for their customers. And as financial institutions struggle to maintain and grow their market position, more financial services have focused on reaching and providing for low-income populations. In particular, commercial banks have grown their small-balance savings accounts, and mobile money, led by M-PESA, has become a central player in the financial landscape. The Kenyan regulatory environment has contributed to and encouraged this open market; the rapid growth of new services including mobile money, spread of new models like agent bank-

Case Study: Regulatory Debate: Mobile Money's Origins and Continued Growth

From M-PESA's humble beginnings as a pilot project funded by the UK government's Financial Deepening Challenge Fund in 2005 to mobile money's current integral role in Kenya's financial market, M-PESA, and the wider mobile money ecosystem in Kenya, has been operating in a largely uncharted and supportive regulatory environment. To a degree, mobile money has fallen between two government regulators: the Communication Commission of Kenya and the Central Bank of Kenya. Increasingly, the Central Bank of Kenya has taken on a larger regulatory role over mobile money from insuring M-PESA's deposits under the Deposit Protection Fund and auditing M-PESA in 2009 to potentially further tightening its regulatory oversight with the progression of the National Payments System Bill.

Although other mobile money transfer platforms have launched since 2007, including Airtel Money (2011), Orange Money (2010), and yuCash (2009), M-PESA remains the dominant player with around 80 percent of all registered customers and 60 percent of all registered mobile money agents. Safaricom, the MNO who runs the M-PESA service, remains the only operating MNO with government ownership. According to Safaricom's 2009 Annual Report, this ownership was reported to be as high as 45 percent of the company's shares in March, 2009.[60] With increasing competition in the mobile money arena, there is a need to ensure that as the mobile money regulatory environment matures it is not influenced by favoritism. Already there have been claims that the early development of the regulatory environment that gave way to M-PESA's rapid growth was made more conducive because of the government ownership in Safaricom.[61]

Table 9: M-PESA's and Mobile Money's Growth 2007-2011[62]

	2007	2008	2009	2010	2011
Number of Agents	527	3,011	10,735	31,902	46,588
Number of M-PESA Agents	513	3,011	10,735	18,977	27,988[63]
Number of Total Registered Mobile Money Customers/Accounts (Million)	0.18	3.04	7.39	10.44	17.99
Number of Registered M-PESA Accounts (Million)	0.17	3.04	7.15	10.23	14.01[64]

ing, and other regulatory adaptations have made Kenya's savings landscape a multi-faceted and constantly evolving market.

Savings Product Development Data

To collect information and comparable data on savings products' specific features, the research team disseminated the SPINNAKER institution and savings product data entry form[65] to twenty nine institutions, who had been identified during preliminary research and by SPINNAKER partners as offering innovative savings services to the poor.[66] In the end, twenty financial institutions participated in the study and contributed data on over 100 savings products being offered in the Kenyan market. The product data presented below does not represent the full spectrum of savings products offered in Kenya. However, SPINNAKER's goal is for the following details to highlight the broad landscape of information and data on savings products for the poor and to highlight innovative features that arise from the local intricacies of the Kenyan market. This section will examine in detail savings product features including (1) uptake, (2) target market, (3) incentives & services, (4) know your customer (KYC) opening requirements, (5) delivery channels and technology, and (6) pricing and fees.

Breakdown of Product Data

The participating institutions included thirteen commercial banks (among these, one postal bank and one state owned bank), four microfinance institutions, two non-traditional saving providers, and one cooperative (Figure 7). Please see Annex 5 for a full run down of the participating institutions. Of note, commercial banks represented over half of the participating financial institutions, and the combined number of deposit accounts across the participating commercial banks totaled more than 10.5 million in 2010 (7.24 million of which are represented by the product data) — enough deposit accounts to cover more than one-fourth of Kenya's total population.

Data on 104 savings products reveal clear distinctions among the types of products being offered across institutions.[67] Figure 8 shows how each product surveyed falls into one of three categories: current account, commitment savings account, and recurring standard deposit account.

Current accounts are defined as plain vanilla demand deposit accounts that offer the ability to deposit and withdraw with minimal to no restrictions. They may or may not pay interest and include passbook and basic savings accounts.

Figure 7: Types of Institutions Surveyed

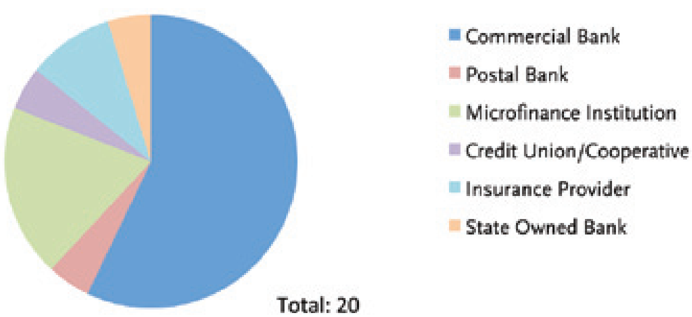


Figure 8: Types of Savings Products

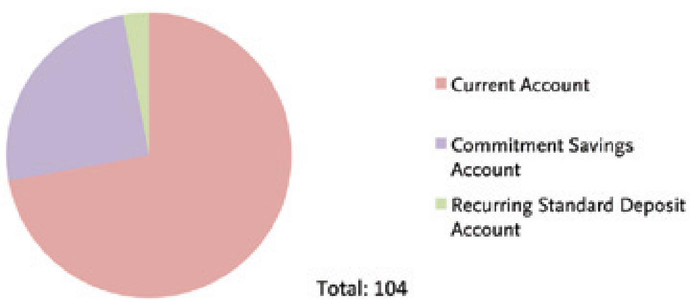


Table 10: Types of Institutions Surveyed, Number and Types of Products Provided

Institution Type	Number of Institutions	Number of Products	Current Accounts	Commitment Accounts	Recurring Standard Deposit Accounts
Commercial Bank	13	77	60	14	3
Cooperative	1	5	5	0	0
Microfinance Institution	4	18	9	9	0
Non-Bank FI	2	4	1	3	0

The study profiled 75 current account products from 19 institutions. In addition, 15 institutions provided data on 26 commitment savings account products. These products have less (or no) liquidity than current accounts and are typically opened in order for clients to reach specific goals, such as saving for school fees or major asset. Commitment savings products are also classified into one of three sub-types:

1. Compulsory or mandatory savings, most likely linked to credit
2. Contractual or programmed savings, where clients will save steady, small deposits against a specified future goal
3. Time/Certificate/Fixed Deposit

Figure 9.1: Average Number of Accounts per Product (Current vs. Commitment Savings)

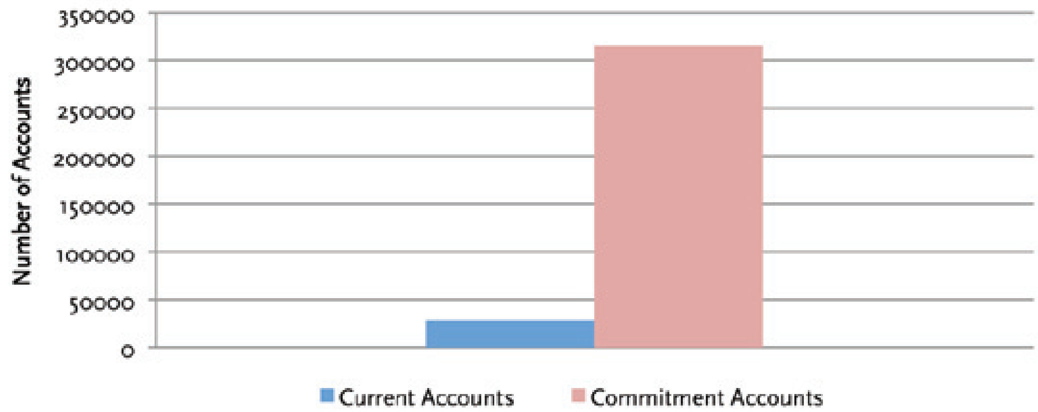


Figure 9.2: Average Volume of Deposits per Product (Current vs. Commitment Savings)

Figure 9.3: Average Balance per Account (Current vs. Commitment Savings)

Finally, this study also surveyed recurring standard deposit products, which allow periodic deposits to be made into accounts. These deposits may come from:

1. Government-to-Person Payments (G2P) Savings
2. Payroll Savings
3. Pension Savings
4. Remittance Products

Out of the available product data, only 3 were classified as recurring standard deposit accounts and for this reason are not included in the data analysis that follows.[68] In addition, Table 10 shows the types of institutions surveyed as well as the number and types of savings products they provide. For each savings product, SPINNAKER collected data on over 35 fields. Annex 3 lists and describes a select amount of data fields in detail.

Uptake

Current and commitment savings accounts have palpable differences in their product development and structure. Figure 9 explores how these differences affect consumer uptake and usage on two levels:

1. Product level: Average number of accounts (Figure 9.1) and volume of deposits (Figure 9.2)
2. Individual account level (Figure 9.3): This is calculated using the average balance present in each individual account (volume of deposits/number of accounts)

Based on the products with available data, commitment products garner higher uptake by a factor of 11. Similarly, these commitment savings products hold 4.5 times the average volume of deposits than the current account products surveyed. However, the average balance in each individual current account is almost equal (in fact, greater than) to that in commitment savings accounts.

Target Markets

The study also surveyed whether or not savings products targeted specific markets with regards to occupational

Figure 10.1: Opening and Maintaining Requirements (Child/Youth vs. No Target Current Accounts)

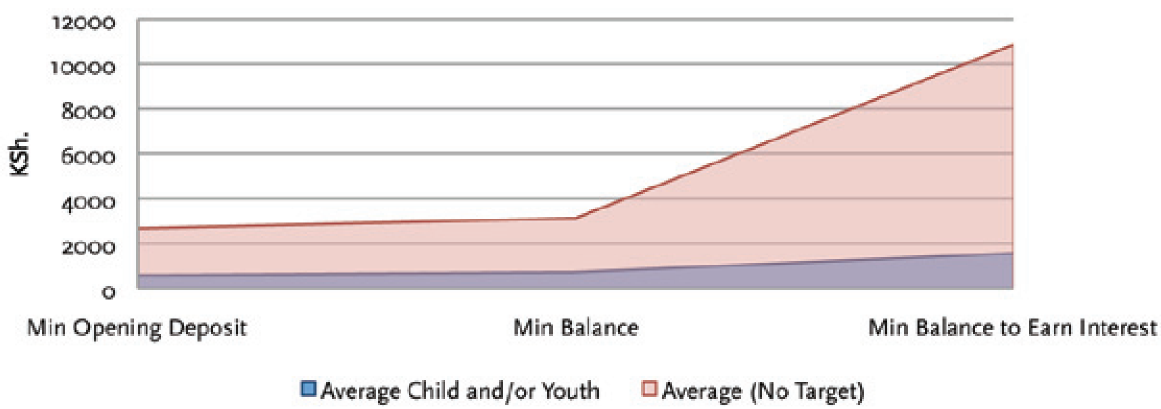
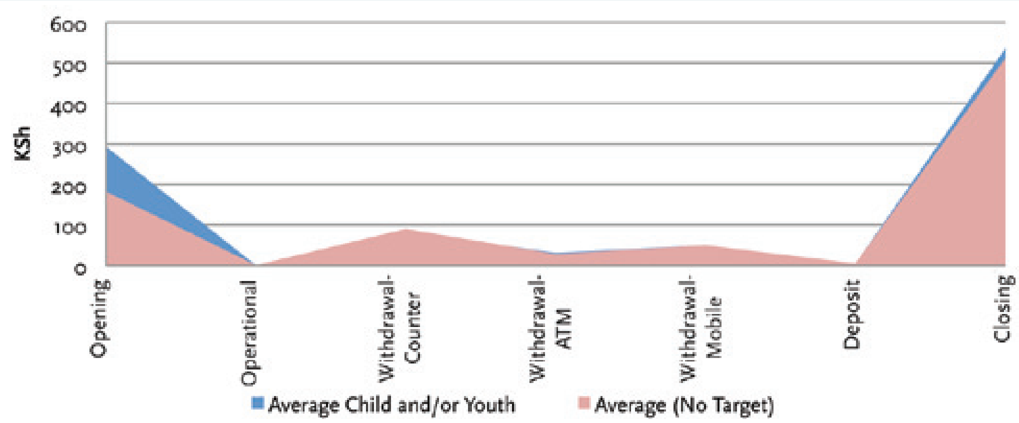


Figure 10.2: Fees (Child/Youth vs. No Target Current Accounts)



group, geography (rural vs. urban populations), gender, and age. Of the few products that did target specific occupational groups, such as micro-entrepreneurs, salaried employees, and students, all were offered by commercial banks. In addition, none of the products surveyed targeted specific geographic locations.[69]

More than 1 in 5 savings products surveyed target children and/or youth and their product features differ greatly from those products with no targeted age group (Table 11).[70] For example, the average interest rate for a child and/or youth product is 4.03 percent compared to 1.63 percent for those without a target demographic.

Table 11: Age Group

Age Group	All Products	Percent	Commercial Bank	Percent	MFI	Percent	Cooperative	Percent	Non-Bank FI	Percent
Child (only)	6	5.9	5	6.8	0	0	1	20.0	0	0
Youth (only)	6	5.9	5	6.8	0	0	1	20.0	0	0
Child and Youth	10	9.9	7	9.5	3	16.7	0	0	0	0
Total	22	21.8	17	23.1	3	16.7	2	40.0	0	0
College	2	2.0	2	2.7	0	0	0	0	0	0
Elderly	0	0	0	0	0	0	0	0	0	0
None	62	61.4	46	62.2	11	61.1	3	60.0	2	50.0
No Data	15	14.9	9	12.1	4	22.2	0	0	2	50.0
Total	101	100	74	100	18	100	5	100	4	100

Figure 11.1: Number of KYC Opening Requirements per Product

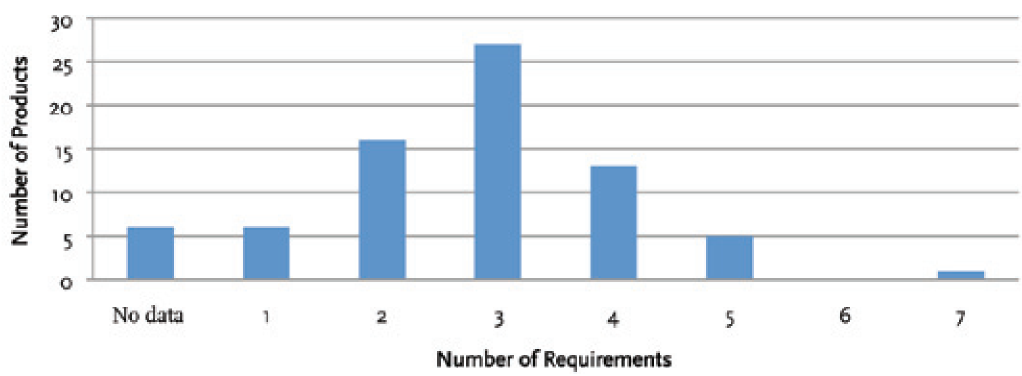


Figure 11.2: KYC Opening Requirements

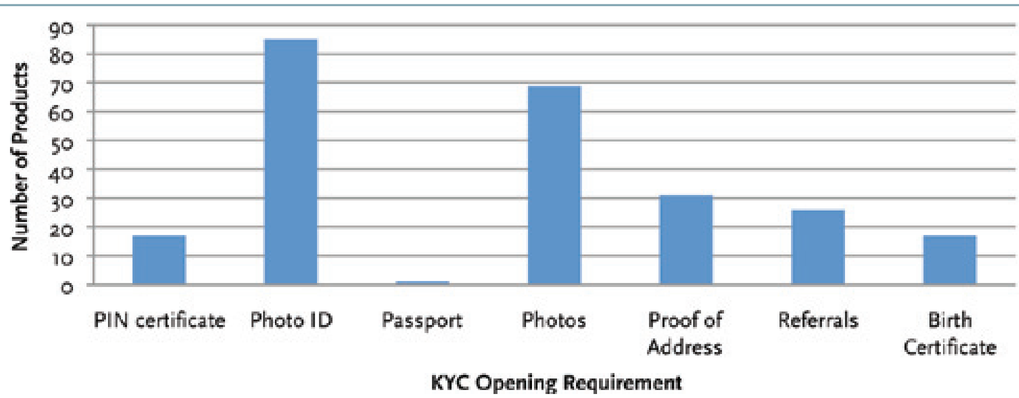


Table 12: Incentives & Services

	All Products	Percent	Commercial Bank	Percent	MFI	Percent	Cooperative	Percent	Non-Bank FI	Percent
Incentives										
Yes	45	70.3	37	58.7	11	84.6	3	60.0	2	100.0
No	19	29.7	26	41.3	2	15.4	2	40.0	0	0.0
Services										
Yes	31	48.4	28	44.4	5	35.7	2	40.0	4	100.0
No	33	51.6	35	55.6	9	64.3	3	60.0	0	0.0

Case Study: Unique Product Approaches to Targeting Women Across Different Institutions

This study collected data on 8 products which target female clients, equivalent to approximately 8 percent, or 1 out of every 13 savings products surveyed. These products are offered by three extremely different institution types, suggesting that "women" are not a homogeneous target market:

1. Kenya Women Finance Trust (KWFT) — Microfinance Institution
2. Changamka Microhealth — Non-bank Financial Institution
3. I&M Bank — Commercial Bank

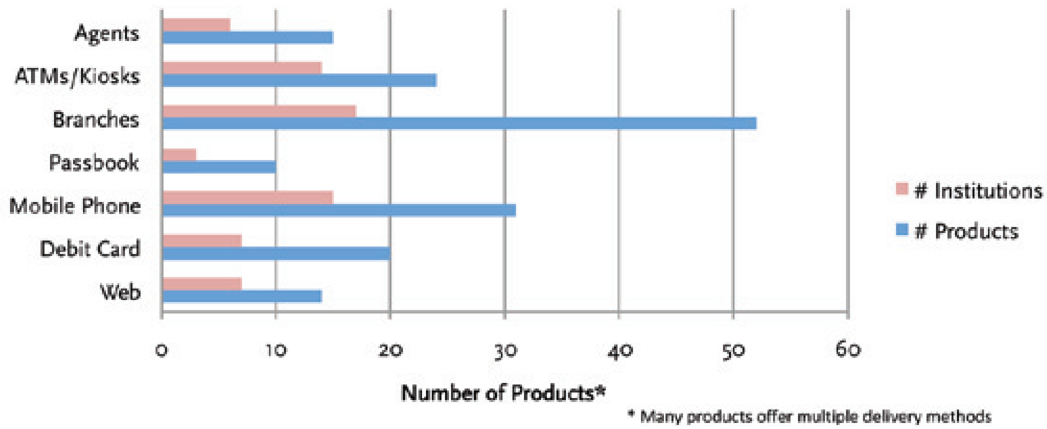
According to key informant interviews, KWFT sees itself as targeting women whose income level places them furthest down market. Their Tegemeo Savings Account requires no minimum opening deposit and involves a commitment mechanism in the form of withdrawal restrictions. In addition, there are no deposit fees and the service is accessible via mobile banking.

On the other end, I&M Bank also offers a savings product for women, the Malaika Account. However, with a minimum opening deposit of KSh 20,000 (US $230)[71], low-income populations have extremely limited, if any, access. In addition, transactions are done at ATMs, and the product is not integrated with a mobile banking platform.

Changamka offers the Maternity Card, a savings product whose accessibility to low-income markets is somewhere in between that of KWFT and I&M's products. Informant interviews with the institution suggest this product is targeting lower-income women, but not necessarily the poorest clients. In addition, the product has an opening fee of KSh 250 (US $3) and each account maintains an average balance of KSh 660 (US $7.70).[72] Both of these figures indicate this product is reaching lower-income clients but may still not be accessible by the poorest of the poor.

All three institutions, however, have one common theme: use of a heavy marketing campaign. KWFT and Changamka both use roadshows to get their message out while I&M employs several techniques including billboards, e-mails, mobile messages, and radio advertisements. This emphasis on marketing across varying products and institutions suggests that there is a substantial and highly competitive market for savings services targeted exclusively at women in Kenya.

Figure 12: Delivery Methods Offered (Products and Institutions)*



Figures 10.1 and 10.2 show how select data fields differ from non-child and non-youth products. In terms of monetary opening and maintaining requirements, child and/or youth accounts require on average lower minimum opening deposits, minimum maintaining balances and minimum balances required to earn interest. On the other hand, openings fees for child and/or youth accounts are 61 percent higher than all current accounts with no target age group. Yet operational, withdrawal (counter, ATM, and mobile), deposit and closing fees are all similar for both types of savings accounts.

Incentives and Services

Oftentimes, savings products can distinguish themselves by offering customers incentives such as prizes, targeted gifts, retail discounts and interest rate premiums. In this study, 70 percent of surveyed products across all four institution types offered one or more incentives (Table 12). Additionally, 48 percent of products offered services such as life insurance, access to loans, and financial education.

KYC Opening Requirements

In order to open a formal savings account, many institutions have Know Your Customer (KYC) opening requirements. This may include documents such photo identification, passports, photos, or birth certificates. Of the products surveyed, each required at least one item, with several products asking for multiple documents (Figure 11.1). In addition, some KYC opening requirements are exclusionary due to difficulties poor populations face in obtaining them. For example, 31 products require proof of address, oftentimes in the form of a utility bill, and 17 need a copy of the customer's PIN certificate, issued by the Kenya Revenue Authority to taxpayers (Figure 11.2). Both of these requirements may prevent poor Kenyans from opening formal savings accounts.

Delivery Channels & Technology

Of the 20 financial institutions participating in the SPINNAKER study, 17 institutions reported utilizing technology to implement and deliver their savings products with 15 institutions reporting the use of mobile phones to deliver over 30 savings products. ATMs were the second most utilized technology to deliver saving services, as 13 of the surveyed institutions offered ATM services to their clients (Figure 12). Though technology directly impacts savings product development through new delivery channels, informant interviews also indicate an indirect effect in that it has made institutions more efficient in their customer service while driving down operating costs.

Pricing and Fees[73]

In order to open both bank and MFI savings products in Kenya, customers will often face monetary barriers to entry in the form of "minimum opening deposit" and "opening fees". For commercial banks, the average minimum opening deposit for current accounts is over KSh 1900 (US $22) and equal to 16 percent of Kenya's per capita monthly income (Annex 6, Table 1).[74] On the other hand, the average minimum opening deposit at MFIs is only KSh 150 (US $1.74).

Upon closer look, the commercial bank products surveyed can require opening deposits as high as KSh 50,000 (US

$581) while MFIs max out at KSh 500 (US $5.81). Clearly, many of the commercial bank products surveyed are not accessible to low-income groups. However, if excessively prohibitive products are excluded from the analysis by examining the 50 percent of commercial bank current accounts below the median, the average required opening deposit drops down to KSh 153 (US $1.78), almost equal to that for MFI products.

Commitment accounts from commercial banks, on the other hand, have an average minimum opening deposit of over KSh 37,000 (US $430), or 312 percent of per capita monthly income (Annex 6, Table 2). Even those products offered by MFIs have a prohibitively high cost of KSh 5,200 (US $60.47), or 44 percent of per capita monthly income. The average minimum opening deposit of products below the median, however, drops to KSh 285 (US $3.31) (2.4 percent of per capital monthly income) for commercial banks and KSh 575 (US $6.69) (4.9 percent of per capital monthly income). Notice that below the median, the commitment products offered by commercial banks are less expensive to open than those from MFIs, in contrast to data regarding current accounts.

In terms of opening fees, the average commercial bank current account charges KSh 248 (US $2.88), compared to KSh 0 (zero) required by MFIs (Annex 6, Table 3). However, the average opening fee for commercial bank products below the median also drops down to KSh 0 (zero). Of all the commitment products surveyed, only one requires an opening fee and it is offered by a non-bank financial institutions (Annex 6, Table 4). Almost 50 percent of the savings products surveyed did not provide any data regarding inactivity fees (Annex 6, Tables 5 and 6). Of those that did, the highest fees levied were KSh 250 (US $2.91) by commercial banks and KSh 200 (US $2.33) by MFIs. Yet 45 percent and 22 percent of commercial bank and MFI current accounts, respectively, did not charge any inactivity fee at all.

On average, the interest rates for current accounts offered by MFIs are three times higher than those given by commercial banks (Annex 6, Table 7). Additionally, the minimum interest offered by an MFI product is 4 percent, whereas 90 percent of all commercial bank products garner interest below 4.0 percent (with 50 percent offering rates below 1.0 percent). However, commercial banks and MFIs on average offer very similar interest rates for commitment savings accounts, each above 6 percent (Annex 6, Table 8). Yet similar to current accounts, the minimum interest rate offered by MFIs is 4 percent versus 1.5 percent at commercial banks. At first glance, it seems as though MFIs typically offer savings products that are more accessible to the poor than those developed by commercial banks, in terms of less money required to open accounts and higher interest rates. However, half the commercial bank products surveyed also offer equivalently low required opening deposits and fees.

With the wide range of savings products being offered, efforts to focus on and increase monetary accessibility for the poor can clearly be seen, but there have also been considerable measures to increase the physical accessibility and convenience of savings products, often through the utilization of technology in delivery channels.

The Impact of Technology and Mobile Money on Savings

An analysis of the Kenyan landscape of savings would be incomplete without examining the impact and role of technology in the financial system. In particular, M-PESA is the fastest growing and most successful mobile payments system not only in Kenya but in the world, and Kenya is considered by many experts as the leading pioneer in the technology for financial inclusion space. However, the question still remains: how exactly has M-PESA and more generally the rapid adoption of technology among clients and financial institutions changed the savings landscape?

Mobile Money in Kenya

In 2011, mobile payment systems transferred over 900 billion KSh (US $10 billion)[75] representing almost 30 percent of the country's GDP[76]. In four years, M-PESA has reached over 14 million clients and built a supporting agent net-

Table 13: Mobile Money Growth in Kenya, 2007-2011[79]

	2007	2008	2009	2010	2011
Amount Transferred (KSh billion)	1.49	61.07	318.44	597.31	919.22
Number of Transactions (Million)	0.48	21.77	125.12	251.25	364.06

work of nearly 28,000 outlets,[77] and the mobile money platform processes more transactions domestically than Western Union does globally.[78]

M-PESA and other mobile money services can be used for a wide range of financial activities including sending and receiving money, paying bills, purchasing airtime, and storing sums. All transactions are recorded and displayed to the user via SMS. Tiered fees are charged based on the amount a user sends or receives with a minimum transfer of 10 KSh[80] (US $0.12) and maximum of 70,000 KSh (US $814). For a detailed rundown of these fees please see Annex 7.

Although mobile phone technology is a central monetary vehicle in the Kenya financial market, it is not the only delivery channel that Kenyans are using to access financial services. In particular, ATMs have grown a large network of systems. In the last five years, the amount of debit cards has increased by more than 600 percent and the number of ATMs has doubled. And in 2011, according to the Central Bank of Kenya, there were 2,183 ATMs across Kenya accompanied by 7,002,091 debit cards, 1,439,729 ATM cards and 117,835 credit cards.[81]

Mobile Money's Impact on Savings

When looking directly at the impact mobile money has had on savings, a number of surveys show clear positive results. A FSD survey conducted in November 2010 compared the savings habits and usages of M-PESA users versus M-PESA non-users. The initial survey collected data on more than 6,000 individuals and was supplemented by a more detailed survey of M-PESA users' activities and background.

The results showed that 65 percent of M-PESA users reported saving compared to 31 percent of non-users. The median amount saved per month was KSh 1,000 (US $11.63) for M-PESA users, doubling that of non-users. Of these M-PESA savers, 53 percent retained a balance between KSh 100 and 5,000 (US $1.16 and $58), 43 percent retained a balance of less than KSh 100, and 4 percent retained a balance of more than KSh 5,000. Results from the survey also showed that M-PESA savers were predominately saving for precautionary measures (46 percent) like emergencies, children's future, retirement, etc. and then for a big purchases (38 percent) like education and business provisions and finally for liquidity management and day to day household needs (16 percent).

When asked to rank the importance of (a) buying airtime, (b) storing money, (c) sending money, (d) receiving money, (e) paying bills, and (f) having someone pay for your bills, storing money was ranked second in importance behind only sending and receiving money. And the top recommendation for M-PESA was the ability to save and earn interest on their stored money.

A demand-side study[85] by MIT and Georgetown researchers conducted in late 2009 surveyed the financial and saving habits and instruments of 3,000 randomly selected households across Kenya and found that M-PESA promotes savings. The data collected showed that 81 percent of respondents used M-PESA for savings, and when prioritizing the importance of savings instruments, M-PESA ranked the highest with 21 percent of respondents considering it the most important savings tool.

To link these mobile phone saving habits to formal financial accounts, mobile money services have begun to integrate their platforms with a wide range of financial institutions including commercial banks, microfinance institutions and SACCOs. These linkages have become increasingly common, and it is estimated that more than 75 institutions at the beginning of 2011 were partnering with M-PESA to offer mobile-linked financial products with different degrees of integration.[86]

Mobile Money Agents and Agent Banking

Kenya has pioneered the rapid expansion of access to finan-

Case Study: M-PESA's Uptake and Usage Among the Poor

Although originally used predominately by wealthy populations, M-PESA is rapidly becoming a financial tool of the rich and poor alike. A survey of early M-PESA users in 2009 found that 62 percent of registered users were in the highest wealth quintile with this number decreasing to 7 percent in the lowest wealth quintile[82]; however, more recent studies show that later adopters are coming from "more varied socioeconomic levels."[83] In particular, a survey comparing M-PESA users in 2008 and 2011 showed the share of unbanked populations users increased dramatically from 21 percent to 75 percent and more rural, poor users (those living outside of Nairobi on less than $1.25 a day) also increased from 20 percent to 72 percent.[84]

For the first time since launch, Safaricom has modified M-PESA's fee structure and transaction limits. Users are now able to send and receive transfers as low as KSh 10 (US $0.12) (the previous minimum was KSh 50), and the fees for transfers among registered users under KSh 500 (US $5.81) have also been reduced. Although there are increased fees for certain high-value transfers, the new transaction structure helps to open up low-value transaction activity. The table below compares M-PESA's new and old transaction limits and fee structure at low-value transfers.

	New Transaction Fee Structure			Old Transaction Fee Structure		
Transaction Range (KSh)	Transfer fee for Registered Users (KSh)	Transfer fee for Unregistered Users (KSh)	Withdrawal Fee (KSh)	Transfer fee for Registered Users (KSh)	Transfer fee for Unregistered Users (KSh)	Withdrawal Fee (KSh)
10-49	3	n/a	n/a	n/a	n/a	n/a
50-100	5	n/a	10	10	n/a	15
101-500	25	60	25	30	60	25
501-1000	30	60	25	30	60	25

Beyond monetary advantages, mobile money provides a viable alternative for the poor in terms of increasing convenience and reducing psychological barriers to entry. In particular, mobile money provides unparalleled proximity to services, longer hours of operation, shorter lines and more familiar service from a local agent; all these factors contribute to a less intimidating and more convenient environment for the poor.

cial services through the use of technology, and a crucial underpinning of this progress has been the spread of agent outlets. These agents have allowed institutions to outsource certain financial activities and provide services to populations traditionally considered unprofitable and unreachable.

In four years, Safaricom has spearheaded the growth of agents reaching 28,000 M-PESA outlets. In less than three years after M-PESA agents were allowed to proliferate, the CBK sanctioned commercial banks to engage in agent banking. In the first year of issuing guidelines for agent banking, almost 9,000 commercial banking agents were registered and able to conduct 5.92 million transactions valued at KSh 28.7 billion (US $333.7 million). In a briefing to investors in October, 2011, Equity Bank's CEO, James Mwangi attributed the agent banking model to the bank's recent earnings and growth. "Agency banking is a reality and is starting to have significant impact. The agencies are doing a third of the transactions done by branches. It is creating new business for Equity Bank."[89]

Data from the CBK and Safaricom show that while the number of bank branches and ATMs is increasing, their growth is not as fast as that of commercial bank and M-PESA agents (Figure 14). As soon as commercial bank agents were approved by regulators in 2009, their one year growth rate (2009-2010) has been faster than that of M-PESA agents. Informant interviews, however, indicate that the cost of an agent to a bank is substantially higher than that for Safaricom because of stricter regulation.

Case Study: M-KESHO: Forging A Unique Partnership Between Equity Bank & Safaricom

In March 2010, Equity Bank and Safaricom, the two largest companies by client-base in their respective industries, partnered to launch the mobile saving product M-KESHO. The much-publicized launch was attended by the President and Prime Minister of Kenya, and the co-branded product was jointly marketed as the "M-PESA Equity Account". The account is fully integrated into the M-PESA user interface and allows users to deposit and withdraw from their M-KESHO account through M-PESA transfers. The account offers M-PESA users a linkage to more sophisticated financial services including the following features:

1. Access to tiered interest rates (.5% for KSh 0-2,000 (US $0-23), 1% for KSh 2,001-5,000 (US $23-58), 2% for KSh 5,001-10,000 (US $58-116) and 3% for KSh 10,001 -35,000 (US $116-407))
2. Linkages with credit and insurance facilities
3. No minimum balances, account opening fees or ledger fees
4. Ability to view account balance and a shortened financial statement over your mobile phone
5. Limited account opening requirements include an ID, two photographs, and an application form and the ability to open accounts at a sub-set of M-PESA agents

Equity Bank pays the cost of KSh 10 (US $0.12) to Safaricom for clients opening an M-KESHO account, and to incentivize customers' usage, agent outlets earn KSh 30 (US $0.35) for individuals that start an M-KESHO account and an additional KSh 30 for the first deposit.[88] Withdrawal fees are KSh 30 at Equity branches and a minimum of KSh 40 (US $0.47) at M-PESA agents (KSh 30 + normal M-PESA withdrawal fees). In a year and a half since its launch, a reported 829,588 M-KESHO accounts have been opened with the volume of deposits totaling KSh 893,394,685 (US $10.4 million). This falls below the ambitious goal of attaining 3 million customers by the end of 2010 and represents less than 6% of total M-PESA users.

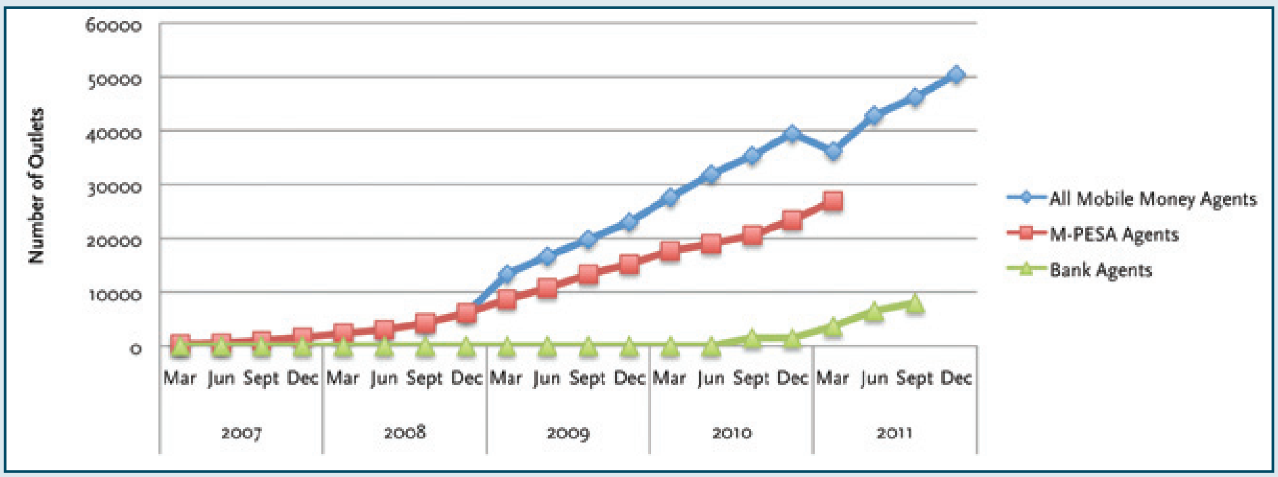
Case Study: The Regulatory Debate Over Agent Banking & M-PESA Agents

In 2010 less than three years after the launch of M-PESA, the CBK issued a "Guideline on Agent Banking" which outlines agents' and institutions' requirements, responsibilities, and permissible activities. The Guideline was issued to all commercial banks, non-bank financial institutions, and mortgage finance companies. At the end of 2011, a separate, equivalent guideline was extended to deposit-taking microfinance institutions. However, because M-PESA is not regulated under either of these guidelines, Safaricom has developed its own "agent requirements" outlining the process for authorization, conduct and other restrictions (these requirements can be found in their entirety in Annex 3).

The different regulatory measures and requirements of agents have been a source of controversy; in particular, two issues have been central to the agent network debate:

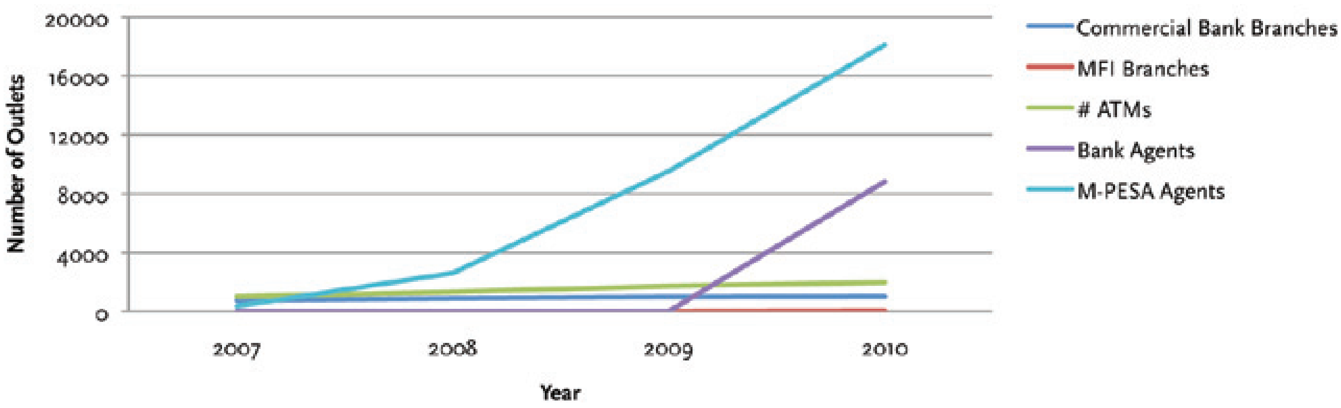
1. Exclusivity: In an increasingly competitive agent market, more efforts need to be made to ensure a level playing field for affiliating with a company or companies to offer mobile money or agent banking services. The CBK's Guidelines states that "no contract between an institution and an agent shall be exclusive". However, Safaricom requires that "an M-PESA agent must conform to Safaricom branding and merchandising standards," and in order to provide consistent branding and customer experience, there have been reports that Safaricom has been pressuring M-PESA agents to be exclusive operators.[91,92] Despite this, M-PESA agents are increasingly becoming agents for other mobile money providers and banks. In December 2008, M-PESA agents held the entire agent market; by December 2009, M-PESA agents represented 66% of total mobile money agents, and in December 2010, M-PESA agents totaled 57% of the total mobile money and banking agents (Figure 13).

Figure 13: Growth of Agent Banking, 2007-2011[93]



2. Float[94]: Lack of float across mobile money agents, and increasingly at agent banking outlets, has been raised as a persistent problem for handling customer deposits. The CBK's guidelines state that agents shall provide: "evidence of availability of funds to cover agent operations including deposits and withdrawals by customers."[95] And Safaricom requires agents to maintain the following requirements: (a) KSh 100,000 (US $1163) per outlet for float; (b) KSh 100,000 for SIM replacement cards; (c) a minimum float balance of KSh 200,000 (US $2326) in standalone agents. The deposits collected by agents are then transferred into several commercial bank accounts, which are regulated by the Central Bank of Kenya and insured under the Deposit Protection Fund. As we see increased linkages between mobile money operators and agents and further agent banking activity, the management of float will become more decentralized but also more important to the continued growth and security of the agent industry.

Figure 14: Growth of Delivery Outlets, 2007-2010[90]



The rapid adoption of mobile money and growth of agent networks in Kenya has been unprecedented, and the impact on the financial landscape profound. Mobile money transfers now represent almost 30 percent of the country's GDP, with M-PESA accounting for the largest share. Not only has mobile money proven to be a cost-effective and convenient way for the poor to access and transfer funds, but its users also view and utilize their mobile phones as savings vehicles. As mobile money continues to be adopted by poorer segments of the population, integrations between mobile money services and financial products, that are already becoming increasingly common, offer a huge opportunity to provide more substantial financial inclusion to the poor. The development of agent banking models has also been crucial to the spread of financial services to poorer and more rural areas. The ongoing development of mobile money and expansion of agent banking models will hinge on a regulatory framework that can mitigate the risks that arise with new and unchartered developments while continuing to allow for an open and balanced competitive environment.

Conclusion

Overall, Kenya's strong savings culture has helped transform the bottom of the pyramid into a competitive market space for formal financial institutions. While national surveys have shown that low-income Kenyans save for everyday needs, they also have a desire to save for milestones such as education and old age. In particular, commercial banks have responded by taking a leading role in offering a variety of savings products that are accessible to the poor, ranging from fully liquid current accounts to commitment savings.

While commercial banks have recognized the business case for serving bottom of the pyramid markets, the Kenyan government has also realized the value of financial inclusion as a poverty reduction tool. And the financial landscape has opened up to a diversity of savings providers driving forward competition. With the rise of new savings vehicles and traditional players evolving new products and models to keep pace, there have been a number of innovative efforts driving forward the market. This can be seen in the rapid uptake of low-balance deposits at banks, the growth of agent banking networks, and the continued spread and usage of mobile money by poorer populations. However, as these measures continue to mature, a better balance can be struck between providing a regulatory environment open to innovation but also clear and equal guidelines across the board.

In the end, the innovation of mobile money offers a new, convenient financial service that has transformed the savings landscape in Kenya. Initially, financial institutions viewed the rise of mobile money as a threat, but as these services have solidified themselves in the financial landscape, savings providers are increasingly adapting to link and leverage mobile money services with their financial products. And as our data shows, mobile products are becoming more and more prominent in the savings landscape. However, as further partnership occurs between mobile money services and banking services, technological integration and regulatory issues will become more relevant and central to progressing forward product offerings. As we have seen with M-KESHO and with other mobile-linked accounts, the frontier of mobile savings has arrived but fully capitalizing on the opportunities is still a work in progress.

Another promising sign for the Kenya savings landscape has been the Kenyan Government's commitment to financial inclusion data. The FinAccess surveys, the Kenya Open Data initiative, and the Central Bank of Kenya's comprehensive data sets enable the design of well-grounded financial products and the transparent development of the larger financial landscape. Our hope is that these precedents will also hold true with the rapidly developing SACCO sector and growing agent banking network.

In our research and analysis, there was a lack of information on the usage patterns of low-income segments. Future research questions could examine financial activity specifically relating to dormancy rates, frequency and volume of transactions, and adoption trends. With the integration of mobile money services and financial products that are accessible to low-income populations, these questions will become increasingly important.

The evolution of the Kenyan savings landscape continues to be shaped by the various monetary, physical, and psychological barriers to the formal financial system. Demand and supply-side data are at the heart of identifying and addressing the issues around these barriers and are fundamental to creating a comprehensive strategy for financial inclusion and overall economic growth. As Kenya moves to become a middle-income country by 2030, savings for the poor are on path to emerge as a central pillar of the country's poverty reduction strategy.

Annex 1. Further Data and Information on the SPINNAKER Website

For the complete listing of Kenya savings and savings product data on the SPINNAKER website:
http://data.spinnakernetwork.org/#/country/kenya

For the complete listing of Kenya focused publications on the SPINNAKER website:
http://community.spinnakernetwork.org/category/countries/kenya

Annex 2. Savings Product Data Entry Form

Institution Data Entry Form:
https://docs.google.com/spreadsheet/viewform?hl=en_US&formkey=dG5TaGZKS29mNkl2TnRwOGttcV9UdlE6MA#gid=0

Savings Product Data Entry Form:
https://docs.google.com/spreadsheet/viewform?hl=en_US&formkey=dDhWazB4eVFlX2NHd2w3YkdZdHNGLXc6MA#gid=0

Annex 3: Summary of Product Features

Data Field	Description
Product Type	Current, Commitment, Recurring Standard Deposit
Geography Target	Rural, Urban, Peri-Urban
Occupational Group Target	Clerks/Technicians, Farmers, Fisherman/Livestock, Low wage workers, Manager/Civil Servants, Micro-entrepreneurs, Pensioners, Professionals, Service employees, Students
Age Group Target	Child, Youth, College, Elderly
Gender Target	Male, Female
Number of Accounts	Total number of accounts for specified product
Number of Clients	Total number of clients with specified account
Volume of Deposits	Total volume of deposits for specified product
Interest Rate	Interest rate set by the institution for the individual product
Minimum Opening Deposit	Minimum deposit required to open an account
Minimum Required Balance	Minimum balance required to keep account open
Minimum Balance to Earn Interest	Minimum balance required to earn interest
Fees	Opening, Closing, Deposit, Monthly Operational, Withdrawal, Inactivity
Delivery Method	Agents, Mobile phone, ATMs/Kiosks, Debit Cards, Passbooks, Web, Branches
Places of Enrollment	Bank branch, delegated, online
Processing Time	Instant/less than 24 hours, Delayed 24 hours to one week, Over one week
KYC/Opening Requirements	Birth certificate, Driver's license, National ID/Federal Election ID, Photos, Proof of address, Referrals, Biometrics
Additional Incentives	Campaigns, Interest rate premiums, Lotteries, Matches, Prizes/targets, Seed Deposits, Top Ups
Other Services	Direct Deposit, Financial/Consumer Education Efforts, Groups, Training
Advertising & Dissemination	Billboards, Emails, Mobile Messages, Newspapers, Notices/Flyers/Brochures, Online, Radio, Word of Mouth
Market Research	Contracted out, In-house (Qualitative or Quantitative)

Annex 4: Key Informant Interview Guides

Table 1: Practitioner Key Informant Interview Guide

Core Questions	Probe Questions
On Types of Products and Outreach 1. What savings products do you offer to the public?	• What are the differences among these products? • What differentiates them from other savings products in the field (minimum opening balances, utilization of technology, and return on savings)? • What product features are most important to the market?
2. What is the position of your institution in the advocacy to mobilise savings from the poor?	• What market segments do you target (rural communities)and why? • What are the characteristics of low-income savers in your institution? •How accessible are your products to low-income groups? Why do you say so? • What are the different roles of commercial banks, SACCOs and MFIs? • How do you understand the business case of low-income savers? • What is your attention paid to savings in comparison to credit services?
On product design, innovation and delivery 3. What have been your experiences in serving the low-income groups with savings products and services?	• How do you utilize technology to enhance the product experience for your customer and/or internal efficiency? • What is the role of marketing in your strategy to reach more savers? • What regulatory recommendation would you make?
4. How do you currently develop (improved or new) savings products?	• When was the last time you went into savings product development- improved or new? • What market information do you use?
5. How do you know if the savings product is successful?	• What indicators of success do you use in savings products? • How do you measure or assess impact?
6. What challenges do you face in delivering savings products? Please elaborate.	• How do you overcome these challenges? • What savings product information do you monitor internally as part of product management?
7. What information support would you need to help you better strategize the management and growth of you savings portfolio?	• What external sources of information do you currently use in managing your savings program? • What specific information do you get from these external data sources?
8. What type of information on savings products would you be willing to share to a network or external support group?	• What information are you currently sharing to external parties? • What savings information do you consider sensitive for the public? Why? • What policies do you have on information management?

Table 2: Network Key Informant Interview Guide

Core Questions	Probe Questions
1. What is your network's view on financial services for low-income people, especially savings?	• Among your members, what types of institutions are currently offering savings services to the poor? • What are some of the challenges/constraints your members face with regards to savings mobilization? • Is there a strong focus on the low-income segment? What are the currently underserved markets (geographic/ demographic)?
2. What is your advocacy position to increasingly mobilize savings among the poor?	• What are some of the lobbying areas you have recently focused on with regards to promotion of savings among the poor? • What are the general characteristics of low-income groups?
3. What is the network's position on advocacy for financial inclusion of the poor especially in savings?	• What are the main policy challenges to expanding financial access to the poor (e.g. appropriate products, accessible points, cultural preferences, unwelcoming banks, etc.)? • What policy advocacy is in place to enable wider access of savings services to the poor? • What are your specific activities or services to move this advocacy forward?
4. Among your members, what innovative services on savings for the poor have you come across with?	• Which products were introduced? What delivery channels do you find effective?
5. What assistance or services does the network provide to help members develop their products to be more responsive to the needs of the target market?	• Which of these services are mostly demanded by members? • In addition to network support, what resources are used by members in the design or delivery of new products?
6. What information does the network routinely gather from members?	• How is network information shared? • How is network information used? • What are the challenges in motivating members to share data to the network? • What suggestions can you give to keep an online platform of shared resources actively participated in by members?
7. Which information especially on savings is considered sensitive by the network and its members?	•What network policies do you have on information management (e.g. to promote transparency, benchmarking against performance standards)?

Table 3: Regulator Key Informant Interview Guide

Core Questions	Probe Questions
1. What is your overall assessment of the existing supply of savings services in the country?	• What types of institutions are currently offering savings services to the poor? What are their successes, challenges and opportunities? • To what extent is there focus on the low-income groups? What are currently underserved markets (geographic/ demographic)? • Do the institutions use adequate strategies to serve the low-income segment? If so, which strategies do they use? How do their strategies differ from those strategies towards higher income clients?
2. What is your advocacy position to increasingly mobilize savings among the poor?	• How do current government policies enable access of savings services to the poor? How is this expected to change in the future? • What are the main policy challenges to expanding financial access to the poor (e.g. appropriate products, accessible points, cultural preferences, unwelcoming banks, etc.)? • What are your specific activities or services to move this advocacy forward?
3. For a regulatory body that covers widely dispersed financial institutions, how does your group interact with them?	• What methods of communication do you use? Which ones are found to be more effective? Why?
4. What information does your specific group routinely gather for advocacy work?	• What are your experiences in using information to advocate for wider mobilization of savings? • What are other uses of information you found while doing advocacy or oversight functions?
5. In your dealings with many stakeholders, what innovative services on savings have you come across with?	• Which product features and delivery mechanisms do you find effective? • What resources are used in the design or delivery of these innovative services?
6. What type of information would you be willing to share to a network or external support group?	• What savings information do you consider sensitive to the public? Why? • What do you think about an online platform for savings information?

Annex 5: Participating Institutions

Institution Type/Institution Name	Interview	Provided Product Data (if applicable)
Commercial Banks (11)		
Barclays Bank Kenya		x
Chase Bank		x
Co-operative Bank of Kenya	x	x
Equity Bank	x	x
Family Bank	x	x
Fina Bank		x
I&M Bank		x
Imperial Bank		x
Jamii Bora Bank	x	x
K-Rep Bank	x	x
Kenya Commercial Bank	x	x
State Owned Bank (1)		
National Bank		x
Postal Bank (1)		
Kenya Post Office Savings Bank	x	x
Microfinance Institutions (4)		
Faulu Kenya	x	x
Kenya Women Finance Trust	x	x
SMEP	x	x
Uwezo		x
Non-traditional Savings Institution (4)		
Changamka Microhealth	x	x
CIC Insurance Group	x	x
Safaricom	x	
Zimele	x	
Cooperative/Cooperative Network (5)		
Universal Traders SACCO	x	x
KERRUSU	x	
KUSSCO	x	
Muramati	x	
WOCCU	x	
Regulatory Body (5)		
Central Bank of Kenya	x	n/a
Central Bank of Kenya — Supervisory Department	x	n/a
Parliament	x	n/a
Ministry of Finance	x	n/a
SASRA	x	n/a

Institution Type/Institution Name	Interview	Provided Product Data (if applicable)
Research Institution/NGO (6)		
Financial Sector Deepening	x	n/a
CGAP	x	n/a
MicroSave	x	n/a
Care Kenya	x	n/a
University of Nairobi	x	n/a
World Bank	x	n/a

Annex 6: Additional Savings Product Data

Table 1: Minimum Opening Deposit (Current Accounts)

Min. Op. Deposit	Range (KSh)	All Products	%	Commercial Bank	%	MFI	%	Cooperative	%	Non-Bank FI	%
	0	22	29.3	18	30.0	1	11.1	3	60.0	0	0
	100	2	2.7	0	0	2	22.2	0	0	0	0
	200	5	6.7	3	5.0	2	22.2	0	0	0	0
	300	2	2.7	2	3.3	0	0	0	0	0	0
	400	1	1.3	1	1.7	0	0	0	0	0	0
	500	13	17.3	11	18.3	1	11.1	1	20.0	0	0
	501-1000	10	13.3	9	15.0	0	0	1	20.0	0	0
	1001-1500	1	1.3	1	1.7	0	0	0	0	0	0
	1501-2000	8	10.7	8	13.3	0	0	0	0	0	0
	2001-5000	1	1.3	1	1.7	0	0	0	0	0	0
	5001-10000	2	2.7	2	3.3	0	0	0	0	0	0
	10001 +	2	2.7	2	3.3	0	0	0	0	0	0
	No data	6	8.0	2	3.3	3	33.3	0	0	1	100
Total		75	100	60	100	9	100	5	100	1	100
Avg*		2046		1959		150		300			

**Average is calculated using only products that provided data.*

Table 2: Minimum Opening Deposit (Commitment Accounts)

Min. Op. Deposit	Range (KSh)	All Products	%	Commercial Bank	%	MFI	%	Cooperative	%	Non-Bank FI	%
	0	6	23.1	3	21.4	2	22.2	0	0	1**	33.3
	100	0	0	0	0	0	0	0	0	0	0
	200	0	0	0	0	0	0	0	0	0	0
	300	1	3.8	0	0	1	11.1	0	0	0	0
	400	0	0	0	0	0	0	0	0	0	0
	500	5	19.2	5	35.7	0	0	0	0	0	0
	501-1000	0	0	0	0	0	0	0	0	0	0
	1001-1500	0	0	0	0	0	0	0	0	0	0
	1501-2000	1	3.8	0	0	1	11.1	0	0	0	0
	2001-5000	2	7.7	0	0	2	22.2	0	0	0	0
	5001-10000	1	3.8	0	0	1	11.1	0	0	0	0
	10001 +	8	30.8	6	42.9	1	11.1	0	0	1	33.3
	No data	2	7.7	0	0	1	11.1	0	0	1	33.3
Total		26	100	14	100	9	100	0	100	3	100
Avg*		24545		37321		5200		n/a		25000	

**Average is calculated using only products that provided data.*
*** This product requires a deposit of KSh 20 per day. For more information, see http://data.spinnakernetwork.org/#/product/cic-insurance-group-m-bima-jijenge-kenya*

Table 3: Opening Fees (Current Accounts)

Opening Fees	Range (KSh)	All Products	%	Commercial Bank	%	MFI	%	Cooperative	%	Non-Bank FI	%
	0	41	54.7	32	53.3	6	66.7	3	60.0	0	0
	50	1	1.3	0	0	0	0	0	0	1	100
	400	1	1.3	1	1.7	0	0	0	0	0	0
	500	1	1.3	1	1.7	0	0	0	0	0	0
	1000	4	5.3	3	5.0	0	0	1	20.0	0	0
	2000	3	4.0	3	5.0	0	0	0	0	0	0
	No data	24	32.0	20	33.3	3	33.3	1	20.0	0	0
Total		75	100	60	100	9	100	5	100	1	100
Avg*		215		248		0		250		50	

**Average is calculated using only products that provided data.*

Table 4: Opening Fees (Commitment Accounts)

Opening Fees	Range (KSh)	All Products	%	Commercial Bank	%	MFI	%	Cooperative	%	Non-Bank FI	%
	0	17	65.4	10	71.4	5	55.6	0	0	2	66.7
	50	0	0	0	0	0	0	0	0	0	0
	250	1	3.8	0	0	0	0	0	0	1	33.3
	400	0	0	0	0	0	0	0	0	0	0
	500	0	0	0	0	0	0	0	0	0	0
	1000	0	0	0	0	0	0	0	0	0	0
	2000	0	0	0	0	0	0	0	0	0	0
	No data	8	30.8	4	28.6	4	44.4	0	0	0	0
Total		26	100	14	100	9	100	0	100	3	100
Avg*		13.9		0		0		n/a		83.3	

**Average is calculated using only products that provided data.*

Table 5: Inactivity Fees (Current Accounts)

Inactivity Fees	Range (KSh)	All Products	%	Commercial Bank	%	MFI	%	Cooperative	%	Non-Bank FI	%
	0	31	41.3	27	45.0	2	22.2	2	40.0	0	0
	200	5	6.7	3	5.0	2	22.2	0	0	0	0
	250	2	2.7	2	3.3	0	0	0	0	0	0
	Total balance	1	1.3	1	1.7	0	0	0	0	0	0
	No data	36	48	27	45.0	5	55.6	3	60.0	1	100
Total		75	100	60	100	9	100	5	100	1	100
Avg*		39.5		34.4		100		0		n/a	

**Average is calculated using only products that provided data.*

Table 6: Inactivity Fees (Commitment Accounts)

Inactivity Fees	Range (KSh)	All Products	%	Commercial Bank	%	MFI	%	Cooperative	%	Non-Bank FI	%
	0	8	30.8	4	28.6	2	22.3	0	0	2	66.7
	200	5	19.2	2	14.3	3	33.3	0	0	0	0
	No data	13	50.0	8	57.1	4	44.4	0	0	1	33.3
Total		26	100	14	100	9	100	0	100	3	100
Avg*		76.9		66.7		120.0		n/a		0	

**Average is calculated using only products that provided data.*

Table 7: Interest Rate (Current Accounts)

Interest Rate	Range (X-Inclusive)	All Products	%	Commercial Bank	%	MFI	%	Cooperative	%	Non-Bank FI	%
	0-0.5	18	20	18	25	0	0	0	0	0	0
	0.5-1.0	6	8	5	9	0	0	0	0	0	0
	1.0-1.5	1	1.3	1	1.8	0	0	0	0	0	0
	1.5-2.0	4	5.3	4	7.3	0	0	0	0	0	0
	2.0-2.5	1	1.3	1	1.8	0	0	0	0	0	0
	2.5-3.0	1	1.3	1	1.8	0	0	0	0	0	0
	3.0-3.5	0	0	0	0	0	0	0	0	0	0
	3.5-4.0	7	9.3	0	0	2	22	5	100	0	0
	4.0-4.5	0	0	0	0	0	0	0	0	0	0
	4.5-5.0	3	4	1	1.8	2	22	0	0	0	0
	5.0-5.5	1	1.3	1	1.8	0	0	0	0	0	0
	5.5-6.0	0	0	0	0	0	0	0	0	0	0
	6.0 +	1	1.3	1	1.8	0	0	0	0	0	0
	No data	32	46.6	27	47	5	55	0	0	1	100
Total		75	100	60	100	9	100	5	100	1	100
Avg*		1.95%		1.35%		4.5%		4%		n/a	

**Average is calculated using only products that provided data. If products have an interest range, the lowest value was used in the calculation.*

Table 8: Interest Rate (Commitment Accounts)

Interest Rate	Range (X-Inclusive)	All Products	%	Commercial Bank	%	MFI	%	Cooperative	%	Non-Bank FI	%
	0-0.5	0	0	0	0	0	0	0	0	0	0
	0.5-1.0	0	0	0	0	0	0	0	0	0	0
	1.0-1.5	1	3.8	1	7.1	0	0	0	0	0	0
	1.5-2.0	1	3.8	1	7.1	0	0	0	0	0	0
	2.0-2.5	0	0	0	0	0	0	0	0	0	0
	2.5-3.0	0	0	0	0	0	0	0	0	0	0
	3.0-3.5	0	0	0	0	0	0	0	0	0	0
	3.5-4.0	2	7.7	0	0	2	22.2	0	0	0	0
	4.0-4.5	0	0	0	0	0	0	0	0	0	0
	4.5-5.0	1	3.8	0	0	1	11.1	0	0	0	0
	5.0-5.5	0	0	0	0	0	0	0	0	0	0
	5.5-6.0	3	11.5	0	0	1	11.1	0	0	2	66.6
	6.0 +	6	23.1	5	35.7	1	11.1	0	0	0	0
	No data	12	46.2	7	50	4	44.4	0	0	1	33.3
Total		26	100	14	100	9	100	0	0	3	100
Avg*		6.43%		6.71%		6.20%		n/a		6.00%	

**Average is calculated using only products that provided data. If products have an interest range, the lowest value was used in the calculation.*

Annex 7: New M-PESA Fee Structure[97]

Customer Charges				
Transaction Range (KShs)		Transaction Type and Customer Charge (KShs)		
Min	Max	Transfer to Other M-PESA Users	Transfer to Unregistered Users	Withdrawal from M-PESA Agent
10	49	3	n/a	n/a
50	100	5	n/a	10
101	500	25	60	25
501	1,000	30	60	25
1,001	1,500	30	60	25
1,501	2,500	30	60	25
2,501	3,500	30	80	45
3,501	5,000	30	95	60
5,001	7,500	50	130	75
7,501	10,000	50	155	100
10,001	15,000	50	200	145
15,001	20,000	50	215	160
20,001	25,000	75	250	170
25,001	30,000	75	250	170
30,001	35,000	75	250	170
35,001	40,000	75	n/a	250
40,001	45,000	75	n/a	250
45,001	50,000	100	n/a	250
50,001	70,000	100	n/a	300

ATM Withdrawal		
Transaction Range (KShs)		
Min	Max	Customer Charge
200	2,500	30
2,501	5,000	60
5,001	10,000	100
10,001	20,000	175

Other Transactions	KShs
All Deposits	Free
M-PESA Regisgration	Free
Buying Airtime through M-PESA	Free
M-PESA Balance Enquiry	1
Change M-PESA PIN	20

Annex 8: Old M-PESA Fee Structure[98]

Transaction Type	Transaction Range (KShs)		Customer Charge (KShs)
	Min	Max	
Value Movement Transactions			
Deposit Cash	50	70,000	Free
Registered User Cash Withdrawal	50	100	15
	101	2,500	25
	2,501	5,000	45
	5,001	10,000	75
	10,001	20,000	145
	20,001	35,000	170
	35,001	50,000	250
	50,001	70,000	300
Unregistered User Cash Withdrawal	100	35,000	0
Cash Transfers to Registered Users	50	100	10
	101	35,000	30
	35,001	70,000	60
Cash Transfers to Unregistered Users	100	2,500	60
	2,501	5,000	80
	5,001	10,000	120
	10,001	20,000	180
	20,001	35,000	250
All Withdrawal Charges	200	2,500	30
	2,501	5,000	60
	5,001	10,000	100
	10,001	20,000	175
Buy Airtime (for self or other)	20	10,000	0
InformationTransactions			
Change PIN			20
Show balance			1

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Notes

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65 This form can be found in its entirety in Annex 2

66 A preliminary list of SPINNAKER partners can be found online at http://spinnakernetwork.org/about.html

67 A detailed breakdown of individual, product-specific information can be found in the online SPINNAKER database at http://data.spinnakernetwork.org.

68 For details on the recurring standard deposit products

surveyed, please visit this part of the SPINNAKER database

69 The Changamaka Out-Patient card did have a slight geographic focus and was listed as urban/peri-urban.

70 According to the UN/World Bank, children are defined as less than 15 years, and youth are those aged 15-24.

71 1 USD = 86 KSh

72 Average account balance is calculated using data collected from the institution. The Maternity Card has an uptake of 3,000 accounts and a total volume of savings equal to KSh 2,000,000.

73 In following sections, any reference to "all products" refers to both current and commitment accounts.

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