



Humanitarian cash and financial inclusion

Kenya case study

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Research by

Humanitarian Outcomes

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Abbreviations

ATM	Automated teller machine
CTP	Cash transfer programme
ELAN	The Electronic Cash Transfer Learning Action Network
FGD	Focus group discussion
FSP	Financial service provider
FHH	Female Household Head
HH	Household
KII	Key Informant Interview
KRCS	Kenya Red Cross Society
KSH	Kenya Shillings
KYC	Know-your-customer
ICRC	International Committee of the Red Cross
MHH	Male Household Head
PIN	Personal identification number
USD	United States dollar
VSLA	Village Savings and Loans Associations

Executive summary

This research examines the extent to which humanitarian e-transfer beneficiaries increase their access and use of formal financial services and products such as payments, savings, credit or insurance. Building on the ELAN case studies published in September 2017, International Committee of the Red Cross (ICRC) and the British Red Cross (BRC) commissioned this research to further the evidence base on whether and how humanitarian cash transfers can foster the financial inclusion of crisis affected people. The case study consisted of a survey of 343 people (representative of 1,600 cash beneficiaries) complemented by focus groups discussions and key informant interviews.

This case study focusses on two Kenya Red Cross projects in Kilifi and the Tana Delta where cash was delivered using the M-Pesa mobile money mechanism. The Kilifi project provided 4 monthly payments of 6,000 KSH to 1,000 households in 2016/2017 as an emergency response to drought. The Tana Delta project provided cash to 600 households affected by ethnic violence in 2012/13, with the cash distributed in 2016. Three hundred of the households just received 8,000 KSH per month for three months. Those identified as the most vulnerable and worst affected also received 70,000 KSH in two instalments. The larger grant was conditional on developing business plans and undergoing training and was complemented by the establishment of village savings and loans institutions.

Financial inclusion in Kenya has been rapid and widespread. Kenyans excluded from any form of financial service dropped from over 40% of adults to 17% between 2006 and 2016. Access to any form of formal financial service has dramatically increased from about 27% to over 75%. Inclusion was driven by largely by mobile money services, used by over 71% of adults. Most of the recipients had heard of M-Pesa and about half had used it before the project. Network and agent coverage in both areas was sufficient for M-Pesa to be an effective way of delivering assistance and one which was seen as appropriate by beneficiaries who were highly satisfied with the process.

Financial inclusion was not a stated objective of the projects, although in Tana Delta there were complementary activities to encourage the establishment of savings and loans institutions. There's a need for caution in assuming that financial inclusion should be a priority objective in future responses. The primary focus of the KRCS should continue to be on getting cash to people as quickly and effectively as possible as part of alleviating suffering during humanitarian responses. Financial inclusion should only ever be a sub-objective but could be considered when assessments and analysis suggest potential. Conditions that could suggest scope to support

financial inclusion could include where assessments show demand for financial services from recipients, where there is capacity to support financial inclusion from the Red Cross or financial service provider and where the project timeframe allows engagement or there is scope to work with other actors with long-term perspectives.

People's main problem remains poverty and not financial exclusion. As one old man in Kilifi said – 'I don't have any money to send to anyone and I don't know anyone who wants to send me money'. So whilst access to a wider range of financial services that enable people to make and receive payments, send money, access loans and save more effectively might help to increase people resilience to and ability to cope in the face of disasters, it is unlikely to be transformative, in the absence of regular income. In Kenya a recent study found access to M-Pesa has lifted an estimated 2% of households out of poverty by increasing consumption levels at critical times.²

The survey findings do provide some grounds for optimism that, even without financial inclusions as a specific objective, some positive impacts on peoples' ability to access and use financial services can be achieved. The cash projects do appear to have contributed to an increased use of M-Pesa and survey respondents felt that it had contributed to stronger savings and better household cash management. This is partly, of course because of the dynamism of the financial services sector in Kenya and the successful penetration of mobile money services even into remote areas with high levels of poverty. What's possible in terms of financial inclusion in Kenya won't necessarily translate to other contexts.

Our case study does suggest options for encouraging some aspects of financial inclusion that could be explored further. They are:

- More training for beneficiaries in how to use delivery systems and the additional services for savings and loans offered by M-Pesa and others.
- More active engagement with Safaricom – using agents for training and in expanding network or agent coverage.
- Encouraging the use of other services and more general training in financial literacy.
- Links with other actors and avoiding problem of exclusion from other forms of assistance.
- Having financial inclusion as a specific objective and monitoring it.
- Scope for piloting and experimentation – such as opening M-Shwari² accounts or providing phones and sims.

Given limited capacities and budgets were these feasible options? More formal training on how to use M-Pesa

¹Suri, T. and Jack, W. (2017) The long-run poverty and gender impacts of mobile money

²A saving account that pays interest and can enable people to access loans. Cook, T. and McKay, C. (2015) How M-Shwari Works: The Story So Far

could have been part of the registration, verification and post-distribution monitoring activities. A significant minority of beneficiaries remained unsure how to use M-Pesa and relied on agents or others to receive payments.

There was also scope to link more with the Government and other organisations such as World Vision and WFP to tackle exclusion issues and to try and link beneficiaries better into other development and social protection programming. A particular issue in Kilifi was that the Red Cross had successfully targeted extremely vulnerable households but these people were now being excluded from other assistance because they had taken part in the short-term Red Cross project.

There also appears to be potential to more actively engage the financial service provider in the project areas. KRCS has a strong partnership with Safaricom at the Nairobi level and has recently agreed that Safaricom will waive all charges for Red Cross payments in future cash projects. However, engagement at the field site level was more

limited and there might be scope to explore whether Safaricom staff or agents could play a more active role in training, in monitoring network and agent coverage, in sharing data around account usage to monitor financial inclusion and in promoting use of a wider range of services including loans and savings.

Given that financial inclusion is a relatively new potential objective for KRCS and it's not yet clear what works and what doesn't there is an argument for experimentation and adaptation. Future cash projects could pilot different approaches with sub-sets of target populations. For instance testing whether providing phones and/or sims makes a difference to usage and experimenting with soft conditions to encourage people to save and to start using services like M-Shwari.

We suggested a framework for how financial inclusion could take place that could be developed into a checklist for consideration during project design.

Financial inclusion opportunities checklist

Financial inclusion opportunities	Possible activities
Improving network coverage	Map network coverage and highlight where it is poor. If there are issues with network coverage contact the mobile network providers to ask whether planned improvements could be fast-tracked.
Expanding the agent / bank network	Map agent / bank / ATM coverage and the distance people will have to travel to find an agent or withdraw money. Where there are gaps in coverage contact the financial service provider to see if they can support agent expansion. Publicise the planned programme to encourage new agents to establish in poor coverage areas.
Using and understanding the transfer system	Understand (during baseline studies and assessments) people's current financial behaviours and chose transfer options that can complement them. Assess people's knowledge of the planned transfer mechanism. Plan training in how to use the service at points of distribution and when payments are being made.
Encouraging use of additional services	Assess knowledge of additional financial services available for savings, credit and payments. Support people to make informed decisions about the right balance between use of formal and informal financial services. Provide training if needed. Consider soft conditions to encourage use of saving services such as M-Shwari (e.g. a final bonus payment if people save a small amount per month). Consider making payment into the existing accounts beneficiaries may have (mobile, bank or other)
Expansion of other financial services	Publicise the planned payments and encourage other financial service providers to offer services. Coordinate with other services such as banks, MFIs, VSLAs to see if they can expand networks to cover project recipients. Use multiple financial service providers.
Inclusion in other forms of assistance	Assess whether people have ID cards or other documents needed to access assistance. Provide training on entitlements to other forms of social assistance. Facilitate government or other actors to register those eligible for further assistance. Ensure beneficiaries are not wrongly excluded from other assistance.

There is evidence from the two case studies and the previous ELAN studies that short term humanitarian projects providing one or a small series of payments are unlikely to radically shift people's longer term financial behaviours. There is therefore a need for modesty in setting financial inclusion objectives. It's important to realise the limits to demand for new financial services amongst the very poor and the most vulnerable. But at least some of what we suggest (additional training,

providing sims, linking more with other organisations) would have been worth doing anyway in order to improve efficiency, reduce risks and generate possible links between relief and development. Whilst financial inclusion probably will not and should not be a main objective, modest contributions, in terms of awareness raising and experience building, might be possible by tweaking existing programming.

1. Background

1.1 Purpose and research questions

This research aims at providing evidence about to what extent humanitarian e-transfer beneficiaries increase their access and use of formal financial services and products such as payments, savings, credit or insurance. Building on the ELAN case studies published in September 2017, International Committee of the Red Cross (ICRC) and the British Red Cross (BRC) commissioned this research to further the evidence base on whether and how humanitarian cash transfers can foster the financial inclusion of crisis affected people. This study aims to contribute valuable learning to the humanitarian sector around the barriers and the enabling factors that influence the uptake and use of financial services when humanitarian aid has been delivered through e-transfers.

Humanitarian assistance is increasingly provided in the form of electronic cash transfers (e-transfers³) through debit cards, mobile money, or other channels. The use of such mechanisms exposes recipients of humanitarian assistance who are often 'unbanked' to formal financial services and thereby offers some potential to facilitate their financial inclusion⁴.

However, contrary to expectations, recent research conducted by ELAN highlights that i) delivering humanitarian cash transfers through mobile money does not automatically lead to widespread or sustained uptake of financial services. People may prefer to continue using informal financial systems that are more familiar, accessible and profitable; ii) exposure to mobile money through humanitarian cash transfers might not be sufficient to enable recipients previously unfamiliar with mobile money to conduct transactions independently⁵.

This case study focusses on two Kenya Red Cross projects in Kilifi and the Tana Delta where cash was delivered using the M-Pesa mobile money mechanism. The research set out to identify the main obstacles (from the beneficiary, humanitarian agency and Financial Services Programme (FSP) side), enabling factors and

drivers that influence uptake and use of emergency e-transfer services during and beyond the programme duration as well as the measures and mechanisms that can be adopted (from both humanitarian agencies as well as FSP) to enhance financial inclusion in the long run.

We were interested in whether or not financial inclusion should be a deliberate objective for the Red Cross in its programming and if so why. And, if it is potentially a desirable objective in some contexts what role can and should the Red Cross play in supporting financial inclusion.

We propose using the definition of financial inclusion elaborated by the Center for Financial Inclusion which also appears in the CaLP glossary:

“Financial inclusion means that a full suite of financial services is provided, with quality, to all who can use them, by a range of providers, to financially capable clients”.

This definition has been further developed in the form of vision by the CFI:

1. Access to a full suite of financial services: Including credit, savings, insurance, and payments
2. Provided with quality: Convenient, affordable, suitable, provided with dignity and client protection
3. To everyone who can use financial services: Excluded and under-served people. Special attention to rural, people with disabilities, women, and other often-excluded groups
4. With financial capability: Clients are informed and able to make good money management decisions
5. Through a diverse and competitive marketplace: A range of providers, robust financial infrastructure and clear regulatory framework

³ A digital transfer of money or vouchers from the implementing agency to a program participant. E-transfers provide access to cash, goods and/or services through mobile devices, electronic vouchers, or cards (e.g., prepaid, ATM, credit or debit cards). E-transfer is an umbrella term for e-cash and e-vouchers.

⁴ Financial inclusion is defined as individuals and businesses having access to useful and affordable financial products and services that meet their needs and are delivered in a responsible and sustainable way. It is believed to be a key enabler to reducing poverty and boosting resilience.

⁵ HPG - Electronic transfers in humanitarian assistance and uptake of financial services. A synthesis of ELAN case studies

The study focuses on the following key research questions:

- When can and should humanitarian projects have explicit objectives around financial inclusion?
- What has worked and what are the drivers and opportunities to help promote financial inclusion in the design and implementation of humanitarian cash projects?
- What lessons can be learnt around the respective roles and responsibilities of aid agencies, financial service providers, government authorities and other actors in supporting financial inclusion if and when it is feasible?
- What evidence is there of use of financial services beyond the duration of projects and that such use can generate positive benefits for the well-being of disaster affected populations?
- The research aims to explore not just whether or not the particular projects led to greater financial inclusion but why financial inclusion might be desirable in a humanitarian sense. For instance:
 - Is there any evidence that greater use of or access to financial services can make populations more resilient to the impact of natural hazards or better able to cope in the face of conflict?
 - Can greater use of financial services help in processes of recovery from shocks?
- We used the definition and associated vision as a framework to assess the extent of financial inclusion in the disaster affected population and to examine whether or not the humanitarian cash provided made any difference across the dimensions of the vision.

1.2 Humanitarian context

The Kilifi District project took place between November 2016 and March 2017 as an emergency response to drought that had left over 1.2 million people in 19 arid and semi-arid counties acutely food insecure⁶. Failed rains in 2016 led to growing levels of food insecurity, crop failures, increasing malnutrition, water scarcity and livestock deaths. In response to early warning information the Kenya Red Cross carried out an assessment in August 2016 which identified the need for a response.

Tana Delta is one of three sub countries that make up Tana River County. It is a wetland area at the Kenyan Coast which is mainly inhabited by pastoralist Orma and Wardei and agricultural Pokomo communities. Clashes between these ethnic groups in 2012 over land, access to water and tensions in the lead up to the 2013 elections led to almost 200 deaths and the displacement of about 34,000 people⁷.

1.3 Overview of financial services in Kenya

Financial inclusion in Kenya is growing fast. Kenyans excluded from any form of financial service dropped from over 40% of adults to 17% between 2006 and 2016. Access to any form of formal financial service has dramatically increased from about 27% to over 75%. Inclusion was driven by largely by mobile money services, used by over 71% of adults.

Ten years after its launch in 2007 mobile money has used by at least one individual in 96% of Kenyan households. There are 5 million households in Kenya and 96% of them have a mobile phone. There are 110,000 agents through the country who provide deposit and withdrawal services. Recently, additional financial services have been deployed over the M-Pesa network, including M-Shwari (in collaboration with the Commercial Bank of Africa), a bank account offering savings and credit services accessed entirely through the M-Pesa platform, and Lipa na M-Pesa, a retail payment facility. Although M-Pesa offered by Safaricom is by far the largest mobile money platform, mobile money is also offered by Airtel and Equity Bank. In rural areas VSLAs and other informal village saving and credit mechanisms are widespread. The expansion of mobile money has not come at the expense of traditional banking with access to bank accounts also expanding and mobile money enabling banks to reach a larger market (Cook and McKay 2017).

Based on the 2016 FinAccess survey, 17% of Kenyan adults remain financially excluded, meaning they do not have a bank account, use another formal product like mobile money, or even use an informal mechanism like a savings collective. This is despite 90% of the financially excluded population being aware of mobile money and 67% living within walking distance of an access point. Ninety-four% of financially excluded FinAccess survey respondents cite lack of funds as a primary reason for not having an account, and 67% say they live easily without formal services (Cook 2017; FinAccess 2016). Compared to the included population, Kenya's financially excluded are more likely to be:

- Rural (80%)
- Older (38% are over the age of 45)
- Female (55%)
- Poor (42% are in the lowest wealth quintile)
- Informally employed or dependent (81%)
- Lacking formal education (37% have no formal education at all)
- Living in a female-headed household (twice as likely as financially included people)

⁶Kenya Food Security Steering Group joint long rains assessment report, August 2016

⁷Kirchner, K. (2013) Conflicts and Politics in the Tana Delta, Kenya, Thesis submitted for the African Studies Research Masters, Leiden University

2. Research methodology

The study built on the methodology developed by ELAN and used to conduct case studies in Bangladesh, Ethiopia and Zimbabwe in 2016. We placed a greater emphasis on understanding the financial habits of the target population prior to the intervention, especially with regards to what services beneficiaries value and why. We aimed to uncover what their financial “pain points” are and how humanitarian transfers address them, if at all; or, what is worse, if the use e-transfers in fact go against beneficiary pre-crisis financial behaviours or feel counter-intuitive.

An adapted and slightly simplified version of the ELAN survey tool was used. It focused on:

1. Pre-crisis financial behaviour
 - a. Financial services portfolio
 - b. Financial goals and seasonality
 - c. Saving habits and financial contingency planning
 - d. Perception of formal financial services
2. Peoples experiences with the transfer modality
 - a. What issues were encountered
 - b. Levels of trust and confidence in the transfer modality
 - c. Perceived advantages and disadvantages of e-transfers compared to pre-crisis financial services.
3. Whether or not people can explain the steps needed to receive the transfer?
4. Did people use the facility / account for anything else?
 - a. Top-ups
 - b. Calls (for mobile money)
 - c. Savings
 - d. Receiving money
 - e. Sending money
 - f. Payments and ATM withdrawals (for prepaid card)
5. Did the people continue to use the facility / account once the RC projected ended? If not, why not?

In one of the three ELAN case studies (Ethiopia) the authors were able to get and analyse financial transactions data from the financial service provider. These were requested from Safaricom but were not made available. The Kenya Red Cross is exploring with Safaricom whether or not it will be possible to access suitably secure and anonymised data for monitoring purposes in future cash projects.

2.1 Sampling

A mixed methods approach was adopted to assess these questions with a quantitative survey complemented by qualitative Focus Group Discussions (FGDs) and Key Informant Interviews (KIs) to provide depth and understanding to findings.

Quantitative research

The survey drew upon the ELAN methodology as closely as possible, making only minor modifications to the questionnaire to simplify it (see annex A). The questionnaires were administered using digital data gathering devices (smart phones) and the open source Kobo tool box.

The survey was carried out with direct cash transfer beneficiaries to provide a 95% confidence level and a 5% margin of error. The research focused upon a total of 1600 cash transfer beneficiaries participating in projects in Kilifi and Tana River Counties.

1. In Ganze and Bamba districts of Kilifi County the Finnish Red Cross funded a project that targeted 1000 beneficiaries who received 4 transfers of 6000 KSH (USD58), approximately USD232 in response to the drought that affected the region.
2. Two cash transfer projects in Tana Delta District of Tana River County: firstly, an unconditional cash transfer project with 600 beneficiaries who received a total of USD 312 through 3 transfers of 8000 KSH (USD 78) each. The second project was with 300 of these beneficiaries who received an additional cash transfer of USD 682 paid in two instalments of 35,000 KSH (USD 341). This payment was conditional on a business plan and the project also supported beneficiaries to form and manage VSLAs⁸.

Cluster sampling was adopted drawing upon the probability proportionate to size (PPS) methodology. There were two levels of stratification, firstly between the districts and then within the districts to identify villages. Once villages had been identified names were randomly selected from beneficiary lists using skip patterns to negate any possible biases.

To provide 95% confidence levels 310 completed questionnaires were required; a target of 325 was therefore set allowing for wasted forms. Volunteers exceeded these targets collecting a total of 343 that were analysed (see annex B for detailed breakdown by location).

⁸ 16 VSLA were formed

Training took place on 15th January in Malindi with both Tana Delta and Kilifi Kenya Red Cross volunteer teams. The training included a refresher on good enumeration practice and how to use KoBo on smart phones before a thorough and participatory review of the questionnaire took place. The questionnaire was in English and the volunteers discussed the most appropriate translations in both Kiswahili and local languages. The volunteers tested the tool before feeding back into the plenary – this feedback led to further revisions of the tool.

The data was uploaded to KoBo toolbox on a daily basis and reviewed to ensure the forms were well administered and completed. Observations were fed back to the daily debrief that guaranteed survey targets were met and quality data collected.

On completion of data collection, the data was exported to excel for analysis that focused upon frequencies and averages.

Qualitative research

Focus Group Discussions (FGDs) were facilitated with project beneficiaries to better understand research findings and provide stakeholders an opportunity to share their perspectives. FGDs were held with women and men separately and every effort was made to ensure full participation within the groups. FGDs were also held with community members who did not benefit from the cash transfers to provide a 'control' and a level of understanding of current financial practices within the communities, regardless of the cash transfers. FGDs explored attitudes and behaviours around savings, borrowing and sending/receiving money, with a focus on understanding current barriers preventing financial inclusion. See annex C for FGD guide. In total 21 FGDs were facilitated that included 164 people.

Key Informant Interviews were also carried out with stakeholders to gain as greater understanding as possible. Meetings were held with Red Cross staff, National Disaster Management Authority (NDMA) representatives, village administration, M-Pesa agents and a representative of equity bank (see annex B).

For each of the categories we developed interview guides based on the key research questions. For the Kilifi project we carried out 10 focus groups with 57 people. We interviewed 2 agents, 5 Red Cross staff and volunteers and 7 other key informants. In Tana Delta 11 FGDs were facilitated with a total of 106 participants and 7 KIIs⁹. Five key informant interviews with Red Cross and Safaricom staff were carried out in Nairobi.

Limitations

Due to issues of confidentiality Safaricom were reluctant to share their records on M-Pesa usage in Tana Delta and Kilifi. This would have provided a very interesting insight on people's M-Pesa usage before and after the project. It would also have enabled comparisons between locations with similar socio-economic status.

The survey was only carried out with the cash transfer recipients without a 'control' group to compare findings. It is therefore possible that the changes observed in the research were a result of a wider trend of increasing M-Pesa coverage/wealth rather than project impact. Identifying a control group, equally vulnerable and in similar locations would have been challenging but possible. However, 'control' FGDs indicated greater wealth led to greater financial inclusion. Tribute to KRCS targeting, especially in Kilifi, project beneficiaries appeared considerably poorer with a higher prevalence of illiteracy than the 'control' group whose member predominantly used M-Pesa and participated in VSLA with some cases having MFI/ bank accounts.

⁹See annex A for details.

3. Red Cross cash projects

3.1 Project descriptions

We looked at two Red Cross Movement projects; one in Kilifi and one in Tana Delta. The Kilifi project provided cash to 1,000 households in 2016/2017 as an emergency response to drought. The Tana Delta project provided cash to 600 households affected by ethnic violence in 2012/13, with the cash distributed in 2016.

Kilifi

The Kilifi project took place between November 2016 and March 2017 as an emergency response to drought. Failed rains in 2016 led to growing levels of food insecurity, increasing malnutrition and livestock deaths. In response to early warning information the Kenya Red Cross carried out an assessment in August 2016 which identified the need for a response. The Finnish Red Cross supported the project.

One thousand households were provided with four monthly payments of 6,000 KSH per month (about \$60). The Red Cross used geographic and community based targeting approaches to identify the most vulnerable wards and the most vulnerable and poor households within those wards for assistance. Cash was provided through M-Pesa.

Tana Delta

In the Tana Delta the Kenya Red Cross supported by ICRC implemented a cash programme in 2016 as part of an ECOSEC response to ethnic clashes that took place in 2012. Other activities included distributions of food, seeds and essential household items. Six hundred of the households worst affected by the clashes were targeted in the cash component. Three hundred of the households just received 8,000 KSH per month for three months. Those identified as the most vulnerable and worst affected also received 70,000 KSH in two instalments. M-Pesa was used for all of the transfers. The larger grant was conditional on developing business plans and undergoing training.

Table 1: Programme details

	Tana Delta	Kilifi
Programme Length	9 months – April to December 2016	5 months November 2016 to March 2017
Recipients	600	1,000
Number of transfers	Three	Four
Frequency	Monthly	Monthly
Cash transfer amount	8,000 KSH (plus a lump sum additional payment of 70,000 in 2 instalments for 300 of the most vulnerable)	6,000 KSH
Donor	ICRC	Finnish Red Cross
Implementer	Kenya Red Cross	Kenya Red Cross

3.2 Service provider selection

In Kilifi, the M-Pesa mobile money service was selected as the most effective transfer mechanism based on an initial assessment that network and agent coverage was good in the area and that there was widespread familiarity with M-Pesa. The Kenya Red Cross had an existing partnership with Safaricom and a platform for carrying out mobile money transfers which made it the modality of choice when appropriate.

M-Pesa was also used for all of the transfers in Tana Delta based on an assessment that people had familiarity with the mechanism, that there was good network and agent coverage and that the existing partnership with Safaricom meant that the transfers could be efficiently rolled out.

3.3 Programme participant profile

The Tana Delta programme targeted the following categories of vulnerability:

- Families who lost the breadwinners during violent clashes after 2012
- Chronically food insecure HHs
- Persons with Disability
- Most vulnerable youth, without any source of income and are supporting their families
- Women headed hhs with children
- Large number of dependents (more than 9)
- Chronically ill or social cases

Elected village committees acted as an information relay for ICRC/KRCS, dispute resolution, initial listing of potential beneficiaries and validation and monitoring of activities. The KRCS/ICRC team trained the committees on targeting categories and based on the categories, the committees prepared the initial list of potential beneficiaries. Based on these lists, the ICRC/KRCS conducted selection interviews¹⁰.

In Kilifi, selection of beneficiaries focussed on very poor households based on criteria set forth by KRCS and the National Drought Management Authority (NDMA). The worst affected sub-districts were targeted. Within those the targeting criteria per household was as follows. In order to qualify, one of the first seven criterion needed to be met and the last one.

- Families of severely acute malnourished children
- Families of the moderately acute malnourished children and who are not participating in Cash for Asset (CFA) activities
- Families whose children are on the borderline of being moderately acute malnourished and who are not participating in the CFA activities
- Elderly headed households and not being able to participate in CFA activities
- Households headed by permanently disabled persons
- Households headed by chronically ill persons who are not able to participate in the CFA activities
- Households headed by single female and not participating in the CFA activities

AND

- Households whose food stocks have been totally depleted and are relying on external assistance

3.4 Recipient registration, orientation and disbursement

In Kilifi, a rigorous registration and verification exercise was carried out which took somewhat longer than expected but following that payments were largely made smoothly with few problems reported. Post-distribution monitoring found that people received the planned amounts and that there were minimal issues of diversion. The cash was largely spent on immediate needs, primarily food.

Where intended recipients did not themselves have a phone they were able to nominate what were called 'alternates'. These were sometimes family members within the household and sometimes neighbours. A letter was witnessed by local authorities specifying the alternate and agreeing that they would hand-over all of the project funds. To have an M-Pesa account a national ID Card is needed. Recognising that some people lacked ID cards the Registrars Office carried out mobile registration efforts to provide ID cards to those that did not have them.

The KRCS did not provide sim cards or phones to beneficiaries but encouraged people to buy them themselves if they did not already own one in the household. This is a deliberate policy to try and ensure that people feel ownership of the line and so, it is hoped, are more likely to carry on using it after the life of the project.

In Tana Delta, as was the case in Kilifi there was a rigorous verification process, and most people felt that the money had been allocated appropriately. In Tana Delta beneficiaries were informed that they must have their own safaricom line¹¹ and no alternates were used.

A MoU was signed with all the conditional cash beneficiaries and they were organised into groups of 15 to 25 people. KRCS/ICRC trained beneficiaries on group governance, income generating activities, planning and management (SPM) and business development skills such as financial skills training related to bookkeeping, business management and Village savings. Each beneficiary developed business plans and release of the second instalment was conditional on implementation of the planned activities. The business development training took place for one day in each of the villages, and it was felt to be insufficient with calls from men and women for more training and support. Female FGD participants when asked what they learned responded not to do business with family, to trade within the county boundaries and not to grow bangi/marijuana. Only when pushed did they recall the importance of receipts stamped by the chief and to keep records. The businesses on the whole appeared to be progressing well – the majority of which were livestock orientated, with some motorbike taxi businesses and small stalls/shops.

There was greater enthusiasm around the VSLA development and support. People spoke positively about the new groups and described their processes eloquently. They reported that the VSLA's provided members the motivation to meet, share ideas and save, as well as provide borrowing opportunities. The VSLA was much preferred to M-Pesa as it was based on trusted social networks, was perceived as being safe in the village and was very convenient. However, it appeared that as people's wealth grew they would also use M-Pesa and would therefore be eligible for borrowing opportunities if misfortune affected the whole village reducing the capacity of the VSLA. The KRCS project officer supporting the VSLAs was clearly well regarded and people were keen for their next VSLA support session.

¹⁰ Operational Manual KRCS ICRC EcoSec Program Coast 2016.

¹¹ Safaricom sim cards /lines cost between 20-50 KES (0.2-0.5USD)

4. Findings

4.1 Introduction

The KRCS response to drought in Kilifi seems to have been an effective and timely response. It was effective partly by virtue of its simplicity – the most needy people (within budget constraints) were given 4 monthly payments using an efficient delivery mechanism with which most people were familiar and which worked well.

The Tana Delta project was unusual in that support was provided in 2016, a long time after the clashes in 2012/13. However, support was still needed and the cash was effectively delivered. As the communities were not expecting the money there was no ill feeling regards this delay, just the joy of receiving. The FGDs revealed low levels of recall that the money was a result of the conflict, and in one women's FGD, despite probing they had either forgotten or did not know that the project was linked to the conflict. At the time of the cash transfer payments there was minimal tension between the Orma and the Pokomo communities and therefore apparently no sensitivities regarding who got what and why.

As was the case in Kilifi, the M-Pesa system is well known and efficient and most people were very happy with it as the delivery mechanism. The cash transfers were much preferred than the distribution of food, and people enjoyed the choice that it provided, enabling them to spend the money on household priorities including school fees and medical costs.

Financial inclusion wasn't on the radar of the KRCS when the Kilifi intervention was designed and so there weren't specific objectives relating to financial inclusion included in the project design and there was no monitoring of financial inclusion during the project implementation. This case study is therefore looking at whether or not any financial inclusion happened without it being a specific project focus. In Tana Delta, the project did not use the term financial inclusion but the conditional component did provide financial literacy training and has worked with people to establish village savings and loans groups so financial inclusion was implicitly a specific focus.

4.2 Financial behaviour – survey findings

Overall, the survey did suggest some changes in financial behaviour on the part of people that had received cash from the project. Without a control group we cannot definitely attribute these changes solely to the project but the findings do suggest that the project may have contributed to wider ongoing processes of financial inclusion and have helped particularly the vulnerable and poor people targeted by the projects to start using mobile money. Table 2 shows that the survey found increases in the use of M-Pesa for transferring money, saving and borrowing amongst the recipients. These findings are discussed in more detail below and the full survey findings are in the survey annex D.

Table 2: Changes in use of mobile money

Use of M-Pesa	Location	Before the Project	After the Project
Using M-Pesa for Savings	Tana Delta	24%	39%
	Kilifi	12%	32%
Using M-Pesa for borrowing	Tana Delta	9%	15%
	Kilifi	3%	9%
People with own SIM using M-Pesa for sending and receiving money	Tana Delta	29%	50%
	Kilifi	40%	52%

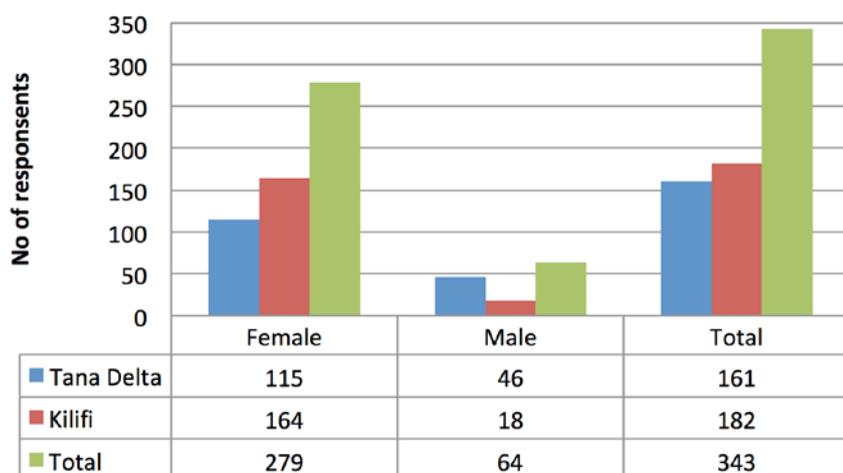
Table 3: Summary findings

Financial behaviour before the programme	<ul style="list-style-type: none"> - M-Pesa (used by 29% in Tana and 40% in Kilifi) primarily for sending and receiving money - VSLAs – for saving and borrowing - Transporters for sending and receiving money
Financial behaviour during and after the programme	<ul style="list-style-type: none"> - M-Pesa (usage increased) - VSLAs (increased use in Tana and Kilifi)
Barriers	<ul style="list-style-type: none"> - A minority of people did have long travel times and/or transport expenses to reach agents - Immediate consumption needs and limited capacity to save meant most people cashed out immediately and limited changes in saving and borrowing - Illiteracy and unfamiliarity with M-Pesa or other financial services and limited training to overcome knowledge barriers - Persistence of and preference for informal financial services - Being too poor to have much demand for formal financial services
Enablers	<ul style="list-style-type: none"> - Widespread knowledge of M-Pesa and perceived utility for payments (especially sending and receiving money from relatives). - People could generally find somewhere with reception - A good network of agents with travel and waiting times generally acceptable. - Use of village savings institutions

Research population

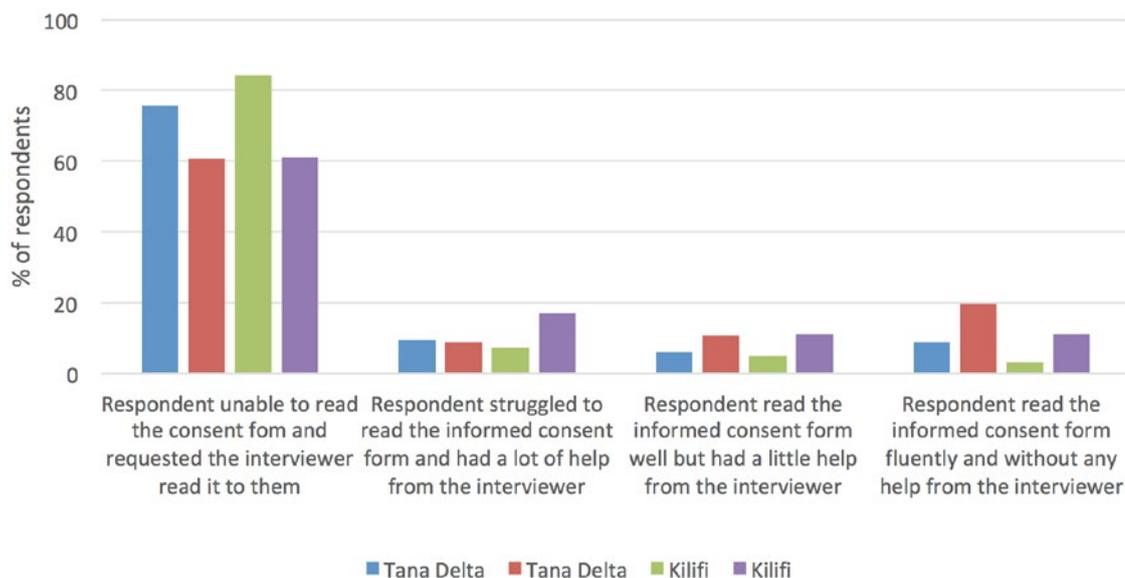
A total of 343 people participated in the survey as shown in figure 1 below, 161 in Tana Delta and 182 in Kilifi county. The majority of respondents were female (81%). In line with the project’s targeting criteria, the majority of those surveyed live in female headed households (FHHs).

Figure 1: Survey population



A simple literacy test was administered to all respondents who were invited to read the informed consent statement. The findings found that the research population was overwhelmingly illiterate, with slightly worse findings in Kilifi than Tana Delta. In line with national level data literacy levels are worse for women than men.

Figure 2: Literacy levels



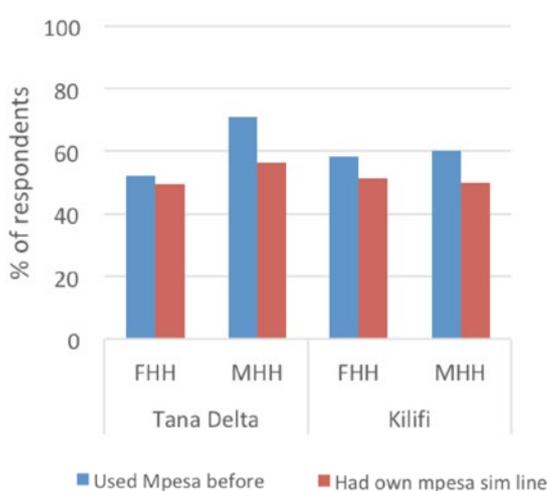
4.3 Financial behaviour prior to the project

In both Kilifi and Tana financial inclusion prior to the project had its limitations but was still significant for some of the participants. In both Tana and Kilifi around 50% of the cash transfer beneficiaries had used M-Pesa before the project, with a slightly reduced number having their own sim card. 40% of recipients in Kilifi and 29% in the Tana Delta had used M-Pesa to send or receive money before the project. People borrowed money largely through family or neighbours with only a limited number (3% and 9% in Kilifi and Tana respectively) using M-Pesa. The majority of people saved primarily at home with 12% and 24% having used M-Pesa for storing money in Kilifi and Tana. In both Kilifi and Tana a significant minority were using Village Savings and Loans Associations. Other formal financial services were largely absent. In a few of the focus group discussions in Kilifi and Tana Delta people mentioned a local bank (K-Rep) and Kenya Women's Finance Trust and some non-project beneficiaries were receiving government pension payments from KCB.

4.4 Financial behaviour during and after the project

The survey suggests that the project did lead to increases in the use of M-Pesa for savings and in participation in VSLAs. Use of M-Pesa to save increased from 23% to 39% of recipients in Tana and from 12% to 34% in Kilifi. The use of VLSAs increased from 13% to 45% in Tana Delta largely due to the project itself starting VSLAs. But in Kilifi which did not have a VSLA component participation increased from 36% to 53%, perhaps a result of the cash enabling people to start saving or to re-start participation. Patterns of borrowing changed less. In Tana Delta fewer people were borrowing from friends and relatives and more from VSLAs. In Kilifi there was a small increase in borrowing from M-Pesa (from 3% to 9%) but no change in traditional strategies of borrowing from relatives and neighbours. Focus group discussions in Kilifi also suggested that the project had at least temporarily increased peoples' credit worthiness with local traders. The use of M-Pesa to send and receive money increased from 29% to 50% of people in Tana Delta and from 40% to 52% in Kilifi.

Figure 3: Had used M-Pesa before the project



Knowledge of the range of M-Pesa services on offer remained limited. To assess levels of knowledge and understanding of M-Pesa the survey asked respondents to name known M-Pesa services. Figures 4 and 5 show the findings. Withdrawing money was the most frequent response mentioned by 83% of the Tana Delta sample and 81% of the Kilifi sample. Receiving money (65% in Tana Delta and 64% in Kilifi) and then sending money (57% in Tana Delta and 49% in Kilifi). In both Tana Delta and Kilifi there is a considerable gap between FHH and MHH regarding knowledge of sending money. Only 6% in Tana Delta and 7% in Kilifi mentioned loans. 21% of the Kilifi respondents failed to mention one service opting for the 'do not know' option.

Figure 4: Tana Delta: knowledge of M-Pesa services

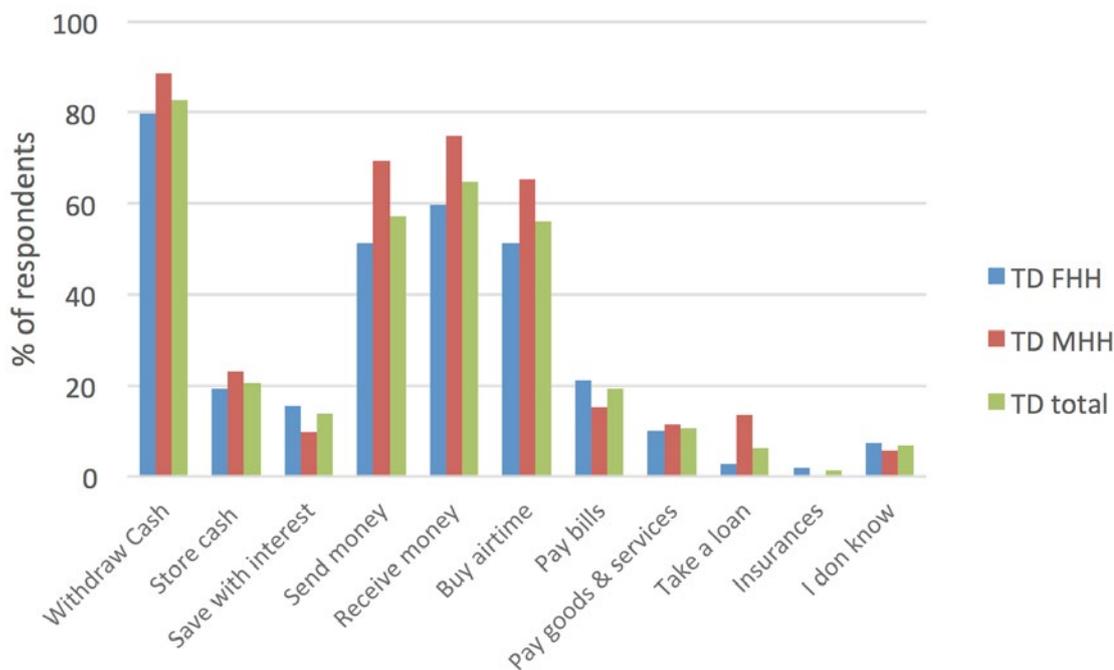
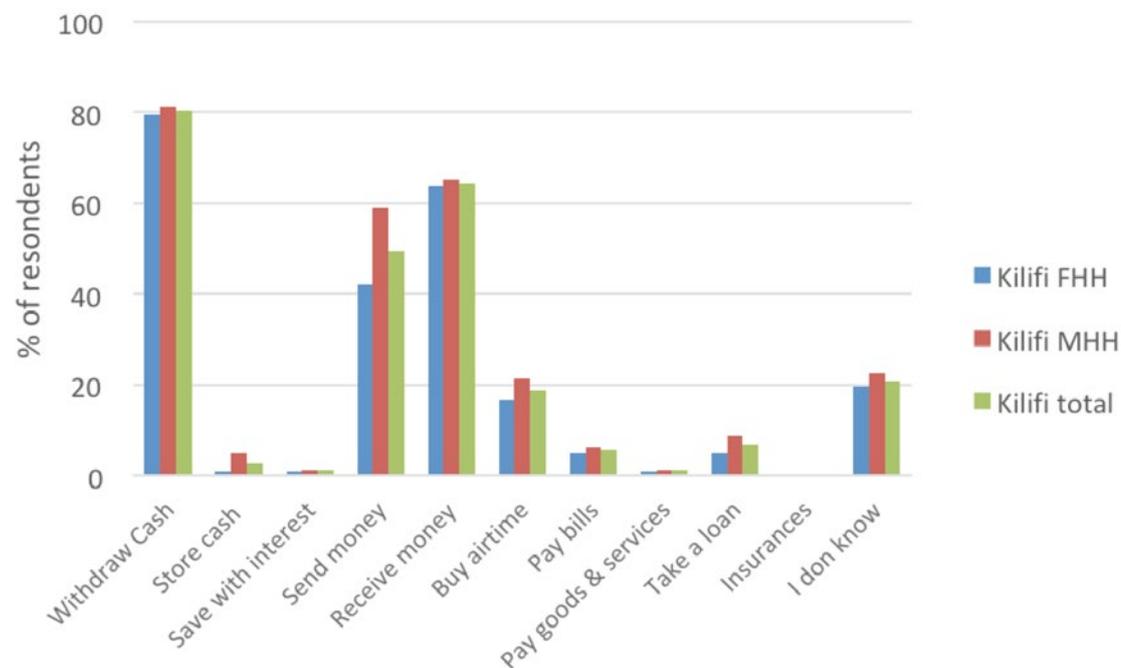


Figure 5: Kilifi: knowledge of M-Pesa services



The survey inquired about M-Pesa usage before and after the project and found an increase in usage after the project. There is considerably higher use of M-Pesa in Tana Delta than in Kilifi, with noticeably more MHH using services, as one would expect with lower knowledge levels. In Tana Delta there were clear increases in receiving, withdrawing, sending and buying airtime (phone credit), however, only very marginal increases can be observed in people's saving (from 7% to 9%) or storing money on M-Pesa for safe keeping (from 13% to 15%).

Figure 6: Tana Delta: M-Pesa usage before and after the project

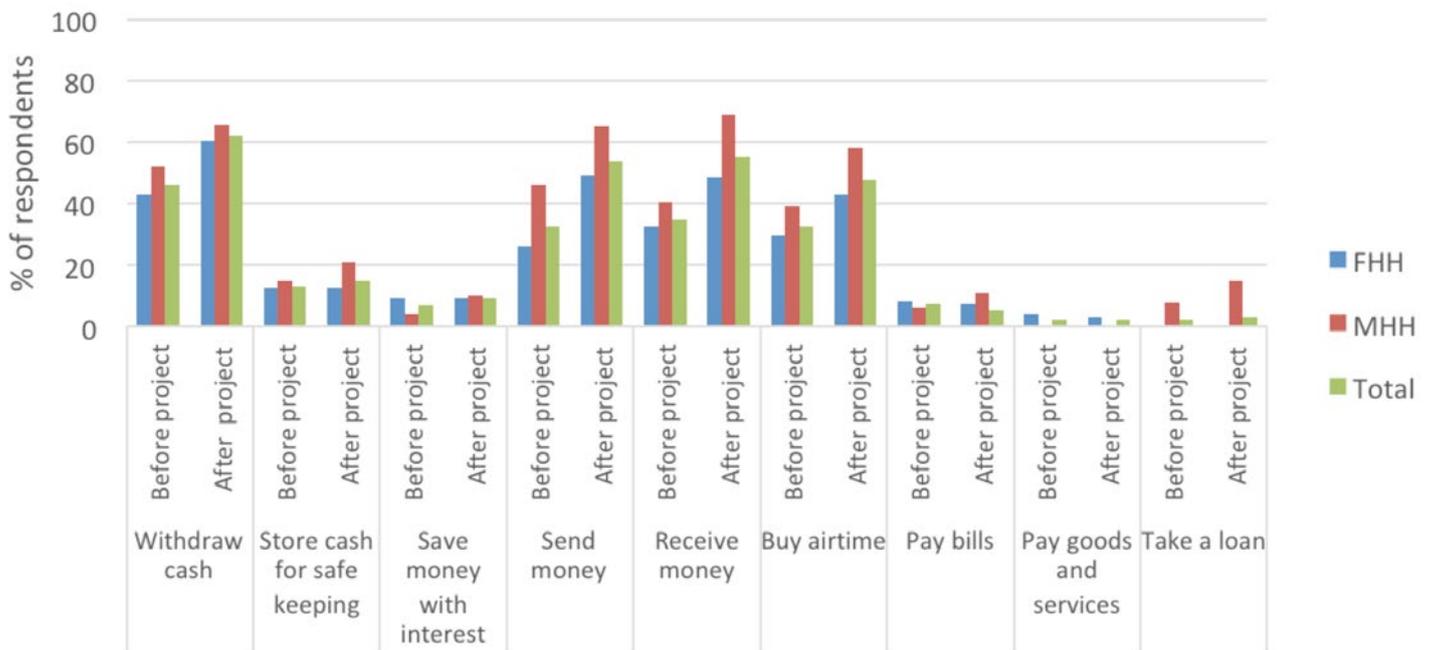
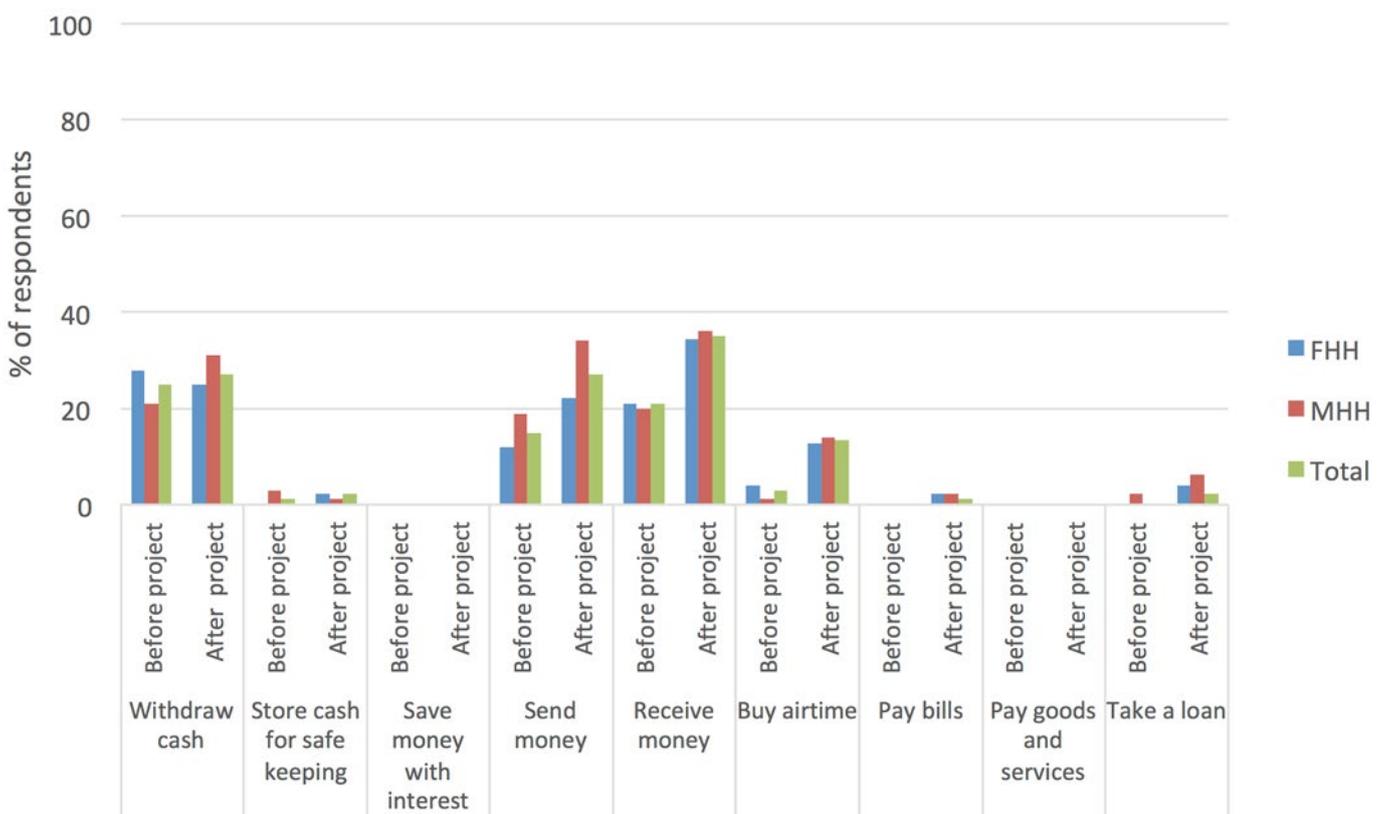


Figure 7 shows much lower levels of M-Pesa usage in Kilifi with only 25% of Kilifi respondents withdrawing money before the project compared with 46% in Tana Delta. However, the cash transfer project has impacted usage, for example 21% received money through M-Pesa before the project and this has risen to 35%.

Figure 7: Kilifi: M-Pesa usage before and after the project.



Although phone ownership is not essential to use the M-Pesa services (most agents have a phone available to use for those without) it is much easier. The survey therefore inquired about phone ownership before and after the project both at a household and an individual level. Since the project there has been an increase in individual phone ownership from 50% to 76% in Tana Delta and from 55% - 69% in Kilifi.

The survey asked respondents if their financial management practices have changed since the cash transfer project, and 96% in Tana Delta and 80% of respondents in Kilifi reported that it had. In Tana Delta 47% reported better savings and 46% reported better household cash management. In Kilifi, 80% reported better household cash management and 46% reported better planning to meet financial household needs.

Figure 8: Tana Delta: Changes in financial management

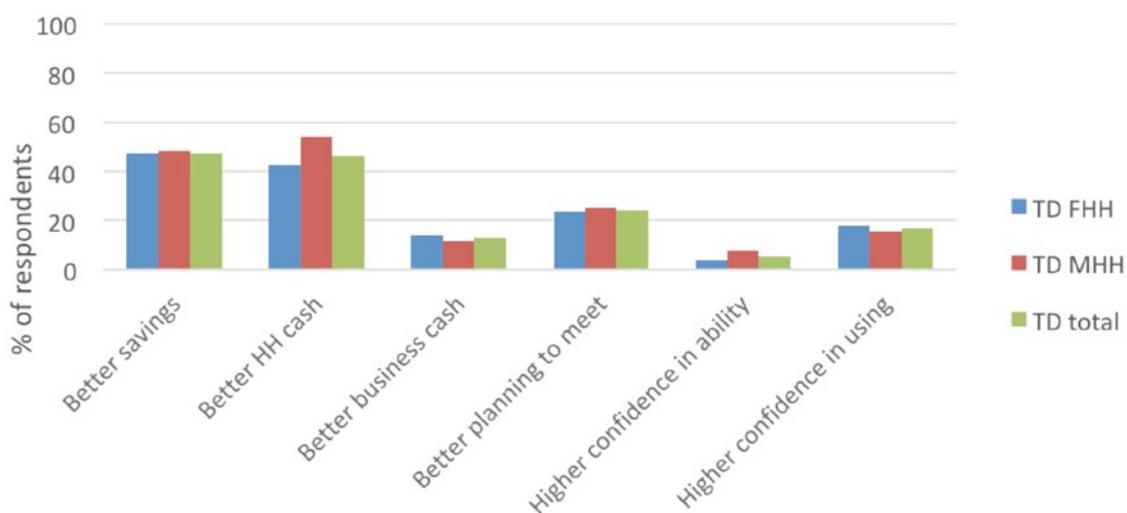
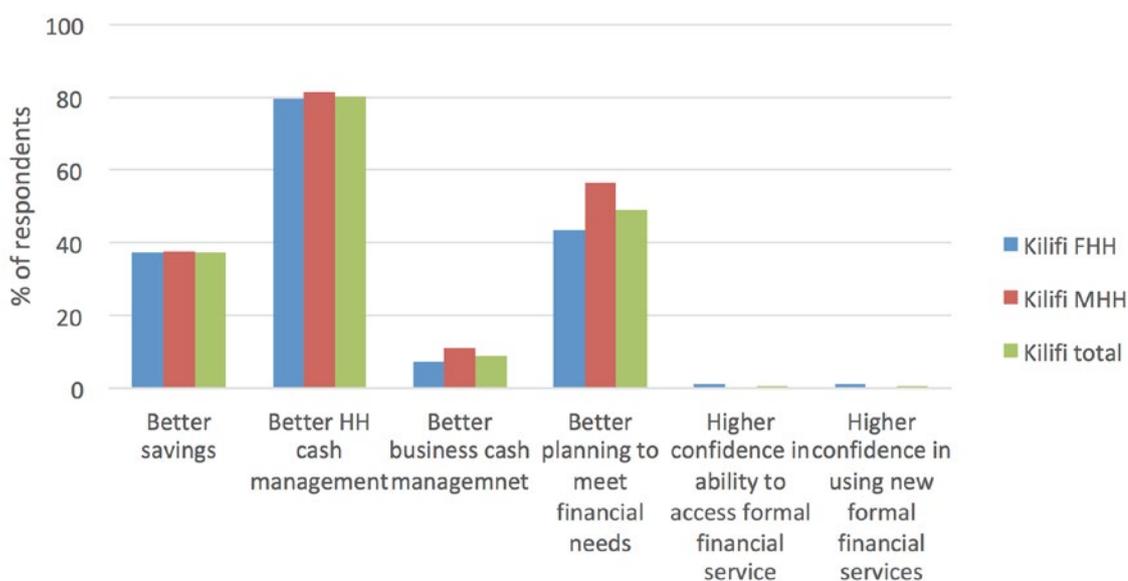


Figure 9: Kilifi: Changes in financial management



5. Barriers and enabling factors to financial inclusion

The survey findings indicate that the cash transfer projects have contributed to an increased usage of M-Pesa, and therefore an important if incremental step towards greater financial inclusion. Despite the limited training on how to use M-Pesa, and limited knowledge and understanding of the service, people are able to send, receive, and withdraw cash using M-Pesa lines with the support of agents and family/neighbours. Tana Delta has consistently stronger results throughout the survey and this is most likely due to the additional project that not only provided a larger amount of money, but also provided business development training as well as establishing and providing on-going support to VSLAs.

The ways in which financial inclusion could take place can be divided into 5 main categories which we discuss further below.

- Improvements in network coverage
- Expansions in the agent network
- More people using and understanding M-Pesa
- People using additional M-Pesa services
- Expansion of other financial services
- Inclusion in other forms of assistance

Table 4: Barriers and enabling factors to financial inclusion of programme participants

Barriers	Enabling factors
A minority of people did have long travel times and/or transport expenses to reach agents	A good network of agents with travel and waiting times generally acceptable
Immediate consumption needs and limited capacity to save meant most people cashed out immediately and limited changes to saving and borrowing	Widespread knowledge of M-Pesa and perceived utility for payments (especially sending and receiving money from relatives).
Illiteracy and unfamiliarity with M-Pesa or other financial services for some people and limited training to overcome knowledge barriers	Use of village savings institutions
Persistence of and preference for informal financial services	People could generally find somewhere with reception
Being too poor to have much demand for formal financial services	

Improvements in network coverage

In Kilifi, network coverage was already good enough through the project area for people to find ways of getting the information they needed. This was assessed by the KRCS during the assessment and project design phase and was part of why M-Pesa was selected as the transfer mechanism.

Whilst it was certainly very patchy in many of the more remote areas, people described knowing particular points (hills, trees) where they could get a signal. Once the payments had been made, news spread quickly and people were able to travel to agents where there was network coverage that enabled them to access funds.

In Tana Delta too, the network coverage was good enough, and although occasional problems were reported, M-Pesa was clearly the preferred mode of transfer, much more convenient than the next best alternative.

The KRCS is in other areas encouraging Safaricom to expand its network coverage. In a letter in 2017, it has highlighted Wajir, Mandera and Garissa as priority areas for expanded network coverage. The request is currently being reviewed by Safaricom.

Expansions in the agent network

During the project design and assessment phase KRCS did a quick review of the number and accessibility of agents and determined that there would be enough coverage for people to be able to access agents without excessive travel times and costs. They didn't carry out a formal mapping of numbers of agents due to time and capacity constraints and imperative to get payments moving quickly. KRCS also had discussions with agents to ensure that they would be able to mobilise sufficient floats to pay people if given some advance warning.

There was no formal process of asking Safaricom to expand the agent network but the project itself does seem to have helped to generate some increases in the numbers of agents with new agents setting up particularly in some of the villages outside of the main urban centres. Beneficiaries and agents interviewed both talked about new agents starting during the programme implementation. Sometimes, however, these new agents had limitations in terms of the cash that they had available and it remains to be seen whether new agents will be able to sustain sufficient business to keep going now that the stimulus to demand provided by the project is over.

More people using and understanding M-Pesa

As we see from the survey findings, the project beneficiaries fall into various categories. Some people had been using M-Pesa before the project started, were familiar with how it worked and have carried on using it after the project. The project therefore had limited influence on their use of financial services but represented a convenient and efficient way for them to receive the payments which they were confident in using.

Others had not been using M-Pesa before the project often because they were too poor to own a mobile phone and lacked the networks (relatives in town for instance) that prompted others to use M-Pesa. For this group, it is not clear that the project had done much to increase their knowledge or use of M-Pesa or other financial services. They remained very unclear on how it worked and had largely relied on others (alternates, the agent or other helpers) to make the withdrawals from the project. Once it ended they had not carried on using M-Pesa and the number that they had used for the payment was likely to have been de-activated.

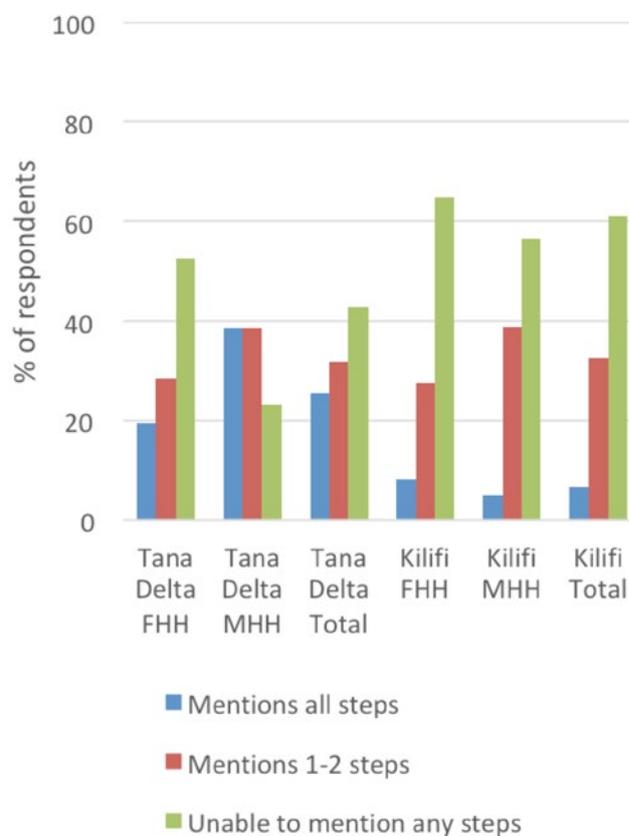
The survey suggests, however, that between these two poles, the project did contribute to shifting financial behaviours for a significant proportion of the recipients. It helped to increase their confidence and familiarity with using mobile money payments and has encouraged savings both in M-Pesa in the village savings and loans.

Because the project did not have financial inclusion as an objective and because it was assessed that most people either knew how to use M-Pesa or could find someone to help them use it, no formal training was provided as part of the project in how to use M-Pesa, although staff and volunteers did provide support and advice on a more ad-hoc basis.

The survey inquired whether cash transfer beneficiaries received training on M-Pesa, and only 50% in Tana Delta and 31% in Kilifi remember receiving training (this was ad-hoc support from volunteers and staff). The Red Cross provided the majority of the training (69% in Tana Delta and 84% in Kilifi). 44% of respondents in Tana Delta and 11% in Kilifi referred to training that they received from their family and friends and 9% cited support from the service providers in Kilifi and 3% in Tana Delta.

This absence of formal training contributed to the scenario where high numbers of the beneficiaries were unable to confidently use M-Pesa or be able to describe the cash out process. Figure 20 below reveals that only 25% in Tana Delta and 7% in Kilifi were able to mention all steps in the cash out process whilst 43% and 61% in Tana Delta and Kilifi respectively were unable to mention any steps at all.

Figure 10: Ability to describe cash out process



The lack of structured training was perhaps a missed opportunity. Based on the focus group discussions, a reasonably large percentage of beneficiaries did not know how to use M-Pesa and still don't. Whilst they were still able to access their money by using alternates / asking agents and others for help, training might have helped to given them greater knowledge in how M-Pesa worked and greater confidence in using it in the future.

To gain a greater understanding of potential barriers to financial inclusion the survey also inquired about the time required to access M-Pesa services, both in terms of travelling to agents and also waiting to be served. Travel times in both locations were mostly under an hour and were not seen by recipients as a major barrier because the journey was to market centres which they need to go to anyway to buy and trade goods. More people (78) paid for transport in Tana Delta which cost an average of 182 KSH (\$1.80). Waiting times at the agents were mostly less than 30 minutes and were not seen as a problem. Only a small minority of people reported any problems with agents having sufficient floats.

The questionnaire asked whether people experienced any problems using M-Pesa. 12% of respondents reported an issue receiving the money – 8% of the Kilifi sample (15 people) and 15% of the Tana Delta (24 people) sample. The problems ranged from network issues, issues with technology and insufficient floats as seen in the table below.

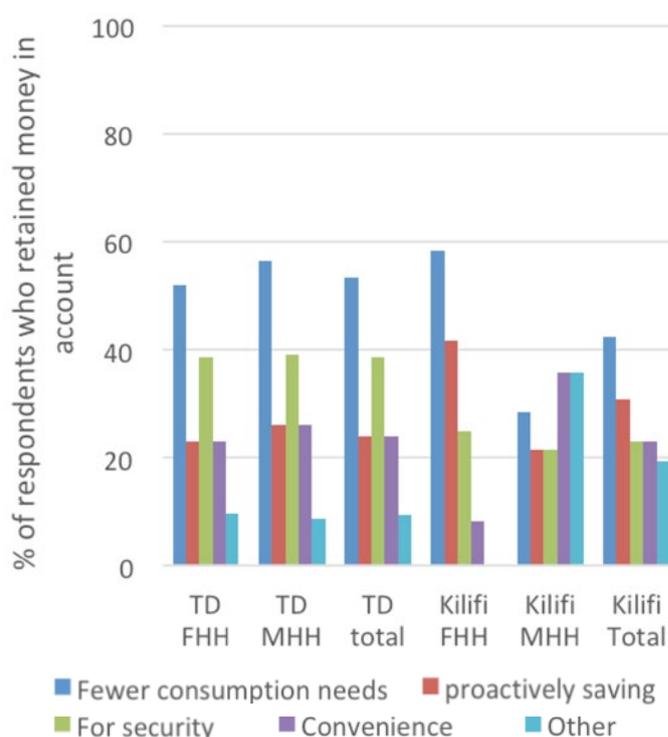
Table 5: Problems experienced using M-Pesa

Numbers of respondents	Network	Problems with technology	Problems with pin	Distance	Queue	Insufficient float	Had to pay something
Tana Delta: FHH	2	12	3	3	1	0	2
Tana Delta: MHH	1	3	0	0	0	0	0
Tana Delta: Total	3	15	3	3	1	0	2
Kilifi: FHH	2	0	0	1	0	2	0
Kilifi: MHH	4	0	0	1	0	0	0
Kilifi: Total	6	0	0	2	0	2	0

The survey asked whether people retained some of the cash transfer in their M-Pesa account or withdrew it all in one transaction. There was a big difference between the Tana Delta, where 53% of respondents withdrew all the cash transfer in one payment and Kilifi where 86% did. This can perhaps be explained by the much larger payments and the necessity of a business plan in Tana Delta. The overwhelming justification for withdrawing the whole transfer was that all the money was needed. Distance to the agent was the next most prevalent response, mentioned by 8% of respondents in Tana Delta and 22% of respondents in Kilifi. Responses that fell under other included not having a phone, fears that the money would disappear, repaying debt, paying school fees and a preference to save at home.

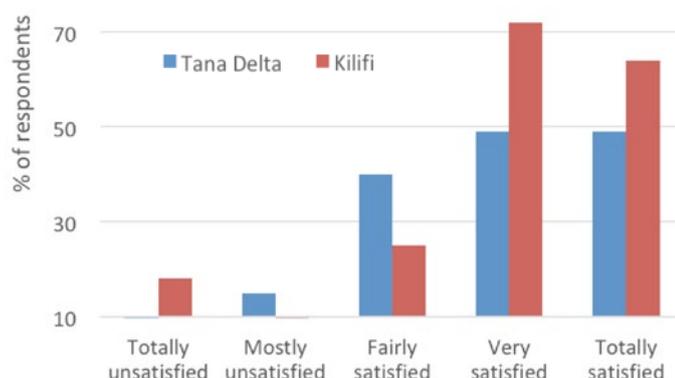
Figure 11 shows the rationale provided by those people who did not withdraw all the money in one transaction. The most prevalent response in both Tana Delta and Kilifi was 'fewer consumption needs.' The issue of security appears more pertinent in Tana Delta and was mentioned by 39% compared to 23% of the respondents in Kilifi - this is most likely due to their history of conflict. The reasons provided under other included, to pay for school fees, to wait for the market days, to pay for bills and to save for emergencies.

Figure 11: Rationale for retaining money in M-Pesa account



There were very high levels of overall satisfaction with the payment system as shown in Figure 12 and in comments there were many messages thanking the project.

Figure 12: Satisfaction levels with M-Pesa payments



KRCS decided not to provide sims or phones to project beneficiaries but to encourage people to buy their own if they did not already own one. Some people did buy their own phones and sims but a significant number in Kilifi did nominate ‘alternates’. This did raise some concerns with the potential for abuse and people having to pay alternates a part of the transfer and it significantly delayed the first payment because it complicated processes of verification. Given this, it might be worth reviewing the KRCS policy of not providing sims to people as part of the project process. The cost of this would be minimal and it would be possible to test the assumption that providing sims might undermine people’s sense of investment and ownership. The benefits from swifter verification and fewer risks from alternates might also outweigh any negative possibilities of reduced ownership.

It might also be worth considering whether or not phones could be provided as well as sims as part of the distribution process. This might help to reduce risks during the project (beneficiaries not just handing the sim over to the agent) and might encourage them to continue using the service after the project and again would be a relatively small cost. Simple phones cost about 1,000 KSH in the project area but could perhaps be procured for much less in bulk. The pros and cons of providing sims and/or phones could be piloted in future responses with experiments to compare cost and usage of accounts between those receiving no phone or sim, those receiving just a sim and those receiving a sim and phone.

People using other M-Pesa services or expansion of other financial services

M-Pesa was being overwhelmingly used in the project area solely for payments (receiving and sending money). There was limited evidence of people using it for savings or loans. For loans and savings people were continuing to rely either on family and neighbours or on local village level institutions (VSLAs). There was limited evidence of demand or interest in M-Pesa’s or other formal savings or loan facilities. As we saw in the previous section only a minority of people even knew about services beyond sending and receiving money and only a small number of people have used M-Pesa or other formal services for loans or savings.

There was not much evidence of the project itself stimulating any expanded supply of or demand for additional financial services in Kilifi. Local village level institutions such as VSLAs existed before the project and continued to operate. The findings in both locations testify to the prevalence of VSLAs within Kenyan communities and suggest that when people have money and are able to save and participate in these associations they do so.

There was some evidence that the project increased peoples’ credit worthiness in local shops and with local traders. But it wasn’t clear if this was sustained beyond the short life of the project. In Tana Delta, part of the project activities were to establish Village Savings and Loans Groups and these are continuing to operate with continued Red Cross input. The combination of a large business grant and VSLA training and support appeared to work well. People had the money to invest and were very enthusiastic about both the economic benefits the VSLAs provided but also the social benefits of coming together and of encouraging each other to save on a weekly basis. KRC plan to register the VSLAs and link them with formal financial institutions to increase their chances of success in the future.

Inclusion in other forms of assistance

The KRCS project in Kilifi put particular efforts into careful targeting and identifying the poorest and most vulnerable. It also enabled some expansion in the number of people owning ID cards and having M-Pesa accounts. Given that the project only provided modest and short term support for 4 months it was clearly insufficient to tackle the underlying poverty and vulnerability of the beneficiaries. It just (and was just intended to) provide a temporary support to alleviate the worst suffering during the drought.

Given this, there may have been opportunities to try and link people into longer term support either from development organisations or government social assistance. The project does seem to have helped to demonstrate the effectiveness of M-Pesa as a delivery mechanism with the ‘Food for the Community’ project implemented by WFP and World Vision also using M-Pesa. However, many of the people interviewed in focus group discussions raised the problem that, having been included in the Red Cross programme they were being excluded from other assistance on the grounds that they had already been helped. There therefore seems to have been a risk that rather than helping to stimulate greater inclusion in development and social protection mechanisms for the poorest people that the Red Cross had targeted, the project was leading to their deliberate exclusion from further assistance.

This is a tentative finding and more investigation and coordination with other forms of assistance would need to take place to understand the dynamics. However, it is clearly a cause for concern and it should be followed up by the KRCS. Should this exclusion be happening then there is a clear role for the KRCS to advocate with other organisations and the government for beneficiaries of its cash programme to cease to be excluded from other assistance.

6. Conclusions

There's a need for caution in assuming that financial inclusion should be a priority sub-objective in future responses. The primary focus of the KRCS should continue to be on getting cash to people as quickly and effectively as possible as part of alleviating suffering during humanitarian responses. Financial inclusion should only ever be a sub-objective. Conditions that could suggest scope to support financial inclusion could include where assessments show demand for financial services from recipients, where there is capacity to support financial inclusion from the Red Cross or financial service provider and where the project timeframe allows engagement or there is scope to work with other actors with long-term perspectives.

People's main problem remains poverty and not financial exclusion. As one old man in Kilifi said – 'I don't have any money to send to anyone and I don't know anyone who wants to send me money'. So whilst access to a wider range of financial services that enable people to make and receive payments, send money, access loans and save more effectively might help to increase people resilience to and ability to cope in the face of disasters, it is unlikely to be transformative, in the absence of regular income. But the link between the two should not be underestimated either. In Kenya a recent study found access to M-Pesa has lifted an estimated 2% of households out of poverty by increasing consumption levels at critical times.¹²

There's also plenty of evidence from this study and the previous ELAN studies that short term humanitarian projects providing one or a small series of payments are unlikely to radically shift peoples' longer term financial behaviours. There's therefore a need for a pretty hefty degree of modesty in what any financial inclusion objectives set out to achieve.

The survey findings do, however, provide some grounds for optimism that, even without financial inclusions as a specific objective, some positive impacts on peoples' ability to access and use financial services can be achieved. This is partly, of course because of the dynamism of the financial services sector in Kenya and the successful penetration of mobile money services even into remote areas with high levels of poverty. What's possible in terms of financial inclusion in Kenya won't necessarily translate to other contexts.

Our case study does suggest options for encouraging some aspects of financial inclusion that could be explored further. They are:

- More training for beneficiaries in how to use delivery systems and the additional services for savings and loans offered by M-Pesa and others.

- More active engagement with Safaricom – using agents for training, expanding network or agent coverage
- Encouraging the use of other services and more general training in financial literacy
- Links with other actors and avoiding the exclusion problem
- Having financial inclusion as a specific objective and monitoring it
- Scope for piloting and experimentation – such as opening M-Shwari accounts or providing phones and sims

Given limited capacities and budgets were these feasible options? More formal training on how to use M-Pesa could have been part of the registration, verification and post-distribution monitoring activities. The main constraints in the project were logistical in the sense of getting staff and volunteers out to the remote areas that the project was covering. Once people had got to the project areas there was perhaps scope for additional activities including financial training.

There was also scope to link more with the Government and other organisations such as World Vision and WFP to tackle the exclusion issues and to try and link beneficiaries better into other development and social protection programming.

There also appears to be potential to more actively engage the financial service provider in the project areas. KRCS has a strong partnership with Safaricom at the Nairobi level and has recently agreed that Safaricom will waive all charges for Red Cross payments in future cash projects. However, engagement at the field site level was more limited and there might be scope to explore whether Safaricom staff or agents could play a more active role in training, in monitoring network and agent coverage, in sharing data around account usage to monitor financial inclusion and in promoting use of a wider range of services including loans and savings.

Given that financial inclusion is a relatively new potential objective for KRCS and it's not yet clear what works and what doesn't there is an argument for experimentation and adaptation. Future cash projects could pilot different approaches with sub-sets of target populations. For instance testing whether providing phones and/or sims makes a difference to usage and experimenting with soft conditions to encourage people to save and to start using services like M-Shwari.

The framework that we suggested for how financial inclusion could take place could be developed into a checklist for consideration during project design.

¹² Suri, T. and Jack, W. (2017) The long-run poverty and gender impacts of mobile money

Table 6: Financial inclusion opportunities checklist

Financial inclusion Opportunities	Possible activities
Improving network coverage	Map network coverage and highlight where it is poor. If there are issues with network coverage contact the mobile network providers to ask whether planned improvements could be fast-tracked.
Expanding the agent network	Map agent coverage and the distance people will have to travel to find an agent. Where there are gaps in coverage contact the mobile provider to see if they can support agent expansion. Publicise the planned programme to encourage new agents to establish in poor coverage areas.
Using and understanding the transfer system	Assess peoples' knowledge of the planned transfer mechanism. Plan training in how to use the service at points of distribution and when payments are being made.
Encouraging use of additional services	Assess knowledge of additional financial services available for savings, credit and payments. Provide training if needed. Consider soft conditions to encourage use of saving services such as M-Shwari (e.g. a final bonus payment if people save a small amount per month)
Expansion of other financial services	Publicise the planned payments and encourage other financial service providers to offer services. Coordinate with other services such as banks, MFIs, VSLAs to see if they can expand networks to cover project recipients.
Inclusion in other forms of assistance	Assess whether people have ID cards or other documents needed to access assistance. Provide training on entitlements to other forms of social assistance. Facilitate government or other actors to register those eligible for further assistance. Ensure beneficiaries are not wrongly excluded from other assistance.

It's not clear that these steps would lead to major gains in financial inclusion. In Kenya, the huge expansion in mobile payments means that financial inclusion is happening at pace anyway and there is a need for modesty about how much a short-term, humanitarian project can contribute to this. It's also important to realise the limits to demand for new financial services amongst the very poor and the most vulnerable. But at least some of what we suggest (additional training, providing sims, linking more with other organisations) would have been worth doing anyway in order to improve efficiency, reduce risks and generate possible links between relief and development. Whilst financial inclusion probably won't and shouldn't be a main objective, modest contributions might be possible by tweaking existing programming.

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