

INSTANT AND INCLUSIVE PAYMENTS

Consumer research insights

Focus on Kenya ●

SIIPS 2022



INTRODUCTION

The State of Instant and Inclusive Payment Systems (SIIPS) in Africa report is an [AfricaNenda](#) initiative, together with the World Bank and the United Nations Economic Commission for Africa. It is an annual think piece that is developed from a detailed assessment of instant payment systems in Africa, through mixed research methods that involve conducting an in-depth industry analysis to establish key trends, best practices and benchmarks, to inform the development and scaling of instant and inclusive payment systems to accelerate financial inclusion in Africa.

The State of Instant and Inclusive Payment Systems in Africa report, SIIPS – Africa 2022, is the inaugural edition. The report aims to inform public-sector and private-sector players in Africa and beyond about the developments in the instant retail payment system (IPS) ecosystem in Africa, including an assessment of the inclusivity of such systems, both in functionality (the extent to which they are accessible to all end-users) and governance (the extent to which all licensed payment providers have fair access and design input opportunities). For this report, only systems with live transactions and functionality as of June 2022 were included. The data in this report was gathered from publicly available resources from March to July 2022, and it was supported by extensive stakeholder interviews during the same period.

The consumer research was conducted between May and June 2022. It involved extensive in-country qualitative and quantitative research covering low-income adult individuals and micro, small, and medium-sized enterprises (MSMEs) across seven countries: The Democratic Republic of Congo (DRC), Egypt, Ghana, Kenya, Nigeria, Tanzania, and Zambia. This consumer research exercise will be replicated in different countries each year, and insights will contribute to the annual SIIPS report content.

This is the **Kenya focus report**. The sample is not nationally representative, as this exercise was intended to draw out insights to inform how IPS can be designed to better meet the needs of end-users.

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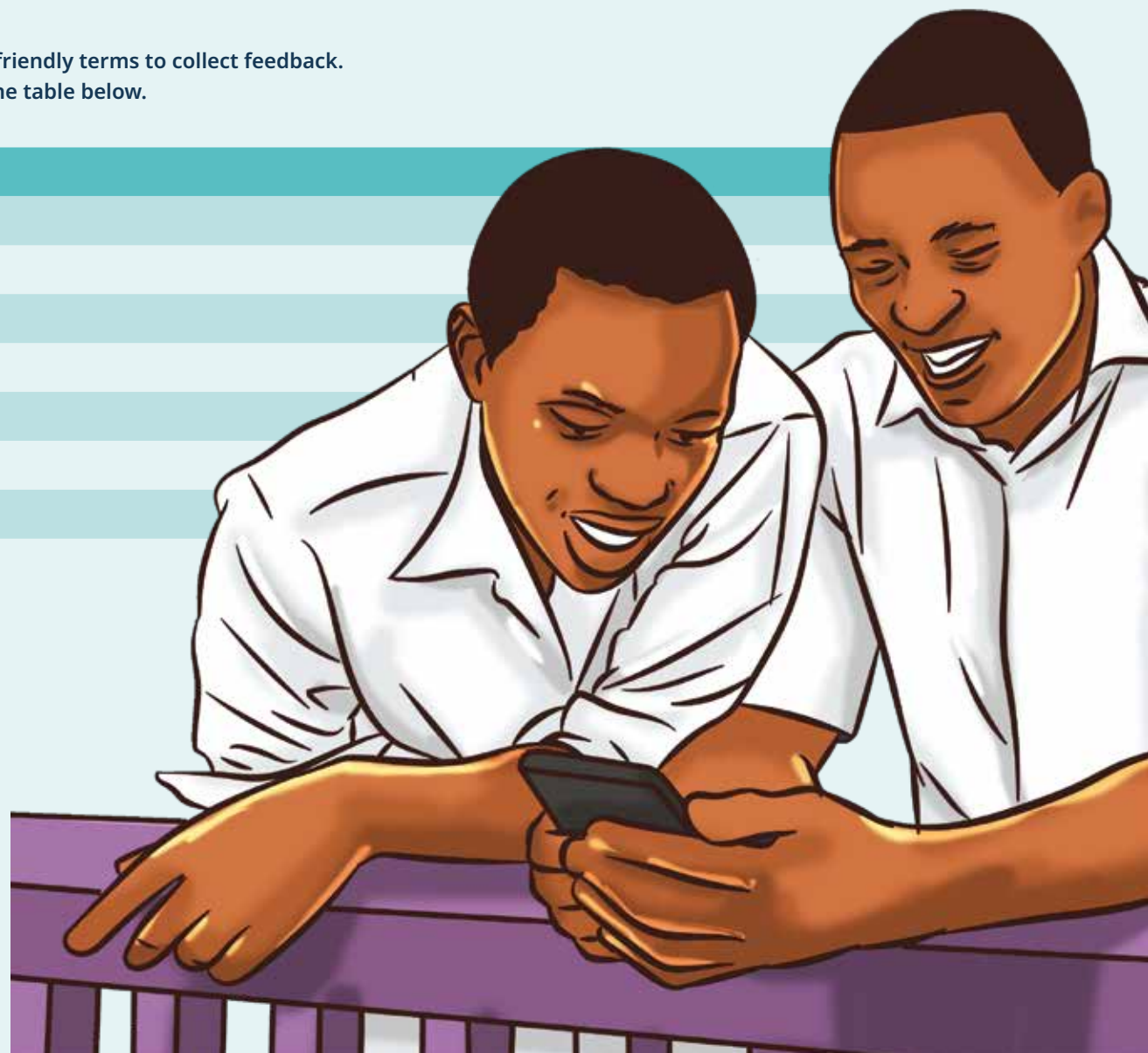
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Glossary

For the purpose of fieldwork, the data collection tools use consumer-friendly terms to collect feedback. The payment term and corresponding consumer term are shown in the table below.

| Consumer research term | Instrument [channel] |
|------------------------|-------------------------|
| Mobile money wallet | MM [USSD/app] |
| Mobile money agent | MM [agent] |
| Payment application | PSP [USSD/app/browser] |
| Banking application | Bank [USSD/app/browser] |
| Banking agent | Bank [agent] |
| Bank hall transfer | Bank [branch] |
| Credit/debit card | Card [POS/browser] |
| Cash | Cash |



MM: Commercial E-Money scheme, Bank: Interbank EFT debit/credit, Card: Debit Card

SECTION 1



RESEARCH METHODOLOGY OVERVIEW



Research objectives & process



RESEARCH OBJECTIVES

The objective of this research was to provide a consumer perspective that will add to the IIPs knowledge base by:

Understanding which payment methods are used and for which purposes

Identifying motivators and barriers consumers face when using digital payments

Defining challenges experienced in accessing digital payments and opportunities for adoption

Exploring use cases, desired features, unmet needs, and expectations of digital payments



FIELDWORK ITINERARY

Fieldwork locations: Nairobi, Mombasa, Kisumu

Quantitative data collection: April 22–May 18, 2022

Qualitative data collection (In-depth interviews, Focus group discussions, & Immersions): May 9–28, 2022



RESEARCH EXECUTION PROCESS



Quantitative tool design

- Respondent Recruitment Screening Tool
- Survey Questionnaire Tool



Quantitative fieldwork

- Survey scripting and programming for mobile data collection
- Enumerator training
- Data collection
- Quality checks



Qualitative tool design

- Data review from quant. process



Qualitative data collection

Focus group discussions

In-depth interview

Immersions

Approach

QUANTITATIVE RESEARCH: Identify customer behavior trends

Quantitative survey n=60 individuals, 49 MSMEs

- Take stock of digital payment patterns and determinants in general, and of instant payments in particular
- Allow comparison across countries and set a baseline on which time series data can be built up

QUALITATIVE RESEARCH: Understand key drivers of shifting consumer behavior towards IIPS

Focus group discussions n=5

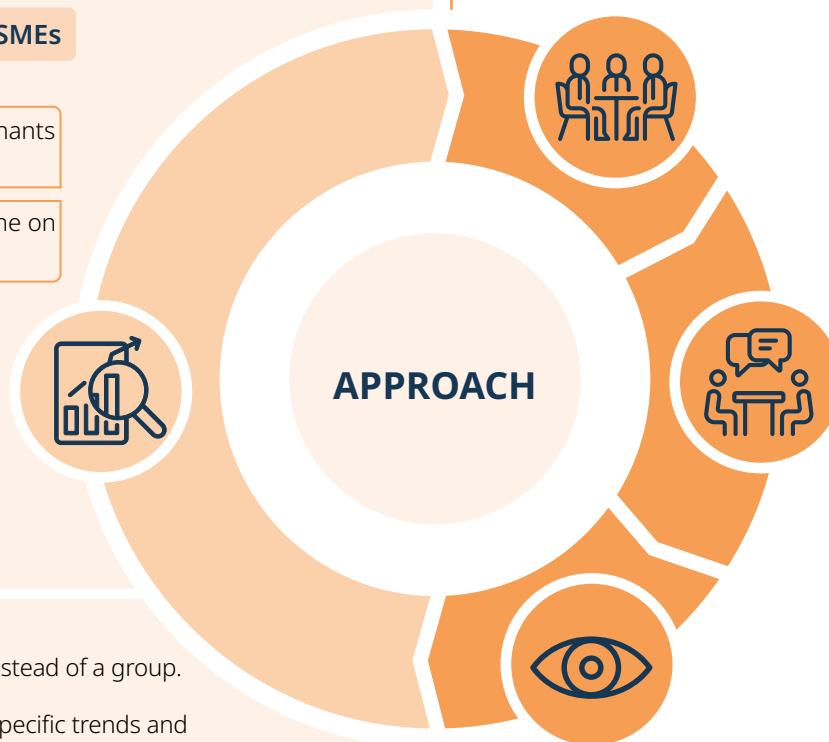
- Identify key decision-making patterns
- Identify key trends in terms of customer behavior
- Spontaneously explore generalized perceptions

In-depth interviews* n=15

- Gain an in-depth understanding of the person's/ business's socioeconomic and household reality
- Understand individual reasons for customer behavior

Immersion** n=5

- In-depth understanding of customer journey and user experience



* In-depth interviews are interviews with individuals instead of a group.

** Immersions are interviews with individuals around specific trends and scenarios discovered throughout the focus group discussions and in-depth interviews.

Sampling Approach

DEFINITION

Lower- and infrequent income earners



Include urban poor who live “hand to mouth” and lack regular employment and stable earning opportunities; intermittent piecework/gig workers; and people who are dependent on others in the family/community and/or on social grants.

Lower but frequent income earners



Are the slightly more affluent part of the lower-income mass market, earning a steady income (wages) or a salary, in the formal or informal sector.

Micro entrepreneurs*



Individual trader/merchants like hawkers, fruit and vegetable sellers, cobblers, and other crafts traders.

Small businesses*



Traders/service providers who have small, fixed premises or (mostly informal) shops, as well as smallholder farmers and small agribusinesses.*

75% of the total sample for **the quantitative survey** are **digital payment users** (individuals and businesses) and **90%** of the total sample for the **qualitative research components** are **digital payment users** (individuals and businesses).

QUANTITATIVE RESEARCH [258 respondents]

| Respondent type | Total | Male | Female | 18-29 years | 30-45 years | 45-55 years | Infrequent income/ micro businesses | Frequent income/ small businesses |
|-----------------|-------|------|--------|-------------|-------------|-------------|-------------------------------------|-----------------------------------|
| Individuals | 135 | 69 | 66 | 51 | 39 | 33 | 75 | 60 |
| MSMEs | 123 | 62 | 61 | 51 | 39 | 33 | 84 | 39 |

QUALITATIVE RESEARCH [85 respondents]

| Focus group discussion | In-depth interview | Immersion/ Observation |
|------------------------|--------------------|------------------------|
| 10 | 25 | 10 |

* Monthly turnover number cut-off applied was 1,000 USD and formality of premises

SECTION 2 ●

ASSESSMENT OF PAYMENT INSTRUMENTS: ADDRESSING NEEDS AND USAGE

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2

Leading payment needs for individuals and MSMEs are purchasing airtime and receiving customer payments, respectively

| | | Individuals | MSMEs |
|--|----|-----------------------------------|---|
| Ranking of payment needs [proportion of individual respondents that had the payment need at least once a week] | 1 | Purchase airtime [67%] | Receive customer payments [60%] |
| | 2 | Pay for daily transport [48%] | Supplier payment [37%] |
| | 3 | Buy household goods [34%] | Send staff money for airtime[19%] |
| | 4 | Send money [11%] | Send staff money for transport [11%] |
| | 5 | Receive salary [7%] | Pay for utilities [11%] |
| | 6 | Pay for utilities [7%] | Pay for business government services [3%] |
| | 7 | Receive money [6%] | Pay staff salaries[2%] |
| | 8 | Make benevolent contribution [5%] | Loan repayments [2%] |
| | 9 | Pay recurrent bills [1%] | |
| | 10 | Loan repayments [1%] | |
| Most digitalized use case | | Pay for government services | Loan repayments |

- All of the individual and MSME payment needs are digitalized, with varying levels of adoption.
- Payment for government services, utilities, sending and receiving money as well as loan/debt repayments are noted to be the most digitalized.

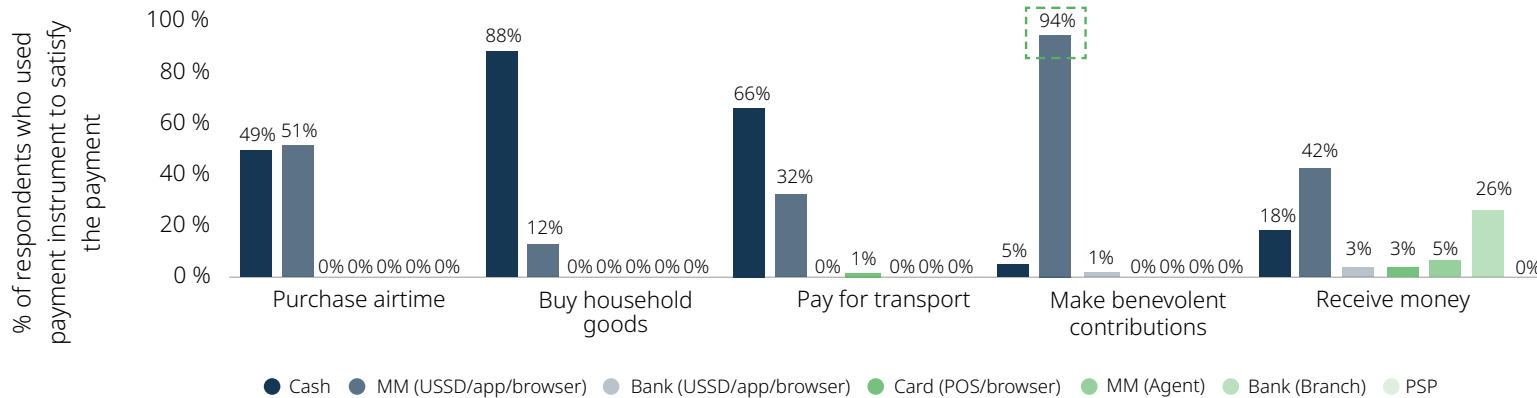
| Proportion of respondents using primarily digital payments to satisfy the respective payment need | No usage 0% | Very low 1-20% | Low 21-40% | Medium 41-60% | High 61-80% | Very high 81-100% |
|---|----------------|-------------------|---------------|------------------|----------------|----------------------|
| | | | | | | |

*Payment needs that were not experienced by respondents over the past 7 days are not included in the ranking above.

- individuals: paying for government services, payment of hospital bills, receiving govt. payments.

Mobile money usage is prevalent in addressing leading payment needs; however, there is an opportunity to increase usage of mobile money in making payments for daily transport

Top individual payment needs: overview of primarily used payment instruments and channels

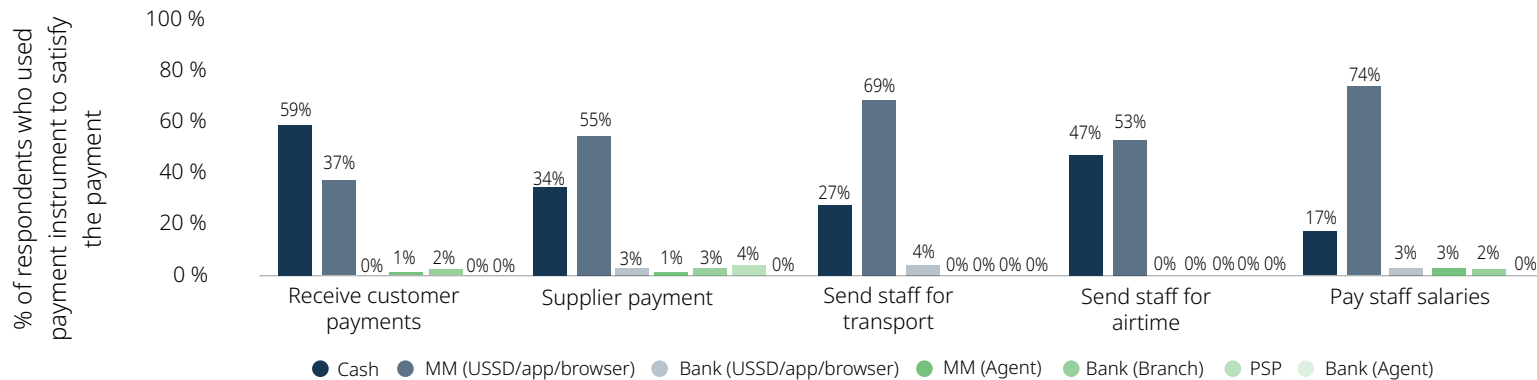


- Individuals opted for mobile money as their primary payment instrument for a good number of their key payment needs. However, only about 12% of the respondents use mobile money to make payments for daily transport.

Opportunity to increase the breadth of digital instruments available to individuals.

Mobile money is a key digital instrument for sending and receiving money.

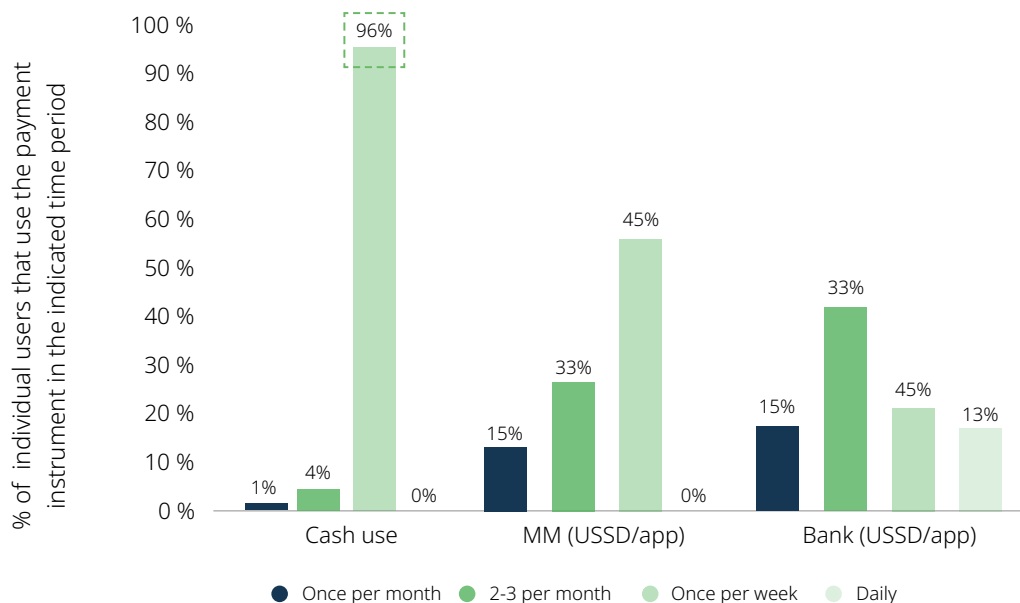
Top MSME payment needs: overview of primarily used payment instruments and channels



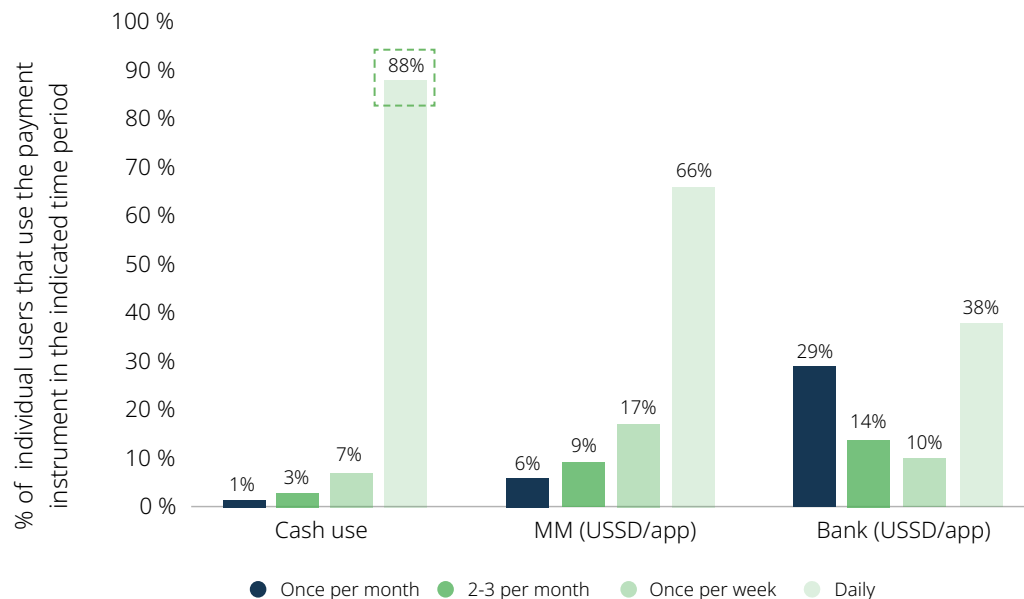
- MSMEs show a higher level of adoption of mobile money.
- There is an opportunity to digitize merchant payments where the usage of cash is high (59%) in receiving customer payments.

Cash is the most dominant payment instrument used daily by both individuals and MSMEs

Frequency of use of main payment instruments and channels by individuals



Frequency of main payment instruments and channels by MSMEs



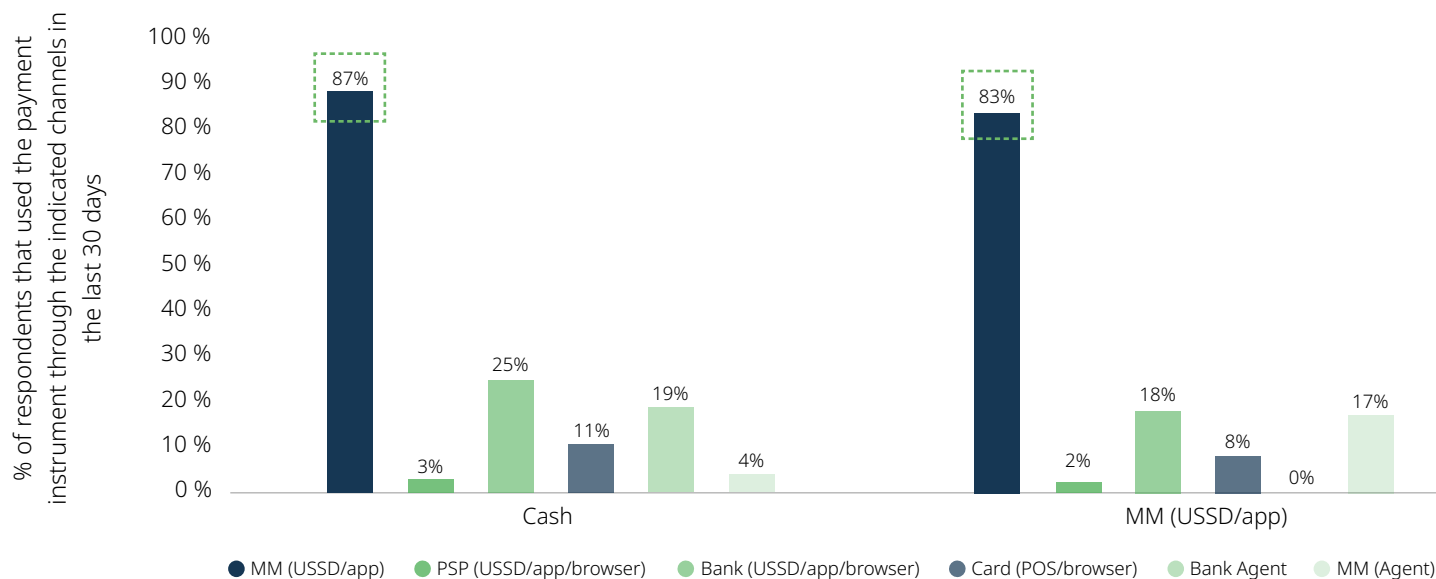
MM (USSD/App): More than 50% of individuals and MSMEs use daily; however, usage by MSMEs is 10% higher than by individuals.

Bank (USSD/App): Twice as many MSMEs use it daily as individuals (38% vs 17%); twice as many individuals use it once per week as MSMEs (21% vs 10%).

Bank-based instruments (USSD/app): Used more on a monthly basis by MSMEs and on a bi-weekly basis by individuals.

Mobile money strongly predominates: more than 80% of respondents use it

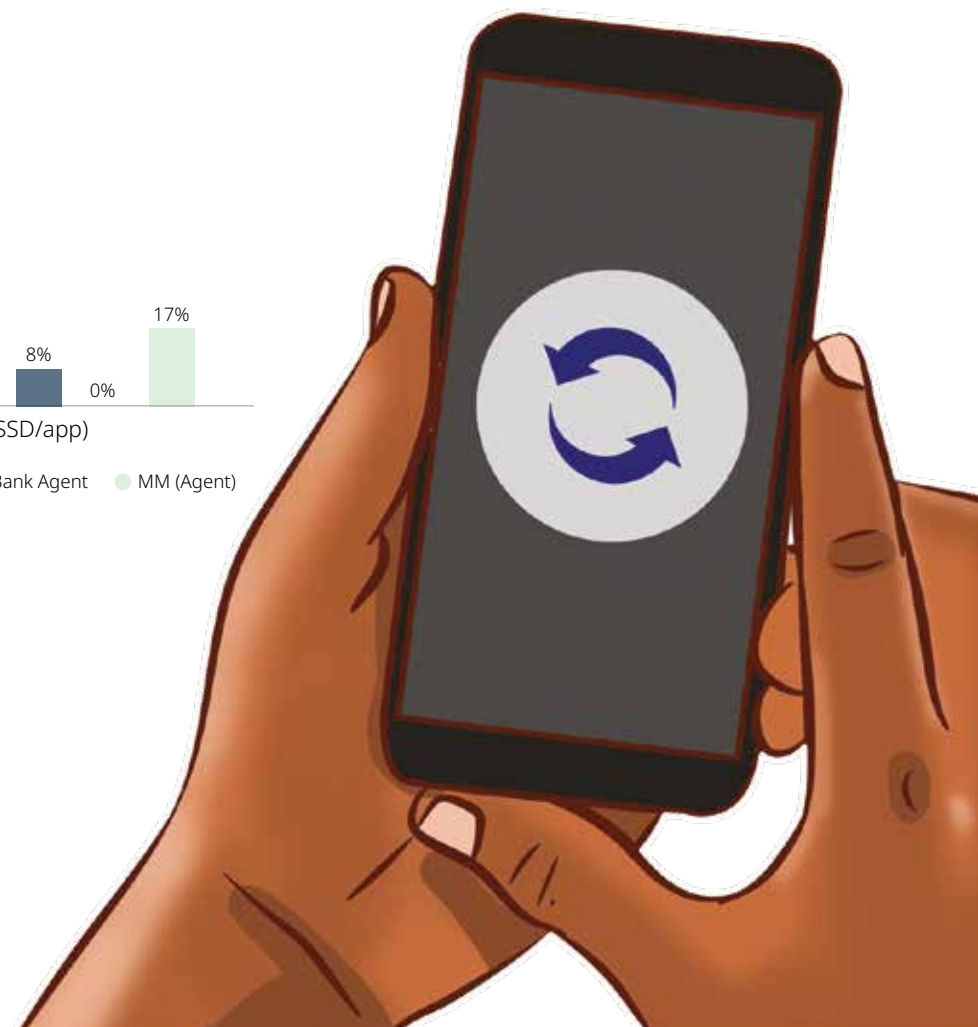
Usage of payment instruments through the respective channels in the past 30 days



Usage of bank-based USSD/app channels is the second most preferred channel for both individual and MSME users, though it is 7% higher for individuals than for MSMEs

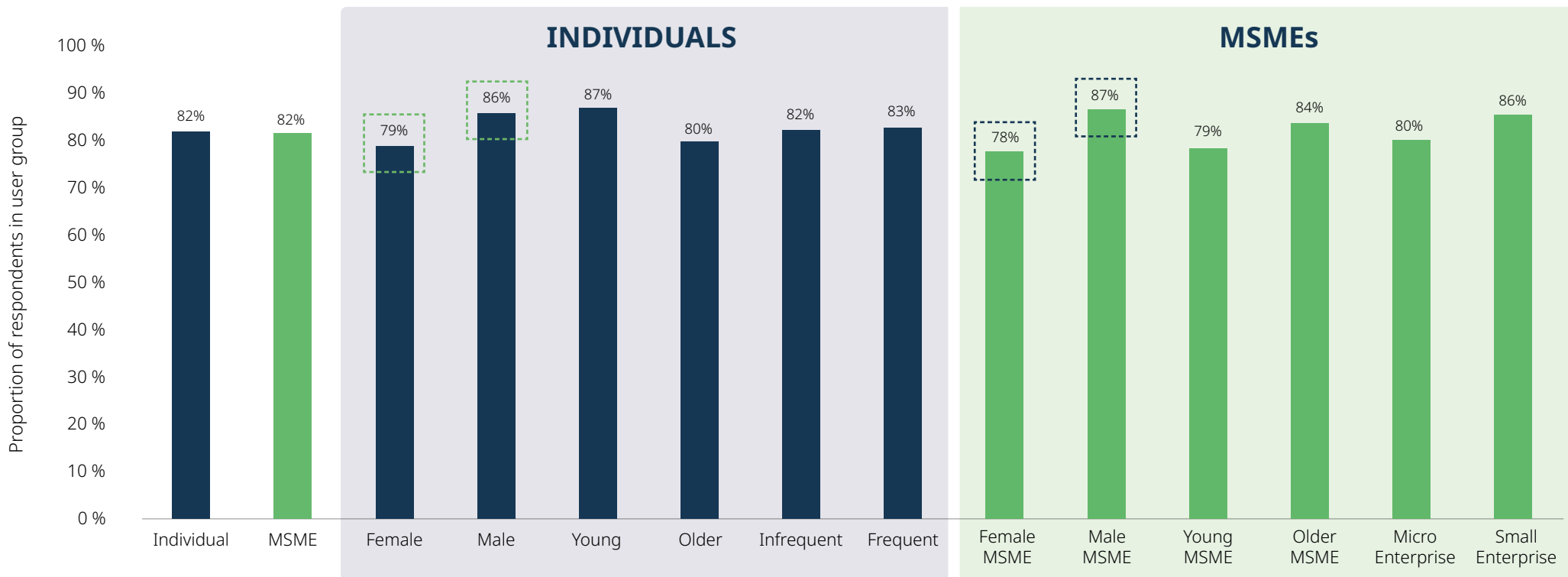
Individuals prefer bank agents to MM agents (19% vs 4%), while MSME users prefer MM agents to bank agents, 17% versus 2%

Total No. respondents Sampled (n = 250): Individuals = 130; MSMEs = 120



The mobile money usage gender gap is over 5%, for both individuals and MSMEs

Differences in mobile money usage



Individuals: The customer profile for a mobile money user is a young male who receives income frequently

MSMEs: An MSME that uses mobile money is a small enterprise that is not newly established, and its owner is male

SECTION 3 ●

**UNDERSTANDING CONSUMER
BEHAVIOR: PERCEPTIONS,
DRIVERS, AND BARRIERS TO
MAKING DIGITAL PAYMENTS**

3

Mobile money awareness and usage are high among individuals and MSMEs, but users wish for increased provider competition



AWARENESS OF MOBILE MONEY



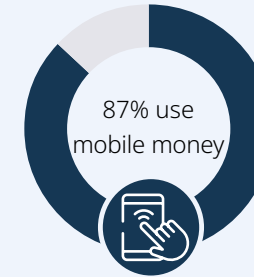
USAGE OF MOBILE MONEY

Individuals



Total No. of respondents sampled: n=250

Out of these



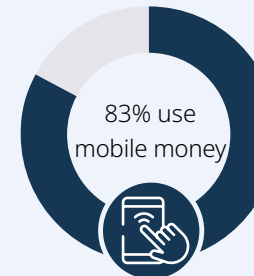
Total No. of users sampled: n=130

MSMEs



Total No. of respondents sampled: n=250

Out of these



Total No. of users sampled: n=120



ATTITUDE

"We should not only have one dominant mobile money player, yet we have other platforms..." – Female respondent

"There should be some competition between the different mobile money service providers." – Male respondent

Beneficiary receiving options, distance, and payment amounts are key determinants of how payments are made - in cash or digitally



BENEFICIARY TERMS & CONDITIONS

Beneficiary terms affect consumer choice of payment method, e.g., institutional policy may require payments to be transacted digitally or through bank accounts.

Some MSMEs may also require their customers to pay in cash (withdraw funds) to pay for goods and services.



DISTANCE/LOCATION

When money is sent to beneficiaries far away, digital payments will be used because this offsets transport and time costs.

Beneficiaries nearer to each other may choose to use cash to make payments and receive income.

// If the person that I want to pay the money is far from me, I just pay using mobile money. ... If the person is with me, I can pay using cash.” – Male respondent



TRANSACTION AMOUNT/VALUE

When transaction amounts are small, individuals prefer to use cash to settle payments.

When transactions are large, banks may be preferred for security reasons.

// If it's giving me a lot of money, then I will go for bank.”
– Female respondent

Motivations for high mobile money usage include perceived convenience, traceability of transactions, value-added benefits, and security



VALUE-ADDED BENEFITS

- Can help one save and purchase assets through micro-payments/hire purchase.
- Allows (M)SMEs to save and access credit for business capital as well as paying back debt.

“I saw my friends are getting loans....It really encouraged me to be saving a little money with the mobile credit product.” – Young male respondent



TRACEABILITY TRANSPARENCY AND ACCOUNTABILITY

- Allows transparency and accountability when paying for government service; digital payments deter corruption, bribery, and extortion tendencies.
- Proof of payment and records of transactions determine consumer choice of payment methods. When customers feel vulnerable, or the beneficiary may not be a trusted entity, traceability becomes important.

“We prefer mobile money so that if someone decides to run away with our money, when we go to the police, we have the evidence.” – Female respondent



CONVENIENCE

- Business convenience – no need to struggle looking for change as customer pays exact amount
- Can help a business or individual aggregate payments and savings easily
- Some individuals may consider cash more convenient than digital payments.
- Some businesses find cash more convenient when re-stocking

“I think my mobile money provider has made business to be effective.” – FGD respondent

“Cash also helps make quick purchases.” – Female respondent



DIFFERENTIATE INCOME AND TRACK FUNDS BETTER MANAGEMENT OF FUNDS AND BUSINESS

- Can be useful in paying workers commissions and sales bonuses, as there is a digital record of transactions that can be traced to a particular worker's effort.
- Digital payments help consumers plan and differentiate business income from personal payment needs.
- Individuals may prefer to save money on mobile money wallets to avoid unplanned expenses when holding cash.

“This savings wallet for businesses enables me to differentiate between the money I get from the online business and the other that I get from this business.” – Male respondent

“My mobile money provider will give you a statement of how you have been transacting in your business.” – Focus group discussion respondent



SECURITY

- No need to walk around with large sums of cash
- Fear of losing cash through theft-pickpocketing, mugging
- Digital payments also help avoid the danger of receiving payments in fake currency notes
- MSMEs trading in areas with high insecurity will prefer to make and receive payments via digital means

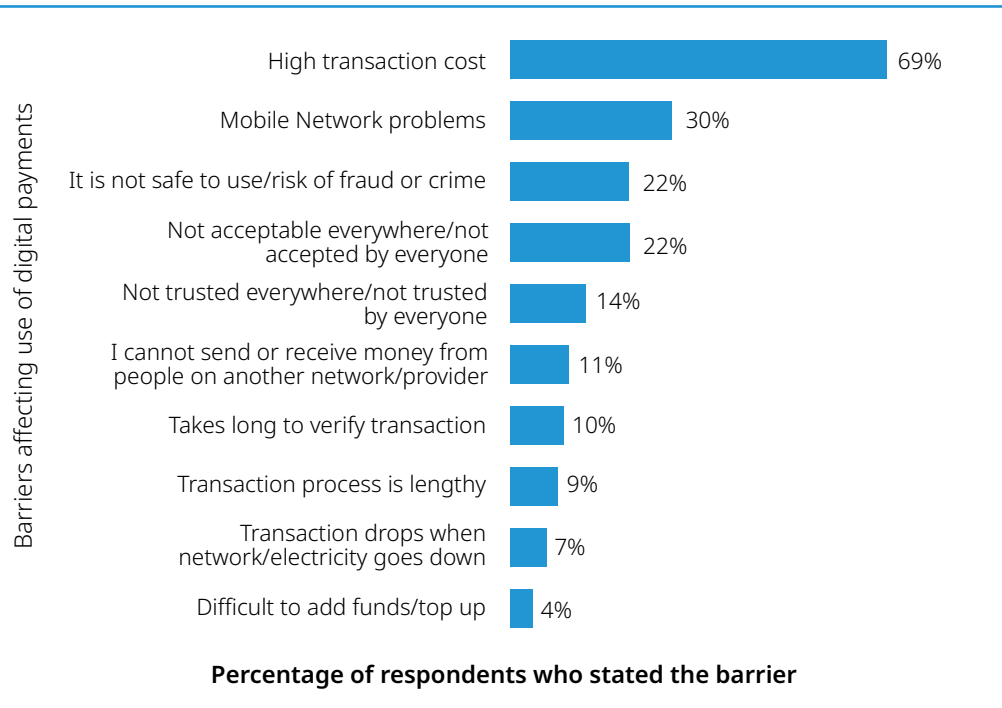
“Once I put my money on my mobile money wallet, even if they steal from me, the money will still remain in my mobile wallet.” – Female respondent

“You can just leave the house with your phone, and you will be okay,” – Female respondent

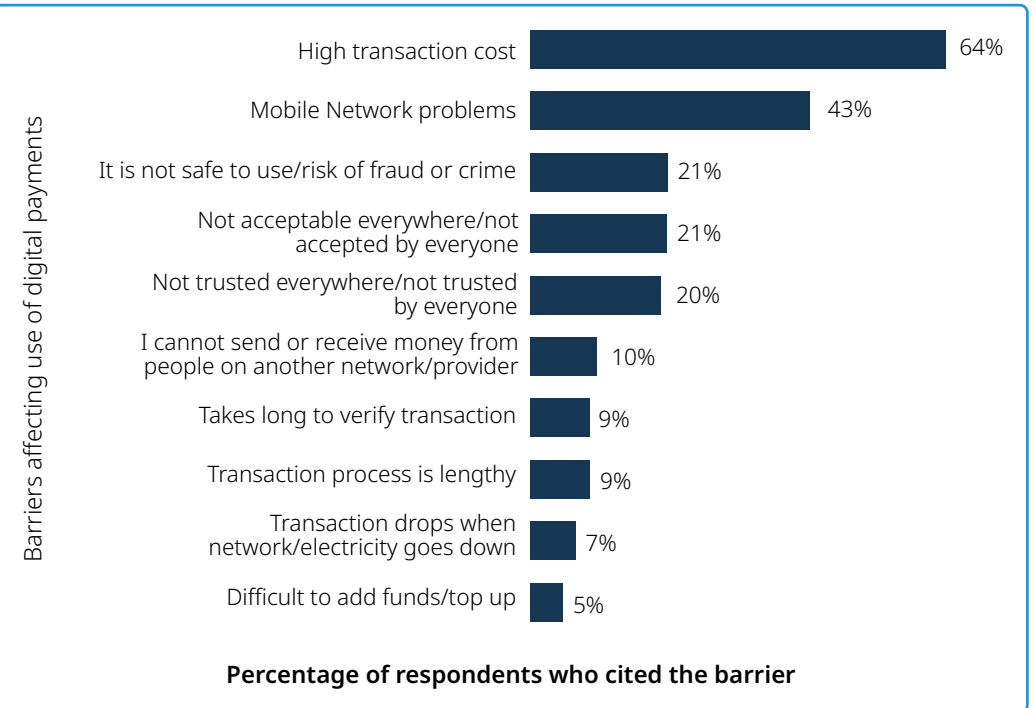
Cashless
Transactions

More than 60% of individual and MSME respondents cited high transaction costs as the main barrier to increased usage of mobile money payments

INDIVIDUALS



MSMEs



“Mobile money is very expensive.”

– Young respondent

“You might try even up to five times and it {mobile network operator} is still telling you that the transaction has failed; yet the money has already been sent like 5 times to that person.”

– Male respondent

Total No. of Respondents Sampled: n=109, Individuals=60, MSME=49

Other key deterrents to increased mobile money usage include unlawful reversals, loss of data privacy, fraud, among many others



TRANSACTION LIMITS, REVERSALS, AND LOW-VALUE TRANSACTIONS

“ A client can come to my shop and spend ksh. 200/= on clothes.... later on, he reverses the transaction....”

– Male respondent

“You might have to do mobile money transactions in bits, you can’t send ksh 200,000/= at once.”

– Focus group discussion respondent

“Some people earn very little,..... A garbage collector expects to collect ksh. 20/= from 20 people in a day.... He will budget for that ksh. 400 for that day, if you send him money through mobile money then the value will be less than Ksh 400 because of the withdrawal transaction costs....” – Young female respondent



LOSS OF DATA PRIVACY

“My mobile money provider should not link my information with banks; my information should be confidential.”

– Focus group discussion respondent

“I once paid bus fare using mobile money. The conductor used my phone number to harass me...it caused problems with my husband.”

– Female respondent



FRAUD & VULNERABILITY TO SCAMS

“Another barrier that I would think of is fraud; once you get a certain mobile line, you will start receiving messages from unknown people...”

– Female Respondent

“There are at times conmen who can call you and ask you to give out your mobile money wallet details and when you deposit money the money will get stolen.”

– Male respondent

User experience: Understanding how drivers and barriers play out along a user journey



JESSICA KEMUNTO,
MSME trader, lives
in Nairobi, Kenya

- Has a bank account with a leading bank
- Uses both mobile money and mobile banking to conduct digital payment transactions



"I like using cashless means because I don't have to carry cash with me. I prefer using my mobile banking app wallet. I decided to get this app because it is cheaper as compared to mobile money, which is very expensive, even though most people prefer it. This mobile banking option is very cheap because transactions do not have any charges.

To use the SIM provided by the bank, I must have an extra handset so that I can switch the mobile banking line on. I have a mobile line from a telco, for making and receiving calls. When I have money in my mobile money wallet, I transfer the money to my banking app wallet using the Paybill number. Then I use the mobile banking app to make payments since it is cheap. There are times when you are in the supermarket shopping, the mobile money wallet hangs; hence I am not able to transact using mobile money.

With the banking app wallet, I don't have to go to the bank to queue so that I can withdraw money from my bank account. I just transact using my phone. It makes work easy. It is safe to use. When your money is in the account, it is safe. No one will know that you have money in the account. You can make transactions at any given time.

Right now, if you look here, the banking app is down. The bank network is the frustration. The bank network should always ensure that there is full network coverage because the transaction goes hand in hand with the network. If there is no network, you cannot carry out that transaction. You cannot use the till number or even make payments if there is no network."



Drivers in the user journey experience

No transaction charges when using the mobile banking application

Digital convenience in transacting directly from bank account to phone



Barriers in the user journey experience

Unstable or erratic network issues

Inability to confirm beneficiary details when making payments

SECTION 4 ●

CONCLUSION AND RECOMMENDATIONS

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Summary

State of digital payment use in Kenya



Cash and mobile money have high usage and are interchangeably used by both individuals and MSMEs.



Digital payment use is deepening as more users (individuals and MSMEs) use digital payment instruments on a daily basis.



The mobile money landscape is dominated by one player offering multiple solutions. The development of highly consumer-centric products and services for the consumer market has cemented the market.



However, as a result, consumers feel exploited by perceived high transaction costs.



Furthermore, this has also constrained consumers' choices and slowed the uptake of diverse digital payment solutions.



Access to digital payments is diversified, through channels such as USSD, apps, etc.

Key drivers and barriers to digital payment use



DRIVERS

- Reliable connectivity, stable platforms, and well developed agent networks are key to the delivery of instant and inclusive payments.
- Value addition solutions such as interest-earning savings accounts on mobile wallets, and the ability to access credit secured by digital savings, accelerate adoption and use.



BARRIERS

- The youth are mainly excluded due to lack of IDs or delayed ID renewal, while people living in rural areas are most likely to be excluded as they are underserved by mobile network coverage and agents.
- High cost of transactions coupled with limited competitive options make consumers feel exploited.
- Data privacy concerns exist, and consumers are concerned about fraud.

CONSUMER VOICES: RECOMMENDATIONS ON EXPANDING DIGITAL PAYMENT OPTIONS



EXPAND DIGITAL PAYMENT OPTIONS TO MATCH CONSUMERS' OPTIMISM

Consumers are enthusiastic about digital payments but lack access to alternative payment instrument options delivered by a range of providers.

// Other telco providers should also improve when it comes to mobile money transfers so that there is some competition between the different service providers.” – Male respondent

// I think the world is going digital....so it is better you get used to them.” – Young male respondent

In your opinion, what should be done to make digital payments more instant and inclusive?



BIOMETRIC SECURITY FEATURES CAN INCREASE USER ADOPTION, E.G., FOR DISABLED PERSONS, HENCE DRIVING INCLUSIVITY

Biometric security features may potentially resolve data privacy challenges.

// They should introduce [biometric] security features like thumbprints.....Everyone can easily use it; even a blind person. The services will then be for all.” – Female respondent



AfricaNenda is an African-led team of experts committed to unlocking the potential of digital financial services for the financially excluded across the continent by accelerating the scale-up of instant and inclusive payment systems. AfricaNenda's approach is to provide public and private sector stakeholders with technical expertise and the capacity to reduce barriers to digital payments. AfricaNenda wants to enable everybody in Africa to make digital transactions seamlessly and at a low cost wherever they are on the continent by 2030.


AfricaNenda is fiscally sponsored by Rockefeller Philanthropy Advisors and supported by the Bill and Melinda Gates Foundation.

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