

**Equity Group Foundation (EGF) improves financial access, financial capability and consequently individual and household financial security by connecting low-income people to access of financial services and financial literacy training.**

## Need

Financial services, particularly in the form of savings and loans, are key tools towards wealth creation and economic development. Yet worldwide, 2.5 billion adults are unbanked, including an estimated 77% of all adults in Africa (World Bank). They operate solely in cash or through barter trade and in doing so, assume increased personal and financial risk, including through higher transaction fees, unfriendly borrowing terms in the informal market and a lack of recourse in the event of loss or theft. Meanwhile, close to 200 million micro to medium enterprises in developing economies lack access to affordable financial services and credit, which slows business growth and development.

Even with a bank account, low levels of financial literacy and knowledge make it difficult for people to navigate and use financial services and often leads to incorrect financial decisions, especially for the poor. Without improved financial and tools to plan and project finances for their households or small enterprises, people with low financial literacy are exposed to themselves to added risk by borrowing from informal sources, saving too little and failing to access appropriate financial services. As the financial landscape continues to evolve rapidly and offers increasingly complex products and services, low-income individuals are at risk of falling further behind in wealth creation.

## Approach

When Equity Bank was formed in the 1990s, only 4% of Kenya's population was banked. At the time, conventional banks were not providing financial services to the poor, as they were perceived not to have collateral, credit history and not enough financial turnover for banks to be profitable. Thus, most banks confined themselves to corporates and upper income clients. Equity Bank made the decision to focus on the poor and low income people who had previously been unbanked, with the goal of facilitating people living at the bottom of the pyramid break the cycle of poverty.

To improve financial capability and inclusion, in 2010 and in partnership with The MasterCard Foundation EGF launched the *Financial Knowledge for Africa* (FiKA) programme to deliver quality financial literacy training and advisory services to low-income women and youth throughout Kenya and particularly those engaging in small and micro enterprises. The training includes a 13-week classroom-based training covering budgeting, saving, financial services and debt management concepts. The programme's aim is to increase financial literacy and money management skills, and ultimately launch beneficiaries on journeys of economic empowerment, increased productivity and financial security.

In order to scale financial inclusion, EGF in partnership with Equity Bank implements a number of financial inclusion initiatives, including:

- **Hunger Safety Net Programme (HSNP):** HSNP is a Government of Kenya social protection intervention in collaboration with

development partners, DFID, AusAID and FSD Kenya, and executed by Equity Bank. The programme provides aid assistance to poor families with vulnerable dependents in arid and semi-arid regions of Kenya and includes these families into the financial system, enabling them to leverage social payments to borrow loans or invest in microenterprises.

- **Social Payments for Food Security:** Equity Bank and EGF provide a platform for social payments and financial literacy training to beneficiaries of community initiatives including: United Nations World Food Programme (WFP) Cash for Assets Initiative, Fresh Food Voucher payments in Dadaab, and the Cash Lite Project in Merti, Isiolo - a cashless project implement by Equity, The MasterCard Worldwide and WFP, enabling beneficiaries to access food through electronic payments.
- **Orphaned and Vulnerable Children (OVC) Programme:** OVC Programme is a partnership between the World Bank and the Government of Kenya, with financial support from DFID and executed by Equity Bank to provide bi-monthly cash transfers to vulnerable households in 25 districts in Kenya, using biometric smart cards and a network of POS terminals. The objective of OVC is to provide a social protection system through regular and predictable cash transfers to families.
- **Fanikisha Initiative:** Fanikisha Initiative offers capacity building and credit facilities that empower women to expand their enterprises, create wealth and employment, and serve as role models to encourage other female entrepreneurs.
- **Agency Banking:** Equity Bank conceived a model of contracting third party retail networks as "Agents" who are authorized to offer selected products and services on behalf of the bank. This enables customers to access financial products and services at a location nearest to the customer, thus breaking down certain barriers to financial inclusion, especially for low-income people who live in the remotest rural corners of the country as well as urban and peri-urban areas, including informal urban settlements.
- **Mobile Banking:** Equitel Bank; Mobile Virtual Network Operator (MVNO) offers banking products on a secure mobile platform coupled with a financial literacy training reducing the cost of banking and improving financial capability, especially for and among low-income people.

Equity Bank also leads financial inclusion efforts focused on emergency cash transfers as well as services and products geared towards smallholder farmers.

## Impact

Since 2009, Equity Bank and EGF have:

- Trained over 1.2 million youth and women in financial literacy.
- Transferred over KSh 16.31 billion (nearly US\$ 174 million) to 310,927 beneficiaries.
- Transferred KSh 4.2 billion in aid assistance to 69,000 poor households in arid and semi-arid regions in Kenya between 2009 and 2013, and in 2014 alone an additional Ksh 2.9 billion was transferred to 215, 956 beneficiaries through HSNP.
- Facilitated credit access to youth and women in more than 7,500 lending groups across the country, with an outstanding loan balance of over KSh 3 billion (over \$31 million).
- Delivered cash transfers to 55, 816 beneficiaries through the OVC programme.
- Facilitated access to finance to 287,275 women amounting to more than Ksh 27 billion through Fanikisha Initiative, which provides increased loan repayment periods and reduced interest rates.
- Facilitated funds transfer to 396 schools targeting 28,000 primary school going children.
- Equity Bank has over 11,000 Agents in Kenya, Rwanda, and Tanzania, serving bank customers in the remotest rural corners of the country as well as urban and peri-urban areas, including densely populated urban informal settlements.

## Looking Ahead

Equity Bank and EGF are committed to deepening financial inclusion in the years to come. In addition to replicating current and past approaches that have proven successful, Equity Group and EGF are committed to adapting and deploying new technologies, particularly mobile platforms, to reach more people more cost-effectively with training and capacity building around financial inclusion and financial literacy, as well as offering direct access to new financial products and services as well as financial literacy content on mobile platforms.