finaccess

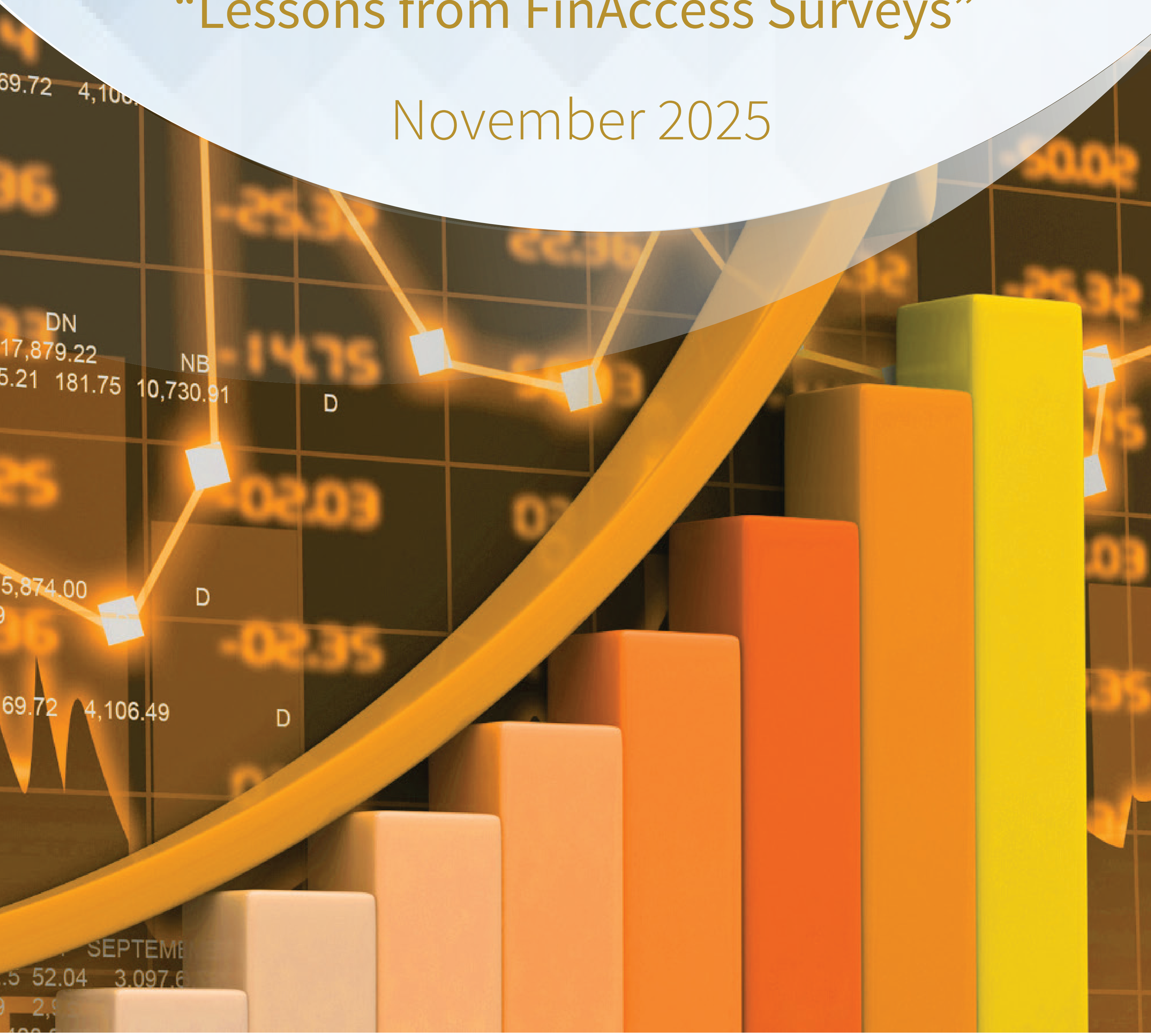
CAPITAL MARKETS AUTHORITY

Promoting the Integrity and Growth of the Capital Markets

Capital Markets Subsector Report

"Lessons from FinAccess Surveys"

November 2025



ACCESS | USAGE | QUALITY | IMPACT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Acknowledgment

The successful completion of the 2024 FinAccess Household Capital Markets Sub-Sector Report marks a significant milestone in advancing understanding of capital markets and their role in promoting financial inclusion. This achievement is the result of strong collaboration among financial sector regulators, research partners, and dedicated professionals who contributed their expertise and time.

We express our heartfelt appreciation to the Kenya National Bureau of Statistics (KNBS), the Central Bank of Kenya (CBK), and Financial Sector Deepening (FSD) Kenya for their leadership and technical partnership in the design and implementation of the 2024 FinAccess Household Survey. Their continued efforts have ensured the availability of credible data to guide policy formulation and sector development.

Special recognition is accorded to the leadership and management of Capital Markets Authority (CMA-Kenya) for their support in ensuring the 2024 FinAccess Household Survey was successfully conducted, subsequently making the preparation of this sub-sector report possible. We gratefully acknowledge the guidance and support of FCPA Mr. Wyckliffe M. Shamiah, Chief Executive Officer, whose strategic vision was pivotal in shaping this work. We also extend our thanks to Mr. Samuel Kamunyu, Acting Director, Policy and Market Development, and Mr. Wilberforce Ong'ondo, Senior Manager, Research, Analytics and Knowledge Management, for their invaluable leadership and technical direction throughout the process.

We are equally indebted to Dr. Isaac Mwangi (CBK), the overall project lead for the sectoral reports, as well as Prof. Robert Mudida (CBK) and Mr. Cappitus Chironga (CBK), Dr. Amrik Heyer (FSD Kenya), and Mr. Simon Gaitho (KNBS) for their constructive feedback on the draft report. Their insights and recommendations greatly strengthened the quality, accuracy, and relevance of the final output. Appreciation is also extended to the KNBS team led by Ms. Tabitha Wambui, the FSD Kenya team led by Ms. Geraldine Makunda, and the CBK infographics team led by Ms. Sylvia Anam, Mr. George Kamau, and Mr. Duncan Mbiu, whose efforts ensured that the sub-sector reports were both informative and visually engaging.

Our sincere thanks go to the technical team for their rigorous analysis and data validation. Special recognition goes to Mr. Joseph Mariga from CMA-Kenya for his valuable input, along with Mr. Silvester Maingi, Mr. Felix Kemboi and Mr. Lucas Sagire from KNBS and Dr. Moses Mathu from CBK. Their professionalism and dedication were key to generating robust and actionable insights.

Finally, we also extend our sincere gratitude to the wider CMA team for their unwavering dedication to upholding data integrity and excellence. Special thanks go to all survey participants across the country. Your valuable insights and shared experiences continue to shape evidence-based policies that promote financial inclusion and strengthen our capital markets.

Abbreviations and Acronyms

Abbreviation	
CAPI	Computer-Assisted Personal Interviewing
CBK	Central Bank of Kenya
CBK	Central Bank of Kenya
CDSC	Central Depository and Settlement Corporation
CMA	Capital Market Authority Kenya
CIS	Collective Investment Scheme
COVID-19	Coronavirus Disease 2019
EA	Enumeration Area
FinAccess	Financial Access
FH	Financially Healthy
FHL	Financial Health Level
IRA	Insurance Regulatory Authority
K-HMSF	Kenya Household Master Sample Frame
MFB	Microfinance Bank
MFI	Micro-Finance Institution
MTPIV	Medium Term Plan IV
NSE	Nairobi Securities Exchange
OECD	Organisation for Economic Co-operation and Development
PWDs	Persons with Disabilities
REIT	Real Estate Investment Trust
SACCO	Savings and Credit Co-operative
SDGs	Sustainable Development Goals
SME	Small and Medium Enterprise
T Bills	Treasury Bills
T Bonds	Treasury Bonds

INTRODUCTION

Capital Markets Authority

The Capital Markets Authority (CMA-Kenya) is an independent public agency established by an Act of Parliament (CAP 485A) with the crucial mandate to regulate, supervise, and foster the development of an orderly, fair, and efficient capital market in Kenya. As a key player in the country's financial ecosystem, the CMA ensures the integrity, transparency, and stability of the capital markets by overseeing market participants and intermediaries such as the Nairobi Securities Exchange (NSE), the Central Depository and Settlement Corporation (CDSC), online Forex trading platforms, and other regulated exchanges. This oversight is essential in protecting investor interests, promoting market confidence, and enabling economic growth through the effective mobilization of capital.

In addition to its regulatory functions, the CMA plays a vital role in market development by driving innovation through the introduction of new financial products and services. Through extensive research and collaboration with key stakeholders, the CMA aims to expand the variety of investment opportunities available to the public, contributing to the diversification and deepening of the capital markets. At the same time, the Authority remains committed to investor education and public awareness initiatives to ensure that individuals and institutions are well-informed and able to make sound investment decisions.

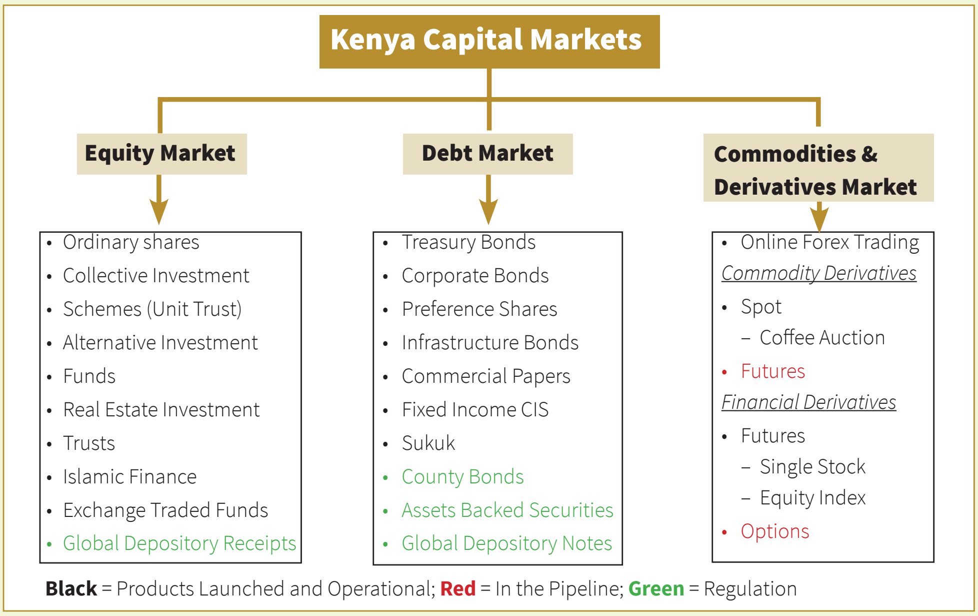
The CMA's commitment to market growth and stability is also reflected in its strategic initiatives.

The Authority's recently launched strategic plan for 2023-2024 outlines ambitious goals to further stimulate capital formation, enhance market efficiency, and safeguard investor interests. This comprehensive strategy will guide the CMA's operations and decision-making from July 2023 to June 2028, ensuring alignment with the broader national development agenda, as well as international frameworks such as Vision 2030's Fourth Medium Term Plan (MTPIV), the Capital Markets Master Plan (CMMP), the United Nations Sustainable Development Goals (SDGs) 2030, and the African Union's Agenda 2063. These frameworks not only provide a clear roadmap for the CMA's future actions but also underscore the Authority's critical role in shaping Kenya's economic landscape and contributing to regional and global financial stability.

As the CMA continues to implement its strategic priorities, it remains steadfast in its mission to provide a robust and dynamic capital market environment that attracts both local and international investors, encourages sustainable development, and ultimately helps drive Kenya's economic growth.

The diagram below illustrates the structure of capital market products, with products in black representing those that are launched and operational, products in red indicating those that are in the pipeline, and products in green showing those with launched regulations but no issuance yet.

Figure 1: Products in the Kenyan Capital Markets



Source: CMA

The Authority has also recently launched its strategic plan 2023-2028, which outlines key initiatives to stimulate capital formation, enhance market efficiency and promote investor protection. This strategic plan will guide the CMA's mandate from July 2023 to June 2028 by ensuring that the capital markets support the national government economic development agenda and other local and international priorities including Vision 2030 Fourth Medium Term Plan (MTPIV), the capital markets master plan (CMMP), the United Nations Sustainable Development Goals (SDGs) 2030, and the Africa Union Agenda 2063.

Background

In the Kenyan capital markets, significant progress has been made in the implementation of the various policy and regulatory reforms identified through the Capital Markets Masterplan review, five-year strategic plans, research outputs as well as feedback from the various stakeholders. However, capital markets products Usage has remained low. Market deepening and investor education initiatives have been carried out to bridge this gap over time. Furthermore, joint financial sector initiatives have become important due to the interdependency of the various financial sector segments in Kenya. The Financial Access (dubbed FinAccess) household Surveys was conducted to enhance financial inclusion measurement; provide better understanding of the financial inclusion landscape indicators; to track financial inclusion dynamics over time; and provide data to stakeholders.

During the International Year of Micro-Credit (IYMC) (2005, as declared by the UN General Assembly), the National Coordinating Committee, various representatives of industry, government and development partners identified the need for a detailed national mapping process to measure the supply of and demand for financial services. A public-private partnership drawing financial sector player such as the Central Bank of Kenya and FSD Kenya were proposed to champion the initiative to carry out a national household survey to establish levels of access to financial services by Kenyans across the country.

The survey was to be broad and encompass the financial sector in Kenya including banks, Savings and Credit Co-operatives (SACCOs), informal lenders and households. As a result, the first FinAccess Survey was done in the year 2006, at a time when the Kenyan financial sector practitioners had a consensus that there was limited access to financial services in Kenya among lower income and rural households.

Another motivation for carrying out the survey was that there had been no clear quantitative measure to gauge the extent of access to financial services in Kenya. By providing access indicators from the survey results several benefits were expected. These include providing information to the private sector about market opportunities; providing information to policymakers about the main barriers to access; raising the profile of the issue and allowing for inter-country comparisons, thus providing a solid empirical basis to track progress and an impetus for necessary reforms; and providing data for use in academic research into the impact of access to financial services on growth and poverty reduction.[1] This first FinAccess survey was also vital as it would form a benchmark measure of effective access to financial services that can be monitored over time and be used to evaluate the effect of various government, private and donor-led initiatives to improve financial access[1].

The second edition of the survey, the 2009 FinAccess Survey, documented some changes in the financial service usage in Kenya. For example, with the advent of mobile money such as the M-Pesa platform, there was a significant increase in proportion of the formally included population; from 26.5 percent recorded in 2006 to 40.5 percent recorded in 2009. Another worthwhile improvement observed was the increased use of Micro-Finance Institutions (MFIs) doubling their intake from 1.7 percent to 3.4 percent[2]. In the 2009 edition, the FinAccess data was also disaggregated into access and usage of specific financial services by the socio-economic profile of users, enabling consumers of the Survey report to derive a rich profile of financial access in Kenya. This further assisted policymakers to better identify perceived difficulties in obtaining services and barriers to use for different population groups[2]. The findings of this survey were also crucial in determining the effects of the 2008 Kenyan post-election violence and impact of the global financial crisis on the local financial sector.

In the 2013 FinAccess survey, it was noted that overall inclusion of Kenyans had significantly improved. The proportion of adult population using some form of formal financial services had grown to 66.7 percent. In this third edition it was also observed that consumers of financial services relied on multiple forms of financial services to achieve different financial objectives indicating the importance of consumer choice. As a result, policymakers were able to draw insights which include: the need to maintain diversity and competition among financial service providers; promote transparency; and increase efforts towards efficiency and the reduction of transaction fees.[3]

The fourth survey, the 2016 FinAccess Household Survey, was done on the backdrop of significant improvement of inclusion indicators compared to the 2006 baseline survey, as well as the 2009 and 2013 surveys. The objective of carrying out this survey were to provide information for policy makers on barriers to financial inclusion; provide information for private sector on market opportunities; give an empirical basis to track progress and dynamics of financial inclusion landscape and to provide data for research. To achieve this the survey contained disaggregated data on key market segments, data on drivers of Usage and usage including attitudes, perceptions and needs as well as profiling the financial services landscape.[4]

The 2019 FinAccess Survey sought to go beyond the conventional measures of access and usage. It provided new information on the quality and impact dimensions, examining financial health and livelihoods, consumer protection, financial literacy in addition to probing more deeply on the frequency of usage. Survey results from this edition indicated that formal financial inclusion had risen to 82.9 percent, up from 26.7 percent in 2006, while complete exclusion had narrowed to 11.0 percent from 41.3 percent in 2006[5]. Also, financial access disparities that existed based on gender, wealth and residence had reduced significantly compared to the baseline survey; mainly attributed to the penetration of mobile telephony and use of mobile banking[5]. To provide more information this survey categorized the financial landscape into four dimensions - Access, Usage, Quality and Impact/ Welfare; in line with the Kenya's Vision 2030 financial sector development agenda outlined in the Medium–Term Plan (MTP) III.[5]

The 2021 FinAccess Survey was done at the height of the global Covid-19 pandemic, which had a bearing on the nature of responses received. A positive feature of the survey is that for the first time, over and above the national data provided in the previous 5 editions, it included data from all the 47 counties in Kenya therefore allowing consumers of the survey report an understanding of financial inclusion even within the devolved county units. In addition, the 2021 survey included questions covering the M-Akiba bond with the intention to measure the performance of the product in addressing product Usage. Furthermore, the survey expanded the scope of financial inclusion to cover sustainable finance or what is known as green finance and financial health metrics. Despite the impact of covid-19 pandemic, the survey results from FinAccess edition indicated that financial access increased to 83.7 percent in 2021 from 82.9 percent in 2019, linking the increase to the use of technology. The survey noted that the informal financial access had declined to 4.7 percent from 6.1 percent in 2019, relating this decrease to the formality increase in the financial sector with better regulation and safety. The findings also pointed to a reduction in financial access disparities by gender. on the financial usage, the results indicated a decline in the use of informal groups to 28.7 percent from 30.1 percent in 2019. On the quality dimension, the survey findings indicated most people relied on friends and family members, informal method, to get financial advice. The survey indicated that the financial health deteriorated to 17.1 percent from 21.7 percent in 2019 showing the impact of the covid-19 pandemic on the socio-economic wellbeing of households[6].

Finally, the most recent financial access survey (dubbed FinAccess 2024 Household Survey) has gone a step further, focusing more on the quality of the financial services and the impact they have on consumers. It has an improved framework for measuring financial literacy based on the Organisation for Economic Co-operation and Development (OECD) standards to enable country comparisons. It has also refined consumer protection and market conduct measurement by constructing an index reflecting the level of consumer protection for financial services from demand side. The survey includes a new module on the People with Disabilities (PWDs) and enhanced module on how the general populace are using financial solutions to cope with Climate Change risks from demand side[7].

Overall Objective

The objective of this sectoral report is to provide information for policy makers on drivers of usage and usage of capital markets products, barriers to usage and financial inclusion; provide information for private sector on market opportunities; give an empirical basis to track progress and dynamics of financial inclusion landscape in the capital markets and to provide data for research

Specific Objectives

i) To assess the level of participation and Usage of various capital market products.

ii) To analyse demographic variations in the Usage of capital market products.

iii) To evaluate regional differences in the Usage of capital market products across counties.

iv) To examine the trends and changes in capital market product Usage over time.

v) To identify the barriers and challenges hindering capital market investment.

vi) To evaluate the effectiveness of protection mechanisms within Kenya's capital markets

SURVEY DESIGN AND METHODOLOGY

Survey Design

The 2024 FinAccess was a cross-sectional Survey that targeted individuals aged 16 years and above residing in conventional households in Kenya. Data analysis, however, was conducted on individuals aged 18 years and above, as national identity cards, which is a key requirement to accessing formal financial services, is only issued to this age group.

Sample Size and Distribution

The Survey sample was designed to provide estimates at national as well as rural and urban areas, and across all the forty-seven (47) counties. The minimum sample size for the survey was computed for each of the Survey domains, resulting in a total sample size of 28,275 households and 1,885 Enumeration Areas (EAs).

Sample Frame, Selection of Households and Weighting. The sample was drawn from the Kenya Household Master Sample Frame (K-HMSF), which was developed based on the 2019 Kenya Population and Housing Census. The K-HMSF comprises of 10,000 clusters selected using Probability Proportional to Size (PPS) methodology from approximately 128,000 Enumeration Areas (EAs) created during the cartographic mapping of the 2019 Population and Housing Census. The sampling frame is stratified into 92 sampling strata, including urban and rural strata in 45 counties, while Nairobi and Mombasa Counties are entirely urban. For more information kindly refer to the 2024 FinAccess headline report (https://finaccess.knbs.or.ke/reports-and-datasets).

The survey targeted one eligible individual per selected household. Interviewer listed all the usual members of the sampled households, and one individual aged 16 years or older was randomly selected using Kish Grid. The Kish Grid random number table was integrated into Survey solutions CAPI software, ensuring that respondent selection was automatic, with no manual intervention by the enumerator. The Survey data was not self-weighting due to non-proportional allocation of the sample to the sampling strata. The resulting data was, therefore, weighted and adjusted for non-response to ensure the data was representative at the national and county level.

Survey Response Rates

Regarding the survey response rates, a total of 28,275 households were selected for the Survey. Of these, 24,684 households were found to be eligible for interviews during data collection, and 20,871 households were successfully interviewed, resulting in an overall household response rate of 84.6 percent. The response rate for rural households was 87.6 percent, compared to 79.4 percent for urban households.

Table 1: The 2024 FinAccess Response Rate

RESULTS	RESIDENCE		TOTAL
	RURAL	URBAN	
Households Selected	17,355	10,920	28,275
Eligible Households	15,464	9,220	24,684
Households Interviewed	13,549	7,322	20,871
Response Rate %	**87.6**	**79.4**	**84.6**

Notably, a total of 20 Enumeration Areas (EAs) selected for the survey could not be covered due to various factors, including insecurity and the movement of the entire population in nomadic areas.

The survey demographics were designed to achieve a statistically valid and reliable nationally representative sample of individuals aged 16 years and above. Of the respondents, 92.1 percent were aged 18 years and above, while 7.9 percent were aged 16 to 17 years. Female respondents accounted for 51.5 percent of the sample, while male respondents made up 48.5 percent. In terms of residence, 59.3 percent of the respondents were from rural areas, while 40.7 percent of the respondents were urban dwellers. The wealth quintile distribution revealed that the majority of the urban population fell within the highest and second-highest wealth quintiles, while a significant portion of the rural population was in the lowest quintile.

The survey also collected data on Persons with Disabilities (PWDs), identifying individuals who faced difficulties in areas such as seeing, hearing, walking, concentrating, self-care, and communication. A total of 935 individuals reported having a disability.

FINDINGS & DISCUSSION

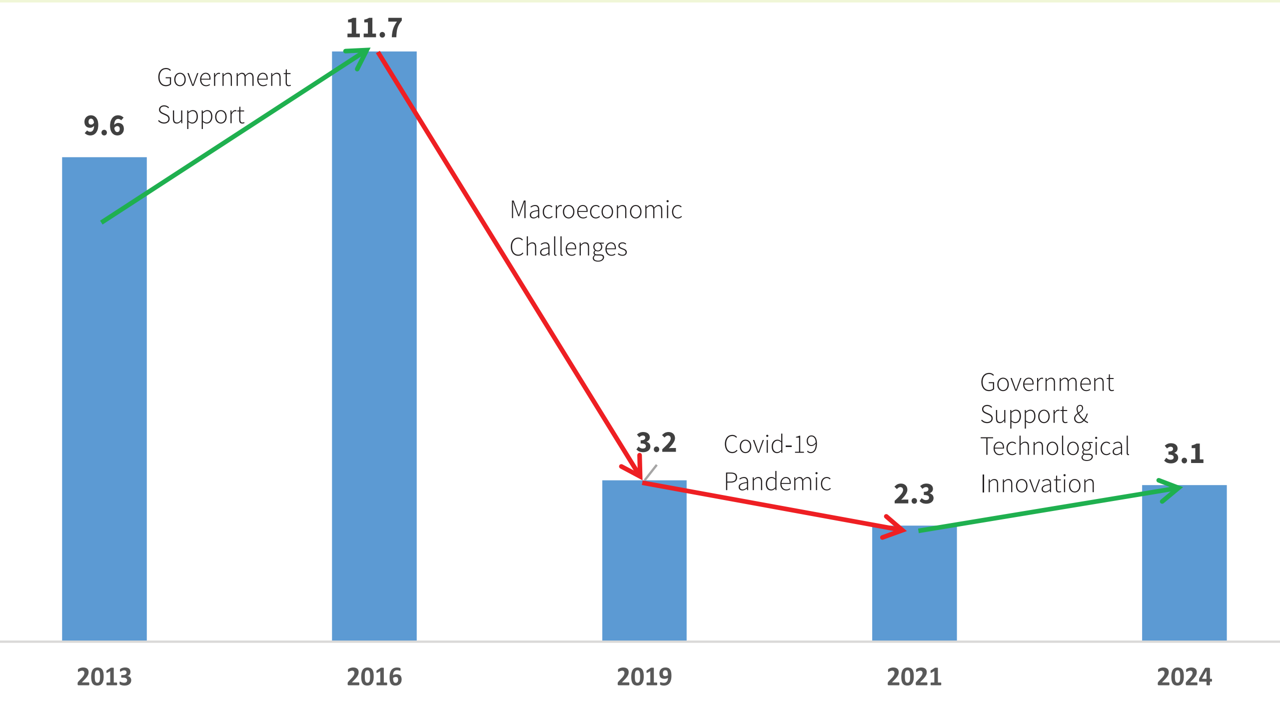
This section presents a comprehensive analysis of the 2024 FinAccess Survey findings, focusing on the participation, Usage, and dynamics of capital markets in Kenya. Key aspects explored include demographic variations, barriers to market entry, investor behavior, and source of investment advice. The analysis highlights trends over the years, regional disparities, and the impact of financial health on market participation. By examining these dimensions, the section provides a detailed understanding of the factors influencing capital market participation and potentially areas for improvement to foster a more inclusive and efficient capital market environment.

Usage of Capital Markets Products and Services

Overall Capital Markets products Usage 2019-2024

The 2024 FinAccess Survey data reveal a positive shift in the usage of capital market products, rising to 3.1 percent in 2024 from 2.3 percent in 2021, marking an increase of 0.8 percentage point, as illustrated in the figure below. This growth in usage can be largely attributed to technological advancements, particularly the introduction of new apps such as Dosikaa and DhowCSD in 2023, which have enhanced accessibility to capital market products. Additionally, improved returns in money markets have contributed to the increased usage. Furthermore, the shift reflects the impact of the current Government's Economic Transformation Agenda (BETA), which prioritizes the capital markets as a key driver in financing the national budget and stimulating the investment sector.

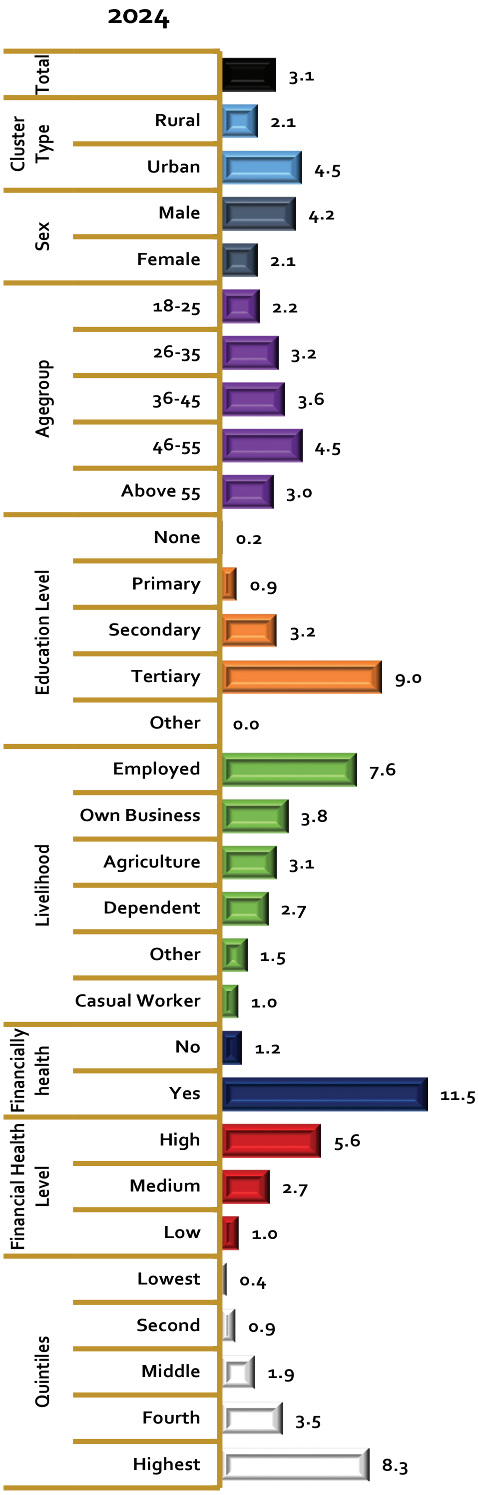
Figure 2: Overall Capital Markets Products Usage

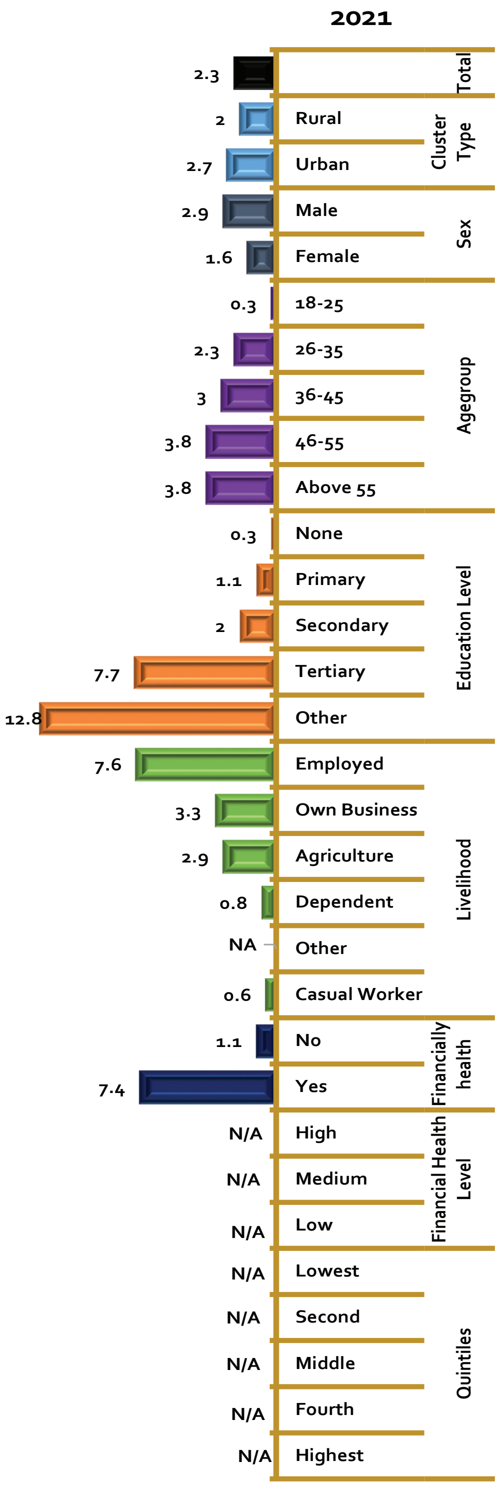


Notably, since 2016 the FinAccess Survey had recorded a decline in the Usage of capital market products, dropping from 11.7% in 2016 to 3.2 % in 2019 to 2.3 %, a. This decline can be attributed to the macroeconomic challenges and effect of COVID-19 pandemic coupled with widespread drought experienced in many parts of the country.

Overall Capital Markets Products Usage by Demographics

This section discusses the Usage of capital markets products by demographics by Residence (Cluster type), Sex, Age, Education Level, Livelihood, Financially Health, Financial Health Level, and Wealth Quintiles.



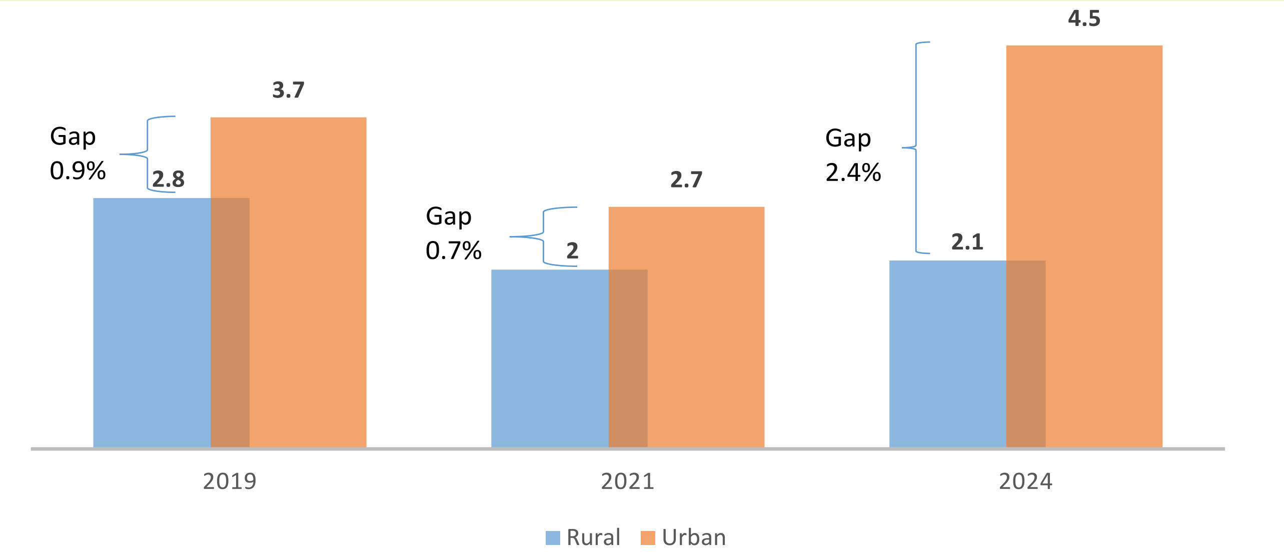


Usage by Cluster type (Residence)

The 2024 FinAccess survey found that the usage of capital markets products from urban areas stood at 4.5 percent compared to 2.1 percent from the rural counterparts.

The Usage in urban populations surged by 1.8 percentage points from 2.7 percent in 2021, while rural populations experienced slight increase of just 0.1 percent.

Figure 4: Capital Markets Products Usage by Residence

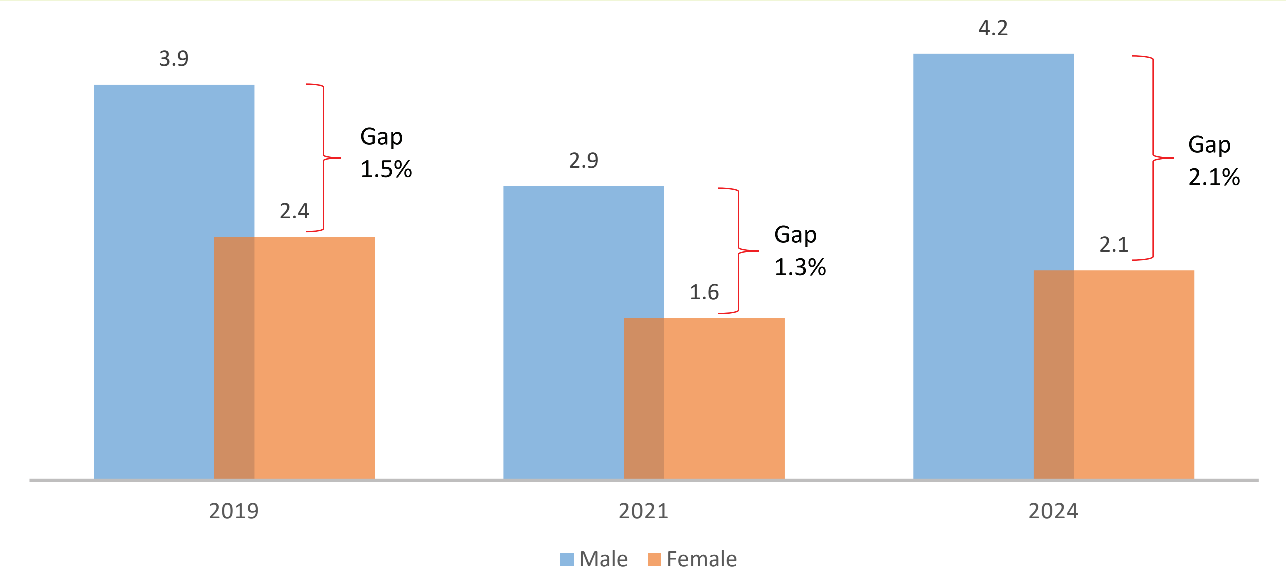


Compared to 2019, the Usage of capital markets product in urban settings increased by 0.8 percent whereas usage in rural settings dropped by 0.7 percent. As a result, the urban rural gap widened, growing from 0.9 percent in 2019 and 0.7 percent in 2021 to 2.4 percent 2024. This calls for tailored initiatives to increase the Usage of capital markets products among rural populations to reduce the urban-rural gap as well as boost the overall Usage.

Usage by Sex

The FinAccess survey phases (2019, 2021 and 2024) revealed that more males than females invest in capital markets products. The gender gap in 2021 reduced from 1.5 percent in 2019 to 1.3 percent despite the overall investment between men and women reducing to 2.9 percent and 1.6 percent respectively.

Figure 5: Capital Markets Products Usage by Sex

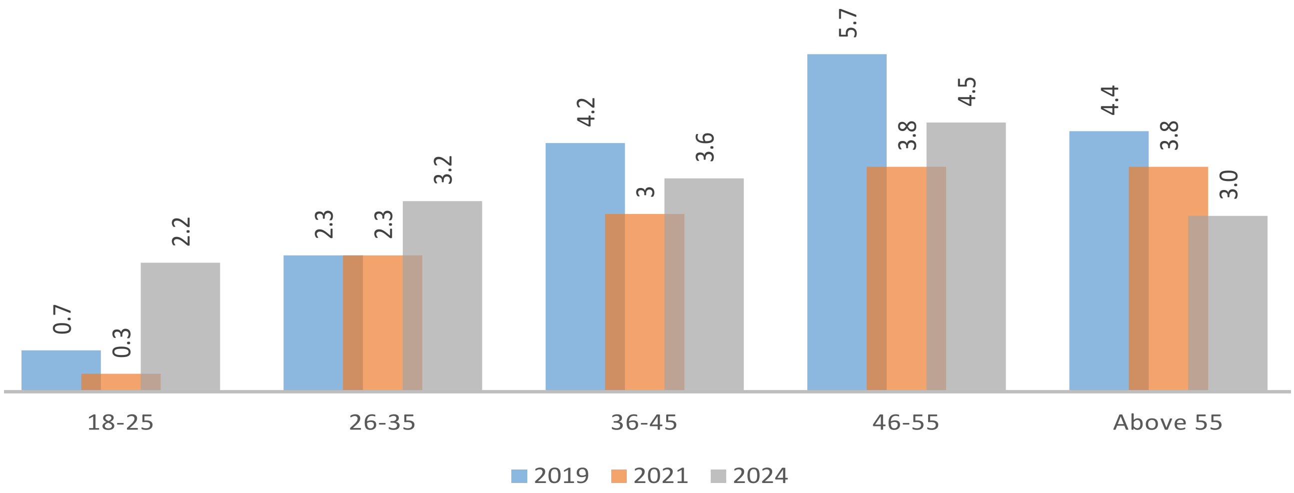


Despite the usage of capital markets products between men and women increased to 4.2 percent and 2.1 percent respectively, the gender gap in the Usage of capital markets products has since expanded, growing from 1.3 percent in 2021 to 2.1 percentage points in 2024. This highlights the urgency of adopting a segmentation approach that helps segment investors by sex and proposes tailored initiatives to boost the Usage of the capital markets products, particularly among the female population, to close the gender gap.

Usage by Age

The Usage of capital market products in 2024 improved across most age groups, except for those above 55 years old. According to the 2024 FinAccess survey, 4.5 percent of investors aged 46-55 years invested in capital markets, up from 3.8 percent in 2021, an increase of 0.7 percentage points. The 36-45 age group followed with 3.6 percent in 2024, compared to 3.0 percent in 2021, a rise of 0.6 percentage points. The 26-35 age group came in third with 3.2 percent, up from 2.3 percent in 2021, a gain of 0.9 percentage points. Similarly, the 18-25 age group saw the highest increase, rising by 1.9 percentage points, from 0.3 percent in 2021 to 2.2 percent in 2024.

Figure 6: Capital Markets Products Usage by Age

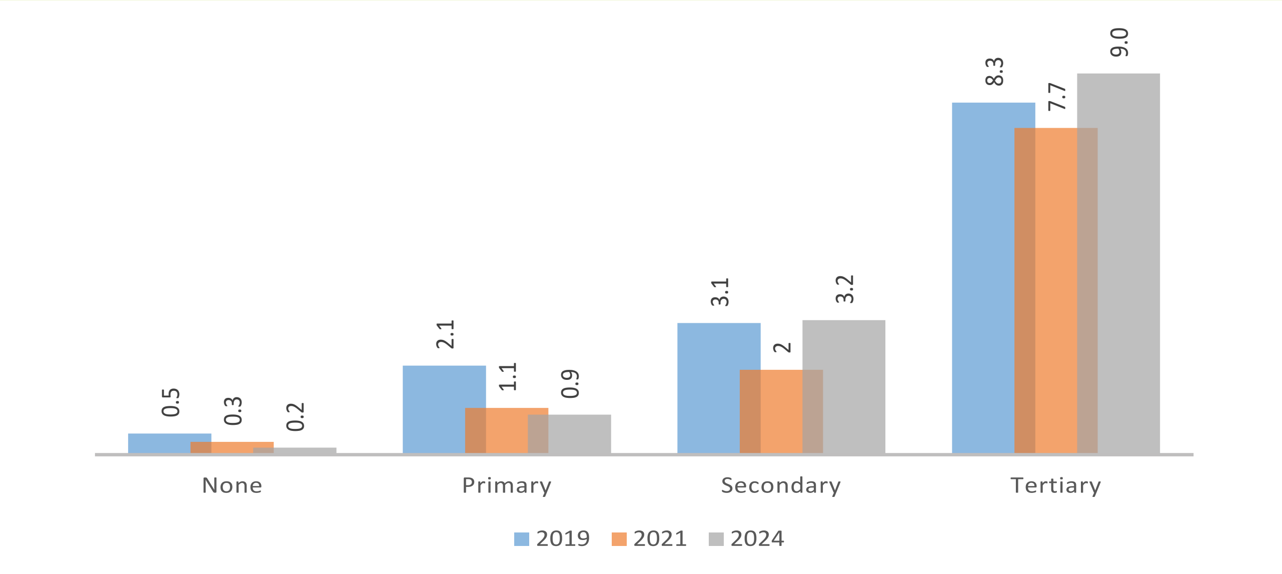


However, investors over 55 years old declined by 0.8 percentage points, from 3.8 percent in 2021 to 3.0 percent in 2024. Notably, the young population, particularly those between 18 and 35 years old, has shown significant improvement in the Usage of capital market products over the past three years. This may be attributed to various educational and awareness initiatives targeting students, particularly at the tertiary education level, such as in universities, colleges, and vocational training programs.

Usage by Educational Level

The 2024 FinAccess survey reveals that most capital market investors have attained tertiary education, which increased to 9.0 percent, up from 8.3 percent in 2019 and 7.7 percent in 2021. Investors with secondary education follow closely at 3.2 percent, a rise of 0.1 percent from 3.1 percent in 2019 and a 1.2 percent increase from 2 percent in 2021.

Figure 7: Capital Markets Products Usage by Education Level

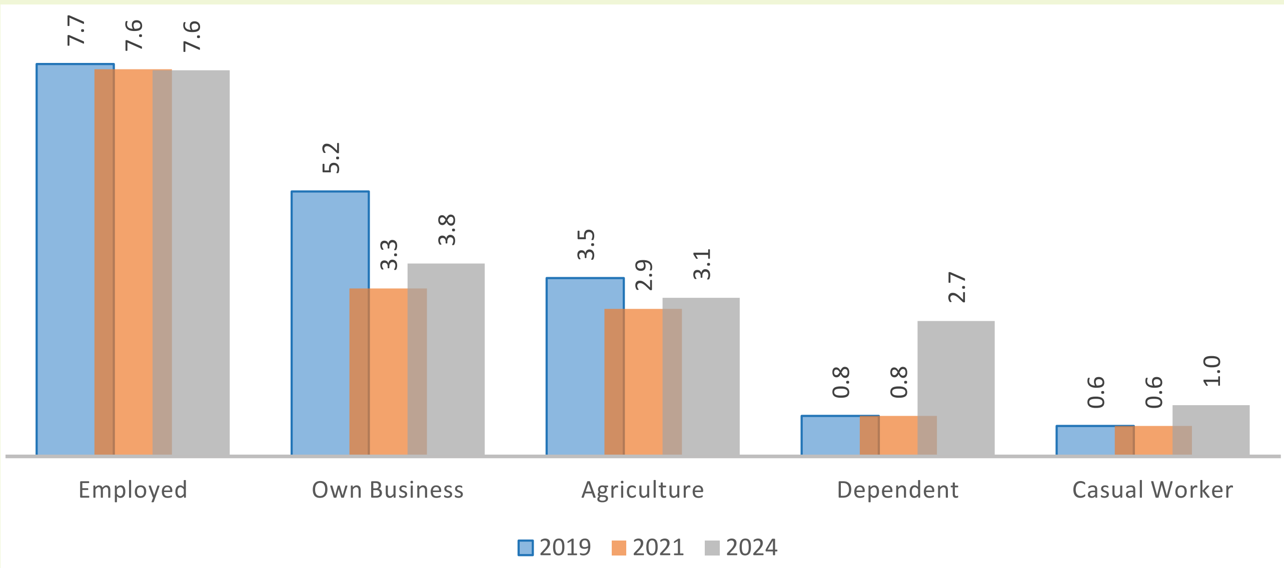


However, the proportion of investors with only primary education or no education at all decreased in 2021 and 2024 compared to 2019 as shown in figure 7. Those with primary education dropped from 2.1 percent in 2019 to 1.1 percent in 2021 and further dropped to 0.9 percent in 2024, while those with no formal education also decreased from 0.5 percent to 0.3 percent in 2021 and further down to 0.2 percent in 2024. Overall, the largest group of investors in securities are those with secondary or tertiary education.

Usage by Livelihood

The employed population continues to lead in the Usage of capital market products, accounting for 7.6 percent, the same proportion as in 2019 and 2021. This indicates that individuals in formal employment tend to invest in securities with the goal of saving.

Figure 8: Capital Markets Product Usage by Livelihood



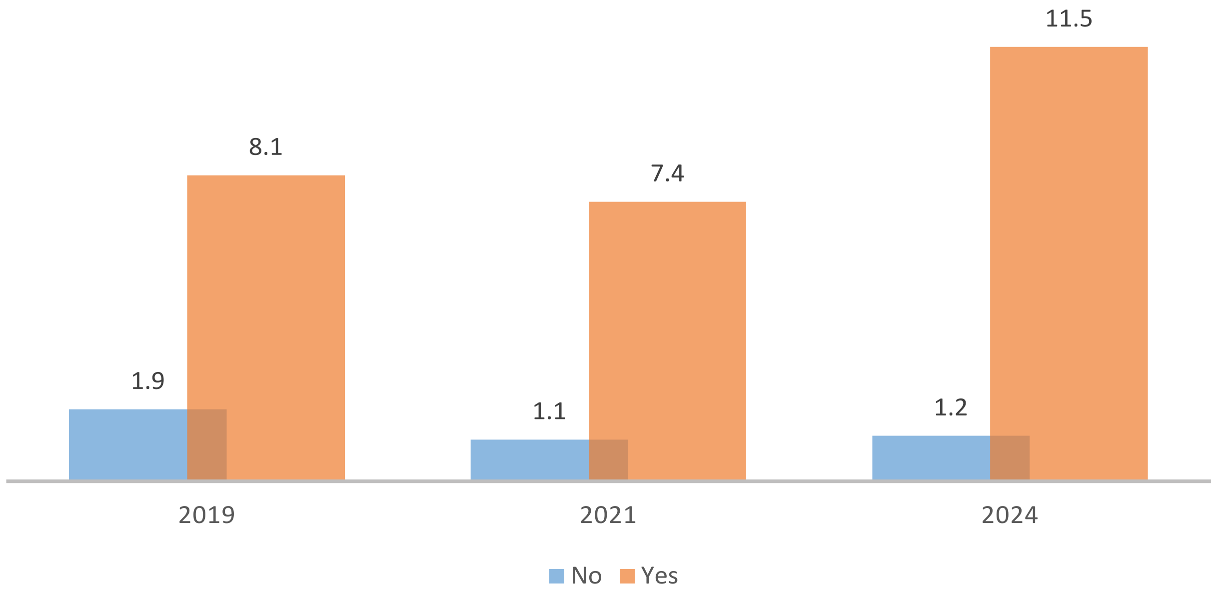
However, according to the 2024 FinAccess survey, many Small and Medium Enterprises (SMEs) and farmers in the Agricultural sector also rely on capital markets to raise capital that help boost their operations. Investors who own businesses increased to 3.8 percent, up by 0.5 percentage points from 3.3 percent in 2021. Investors in the agricultural sector reached 3.1 percent, an increase of 0.2 percentage points from 2.9 percent in 2021.

Notably, usage by dependents and casual workers significantly increased in 2024 compared to 2019 and 2021 where it had plateaued at 0.8 and 0.6 percent respectively. In 2024, usage by dependents increased by 1.9 percent to 2.7 percent and that of casual workers increased by 0.4 percent to 1 percent. This signifies that people are working towards securing their future and also indicating that the importance investments play in securing an individuals future is more significant whether one has a regular income or not.

Usage by Financial Health Status

From the 2024 FinAccess survey findings, individuals who were financially healthy (yes) had the highest usage of capital markets products at 11.5 percent compared to those who said they were not financially healthy (no) at 1.2 percent. Similarly, previous FinAccess survey findings in 2019 and 2021 also indicated that financially healthy individuals had the highest usage of capital markets products. Usage in 2021 reduced by 0.7 percent at 7.4 percent amongst financially healthy individuals.

Figure 9: Capital Markets Products Usage by Financial Health Status

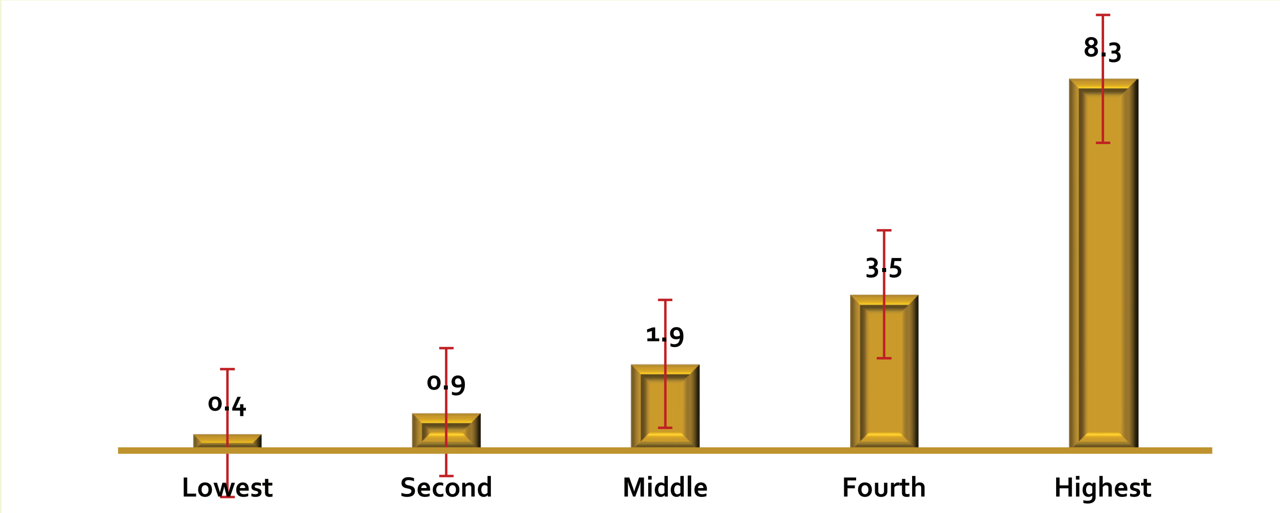


However, amongst individuals who said that they were not financially healthy, Capital markets product usage remained highest at 1.9 percent in 2019 compared to 1.1 percent in 2021 and 1.2 percent in 2024.

Usage by Wealth Quintiles

In 2024, survey responses were further categorized into five distinct wealth quintiles: Lowest, Second, Middle, Fourth, and Highest. These quintiles represent different levels of financial health, ranging from individuals with the least financial well-being in the Lowest quintile to those with the greatest financial stability in the Highest quintile. This classification allows for a more detailed analysis of how financial health correlates with the Usage of capital markets products, shedding light on the varying investment behaviors across different segments of the population.

Figure 11: Capital Markets Products Usage by Quintiles



Respondents in the highest quintile demonstrated the highest participation in capital markets, representing 8.3 percent. Conversely, respondents in the Lowest quintile, who have the least financial well-being, showed the lowest levels of investment in capital market products. The Usage progressively increased from the Lowest quintile to the Highest, with each higher quintile reflecting a greater capacity and willingness to engage in capital markets, driven by stronger financial stability.

Usage by County

The Usage of capital markets products was further analyzed by county (47 counties) for the years 2024 and 2021. This comparison is illustrated in Figure 12, followed by map presentations showing the Usage for 2024 (Figure 13), Usage for 2021 (Figure 14), and the change in Usage between the two years (Figure 15). In 2024, the top 10 counties with the highest Usage of capital markets products were Laikipia (10.4%), Tharaka-Nithi (8.4%), Murang'a (7.8%), Nairobi (6.6%), Nyeri (5.8%), Kiambu (5.4%), Kisii (5.1%), Baringo (4.5%), Kirinyaga (4.1%), and Samburu (4.1%). In 2021, the top 10 counties were Kirinyaga (14.7%), Kericho (7.1%), Taita-Taveta (6.7%), Nyandarua (5.1%), Laikipia (4.6%), Tharaka-Nithi (4.5%), Nakuru (3.8%), Samburu (3.7%), Makueni (3.1%), and Embu (3.1%). Notably, four counties including Laikipia, Tharaka-Nithi, Kirinyaga, and Samburu appeared in the top 10 for both 2021 and 2024. In addition, Murang'a, Nairobi, Nyeri, Kiambu, Kisii, and Baringo emerged in the top 10 counties in 2024. Kiambu was the highest improved, with a 578 percent increase in the Usage of securities, rising from 0.8 percent in 2021 to 5.4 percent in 2024.

However, the bottom ten counties lagging in the Usage of securities in 2024 included: Turkana (0%), Lamu (0.1%), Narok (0.2%), Garissa (0.2%), Trans Nzoia (0.2%), Homabay (0.3%), Siaya (0.3%), Tana River (0.5%), Busia (0.5%), and Bungoma (0.7%). The bottom 10 counties in 2021 were Wajir (0%), Mandera (0%), Turkana (0%), Baringo (0%), Garissa (0.1%), Kwale (0.2%), Marsabit (0.2%), Tana River (0.3%), Bungoma (0.3%), and Narok (0.4%). Notably, Turkana, Narok, Garissa, Tana River, Bungoma were ranked in the bottom 10 in both years. Additionally, Lamu, Trans Nzoia, Homabay, Siaya, and Busia joined the bottom 10 in 2024, indicating a decline in Usage from 202. Lamu saw the most significant drop, with a 93% decline in Usage, falling from 1.1 percent in 2021 to 0.1 percent in 2024. In constrast, counties such as Wajir, Mandera, Baringo, Kwale, and Marsabit showed improvement, with Baringo making a remarkable rise from 0 percent in 2021 to 4.5 percent in 2024, marking a 455 percent increase.

The top 10 most improved counties in the Usage of securities included Kiambu (an increase of 578 percent), Kisii (increase of 533 percent), Baringo (increase of 455 percent), Marsabit (increase of 414 percent), and Kwale (increase of 360 percent). On the other hand, the five counties that experienced the greatest decline in Usage were Lamu (decline of 93 percent), Siaya (decline of 90 percent), Trans Nzoia (decline of 88 percent), Homa Bay (decline of 85 percent), and Taita-Taveta (decline of 76 percent). Notably, Taita-Taveta was among top 10 in 2021.

Figure 12: Capital Markets Products Usage by County

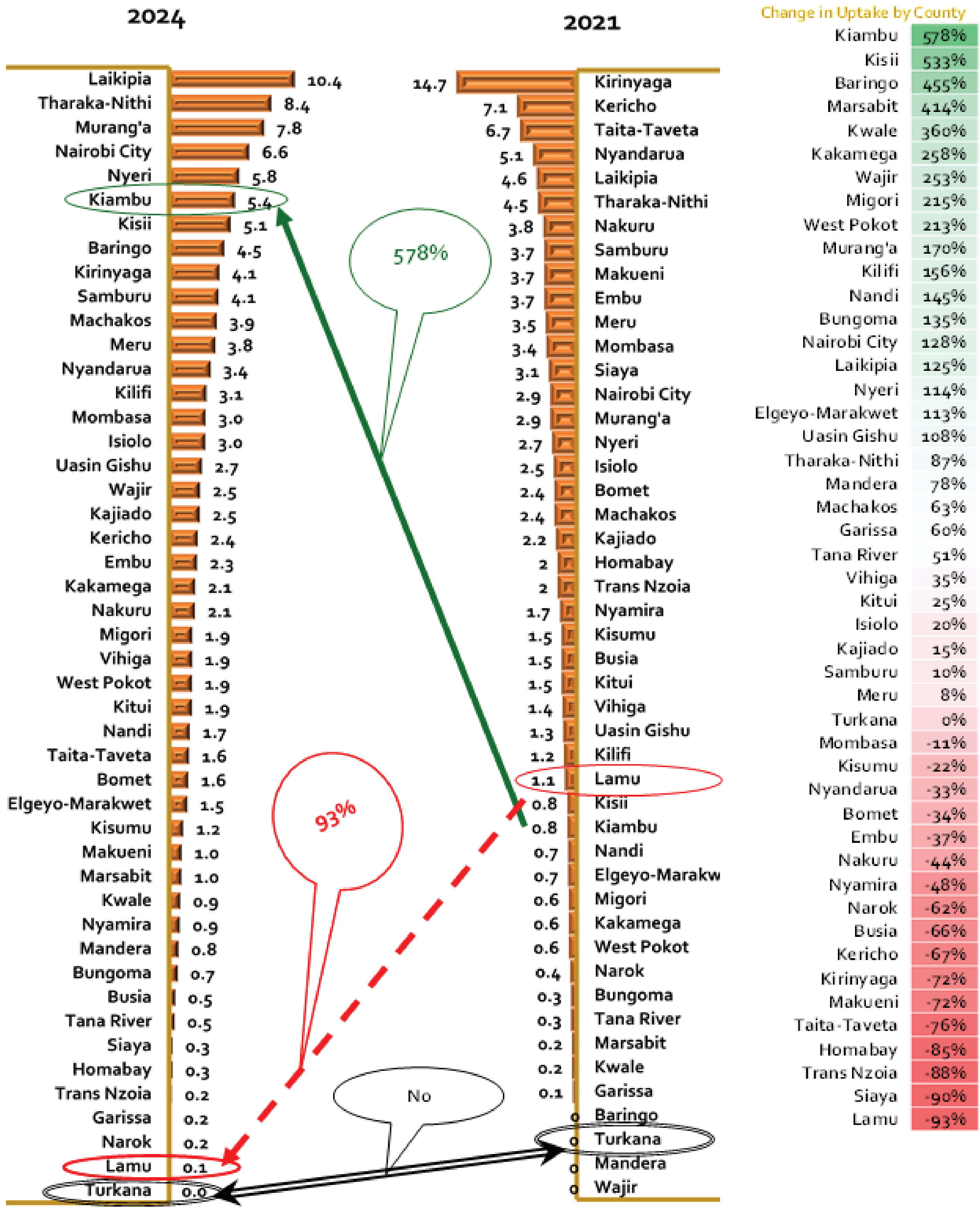


Figure 13: Map Presentation: Usage 2024

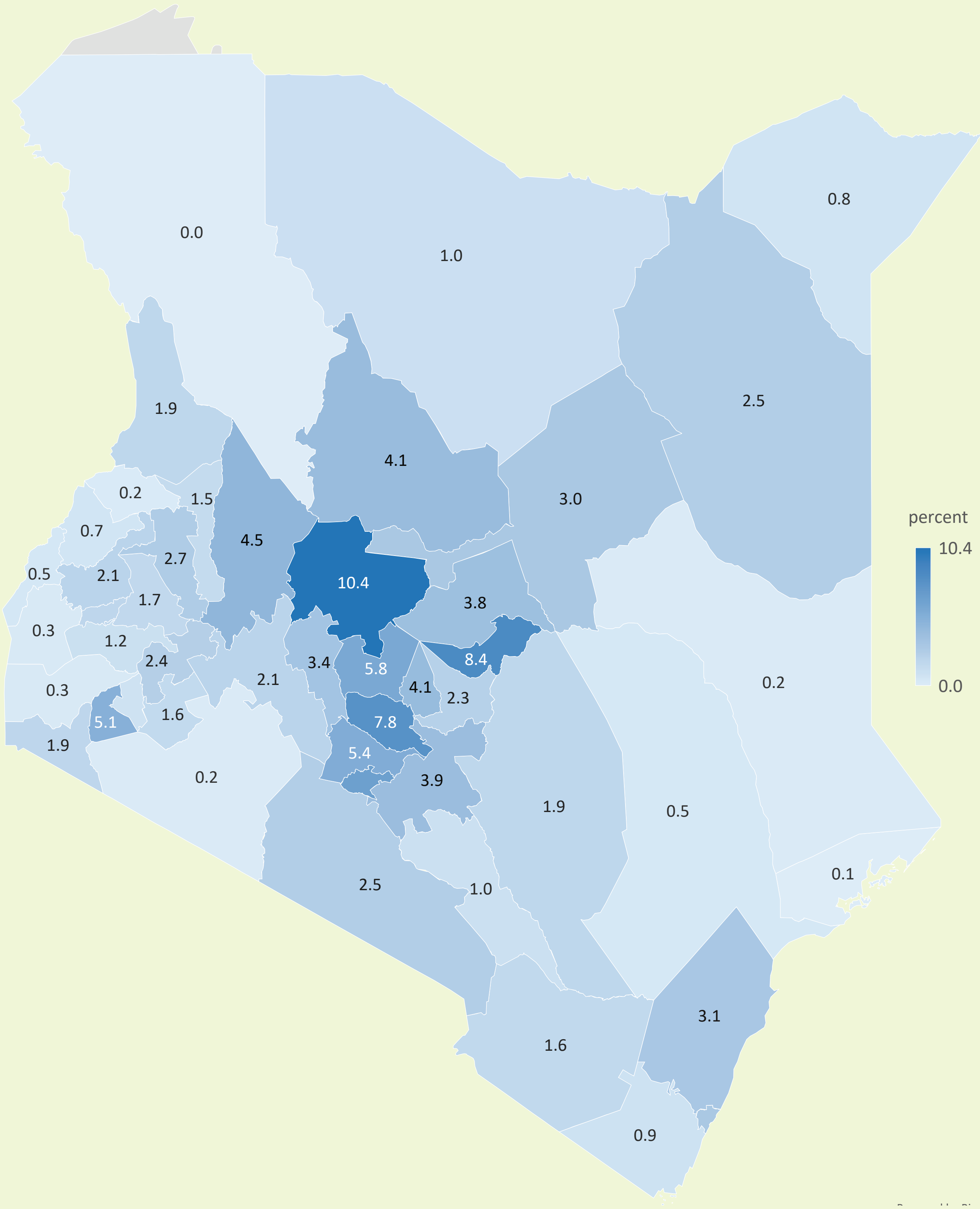


Figure 14: Map Presentation: Usage 2021

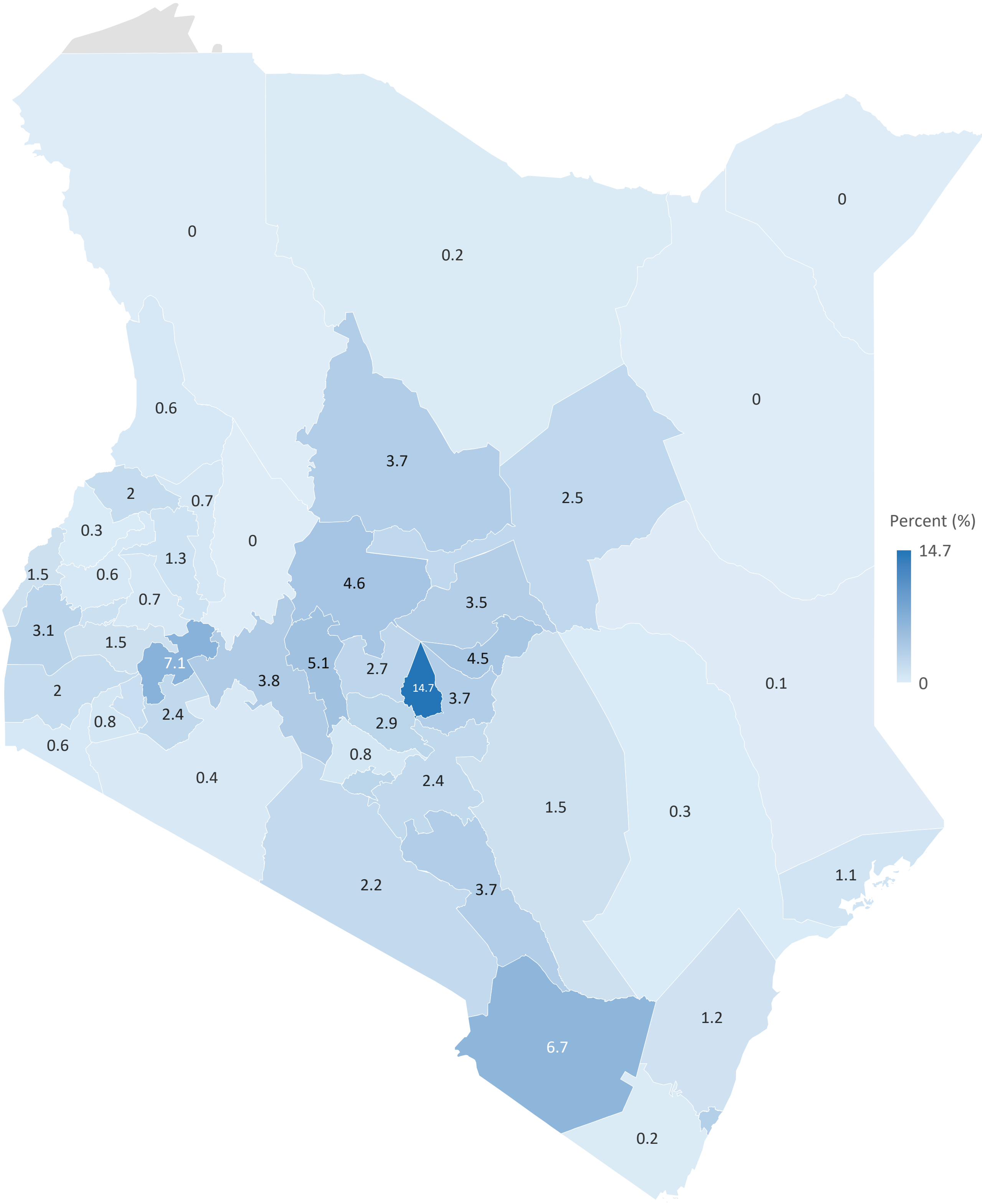
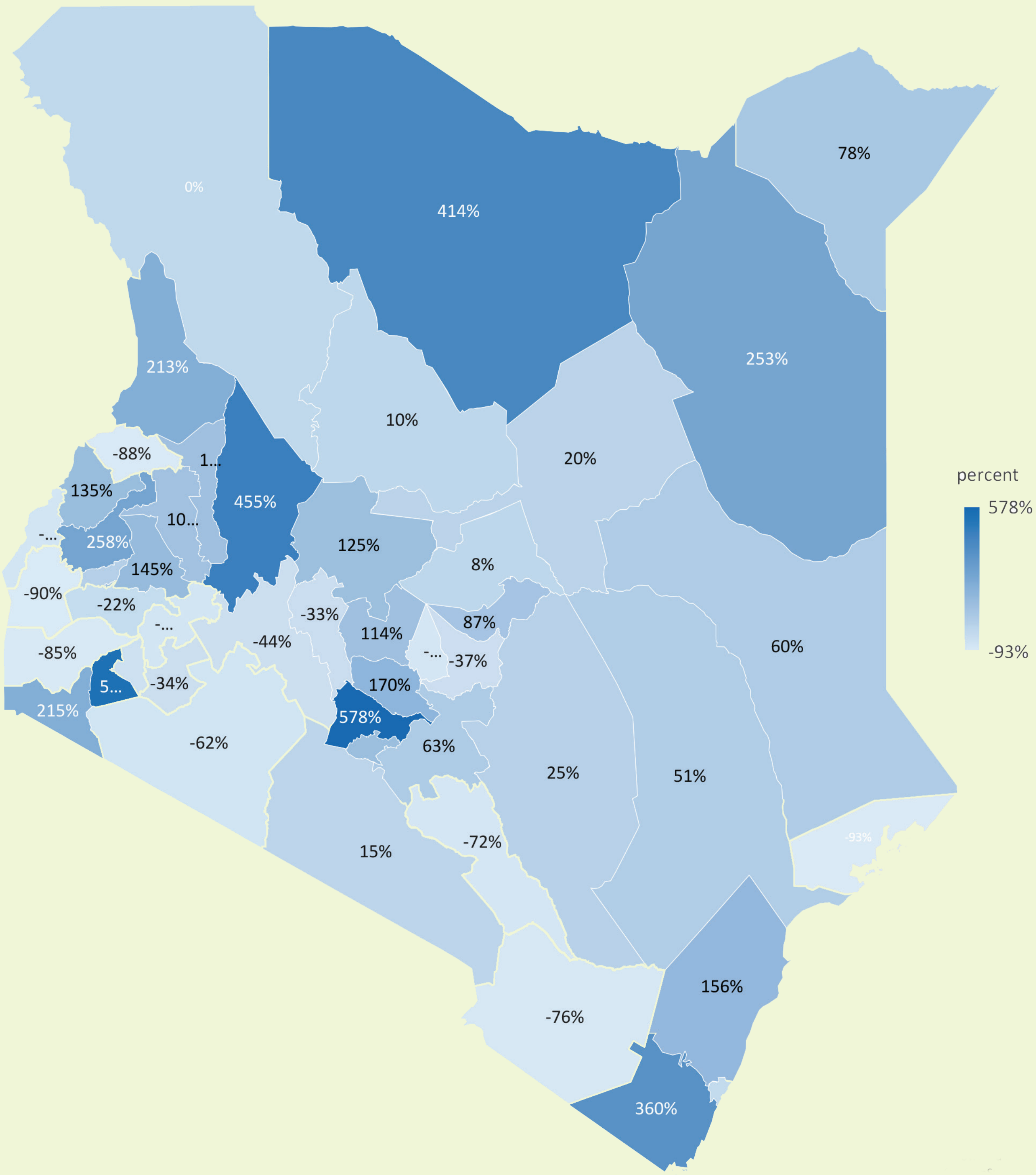


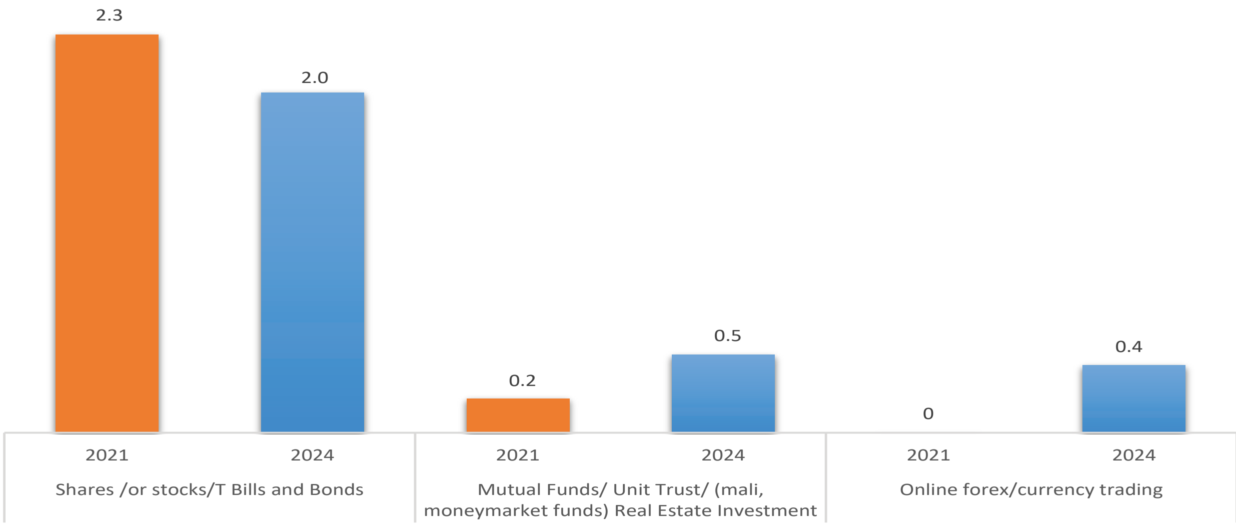
Figure 15: Map Presentation: Usage Change



Capital Markets Products Usage by Securities type

The 2024 FinAccess Survey categorizes securities and non-investment bank products into three groups: 1) Shares/Stocks, Treasury Bills (T-Bills), and Treasury Bonds (T-Bonds); 2) Mutual Funds, Unit Trusts (including Mali and Money Market Funds), and Real Estate Investments; 3) Online Forex/Currency Trading. The data reveals a slight decrease of 0.3 percent in the proportion of respondents currently using Shares and government securities, dropping from 2.3 percent in 2021 to 2.0 percent in 2024. Notably, the 2021 FinAccess Survey included respondents who were participating in the M-Akiba program, which allows retail investors to access government bonds (T-Bonds) with a low minimum investment, making securities more accessible to a broader segment of the population.

Figure 16: Usage by Securities

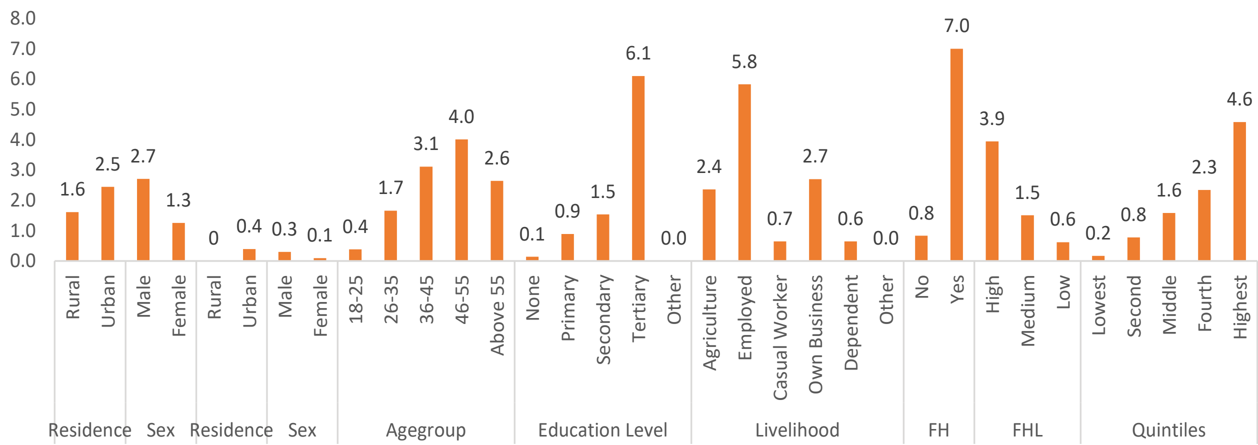


On the other hand, there was an increase in the proportion of individuals currently using Mutual Funds, Unit Trusts (including Mali and Money Market Funds), and Real Estate Investments, rising from 0.2 percent in 2021 to 0.5 percent in 2024. This increase can be attributed to the high returns in money market funds. Additionally, the 2024 FinAccess survey revealed that 0.4 percent of respondents were investing in online forex/currency trading, a new category introduced in this survey.

Usage of Shares and Government securities

The Usage of shares, Treasury Bills, and Treasury Bonds (government securities) was further analyzed based on residence, sex, age, education level, livelihood, financial health status, and wealth quintiles.

Figure 17: A Snapshot of Shares/T Bills/T Bonds Usage by Demographics, 2024

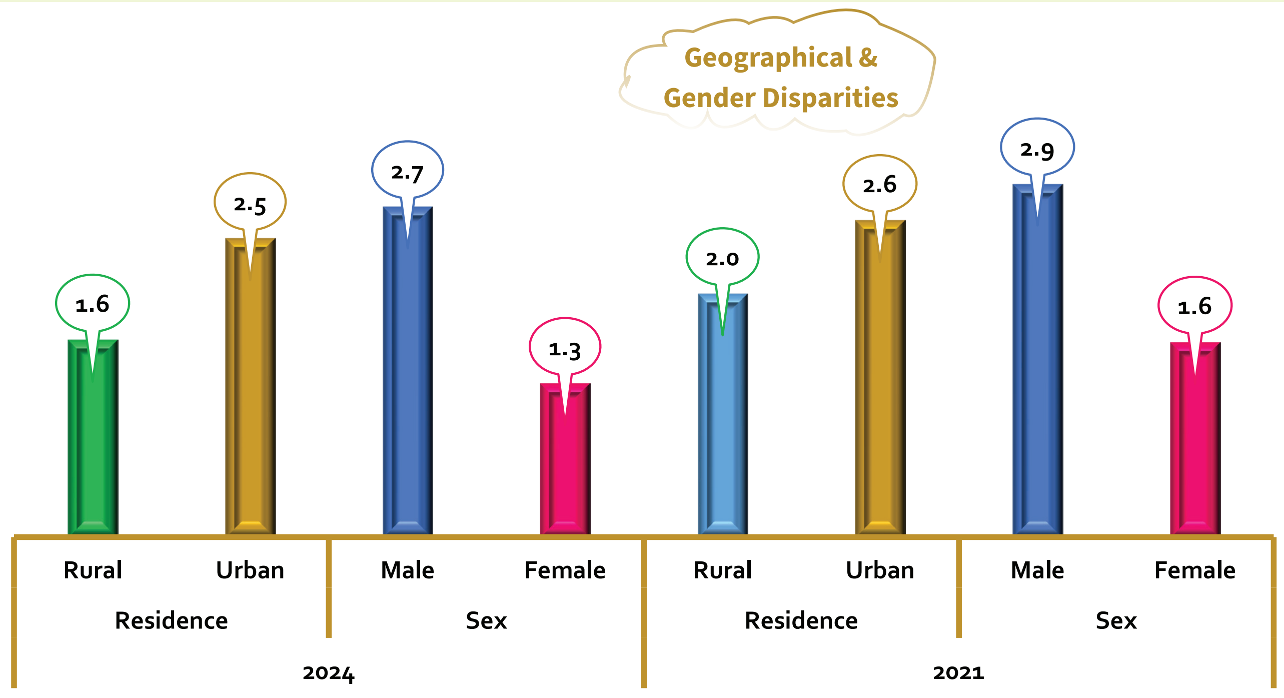


Usage by Residence & Sex

According to the 2024 FinAccess survey, most respondents investing in capital markets were from urban areas at 2.5 percent compared to 1.6 percent from rural areas. This difference can be attributed to the disparity in formal access between urban and rural areas.

The 2024 FinAccess report[1] showed that urban areas had higher formal access, at 91.3 percent, compared to 80.2 percent in rural areas. Notably, the gap in the Usage between urban and rural areas has also widened since 2021, increasing from 0.6 percentage points to 0.9 percentage points in 2024.

Figure 18:Shares/T-Bills/T-Bonds Usage by Residence & Sex



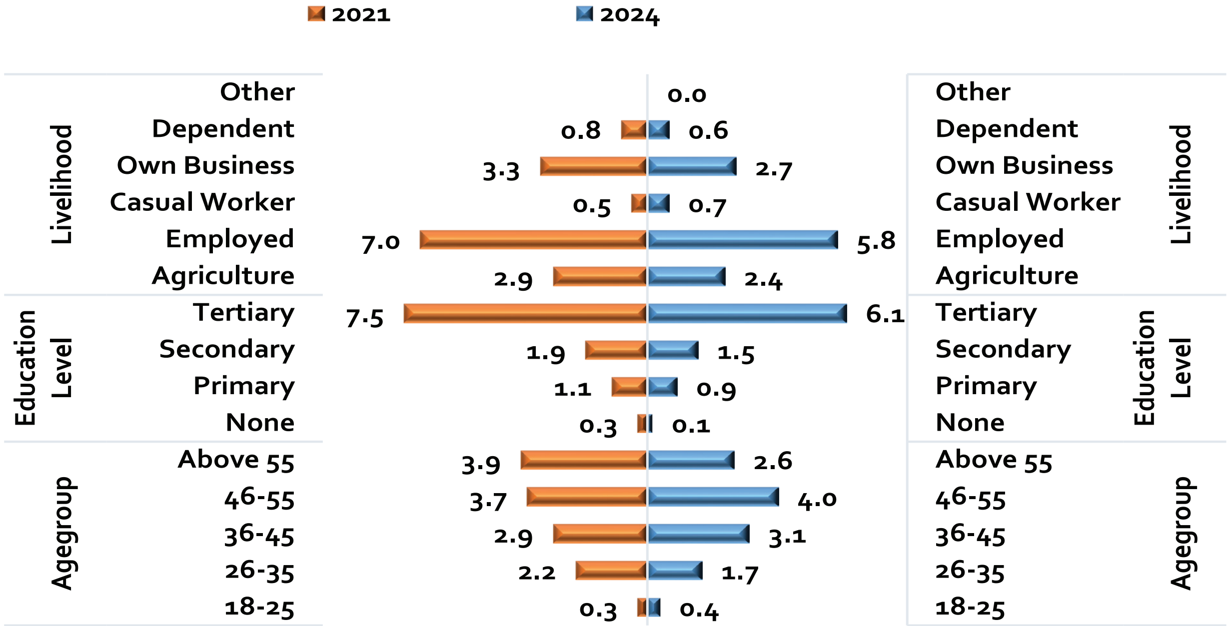
By sex, more males than females invest in Shares and government securities. The proportion of males investing in these securities stood at 2.7 percent, compared to 1.3 percent of females. Similarly, the gender gap slightly increased by 0.1 percentage points from 1.3 percentage points in 2021 to 1.4 percentage points.

Usage by Age, Education and Livelihood

Intuitively, there was a decline in the Usage of shares and government securities in 2024 compared to 2021, categorized by age, education level, and livelihood. In 2024, respondents aged 46-55 years invested the most, at 4.0 percent, followed by those aged 36-45 years, at 3.1 percent, while those aged 18-25 years invested the least, at 0.4 percent. In contrast, in 2021, respondents aged above 55 years had the highest investment, at 3.9 percent, followed closely by those aged 46-55 years, while those aged 18-25 years invested the least, at 0.3 percent.

[1] The 2024 FinAccess Household Survey Report

Figure 19: Shares/T Bills/T Bonds Usage by Age, Education, & Livelihood



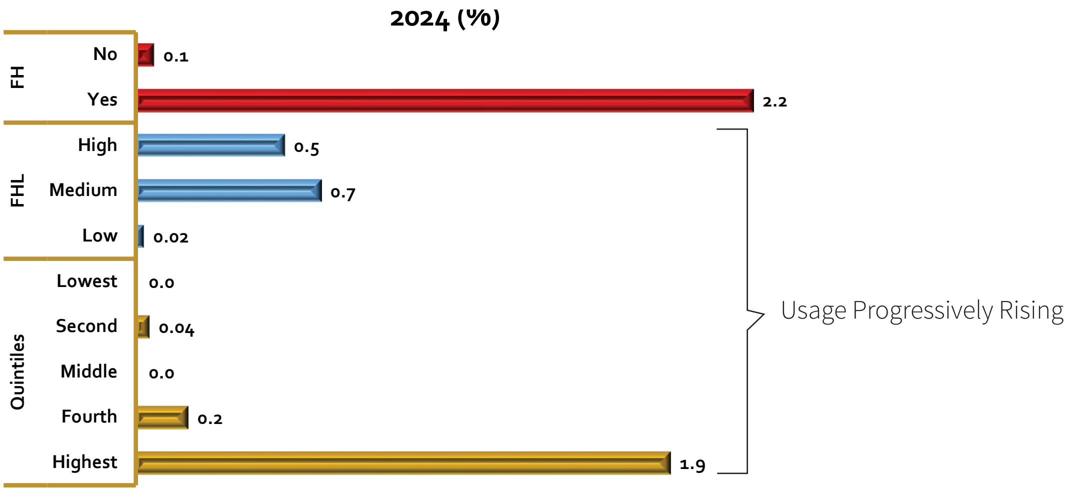
By education level, respondents with tertiary education invested the most in shares and government bonds in both years, at 6.1 percent in 2024 and 7.5 percent in 2021. Notably, the data indicates that the higher the education level of respondents, the more likely they are to invest in shares and government securities.

By livelihood, respondents with formal employment were the highest investors in both years, accounting for 5.8 percent in 2024 and 7.0 percent in 2021. Respondents who owned businesses also raised capital through investments in the capital markets, with 2.7 percent in 2024 and 3.3 percent in 2021. This was followed by those in agricultural occupations, who made up 2.4 percent of investors in 2024 and 2.9 percent in 2021.

Usage by Financial Health Status & Wealth Quintiles

The Usage of shares and government securities is significantly higher among financially healthy respondents. According to the 2024 FinAccess survey, 7.0 percent of respondents who identified as financially healthy invested in shares, Treasury Bills, and Treasury Bonds, compared to only 0.8 percent of those who reported being financially unhealthy.

Figure 20: Shares/T Bills/T Bonds Usage by Financial Health Status & Wealth Quintiles



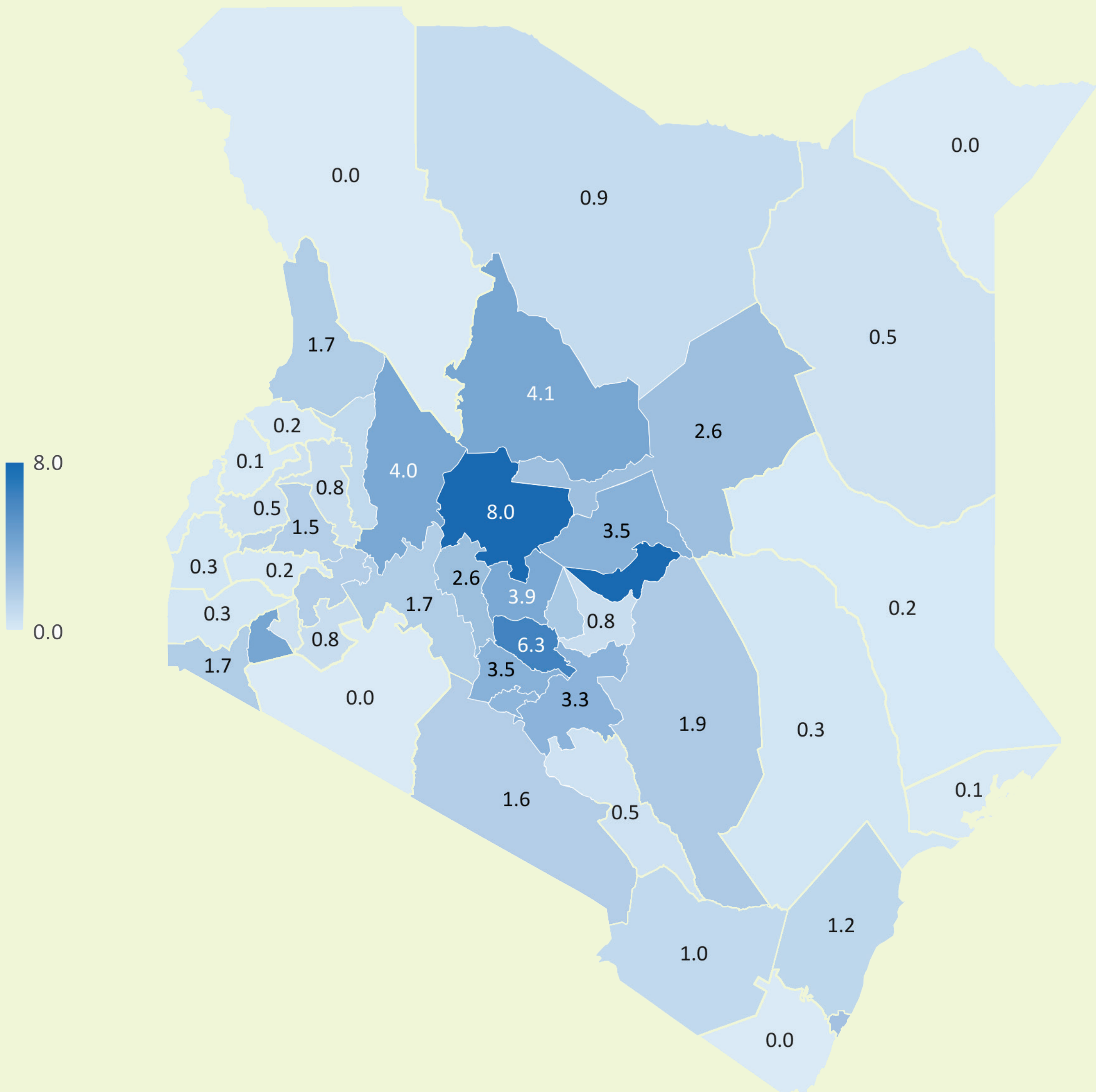
The survey further highlighted a positive correlation between financial health levels and investments in these securities. Respondents categorized as having high financial health had the highest proportion of investment, at 3.9 percent, followed by those with medium financial health, at 1.5 percent, and those with low financial health, at 0.6 percent.

By wealth quintile, the data shows a progressive increase in the proportion of respondents investing in shares and government securities as wealth levels rise. The 2024 survey revealed that only 0.2 percent of respondents in the lowest wealth quintile invested in these securities, with the proportion progressively rising to 4.6 percent in the highest wealth quintile.

Usage by County

The 2024 FinAccess data reveals that participation in the Usage of shares and government securities varied significantly across Kenyan counties. Tharaka-Nithi led with the highest participation rate at 8.03 percent, followed closely by Laikipia County at 8.00 percent. Murang'a County secured the third position with a 6.3 percent participation rate. Other top 5 counties included Kisii at 4.11 percent and Samburu at 4.08 percent. However, several counties, including Kwale, Mandera, Turkana, and Narok, showed no participation in the Usage of shares or government securities.

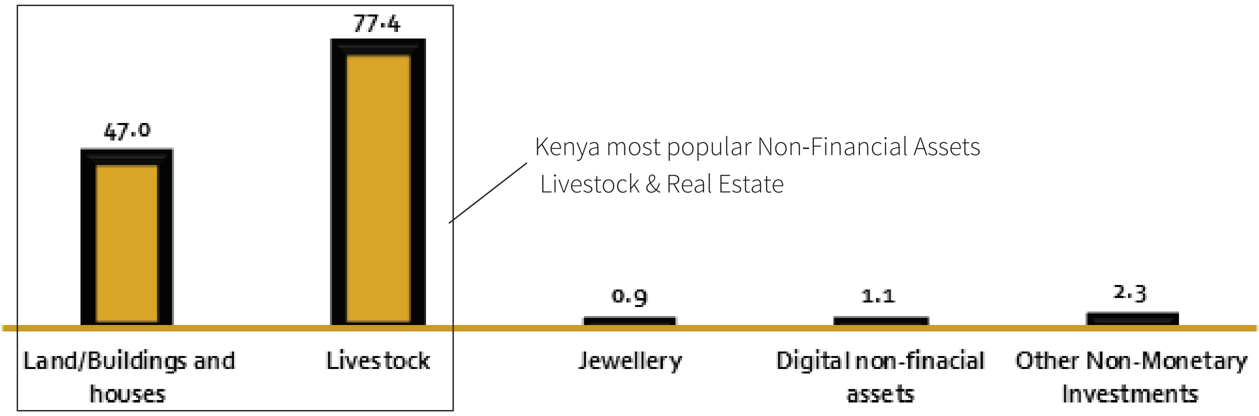
Figure 21: Usage of Shares and Government Securities by County



Non-Financial Assets Investment

The analytical review report also explored the proportion of respondents engaging in non-monetary or non-financial asset investments as a means of future financial gain. These investments were categorized into land/buildings & houses, livestock, jewelry, digital non-financial assets, and others. Livestock emerged as the most popular investment choice, with 77.4 percent of respondents participating. Real estate, encompassing land, buildings, and houses, was a significant investment avenue for 47 percent of respondents.

Figure 32: Non-Financial Assets Investment Choice

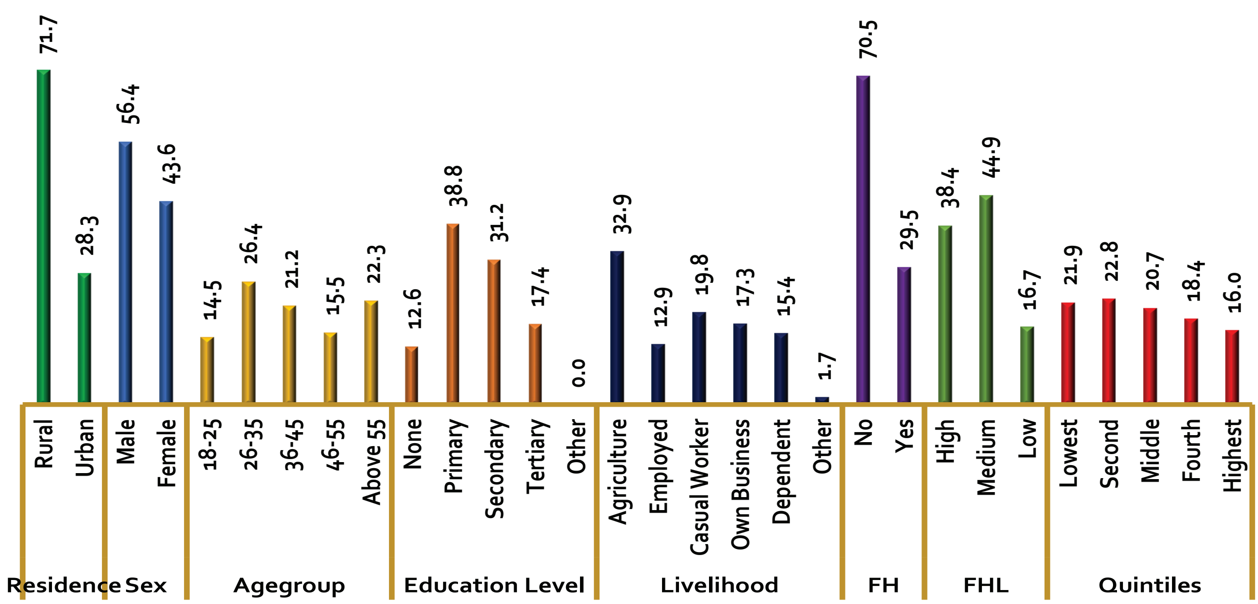


Conversely, investments in digital non-financial assets and jewelry demonstrated lower levels of participation, with only 1.1 percent and 0.9 percent of respondents respectively. A smaller segment of respondents, at 2.3 percent, invested in other non-monetary assets.

Non-Financial Assets Investment by Demographics

The Usage of non-financial assets was further analyzed by demographics as shown in the figure below.

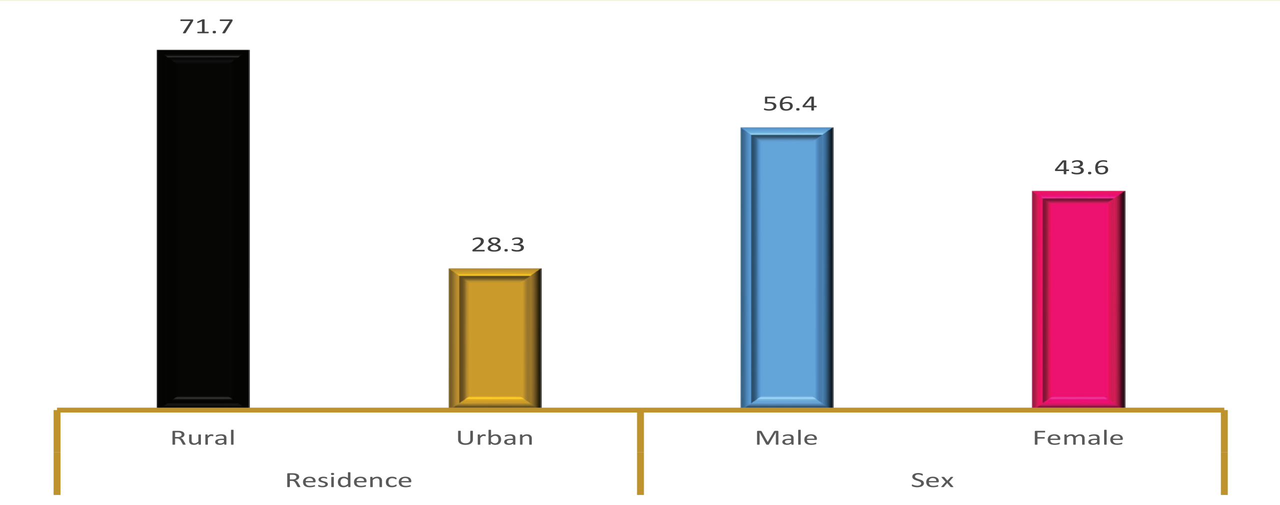
Figure 33: Non-Financial Assets by Demographics



Non-Financial Assets by Residence & Sex

The data reveals a significant preference for non-financial asset investments among rural populations, with 71.7 percent participation compared to 28.3 percent in urban areas. This disparity is likely explained by the significant role of agriculture and livestock in rural economies.

Figure 34: Non-Financial Assets Investment by Residence & Sex



Regarding gender, male respondents demonstrated a higher preference towards non-financial asset investments at 56.4 percent compared to female respondents at 43.6 percent. This gender disparity was also observed in the Usage of capital markets products.

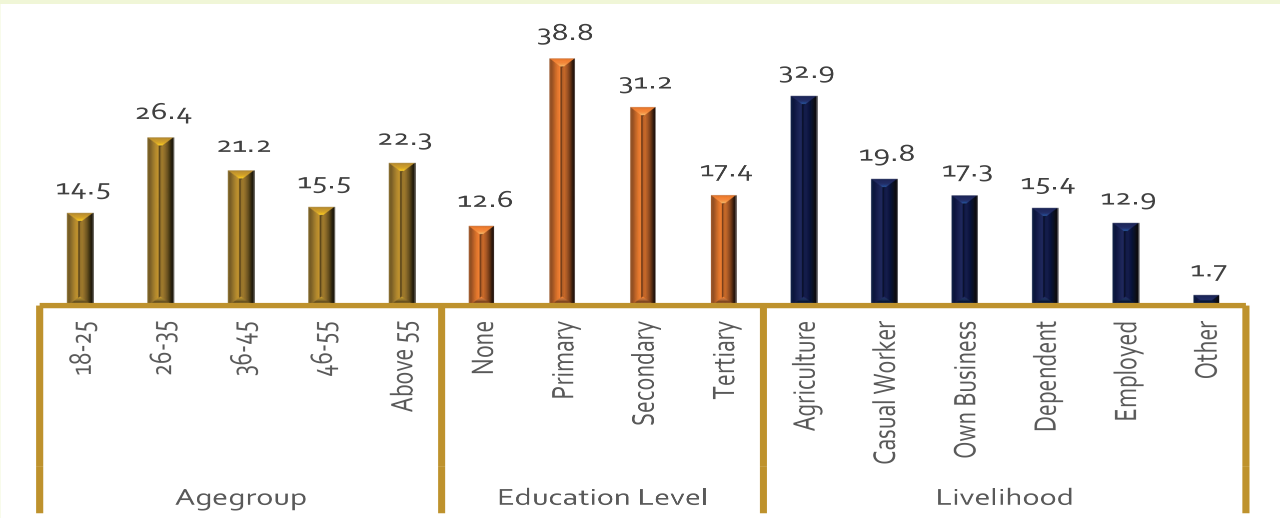
Non-Financial Assets by Age, Education, & Livelihood

Further analysis by age, education, and livelihood demonstrates that youth respondents aged 26-35 exhibit the highest investment in non-financial assets at 26.4 percent, followed by those aged 55 and above at 22.3 percent.

In terms of education, respondents with only primary education represent the highest proportion at 38.8 percent, while 12.6 percent of respondents with no formal education also made investments.

When analyzed by livelihood, respondents in the agricultural sector recorded the highest investment proportion at 32.9 percent, followed closely by those with casual employment at 19.8 percent.

Figure 35: Non-Financial Assets Investment by Age, Education, & Livelihood



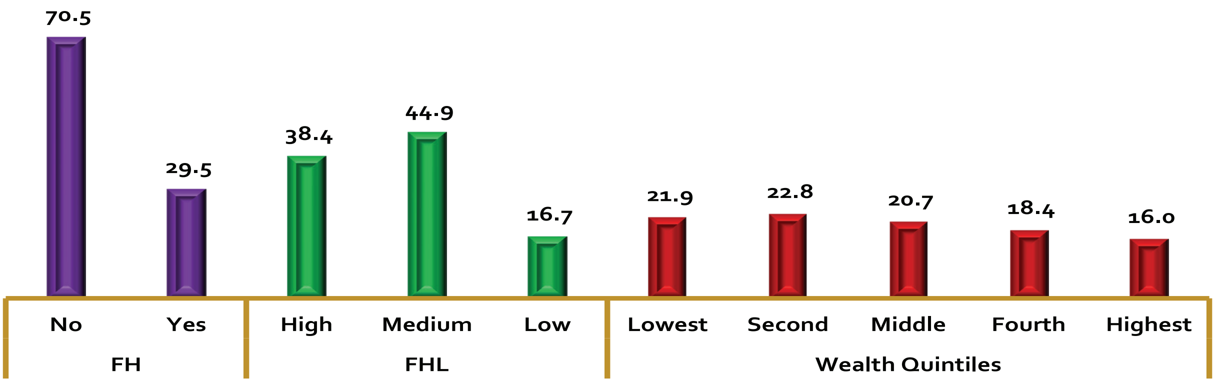
Notably, investment in non-financial assets is evident across all education levels, age groups, and livelihoods

Non-Financial Assets Financial by Health Status & Wealth Quintiles

The data reveals a significant disparity in non-financial asset investment based on financial health. Respondents who are not financially healthy demonstrate a notably higher investment rate at 70.5 percent, compared to just 29.5 percent among those financially healthy. This observation contrasts with trends observed in financial asset investments.

Furthermore, the analysis highlights a varying pattern of investment across different levels of financial health. Respondents with medium financial health exhibit the highest proportion of non-financial asset investment at 44.9 percent, followed by those with high financial health.

Figure 36: Non-Financial Assets Investment by Health Status & Wealth Quintiles



Interestingly, the data shows a relatively uniform investment in non-financial assets across different wealth quintiles, with respondents in the highest wealth quintile recording the lowest proportion at 16.0 percent.

Non-Financial Assets Investment by County

The 2024 FinAccess data reveals significant disparities in non-financial asset investment across Kenyan counties. Nairobi City led with a 6.9 percent investment rate, primarily driven by substantial investments in land (8.8 percent) and livestock (5.0 percent). Other top 5 counties included Nakuru (5.3 percent), Kiambu (4.6 percent), Kakamega (4.3 percent), and Machakos (3.3 percent), which showed a strong preference for land over livestock. Interestingly, counties like Laikipia, Tharaka-Nithi, Murang'a, and Nyeri, which ranked among the top 5 in financial asset investments, recorded lower participation in non-financial asset investments, with Nairobi being the exception.

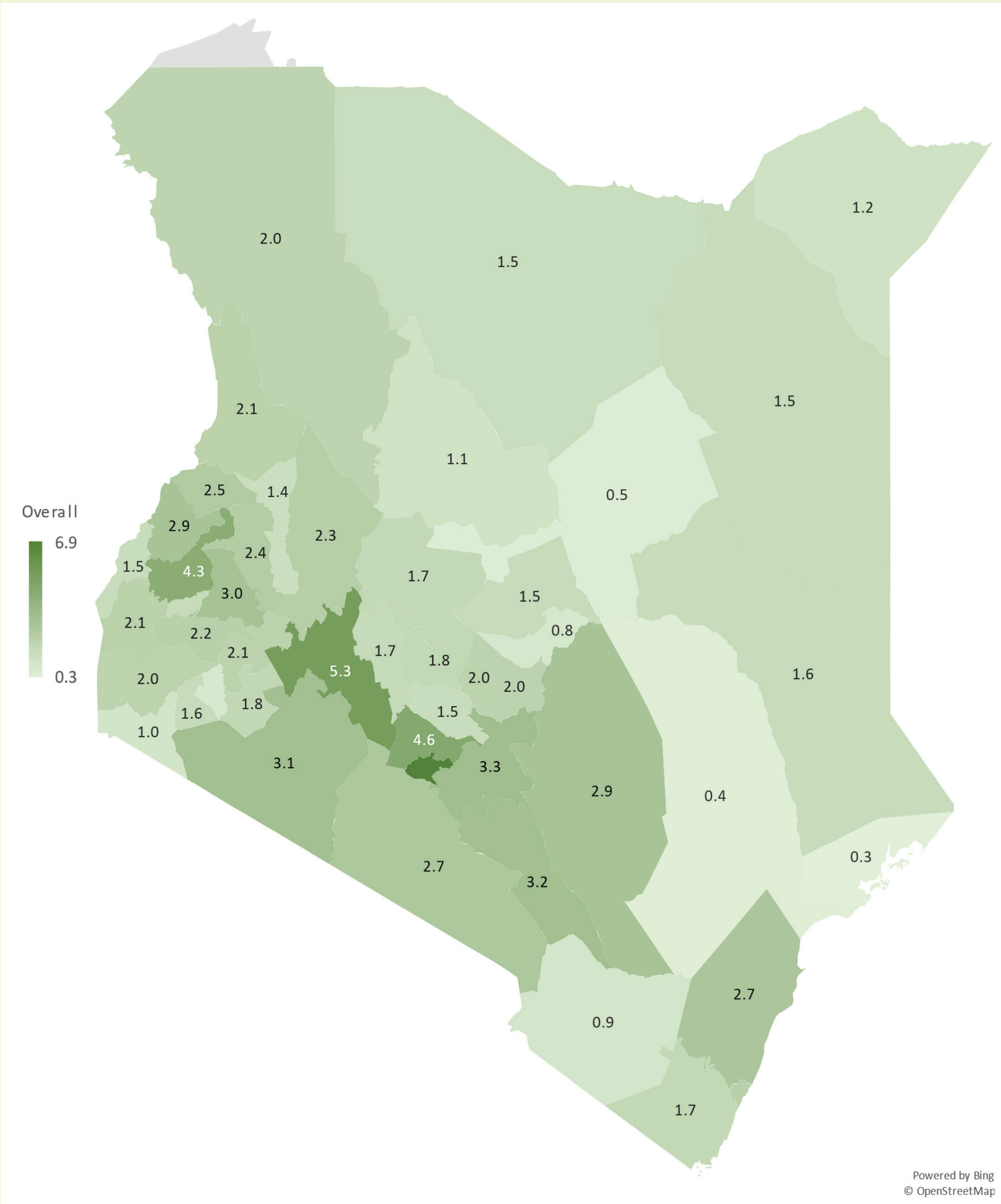
Figure 37: Non-Financial Assets Investment by County

County	Overall	Land	Livestock
Nairobi City	6.9	8.8	5.0
Nakuru	5.3	7.6	5.1
Kiambu	4.6	5.4	3.7

County	Overall	Land	Livestock
Kakamega	4.3	6.6	3.8
Machakos	3.3	4.6	3.0
Makueni	3.2	2.8	3.6
Narok	3.1	4.4	3.3
Nandi	3.0	3.0	3.4
Kitui	2.9	3.9	3.1
Bungoma	2.9	1.1	3.4
Kilifi	2.7	1.8	2.8
Kajiado	2.7	2.6	2.6
Trans Nzoia	2.5	3.3	2.2
Uasin Gishu	2.4	3.1	2.6
Baringo	2.3	1.7	2.8
Mombasa	2.2	3.2	1.5
Kisumu	2.2	0.3	2.4
Siaya	2.1	1.1	2.4
West Pokot	2.1	1.8	2.5
Kericho	2.1	3.1	2.1
Kirinyaga	2.0	2.6	2.0
Homabay	2.0	1.0	2.2
Embu	2.0	3.3	1.8
Turkana	2.0	0.6	2.4
Nyeri	1.8	1.7	1.8

County	Overall	Land	Livestock
Bomet	1.8	2.3	1.6
Kwale	1.7	1.5	1.7
Laikipia	1.7	2.2	1.3
Nyandarua	1.7	0.7	1.9
Garissa	1.6	1.1	1.7
Kisii	1.6	0.9	1.6
Vihiga	1.6	1.5	1.7
Wajir	1.5	0.4	1.9
Meru	1.5	0.6	1.8
Murang'a	1.5	1.0	1.7
Busia	1.5	0.4	1.7

County	Overall	Land	Livestock
Marsabit	1.5	0.6	1.7
Elgeyo-Marakwet	1.4	1.1	1.7
Mandera	1.2	0.2	1.5
Samburu	1.1	0.7	1.2
Migori	1.0	1.5	0.5
Taita-Taveta	0.9	1.2	0.8
Tharaka-Nithi	0.8	0.3	0.9
Nyamira	0.7	1.2	0.4
Isiolo	0.5	0.2	0.5
Tana River	0.4	0.4	0.4
Lamu	0.3	0.3	0.3

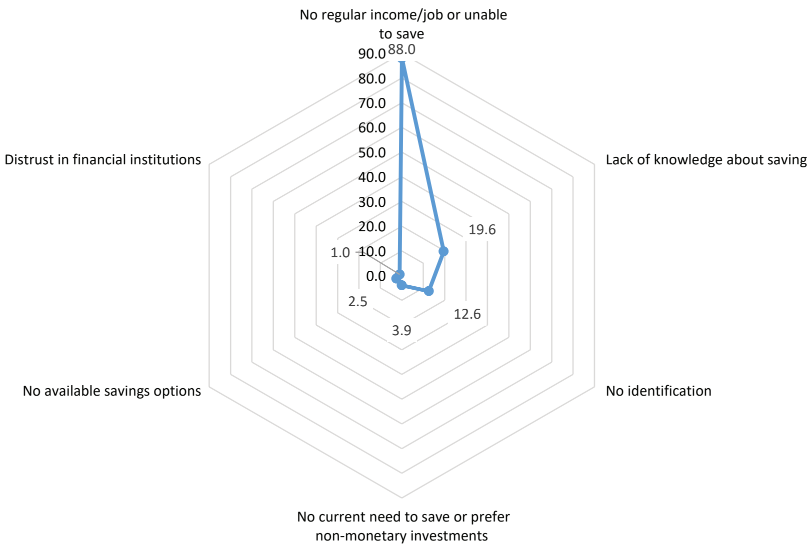


Reasons against Financial Assets Investment

The 2024 FinAccess survey investigated the primary reasons why respondents never saved. The survey explored several factors, including lack of regular income, limited financial literacy, insufficient identification documents, no current need to save or prefer non-monetary investments, limited access to savings options, and distrust in financial institutions.

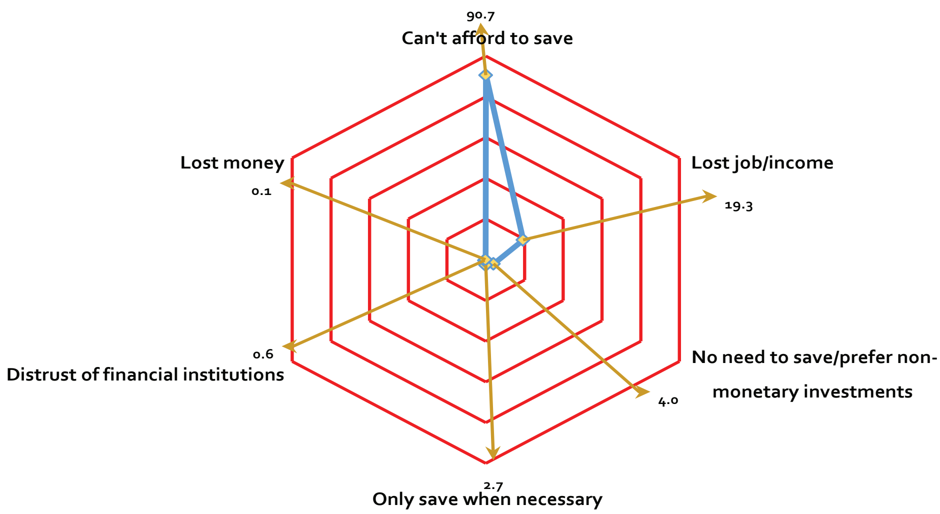
The most significant barrier was the lack of regular income or insufficient funds, cited by 88 percent of respondents. Other contributing factors included limited knowledge of saving strategies at 19.6 percent, absence of necessary identification documents at 12.6 percent, preference for non-monetary investments at 3.9 percent, limited access to savings options at 2.5 percent, and distrust in financial institutions at 1 percent.

Figure 38: Reasons for not Saving (%)



The survey also analyzed reasons why respondents stopped saving. The choices included Can't afford to save; Lost job/income; No need to save/prefer non-monetary investments; Only save when necessary; Distrust of financial institutions; and Lost money. The inability to afford saving was the leading reason, accounting for 90.7 percent of responses, followed by job or income loss at 19.3 percent. Other reasons included no need to save or preference for non-monetary investments at 4 percent, saving-only when necessary, at 2.7 percent, distrust in financial institutions at 0.6 percent, and money loss at 0.1 percent.

Figure 39: Reasons to stop saving (%)



Overall, the survey highlights that the primary reasons for not saving or stopping saving are linked to a lack of regular income, job loss, or insufficient funds.

QUALITY OF CAPITAL MARKETS PRODUCTS & SERVICES

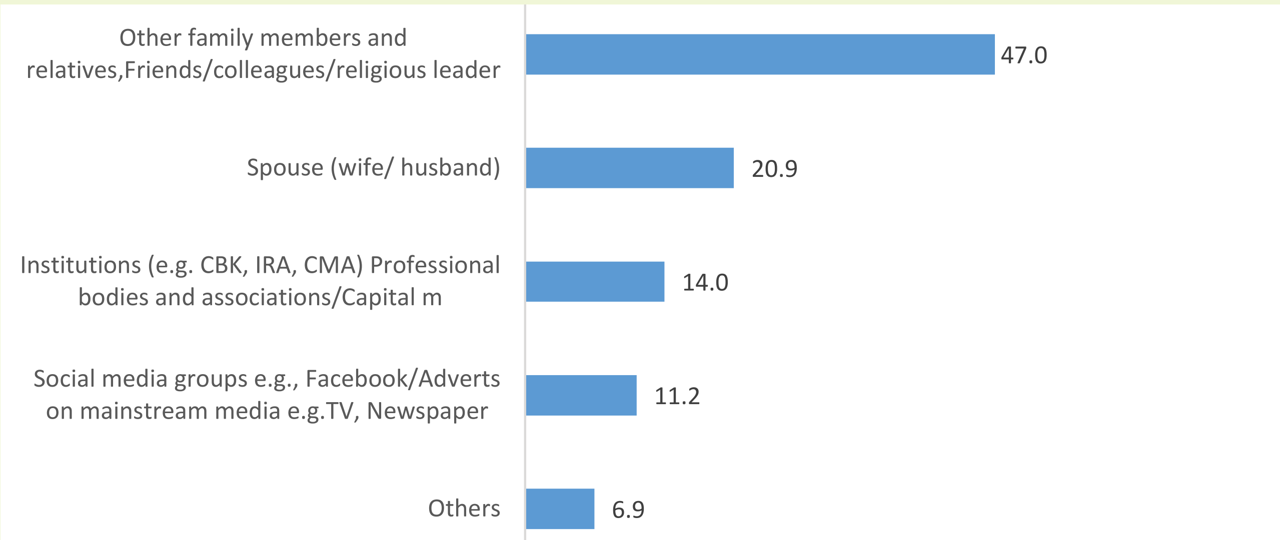
This section presents key findings from the analysis of investor behavior and experiences within the Kenyan capital markets. It examines factors influencing investment decisions, including sources of investment advice, key motivations for investing, and the evolving preferences of Kenyan investors. Furthermore, the analysis explores access to capital markets, identifying key barriers to entry and exit, and examines the challenges faced by investors, including investment losses, system downtime, and unexpected charges. The chapter also delves into investor protection issues, including the effectiveness of complaint resolution mechanisms and the need for enhanced investor education and awareness programs. Finally, it analyzes investor satisfaction levels and highlights the need for continuous improvement in the quality of capital market products and services to foster greater trust and confidence among investors.

INVESTOR BEHAVIOR AND INVESTMENT DECISION-MAKING

Sources of Capital Markets Investment Advice

The analytical review reveals that the highest proportion of respondents at 47 percent relied on their own personal networks for capital markets investment advice, including other family members, friends, colleagues, and religious leader. However, respondents who relied on their spouse (wife/husband) had a notable proportion of 20.9 percent. In addition, 14 percent of respondents relied on institutions (e.g. CBK, IRA, CMA), professional bodies & associations, and capital market Intermediaries. Respondents also who relied on social media groups including Facebook, adverts on mainstream media (e.g. Television, Newspaper) accounted for 11.2 percent of the sample population. The rest of the respondents relied on other channels, accounting for 6.9 percent of the sample population.

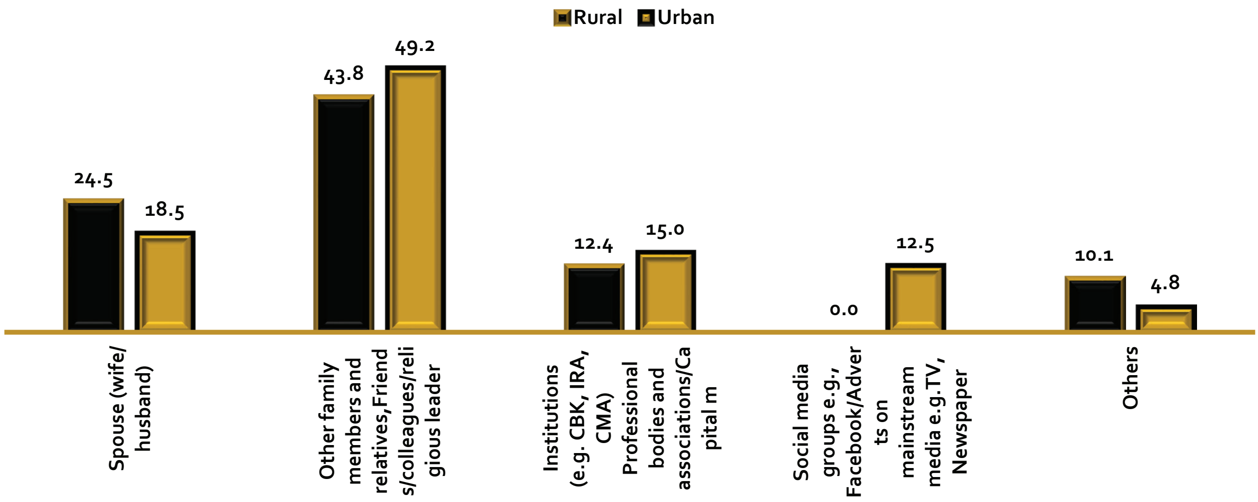
Figure 40: Who Mainly influences your investment decision?



Investment Advice by Residence

Rural populations relied on their spouses (24.5%) and other means (10.1%) for capital markets investment advice compared to their urban counterpart. Interestingly, urban populations relied mostly on personal networks (e.g. family, religious leaders etc.) at 49.2 percent compared to 43.8 percent for rural populations. In addition, urban population relied more on institutions, professional bodies & associations, and capital market Intermediaries (15.0%) and social media groups including Facebook, adverts on mainstream media (12.5%) compared to rural populations.

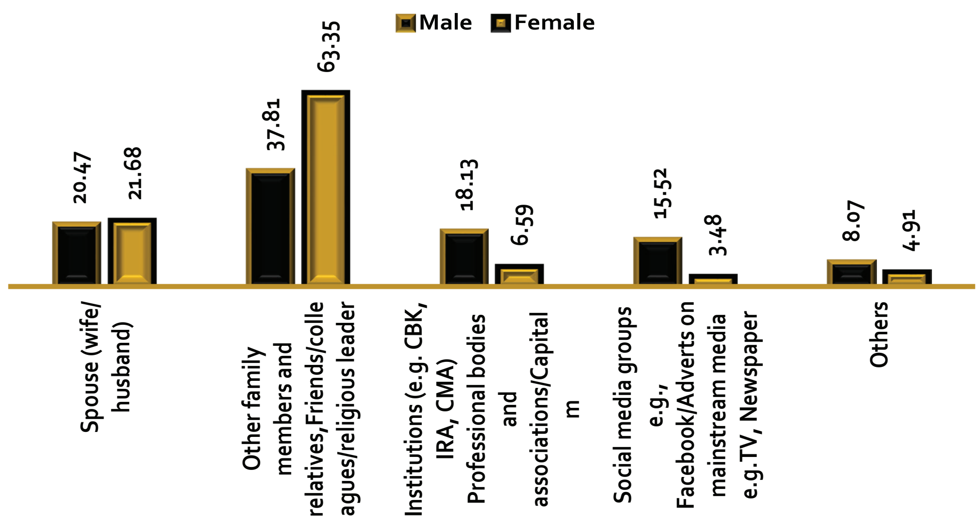
Figure 41: Capital Market Investment Advice by Residence



Investment Advice by Sex

Females relied mostly on their personal networks (63.35%) and their spouses (21.68%) for the capital markets investment advice compared to males. On the other hand, males relied heavily on institutions, professional bodies & associations, and capital market Intermediaries (18.13%) and social media groups including Facebook, adverts on mainstream media (15.52%) compared to females.

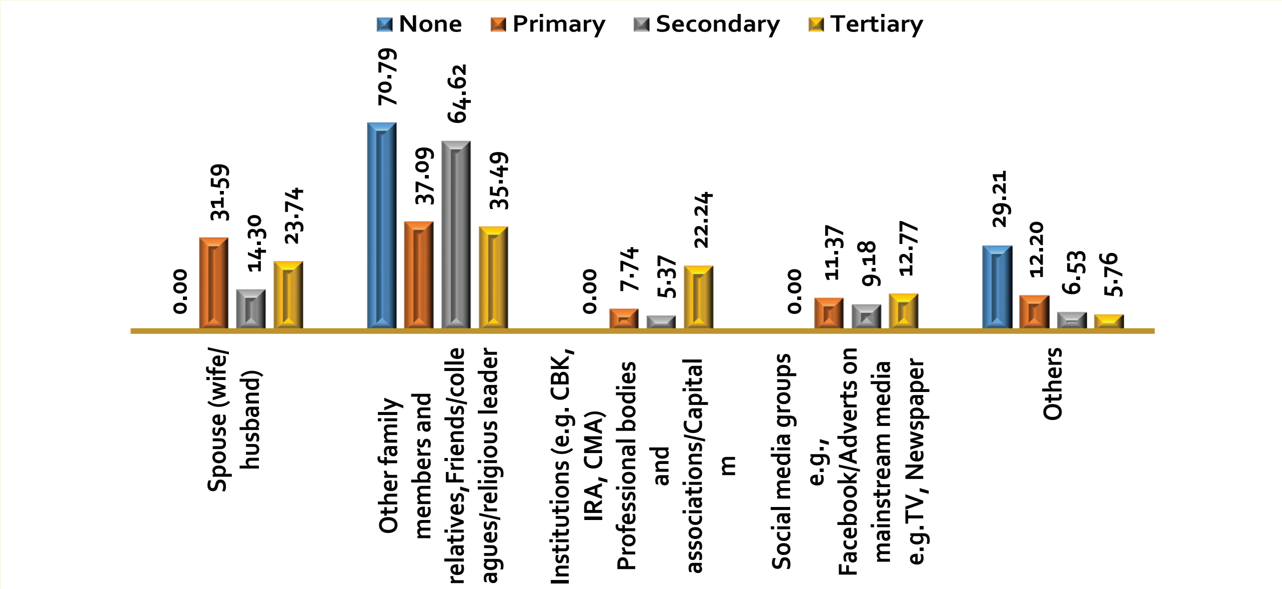
Figure 42:Capital Market Investment Advice by Sex



Investment Decision by Education Level

Respondents with no formal education relied mostly on their personal networks (70.79%) and other channels (29.21%). Those with only primary education also relied mostly on their personal networks (37.09%), followed by their spouses (31.59%), and the social media groups including Facebook, adverts on mainstream media (11.37%). In addition, respondents with secondary education relied heavily on personal networks (64.62%) and their spouses (14.30%). Finally, respondents with tertiary education relied mostly on personal networks (35.49%), followed by their spouses (14.30%), then the social media groups including Facebook, adverts on mainstream media (9.18%), and institutions, professional bodies & associations, and capital market Intermediaries (5.37%). These findings reveal that respondents across all education levels rely mostly on their personal networks.

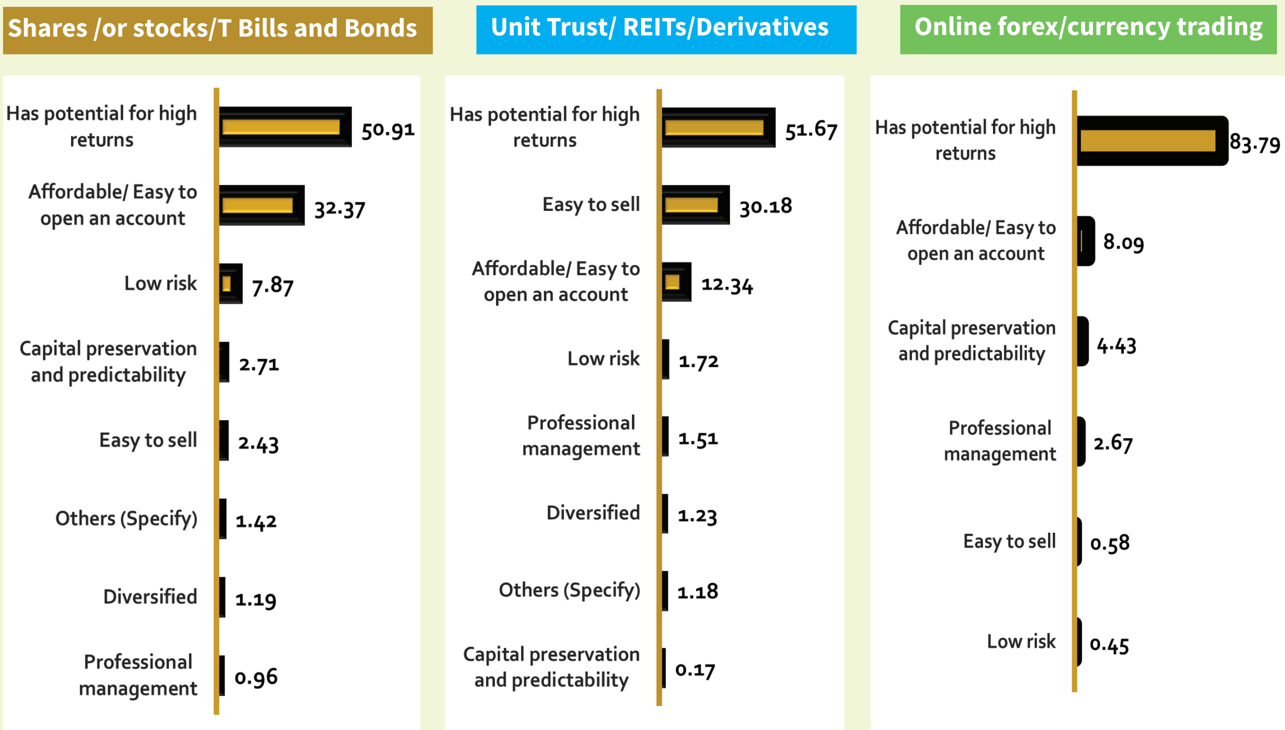
Figure 43: Capital Market Investment Advice by Education Level



Reasons for Investing in Capital Markets

The analytical review also seeks to find out the reasons why respondents invested in capital market securities including shares, government securities, alternative products, and online forex or currency trading. Generally, the data shows that most respondents invested in capital markets securities because of the potential for high returns.

Figure 44: Reasons for Investing in Capital Markets Securities



Particularly, for shares and government securities, 50.79 percent a significant proportion of respondents cited "Has potential for high returns", followed by 32.37 percent who cited "Affordable/Easy to open an account", and 7.87 percent a notable proportion cited "low risk". Other reasons cited "Capital preservation and predictability" (2.71%), "Easy to sell" (2.43%), "Diversified" (1.19 %), and 0.96 percent of respondents, the least proportion cited professional management. Hence, the findings showed that the primary reasons why Kenyans invested in shares and government securities is because of the potential for high returns, affordability, ease to open an account and low risk associated to the securities.

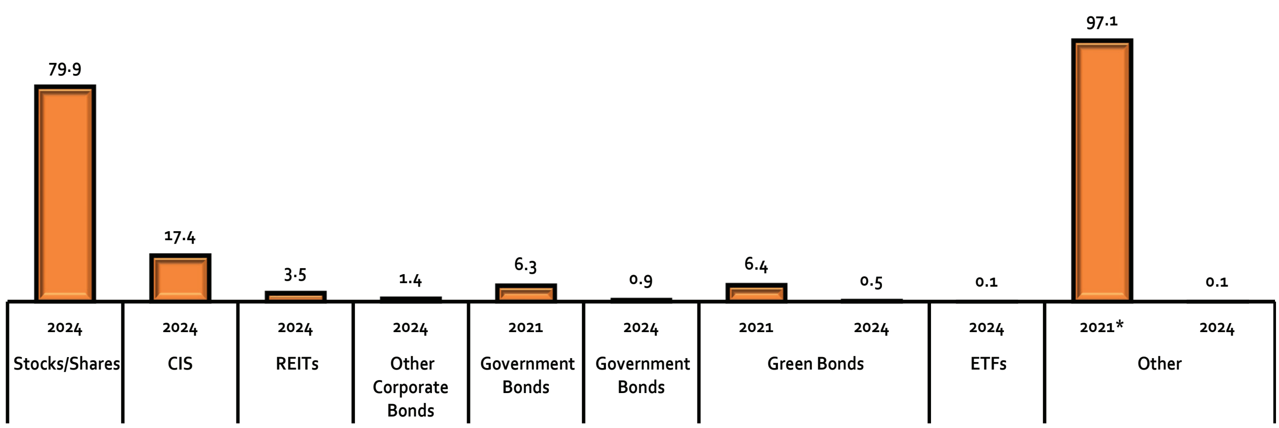
For the alternative products, 51.67 percent of the respondents, also accounting for the highest proportion, cited the reason of investing in these products is because of "Has potential for high returns", followed by a notable percentage of respondents (30.18%) who cited the products are "Easy to sell", and 12.34 percent of respondents cited "Affordable/easy to open an account". Other reasons cited include "low risk" (1.72%), "professional management" (1.51%), "Diversified" (1.23%), and "Capital preservation and predictability" (0.17%). Hence, the analysis found that the primary reasons why Kenyans invested in alternative products is due to their potential for high returns, easy to sell the products, affordability, and easy to open an account.

For the online forex or currency trading, 83.79 percent a notable portion of respondents cited "Has potential for high returns", followed by "Affordable/easy to open an account" at 8.09 percent, then "Capital preservation and predictability" at 4.43 percent, "professional management" at 2.67 percent, "Easy to sell" at 0.58 percent, and the least proportion cited "low risk" at0.45 percent. Hence, the findings found that the key reason why Kenyans invested in online forex or currency trading is due to the potential for high returns.

Investors Preference for Capital Markets Products and Services

The analytical review also seeks to identify the range of capital market assets in which respondents had invested. To provide more detailed insights, the survey refined the 2021 "Other capital markets products" category. In 2024, this category was broken down into: Stocks/Shares, Collective Investment Schemes, Other Corporate Bonds, Real Estate Investment Trusts (REITs), and Exchange-Traded Funds (ETFs). The categories for Government bonds (Treasury Bills and Treasury Bonds) and Green Bonds were retained in the 2024 survey. However, the M-Akiba category was removed as the M-Akiba product was no longer available in the market during the survey period. The figure below illustrates how respondents' investment preferences in various capital market securities shifted between 2021 and 2024.

Figure 45: Respondent's Choice of Capital Markets Securities

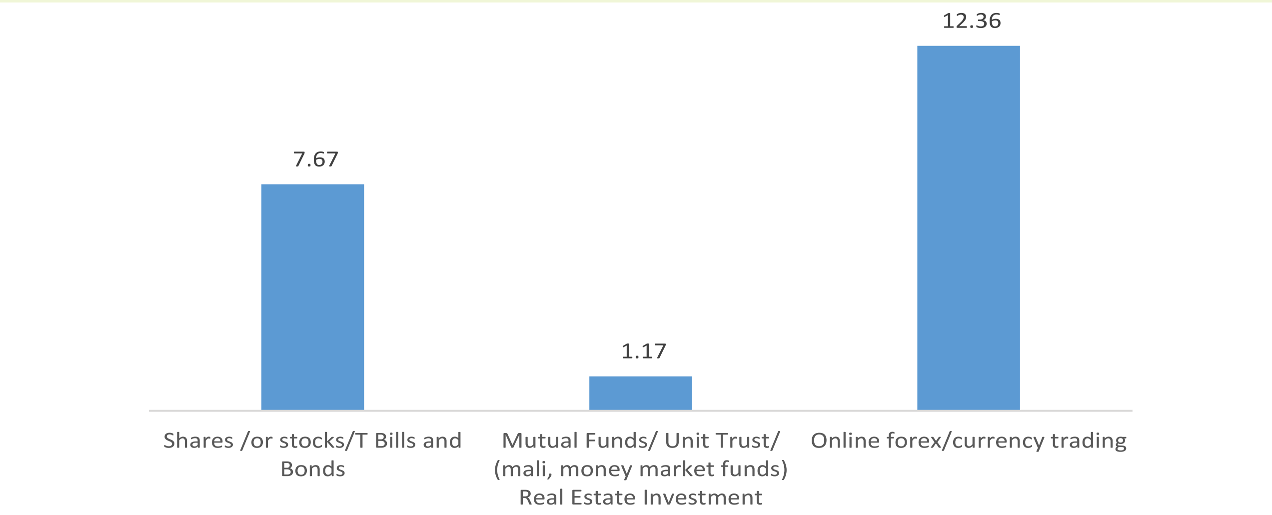


The 2024 FinAccess data revealed a significant shift in investment preferences. In 2024, shares/stocks emerged as the most popular investment choice, with 79.9 percent of respondents reporting ownership. This was followed by collective investment schemes (17.4 percent), REITs (3.5 percent), other corporate bonds (1.4 percent), government bonds (0.9 percent), green bonds (0.5 percent), and other capital market securities (0.1 percent). In contrast, 2021 data showed that 97.1 percent of respondents invested in a broader category that included shares/stocks, CISs, and derivatives, among other products. Other notable investments in 2021 included green bonds (6.4%), government bonds (6.3 percent), and M-Akiba (5.9 percent).

Investment Returns in Securities Markets

The analytical review report examines respondent's financial activities over the past year, focusing on their involvement in securities markets. It investigates whether individuals bought or sold securities, received dividends, or earned income interest from their holdings. The data reveals that the largest proportion of respondents, 12.36 percent, participated in online forex or currency trading, either by trading or earning income interest. Following closely were investments in shares and government securities, where 7.67 percent of respondents reported trading, receiving dividends, or earning interest. The smallest proportion of respondents, at 1.17 percent, reported earning income interest from alternative products such as Collective Investment Schemes (CISs), Real Estate Investment Trusts (REITs), and derivatives.

Figure 46: Participation and Returns in the Securities Market



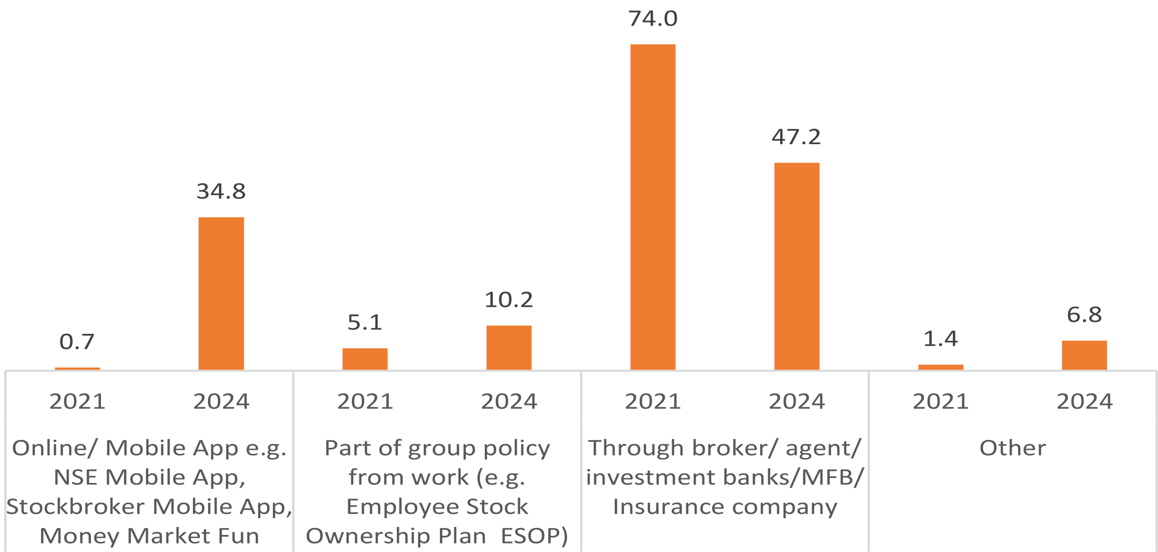
These findings indicate the highest participation in online forex or currency trading, moderate participation in shares and government securities, and minimal engagement with alternative products. Hence, there is a preference for highly liquid and accessible markets like online forex or currency trading, suggesting a potential shift in investor interest toward quicker returns and digital platforms. The moderate participation in shares and government securities indicates steady confidence in traditional capital markets, while the minimal engagement with alternative products underscores the need for greater awareness and accessibility to diversify investment portfolios in the capital markets.

ACCESS, BARRIERS, & CHALLENGES IN CAPITAL MARKETS

Access to Capital Markets Product

The analysis also focused on the access to capital markets products through an online/mobile app (e.g. Nairobi Securities Exchange (NSE) Mobile App, Stockbroker Mobile App, Money Market Fund Manager Mobile App), part of group policy from work (e.g. Employee Stock Ownership Plan), Broker/Agent/Investment Banks / Microfinance Bank (MFB)/ Insurance Company.

Figure 47: Access to Capital Markets Products

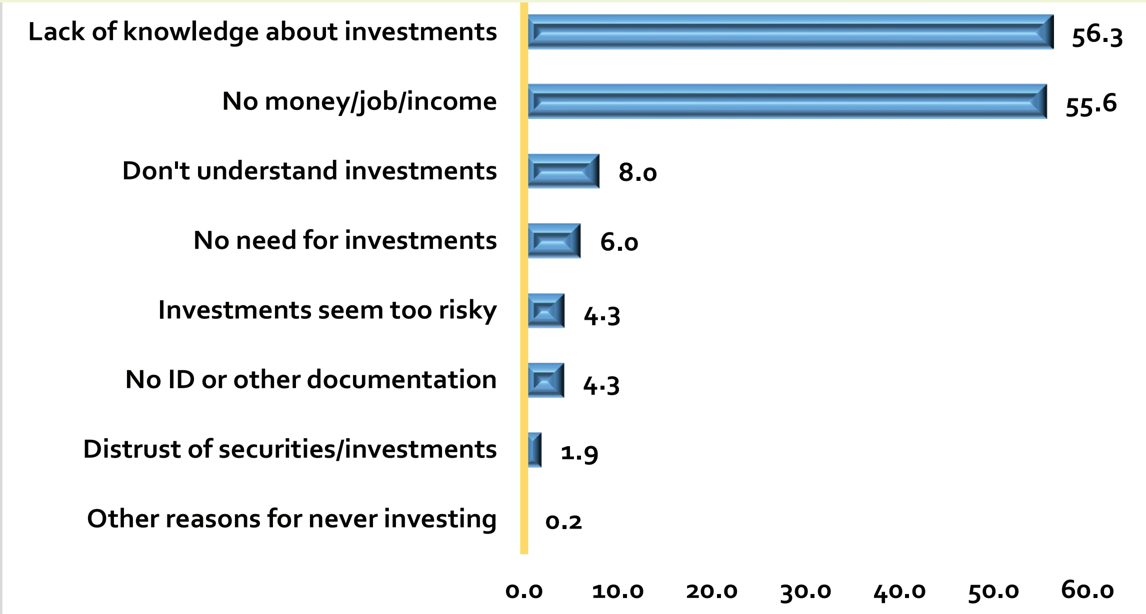


The data reveals that 47.2 percent, the highest proportion of respondents, accessed capital markets securities through a broker, an agent, an Investment Bank, MFB, or Insurance Company. This was a decrease of 26.8 percentage points from 74.0 percent in 2021. However, the largest shift of 34.1 percentage points was observed in the usage of online or Mobile Apps, surging from a low 0.7 percent in 2021 to 34.9 percent in 2024. Similarly, there was a notable shift of 5.2 percentage points in the access of capital markets product through "Part of Group Policy from Work", rising from 5.1 percent in 2021 to 10.2 percent in 2024. The part of the population that accessed the products through other means was 6.8 percent in 2024 compared to 1.4 percent in 2021. Generally, a positive shift was reported through the usage of mobile apps, part of group policy from work, and other means, except through capital market licensees, MFB or an insurance company.

Barriers to Entry and Exit of Capital Markets

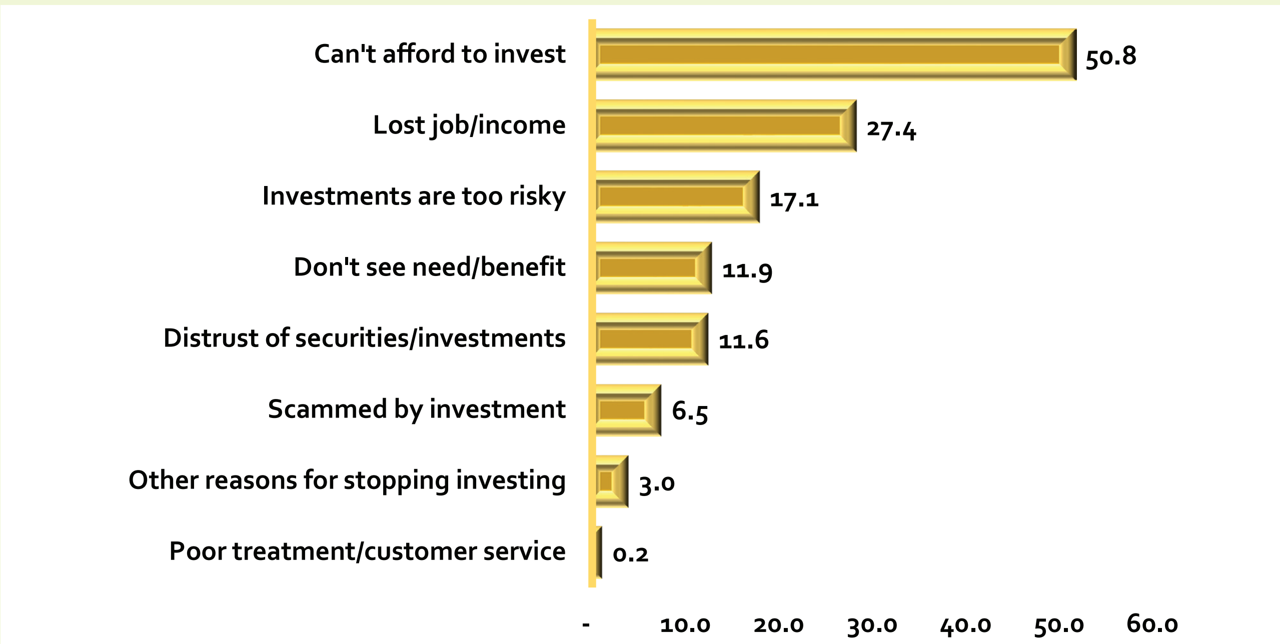
The analytical review further seeks to determine the reasons for not investing in securities or for exiting the securities market. The data reveals that a significant portion of respondents (56.3%) cited ***"Lack of knowledge about investments"*** as the primary barrier to entering the securities market. This underscores the significance role of education and awareness initiatives in boosting investment participation. Another major factor, reported by 55.6 percent of respondents, was ***"No money/job/income"*** at 55.6 percent suggesting that financial constraints play a significant barrier to entry in securities market. While less cited reasons but play a role in deterring respondents from entering securities market include ***"Don't understand investments"*** at 8.0 percent, ***"Investments seem too risky"*** at 6.0 percent, ***"No need for investments"*** at 6.0 percent, ***"No ID or other documentation"*** at 4.3 percent, and ***"Distrust of securities/investments"*** at 1.9 percent. These reasons emphasize the importance of clear and accessible securities information to the public that build trust in the securities and investment industry.

Figure 48: Reasons for not Investing in Securities



On the other hand, like barriers to entry, the most prominent reasons for exiting the securities market, as cited by the majority of respondents, were ***"Can't afford to invest"*** (50.8%) and ***"Lost job/income"*** (27.4%), highlighting financial hardships as a key driver for exit. Other significant reasons included ***"Investments are too risky"*** (17.1%), suggesting that many investors are risk-averse, underscoring the need for education and awareness initiatives on portfolio diversification to mitigate investment risks. Additionally, respondents pointed to ***"Distrust of investment providers"*** (11.6%) and ***"Scammed by investment provider"*** (6.5%) as crucial factors, emphasizing the importance of building trust and investor confidence in the securities and investment industry to reduce exits. Lastly, ***"Don't see need/benefit"*** was also cited by 11.7 percent of respondents, suggesting that changing financial goals can contribute to investors leaving the market. This highlights the need for tailored investment products and services that meet the diverse needs of various investor segments.

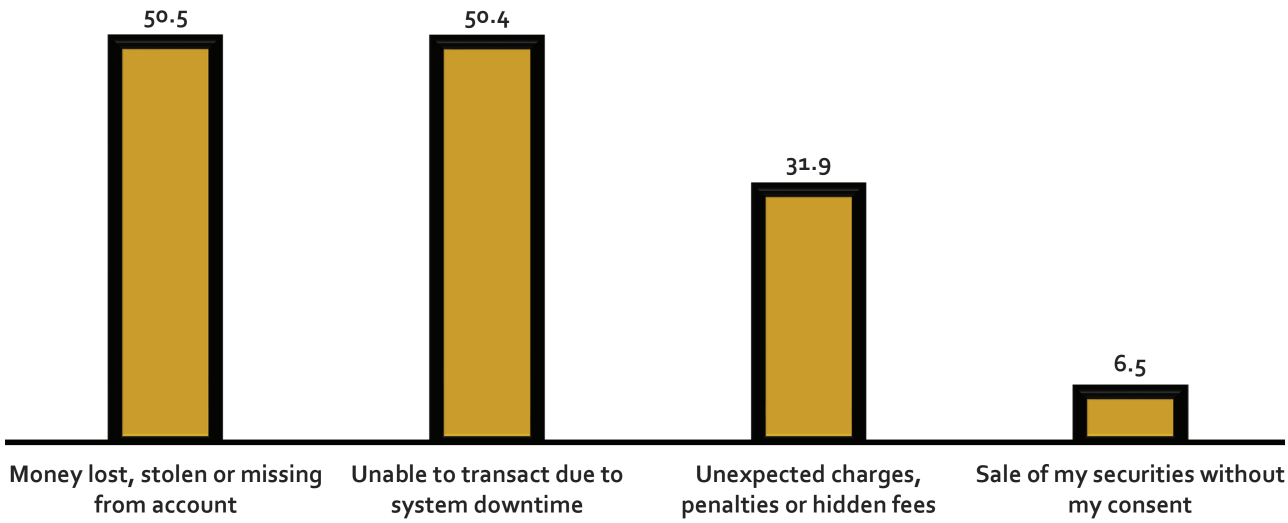
Figure 49: Reasons for stopping securities investment



INVESTOR PROTECTION ISSUES

Investor Experiences in Securities Investment Accounts

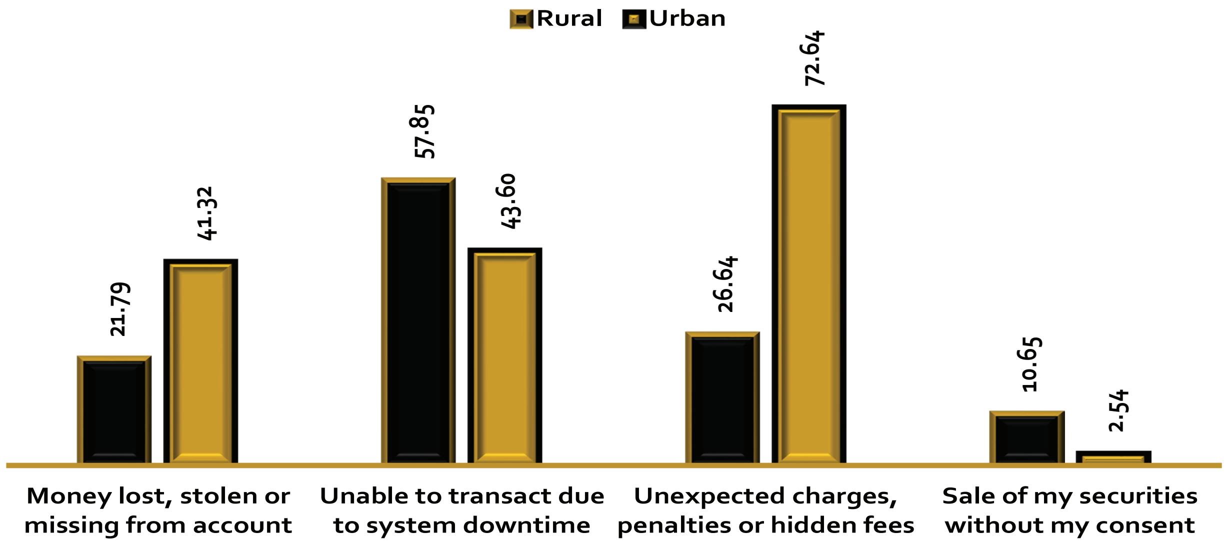
The most common investment issue experienced by respondents was the loss, theft, or disappearance of money from their accounts, affecting 50.5 percent of participants. Notably, 50.4 percent of respondents also encountered difficulties conducting transactions due to system downtime. While less frequent, 31.9 percent of respondents experienced unexpected charges, penalties, or hidden fees, and 6.5 percent reported the unauthorized sale of their securities.



Investors Experience by Residence

The survey findings revealed distinct patterns in the types of investment issues faced by urban and rural populations. Urban residents primarily experienced unexpected charges, penalties, or hidden fees (72.64%) and the loss, theft, or disappearance of money from their accounts (41.32%). In contrast, rural populations were more likely to encounter difficulties conducting transactions due to system downtime (57.8%) and the unauthorized sale of their securities (10.65%), issues that were less frequent among urban residents.

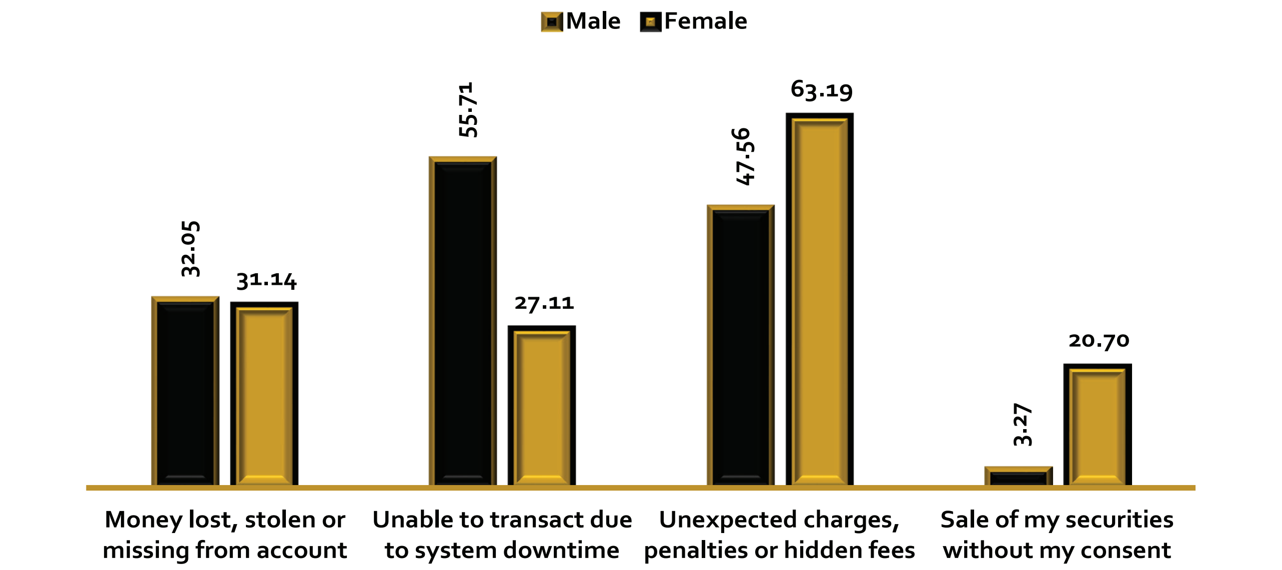
Figure 50: Investment Risk by Residence



Investors Experiences by Sex

Men were more likely to experience difficulties conducting transactions due to system downtime (55.71%) and the loss, theft, or disappearance of money from their accounts (32.05%) compared to women. Conversely, women were more likely to encounter unexpected charges, penalties, or hidden fees (63.19%), as well as the unauthorized sale of securities (20.70%) within their investment accounts.

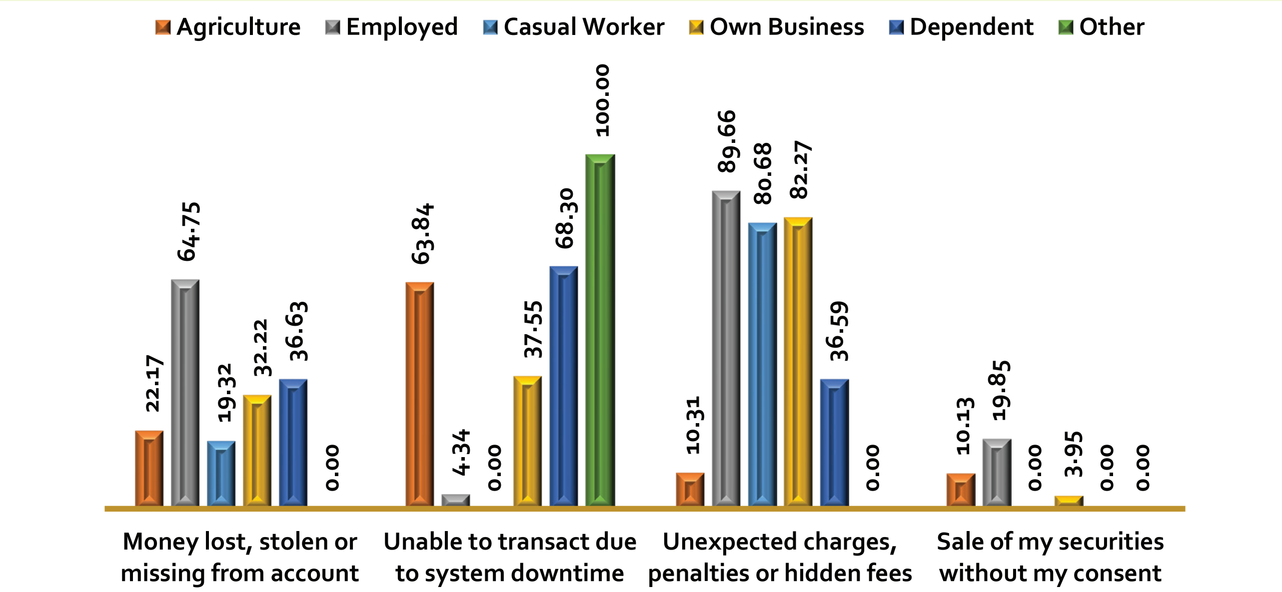
Figure 51: Investment Risk by Sex



Investors Experiences by Livelihood

The survey revealed distinct challenges faced by different occupational groups. Respondents in agricultural occupations (63.84%) and dependents (68.30%) frequently encountered difficulties transacting securities due to system downtime. Conversely, those with formal employment, representing 89.66% of the sample, were more likely to experience unexpected charges, penalties, or hidden fees. This trend was also observed among casual workers (80.68%) and business owners (82.27%), highlighting the diverse range of investment risks faced by individuals across different livelihoods.

Figure 52: Investment Risk by Livelihood



Loss of Investors Investment Capital

The survey data further revealed that the most common reason investors lost money from their accounts was the collapse of a market intermediary, affecting 26.9 percent of respondents. This was closely followed by wrong order execution, reported by 24.6 percent. External fraud was cited by 21.4 percent, while internal fraud affected 5.1 percent of respondents. Additionally, 19.3 percent of respondents reported losing money through other ways.

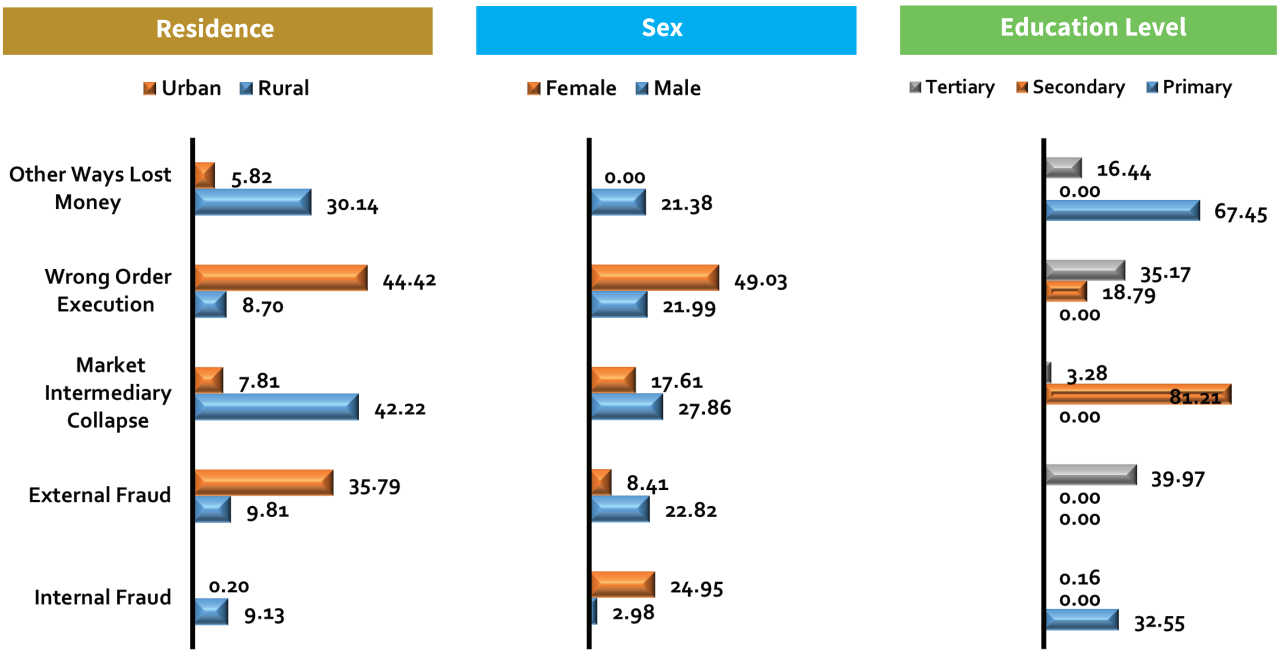
Figure 53:How did you lose money from your account?

Investment Capital loss by Demographics

Investment capital loss can occur through various channels, and these risks are influenced by several demographic factors, including location, gender, and education level.

The data highlights distinct patterns in how different groups experience losses in the capital markets. Rural and urban populations, men and women, and individuals with varying education levels all face unique challenges and risks when it comes to protecting their investment capital.

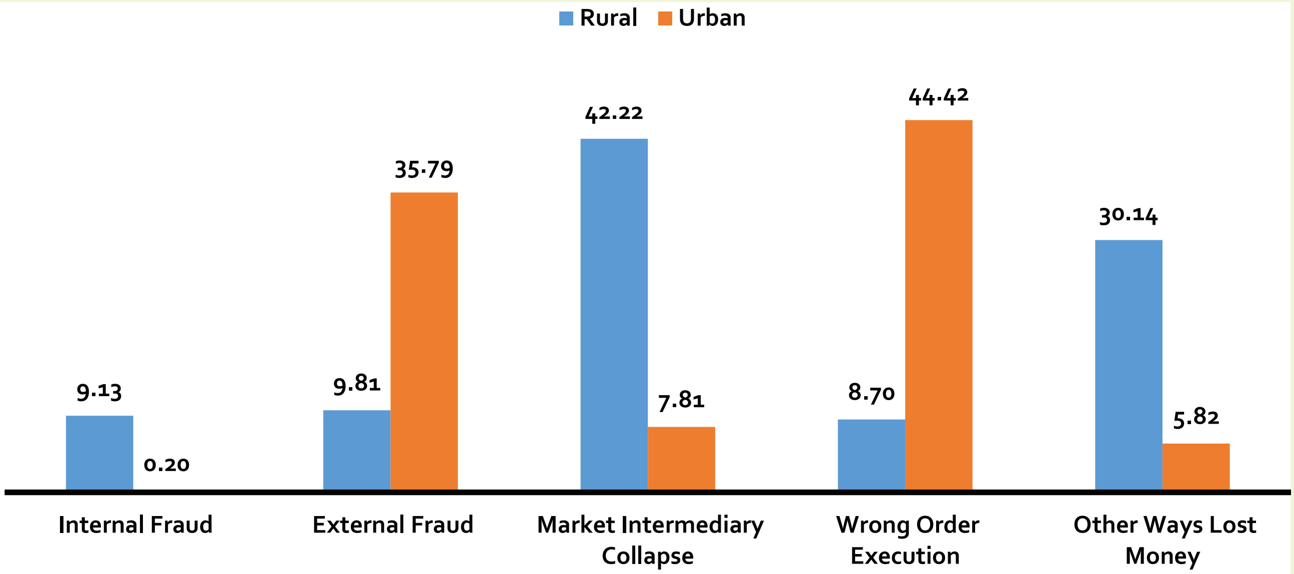
Figure 54: Ways Investor lost money by Residence, Sex, & Education



Investment Capital loss by Residence

Rural populations are more likely to lose investment capital due to a market intermediary collapse, accounting for 42.22 percent, or through other unspecified ways, at 30.14 percent. In contrast, urban populations are more likely to lose investment capital due to wrong order execution, at 44.4 percent, or external fraud, at 35.79 percent.

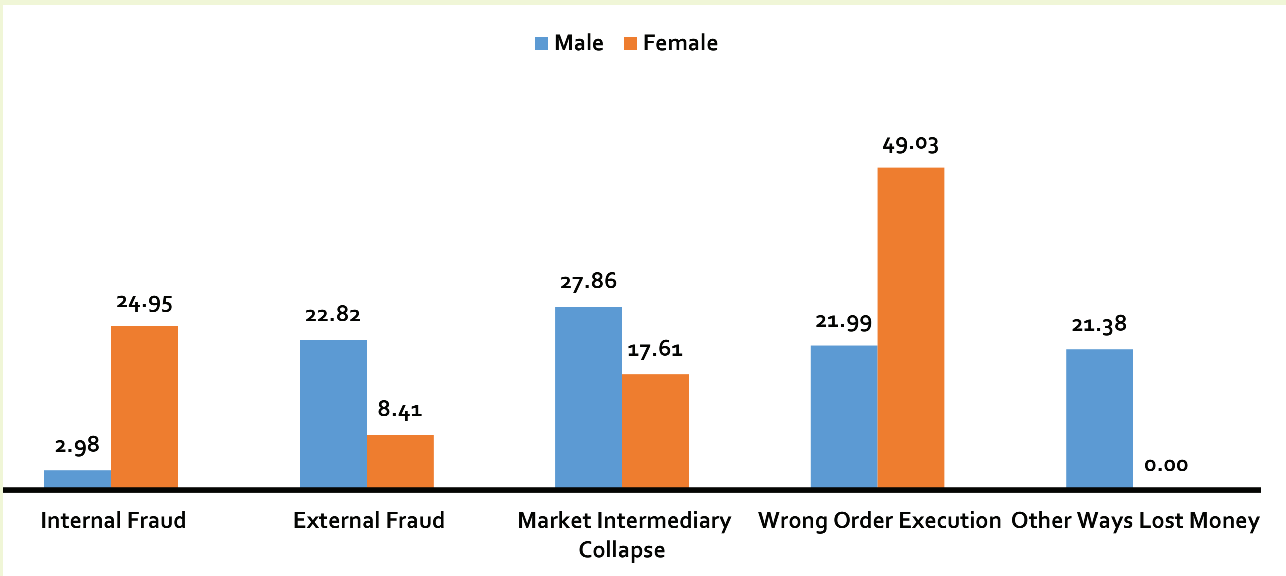
Figure 55: Ways Investor lost money by Residence



Investment Capital loss by Sex

Gender differences also exist, with men more prone to losses from market intermediary collapse (27.86%) and other unspecified causes (21.38%), while women are more likely to lose investment capital through wrong order execution or market intermediary collapse.

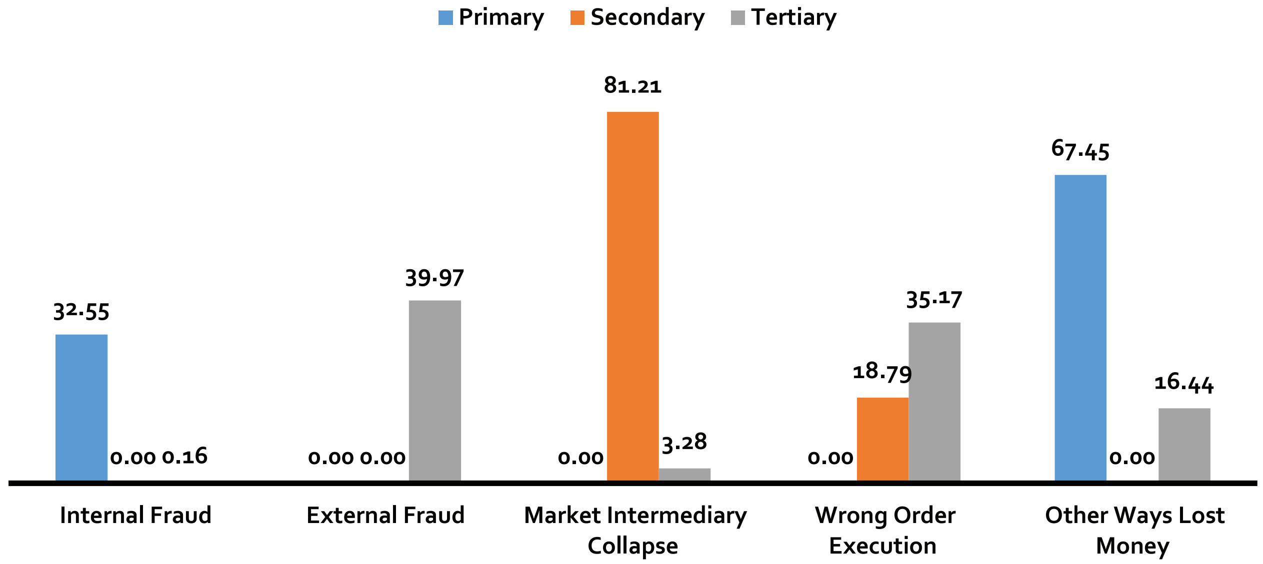
Figure 56: Ways Investor lost money by Sex



Investment Capital loss by Education

Education level further influences the causes of loss, with those with primary education most vulnerable to losses through unspecified means (67.45%) and internal fraud (32.55%). Investors with secondary education primarily experience losses due to market intermediary collapse (81.21%) and wrong order execution (18.79%). Tertiary educated investors, however, face a more diverse range of risks, with losses attributed to market intermediary collapse (35.17%), wrong order execution (35.17%), and other unspecified causes (16.44%).

Figure 57: Ways Investor lost money by Education

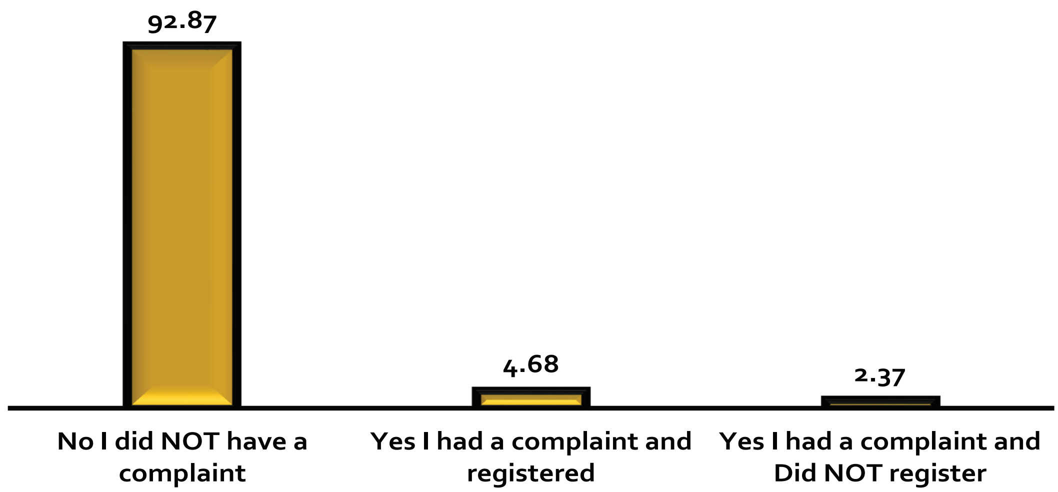


Capital Markets investor protection Mechanism

Securities Investment Complaints

In the past 12 months, the survey seeks to find out whether respondents have ever tried to register a complaint or resolve an issue with securities providers. The data reveals that 92.87 percent of respondents who invested in capital markets did not have a complaint with securities providers. However, 7.23 percent of respondents had a complaint, 4.68 percent registering complaint with the securities provider while 2.37 percent did not.

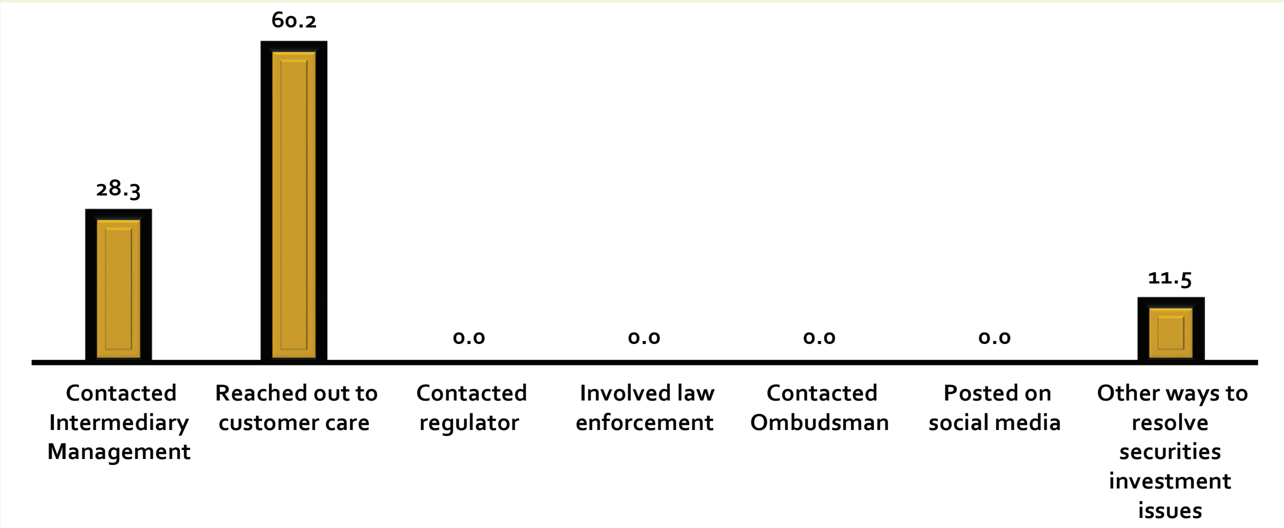
Figure 58: Investors Registered a Complaints in the past 1 year



Ways to Register or Resolve Investors Securities Investment Issues

The survey revealed that out of 4.68 percent of respondents who registered a complaint, 60.2 percent sought resolution by contacting customer care. A significant portion, 28.3 percent, attempted to resolve the issue by contacting intermediary management, while 11.5 percent explored other avenues to address their concerns related to securities investments.

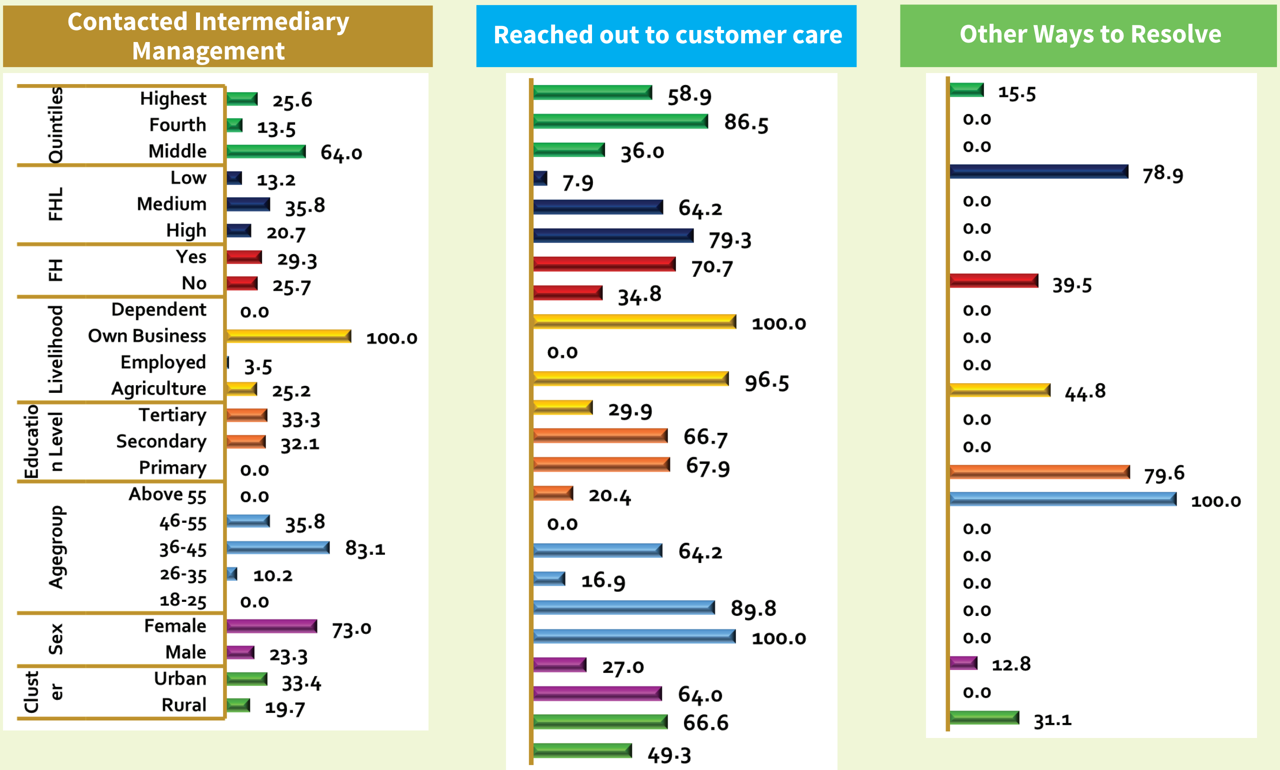
Figure 59: Ways to Resolve Investors Securities Investment Complaints



Registered Investor complaints by Demographics

The figure below illustrates how complaint patterns differ across various demographic groups regarding whether investors contacted intermediary management or customer care.

Figure 60: Registered Investors Complaints by Demographics

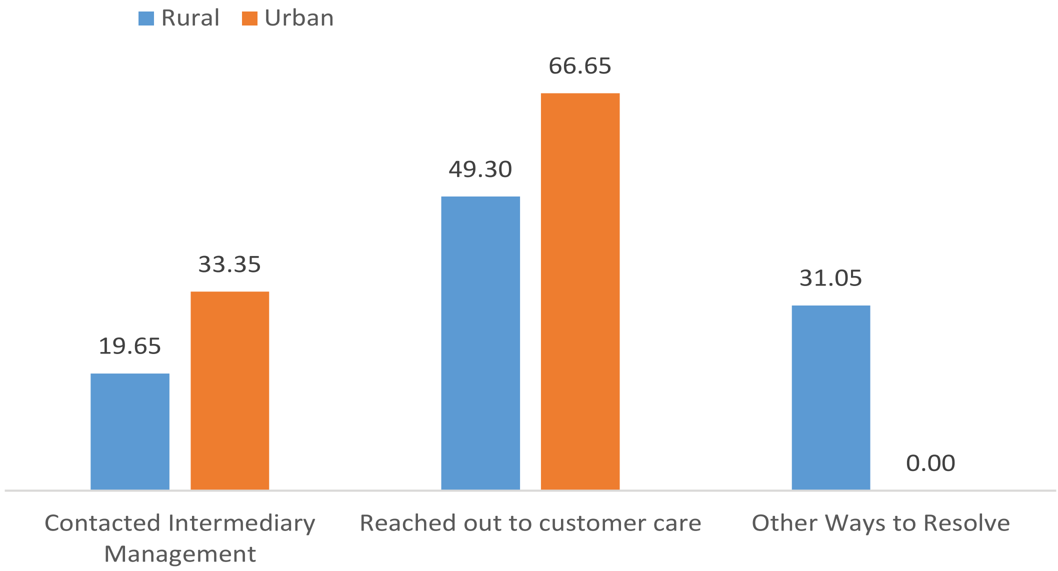


Registered Investor Complaints by Residence

The results show that rural populations primarily sought resolution for securities investment issues through customer care, with 66.65 percent contacting customer care and 33.35 percent reaching out to intermediary management.

In contrast, urban populations predominantly contacted customer care (49.30 percent), followed by exploring other avenues to address their concerns (31.05 percent) and contacting intermediary management (19.65 percent).

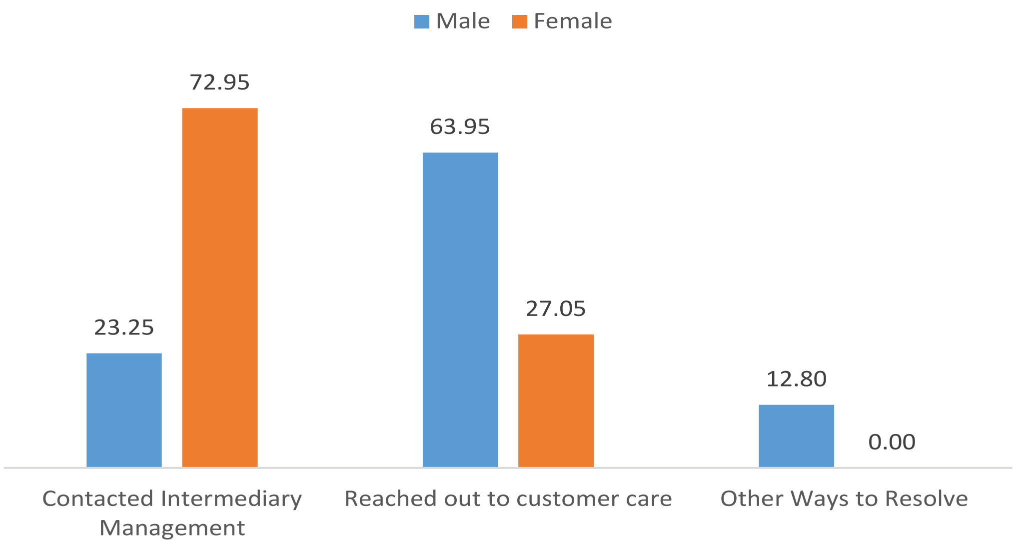
Figure 61: Complaints by Residence



Registered Investor Complaints by Sex

The survey data reveals that 72.95 percent of females contacted intermediary management to resolve investment issues, while only 27.05 percent reached out to customer care. In contrast, 63.95 percent of males preferred contacting customer care, and males also explored other methods to address their capital markets investment issues.

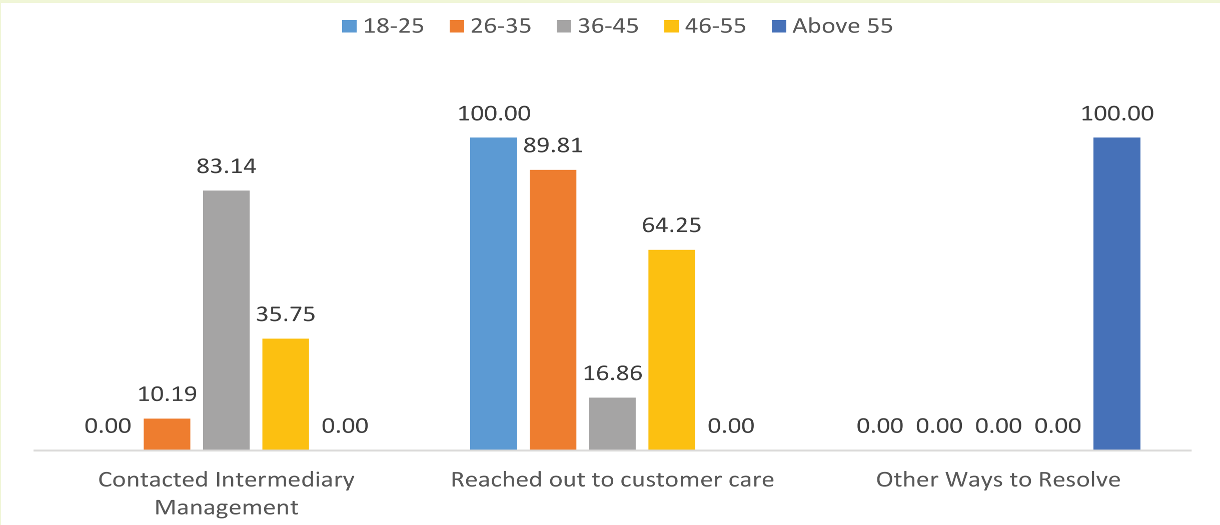
Figure 62: Complaints by Sex



Registered Investor Complaints by Age

Interestingly, respondents above 55 years primarily sought other avenues to resolve investment issues, while the younger population aged 18-25 years only contacted customer care. Most respondents aged 26-35 years (89.81%), and 46-55 years (64.25%) reached out to customer care. For respondents aged 36-45 years, the majority, 83.14 percent, contacted intermediary management to resolve securities investment issues.

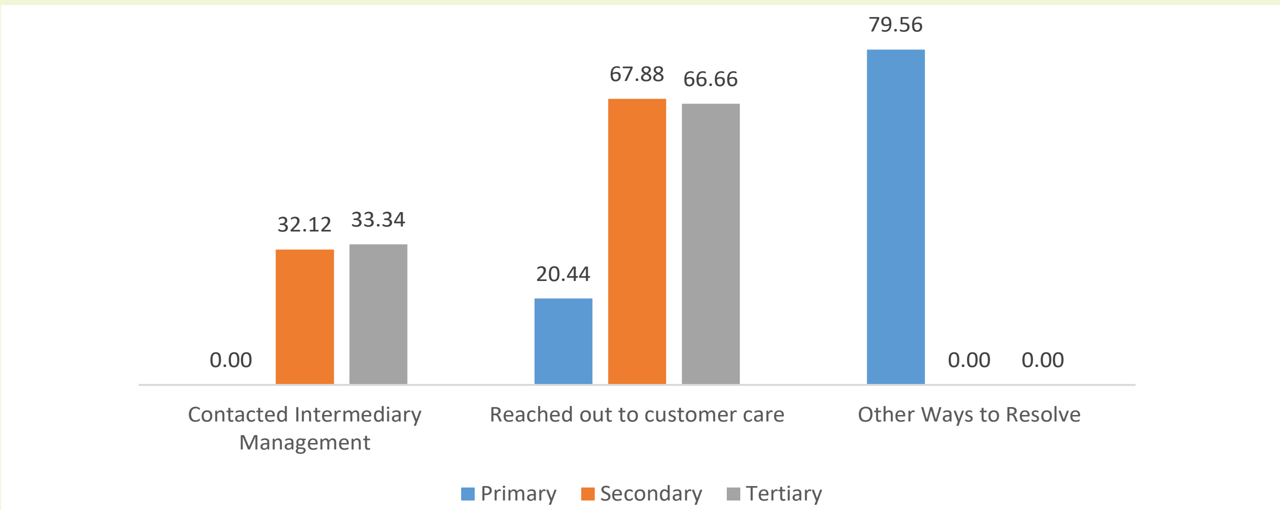
Figure 63: Complaints by Age



Registered Investor Complaints by Education

The survey results indicate that respondents with higher levels of education primarily relied on customer care channels to address investment issues. 67.88 percent of respondents with secondary education and 66.66 percent of those with tertiary education contacted customer care to resolve their concerns. In contrast, respondents with primary education were more likely to explore other avenues for resolution, with 79.56 percent seeking alternative methods such as contacting regulatory bodies or seeking independent financial advice.

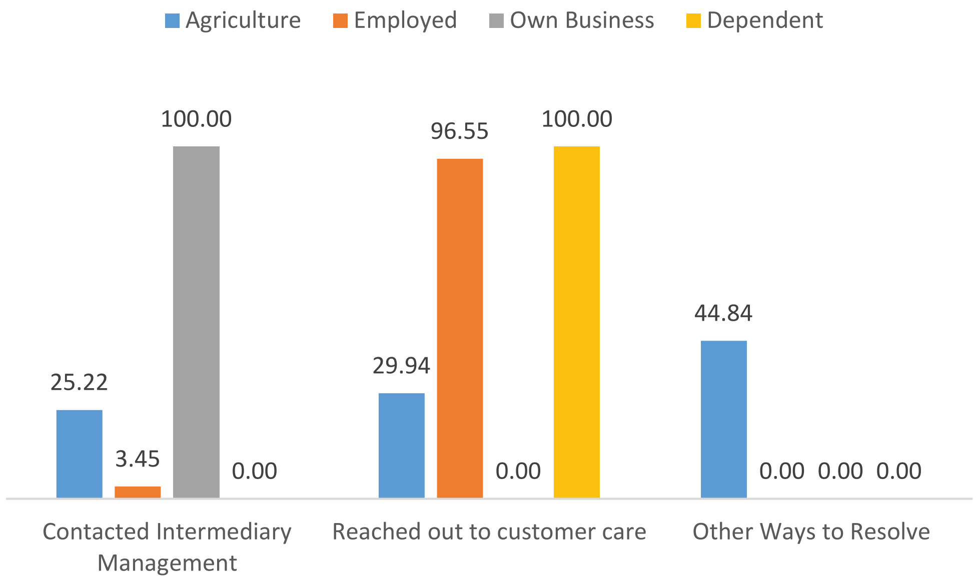
Figure 64: Complaints by Education



Registered Investor Complaints by Livelihood

The survey findings reveal distinct patterns in how investors across different occupation groups address capital markets investment issues. Business owners primarily contacted intermediary management to resolve their concerns, while dependent investors primarily relied on customer care. A significant majority of respondents in formal employment (96.5%) reached out to customer care, whereas a notable portion of individuals in agricultural occupations (44.84%) explored other avenues.

Figure 65: Complaints by Livelihood

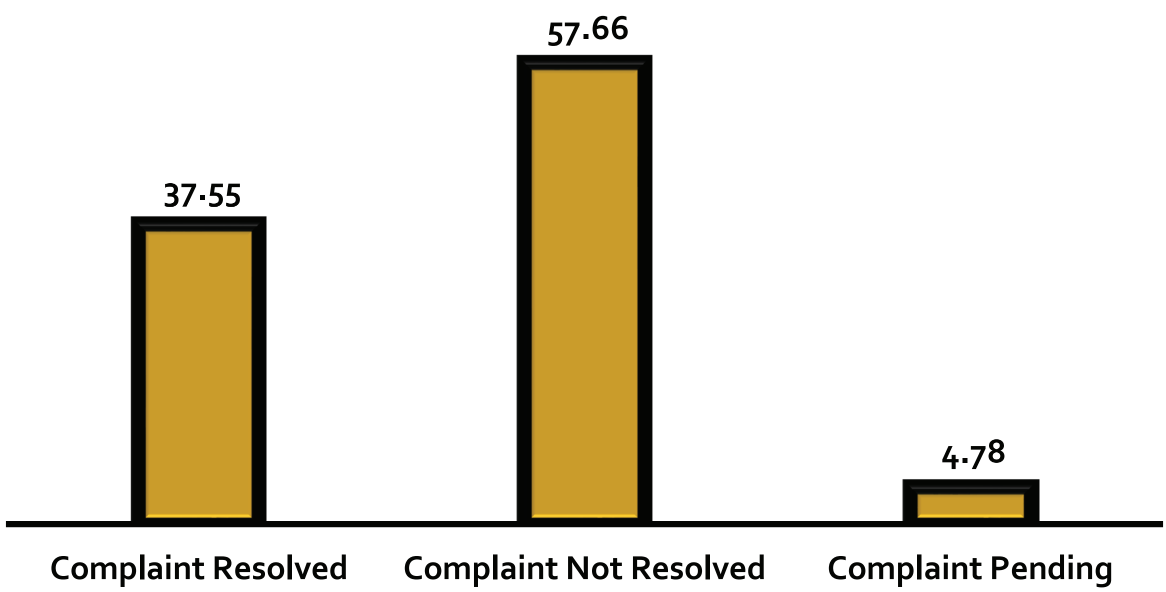


Complaint Resolution in Capital Markets

Challenges are common in the provision and consumption of capital market products and services. A robust capital market system effectively addresses these challenges.

The data reveals that among the 4.68 percent of registered complaints, 38 percent were resolved, 4.78 percent were pending, and 58 percent remained unresolved.

Figure 66: Capital Markets Complaints Resolution rate

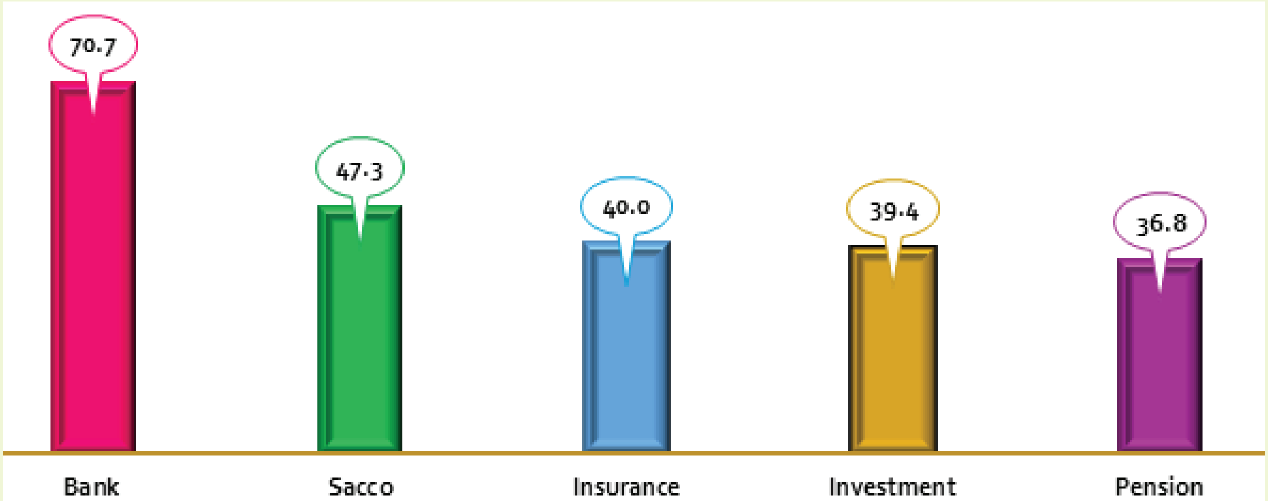


Complaint Resolution Rates Across Different Financial Sectors

The Capital Market Authority demonstrated a relatively high rate of complaint resolution, successfully addressing 39.4 percent of registered complaints.

This performance exceeded the pension sector, which resolved 36.8 percent of complaints. However, banking service providers emerged as the most effective in resolving reported cases, achieving a resolution rate of 70.7 percent.

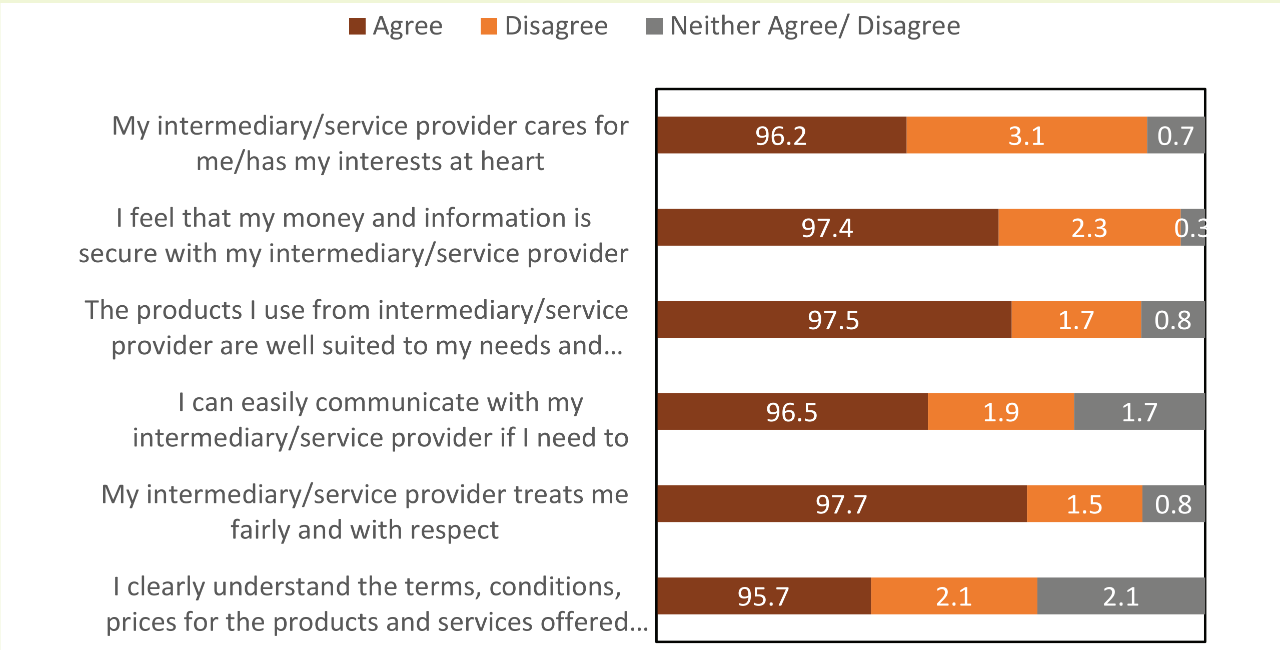
Figure 67: Complaint Resolution Rates Across Different Financial Sectors



Investor Satisfaction with Intermediary/Service Provider

The data reveals a high level of overall satisfaction among investors with their intermediary/service providers. Most respondents strongly agree that their provider cares for them (96.2%), feels secure with their money and information (97.4%), and offers products that suit their needs (97.5%). Additionally, most respondents find their provider easy to communicate with (96.5%) and feel they are treated fairly and with respect (97.7%). However, a smaller proportion (95.7%) feel they clearly understand the terms, conditions, and prices of the products and services offered by their institution.

Figure 68: Investor Satisfaction with Intermediary/Service Provider



SUMMARY OF FINDINGS

This section summarizes the key insights and findings from the 2024 FinAccess Survey, providing a comprehensive overview of the performance and dynamics of Kenya's capital markets. It examines trends in product Usage, analyzes investor behavior and investment decision-making processes, and assesses the effectiveness of consumer protection measures. By summarizing the key findings, this section aims to provide a brief yet comprehensive understanding of the factors influencing capital market participation, creating a foundation for targeted evidence-based recommendations to enhance capital market inclusivity and enhance investors' confidence.

OVERALL USAGE

The overall Usage of capital markets products in Kenya has shown significant turnaround increase between 2021 and 2024 as compated to the period between 2016 nd 2019 which recorded a decline. The proportion of individuals engaging with capital markets grew from 2.3 percent in 2021 to 3.1 percent in 2024. This growth in usage can be largely attributed to technological advancements, particularly the introduction of new apps such as Dosikaa and DhowCSD in 2023. Furthermore, there has been increasing interest in asset classes such as Collective Investment Schemes which have contributed to this uptick. Also, complimentary to this growth is current Government's Bottom-Up Economic Transformation Agenda (BETA), which prioritizes the capital markets as a key driver in financing the national budget and thus stimulating the Kenyan investment sector.

Gender disparity in the capital markets sector widened during this period, with male participation increasing from 2.9 percent in 2021 to 4.2 percent in 2024, compared to female participation, which rose more modestly from 1.6 percent to 2.1 percent. In contrast, the overall FinAccess findings showed that the gender gap in financial access narrowed significantly, improving from 4.2 percent in 2021 to 1.5 percent in 2024. Similarly, the exclusion gap decreased from 1.7 percent in 2021 to 0.2 percent in 2024, reflecting a notable reduction in gender inequality in the overall financial access. This requires further assessment to unravel the differences in gender gap movements between capital markets sector and the overall financial sector.

Younger populations (18-35 years) have shown increased engagement, particularly in innovative financial products such as online trading. The 26-35 age group recorded the highest growth, with a significant rise in participation from 2.3 percent in 2021 to 3.6 percent in 2024. In contrast, individuals above 55 years saw a decline in participation, reflecting a preference for traditional, less volatile investment options. There is a need to further explore factors affecting participation in capital markets based on age.

Individuals with tertiary education consistently represent many investors, with 9 percent of respondents in this group participating in capital markets in 2024, compared to 7.7 percent in 2021. Those with secondary education followed, but participation remained lower at 3.2 percent in 2024. Investors with only primary education or no formal education show minimal engagement.

Financial health and wealth status significantly influence Usage, with higher participation observed among financially healthy and wealthier individuals. In 2024, 11.5 percent of financially healthy respondents engaged in capital markets compared to just 1 percent of those with low financial health. Similarly, individuals in the highest wealth quintile showed the highest participation at 8.3 percent, while those in the lowest quintile reported only 0.2 percent engagement. This demonstrates a clear link between financial stability and the ability to invest in capital markets.

Significant disparities also persist across regions, with counties such as Laikipia, Tharaka-Nithi, Murang'a, Nairobi, and Nyeri consistently ranked among the top performers, while Turkana, Lamu, and Garissa consistently lagged behind. Notably, Kiambu experienced a remarkable 578 percent increase in Usage. Conversely, Lamu witnessed a 93 percent decline.

USAGE BY SECURITIES TYPE

Shares, Treasury Bills (T-Bills), and Treasury Bonds (T-Bonds) experienced a slight decline, from 2.3 percent in 2021 to 2.0 percent in 2024. In contrast, mutual funds, unit trusts, and real estate investments saw an increase from 0.2 percent to 0.5 percent. Online forex/currency trading, introduced in the 2024 survey, captured 0.4 percent participation, with younger, educated, and tech-savvy individuals leading in adoption.

Younger individuals aged 18-35 lead participation in online forex/currency trading. Conversely, older investors aged 46-55 remain dominant in traditional securities like shares and government bonds.

Education also plays a critical role, with tertiary-educated individuals showing higher engagement across all securities types, particularly mutual funds and derivatives. Secondary-educated participants contribute significantly to shares and T-Bills Usage but remain less represented in complex instruments like forex and derivatives.

Urban populations dominate participation across all securities types, with urban investors favoring shares and mutual funds, while rural participants show a slight preference for government bonds due to their perceived safety. County-level analysis of shares and government securities Usage reveals significant disparities. Tharaka-Nithi and Laikipia led in participation, each recording over 8 percent Usage in shares and government securities, while Turkana, Lamu, and Garissa reported no participation. For mutual funds and unit trusts, Nairobi led at 3.0 percent, followed by Murang'a and Nyeri at 0.7 percent each. Counties such as Mombasa, Kisumu, and Nakuru showed no participation in mutual funds. In online forex/currency trading, Wajir County led with 1.4 percent participation, followed by Kiambu and Kakamega at 1.0 percent. Several counties, including Mandera, Isiolo, and Kitui, reported no participation.

Gender disparities persist, with males leading in traditional securities such as shares and T-Bills, whereas females are slightly more engaged in mutual funds and unit trusts. Wealthier and financially healthy individuals consistently emerge as primary investors.

USAGE OF NON-FINANCIAL ASSETS

Key findings reveal that non-financial assets, particularly livestock and real estate, are significant investment vehicles for many Kenyans. Livestock emerged as the most popular choice, embraced by 77.4% of respondents.

Demographically, rural populations, males, and individuals with primary education demonstrated a higher propensity for non-financial asset investments. Financial health significantly influenced investment behavior, with those categorized as financially unhealthy showing higher participation in non-financial assets. While livestock and real estate were prominent, investments in jewelry and digital assets were minimal.

Regional disparities were also evident, with Nairobi leading in non-financial asset investments, driven by substantial engagement in land and livestock. Other counties like Nakuru, Kiambu, Kakamega, and Machakos also showed notable participation, with a preference for land investments. Conversely, counties that excelled in financial asset investments, such as Laikipia and Murang'a, showed lower engagement in non-financial assets, except for Nairobi.

Factors influencing this preference for non-financial assets included lack of regular income, limited financial literacy, insufficient identification documents, and a preference for tangible and perceived stable assets. Additionally, distrust in financial institutions and limited access to formal savings options also contributed to this trend.

INVESTOR BEHAVIOR AND INVESTMENT DECISION-MAKING

Sources of Investment Advice

The primary source of capital market investment advice for respondents is their personal networks, including family, friends, colleagues, and religious leaders, with nearly half relying on these sources. Spouses also play a significant role in investment decisions. While institutions and professional bodies are utilized by a smaller proportion, social media and mainstream media are emerging as influential sources, particularly for urban and male respondents. Notably, personal networks remain the dominant source of advice across all demographic groups, including different levels of education.

Key Reasons for Investment

The primary motivation for investing in capital market securities across all asset classes is the potential for high returns, particularly evident in online forex trading. For shares, government securities, and alternative products, high returns, affordability, and ease of account opening are key drivers. Key findings include the significant influence of high returns on investment decisions, the importance of affordability and accessibility, and the role of risk aversion in investor choices. Demographic trends reveal that males tend to rely more on institutions and media, while females prioritize personal networks and spouses for investment advice. Urban residents are more likely to utilize institutions and social media, while rural residents rely more on spouses and informal sources. Lower education levels are associated with greater reliance on personal networks and spouses, while higher education levels are linked to a broader range of information sources, including institutions and professional bodies.

Investor Preferences

The analysis reveals a significant shift in investment preferences between 2021 and 2024. Shares/stocks emerged as the most popular investment choice in 2024, surpassing the broader category of investments that included shares/stocks in 2021. Notably, there was a decrease in the proportion of investors holding government bonds and green bonds compared to 2021..

Trading and Returns

The report found a significant level of participation in online forex or currency trading, with a moderate level of engagement in shares and government securities, and minimal involvement in alternative products. This suggests a potential shift in investor interest towards highly liquid and accessible markets like online forex trading, while highlighting a need for greater awareness and accessibility of alternative investments to encourage portfolio diversification.

Access, Barriers & Challenges in Capital Markets

Access

The findings reveal a significant shift in how Kenyans access capital markets, with a notable increase in the use of online/mobile apps and workplace benefits, while reliance on traditional brokers has decreased. This shift indicates a growing preference for convenient and accessible methods of accessing capital markets.

Key Barriers

The primary barriers to entering the securities market include a lack of financial resources and inadequate financial knowledge, with many potential investors lacking the necessary funds or understanding of investment principles. Concerns about risk and a lack of trust in the investment industry also deters individuals. On the other hand, financial hardship, such as job loss or insufficient income, is the most common reason for exiting the securities market, alongside investor risk aversion and a lack of trust in investment providers.

Changing financial goals and a perceived lack of need or benefit from investing further influence investor decisions to leave the market. These findings underscore the critical need for financial education and awareness programs, building trust and confidence in the securities industry through transparent and ethical practices, developing and offering a diverse range of investment products and services to cater to various investor needs and risk tolerances, and addressing financial constraints by promoting financial inclusion and providing access to affordable investment options.

INVESTORS PROTECTION ISSUES

Investor Experiences in Securities Investment Accounts

The most common investment issue experienced by respondents was the loss, theft, or disappearance of money from their accounts, affecting over half of participants. System downtime also significantly impacted investors, particularly those in rural areas and men. Unexpected charges, penalties, or hidden fees were prevalent for women and those with formal employment.

Unauthorized sales of securities were also a concern, particularly for women. These findings underscore the need for robust investor protection measures, improved system reliability, and increased transparency and clarity in investment fees to enhance investor confidence and safeguard their investments.

Loss of Investment Capital

The most common reason investors lost money from their accounts was the collapse of a market intermediary, followed by wrong order execution and external fraud. Rural populations were more vulnerable to losses due to market intermediary collapse and other unspecified causes, while urban populations were more likely to experience losses due to wrong order execution and external fraud. Men were more prone to losses from market intermediary collapse and other unspecified causes, while women were more likely to lose investment capital through wrong order execution or market intermediary collapse.

Education level also played a role, with those with primary education facing higher risks of losses through unspecified means and internal fraud, while those with secondary education primarily experienced losses due to market intermediary collapse and wrong order execution. Tertiary-educated investors faced a more diverse range of risks, including market intermediary collapse, wrong order execution, and other unspecified causes.

Capital Markets Complaint Resolution Mechanism

While majority of investors did not have complaints with securities providers, a significant minority did. However, only a small percentage (4.68%) of those with complaints registered them, primarily by contacting customer care. Complaint resolution channels varied by demographics, with urban and more educated investors favoring customer care, while rural and less educated investors explored other avenues. A significant portion (58%) of registered complaints remained unresolved.

Investor Satisfaction

Most respondents expressed high levels of satisfaction with their intermediary/service providers, indicating strong confidence in their care, security of funds, and suitability of product offerings. Respondents also reported high levels of satisfaction with communication and perceived fair treatment. However, a slightly smaller proportion felt they clearly understood the terms, conditions, and prices of the products and services offered, suggesting a potential area for improvement in terms of transparency and clarity in product information.

KEY ISSUES GOING FORWARD

This section outlines key recommendations for the Capital Markets Authority (CMA) based on the findings of this analysis. These recommendations aim to address the identified challenges and disparities within the Kenyan capital markets, enhance financial inclusion, improve investor protection, and foster a dynamic and inclusive capital market ecosystem that benefits all Kenyans.

These recommendations are as follows;

1. To address the regional disparities, the Authority should implement targeted initiatives to enhance capital market knowledge and awareness in untapped regions, collaborate with local stakeholders, and improve access to information and services in rural areas. This includes the adoption of investors segmentation approach tailored to the specific needs of rural communities.

2. To bridge the gender gap, the Authority should develop and implement targeted education and awareness programs for women, addressing their specific capital markets investment needs.

3. To increase engagement of the youth in the capital markets, the Authority should continue developing targeted initiatives to engage youth in the capital markets. This includes creating youth-focused investment clubs, developing educational programs tailored to the interests and needs of young investors.

4. To address negative investor experiences, such as the loss, theft, or disappearance of money from accounts, system downtime, and unexpected charges, the Authority should strengthen investor protection measures by streamlining the complaint resolution process, enhancing market surveillance activities, and enforcing regulations to ensure fair and transparent market practices.

5. Segmentation/ Mapping

6. Product Development

7. Financial Literacy

8. Segmentation of awareness Programs

9. Policy making

10. Technology

11. Enhancing capital markets infrastructure mimic alternative investments.

CONTACT **US**

CAPITAL
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Promoting the Integrity and Growth of the Capital Markets

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