

Chapter 6

Is M-PESA a Model for Financial Inclusion and Women Empowerment in Kenya?

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ABSTRACT

Since the 1980s, the gender gap in most countries—rich and developing—has been narrowing. Women and girls are going to school more, living longer, getting better jobs, and acquiring legal rights and protections. Despite these strides, women in poor rural communities remain financially excluded from formal financial services. This chapter explores the impact of mobile banking on financial inclusion and women's empowerment in Kenya. The aim is to evaluate whether mobile banking is a form of financial inclusion and women's financial empowerment in Kenya. Firstly, it gives a clear background of a form of mobile banking in Kenya locally called M-PESA. Secondly, it evaluates how M-PESA is a form financial inclusion. Thirdly, it examines if M-PESA is a form of financial empowerment for women and girls in Kenya and lastly, offers recommendations on how M-PESA can effectively become a mode of financial inclusion and women's empowerment in Kenya.

1.0 INTRODUCTION

This section describes the general perspectives of the chapter and states the aim and the objectives of the chapter.

Financial inclusion is seen as a major yardstick for economic development and individual wellbeing, thus, the more developed a society is, the greater the thrust on empowerment of the common person and low income groups. Studies show that financial inclusion leads to social inclusion (King & Levine, 1993). Yet, access to financial services by individuals and groups is still very limited across many parts of the developing world (World Bank, 2014).

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The World Bank Global Financial Inclusion (Global Findex) Database estimates that 2.5 billion adults globally have no access to financial services delivered by regulated financial institutions. Gender plays an important role in this and by and large, women are much more financially excluded than men; only 47% of women own an account in a formal financial institution globally as compared to 55% of men (Demirguc-Kunt et al, 2013).

There is a direct link between empowerment policies and financial inclusion (Demirguc-Kunt et al, 2013; UNDP 2013; Chakraborty 2014). Research indicate that financial empowerment of women is an effective strategy for poverty reduction in any country (UNDP, 2013). Chakraborty (2014) notes that women's financial independence determines their individual and collective bargaining power in the household, thus increasing women's access to micro finance will enable them to make a greater contribution to household income and this, together with other interventions to increase household wellbeing, translate into improved livelihoods for entire communities and women's ability to bring about wider changes in society. Inversely, financial exclusion can lead to slower economic growth and persistent income inequality.

There is also macroeconomic evidence to show that economies with deeper financial intermediation tend to grow faster (Beck, Demirgüç-Kunt, & Levine 2007). For example, the Financial Inclusion Task Force in the UK has identified three priority areas for the purpose of financial inclusion, namely: access to banking, access to affordable credit and access to free face to face money advice. The UK has established a Financial Inclusion Fund to promote financial inclusion and assigned responsibility to banks and credit unions in removing financial exclusion (Leeladhar 2006, P.74). While it is obvious that a developed financial system broadens access to funds, in an under developed financial system, access to funds is limited and people are constrained by the availability of their own funds and resort to high cost informal sources such as money lenders.

This chapter explores the impact of mobile banking on financial inclusion and women's empowerment in Kenya. The aim is to evaluate whether mobile banking is a form of financial inclusion and women's financial empowerment in Kenya. Its objectives are, firstly, to give a clear background of a form of mobile banking in Kenya locally called M-PESA. Secondly, to evaluate how M-PESA is a form financial empowerment. Thirdly, examine if M-PESA a form of financial inclusion for women and girls in Kenya and lastly, to offer recommendations on how M-PESA can effectively become a mode of financial inclusion for women and girls in the country.

The chapter proceeds as follows: Section one offers background review, definition of terms and concepts on financial inclusion and women empowerment. It also considers gender pay gap in selected countries in the world. Section two explores issues, controversies, and problems on financial inclusion and women's empowerment. It is from this background that it offers an overview of financial inclusion in Kenya through profiling the Kenya population and its access to financial services. It ends with an examination of the barriers to financial inclusion in Kenya. It secondly looks at mobile banking technology and investigates the scale of adoption; the case of 'M-PESA', the SMS-based money transfer system in Kenya. Thirdly, it explores M-PESA and its impact on financial inclusion and women empowerment. Fourthly, identifies some of the criticisms of M-PESA. Section four suggests solutions and recommendations. Section five highlights directions for future research and the last part draws a conclusion of main items covered throughout the chapter.

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