UNIVERSITY OF NAIROBI

SCHOOL OF ECONOMICS

FACTORS INFLUENCING ACCESS TO BASIC BANKING SERVICES BY LOW-INCOME PERSONS IN KENYA: (A CASE STUDY OF NAIROBI AREA)

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ABSTRACT

The study examines factors that influence access to basic banking and financial services by low income persons in Nairobi, Kenya. The main objectives of this study are to determine factors that influence access to banking and financial services by low-income persons and; to analyze qualitative strategies that would help to remove barriers to banking services in Kenya.

Cross-sectional data was obtained through a simple questionnaire which captured data from low income people at Kawangware, Zimmermann, Githurai, Kibera, Muthurwa market and Ngara open air market on their views and access to basic banking services. The data was analyzed descriptively using STATA. We also did basic regression analysis (logit model) on probability of access to banking services by low-income persons in Nairobi, Kenya.

The study shows that 70% of the low income respondents do not access basic banking and financial services from any formal banking and financial institutions in Nairobi, Kenya. Only 30% of the targeted population access formal basic banking and financial services. People who do not access banking services cited low income, distance from a bank, lack of formal education and membership to informal saving groups as some of the factors that influence access to basic banking services.

From the findings, it is important that the government through banking and financial regulatory agencies should review legal and institutional framework of saving and cooperative societies (Saccos) with view of allowing chamas or informal saving groups to join Saccos and transforming them into deposits-taking microfinance institutions.