Webinar: Exploring the impact of COVID-19 on livelihoods in Africa – Financial Health

Moderator: Hennie Bester, Director at Cenfri and insight2impact (i2i) programme lead

Panelists:
• Elisabeth Rhyne, Former Managing Director of the Centre for Financial Inclusion, ACCION
• Amolo Ng’weno, CEO of BFA Global
• Paul Gubbins, Research Advisor, FSD Kenya
Meet the moderator and the panel

Hennie Bester
Director at Cenfri and insight2impact programme lead

Elisabeth Rhyne
Former Managing Director of the Centre for Financial Inclusion, ACCION

Amolo Ng’weno
CEO, BFA Global

Paul Gubbins
Research Advisor, FSD Kenya
How financially prepared were adults around the world for Covid-19?
An introduction to Financial Health

Defining Financial Health

• A state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial futures, and is able to make choices that allow them to enjoy life.

  *U.S. Consumer Financial Protection Bureau (CFPB)*

• The extent to which someone is able to meet all their current commitments and needs comfortably and has the financial resilience to maintain this in the future.

  *Elaine Kempson, Personal Finance Research Centre, University of Bristol, U.K.*

• Financial health comes about when your daily financial systems allow you to be resilient and pursue opportunities over time.

  *Financial Health Network. U.S.*

The Elements of Financial Health

1. Smooth short-term finances, including the ability to meet ongoing financial obligations and consumption needs.

2. Preparedness to meet and recover from financial shocks

3. A longer-term perspective that involves maintaining or improving well-being

4. Feelings of confidence and well-being or control (Not in all frameworks)

*Source: Elisabeth Rhyne & insight2impact, 2020*
Financial Resilience around the world

% of adults (18+) able to raise 1/20 of GNI per capita in 30 days by country

Source: Paul Gubbins, calculations based on World Bank Findex, 2017
There is variation in financial resilience by region.

But across Africa most adults cannot produce emergency funds even when scaled for GNI.
How long can adults around the world survive without income?

After 4 weeks nearly 50% of adults in low-income countries can no longer cover basic needs.

After 20 weeks more than 75% of adults in low-income countries can no longer cover basic needs.

Most economies are here.

Source: Paul Gubbins, calculations based on Gallup Financial Health survey.
How are adult's financial health currently being affected by Covid-19?
Most peoples incomes have changed to some degree from Covid-19

Source: BFA Global, 2020
Few adults put aside money for such an emergency, and for those that did, most have already tapped them already.

Source: BFA Global, 2020
Most adults think the spread of Covid-19 will affect their financial well-being

No, I do not expect there to be any adverse effects
I do not know if there will be any adverse effects
Yes, there will be some adverse effects, but not significant or disruptive
Yes, there will be significant/disruptive adverse effects

Source: BFA Global, 2020
If revenue fell by half or more, how many weeks would you be able to continue operations from cash on hand, and available lines of credit?

(Average) weeks businesses can continue operations from available resources

- **USA**: 6
- **IND**: 5.5
- **NGA**: 5.26
- **KEN**: 4.7
- **GBR**: 6
- **ZAF**: 4.18
- **MEX**: 4

Source: BFA Global, 2020
Deep dive: Covid-19 and financial health in Kenya
How do financially resilient individuals access emergency funds in Kenya and around the world?

Source: Paul Gubbins, calculations based on World Bank Findex, 2017
How do livelihoods differ by income category in Kenya?

Livelihoods in Kenya
The share of adults by main source of income, within wealth groups, 2018.

Source: Paul Gubbins, calculations based on 2018 FinAccess Survey
How do livelihoods differ by income category in Kenya?

Where do people live in Kenya?
The share of Kenya’s population by geographic residence within wealth groups, 2018.

- Poorest 40%:
  - Urban: Nairobi: 1.8%
  - Urban: Other cities & towns: 14.4%
  - Rural: Non-ASAL: 33.8%
  - Rural: ASAL: 50%

- Middle 40%:
  - Urban: Nairobi: 10.7%
  - Urban: Other cities & towns: 20.4%
  - Rural: Non-ASAL: 27.8%
  - Rural: ASAL: 32.2%

- Richest 20%:
  - Urban: Nairobi: 24.8%
  - Urban: Other cities & towns: 38.9%
  - Rural: Non-ASAL: 15.2%
  - Rural: ASAL: 21.1%

Source: Paul Gubbins, calculations based on 2018 FinAccess Survey
Financial resilience and livelihoods in Kenya?

Financial resilience & livelihoods in Kenya
Indicators of financial resilience (% of adults 18+) by livelihood and wealth

Can access lump sum in emergency

- Farming
- Employment
- Own business
- Transfers
- Casual work

Keeps money aside for emergencies

- Employment
- Own business
- Farming
- Transfers
- Casual work

Source: Paul Gubbins, calculations based on 2018 FinAccess Survey
How governments, private sector and development partners responding?
What can we do?

• Keep people safe
• Get everyone linked to digital payments — both individuals and merchants
• Directives to financial institutions on forbearance
• Reprogram current programs toward covid19 response
• Get there quickly with income support — within next 2 months
• Differentiate support by segments where possible
• International institutions need to step in
• Behavioural and hygiene interventions
• Messaging to inform: utilize high adoption of mobile phones
Thank you

Please engage with us:

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About Cenfri
Cenfri is a global think-tank and non-profit enterprise that bridges the gap between insights and impact in the financial sector. Cenfri’s people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.