



FINANCE & FORTUNE:
THE ROLE FINANCIAL SERVICES DID - AND DIDN'T - PLAY IN
THE LIFE TRAJECTORIES OF FINANCIAL DIARIES HOUSEHOLDS

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The role financial services did - and didn't - play in the life trajectories of Financial Diaries households

Authors

Julie Zollmann & Catherine Wanjala

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The Kenya Financial Sector Deepening (FSD) programme was established in early 2005 to support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry, the programme's goal is to expand access to financial services among lower income households and smaller enterprises. It operates as an independent trust under the supervision of professional trustees, KPMG Kenya, with policy guidance from a Programme Investment Committee (PIC). In addition to the Government of Kenya, funders include the UK's Department for International Development (DFID), the World Bank, the Swedish International Development Agency (SIDA) and Agence Française de Développement (AFD).



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Abstract

How exactly do financial services impact low income Kenyans? In this note, we extract the stories of eight respondent households from the Financial Diaries. We chose these households as a reflection of key economic trajectories between the end of the original Diaries in late 2013 and the Diaries Update completed in late 2015. Financial factors are clearly not the only factors at work in shaping welfare outcomes, but we do see that they are critically important for opening up opportunities. Rotating savings and credit associations—ROSCAs, also called merry-go-rounds—stand out for their powerful role in accumulating investable savings. Bank loans and exchanges within the social network are also very important. Formal financial services could be doing more to cover the financial needs of low-income Kenyans both through some traditional kinds of services and by pursuing new kinds of offerings made possible by technology.

About the Diaries & the Diaries Update

The original Kenya Financial Diaries study in 2012–2013 was made possible by FSD Kenya and the Bill & Melinda Gates Foundation. FSD Kenya also sponsored the Diaries Update research in 2015 that feeds into this report. Both rounds of research were led by BFA (Bankable Frontier Associates), with fieldwork conducted by a team of researchers at Digital Divide Data Kenya who also provided input and feedback on drafts of this report. Reports and datasets associated with the Kenya Financial Diaries research programme can be accessed on the FSD Kenya website, www.fsdkenya.org.



BACKGROUND

Just what role is finance playing – or should it be playing – in shaping the economic futures of low income Kenyans? Is finance really helping families manage risk and take advantage of opportunities?

The Diaries Update project allowed our team to seek deeper answers to these questions by checking in with Financial Diaries respondents two years after the original project ended, helping us observe how their lives were changing and the role financial services were playing in shaping those outcomes. In Focus Note 1 of this series, we looked across the sample to understand the key factors shaping economic welfare trajectories. In Focus Note 2, we took a closer look at one important pathway to improving welfare, business expansion, and looked at how finance today is helping make those investments possible.

In this note, we take advantage of the richness of our qualitative data to take a close look at the experiences of eight households over time, examining how financial services are serving them and what the industry would need to do to have a more meaningful impact on their lives.

HOUSEHOLD SELECTION

Two hundred and eighty-one households completed full Diaries Update interviews with our team at the end of 2015. Their experiences were unique in many ways. So, how do we zero in on a small number of households that can teach us about broader issues facing the low income segment?

For the purposes of this note, we decided to first cluster households into two main groups: those who subjectively felt their economic lives were improving and those who felt they were deteriorating. Within these two clusters, we selected one household who attributed their trajectory to each of the top three reasons reported for economic improvement or decline, allowing us to dig a little deeper into what self-reported drivers of economic change look like in respondents' real, complicated lives. Additionally, to contextualize the range of experiences of our respondents we include two stories that reflect the extremes of high and low economic welfare across the sample.

Statistically, these stories do not represent a wider whole. Instead, our hope is to illuminate the role of finance in respondents' lives and spark some creative thinking about how financial service providers just might matter a little more.

Table 1: Overview of selected households appearing in this note

	Household	Subjective trajectory & reason	Urban/ rural	2013 Avg. monthly income diaries ¹ (KSh)	Annualized % change HH income 2013- 2015	Subjective monthly income needed to be "comfortable" (KSh)
1	Stella & Duncan ²	Feels better off, business	Rural	17,113	39%	15,000
2	Lucy	Feels better off, drop in dependents	Urban	10,849	18%	8,000
3	Matthew	Feels better off, job	Urban	15,023	-49%	10,000
4	Henry & Naomi	Feels worse off, drop in business	Urban	18,108	62%	10,000
5	Janet & Joseph	Feels worse off, drop in remittances	Rural	6,327	-9%	6,000
6	Magdalene	Feels worse off, increase in school fees	Rural	18,380	-36%	30,000
7	Annette	Extreme low well-being	Rural	4,367	-75%	3,000
8	Ernest & Greta	Extreme high well-being	Urban	114,485	2%	20,000

¹ Adjusted to 2015 prices.

² All respondents and their children have been given pseudonyms throughout to protect their privacy.

CASE STUDIES

Renting and brewing on the road to growth: Stella & Duncan

Current Household Members and Ages	<p>Stella, 33</p> <p>Duncan, 37</p> <ul style="list-style-type: none"> ▪ Benjamin, 14 (child) ▪ Sharon, 13 (Stella's niece) ▪ Edward, 11 (child) ▪ Elizabeth, 7 (child) ▪ Sally, 5 (child)
Trajectory & Reason	<p><i>Self-reported trajectory:</i> Better off in the Update than in Diaries</p> <p><i>Self-reported reason:</i> Growth in business</p> <p><i>"We get more rental income, and [Stella's] income from brewing has increased."</i></p>
Income	<p><i>Average monthly household income:</i> KSh 17,113 (Diaries, 2013³) KSh 33,100 (Update, 2015)</p> <p><i>Average monthly per capita income:</i> KSh 4,075 (Diaries, 2013) KSh 7,881 (Update, 2015)</p>

Duncan was born in the rural community in Vihiga where he still lives today. His father died when he was six years old. His mother struggled to take care of her children alone. Because of that financial pressure, Duncan did not go to high school and instead began working from a young age. He started off doing casual work in hotels as a cook. He then tried his hand at hawking groundnuts in the market. He moved to Kericho and worked as a tea picker and then to Mombasa where he stayed with relatives and again cooked in a hotel. There he was finally able to save some money and planned to save enough to go back home and take a driving and mechanic course. While doing the course back at home he met Stella, and soon she was pregnant with their first child. He picked up casual work outside of his classes to begin taking care of his new family.

Once he finished the course, he landed a driving job. Now he was earning more than they needed to make ends meet. He managed to build a permanent house for the family and to buy a young cow. Once that cow was grown, he realized he could sell it, buy a motorbike, and enter what he saw as the more attractive world of self-employment. When we met him, he had been self-employed as a boda boda driver for the previous three years. In order to make a good living, he rides late into the evening when he can increase the

fares for passengers' small trips. This increases his revenues, but isn't without risk. During the Diaries year, he was arrested three times by police for driving at night and needed to pay bribes averaging KSh 6000 each time. Overall, though, his business was going well. Through it he bought household assets and a cow. His children were all able to study in a nearby private school.

Stella was also in business. She brewed and sold illicit alcohol, *changaa*, wholesale. The business was profitable and also allowed her plenty of time to be with the children and to take care of household cooking, cleaning, and tending their small farm. She made her own choices of how to spend her money on her business and other projects. Duncan was responsible for paying for school fees and groceries, which he covered by giving Stella KSh 150 every day.

To save and supplement his income, Duncan was always rearing a cow or two at a time. He told us, "I'd rather put my money where I can see it, rather than in a bank where I cannot see anything." He would go on his motorbike to buy special feed for them at KSh 700 every week. Once the cow was big enough, he would sell it, use some of the money to buy a young calf, and devote the rest to his projects.

This came in handy when his motorbike needed an upgrade. His old bike was having a series of breakdowns, so he sold it off for KSh 37,000. He meant to hold onto that money, but much of it was quickly spent. He wasn't quite ready to sell his cow, but he felt he had no choice. He sold one for KSh 44,000, Stella

gave him KSh 16,000 from her ROSCA payout, and he added KSh 22,000 left from the sale of the old bike and bought a new one. With the new motorbike he was back in business. "It's now time to make money. Once it gets old I will use a lot of money for maintenance and get less profit," he said.

Table 2: Return on investment in motorbike with and without allocation for salary

Monthly salary of KSh 8,000 for rider/owner					No salary allocation				
	Purchase	2013	2014	2015		Purchase	2013	2014	2015
Expenses					Expenses				
New Motobike	82,000		-	-	New Motobike	82,000		-	-
Insurance		3,800	-	-	Insurance		3,800	-	-
Repairs on motorbike		9,120	13,680	18,240	Repairs on motorbike		9,120	13,680	18,240
Fuel		72,000	72,000	72,000	Fuel		72,000	72,000	72,000
Bribes/traffic offenses		-	-	15,000	Bribes/traffic offenses		-	-	15,000
"Salary" (allow for KSh 8,000/mo)		96,000	96,000	96,000	"Salary"		-	-	-
Revenues					Revenues				
Total fares		231,000	231,000	165,000	Total fares		231,000	231,000	165,000
Sale of used motorbikes (after 3 years, 8 months)				40,000	Sale of used motorbikes (after 3 years, 8 months)				40,000
Net cash flows	(82,000)	50,080	49,320	3,760	Net cash flows	(82,000)	146,080	145,320	99,760
IRR	16%				IRR	163%			

Return on investment in the motorbike was substantial, but most of that would disappear if Duncan had hired someone to ride the bike on his behalf.

Notes:

- He is supposed to renew insurance annually, but has not, since "I've never had an accident."
- In the beginning, he was doing oil refilling every two weeks, but increased with time.
- In 2013-2014, he earned an average of KSh 700/day, then down to KSh 500 in 2015.
- He works 7 days a week, but here we use 330 days, allowing some room for non-working days.

While the two liked saving in cows and in chamas, they learned the hard way about the risks of saving in the house. In May 2013 the household was raided by police officers looking for brewers. Stella managed to escape but Duncan was caught. The police destroyed their brewing equipment and confiscated 20 litres of the brew, worth KSh 2,800. Duncan was told he would also need

to do community service, but he bribed another officer KSh 1,000 to drop the case. After the officers left, Stella and Duncan realized that they had stolen KSh 15,000 of Duncan's savings under the mattress and KSh 2,000 of Stella's in her purse. Duncan was hoping to use that money to buy a calf. Stella's money was earmarked as her monthly ROSCA contribution. Both were upset, but had

little recourse. They couldn't complain about the theft without confessing to their illegal business. Asked if he would still save under the mattress Duncan said, "I am thinking of opening a bank account." He never did.

Soon after, Stella borrowed brewing equipment and got back to business. On Duncan's next chama payout, he bought the calf he had been saving for in the house.

Both Stella and Duncan were active chama—mostly ROSCA—users. "They help me save money that I would otherwise use carelessly," said Duncan. They each make contributions from their own businesses, but help each other keep up with contributions when the other is unable. For example, during the 2015 government crackdown on brewing, Stella's business slowed for a time and Duncan took over her shares. When she got her payout, she gave a large share back to her husband.

When we visited the couple two years after the close of the Diaries, they told us their economic lives had improved because their businesses had grown. Those chamas clearly played a big role. At the time of the Update, Stella was in one group and Duncan in two. A third of their combined income was going into the chamas every month, helping them make some investments that increased their earnings. Duncan, for example, was in a group that increased their contributions from KSh 500 to KSh 1000 per week. On his turn, he got KSh 64,000, which he combined with some of Stella's group payouts to build five new rental rooms. Over time he added more from his income to finish them nicely. Duncan also used part of his payout to buy a cow (KSh 25,000) and apply for an electricity connection (KSh 7,500). The couple now has ten rental rooms. Now that they have electricity and cement flooring in all the units, they can charge KSh 1000, up from KSh 600 during the Diaries. The rooms are nearly always occupied. Stella has used her payouts to buy new furniture, including a new set of seats and cushions for KSh 23,500.

Table 3: Return on investment in rental expansion & upgrading

	Investment	Year 1	Year 2	Year 3
Expenses				
Building rental rooms	100,000			
Connecting electricity	30,00			
Maintenance & other improvements			25,000	
Electricity payments		15,600	15,600	15,600
Revenues				
Rent new rooms		60,000	60,000	60,000
Increase in rent on old rooms		24,000	24,000	24,000
Net cash flows	(130,000)	68,400	43,400	68,400
IRR	18%			

Duncan tells us that his motorbike income is dropping a bit, but is being replaced by rental income, a passive investment with attractive returns. Here we show returns in three years, but he expects this to be a long-term investment.

Notes:

- Spent KSh 50,000 on initial build of new structures, then another KSh 50,000 in bits to finish.
- Spent KSh 7,500 initially for electricity connection, then another KSh 3,000 as a bribe to finish the job.
- Spent KSh 20,00 to wire rental houses.
- Planning KShs 25,000 expenditure to redo floors of old units.
- Pays for electricity an average of KSh 1,300 per month.
- Planning this as long term investment (>3 years).

The two also accomplished a long time goal of finally paying Stella's dowry. Duncan gave her parents three cows that cost him KSh 30,000 and also gave them KSh 4,000 cash, again using funds from a chama payout.

Stella's savings has also helped her business grow, in spite of the government directive to stop illicit brewing. In fact, the crackdown caused a shortage in the market of brew made with "compressed sugar" rather than molasses. When Stella got a chama payout of KSh 8,000, she used KSh 6,000 to invest in stock of this compressed sugar. Though more expensive than molasses, the returns were higher, and the market for this kind of alcohol had expanded as

competitors were driven out. In an attempt to evade police, she moved her brewing business to her parents' home away from an area where there are many brewers and frequent raids.

Their disciplined savings in groups and diligent investing has nearly doubled their Diaries-level income. Duncan and Stella are working as hard as they can to put themselves in a position to be able to afford good schools for their children when they reach secondary school. "I want my children to be educated, not like me who dropped out of school," Duncan says. Their eldest child is now in class seven, and the youngest is in kindergarten.



At Last, independence: Lucy

Current household members and ages	Lucy, 57
Trajectory & reason	<p><i>Self-reported trajectory:</i> Better off in the Update than in Diaries</p> <p><i>Self-reported reason:</i> Drop in dependents</p> <p><i>“My economic situation is better off now, because I am only one member in the house. I do not have to struggle much to provide for other members, like I did last year when [Nancy] and her children were living with me.”</i></p>
Income	<p><i>Average monthly household income:</i> KSh 10,849 (Diaries, 2013) KSh 15,000 (Update, 2015)</p> <p><i>Average monthly per capita income:</i> KSh 2,646 (Diaries, 2013) KSh 15,000 (Update, 2015)</p>

For Lucy, the trouble started early. As exams approached at the end of primary school, her parents were fighting. Her father was drinking a lot and had a number of mistresses. They quarreled openly; nothing was normal at home. She did poorly on her exams and knew she wouldn't go to secondary school. A few months later, she was pregnant.

Her parents kicked her out of the house and she went to stay with the child's father's parents. They refused to feed her, and she became very sick. She went to stay with the boy himself, where the two slept on a floor and barely got by. A year later, she was pregnant again. She moved back upcountry with the two children. But, when her husband stopped sending money and visiting, she went to investigate in the town where he was working. She found he had impregnated one young woman and was living with another. He promised to change but did not.

After five years of struggling with him, she realized she would need to go it alone. She took a job as a barmaid in Thika and spent the next 18 years working in bars and drinking too much. She had another child with another unfaithful, unhelpful man. Soon, she was drinking away nearly everything she earned.

In 2000, her mother and siblings intervened. They showed up at her home and hauled her back upcountry where they forced her to detox and tried to nurse her back to health by feeding her avocados and eggs from the farm. After a few months, though, her father chased her away. He was an angry man and a drunk and despised that she was consuming resources from the family land.

She left home desperate but determined to start over and to stay sober. A friend in the slums of Nairobi connected her with another friend who had a chips business. They would pay her something small if she would peel potatoes for them. She did this for seven years until the business was disrupted during the post-election violence of 2007/8. Luckily, shortly after this, she got a payout of KSh 4,000 from the ROSCA she had been paying into upcountry. She used those funds to start a business making and selling porridge, the business she still runs today.

Times were tough during the Diaries, though. Her eldest daughter, Nancy, and three grandchildren came to stay with her in her one room, *mabati* (corrugated iron) home. Nancy had decided to leave her husband after he claimed all the proceeds from the cabbages she had been cultivating and used the money to support his mistresses. Nancy had nowhere else to go. When she arrived at Lucy's place the two had a heart-to-heart. Nancy was welcome, but they would need to find a way to make ends meet. Nancy promised to bring in at least KSh 100 per day to help cover the extra costs of food. She started a business selling *mandazi* (fried dough triangles). Coupled with the porridge business, the two earned daily profits of about KSh 150 per day.

After paying for rent of KSh 1,000 per month, electricity of KSh 200 per month, and food, there was little left over for saving. Lucy would feel especially pinched when her son, Samuel, needed medical treatment. Samuel suffered from mental illness and often sought care at a local mental hospital. While consultations were affordable, prescriptions were not. He would walk around with prescriptions in his pocket for weeks before rounding up the money to fill them.

As we closed the Diaries, Lucy was worried about him and about how they would pay for school fees for her eldest—and quite bright—grandson about to enter secondary school. Earlier in the year, she had opened a school fees account at Equity Bank, hoping she could save a little and that her grandson might get a scholarship from the bank. She'd been trying to save there since 2009, but never seemed to have enough money to put aside.

“When we were in the church, the preacher said that we must know that God can bless you in many ways. So the preacher said that he is being shown that everyone should have a bank account. When I came back home in the evening, I felt like the preacher was speaking about me, and I had five hundred shillings so that is when I decided that I should have a bank account. . . . Because I did not have money to deposit or keep the account active, the Equity people contacted me, and I stopped the account.”

Things started looking up after the study ended. Lucy's grandson did not get the Equity scholarship, but the family did secure a bursary for his fees. And Lucy and Nancy put extra effort into saving with a chama that promised to connect them with a loan from the government's Uwezo fund. Both had saved KSh 10,000 in the group. Sadly, the chama leadership stole from the shared fund, and Lucy and Nancy were only able to get KSh 7,000 each back.

Nancy invested her share of that savings in expanding her business stock, making more mandazi every day and also offering tea. This helped enough to allow her to move out of Lucy's house and rent her own place. Lucy's son, Samuel, who used to eat at Lucy's place every day also stabilized and hadn't been to the hospital in a long time. He even got a temporary job in Thika, where he lives alone and caters for his own expenses.

“My economic situation is better off now because I am only one member in the house. I do not have to struggle much to provide for other members like I did last year when [Nancy] and her children were living with me.”

Being on her own, Lucy's food expenses fell to just KSh 50 per day. She could really focus on her own business, which has also grown, since she could keep her capital constantly circulating in the business instead of pulling it out when the family needed something. She was able to leave her small house and rent a bigger one for KSh 2,000 per month. Now that her expenses have reduced, she's planning to start saving again to buy a piece of land and build her own house, a dream she finally feels may be within reach.



Hustle pays off: Matthew

Current household members and ages	Matthew, 26 Samwell, 31 Sarah, 25 (sister, joined during Update)
Trajectory & reason	<i>Self-reported trajectory:</i> Better off in the Update than in Diaries <i>Self-reported reason:</i> New job <i>"Now I have a job. Though it's not well paying, I'm able to meet my daily expenses comfortably. Straining has not been much as it used to be earlier on and no begging or depending on handouts from family and friends."</i>
Income	<i>Average monthly household income:</i> KSh 15,023 (Diaries, 2013) KSh 3,917 (Update, 2015) ³ <i>Average monthly per capita income:</i> KSh 3,664 (Diaries, 2013) KSh 1,632 (Update, 2015)

Matthew has been a hustler for as long as he can remember. He did well in primary school and wanted to go on to a good secondary school. But at home his mother was paralyzed and couldn't work. His father, he says, "Is just a farmer, you know. He doesn't take this issue of school seriously." Matthew went to the church asking for help and managed to secure support to go to a good school, where his peers had their eyes on university. But he missed the cutoff for public university by two points.

Refusing to give up, he made the most of an opportunity to study at a college. He rented a one room place in Mathare with his brother. Eventually, his girlfriend, Marie, moved in as well. By the time that we met the family, Matthew and Marie had a child, and they cared for an abandoned neighbor child as well, all in this tiny room with just two plastic chairs and a couple of foam mattresses. There had been a fire a few months before the study began, and the family had lost all of their belongings. Matthew bought some new things, a bed for KSh 7,000, the two plastic chairs for KSh 500 each. He told us in the beginning, "In this house, we don't just sell household things like that," when we asked whether some of their assets might be sold to get money. However, over the course of the year we watched as he pawned the bed to pay his son's hospital bill, then each of the chairs, first when the family was desperate for food, then later to pay a debt. At one point, he pawned his own shoes to get KSh 500 quickly. He sold his phone for KSh 2,000 and bought

another for KSh 800 to free up some cash to campaign to join the student government.

The family hardly spent anything on clothes, though the ones they had were no longer in good shape. To them, clothes were a luxury. "When people know who I am, then I might start spending money on clothes," Matthew said. Similarly, he told us that at his age a "balanced diet" and treatment for his ulcers were not a priority. For now, he had to stay focused on the most important things: basic food, rent, and school fees. These were temporary sacrifices, and he had big dreams for himself.

To keep the family afloat and to pay his college fees, Matthew did all kinds of jobs. When possible, he would take on construction jobs. He hated the hard work, considering himself a "fragile" person. Plus, this work was often done during the day, when he would have to miss classes. Through a connection at church, he also ran an "online business," where students from around the world would pay him to write research papers on their behalf. In a day, he would research the topic, write the paper, and be paid based on the page length. This was good business at first, though the pay went down over time, and it sometimes took a long time to receive the funds. He also occasionally worked for a small company that made wedding cards and posters, helping them with design and specific software such as Photoshop. But this, too, was irregular. When he secured a place in student government, he started getting a little extra cash for sitting allowances. He had high hopes to also benefit from "tips." Again, it was just a phase, he told us, and himself.

³ Matthew had just started his new job, so his increase in income is not fully reflected here in the annual average.

His brother Samwell considered himself a freelance journalist, but during the study, he did casual construction work, only contributing minimally to the household needs and instead drinking most of his pay. Marie worked as a house help for a family in Eastleigh from 7am-3pm Monday to Thursday earning KSh 200 per day. Midway through the study, she got a job packaging tissues in a local factory. It wasn't every day, but when she worked she earned KSh 425 per day. Her money was used for most of the daily food needs, like vegetables. The brothers didn't ask her for anything more, even though they often struggled just to buy the main staple foods and pay rent. Things became tense when they couldn't make payments against the KSh 9,000 debt they had with the shopkeeper. Eventually, Matthew was forced to surrender his phone. They wouldn't be allowed to take anything more on credit until half the debt was paid.

Matthew was to pay KSh 66,000-70,000 in college fees per year for 4 years, but he didn't see any way he would be able to earn that money through work. Many times he was in arrears, but would sneak back into classes, hoping to find the money he needed before exams began. He was constantly looking for help, through well-wishers and the Community Development Fund (CDF) upcountry who would send cheques to him to deposit into the school's account.

Over time, we learned that Marie was part of that story.

"I also befriended a lady whose family was a bit rich. I tried to figure it out to pursue my education; I had to rely on her so that the family could sponsor me partially, because I knew the brother had some reliable income. . . It's true that the lady was in love with me, I can't deny that. Even me I was a bit in love, but not so much."

Though they had a child together, by the end of the study, he had sent her to live with his mother upcountry. He missed the extra income in the house, but had become ashamed of his decision to start a life with her:

"It's a shame for a learned man like me to have a wife below my education level. . . I have learned that it is not good to marry at a tender age. You will have a burden because, you know, now where I am, there are some more beautiful girls. So, you know, it's as if you did a mistake by marrying a long time ago, and now I am crying, 'I wish I knew.'"

When we visited during the Update, he was dating someone new. In fact, everything seemed new. He finished his studies and was quickly hired by a tour company, in line with his studies in tourism. But, when they transferred him to Watamu, he resigned. Two months before we saw him, he was given a job at Nairobi Java House. He was now earning KSh 23,500 per month. There was no more "begging or depending on handouts from family and friends." Now, it was his family calling from upcountry asking for help, especially for school fees for his younger siblings. He said this was more than he could handle. It was also tough to plan for all the needs back home. He was sending Marie just KSh 500 per month for the upkeep of the child. He said it should be enough since she was staying with his mother, and there was plenty of food at the farm.

He's opened a new bank account, something he felt he had no use for before. Early in the Diaries, he complained that banks made unnecessary deductions and lacked transparency, telling us, "They are not minding about customers, but on how to get money for the banks." Before when he had extra money he preferred to upload it to M-PESA, where he could conveniently deposit as little as KSh 50. Mostly, this new bank account was a place to receive his salary, but he was also saving. He wanted to open his own tour company, so he could stop being "enslaved" by employers. He had also started using M-Shwari. Now that he was earning more regularly, he felt this was a safer way to borrow.

His brother Samwell also found his feet. At the end of the Diaries, he was hit by a car on the University of Nairobi campus. He stayed in the hospital for a long time recovering from a broken pelvis. The driver of the vehicle disappeared, so the family was left with a bill of KSh 75,000 to cover. The University paid KSh 20,000. The rest was covered by Samwell and Matthew's welfare group. For years, the two had faithfully contributed KSh 1,000 whenever there was a need among the 200 members of the group. So, when they faced this enormous bill, they were covered. For Samwell, the accident was also a wake-up call. He reduced his drinking and went back to school, studying media. He was able to get a loan from the government's Higher Education Loan Board (HELB) to cover about 60% of his fees and now expects that he'll be able to make it to graduation without too much sacrifice.

New income and new burdens: Henry & Naomi

Current household members and ages	Henry, 27 Naomi, 25 Brian, 5 David, 27 (Henry's brother—joined during Update) Fiona, 25 (Henry's sister—joined during Update)
Trajectory & reason	<p><i>Self-reported trajectory:</i> Worse off in the Update than in Diaries</p> <p><i>Self-reported reason:</i> Drop in business</p> <p>Work has really gone down, and he thinks if it continues to do so he might be forced to do something else.</p> <p>– Interviewer note</p> <p>[This family lives in Mombasa where the economy has suffered from a drop in tourism, and, some say, shipping, linked to terrorism incidents.]</p>
Income	<p><i>Average monthly household income:</i> KSh 18,108 (Diaries, 2013) KSh 47,583 (Update, 2015)</p> <p><i>Average monthly per capita income:</i> KSh 8,231 (Diaries, 2013) KSh 13,218 (Update, 2015)</p>

Henry, one of eight children, was only able to reach form two, the second year of secondary school, when his parents had to pull him out because they could no longer afford the fees. He joined a polytechnic training institution in a nearby town and did courses in welding, masonry, and driving. Once he finished, in 2009, he went to Webuye looking for work. That's where he met his wife, Naomi. He was earning about KSh 7,000 per month working in a supermarket and supplemented that income driving a boda boda. He heard from others that there were big opportunities in Mombasa. In Mombasa, people said, you could earn up to KSh 2,000 in a day. He and Naomi sold everything and left for Mombasa. He was disappointed to find that there were no easy opportunities in Mombasa. They thought about going home, but had no money to do so.

Henry eventually found a job as a shop attendant. After he was dismissed from that job, he used his savings to start a small kiosk, which was run by his wife, Naomi. That closed when the two decided to move to a new part of Mombasa.

At the time we met them, Henry was working as a tuk tuk driver, and Naomi was staying home, caring for their small child and the home. Henry's income went up and down depending on customer numbers. He paid the vehicle owner KSh 1,200 per day and spent another KSh 500 on fuel. Whatever was left, usually KSh 500-600, he took home. When he really needed extra money, he worked longer hours, hoping to pick up more fares.

From his earnings, Henry gave Naomi between KSh 100-150 every day for breakfast and lunch, buying supper directly. Although Henry thought things were getting better now that he was a tuk tuk driver, Naomi wasn't so sure.

While in Webuye, Henry had opened a savings account with Post Bank. He operated this account up until 2013 when he asked for a loan and was told about some lengthy processes he would need to undertake with partners. Frustrated, he opened an account with Family Bank, where he was required to save for six months in order to qualify for a loan. After six months he got

a motorbike loan, which was given to him in kind. The motorbike was worth KSh 75,000, and he got someone to operate it, paying him daily, while he continued driving the tuk tuk. This way, he thought, he would have more income and be able to pay the loan on schedule.

But it wasn't so simple. Sometimes the motorbike operator would leave without notice and Henry's motorbike business would be idle until he found someone else to operate it. Henry also couldn't earn from the tuk tuk when he was sick or the vehicle had a problem, since it was up to the owner to get it fixed. Since Naomi wasn't working, he put her in charge of collecting the funds from the motorbike driver and accumulating them to hand over to Henry, who would make the loan payments. Around the same time, she secretly opened her first bank account, at Equity Bank, where she wanted to start building up some savings to start a business.

Though he didn't make all of his loan payments on time, the bank still gave him another loan of KSh 100,000. Henry's brother had just finished school, and Henry gave him this money as a gift to help him start a shop. His brother wouldn't have the ability to borrow on his own, and paying back a loan at the start of a new business would be a burden. So, Henry struggled to make the payments himself.

He was also paying off a loan his mother had taken for school fees for one of their siblings. The family was unsure of how to pay the fees, but the mother was in a microfinance group. They decided that she should take a KSh 50,000 joint liability loan, and Henry and his brother would alternate making the weekly payments of Ksh 1,000 on her behalf.

While paying his loans to Family Bank, he stopped saving at Post Bank. In addition to the loan payments, Family Bank also had required savings to keep up with:

"I decided not to save at Post Bank because Family Bank is where I can get a loan. At Post Bank I asked about the loan issue but I was told that there are procedures which I needed to follow and I also needed to make the application somewhere else. So I realized it was hard because one can only save where he or she can be loaned whenever a problem arises. I still have an account there only that I don't know if it was closed because it has been long since I went there, not even to withdraw."

But Family Bank began to disappoint him as well. There was a lot of unnecessary back and forth when processing his second loan, and at one point he was even sent to another branch to continue the paperwork since the manager at his home branch was not around. He says he felt "harassed." Once the second Family Bank loan was finished, he moved his savings from Family Bank to KCB.

KCB soon agreed to lend him KSh 150,000. This time, he combined the money with KSh 50,000 from his bank savings and another KSh 50,000 from selling the motorbike to buy his own tuk tuk. Since he was no longer paying the tuk tuk owner every day, he held onto more of his own revenues.

Looking back, he tells us, all three of his bank loans have been really helpful. But he does wish the banks weren't quite so strict about the timing of payments. He never missed a payment, but sometimes he was a day or two late, and even then there were penalties.

Despite having some issues with the banks, his bank account is his most important saving device. He says banks are safe since no one knows your PIN. They help him get loans, and their withdrawal fees are affordable. They don't completely replace saving in the house, though. He still does this sometimes before taking money to the bank, so he doesn't need to queue every day. He admits, though, that it means he sometimes uses the money before he makes it to the bank to deposit. Also at home, he has a nailed-shut wooden box where he deposits his coins at the end of the day. He's written on the box "Brian's Bank," reminding himself that this is money he's saving for clothes and treats for his son around the holiday season.

Naomi has also been saving on her own. Aside from her Equity account, she belongs to an ASCA and one ROSCA where members are given kangas on their turn. She's also recently started working in a company that does garment printing, bringing some extra money into the home. She uses some of this money for things the household needs, but Henry feels that, as the man of the house, he should take care of most things, and she should make decisions about her income independently.

The household's income is above average in our sample. They earn in a relatively stable way and save with discipline. But, they still face the same liquidity problems that are familiar to many Diaries households. While they've been able to make larger investments, such as buy a tuk tuk, when unexpected cash demands take them by surprise, there's often no money to deal with them. Once, for example, their son was admitted to the hospital, and they urgently needed KSh 4,500 for the bill. Henry and Naomi could only come up with KSh 2,500. The hospital let them go home with a debt of KSh 2,000 that Henry cleared by selling an old television set.

Even though Henry now owns his own tuk tuk and Naomi is working, the couple claims their financial situation is actually worse today than it was during the Diaries. For one, they have been paying a lot in loan payments. And, their expenses have increased. Brian is now in school, which requires an extra KSh 7,500 per term. Henry's sister has moved in with them, and they are also paying her school fees of KSh 32,000 per year. Deteriorating economic conditions in Mombasa more generally have taken their toll on Henry's business. During the Diaries, he was bringing in KSh 2,200-2,300 in revenues per day. These days, he's averaging between KSh 1,800-2,000. All of this has made the couple feel pinched, even as their income has more than doubled.

Mounting responsibilities in old age: Janet and Joseph

Current household members and ages	Janet, 68 Joseph, 73 Benjamin, 19 Sarah, 17 Shirley, 15
Trajectory & reason	<i>Self-reported trajectory:</i> Worse off in the Update than in Diaries <i>Self-reported reason:</i> Drop in remittances Her son used to send her money for school fees
Income	<i>Average monthly household income:</i> KSh 6,327 (Diaries, 2013) KSh 5,242 (Update, 2015) <i>Average monthly per capita income:</i> KSh 1,438 (Diaries, 2013) KSh 1,542 (Update, 2015)

Janet and Joseph have been together for 50 years. Janet had been in school up to class seven when she dropped out, pregnant with their first child. She was eighteen years old. They stayed together at Joseph's rural home for a few years until he decided to move to Kericho and look for work. He was hired as a casual worker at a tea factory, where he earned KSh 50 per day. He would send some money back to Janet in the village, and she did casual jobs to supplement this income. After five years, she went to join him, so the family could stay together near the factory.

They didn't have space in the budget to save very much, so they never joined a bank or SACCO. But they did want to have their own home. Joseph would take some money every month and buy building materials bit by bit. When there was enough, Janet would take them home and oversee construction over time.

In 2000, Joseph retired and the family came home to the village in Vihiga and the home that they had built together. But earning money after retirement would prove difficult. Back in 1974, Joseph fell and had a blood clot in his chest that required surgery. He was never able to do heavy work again, and most of the work in the village was heavy work.

Janet and Joseph had six children, four boys and two girls. Two of their sons had passed away. Janet found one of the deaths particularly upsetting. This son died at 23 and had a good job in Kericho. She had placed a lot of her

hopes in his future. Of the remaining boys, one had a job in the tea factory, but wasn't earning much and also had a large family to care for. The other had a good job and would send money often, until his contract ended and he went back to casual work, which was irregular and not very well-paying.

The two needed to earn enough to care for themselves and a number of other family members. One of their deceased sons left three children behind. Their mother left soon after the burial of the children's father and has never been heard from again. One of their daughters, Grace, was also living with them at the start of the Diaries. Her husband had an awful temper and chased her out of the house when she was five months pregnant. She and her baby were staying with her parents until she could make a plan of what to do next.

Janet was the main breadwinner for the household, getting some income from casual jobs, selling milk, and collecting remittances from her son and her sister, who owned a sugarcane farm. During the Diaries, Joseph got a job as a security guard in a nearby hotel. This helped the household a lot, because there was something extra that they could count on, though it was only about KSh 1,500 per month during the study.

Around the time that Joseph got this job, Grace decided to move out. She had training as an early childhood education teacher, but couldn't find a job in that field in the area. So, when she found work as a house help, she took it. She felt she needed to do something to support her child.

The household had very little excess cash after catering for basic needs, so dealing with medical issues caused a lot of stress. During the study, Janet's leg became swollen and infected, which led to a diagnosis of diabetes. But she often missed follow up appointments since she had no money for bus fares to the hospital. Two of her grandchildren complained of migraines and another was asthmatic. They did the best they could to try and manage the conditions at home.

When Benjamin, the eldest of their orphaned grandchildren, was finishing primary school, Janet knew it would be difficult to raise the fees for secondary school. She started putting aside some savings with a "moneyguard", her brother, starting with her ASCA payout of KSh 3,000. One of her sons had come home on leave and made some bricks to sell. She sold these to get another KSh 5,000. And, she went back to a politician who campaigned on a promise to help constituents with school fees, and asked for help. From him, she was able to collect a bursary cheque for another KSh 5,000, which she took directly to the school. Janet was incredibly disciplined saving for Benjamin's fees. Once, there was no food in the house, and the couple was desperate. But rather than use the KSh 800 that Janet was keeping on her M-PESA for fees, Joseph took an advance from his employer.

Thanks to all of those efforts, Benjamin was able to start the year. But, to pay the balance when Benjamin was sent home, she would borrow from her ASCA KSh 1,000 at a time. She used to use the group to help her do things like home improvements and buying shoes for the children. "It really helped me develop myself," she says. But now, it was all about school fees. As helpful as the group had been for many years, during the Update we found it had collapsed. One of the officials borrowed KSh 28,000 and never repaid it. In this group, members contributed KSh 1,000 once per year to create the loan fund. Everyone lost that

contribution and the interest income they hoped to earn on it over the year. Members were offended and discouraged. They never met again.

Especially now that the group is no longer active, Janet said her most important financial device was the credit she could take at the cereal shop where she bought maize. This helped her ensure the family was able to eat until she received some remittances and could repay her debt.

When we saw Janet and Joseph during the Update, they told us things have become even more difficult than they were during the Diaries. Janet's diabetes was being managed, but she was now also suffering from arthritis, high blood pressure and ulcers, which has made her stop doing casual work. Joseph continued to work as a watchman, but he claimed the income is only KSh 2,000 per month, hardly enough to support the family. Janet wondered if he was given a raise and hadn't shared it with her. One of their sons lost his job and could no longer send money. He was still trying to find another job.

Meanwhile the burden of school fees was growing. Two of their grandchildren were in their final year of primary school, and they had no idea how they would get the money together to make sure they could continue. Even for those in primary school, they had arrears of KSh 3,080. And, Benjamin's fees were also a problem. He started getting in with the wrong crowd and getting into trouble. He had to be transferred to a different school, and Janet lost the bursary support in the process. They needed to have a report card from the new school in order to apply afresh. She will try again next year.

With very few options to work herself, Janet was hoping that her other children would get jobs and do well. She would like her grandchildren to be able to finish secondary school and even college. Her only hope, she says, was that her relatives would be able to come to the rescue.



Struggling for school fees: Magdalene

Current household members and ages	Magdalene, 44 Angelina, 76 (mother-in-law) Jared, 27 (child) Patricia, 25 (child) Emily, 22 (child) Frank, 36 (cousin) Jessica, 19 (child) Natalie, 10 (grandchild) Dennis, 4 (grandchild) Christopher, 1 (grandchild)
Trajectory & reason	<p><i>Self-reported trajectory:</i> Worse off in the Update than in Diaries</p> <p><i>Self-reported reason:</i> Increase in school fees</p> <p>School fees and her son's medication are costing a lot</p>
Income	<p><i>Average monthly household income:</i> KSh 18,380 (Diaries, 2013) KSh 7,608 (Update, 2015)</p> <p><i>Average monthly per capita income:</i> KSh 4,483 (Diaries, 2013) KSh 1,436 (Update, 2015)</p>

Compared to most households in her community in Makueni, Magdalene has been doing pretty well. She earned most of her income in the Diaries from selling clothes on market days around the county. There were ups, like the big boost from Christmas season sales, and downs, like during the teachers' strike when her teacher customers' budgets suddenly became very tight. But with the business and the proceeds from her mango and orange trees, she earned an average of KSh 16,180 per month (KSh 18,380 in 2015 prices) in an area where the Diaries median household earned an average of just KSh 4,666 per month.

But even this income wasn't enough. Magdalene's husband died in 1998, leaving her alone with four children and a mother-in-law to take care of. She knew she would have to find some way to support the family, leading her to start this business of selling clothes. By 2002, things were going really

well. The business had picked up and some of the children still hadn't reached secondary school. But one-by-one, they entered secondary school. Then one-by-one, they graduated and were looking to do tertiary training.

After the Diaries, two daughters finished secondary school. The older one who finished first was accepted to Mt. Kenya University, where she is doing a degree in banking. Magdalene has to come up with KSh 100,000 per year for fees and expenses just for this one child. For the first year, she used KSh 60,000 from her savings (mostly savings in the house) and KSh 20,000 as a gift from a family member. She still owes the university KSh 20,000. This heavy burden means that the other daughter's education is on hold. That daughter was accepted into a nursing programme that will cost KSh 300,000 for the entire course. Magdalene isn't sure how to make that happen just yet. Right now, she says the most she can manage is one child's tertiary education at a time.

Her eldest daughter finished the teacher training course she was doing during the Diaries. While she studied, Magdalene had helped her daughter with KSh 2,000 to use as a bribe at a local school to try and get a position, and that paid off. She was hired as a PTA teacher, but only earns KSh 5,000 per month. It's small, but she still finds a way to send some of her earnings home to her mother.

As expensive as these education investments were, she also knew the cost of forgoing them. Her son did not complete any kind of tertiary training, and after school started to lose his way. He began drinking, smoking marijuana, and chewing *miraa* (khat). He began robbing people in the community to get money to support his vices. Magdalene herself begged the police to arrest him, hoping that it would teach him some discipline. After two weeks in a local jail, the police spoke with Magdalene. At this point, if they kept him in custody, they would have to transfer him to a national prison, where they told her he would likely continue to abuse drugs and could become a more hardened criminal. Instead, they agreed that he would undergo a treatment program at a cost of KSh 30,000 and be on house arrest for a year. By the time we visited during the Update, he had been clean for one year. But Magdalene was still worried about him. Getting clean was one step. Building a real life with so few skills was another.

So, she did everything she could to pay for the university fees and her last born's secondary fees while she trying to find a way to send her other daughter to nursing school. It was especially tough since her income had diminished. Her son stole her harvest of oranges the previous year and sold them for his addiction. The prolonged teacher's strike at the end of 2015 made her business crash. It was also a lot harder to keep money for stock circulating in the business, since it was always coming out to pay for fees. Magdalene had historically been a good saver, putting her lump sums from things like the sale of fruit into the bank directly and channeling smaller amounts into two ASCA and two ROSCA groups. For a time, joint liability loans from a microfinance institution were helping her access money for business while she continued to pay fees. But, the group failed after some members defaulted on their loans, leaving the others to pick up the slack. When we spoke during the Update, she said she was back to just her ASCAs for loans, which tended to be smaller than her requirements.

Still, Magdalene saw a bright future ahead. In five years' time, more of her children would be on their own, working, even sending money back. The fruit trees that produced small amounts now will have fully matured. She hoped to dig a new borehole and fully fence her compound. Maybe there will be money to do even more. "Who knows," she said, "I may even be rich!"



Losing a big bet: Annette

Current household members and ages	Annette, 29 Alice, 5
Trajectory & reason	Extreme low well-being <i>Self-reported trajectory:</i> Worse off in the Update than in Diaries <i>Self-reported reason:</i> Drop in income
Income	<i>Average monthly household income:</i> KSh 4,367 (Diaries, 2013) KSh 267 (Update, 2015) <i>Average monthly per capita income:</i> KSh 2,912 (Diaries, 2013) KSh 178 (Update, 2015)

At 29, Annette is already a widow. When we met her, she lived in a rented house near a shopping centre along the main road in Vihiga. Her in-laws were never very fond of her, and after her husband's death they chased her off the land where the two were living. When Annette later gave birth to a baby girl, who is now five years old, they disliked her even more. Still, Annette managed to get the title on the land left to her by her late husband transferred into her name. She has been hoping to sell the land. She doesn't want to live next to her in-laws and she doesn't think there's good business in that area, far from the main road. Her dream is to sell the land and buy a plot near the road where she can build a house. But selling the land is tough. There aren't many buyers from within the community, and it's not a place where people tend to aspire to move. It's also tucked between the plots of her hostile in-laws.

Throughout the Diaries, she lived in this rented room with her daughter. She sold paraffin outside the house in the evenings and sold molasses to local changaa brewers as her main business. The brewing is illegal, so to avoid harassment from police, she needed to "register" at the chief's office, where they expected a monthly bribe of KSh 2,000 to leave her alone. She couldn't afford this regularly during the Diaries and would pay the police each time she was caught. But, after we left, she negotiated a deal with the chief's office to pay just KSh 8,000 for the year. This stopped the harassment of local police, but then police from other areas started coming to her area, knowing that brewing was popular and bribes plentiful. Each time they showed up, she had to part with KSh 1,000.

The police were not her only problem. She complained that her suppliers often let her down. She represented a minor client, and suppliers would take their time completing her orders. Sometimes her suppliers would be out of stock; she wasn't high on their priority list when molasses was available. She would often team up with other women to buy a larger quantity of stock together,

but this was also problematic. Others would go to take the stock and tell her there wasn't enough for her share. Sometimes she would pay for others but they wouldn't come up with the money to pay her back. When she did have stock, the business was profitable, returning KSh 500 in profit for every KSh 2,000 in stock. She dreamed of having enough money to buy an entire lorry of molasses on her own.

She thought perhaps her bank might help her get that money together. She had an account at Equity Bank, where she regularly saved up for stock and cashed out to pay for it. She normally did her transactions through an agent, but this didn't always work the way she hoped. Sometimes she would take money and find the agent was closed. She would take the money home and end up spending more than she planned. The agents didn't always have enough cash to accommodate withdrawals. "When I want to withdraw KSh 10,000 and the agent says that only KSh 2,000 is available, I will then have to go to the nearest town, Kakamega, to use the ATM machine." A trip to Kakamega cost an extra KSh 100 in *matatu* "bus" fare and took about two hours round trip.

In addition to her bank account, she belonged to one chama where she contributed KSh 300 per month as another way of saving. She also had an M-PESA account, which she used mostly for sending and receiving money long distance. For M-PESA, the agent was right outside her house, making it very accessible. Her daughter's father regularly sent her money using M-PESA,

⁴ Seven respondents stopped paying for NHIF premiums citing price. There were 61 users of health insurance during the Diaries. Seventeen had stopped as of the Update. Apart from price, other reasons for stopping were job loss, employers stopping contributions, and relocation of household members who had been paying premiums.

and sometimes she sent money to her supplier and her brother using the service.

Annette and her brother helped each other as much as they could. At one point during the Diaries, Annette sent him KSh 2,000 to help pay for his wife's hospital bill. Her brother was a boda boda driver and aspired to buy his own motorbike. Annette held onto his savings for him. When he decided to take a loan at a microfinance institution to get the rest of the money together, she served as his guarantor. He would also give her money on an almost daily basis to hold for him to help him save up for his monthly loan payments of KSh 8,000. She even loaned him KSh 25,000 directly. He paid her back in a lump sum with an extra gift of KSh 5,000 to say thank you for her help. He decided to deposit this repayment in her bank account instead of sending on M-PESA, since the withdrawal charges would be lower.

As the Diaries ended, Annette and her brother were both doing well.

But when we came back two years later, we found everything had changed. Annette had taken all of her savings and a loan of KSh 30,000 from Equity Bank—secured against the title to her land—to buy an entire lorry-full of molasses. For her, this was a huge investment, KSh 78,000, but she felt this would give her enough returns to continue operating on a bigger scale, without the coordination problems of the past. She went to buy the stock herself and rode in the lorry as it traveled back to Vihiga. But along the road, the lorry was in a terrible accident, rolling over and spilling out all of her stock. Luckily, she was able to escape serious injury in what could have been a fatal incident.

Still, her economic life unraveled. She had very little stock on hand to keep the business afloat and no way to expand. Then, the owner of the space she

was renting decided to sell his property, forcing her to move. Her clients could no longer find her and business slumped further. Around the same time, her child's father inexplicably stopped sending money for her daughter's upkeep. This had never been a lot of money, but used to at least provide something small that she could rely on.

She started cutting back on expenses. She moved her daughter from a private to a public school. She stopped paying premiums for her health insurance through the National Health Insurance Fund (NHIF). Not only was she short on money, but premiums had risen to KSh 500 per month, which pushed a number of Diaries respondents out of the programme.⁴ She moved back to her parent's home. When her daughter got sick, she had to look for someone who might pay her to wash clothes to get KSh 200 to take her to the hospital.

After the accident, Annette had KSh 20,000 still in her bank account. She thought this money might help her make some loan payments. She took KSh 6,000 of it to buy fish, hoping to get back on her feet in a product with fast turnover. But, when she got sick, she couldn't sell her stock. About half of it went bad and couldn't be sold. What was left of her savings, she used to make some of her KSh 3,000 monthly loan payments.

When we met her, she was in despair and not doing anything to earn money. Her savings was completely gone. She missed her last two loan payments. So far, she hadn't received any communication from the bank. One of her brothers had offered to take in her daughter for a year so Annette could try to put her life in order. She was trying to make a plan for the future. She was hoping to get just a little money to start a business again, but she was not sure what kind of business. She was also looking for a cheaper room, where she could pay rent of less than KSh 400 per month. Of course, she reminded us, "I also need to raise KSh 3,000 every month to pay the bank loan."



From the ghetto to the good life: Ernest & Greta

Current household members and ages	Ernest, 39 Greta, 28 Nellie, 3 Eva, 7
Trajectory & reason	Extreme high well-being <i>Self-reported trajectory:</i> Better off in the Update than in Diaries <i>Self-reported reason:</i> Business growth He has been able to accomplish a lot like building his house upcountry, opening another business, and moving to a better house—Interviewer journal
Income	<i>Average monthly household income:</i> KSh 114,486 (Diaries, 2013) KSh 120,167 (Update, 2015) <i>Average monthly per capita income:</i> KSh 42,402 (Diaries, 2013) KSh 44,506 (Update, 2015)

Ernest grew up in a rural area in Kenya's Central region and help from family enabled him to move to Nairobi for accounting studies in 1998 after finishing high school. He completed Certified Public Accounting training up to section four, but found it hard to get a job. In 2003, he found himself desperate. He was living in a rental house in Nairobi, had no job, and his wife was suffering from severe depression. He started taking casual jobs in construction to try and make ends meet. When he got a bit of capital together, he began a business as a hawker selling second hand clothes. Business helped him find his feet financially, but his wife never recovered. She died in 2007, and Ernest never wanted to discuss what happened.

The hawking business enabled him to save, though, and eventually he was able to follow his real passion and open a dreadlocks salon in Kariobangi. Before long, he met Greta, and they had their first child together. Greta also worked in the salon, earning commission on the customers she served.

Apart from the salon, Ernest would sometimes get jobs with QTV as an MC, disc jockey, actor and comedian. His easy charm made customers flock to his salon, where he served up not only style, but also warm conversation and cold sodas. "You have to spend money to make money," he told us.

In January 2013, Greta was expecting their second child. Always a serious saver, Ernest had put aside KSh 20,000 for the delivery. Most of his other money was tied up in chamas and in his Equity Bank Jijenge account, where

it was earmarked for investments. But, when it was time for the child's birth, nurses at the public hospital where they hoped to deliver were on strike, and they were forced to go to a private facility. Greta also required an emergency caesarian. They needed KSh 34,000 instead of the KSh 20,000 they had planned. He got a quick loan from one of his chamas to cover the financing gap.

By April, Greta was ready to come back to the salon. Ernest felt like his first salon was running out of capacity. His four workers were always busy there. There was no space in the old salon for Greta to bring the new baby to work. They decided to open a second location with space for a baby bed, and Ernest spent KSh 42,400 on new equipment and an internet connection for the salon via an informal arrangement with the cyber café next door. His customers could now surf the web while they waited for service, rather than leave, potentially not coming back. They were able to open up this new location by combining some of their savings with a soft loan of KSh 20,000 from Greta's mother.

The couple have had mixed success in the world of formal finance. Greta sees no reason for having a bank account, though both use M-PESA. She conducts most of her saving in a range of savings groups. She likes that they all mature at different times. One provides the payout in kind, either by paying for food or utilities. For her, this is convenient and all she needs. Ernest is a super saver. When we first met him, he had an Ordinary Account and commitment

account, Jijenge, at Equity Bank. But, when he was opening his salon, he tried to borrow from Equity and confirmed at two different branches that he could only borrow up to 60% of the balance in the commitment account. This rule was a surprise to him, and he felt betrayed by this hidden product feature and the low interest earned on the account. He withdrew his money and moved it to Faulu, where he thought he would be able to borrow, and joined another ROSCA, where he could continue to save KSh 300 per day instead.

Not long after, he was also disappointed by his life insurance provider. He was told there was a “glitch” in his account, and he needed to go to the main office to fix it. It took several weeks for him to get the time to leave his business and visit the insurer where he found his debit orders hadn’t been working. He paid his arrears, but then soon after canceled that policy as well as the education policy he had opened for his first born daughter. A friend had a similar policy, and when it matured, he was not given his money. Ernest was worried that he too might be duped.

Later, those fears would be realized. Towards the end of the Diaries, Ernest pulled together KSh 200,000 from his savings and bought a car. Greta wasn’t thrilled. She would have preferred that they buy a piece of land and build another house. They’d spent KSh 100,000 building the one they had, but they were living illegally on a piece of government land. They could lose their home any time. Ernest went ahead with the car anyway and bought an insurance policy from a friend. Again, Greta worried about just how well that car was protected. In 2014, Ernest and Greta were driving to her upcountry home when the car had a mechanical problem and sent them plunging into a valley, rolling over several times. The two were forced to spend KSh 120,000 on hospital bills and stay home from the salons for four months recovering. The insurance company informed Ernest that since he did not have comprehensive cover, he was not entitled to any compensation for the vehicle. Unbeknownst to Ernest, at some point he forgot one month’s premium, and the insurer told him after the accident that he actually owed them money rather than vice versa.

The two were grateful to be alive and especially glad that their two girls were not in the car during the accident. Ernest was able to get a little money from selling the chassis of the crashed vehicle. He combined that with another KSh 200,000 to buy yet another car, one he this time insured with a recognizable insurer, hoping they might be more trustworthy.

Though business slowed down during their recovery period, the couple still managed to make a number of big investments. Ernest proudly showed off the iPhone he bought for KSh 25,000 using his bank savings. He had also carried out some renovations in the second salon using another KSh 35,000 of savings. Using KSh 60,000 from a payout from one of Greta’s chamas and another KSh 40,000 from business profits over a few months, the two had opened a third salon in another part of Nairobi. But without their full attention, it hasn’t really taken off yet. They moved to a bigger house and began renting out their old house, still precariously located on government land. They also started building a two-story house upcountry. By the time we saw them in late 2015, they had already invested KSh 800,000 of a planned KSh 1 million project. All of that money came from Ernest’s savings at Faulu.

All these savings have been made possible by earning much more than they need to simply be comfortable. In a typical month, they were making more than KSh 100,000 in profits and felt they only really need KSh 20,000 to get by. There was plenty of room for Ernest to buy beer for himself, soda for his clients, and to save and invest in the future.

But it doesn’t mean he doesn’t need to also borrow from time to time. During the Update visit, Ernest told us he has become a regular client of KCB M-PESA. He borrowed mostly when he had a cash flow problem at the business. But he also borrowed for other emergencies, like a few months before our interview, when he urgently needed KSh 25,000 to contribute to a funeral.

Ernest and Greta saw a bright future ahead. They expected the newest branch of their business to pick up, now that Greta could be there more often. Soon, they will finish their construction project upcountry. Once that’s complete, they’ll move onto another investment project: buying another plot of land in Nairobi.

INDUSTRY & IMPACT

These stories highlight the role of financial services—and other factors—in the trajectories of respondents over time. Reflecting on them highlights a number of areas where financial services are already playing an important role, and points to opportunities to be more helpful both for low income users today and in opening opportunities for the next generation of Kenyans.

Seeing opportunities for finance in unexpected places

Obviously, non-financial factors have a big role to play in welfare trajectories. But even in these situations, one can see how the right kinds of well-delivered financial tools might have been more helpful. Let's take education. When we look across our sample of adults, it's hard to find a case of an adult who finished secondary school and potentially even some college and is not doing relatively well today. Even for those who have based their livelihoods around self-employment, like Ernest, where there are no education barriers to entry, we find a correlation between education and earnings.

And finance features prominently in the stories around what makes education possible. Many are turning to loans to spread the burden of school fee payments over time. They are calling on remittances, delivered through banks and M-PESA, to make fee payments, and even to make it possible to spread loan obligations over the social network, as we see in the story of Henry. Even bursaries rely on the financial sector for delivery. This appears to be mostly in cheques, which are not necessarily the most efficient payment mechanism available. Subsidy in education appears to be a powerful tool, one to which the finance and fintech sectors might devote more attention by making application and payment more efficient, by making it more likely that the most deserving students are covered, by mobilizing larger social networks to assist in these investments, and by making existing social networks better at keeping children in school and giving them the space to learn, unlike Matthew who only managed to finish his studies by working round the clock to pay for them. Student loans for tertiary education are not available for all the students who need them. And when young people stay at home for long periods before beginning their tertiary training, we see the course of their lives can take a different turn. They can get in with the wrong crowd or start a family at a young age, missing out on the opportunity for a transformative future.

Similarly, finance can't fix the kind of poverty that Janet and Joseph are facing in their old age. What is particularly heartbreaking about their story is that there are two government cash transfer programmes—one providing grants to the elderly and the other for caregivers of orphans and vulnerable children—that could make their lives much easier. But, somehow, they have not been enrolled in either. Financial service providers have been instrumental in developing new, more efficient delivery channels for these transfers. Perhaps financial service providers' infrastructure could be better utilized to help manage applications for such programmes as well.

We also see how family size can strain a household, and not just in the choice to have a large family but in providing a home when bad things happen,

like when a woman's marriage falls apart or when children's parents die or abandon them. Financial tools couldn't have fixed Lucy's daughter's marriage. But perhaps, it could have done more to help her more quickly recover. Uber and Little Cab, for example, are offering many drivers—mostly men—a flexible labour market to move in and out of, all made possible by digital payments that move between clients, service providers, and workers. Might there be other industries where there is an opportunity to coordinate such a distributed workforce, potentially opportunities with lower capital barriers to entry where women like Nancy might be able to turn?

A good number of households experienced a downturn in economic welfare due to a drop in remittances, sometime caused by remitters losing their jobs and sometimes when fathers stopped sending support for the upkeep of their children. What if those with regular jobs—even temporary contracts—could opt in to a personal savings scheme that automatically deducted a very small part of their earnings each month that would be issued in a lump sum whenever the job ended for any reason? Even if the total amassed was just the equivalent of a month or two's worth of earnings, it would provide a valuable cushion, helping them take the time to find the right new job or using the money to buy stock to start a trading business. When it comes to child support payments, new e-government initiatives could do a better job of holding parents to account by issuing monthly mobile bills to those deemed by the courts to be responsible for regular payments. Those payments could then be tracked and defaulters reported to the credit bureau.

The point is that the infrastructure that Kenya now has makes so many new kinds of services possible and potentially very helpful in the lives of low income people.

Financial tools already play important roles

These stories also offer reason to celebrate the progress Kenya has already made on financial inclusion. It is clearly making a difference in the lives of many, both in terms of stretching budgets and growing incomes and assets.

Take bank accounts, for example. Many of our respondent households—52% in the Diaries Update—were using a bank account. These accounts proved particularly helpful in safely holding onto large lump sums, like accumulated savings and salary receipts. Some saved regularly in these accounts as well, with agency banking reducing the costs of these kinds of frequent transactions. For many Kenyans, like Ernest, this is now beginning to create at least a partial digital trail for his otherwise informal business, making him eligible for loans to continue to grow and invest.

Bank and microfinance loans are playing an important role in helping many get ahead, especially given the high concentration of low income people in self-employment. Small loans are paving the way to bigger ones, and much of this borrowing is going to really important investments in assets, business, and education. Henry, for example, was initially intimidated by the prospect of a loan. His first microfinance loan for a motorbike gave him confidence

to borrow again, first to help his brother start a business, then again to buy his own tuk tuk. Henry is worried about his income today, but he feels like it would be much worse if he hadn't been able to take these loans and make these key investments.

It's impossible to ignore the powerful role that savings chamas and welfare groups are playing in people's lives. In these eight stories, the critical role of ROSCAs stands out. Stella and Duncan have nearly doubled their income over the past two years due to investments enabled by their ROSCA savings. By using groups with a variety of payment sizes and frequencies and of different sizes (and maturities), they have very little idle cash and don't see a particular need for a bank, though living without their groups would be incredibly difficult. ROSCAs are powerful tools at nearly every income level. A payout of just KSh 4000 helped Lucy start her porridge business after the post-election violence. But, they're just as meaningful for Ernest & Greta who earn about eight times as much. Certainly groups do not work perfectly, and people also lose money. But, for most, the losses haven't been sufficient to drown out their value. As a powerful tool for accumulating lump sums, the banks can hardly compete.

But, financial service providers need to get better on service quality

It is clear that even though usage of many formal services is sizeable, and that many are finding these services useful, they are not satisfied with the quality of all of these offerings. Banks are still struggling to provide consistent services, as Annette pointed out with the challenge around her local bank agent having enough cash to offer withdrawals. Many feel misled by opaque product features and terms, like Ernest's experience with a restricted savings device. We heard similar complaints about the fees charged when processing loans. Like Matthew, many still do not fully trust that banks are operating in depositors' best interest. Experiences like that of Henry, who was put through a maze of unnecessary procedures and made to travel to another branch to do his banking, do not help that image. He felt like his bank did not respect him or his time, like they were doing him a favor to process a loan that would earn them a surplus. A customer service orientation in the sector still seems to be missing, and one wonders what that will mean for services that are purely digital and lacking in any kind of "personal touch." Will customers consider the consistency of a digital experience more fair than their experience with retail banks, whose "personal touch" was so often condescending and frustrating?

Insurance providers also need to do better in building customer confidence and maintaining regular communication with their customers. Ernest was so worried about being duped by his life insurance and education policy providers that he ended up dropping their services, never benefitting from the premiums he did pay. Since his provider didn't keep him informed about a missed premium on his vehicle insurance, when he was in an accident, they refused to help. That situation could have been avoided with a simple, cheap text message update about his outstanding bill.

Financial services don't yet cover all the bases

Of course, there are still areas of unmet financial need where the right kind of financial service could potentially be quite beneficial. Health risks, for example, continue to be managed mostly through savings in the house for relatively small needs and through informal social network gifts for large things. While a large, active, reliable welfare group came to Henry's brother's rescue, such groups today only benefit a relatively small number of people. Some health insurance is expanding in exciting ways: on the revisits we found some tea cooperatives beginning to cover their members, and some poor households who receive government cash transfers were also receiving government health insurance. This meant that 18 new households had active health cover in 2015. But the expansion was nearly matched by the contraction with 17 households losing their cover. About seven explicitly cited price as the reason for ending their cover, while the others' policies ended when they lost their formal jobs, where employers make deductions on workers' behalf. Health financing may be complicated and some forms of coverage for the poor will require subsidy. But this is one area of persistent need that requires more attention.⁵

It also seems that there are very few formal services catering to the particularly low incomes and irregular earning patterns that are particularly common among women. Services that accommodate even smaller transactions and still add value are very tough for formal providers to offer, but new kinds of mobile-only solutions—like M-Shwari, which can disburse loans under KSh 500—prove that it can be possible and challenge the rest of the industry to work harder at accommodating very small needs. This is key to closing the gender gap in access to truly helpful financial services.

And once those low income users have developed a history of using small scale services, the services need to grow with them and be available for larger loans even in remote, rural areas. It's not yet clear if nano-sized, short term loans on M-Shwari will serve as an on ramp to other, more diverse, investment-oriented loans in the formal credit market. Magdalene's entry point was a microfinance group in a remote, rural area. This microfinance institution was the only provider in the area. Even though she had established herself as a reliable borrower, when her group collapsed, she didn't feel like she could access a similar facility elsewhere. There were no other similar groups in her community. Financial institutions would do well to make sure that worthy borrowers like her know their options and know that their credit histories can now move with them.

⁵ FSD Kenya explored this topic in depth in the report *Struggling to Thrive*, which includes a number of ideas and recommendations for closing the health financing gap.

Low income Kenyans are eager for transformation and focus attention on the services that offer that promise

These eight stories all show how hard low income Kenyans are working to reach a higher standard of living for themselves and their families. They are motivated by the opportunities to access large lump sums to help them make big investments, big bets on the future.

Sometimes that eagerness got them into trouble. Lucy was so allured by the prospect of accessing an Uwezo fund loan that she managed to rather quickly pull together a large amount of savings—KSh 10,000 in her group. But because this group was the only one she knew about that was pursuing this opportunity, she didn't feel like she could be picky about leadership and governance issues. And it cost her, losing KSh 3,000 to corruption within the group. For her, that was a really big loss. And, she never got that transformational opportunity that motivated her participation in the first place. We also see Annette making a big gamble, putting nearly all of her eggs in one basket, and losing. She is certainly sad that her situation has since become quite dire, but she doesn't regret her efforts to buy the entire lorry of

molasses. For her, that was a huge opportunity. She had to try.

Reality requires that Kenyans use a wide range of different kinds of financial tools to do all kinds of financial jobs. Undoubtedly, ones that give access to quick, small amounts of liquidity—like credit from the shop—are incredibly useful, and respondents even tell us so. But the tools that seem to enable transformation tend to be in the growth space, where larger sums can be invested to unlock new kinds of opportunities. This is big money (relative to average incomes), but not huge money, in the KSh 10,000–KSh 100,000 range. ROSCAs are powerful in providing these kinds of sums in incremental ways for those with some active business and capacity to save regularly. Only for those who are already earning more than they need are the larger sums available, even for things like secondary and tertiary education, where the long term returns are clear. Making financial services in Kenya a more powerful force for upward mobility is going to require getting more 'big' money to poorer households. Luckily, there is already a lot of progress to celebrate and—with the digital revolution—an increasing number of new and unconventional ways to do that.



FSD Kenya
Financial Sector Deepening

info@fsdkenya.org • www.fsdkenya.org

FSD Kenya is an independent trust established to support the development of inclusive financial markets in Kenya

5th Floor KMA Centre • Junction of Chyulu Road and Mara Road, Upper Hill

P.O. Box 11353, 00100 Nairobi, Kenya,

T +254 (20) 292300 • **M**, +254 (735) 319706