Understanding the unmet financial needs and opportunities of key segments in Kenya
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Kenya is a leader in financial access in Africa. According to the latest FinAccess survey, 80% of Kenyan adults have a transactional account and 83% own at least one formal financial device. But as Kenya advances to middle-income status, it is not account ownership that is critical for its inclusive economic development, but rather the effective usage of financial services for improved welfare. Understanding how well existing financial services meet the current needs of consumers is necessary to promote both greater usage of financial services and deepen economic inclusion.

An inclusive financial sector is a key enabler for Kenya’s long-term development objectives. Kenya’s Vision 2030 was launched in 2008 as Kenya’s development blueprint for 2008 to 2030. It aims to make Kenya a newly industrialising, “middle-income country providing high quality of life for all its citizens by the year 2030.” The latest plan that guides this vision – the MTP III 2018-2022 – is centred on four primary objectives that act as guideposts for economic development and progress in Kenya today.

These four objectives, the “Big 4” Agenda, include:

1. **Industrialisation, manufacturing and agro-processing** to increase the manufacturing share of GDP from 9% to 15% and agro-processing to at least 50% of total agricultural output

2. **Affordable housing** to build 500,000 affordable homes across the country in five years

3. **Food and nutrition security** through the construction of multi-purpose dams and food storage facilities, among other interventions

4. **Universal health coverage** to be achieved by providing 100% healthcare coverage

The financial sector can play a role in catalysing these changes by providing access to meaningful financial solutions that empower individuals, meet their needs, and contribute to broader economic development in Kenya.

To identify market opportunities to meet the needs of the financially underserved, this study uses FinAccess 2019 data to segment and profile adults in Kenya. Seven priority segments were identified as crucial to the realisation of Kenya’s long-term development strategy and policy objectives, including the “Big Four” agenda. In policy terms, these segments are important because they have the potential to create employment, develop industries, enhance skills, and increase government revenue.

The study draws on the FinNeeds framework which measures inclusion in terms of the extent to which consumers’ financial needs are being met. Needs that are unmet, or not fully met, present opportunities for regulators, policy makers and financial service providers to intervene and better serve these customers. There are four universal...
financial needs – transfer of value, liquidity, resilience, and meeting goals – as outlined in Figure 1.3

Figure 1: Four universal financial needs

Transfer of Value

The ability to send or receive money
76% of Kenyans aged 18+ have received OR made a digital payment in the past 12 months

Liquidity

The need to meet expenses in a single income cycle
62% of Kenyans aged 18+ have experienced liquidity distress in the past 12 months

Resilience

The ability to deal with unexpected financial shocks
36% of Kenyans aged 18+ have experienced a financial shock in the past 12 months

Meeting Goals

The ability to achieve life objectives that require large amounts of money
59% of Kenyans aged 18+ are currently trying to meet a specific goal

The seven segments prioritized in this study represent the ‘financially reachable’; their financial needs could be met by the existing financial services sector. Even the relatively high-earning segments struggle to withstand shocks and meet land and housing-related capital to fund business expansion.

In some cases, unmet financial needs reflect poorly functioning supply chains. In the case of housing finance, for instance, there are well-documented constraints that impede the delivery of affordable housing products. It is therefore critical that needs-based approaches are contextualised to address the underlying (non-financial) blockages.

Each of the priority segments have been profiled in detail in the body of this report. Figure 2 summarises some of the key metrics on financial needs for these segments.

3 The FinNeeds framework, pioneered for the first time in the FinAccess 2019 survey, was originally developed by insight2impact (i2i), a South African think tank. The framework measures how effectively the uptake and usage of available financial services meets the needs of consumers.
## Summary of financial needs metrics for the seven priority segments

<table>
<thead>
<tr>
<th>Segment size (adults 18+)</th>
<th>REGIONAL MARKET FARMERS</th>
<th>LOCAL MARKET FARMERS</th>
<th>SOPHISTICATED BUSINESSES</th>
<th>URBAN SMALL BUSINESSES</th>
<th>PUBLIC SECTOR WORKERS</th>
<th>URBAN WAGE EARNERS</th>
<th>URBAN ASPIRATIONAL YOUTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 M</td>
<td>4.2 M</td>
<td>490,000</td>
<td>2.2 M</td>
<td>900,000</td>
<td>2.2 M</td>
<td>1.2 M</td>
<td></td>
</tr>
<tr>
<td>% who receive their income/payment from main income source directly into an account</td>
<td>58%</td>
<td>5%</td>
<td>70%</td>
<td>19%</td>
<td>93%</td>
<td>88%</td>
<td>46%</td>
</tr>
<tr>
<td>% who have made any digital payment (including remittance payments) in the past 12 months</td>
<td>80%</td>
<td>62%</td>
<td>95%</td>
<td>91%</td>
<td>96%</td>
<td>99%</td>
<td>91%</td>
</tr>
<tr>
<td>% of have experienced liquidity distress in the past 12 months</td>
<td>57%</td>
<td>57%</td>
<td>36%</td>
<td>56%</td>
<td>48%</td>
<td>46%</td>
<td>50%</td>
</tr>
<tr>
<td>% who experienced a financial shock in the past 12 months</td>
<td>46%</td>
<td>40%</td>
<td>37%</td>
<td>35%</td>
<td>38%</td>
<td>34%</td>
<td>24%</td>
</tr>
<tr>
<td>% who are currently trying to meet a specific goal</td>
<td>58%</td>
<td>48%</td>
<td>79%</td>
<td>76%</td>
<td>65%</td>
<td>84%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Source: FinAccess Survey 2019
2. SEVEN PRIORITY SEGMENTS OF THE FINANCIALLY UNDERSERVED IN KENYA

01 Regional Market Farmers

SEGMENT DESCRIPTION Regional Market Farmers grow cash crops like tea, coffee, and cotton, and often food crops and livestock as well. They sell their produce through organized value chains to cooperatives, companies, or processing factories. The more than 1 million Regional Market Farmers represent 18% of farmers in Kenya.

REASON FOR PRIORITISATION Regional Market Farmers are an important driver of economic activity in Kenya. Ensuring the ongoing resilience and growth of farmers in this segment is therefore critical to meet key policy objectives and facilitate economic development.

OVERVIEW OF FINANCIAL NEEDS Regional Market Farmers show progress in the digitisation of payments along their value chains; 58% have received a farm-related payment directly into an account and 44% have paid their suppliers and/or workers digitally.\(^4\) Among the seven priority segments, they are the most likely to have experienced liquidity distress, and the most likely to have experienced a financial shock in the past 12 months. The shocks they face are often related to their health and farm (e.g., crop loss due to natural disaster). Nearly 60% are currently working toward a specific goal (e.g., children’s education, farm expansion).

OPPORTUNITIES TO SUPPORT FINANCIAL NEEDS Engaged in global agricultural value chains, Regional Market Farmers face substantial volatility from export markets and climate. There are opportunities to leverage their economies of scale and build stronger digital ecosystems connecting inputs, markets, and consumption. Where Regional Market Farmers can diversify markets, improve value addition, introduce risk reducing climate smart technologies and strengthen their value chains (e.g., through training, extension, finance), this could improve their resilience and income and contribute to sectoral growth. Finance has a role to play in strengthening value chains and supporting the livelihoods of Regional Market Farmers. For example, climate finance could draw in investment to support more resilient production and processing technologies, mitigating the impact of climate-related shocks. 47% of Regional Market Farmers belong to SACCOs, which are deeply embedded in value chains. Policies that improve the capacity, capitalisation, and underwriting of SACCOs could enable them to play a stronger role in intermediating risk and investment, supporting both the production and consumption ends of farmer livelihoods.

A relatively high number of Regional Market Farmers (66%) have either made or received digital payments directly linked to their farming activities. This points to an opportunity to build on digital ecosystems to improve farmer resilience and investment opportunities. Warehouse discounting, credit scoring, and solutions that convert lumpy payment cycles into monthly salaries could help smooth consumption. Digitisation could also help to channel income directly towards agricultural and household needs through automating payments for health insurance and education, as well as utilities, inputs, and asset acquisition.

Diversification of livelihoods and assets is also important for resilience. While men are more likely to own assets and direct livelihoods, women play a crucial role in these agricultural enterprises and can make important contributions to livelihood diversification beyond agriculture. Solutions such as joint accounts could support diversification through streamlining income and investment across household economies and decision making.

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\(^4\) Digital payments include all payments made via mobile money, bank transfer, bank cheque, or via credit card or debit card.
REGионаl Market FARMers

1.1 million adults 18+

This segment accounts for 18% of farmers in Kenya (based on main income source) and 4% of Kenyans aged 18+.

Livelihood

Regional Market Farmers mostly sell cash crops such as coffee and tea, although some sell food crops (e.g., cereals and tubers) or livestock. They operate within relatively organized value chains, selling produce through farmers’ cooperatives or to a company, manufacturer or factory.

Agricultural Activities

- Sell cash crops: 81%
- Sell food crops: 37%
- Sell livestock outputs: 25%
- Sell livestock: 16%

Main Sales Place for Produce

- Farmers’ cooperative: 41%
- Company, manufacturer or factory: 41%
- Brokers: 7%
- Other: 11%

36% have additional income sources, mostly casual work and support from family or friends.

Demographics

- While Regional Market Farmers tend to be poor and have low levels of education, they are noticeably better off than Local Market Farmers. Just over half of the segment are male and the segment tends to be older; more than half are 50 years or older. The segment is most concentrated in the Central Province.

Financial Product Portfolio

Transaction Account

- 88% of the segment has a transactional account

This is mostly driven by mobile money uptake; 84% of the segment has a mobile-money account and 44% have a bank account.

Savings

- 88% of the segment is currently saving

82% of the segment saves with a formal financial device – in a mobile-money account or a SACCO.

35% of the segment has an informal savings device, including a savings group, and 33% keep their savings with a friend or family member or in a secret place.

Just 6% of the segment has a pension, most intend to live off their farms in their old age.

Credit

- 56% of the segment is currently borrowing

38% of the segment has an informal credit device, mostly taking goods and services on credit from a shopkeeper.

30% of the segment has a formal credit device, mostly from SACCOS. And 10% are currently borrowing from their family and friends.

Insurance

- 44% of the segment has insurance

This is driven by the NHIF: 37% of the segment is a member of the NHIF. A further 13% have other insurance.

Financial Health Index

- 72% have the ability to cope day-to-day
- 47% have the ability to cope with risk
- 20% have the ability to invest in their livelihoods and the future

27% are considered financially healthy.

This is slightly higher than the national average; for all Kenyan adults 21% are considered financially healthy.
SEGMENT DESCRIPTION Local Market Farmers grow food crops such as maize, cabbages and potatoes and sell them at local markets and to local traders and brokers. Over 4 million adults aged 18 and over are Local Market Farmers, representing 17% of adults and two-thirds of farmers in Kenya.

REASON FOR PRIORITISATION Local Market Farmers are one of the largest segments in Kenya. Meeting their financial needs can boost the economic welfare of individual farmers and their households and contribute to food.

OVERVIEW OF FINANCIAL NEEDS Local Market Farmers operate within loose, unstructured value chains. They are the most vulnerable of the seven segments and face high liquidity distress; 35% have ‘often’ or ‘sometimes’ gone without enough food to eat. They are also susceptible to financial shocks which have a significant impact on household welfare and prevent focus on longer-term goals.

OPPORTUNITIES TO SUPPORT FINANCIAL NEEDS FSPs can find Local Market Farmers a challenge to profitably serve, though the segment is very large with relatively straightforward financial needs. It may be possible for FSPs to create simple, low-cost solutions at scale.

Local Market Farmers are highly vulnerable to shocks. They have very limited liquidity and rely heavily on non-financial mechanisms to cope, largely their own social networks. When major shocks affect whole communities, this strategy is unfeasible. Traditional insurance is costly, given the large and systemic nature of shocks like natural disasters. Formal safety nets to reduce vulnerability would improve the resilience of this segment and reduce the burden on their social networks.

Although Local Market Farmers operate in loose value chains without major aggregators, there may be opportunities to leverage their high levels of social capital, especially among women, to create scale and improve coordination. Chamas (groups) could provide the coordination to lower the costs of delivering extension services and build the capacity and networks necessary for maximising the value of small agricultural enterprises. They could also provide a structure for Local Market Farmers to aggregate and create more efficient market linkages, for example through platform-based solutions, generating the economies of scale to support small-scale agriculture.

Technology-driven green infrastructure development and sustainable micro-production could provide a driving force to support small-scale agriculture. For instance, solar powered micro-grids for rural communities are being leveraged to drive drip irrigation and kickstart income generating activities such as chicken farming and electric boda bodas.

Local Market Farmers could also diversify livelihoods and improve resilience through microenterprise. Savings groups (ASCAs) can support livelihood diversification through basic saving and borrowing solutions which yield small amounts of capital for business investment.

Mutualising investment and risk by leveraging social capital would be more powerful in conjunction with large investments in infrastructure and extension services. Self-organised farmer groups can only go so far without larger-scale investment to (re)build and improve infrastructure. Government has a crucial role to play, and the potential for reigniting a coordinated sectoral development policy in the context of new innovations in technology and business models is substantial.
LOCAL MARKET FARMERS
4.2 Million adults 18+

This segment accounts for 66% of farmers in Kenya (based on main income source) and 17% of adults (18+)

LIVELIHOOD

Local Market Farmers grow food crops such as maize, cabbages and potatoes. They sell their produce at local markets to brokers, local traders and to their neighbours.

AGRICULTURAL ACTIVITIES

- Sell food crops: 89%
- Sell livestock outputs: 16%
- Sell cash crops: 5%
- Sell livestock: 4%

MAIN SALES PLACE FOR PRODUCE

- Nearest market centre: 33%
- Brokers: 29%
- Local traders/wholesalers: 18%
- Neighbours/family/friends: 14%
- Other: 5%

Have additional income sources, mostly casual work and support from family or friends.

DEMOGRAPHICS

This segment is poor relative to the other priority segments and has low levels of education. They are more likely to be female and have a younger age profile relative to Regional Market Farmers. Local Market Farmers are concentrated in the Rift Valley, Nyanza, and the Eastern and Western Provinces.

GENDER

- Male: 43%
- Female: 57%

AGE GROUP

- 51+: 40%
- 36-50: 31%
- 26-35: 21%
- 18-25: 8%

MONTHLY INCOME (KSH)

- 15,001+: 10%
- 7,501-15,000: 14%
- 3,001-7,500: 31%
- <3,001: 43%

69% have only a PRIMARY SCHOOL EDUCATION or less

FINANCIAL PRODUCT PORTFOLIO

- Transactional account: 73% of the segment has a transactional account
  - This is driven by mobile money uptake; 72% of the segment has a mobile-money account. Just 17% have a bank account.

- Savings: 66% of the segment is currently saving
  - Less than half (48%) of the segment saves with a formal financial device – mostly in their mobile-money account or with a SACCO
  - 30% of the segment has savings with an informal device, including a savings group, and 24% keep their savings with a friend/family member or in a secret place
  - Just 4% of the segment has a pension, most intend to live off their farms in their old age

- Credit: 42% of the segment is currently borrowing
  - Informal credit devices are used most often (34% of the segment has an informal credit device); mostly taking goods and service on credit from a shop keeper
  - 12% of the segment has a formal credit device and 8% are currently borrowing from their family and friends

- Insurance: 18% of the segment currently has insurance
  - This is driven by the NHIF, 18% are a member of the NHIF. A further 2% have other insurance.

FINANCIAL HEALTH INDEX

- 53% have the ability to cope day-to-day
- 31% have the ability to cope with risk
- 11% have the ability to invest in their livelihoods and the future

14% are considered financially healthy

This is lower than the national average for all Kenyan adults where 21% are considered financially healthy.

LOCAL MARKET FARMERS
grow food crops such as maize, cabbages and potatoes. They sell their produce at local markets to brokers, local traders and to their neighbours. This segment is poor relative to the other priority segments and has low levels of education. They are more likely to be female and have a younger age profile relative to Regional Market Farmers. Local Market Farmers are concentrated in the Rift Valley, Nyanza, and the Eastern and Western Provinces.
SEGMENT DESCRIPTION Sophisticated Business Owners are registered, almost half operate in wholesale and retail trade, and their businesses tend to have multiple employees. They have access to business-specific financial devices such as business bank accounts (45%) and till numbers (58%). This segment includes 490,000 adults over 18 years old and accounts for 11% of business owners in Kenya (based on their main income source).

REASON FOR PRIORITISATION Sophisticated Business Owners include major employers and could be a key driver of digital payment adoption. Ensuring that the financial sector can successfully meet the financial needs of Sophisticated Business Owners will enhance their contribution to broad trade, economic activity and employment.

OVERVIEW OF FINANCIAL NEEDS Sophisticated Business Owners are the least likely of the seven segments to have experienced liquidity distress. However, over one-third were unable to meet their regular expenditures and nearly 40% experienced a shock in the past 12 months. Sophisticated Business Owners are the second most likely segment to work toward a specific goal; 79% are focused on a goal, largely related to business expansion and housing or land.

OPPORTUNITIES TO SUPPORT FINANCIAL NEEDS There is clearly an opportunity to extend digital payments among Sophisticated Business Owners: 30% only accept cash payments from customers and almost 50% pay suppliers and employees in cash only. Digitising payments along the value chain has the potential to build stronger relationships between businesses and suppliers, as well as provide greater transparency and encourage value chain financing.

A quarter of Sophisticated Business Owners are currently trying to expand their business. FSPs need to understand the specific challenges they face and create tailored solutions to help manage liquidity and improve business resilience. Solutions will differ across and within value chains and involve closer synergies between financial and non-financial tools. For instance, even when a business case looks strong, Sophisticated Business Owners may not have the business planning tools to effectively convey this to financiers, resulting in missed opportunities for both parties. This also points to the need for better ecosystem support for successful businesses, including tools and training to help with business strategy planning, business cycle planning, business finance planning, and strong human resources to improve the efficiency of business operations.

Sophisticated Business Owners are the second most likely of the priority segments to be working towards housing or land-related goals. They are the most likely segment to be specifically trying to develop investment properties for resale or to rent. However, despite being relatively wealthy, Sophisticated Business Owners may find it difficult to access longer-term finance. Many may not have salary slips, a common requirement for lenders, and their incomes might vary from month to month. This represents an opportunity to innovate around alternative underwriting approaches that specifically include projected rental income or informal lending scoring models for mortgages.
### Sophisticated Businesses

**490,000 adults 18+**

This segment accounts for 11% of business owners in Kenya (based on main income source) and 2% of all Kenyans 18+.

### Livelihood

Sophisticated businesses are registered and most have multiple employees. The businesses have access to business-specific financial devices such as business bank accounts and till numbers. Most are in the wholesale and retail trade.

### Financial Services for Businesses

<table>
<thead>
<tr>
<th>Financial Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Till number</td>
<td>58%</td>
</tr>
<tr>
<td>Business bank account</td>
<td>45%</td>
</tr>
<tr>
<td>Business insurance</td>
<td>20%</td>
</tr>
<tr>
<td>Card reader</td>
<td>10%</td>
</tr>
</tbody>
</table>

- **31%** are one-person businesses
- **23%** had five or more paid workers on average over the past 12 months
- **98%** are registered businesses

### Top 3 Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale &amp; retail trade</td>
<td>45%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>11%</td>
</tr>
<tr>
<td>Professional, technical, admin</td>
<td>7%</td>
</tr>
</tbody>
</table>

### Demographics

**Gender**

- Male: 62%
- Female: 38%

**Age Group**

- 18 - 25: 18%
- 26 - 35: 32%
- 36 - 50: 35%
- 51+: 14%

### Monthly Income (KSH)

- **30,001 +**: 53%
- **15,001 - 30,000**: 20%
- **7,501 - 15,000**: 20%
- **< 7,500**: 3%

### Financial Health Index

- **87%** have the ability to cope day-to-day
- **82%** have the ability to cope with risk
- **67%** have the ability to invest in their livelihoods and the future

**71%** are considered financially healthy

This is higher than the national average for all Kenyan adults where 21% are considered financially healthy

### Financial Needs

**Transaction Account**

97% of the segment has a transactional account

Most of the segment has a mobile-money account (94%) and a bank account (83%). Almost 60% of the segment uses mobile banking.

**Savings**

96% of the segment is currently saving

Most of the segment (96%) saves with a formal device – in a mobile money or bank account

42% of the segment has savings with an informal device and 36% keep their savings with a friend or family member or in a secret place

A third of the segment has a pension, with 32% having a mandated pension with the NSSF

**Credit**

64% of the segment is currently borrowing

Formal credit devices are used most often; 51% of the segment has a formal credit device, mostly via mobile banking or loan from a bank

30% of the segment has an informal credit device. And 16% are currently borrowing from their family and friends

**Insurance**

71% of the segment currently has insurance

This is driven by the NHIF, 67% of the segment are members of the NHIF. A further 31% have other insurance (mostly car insurance – 25%)
SEGMENT DESCRIPTION Most Urban Small Business Owners are in the retail trade. They tend to be unregistered, consist of a single person, and do not have access to business-specific financial services. Urban Small Business Owners tend not to keep business records and many do not separate the financial affairs of their businesses from those of their households. This segment accounts for over half of business owners in Kenya (based on their main income source) and 9% of all Kenyans over 18 years old.

REASON FOR PRIORITISATION Urban Small Business Owners play an important role in urban economic development and could drive the digitisation of payments. If effectively served, some have the potential to graduate into more sophisticated businesses that can support economic growth in Kenya.

OVERVIEW OF FINANCIAL NEEDS Less than 20% of Urban Small Business Owners has accepted a digital payment from a customer in the past 12 months, and only 9% have paid suppliers and/or employees digitally. They are vulnerable to liquidity distress; more than half were unable to pay their regular expenditures in the past 12 months and more than a third experienced a financial shock. Almost 80% of Urban Small Business Owners are working toward a goal, mostly to expand their business.

OPPORTUNITIES TO SUPPORT FINANCIAL NEEDS Urban Small Business Owners are younger and more likely to be female. Though they operate in dynamic urban economies, the high cost of having young families puts pressure on liquidity, constraining business growth. For Urban Small Business Owners, social transfers such as a child benefit could ease pressures on household liquidity, while education finance solutions could help to mitigate some of the additional costs associated with raising families. This could create a stronger foundation for Urban Small Business Owners to grow and thrive.

Currently, Urban Small Businesses are almost entirely cash based, partly due high upfront set-up costs and lack of documentation. Cash also maximises the flexibility to negotiate a marginal economy with substantial pressures on both income and expenditure flows. At the same time, digitisation could offer significant benefits to business owners. There may be opportunities to ease constraints on business liquidity through value-chain specific trade finance (e.g., FMCGs). In this context digitisation has the potential to build stronger relationships between businesses and suppliers by providing greater transparency and efficiency to support value chain financing. From the perspective of the financial sector, the visibility created through digital trails could help informal businesses unlock access to capital from FSPs.

Whether or not digitised payments solutions can add value for Urban Small Business Owners, improving access to and their capacity to leverage smart phones could yield substantial gains. While almost all Urban Small Business Owners have access to a mobile phone, just over half (55%) say they can download and install applications on their phones. Smart phones can improve know-how and capacity for business development through online training and business management tools such as apps with simple accounting features. Smart phones can also improve connectivity across business and social networks through social media marketing. Some banks also offer business training and financial literacy for their business customers, especially women. Linking banks to Urban Small Business Owners could help scale these initiatives.
URBAN SMALL BUSINESSES
2.2 Million adults 18+
This segment accounts for 50% of business owners in Kenya (based on main income source) and 9% of all Kenyans 18+.

LIVELIHOOD
Most Urban Small Businesses are in the retail trade, they tend to be unregistered and consist of a single person. They do not have access to business financial services. Most owners do not keep business records and they likely mix household and business finances so that revenue and profits are uncertain.

FINANCIAL SERVICES FOR BUSINESSES

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Till number</td>
<td>2%</td>
</tr>
<tr>
<td>Business bank account</td>
<td>1%</td>
</tr>
<tr>
<td>Business insurance</td>
<td>0%</td>
</tr>
<tr>
<td>Card reader</td>
<td>0%</td>
</tr>
</tbody>
</table>

84% are one-person businesses
13% had two paid workers on average over the past 12 months
29% are registered businesses (5% have a permit)

TOP 3 ACTIVITIES

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale and retail trade</td>
<td>60%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10%</td>
</tr>
<tr>
<td>Other community/social services</td>
<td>8%</td>
</tr>
</tbody>
</table>

FINANCIAL NEEDS

Transaction account
93% of the segment has a transactional account
This is mostly driven by mobile money uptake; 93% have a mobile-money account and 46% of the segment has a bank account

Savings
89% of the segment is currently saving
Most of the segment (82%) saves with a formal financial device, in a mobile-money account or a SACCO
43% of the segment is saving with an informal device, including a savings group, and 29% keep their savings with a friend or family member or in a secret place
Just 10% of the segment has a pension, with 9% having a mandated pension with the NSSF

Credit
55% of the segment is currently borrowing
Informal credit devices are used most often; 36% of the segment has an informal credit device; mostly taking goods and services on credit from a shop keeper
32% of the segment has a formal credit device; mostly via mobile banking. And 11% are currently borrowing from their family and friends

Insurance
34% of the segment currently has insurance
30% of the segment is a member of the NHIF. A further 9% have other insurance

FINANCIAL HEALTH INDEX

71% Have the ability to cope day-to-day
55% Have the ability to cope with risk
32% Have the ability to invest in their livelihoods and the future

33% are considered financially healthy
This is higher than the national average for all Kenyan adults where 21% are considered financially healthy

DEMOGRAPHICS

Urban Small Business owners are more likely to be female and are relatively young. One-third of the segment comprises women under 35 years old. Their education levels vary, while 40% have only a primary education or less, 21% have at least some tertiary education. They are most concentrated in Nairobi and Mombasa.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Male</td>
<td>55%</td>
</tr>
<tr>
<td>Female</td>
<td>45%</td>
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<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>15%</td>
</tr>
<tr>
<td>26-35</td>
<td>39%</td>
</tr>
<tr>
<td>36-50</td>
<td>33%</td>
</tr>
<tr>
<td>51+</td>
<td>13%</td>
</tr>
</tbody>
</table>

MONTHLY INCOME (KSH)

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 7,500</td>
<td>32%</td>
</tr>
<tr>
<td>7,501 - 15,000</td>
<td>32%</td>
</tr>
<tr>
<td>15,011 - 30,000</td>
<td>22%</td>
</tr>
<tr>
<td>30,001+</td>
<td>9%</td>
</tr>
</tbody>
</table>

93% of the segment has a transactional account
This is mostly driven by mobile money uptake; 93% have a mobile-money account and 46% of the segment has a bank account

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SEVEN PRIORITY SEGMENTS

05 Public Sector Workers

SEGMENT DESCRIPTION Public Sector Workers operate in education and other government positions. This segment accounts for 27% of employees in Kenya (based on their main income source) and 4% of Kenyans over 18 years old.

REASON FOR PRIORITISATION Public Sector Workers are key enablers of business activity and sustainable economic growth. They are major contributors to pensions and long-term savings and often support dependants. With relatively high and stable monthly salaries, Public Sector Workers stand out in terms of their high usage of credit. They are targeted by credit providers because of their relatively high, stable income; in addition, loan instalments can be deducted directly from their salaries. Two-thirds of Public Sector Workers are currently using a formal credit product.

OVERVIEW OF FINANCIAL NEEDS Almost half of Public Sector Workers has experienced liquidity distress in the past 12 months, despite their stable incomes. This may reflect high levels of indebtedness. Almost 40% of Public Sector Workers experienced a financial shock in the past 12 months, largely related to health. Two-thirds are currently trying to meet a specific goal, mostly for education and housing or land-related goals.

OPPORTUNITIES TO SUPPORT FINANCIAL NEEDS There is a visible housing need. Though one of the wealthier segments, 32% of Public Sector Workers live in inadequate dwellings. Given their stable incomes, Public Sector Workers are prime candidates for mortgage finance, and an attractive market for innovative solutions in housing finance (e.g., I-Build, climate/green investment). However, given supply-side constraints in the housing market, such as lack of title and serviced land and poor municipal capacity to grant planning approval, more finance directed into a constrained supply chain is likely to result in higher prices. In the absence of a systemic overhaul of the housing value chain, the development of housing finance is likely to be counter-productive, no matter how well aligned with market needs.

Almost a quarter of Public Sector Workers experienced a health-related shock in the past 12 months. While nearly 90% of those who experienced this shock have NHIF, just 16% used insurance as the main coping device. More research is required on the limited usage of NHIF and opportunities to restructure the NHIF and/or for the private sector to offer supplementary cover.

A third of Public Sector Workers spend more than half of their monthly income on debt repayments, which appears to limit their ability to manage liquidity. These loans, mostly from SACCOS and banks, are used largely for education, housing, and land. At the same time, Public Sector Workers are among the segments most vulnerable to demands from social networks and dependants who lack access to formal safety nets, which puts pressure on their liquidity. To understand the impact of debt on their resilience and growth prospects, more research is required on actual (rather than stated) use of the loans, alternative sources of income, and supply-side pressures (e.g., marketing practices of credit providers).

Improved access to investment products and pension schemes could help Public Sector Workers lock away available liquidity and be less vulnerable to pressures from social networks and the impacts of debt. There may also be opportunities to improve the effectiveness of social network investments. Innovative solutions could help them better plan their social network related expenditures, for instance, through regular payments for relatives’ health or education expenses.

5 Dwellings are defined as potentially inadequate if the type of building is defined as “temporary”, “semi-permanent” or “traditional”, or the dwelling does not have an adequate toilet, including a bucket, uncovered pit latrine or none, or the dwelling is over-crowded defined as having more than three people per sleeping room.

6 For more information on the challenges of developing affordable housing see CAHF research: http://housingfinanceafrica.org/documents/case-study-13-delivering-affordable-housing-in-kenya-the-case-of-karibu-homes-ltd/
PUBLIC SECTOR WORKERS
900,000 adults 18+
This segment accounts for 27% of employees in Kenya (based on main income source) and 4% of Kenyans 18+.

LIVELIHOOD
This segment works in the education sector and in other government positions. They have relatively high and stable monthly salaries.

TOP 5 OCCUPATIONS
- Education 45%
- Gov/Public admin/Police/Defence 28%
- Health and social work 8%
- Security/Gatekeeper 8%

MONTHLY INCOME (KSH)
- KSh30,000 + 38%
- KSh15,000 - 30,000 33%
- < KSh15,000 26%

Public sector workers stand out in terms of their high usage of credit. Two-thirds of the segment are currently using a formal credit product. They are likely targeted by credit providers because they have a relatively high, stable income and since loan payments can be deducted directly from their salary, which reduces late repayment risk.

DEMOGRAPHICS
Just under half of public sector workers are female (47%). Public sector workers have the highest level of education of all priority segments with the majority having a tertiary education. Half of public sector workers live in rural areas and half in urban areas.

GENDER
- Male 53%
- Female 47%

AGE GROUP
- 51+ 19%
- 36-50 39%
- 26-35 33%
- 18-25 9%

WEALTH QUINTILE
- Top 40% 71%
- Middle 20% 21%
- Bottom 40% 8%

FINANCIAL NEEDS

Transaction account
99% of the segment has a transactional account
Most of the segment has a mobile-money account and a bank account. Over 40% use mobile banking.

Savings
100% of the segment is currently saving
99% of the segment saves with a formal financial device – mostly in their bank accounts or with a SACCO.
41% of the segment has savings with an informal device, including a savings group, and 24% keep their savings with a friend/family member or in a secret place.
70% of the segment has a pension, 61% have a mandated pension with the NSSF and 14% having other pensions.

Credit
74% of the segment is currently borrowing
Formal credit devices are used most often; 66% of the segment has a formal credit device, mostly taking loans from a SACCO, bank and via mobile banking.
26% of the segment has an informal credit device. And 8% are currently borrowing from their family/ friends.

Insurance
98% of the segment currently has insurance
This is driven by the NHIF, 96% of the segment is a member of the NHIF. 34% have other insurance.

FINANCIAL HEALTH INDEX
- 79% Have the ability to cope day-to-day
- 78% Have the ability to cope with risk
- 50% Have the ability to invest in their livelihoods and the future

60% are considered financially healthy
This is higher than the national average for all Kenyan adults where 21% are considered financially healthy.
SEGMENT DESCRIPTION  Urban Wage Earners are employed in the private sector in manufacturing, private households, and retail trade. Their jobs are more formal and most receive their salaries or wages directly into their bank accounts. Most Urban Wage Earners have NHIF and almost 80% have a pension through the NSSF. This segment of 1.15 million adults over 18 years old accounts for 35% of employees in Kenya (based on their main income source).

REASON FOR PRIORITISATION  Urban Wage Earners are likely the primary market for the affordable housing developed as part of the Big 4 Agenda. While one of the higher income segments on average, most Urban Wage Earners still lack access to financial services and a noticeable minority are relatively low-income earners.

OVERVIEW OF FINANCIAL NEEDS  All Urban Wage Earners made a digital payment in the past 12 months though 46% also experienced liquidity distress, despite their relatively high, stable incomes. More research is needed to understand the drivers of their liquidity distress. Just over one-third of Urban Wage Earners still lack access to financial services and a noticeable minority are relatively low-income earners.

OPPORTUNITIES TO SUPPORT FINANCIAL NEEDS  Almost half of Urban Wage Earners (47%) are trying to achieve a housing or land-related goal, thus it follows that a significant proportion (26%) also have a clear housing need. Many live in dwellings characterised as “semi-permanent” or “temporary” or in over-crowded conditions. A significant proportion of Urban Wage Earners use non-financial mechanisms to achieve these goals (e.g., changing their behaviour by reducing consumption or working additional hours of jobs to accumulate funds). There is a clear opportunity for FSPs to innovate in housing finance, both in relation to mortgages as well as other solutions such as rent-to-buy and modular building loans. Given that Urban Wage Earners receive steady incomes, they are an attractive segment for housing finance.

Almost 20% of Urban Wage Earners experienced a health-related shock in the past 12 months. While 87% of those who experienced this shock have NHIF, just 10% used insurance as their main coping device. More research is required to explore the limitations of NHIF and the potential for private sector solutions that offer supplementary cover.
URBAN WAGE EARNERS

1.15 M adults 18+

This segment accounts for 35% of employees in Kenya (based on main income source) and 5% of Kenyans 18+.

LIVELIHOOD

Urban wage earners are employed in the private sector in manufacturing, private households and the retail trade. Their jobs appear formalised with most receiving their salary or wage directly into a bank account. Most of the segment has NHIF and almost 80% have a pension through the NSSF.

TOP 6 OCCUPATIONS

- Manufacturing: 15%
- Private household services: 14%
- Wholesale and retail trade: 14%
- Financial and insurance activities: 12%
- Transport and Storage: 7%
- Accommodation and Food service: 7%

MONTHLY INCOME (KSH)

- KSh30,000 +: 27%
- KSh15,000 - 30,000: 33%
- < KSh15,000: 37%

LIVELIHOOD

Urban wage earners are employed in the private sector in manufacturing, private households and the retail trade. Their jobs appear formalised with most receiving their salary or wage directly into a bank account. Most of the segment has NHIF and almost 80% have a pension through the NSSF.

FINANCIAL NEEDS

Transaction account

100% of the segment has a transactional account

This is mostly driven by mobile money uptake; 99% of the segment has a mobile-money account and 92% have a bank account

Savings

100% of the segment is currently saving

100% of the segment saves with a formal financial device – in their mobile-money accounts or with a SACCO

34% of the segment saves with an informal device, including a savings group, and 33% keep their savings with a friend or family member or in a secret place

77% of the segment has a pension, with 77% having a mandated pension with the NSSF

Credit

70% of the segment is currently borrowing

Formal credit devices are used most often; 47% of the segment has a formal credit device, mostly mobile banking loans and digital loans via phone apps

32% of the segment has an informal credit device and 20% are currently borrowing from their family/friends

Insurance

94% of the segment currently has insurance

This is driven by the NHIF, 92% of the segment is a member. A further 16% have other insurance

DEMOGRAPHICS

A large proportion of Urban Wage Earners are male and most are under 36 years old. Most have a secondary education, 20% have technical training and a further 20% have at least some university education. This segment is mainly located in Nairobi.

GENDER

- Male: 70%
- Female: 30%

AGE GROUP

- 51+: 4%
- 36 - 50: 30%
- 26 - 35: 45%
- 18 - 25: 20%

WEALTH QUINTILE

- Top 40%: 84%
- Middle 20%: 12%
- Bottom 40%: 4%

FINANCIAL HEALTH INDEX

- 89% have the ability to cope day-to-day
- 75% have the ability to cope with risk
- 57% have the ability to invest in their livelihoods and the future

63% are considered financially healthy

This is higher than the national average for all Kenyan adults where 21% are considered financially healthy
07 Urban Aspirational Youth

**SEGMENT DESCRIPTION** Between the ages of 18 and 25, Urban Aspirational Youth have completed secondary school and are looking to either study further or start a business. Almost half are dependent on their families. Some have recently been employed while others work part-time as casual workers or have recently started a business. This segment of 1.2 million adults aged 18 to 25 years old accounts for 24% of Kenyan youth.

**REASON FOR PRIORITISATION** Urban Aspirational Youth are the future engine of the Kenyan economy. Facilitating their growth and development is therefore critical.

**OVERVIEW OF FINANCIAL NEEDS** Half of Urban Aspirational Youth were unable to meet their regular expenditures in the past 12 months. They are the least likely of the priority segments to have experienced a shock, possibly reflecting their dependent status and that they are less prone to health-related shocks. Most Urban Aspirational Youth are currently trying to meet a goal to further their education (30%) and start a business (32%).

**OPPORTUNITIES TO SUPPORT FINANCIAL NEEDS** Urban Aspirational Youth are future-focused and less risk averse, given their lack of exposure to shocks. They have a strong appetite to start businesses and find side hustles, often to support the cost of continued education or skills acquisition. Most use non-financial mechanisms to achieve these goals (e.g., working more, relying on assistance from family members). While their liquidity is constrained in the short-term, however, it is likely to improve significantly as they find employment or start their own business. There may be an opportunity, therefore, to develop products that rely on these future income streams. Partner accredited educational institutions might be well-placed to carry the risk associated with post-study employment outcomes, with the caution that existing education loans have not been successful.

In the same vein, youth businesses could be supported through products that rely on future income streams, possibly in partnership with the state. For example, initiatives designed to help youth secure a foothold in business through enterprise grants could help alleviate capital constraints for aspiring entrepreneurs, especially if coupled with skills building. In addition, supporting youth to develop groups that offer sustainable sources of capital, business and technical skills, and mentoring could be very effective, including resources for on-line self-help group facilitation. A challenge is how such groups can access support over time, particularly during internal conflict.

For Urban Aspirational Youth, their limited capacity to track business and other expenses and their income streams can undermine their ability to understand if they actually make a profit on a daily, weekly, or monthly basis. Digital wallets offer prime opportunities to add solutions that enable users to budget and compartmentalise money. Online tools can also help youth to be more intentional around developing good credit records that enable them to build stronger credit profiles for the future.

Key gaps for Urban Aspirational Youth include the skills and experience to start businesses, maintain their viability, and ultimately grow them. Urban Aspirational Youth are relatively well-educated and digitally literate and could enhance their capacity through access to smart phones and the internet, where a wealth of resources are available, including app-based tools to enable youth to enhance business skills and financial literacy. Facilitating access to phones and data could be transformational for Urban Aspirational Youth, if the costs of accessing data could be addressed.

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7 See https://thesharetrust.com/resources/2018/building-a-digital-platform-for-shg-facilitators
**URBAN ASPIRATIONAL YOUTH**

1.2 M adults 18 - 25

This segment accounts for 24% of youth aged 18-25 and 5% of all Kenyans 18+

**LIVELIHOOD**

Urban Aspirational Youth have completed secondary school. Almost half are still dependent on their families, some have been recently employed or have started a business.

**TOP 5 INCOME SOURCES**

- Money/support from family/friends: 45%
- Employed: 22%
- Running own business: 20%
- Casual worker: 18%
- Farming: 4%

**HIGHEST LEVEL OF EDUCATION ACHIEVED**

- University completed: 13%
- Some university: 17%
- Completed technical training: 10%
- Some technical training: 10%
- Secondary completed: 50%

**DEMOGRAPHICS**

Urban Aspirational Youth are 25 years old or younger and half are female. By definition, they have all completed secondary school and looking to either study further, start a business or move into employment.

**MONTHLY INCOME (KSH)**

- 15,001 +: 22%
- 7,501 - 15,000: 30%
- 3,001 - 7,500: 23%
- < KSH 3,001: 24%

100% have completed secondary school

**FINANCIAL NEEDS**

**Transaction account**

92% of the segment has a transactional account

This is mostly driven by mobile money uptake; 90% of the segment has a mobile-money account and 47% have a bank account

**Savings**

87% of the segment is currently saving

83% of the segment saves with a formal financial device – in their mobile-money account or a SACCO

17% of the segment saves with an informal device, including a savings group, and 33% keep their savings with a friend or family member or in a secret place

Just 15% of the segment has a pension, with 15% having a mandated pension with the NSSF

**Credit**

53% of the segment is currently borrowing

Formal credit devices are used most often; 36% of the segment has a formal credit device, mostly taking digital loans via phone apps or mobile banking

22% of the segment has an informal credit device, 16% are currently borrowing from their family and friends and 11% have a loan from government.

**Insurance**

35% of the segment currently has insurance

This is driven by the NHIF, 31% of the segment has NHIF. A further 8% have other insurance

40% are considered financially healthy

This is higher than the national average for all Kenyan adults where 21% are considered financially healthy
3. USING A NEEDS-BASED APPROACH

Figure 3: Four universal financial needs
Source: Makuvaza et al, 2018

<table>
<thead>
<tr>
<th>TRANSFER OF VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ability to send or receive money such that individuals can live their economic lives. Transfer of value underpins all other financial needs as the core or original function of a financial system.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIQUIDITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ability to manage income flows over expense cycles. This is essential for survival as it describes the ability of individuals to meet their day-to-day needs and maintain productive capacity.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RESILIENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ability to cope with unexpected shocks that have a financial impact.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MEETING GOALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ability to meet foreseeable, desired life objectives, either to grow their economic or financial position or to reach some kind of fulfilment.</td>
</tr>
</tbody>
</table>

3.1 THE NEEDS-BASED FRAMEWORK

This study utilises a framework based on financial needs. This framework, developed by insight2impact, is based on learnings from qualitative research in Kenya and elsewhere indicating that consumers do not think in terms of using a financial product such as savings, credit, payments, or insurance. Instead consumers focus on their underlying need and then the financial services that could help them meet it (Zollman, 2014). This consumer-centric approach is contrary to more mainstream concepts of financial inclusion that focus largely on access to financial products as an end in itself.

Consumers choose financial services based on their underlying needs. People may use multiple products across product markets – both formal and informal – to meet a single need. Four financial needs are identified in financial inclusion literature as being relatively universal among all individuals, irrespective of income bracket, location or demographic (Makuvaza, et al., 2018). As illustrated in Figure 3, these needs include the need to transfer value, to manage liquidity, to be resilient and to meet goals.
3.2 DATA

The data source used in this study is the 2019 FinAccess Household Survey. This is a nationally representative survey with a sample of 8,699 respondents. The 2019 Survey was jointly conducted by the Kenya National Bureau of Statistics (KNBS), the Central Bank of Kenya (CBK) and FSD Kenya.

The dataset includes over 800 data points, covering access to financial services, usage of financial services (including formal and informal financial services), financial needs, financial health and demographic information, among other things.

The 2019 FinAccess survey is the first of the FinAccess surveys to include a section on financial needs and the devices currently being used to meet them. It is impossible to fully explore financial needs and how they are met (or have been met in the past) using a closed-ended survey instrument. With regard to some needs, the survey is retrospective. For instance, the survey explores coping mechanisms used by those who have experienced liquidity distress or a shock in the past 12 months. In other cases, the survey explores current behaviours. For example, in the case of meeting goals, the survey explores how respondents are currently meeting specific goals.

In the case of liquidity, only those who have experienced liquidity distress (because they were unable to meet their regular expenses) identify the main device they used to cope with this distress. Likewise, those who experienced a shock are asked how they coped with the shock (resilience need). Those who have not experienced liquidity distress or a shock still have a need to be liquid and resilient and are using strategies and devices, both financial and non-financial, to manage these needs. However, this is not explored in the survey.

The survey identifies the main mechanism used to cope, for example, with liquidity distress and resilience shocks. However, other research highlights that individuals typically use a portfolio of devices and strategies to meet their needs. A focus on the main device – necessary to manage the complexity of the instrument – will miss some of this diversity.
### 3.3 THE FINANCIAL NEEDS OF KENYANS

Each of the four main financial needs is considered in more detail below for Kenyan adults aged 18 and above.

#### Transfer of value

Transfer of value encompasses the need to make and receive payments.

**Kenya has a high level of digitisation**, with 76% of adults aged 18 or above having either received or made a digital payment\(^8\) in the past 12 months. This is slightly higher for men than women; 81% of men aged 18 and above have either made or received a digital payment versus 74% of women having done the same. This high level of digitisation is driven by the usage of mobile money for domestic remittances.

**Most adults receive their income in cash.** As per Figure 4 below, while many adults have received at least some income via an account\(^9\), cash dominates. For example, over one-third of adults in Kenya earned an income from farming in the past 12 months. Of these, 18% say they received at least one payment for farming activities via an account, while 93% say they received cash. In contrast, of the 87% of Kenyan adults who received a domestic remittance in the past 12 months, 73% received at least one of these payments via an account (dominated by mobile money). Strikingly, however, 65% received a domestic remittance in cash.

**Figure 4 highlights the successes of the Kenyan Government’s push to digitise public transfers.** Over 80% of pensioners received their pension via an account. Furthermore, for the employed overall, 68% receive their income via an account, which increases to over 80% for public sector employees.

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\(^8\) Digital payments include all payments made via mobile money, bank transfer, bank cheque, or via credit card or debit card.

\(^9\) Receiving money into an account includes: income received via mobile money, bank transfer, bank cheque, or via credit card or debit card.
Figure 4: Receiving payments
Proportion of Kenyan adults (18+) receiving income by source and payment method. Source: FinAccess Survey 2019

<table>
<thead>
<tr>
<th>% of adults that receive income (Multiple response)</th>
<th>Received at least one payment in CASH</th>
<th>Received at least one payment via ACCOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farming</td>
<td>93%</td>
<td>18%</td>
</tr>
<tr>
<td>Casual worker</td>
<td>97%</td>
<td>9%</td>
</tr>
<tr>
<td>Money/support from family/friends</td>
<td>85%</td>
<td>33%</td>
</tr>
<tr>
<td>Running own business/Self employed</td>
<td>93%</td>
<td>21%</td>
</tr>
<tr>
<td>Employed</td>
<td>37%</td>
<td>68%</td>
</tr>
<tr>
<td>Money from NGO / Government</td>
<td>69%</td>
<td>33%</td>
</tr>
<tr>
<td>Pension</td>
<td>15%</td>
<td>82%</td>
</tr>
<tr>
<td>Renting</td>
<td>84%</td>
<td>42%</td>
</tr>
<tr>
<td>Earning money from investments</td>
<td>29%</td>
<td>80%</td>
</tr>
<tr>
<td>Received money from inside Kenya</td>
<td>65%</td>
<td>73%</td>
</tr>
<tr>
<td>Received money from outside Kenya</td>
<td>9%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Figure 5: Making payments
Proportion of adults (18+) who have made various payments in the past 12 months and the proportion who made the payment using only cash/ non digital payment methods, versus those that made at least one digital payment for the use case in the past 12 months. Source: FinAccess Survey 2019

<table>
<thead>
<tr>
<th>% of respondents that have made this payment in the past 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sending/Giving money within Kenya</td>
</tr>
<tr>
<td>Paying money to pension schemes</td>
</tr>
<tr>
<td>Sending money outside Kenya</td>
</tr>
<tr>
<td>Paying monthly bills</td>
</tr>
<tr>
<td>Paying school fees</td>
</tr>
<tr>
<td>Paying money to Government</td>
</tr>
<tr>
<td>Paying for assets</td>
</tr>
<tr>
<td>Paying daily expenses</td>
</tr>
</tbody>
</table>

![Legend](image)
Managing liquidity is difficult for a significant portion of Kenyan adults. Two-thirds of adults agreed with the statement “You often have trouble making your money last between the times when you get money” – a statement that presumes income is received less frequently than expenses are incurred. While this is true for those who earn salaries or wages and for those who have seasonal incomes, it may not be the case for owners of small businesses that generate low-value cash flows on a continuous basis. The primary liquidity management need for such individuals might be to accumulate a sufficiently useful lump sum. Over 60% of adults in Kenya say they have experienced liquidity distress since they were unable to meet their regular spending needs at some point in the past 12 months.

Many of those who have experienced liquidity distress rely principally on assistance from social networks. In addition, many change their behaviour by either reducing consumption or taking on additional jobs or working more hours to cope. A further 11% say they did nothing, which might imply they cut back on expenses. Just under 20% of those who experienced liquidity distress depleted their savings; and 20% used credit, mostly informal credit in the form of taking goods and services on credit from a shopkeeper, and borrowing from friends and family.

Figure 6: What is the most important device used when you could not meet your regular spending needs?
Adults 18+ who experienced liquidity distress in the past 12 months
FinAccess Survey, 2019. Note that totals may not add up to 100% due to the omission of “refused” and “not applicable”
Kenyans are vulnerable to shocks. More than one-third of Kenyan adults (36%) say they have experienced large costs from managing a shock in the past 12 months. The most common shocks experienced are health related, with over 20% of respondents reporting having experienced a significant cost from a major sickness, health problem, accident or injury in the past 12 months.

**Figure 7: In the past 12 months, have you experienced big costs from managing...?**

All adults 18+. Source: FinAccess Survey, 2019

- Major sickness/health problem/accident injury: 21%
- Death of a family member or other relative: 11%
- Loss/damage of business/livestock or crop because of natural or other disasters: 10%
- Loss/damage of major asset/money because of theft, disaster or other causes: 4%
- Child birth: 3%
- Death of main income earner: 2%
- Other: 1%
Figure 8 below indicates a strong dependency on family and communities to manage shocks in Kenya. While this reflects strong social bonds and cultural norms, social networks may not be effective when the shocks are severe and widespread. Over 20% of those that have experienced a shock used their savings. However, it is unclear whether these savings were set aside to manage shocks or were diverted from other purposes, for example savings set aside to meet a specific goal. A mere 3% of respondents say they used insurance as the main device to cope with their main shock.

Figure 8: What was the MAIN thing you did to manage your MAIN shock?
Adults 18+ who have experienced a shock in the past 12 months
FinAccess Survey, 2019. Note that totals may not add up to 100% due to omission of “refused” and “not applicable”
Most Kenyans are financially active in meeting a specific long-term goal. Almost 60% of adults say they are currently trying to achieve a specific goal that requires a lot of money. Major goals include starting or expanding a business (17% of the adults say they are currently trying to achieve this goal), education for self or family (14%) and buying or building a house or apartment to live in (11%).

Twenty-one percent (21%) of respondents who are currently trying to achieve a goal used a formal savings product to meet their goal in the past 12 months. More significantly, just under a third (32%) say they changed their behaviour. This includes reducing their expenses or increasing income by taking on additional work. Credit was cited by 15% of those that currently are trying to meet a goal, of which just 8% is formal credit.

Figure 9: What is the most important/main goal that you are currently trying to achieve?
All adults 18+
FinAccess Survey, 2019. Note: 41% of adults say they are not currently trying to meet a specific goal
Figure 10: What are you currently doing, or what have you done in the past 12 months to achieve this goal?

All adults 18+ who are currently trying to meet a specific goal. Source: FinAccess Survey, 2019. Note that totals may not add up to 100% due to omission of “refused” and “not applicable”.

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal credit</td>
<td>8%</td>
</tr>
<tr>
<td>Informal credit</td>
<td>5%</td>
</tr>
<tr>
<td>Borrowed from family/friends/community</td>
<td>2%</td>
</tr>
<tr>
<td>Formal savings</td>
<td>21%</td>
</tr>
<tr>
<td>Informal savings</td>
<td>7%</td>
</tr>
<tr>
<td>Savings held with family/friend/in a secret hiding place</td>
<td>7%</td>
</tr>
<tr>
<td>Sold an asset/livestock</td>
<td>4%</td>
</tr>
<tr>
<td>Got assistance/gift from friends/family/community</td>
<td>7%</td>
</tr>
<tr>
<td>Changed behaviour – consumption or income</td>
<td>32%</td>
</tr>
<tr>
<td>Do nothing</td>
<td>3%</td>
</tr>
</tbody>
</table>
4. SEGMENTATION

4.1 WHY SEGMENT?

Within a population, financial needs will manifest in different ways. For example, an employed person, a farmer and a business owner all face very different liquidity management needs because of their different cash flows. An employed person may expect a stable monthly income, whereas a farmer may receive income in a lump sum at the end of each harvest season. A business owner may receive small, frequent payments from his/her customers. They may also experience very different expense cycles linked to these livelihoods. Managing these income flows against their expense cycles requires different strategies. Likewise, the main goals of a retired couple will likely differ from those of a young, single person, because they are in different life stages and have different priorities and resources.

A segmentation model can be used to identify groups of people who have similar needs, preferences and behaviours. These segments can then be targeted with interventions, products and services most applicable to their specific needs and preferences.

4.2 SEGMENTATION APPROACH

There are many ways to segment a market. Dimensions include an individual’s particular context, belief system, attitudes, behaviours and needs. A segmentation model will never capture all these dimensions. However, segmentation is a useful technique to reduce complexity and can enable a rich understanding of diversity within a population.

There are two main approaches that can be used when segmenting a population: a rules-based approach and a data-driven approach. These are described in Box 1. Each approach has limitations and strengths. A combination of the two techniques has been used in this study.

For more information see: https://www.cgap.org/research/publication/data-driven-segmentation-financial-inclusion
In a **rules-based segmentation model**, segments are defined by a set of rules informed by the analyst’s mental model as to the primary dimensions that differentiate across segments. Examples include segmenting a population by livelihood, age, account ownership and so forth, on the presumption that these characteristics are driving behaviour. This type of segmentation is easy to perform, and because it is underpinned by an existing mental model, the segments are usually intuitive to the audience. However, there is little learning from data, and the segmentation model can be biased by existing beliefs.

**A data-driven approach** uses machine learning to identify clusters of similar customers. This approach can consider similarities across many dimensions. However, the technique relies on the data provided, and so cannot include factors that are poorly captured by the data. For example, young dependants are likely to experience significant change in the next few years, as they move into the economically active market. This future expectation may be a primary driver of their current needs but will not be reflected by a statistical model, because it is not captured in the underlying data. Likewise, consumers living in different geographic areas may display similar behaviours and so would be clustered together by a statistical model. However, different geographic areas may pose very different challenges for FSPs. It may therefore be sensible to target these groups separately. This segmentation technique is also sensitive to spurious data—there may appear to be a relationship between two variables when in fact there is none.

Beginning with a rules-based approach we used livelihood as a starting point to provide some structure to the segmentation. Livelihood is defined as an individual’s main source of income. Livelihood was selected because it has a major influence on financial needs. Transfer of value (receipt of income and making payments) is linked to livelihood as the main source of income; and in many cases, payments are related to this livelihood. For example, business owners need to purchase stock and pay their employees, while farmers need to purchase inputs for their farms. In addition, the amount, frequency and reliability of income flows all impact on liquidity management. Likewise, resilience shocks and goals are often linked to livelihood.

**Box 1: Types of segmentation approaches**

FinAccess 2019 identifies six major livelihoods in Kenya. Agriculture is the dominant livelihood with one-quarter of the population (6.4 million adults 18+) stating that this is their main source of income. This is followed by casual work (6.1 million adults or 24%), people who own their own business (4.5 million adults or 18%), dependants (4.4 million or 18%) and the employed (3.3 million or 13%).

**A cluster analysis was then run on individuals in each livelihood segment.** A cluster analysis is an unsupervised learning technique that identifies patterns in the data and clusters similar groups of people together into distinct segments. Some of the segments identified were “tweaked” to ensure that all segments are identifiable, understandable and intuitive to policy-makers, regulators and FSPs. In total, 16 segments were identified as indicated in Figure 11.

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11. Spurious relationship or spurious correlation is a mathematical relationship in which two or more events or variables are associated but not causally related, due to either coincidence or the presence of a certain third, unseen factor.
However, as with all segmentations, there are limitations that should be considered with this segmentation:

1. This simplified approach to a livelihood only considers the main source of income. According to FinAccess, 20% of adults in Kenya receive two or more sources of income. This diversification strategy smooths and augments incomes, allowing individuals to meet their financial needs. A segmentation that assigns an individual to one income-based segment is therefore a simplification.

2. The segmentation considers an individual perspective, as opposed to a household perspective. An individual view is useful because financial services and products are typically taken up by individuals. However, many financial decisions are made at household level. In addition, households may be made up of members in multiple livelihoods who can pool resources and share risks. By considering an individual perspective only, these interactions between household members will be overlooked.

3. The segmentation is constrained by the data available and the survey sample size. In some instances, it may make sense to take the segmentation a step further. For example, local market farmers may be further segmented by crop type, region, or plot size. However, the FinAccess survey does not include detail on crop type and plot size. Likewise, urban small businesses that operate as traders could be considered a distinct segment from those that operate in manufacturing or transport. However, the survey sample size cannot support a sector-based segmentation for business owners.

Despite these limitations, the segmentation does provide a useful starting point to better understand certain groups: how their needs differ, the specific barriers they face, and how they can be better served by regulators, policymakers and FSPs. This segmentation should therefore be regarded as a first step or catalyst to generate new questions and encourage further exploration into the financial needs of the Kenyan market.
4.3 PRIORITY SEGMENTS

A more focused, granular and useful analysis has been prepared on the key segments, prioritising three criteria:

- Segments that appear to have unmet, or not fully met, financial needs. Segments have needs that do not appear to be sustainably met by existing financial strategies.

- Segments that present a viable business case for FSPs. This implies that prioritised segments have a financial need that could be met (or could be met better) by the existing financial services sector, as opposed to needs that would primarily require additional government support in order to be met. Aside from “picking lowest-hanging fruit” first, by highlighting and enabling these segments to be better served, providers will be better positioned to cater for harder-to-reach segments in the future.

- Segments that can contribute to stated policy objectives, including the Big 4 Agenda, and offer economic growth potential. By having their needs more effectively served, segments have the potential to indirectly benefit other segments of the market. In other words, segments that have potential to create employment, develop industries, enhance skills and increase government revenue.

While all the identified segments could be argued to meet the first criteria, seven segments have been prioritised, since they meet all three criteria. The rationale for their prioritisation of each segment is outlined below.

**01 REGIONAL MARKET FARMERS:** This segment is a key driver of economic activity in Kenya. The largest export value chains in the country are cash crops, including tea, coffee and horticulture. This group is crucial to Kenya’s foreign exchange reserves as well as being major employers in rural areas, specifically of casual workers in those areas. In addition, with half of the segment also farming food crops and/or livestock, these farmers are likely significant contributors to food security. Ensuring the ongoing resilience and growth of farmers in this segment is critical to key policy objectives and broader economic development.

**02 LOCAL MARKET FARMERS:** As one of the largest segments in Kenya, ensuring that the financial needs of this segment are met can boost both the economic welfare of individual farmers, strengthen broader value chains and support the food security policy objective. This segment is, however, risk prone and vulnerable to liquidity distress. Enabling the financial sector to ensure the resilience and growth of this segment is essential to supporting agriculture development in Kenya from a grassroots and national perspective.

**03 SOPHISTICATED BUSINESS OWNERS:** While this segment is small, it is strategically important as a generator of employment and output. This is vital in urban areas, where these businesses primarily operate, and where they can support both urban economic development and the alleviation of poverty. This segment is also a key driver of digital payments as a primary user of digital means to pay wages, taxes and engage in business-to-business transactions. Ensuring that the financial sector can successfully meet the financial needs of these enterprises will enhance their contribution to broad trade, economic activity and employment.

**04 URBAN SMALL BUSINESS OWNERS:** This segment has the potential to be a frontier market for FSPs and policymakers alike. Their urban location allows them to play an important role in driving urban economic development. If effectively served, some of them have the potential to graduate into more sophisticated businesses that can support the economic growth of Kenya.

**05 PUBLIC SECTOR WORKERS** have relatively high-income levels and are key enablers of business activity and sustainable economic growth. Furthermore, they are major contributors to pensions and long-term savings and support additional dependants. The segment is a target market for affordable housing.

**06 URBAN WAGE EARNERS:** This segment is likely to be the primary market for affordable housing developed as part of the Big 4 initiative. While this may be one of the higher income segments on average, a noticeable minority are relatively low-income earners. Wealthier people in the segment would be candidates for mortgage finance.
07 URBAN ASPIRATIONAL YOUTH: This segment may be considered the future engine of the economy. Facilitating the growth and development of this segment is therefore critical to the future growth of the Kenyan economy. For this segment, it would be important for financial products to effectively support at least two primary goals: the individuals’ ability a) to pay for education (be it formal tertiary education or alternative skills development), and b) to access capital to start a business for those who have the aspiration to be entrepreneurs.

While these segments have been prioritised for this study, further analysis should also be undertaken on the segments that have not been selected for prioritisation. Tables comparing indicators can be found in the appendix.
5. SEVEN PRIORITY SEGMENTS OF THE FINANCIALLY UNDERSERVED IN KENYA AND THEIR FOUR FINANCIAL NEEDS

5.1 TRANSFER OF VALUE

Most of the segments have received a payment directly into an account and have made a digital payment. This is driven by receiving and sending domestic remittances via mobile money.

From a payment digitisation perspective, transfer of value is particularly interesting for farmers and business owners because these segments operate within wider value chains.

Regional Market Farmers appear to be becoming digitised, with room for further growth.

Within the two farmer segments, it is clear that Regional Market Farmers, who operate within more structured value chains, are using digital methods to both receive and make farm-related payments. However, there is room for improvement: Over 40% of Regional Market Farmers being paid only in cash for their farm related activities and almost 60% using cash only to pay their suppliers and farm workers, as shown in figure 12 below.

Local Market Farmers are firmly cash based in terms of their farm-related payments.

When considering all payments (not just farm-related payments) the majority of Local Market Farmers have received a digital payment (60%) and have made a digital payment (62%), largely driven by domestic remittances. However, they are the least likely of the priority segments to have received or made a digital payment in the past 12 months.

Business owners or merchants can drive the uptake of digital payments in the broader market.

Given that only 8% of Kenyan adults who paid for daily expenses made a digital payment in the past 12 months, there is much room for improvement. Digital payments offer merchants many benefits, including reduced transaction costs to receive and manage cash. Digital payments can also increase revenue by building business relationships, facilitating greater efficiencies and trust between value chain players and enabling transparency and security (Better Than Cash Alliance, 2018).

Most Sophisticated Business Owners accept digital payments.

Most Sophisticated Businesses have either a till number or a POS device that allow them to accept digital payments from customers. In addition, just over half of them made a digital payment for a business-related expense including paying suppliers or their employees over the past 12 months.
Urban Small Businesses generally accept cash only.

This reliance on cash is likely due to the out-of-pocket cost of digital payment solutions compared to cash, which is perceived to be free, as well as the documentation required to access digital accounts for business. An example of a solution currently available in the market is Lipa Na M-PESA, which provides businesses with a till number that customers can use to pay for goods and services using mobile money. The customer does not pay any charges and the business pays 0.5% of each transaction. To register for a till number, businesses must present their registration documents or permits. Given that most Urban Small Businesses are unregistered and do not have permits, this creates a significant barrier for them. In addition, customers carry cash and are unlikely to demand to pay via digital means. In the absence of any real incentive to move to digital, it is unlikely that Urban Small Businesses will feel the need to change.

Figure 12: Transfer of value metrics for priority segments

<table>
<thead>
<tr>
<th>Region</th>
<th>Regional market farmers</th>
<th>Local market farmers</th>
<th>Sophisticated businesses</th>
<th>Urban small businesses</th>
<th>Public sector employees</th>
<th>Urban wage earners</th>
<th>Aspirational urban youth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income/payment from main income source received into an account</td>
<td>58%</td>
<td>5%</td>
<td>70%</td>
<td>19%</td>
<td>93%</td>
<td>88%</td>
<td>46%</td>
</tr>
<tr>
<td>Make farm/business-related payments via an account</td>
<td>44%</td>
<td>5%</td>
<td>54%</td>
<td>9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receive any payment (incl. remittances) into an account</td>
<td>84%</td>
<td>60%</td>
<td>98%</td>
<td>81%</td>
<td>99%</td>
<td>98%</td>
<td>88%</td>
</tr>
<tr>
<td>Make any payments (incl. remittance payments) via an account</td>
<td>80%</td>
<td>62%</td>
<td>95%</td>
<td>91%</td>
<td>96%</td>
<td>99%</td>
<td>91%</td>
</tr>
</tbody>
</table>
5.2 LIQUIDITY

Liquidity distress is experienced by a significant portion of all the priority segments. As indicated in Figure 13, over 45% of all the priority segments, with the exception of Sophisticated Business Owners, have experienced liquidity distress in the past 12 months. The segments most likely to have experienced liquidity distress include the two farmer segments and Urban Small Business Owners.

Reasons for liquidity distress are unclear. The survey does not provide insight into why these segments experience liquidity distress. This may be due to lumpy incomes or expenses, unstable incomes or expenses, or due to an unexpected event or expense (i.e. a shock) that impacts on the ability to fund regular expenditure. The survey also does not provide insight into how frequently liquidity distress occurs; it can be a constant problem or an isolated issue. More research is required in this regard.

Segments with livelihoods characterised by lumpy and/or unstable and/or low incomes are more likely to experience liquidity distress. The two farmer segments and Urban Small Businesses owners are the most likely to experience liquidity distress. These segments have lower incomes relative to the other priority segments and so meeting their regular expenditure requires a delicate balancing act that can be easily destabilised.

Over-indebtedness may contribute to liquidity distress. In the case of Public Sector Workers, who have relatively large and stable incomes, their high levels of over-indebtedness may contribute to their relatively high incidence of liquidity distress. Almost a third of public sector workers say that they typically contribute more than half of their monthly income to debt repayments.

Most of those who have experienced liquidity distress rely on non-financial mechanisms to cope. Specifically, assistance from social networks and changing behaviour by either reducing consumption or taking on additional work. Relying on social networks can be an effective coping mechanism where liquidity distress occurs infrequently. However, where it occurs frequently this can place strain on family and community members. Poorer segments are more reliant on their social networks, as are Urban Aspirational Youth, many of whom still depend on their families.

Cutting back on expenses or adjusting consumption can be an effective coping mechanism where this does not impact on the health, security or reasonable quality of life of a household. However, this does not always appear to be the case. A significant proportion of those who suffered from liquidity distress say that over the past 12 months they have “often” or “sometimes” gone without enough food to eat.

Wealthier segments are more likely to use formal savings to cope. Over 30% of Sophisticated Business Owners and Urban Wage Earners draw on formal savings in times of liquidity distress. This is not the case for Public Sector Workers; over 20% of Public Sector Workers say the main device used is formal credit, significantly higher than for other segments.

While most segments do not mention formal credit as a coping device for liquidity distress, many are using low-value, short-term loans. Around 30% of Sophisticated Business Owners, Urban Small Business Owners, Public Sector Workers, Urban Wage Earners and Urban Aspirational Youth say they have made use of small, short-term loans. Those using these loans to cope with liquidity distress may not view them as the main device used to cope with liquidity distress and so they do not feature prominently in the section of the survey that explores devices used.

Low-value, short-term loans can be an effective tool for managing liquidity distress because they can be accessed quickly when needed. In cases where liquidity distress is an infrequent occurrence, they can tide the user over. However, they are expensive, and frequent use can result in a debt spiral that...
leads to blacklisting. Survey data indicates that a proportion of the priority segments are using multiple loans over the year. For the two business owner segments, the two employed segments and the Urban Aspirational Youth, between 9% and 13% of the segment have used eight or more loans either via mobile banks or via digital apps over the past 12 months.

The survey data does not indicate that these short-term loans improve liquidity management. Those who have used the loans are not less likely to experience liquidity distress. While there is a selection bias, further research is required to understand how these short-term loans are used and whether they are assisting with liquidity management or exacerbating the problem.

Figure 13: Liquidity metrics for priority segments; proportion of segment who has experienced liquidity distress. For those who have what is the most important thing you did when you could not meet your regular spending needs?

Note that totals may not add up to 100% due to exclusion of “Refused”, “Don’t know”, and “Not applicable”.

<table>
<thead>
<tr>
<th>% in liquidity distress (could not meet regular spending needs in past 12 months)</th>
<th>Regional market farmers</th>
<th>Local market farmers</th>
<th>Sophisticated businesses</th>
<th>Urban small businesses</th>
<th>Public sector employees</th>
<th>Urban wage earners</th>
<th>Aspirational urban youth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal credit</td>
<td>5%</td>
<td>1%</td>
<td>10%</td>
<td>4%</td>
<td>21%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Informal credit</td>
<td>14%</td>
<td>11%</td>
<td>3%</td>
<td>9%</td>
<td>6%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Borrowed from friend/family</td>
<td>5%</td>
<td>6%</td>
<td>2%</td>
<td>7%</td>
<td>6%</td>
<td>7%</td>
<td>11%</td>
</tr>
<tr>
<td>Formal savings</td>
<td>12%</td>
<td>6%</td>
<td>31%</td>
<td>11%</td>
<td>20%</td>
<td>33%</td>
<td>10%</td>
</tr>
<tr>
<td>Informal savings</td>
<td>3%</td>
<td>2%</td>
<td>3%</td>
<td>5%</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Savings with friend/family/secret place</td>
<td>6%</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>7%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Sold asset/crops/livestock</td>
<td>7%</td>
<td>14%</td>
<td>4%</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Assistance from family/friends</td>
<td>23%</td>
<td>24%</td>
<td>15%</td>
<td>22%</td>
<td>9%</td>
<td>17%</td>
<td>33%</td>
</tr>
<tr>
<td>Cut back on expenses</td>
<td>9%</td>
<td>11%</td>
<td>23%</td>
<td>10%</td>
<td>13%</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>Worked more</td>
<td>7%</td>
<td>9%</td>
<td>5%</td>
<td>15%</td>
<td>5%</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>Did nothing</td>
<td>9%</td>
<td>13%</td>
<td>0%</td>
<td>10%</td>
<td>9%</td>
<td>3%</td>
<td>14%</td>
</tr>
</tbody>
</table>
5.3 RESILIENCE

Resilience shocks affect all priority segments. Figure 14 shows the proportion of each segment that has experienced a shock and the type they have experienced. Regional Market Farmers are the most vulnerable to shocks and Urban Aspirational Youth are the least likely to have experienced one, perhaps because they still tend to depend on their families, or because they are still young and in good health.

The most common shocks across all segments are related to health. These include a major sickness, health problem, accident or injury. These also tend to be the most severe shocks, with all priority segments saying that this had the biggest impact on their household income or expenses.

The two farmer segments are also vulnerable to agricultural shocks. These include the loss or damage of crops and livestock and natural or other disasters. These shocks also have widespread consequences. The most recent drought in 2017 left 3 million people requiring emergency food assistance and contributed towards an agriculture Annual Average Income Loss of USD 150 million (GFDRR, 2019). The impacts of climate change will likely increase their vulnerability to these shocks and effective coping mechanisms are increasingly important.

There is a high reliance on social networks to cope with resilience shocks. Data on the main device used to cope with key shocks indicates a reliance on assistance from family and friends to cope. While this may be a reasonable coping strategy for smaller, isolated shocks, it becomes less effective when risks are large and systemic. This is evident in the two farmer segments who rely heavily on assistance from family and friends for health-related shocks, which tend to be isolated incidents. However, for agricultural shocks, which likely impact wider areas, just 3% say that assistance from family and friends was the main coping mechanism. Instead farmers are forced to change their behaviour by reducing their consumption or taking on additional work, or by drawing down on their formal savings.

Savings, specifically formal savings, are used as the main coping mechanism. This is true for most segments, with the noticeable exception of Local Market Farmers. Just 9% of this segment say that the main device used to cope with their main shock was formal savings.

However, it is unclear if these savings were earmarked for risk events and emergencies. The survey does not specify whether these savings were set aside to deal with risk events or if savings were diverted from other sources in times of crisis. In the case of the latter, other needs, for example goals or savings to cope with liquidity distress, may be foregone to deal with shocks.

Usage of insurance to deal with shocks is relatively limited. Sophisticated Business Owners and Public Sector Workers are the most likely to use insurance to deal with a shock, with 10% and 11% respectively saying the main device used to cope with their main shock was insurance. The relatively low incidence of insurance use among these segments is surprising given the high incidence of health-related shocks and the high take-up of NHIF across many of the segments. This is especially true for the two employed segments and for the Sophisticated Business Owners where take-up of NHIF is very high. For example, of those Public Sector Workers who experienced a health-shock, 89% have NHIF. However, only 16% say insurance was the main device used to cope with the health-related shock. While the drive towards universal health coverage has reached many segments of the market, additional research is required to understand why the impact of NHIF remains limited.
Figure 14: In the past 12 months have you experienced big costs from managing [insert use case]? (Multiple response)

<table>
<thead>
<tr>
<th>Resilience Shock</th>
<th>Regional market farmers</th>
<th>Local market farmers</th>
<th>Sophisticated businesses</th>
<th>Urban small businesses</th>
<th>Public sector employees</th>
<th>Urban wage earners</th>
<th>Aspirational urban youth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experienced big cost from managing resilience shock</td>
<td>46%</td>
<td>40%</td>
<td>37%</td>
<td>25%</td>
<td>18%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Major sickness/health problem/accident injury</td>
<td>29%</td>
<td>21%</td>
<td>21%</td>
<td>22%</td>
<td>23%</td>
<td>19%</td>
<td>12%</td>
</tr>
<tr>
<td>Loss/damage of business/livestock or crop because of natural or other disasters</td>
<td>21%</td>
<td>18%</td>
<td>7%</td>
<td>7%</td>
<td>8%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Death of a family member or other relative (not main income earner)</td>
<td>16%</td>
<td>11%</td>
<td>11%</td>
<td>10%</td>
<td>11%</td>
<td>13%</td>
<td>9%</td>
</tr>
<tr>
<td>Loss/damage of major asset/money because of theft, disaster or other causes</td>
<td>10%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Death of main income earner</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Child birth</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

Figure 15: Resilience metrics for priority segments; proportion of segment who has experienced a shock. For those who have experienced a shock, what is the MAIN thing you did to cope with the MAIN shock you experienced

Note that totals may not add up to 100% due to exclusion of “Refused”, “Don’t know”, and “Not applicable”.

<table>
<thead>
<tr>
<th>Resilience Shock</th>
<th>Regional market farmers</th>
<th>Local market farmers</th>
<th>Sophisticated businesses</th>
<th>Urban small businesses</th>
<th>Public sector employees</th>
<th>Urban wage earners</th>
<th>Aspirational urban youth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experienced big cost from managing resilience shock</td>
<td>46%</td>
<td>40%</td>
<td>37%</td>
<td>25%</td>
<td>18%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Formal credit</td>
<td>6%</td>
<td>0%</td>
<td>5%</td>
<td>3%</td>
<td>12%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Informal credit</td>
<td>2%</td>
<td>4%</td>
<td>1%</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Borrowed from friends/family</td>
<td>2%</td>
<td>5%</td>
<td>4%</td>
<td>7%</td>
<td>2%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Informal savings</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Savings with friend/family/secret place</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
<td>0%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>4%</td>
<td>3%</td>
<td>10%</td>
<td>2%</td>
<td>11%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Sold asset/crops/livestock</td>
<td>10%</td>
<td>17%</td>
<td>0%</td>
<td>4%</td>
<td>1%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Assistance from family/friends</td>
<td>27%</td>
<td>39%</td>
<td>16%</td>
<td>40%</td>
<td>23%</td>
<td>35%</td>
<td>38%</td>
</tr>
<tr>
<td>Cut back on expenses</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Worked more</td>
<td>3%</td>
<td>4%</td>
<td>1%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Did nothing</td>
<td>3%</td>
<td>7%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>
5.4 MEETING GOALS

There are significant differences across the priority segments in terms of how many are currently trying to meet a goal.

Local market farmers are the least likely to be trying to meet a goal, many in the segment live hand to mouth which might make it difficult to plan for longer-term goals.

There are also noticeable differences across segments in terms of the main goals they are currently trying to meet.

This is indicated in figure 16. For the two farmer segments and two business owner segments, goals are often linked to their livelihood. For example, the main goals for the two farmer segments include expanding their farms, buying inputs or assets for their farms and buying land. For the two business owner segments, expanding their businesses is a key goal.

Another major goal for many segments is education for self or family.

Urban Aspirational Youth are the most likely to state that education is their main goal. This is their second most common goal after starting or expanding a business. This segment has finished secondary school and are taking steps to secure their futures through either further education or by starting a business.

Housing and land related goals are also common, especially among the wealthier segments.

Housing goals include buying or building a house or apartment to live in, or for renting or re-sale, moving to your own or a better house or apartment or purchasing land. Urban Wage Earners are the most likely segment to be trying to meet a housing or land related goal, followed by Sophisticated Business Owners and Public Sector Workers. Considering the two employed segments specifically, despite being relatively wealthy compared to other segments of the market, many live in potentially inadequate dwellings. Just under a third of Public Sector workers and 26% of Urban Wage Earners have a visible housing need13. These segments are likely a key target market for the affordable housing initiative.

Many of those currently trying to meet a goal are not using financial mechanisms.

Many change their behaviour to accumulate funds by working additional hours or additional jobs. This can be effective for goals that can be achieved incrementally. However, it is less effective for goals that require large lump sums such as buying a house (as opposed to incremental building) or purchasing a large asset for a business or farm.

Formal savings and formal credit are being used by most segments.

Except for Local Market Farmers, most segments are making use of formal savings and credit. Formal credit is commonly used by Public Sector Workers; one-third of those that are currently trying to meet a goal say that they are mainly using formal credit. This segment is characterised by high and stable incomes, and loan instalments can be deducted directly from their salaries. Many have loans from SACCOS, and some have personal loans from banks and via mobile banking.

---

13 Dwellings are defined as potentially inadequate if the type of building is defined as “temporary”, “semi-permanent” or “traditional”, or the dwelling does not have an adequate toilet, including a bucket, uncovered pit latrine or none, or the dwelling is over-crowded defined as having more than three people per sleeping room.
Figure 16: Proportion of segment currently trying to meet a specific goal, and the main goal they are currently trying to meet

<table>
<thead>
<tr>
<th>Goal Description</th>
<th>Regional market farmers</th>
<th>Local market farmers</th>
<th>Sophisticated businesses</th>
<th>Urban small businesses</th>
<th>Public sector employees</th>
<th>Urban wage earners</th>
<th>Aspirational urban youth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start or expand a business</td>
<td>8%</td>
<td>11%</td>
<td>25%</td>
<td>28%</td>
<td>11%</td>
<td>20%</td>
<td>32%</td>
</tr>
<tr>
<td>Education for self or family</td>
<td>13%</td>
<td>13%</td>
<td>5%</td>
<td>13%</td>
<td>17%</td>
<td>12%</td>
<td>30%</td>
</tr>
<tr>
<td>Buy/build a house/apartment to live in</td>
<td>10%</td>
<td>6%</td>
<td>12%</td>
<td>13%</td>
<td>11%</td>
<td>24%</td>
<td>5%</td>
</tr>
<tr>
<td>Buy land</td>
<td>10%</td>
<td>5%</td>
<td>15%</td>
<td>13%</td>
<td>12%</td>
<td>20%</td>
<td>3%</td>
</tr>
<tr>
<td>Buy inputs/assets for business/farm</td>
<td>12%</td>
<td>7%</td>
<td>1%</td>
<td>4%</td>
<td>4%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Buy/build property to sell/rent</td>
<td>1%</td>
<td>2%</td>
<td>15%</td>
<td>3%</td>
<td>6%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Buy or things for personal use</td>
<td>1%</td>
<td>1%</td>
<td>4%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Move to own/a better property</td>
<td>1%</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Improve house</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Note that totals may not add up to 100% due to exclusion of “Refused”, “Don’t know”, and “Not applicable”.

Figure 17: Proportion of segment currently trying to meet a goal. For those who are trying to meet a goal, what is the main device you are using to achieve your goal?

<table>
<thead>
<tr>
<th>Main Device Used for Achieving Goal</th>
<th>Regional market farmers</th>
<th>Local market farmers</th>
<th>Sophisticated businesses</th>
<th>Urban small businesses</th>
<th>Public sector employees</th>
<th>Urban wage earners</th>
<th>Aspirational urban youth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal credit</td>
<td>19%</td>
<td>4%</td>
<td>20%</td>
<td>9%</td>
<td>33%</td>
<td>18%</td>
<td>9%</td>
</tr>
<tr>
<td>Informal credit</td>
<td>4%</td>
<td>5%</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Borrowed from friends/family</td>
<td>3%</td>
<td>3%</td>
<td>0%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Borrowed from Gov/NGO</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Formal savings</td>
<td>29%</td>
<td>12%</td>
<td>48%</td>
<td>23%</td>
<td>33%</td>
<td>41%</td>
<td>28%</td>
</tr>
<tr>
<td>Informal savings</td>
<td>8%</td>
<td>10%</td>
<td>2%</td>
<td>9%</td>
<td>9%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Savings with friends/family/secret place</td>
<td>3%</td>
<td>7%</td>
<td>4%</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Sold asset/crops/livestock</td>
<td>5%</td>
<td>12%</td>
<td>0%</td>
<td>0%</td>
<td>3%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Assistance from family/friends</td>
<td>4%</td>
<td>6%</td>
<td>0%</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Cut back on expenses</td>
<td>1%</td>
<td>4%</td>
<td>0%</td>
<td>3%</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Worked more</td>
<td>19%</td>
<td>30%</td>
<td>22%</td>
<td>33%</td>
<td>9%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Did nothing</td>
<td>3%</td>
<td>4%</td>
<td>0%</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>
CONCLUSIONS

Kenya has seen a significant improvement in several metrics used to assess levels of financial inclusion over the past 10 to 15 years. However, as demonstrated by an analysis of FinAccess 2019 data, there are a number of areas that require further engagement. By unpacking the financial needs of Kenyans, the segmentation approach helps articulate constraints in the real economy and financial services that must be overcome for Kenya to realise its economic and social aspirations.

01 There appear to be many unmet financial needs that could be met by innovative solutions from FSPs.

While the focus of attention of financial inclusion practitioners is rightly on the poor, the analysis highlights that in Kenya, it is not only the poor whose needs remain unmet. For instance, many relatively higher-earning public sector workers and salaried employees live in sub-standard dwellings and have a well-articulated need for land or housing. Likewise, owners of relatively sophisticated businesses indicate an unmet need for capital to fund business expansion. Nevertheless, the data would seem to indicate that Kenya’s credit market does not adequately serve these needs, even for those with capacity to borrow.

In addition, the ability to withstand shocks appears to be limited even in these higher-earning segments. Voluntary take up of insurance products is limited, while the proposition offered by mandatory products, principally the NHIF, is poorly aligned with their needs. Of those who have NHIF, a majority who have experienced a health-related shock report that they draw down on savings or use assistance from family and friends to cope. Further research on the benefits package associated with NHIF contrasted with the needs of the market may be helpful in identifying opportunities for FSPs.

02 In some cases unmet financial needs are a reflection of poorly functioning underlying supply chains.

Where affordability is not the primary constraint limiting innovation, other supply-side barriers may exist. In the case of housing finance for instance, there are constraints that impede delivery of affordable housing products. These include lack of title and serviced land, as well as poor municipal capacity to grant planning approval. More finance directed into a constrained supply chain is likely to result in higher prices. The development of financial solutions – no matter how well aligned they are with the needs of the market – in the absence of a systemic overhaul of the value chain into which finance will be applied is therefore likely to be counter-productive. It is therefore critical that needs-based approaches are contextualised within a relevant supply chain, and that underlying (non-financial) blockages are also addressed.

03 Innovative solutions are required to fund higher education.

Education is noted as a key goal across most of the priority segments, but most significantly by Urban Aspirational Youth. While the affordability of education is constrained in the short-term, it is likely to improve significantly as they become employed or become business owners. There may be an opportunity to develop products that rely on these future income streams, in partnership with accredited educational institutions who might be well placed to carry risk associated with post-study employment outcomes.

For more information on the challenges of developing affordable housing see CAHF’s research by Seeta Shah and Ravi Ruparel: http://housingfinanceafrica.org/documents/case-study-13-delivering-affordable-housing-in-kenya-the-case-of-karibu-homes-ltd/
04 Digitisation offers significant potential advantages but may not be better than cash, yet.

While certain payment use cases have been digitised, most notably, remittance payments via mobile money, others remain firmly cash based. This is particularly the case with respect to merchant payments for day-to-day needs. While Sophisticated Business Owners largely accept digital payments, Urban Small Business Owners remain almost exclusively cash-based. There are visible barriers that prevent them from accepting digital payments, including high upfront set-up costs and lack of documentation where businesses are informal. This is particularly unfortunate, as a visible record of payments received and made by these informal businesses could result in these currently ‘hidden’ or ‘underground’ businesses becoming visible. From the perspective of the financial sector, this visibility creates a sufficiently well-described entity with which FSPs can engage on a contractual or formal basis, even if the business remains unregistered.

Digitisation could offer significant benefits to business owners including the potential to build stronger relationships between businesses and suppliers, as well as provide greater transparency which could enable value chain financing. Of course, digitising payments requires the customer to adopt digital payment channels and mechanisms. Arguably, the Kenyan consumer market is well-primed to do so, given familiarity with digitised remittances. That said, while the digitisation proposition appears compelling to researchers and financial inclusion practitioners, there may well be a strongly embedded preference for cash that is difficult to unseat. More research is required with businesses, their customers and their suppliers to better understand payment preferences and propositions, and the kinds of incentives required to encourage take-up of digital payment solutions.

05 Beyond survey data: a role for administrative and transactional data in product development.

While the analysis of survey data provides a very useful picture of the market at a macro level, product innovation would benefit immeasurably from analysis of additional data, including ‘thicker’ qualitative data on needs, experiences and perceptions, transactions data generated by FSPs and other infrastructure or platform providers who enable the financial sector, as well as administrative data often curated by state entities. For instance, the survey data indicates that many public sector workers may be over-indebted. A third of public sector workers say they typically spend more than half of their monthly incomes on debt repayments. The survey indicates that these loans, mostly from SACCOS and banks, are being used largely for productive purposes such as education, housing and land. More research is required on the impact of credit on this segment, including the marketing practices of credit providers, the actual (rather than stated use) of the loans, and the extent to which the segment is, in fact, over-indebted. A review of credit bureau data, together with a sample of salary slips, would be very helpful in exploring this.

Administrative data on claims made to the NHIF could be useful in assessing the types of claims made and the time taken to process claims. Likewise, the pricing of education loans would benefit from a predictive analysis on student completion rates using data from educational institutions, as well as tax data to understand how many become salaried employees. This is not to say transactional and administrative data is always going to yield insights;
clearly where cash and informal activity dominate, transactional and administrative data may be limited. But increasingly, as the digital economy grows, and the data landscape expands, there will be more opportunities to harvest insights from these datasets.

**06 There are some cases where the market, on its own, may be unable to meet needs.**

This is particularly the case with regard to resilience needs in the Regional Market Farmer and Local Market Farmer segments. These are the most likely of the priority segments to have experienced a financial shock in the past 12 months. This vulnerability impacts on their ability to manage liquidity and meet longer-term goals. At the same time, global warming is likely to increase exposure to risk in this segment. Privately provided insurance products may be too expensive given the magnitude and coverage of these risks. A publicly funded underpin may therefore be required to encourage private sector providers to enter the market.
<table>
<thead>
<tr>
<th>Gender of household</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest level of education completed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>University completed</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>Completed secondary technical after secondary school</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Some college</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Secondary completed</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Some secondary</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Primary completed</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Some primary</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>None</td>
<td>91%</td>
<td>79%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age group</th>
<th>18 - 29</th>
<th>30 - 44</th>
<th>45 - 59</th>
<th>60 - 75</th>
<th>76 - 90</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>0%</td>
<td>5%</td>
<td>9%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>9%</td>
<td>0%</td>
<td>6%</td>
<td>7%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>12%</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>20%</td>
<td>0%</td>
<td>0%</td>
<td>7%</td>
<td>1%</td>
<td>6%</td>
</tr>
<tr>
<td>28%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>42%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>100%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>All Kenyan adults (18+)</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban wage workers</td>
<td>47%</td>
<td>48%</td>
</tr>
<tr>
<td>Public sector</td>
<td>42%</td>
<td>43%</td>
</tr>
<tr>
<td>Urban small business</td>
<td>34%</td>
<td>35%</td>
</tr>
<tr>
<td>Sophisticated</td>
<td>35%</td>
<td>36%</td>
</tr>
<tr>
<td>Local market</td>
<td>28%</td>
<td>27%</td>
</tr>
<tr>
<td>Regional</td>
<td>55%</td>
<td>56%</td>
</tr>
<tr>
<td>Entrepreneurs</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Full-time</td>
<td>91%</td>
<td>90%</td>
</tr>
<tr>
<td>Part-time</td>
<td>9%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: FinAccess, 2019

Table 1: Demographic Indicators for Priority Segments and the Kenyan Population aged 18+
### Table 2: Wealth and Income Indicators for Priority Segments and the Kenyan Population Aged 18+

<table>
<thead>
<tr>
<th>Wealth quintile</th>
<th>All KSh (18+)</th>
<th>Rural Agricultural</th>
<th>Urban waged</th>
<th>Urban self-employed</th>
<th>Public sector workers</th>
<th>Business owners</th>
<th>SOE employees</th>
<th>Government employees</th>
<th>Small businesses</th>
<th>Cooperatives</th>
<th>Other informal market</th>
<th>Regional market</th>
<th>Local market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Middle</td>
<td>4%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Upper</td>
<td>8%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Very Upper</td>
<td>14%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Highest</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Note: Monthly personal income is self-reported and so may not be accurate.

Source: FinAccess, 2019
| Source: FinAccess, 2019 |

**Table 3: Financial health indicators for priority segments and the Kenyan population aged 18+**

<table>
<thead>
<tr>
<th>Ability to cope</th>
<th>Urban wage earners</th>
<th>Urban workers</th>
<th>Public sector workers</th>
<th>Private sector workers</th>
<th>Rural small farmers</th>
<th>Sophisticated farmers</th>
<th>Local market farmers</th>
<th>Regional farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to manage day-to-day</td>
<td>88%</td>
<td>93%</td>
<td>78%</td>
<td>79%</td>
<td>49%</td>
<td>71%</td>
<td>72%</td>
<td>67%</td>
</tr>
<tr>
<td>Does not have trouble making money last</td>
<td>30%</td>
<td>37%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Have a plan for additional money</td>
<td>73%</td>
<td>76%</td>
<td>76%</td>
<td>89%</td>
<td>57%</td>
<td>65%</td>
<td>94%</td>
<td>80%</td>
</tr>
<tr>
<td>Never went without enough food to eat</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Keep money aside for emergencies</td>
<td>71%</td>
<td>69%</td>
<td>96%</td>
<td>96%</td>
<td>73%</td>
<td>96%</td>
<td>96%</td>
<td>96%</td>
</tr>
<tr>
<td>Can access a loan in the event of an emergency</td>
<td>31%</td>
<td>69%</td>
<td>27%</td>
<td>27%</td>
<td>96%</td>
<td>96%</td>
<td>96%</td>
<td>96%</td>
</tr>
<tr>
<td>Keep money aside for savings</td>
<td>49%</td>
<td>32%</td>
<td>69%</td>
<td>69%</td>
<td>96%</td>
<td>96%</td>
<td>96%</td>
<td>96%</td>
</tr>
<tr>
<td>Did not go without medicine in past 12 months</td>
<td>71%</td>
<td>69%</td>
<td>96%</td>
<td>96%</td>
<td>73%</td>
<td>96%</td>
<td>96%</td>
<td>96%</td>
</tr>
<tr>
<td>Able to cope with risk</td>
<td>64%</td>
<td>69%</td>
<td>89%</td>
<td>89%</td>
<td>96%</td>
<td>96%</td>
<td>96%</td>
<td>96%</td>
</tr>
<tr>
<td>Able to invest in livelihoods and the future</td>
<td>37%</td>
<td>31%</td>
<td>55%</td>
<td>55%</td>
<td>31%</td>
<td>47%</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>Keep money aside for specific purpose</td>
<td>38%</td>
<td>29%</td>
<td>71%</td>
<td>71%</td>
<td>29%</td>
<td>38%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>Use savings/passion for investment of old age</td>
<td>19%</td>
<td>11%</td>
<td>81%</td>
<td>81%</td>
<td>11%</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Able to invest in livelihoods and the future</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>