

UNDERSTANDING THE UNMET FINANCIAL NEEDS AND OPPORTUNITIES OF KEY SEGMENTS IN KENYA

REGIONAL MARKET FARMERS

Focus note 1 of 7

MOTIVATION FOR THE RESEARCH

An inclusive financial sector is a key enabler for achieving the long-term development strategy set out in Vision 2030 as well as the “Big Four” agenda that prioritises manufacturing, universal healthcare, affordable housing and food security. The financial sector can catalyse change through providing access to meaningful financial products that empower individuals and contribute to broader economic development in Kenya.

This study used FinAccess 2019 data to segment adults in Kenya to better understand the financially underserved. Seven priority segments were identified as being crucial to the realisation of the long-term development strategy and stated policy objectives including the “Big Four” agenda. This series of focus notes explores each of the identified priority segments. [Check the FSD Kenya website](#) for more information on the segmentation and the other six segments.



THE NEEDS-BASED APPROACH

The needs-based framework is a new measure of financial inclusion that has been adopted in Kenya as part of the FinAccess survey. Originally developed by insight2impact (i2i), the framework measures how effectively the uptake and usage of available financial services meets the needs of consumers. Needs that are unmet, or not fully met, present opportunities where regulators, policy makers, and/or financial services providers could better serve these customers. There are four universal financial needs:



This research was conceptualized by FSD Kenya and CGAP to better understand the profile, needs, and ambitions of financially underserved segments in Kenya. With funding from CGAP, CENFRI and 71point4 explored the data – including FinAccess 2019, a study by CBK, KNBS, and FSD Kenya – and identified 7 key segments that display unmet financial needs and are strategically important for policy objectives and economic growth.

REGIONAL MARKET FARMERS

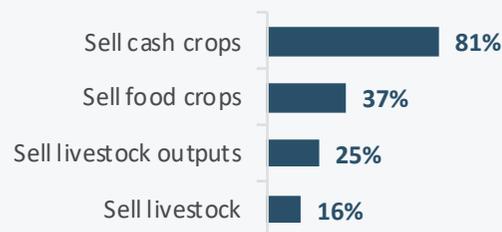
1.1 Million adults 18 +

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

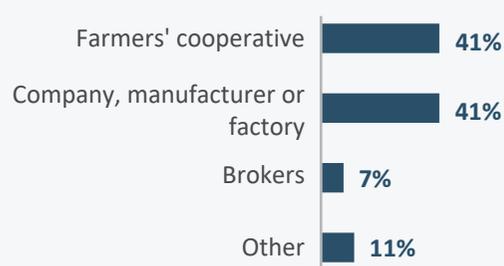
LIVELIHOOD

Regional Market Farmers mostly sell cash crops such 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



MAIN SALES PLACE FOR PRODUCE



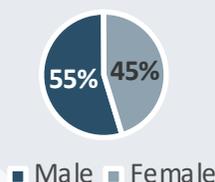
36%

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

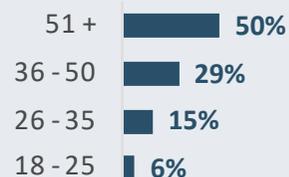
DEMOGRAPHICS

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.

GENDER



AGE GROUP



MONTHLY INCOME (KSH)



59%
Have only a
**PRIMARY SCHOOL
EDUCATION** or less

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

FINANCIAL PRODUCT PORTFOLIO

Transactional 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 shop keeper

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.

TRANSFER OF VALUE



Received a payment linked to their farming activities directly into their account in the past 12 months



Made a digital payment for farm-related activities including paying suppliers and workers in the past 12 months

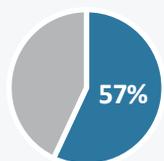


This segment of farmers is significantly more likely to receive and make digital payments for their farm-related activities compared to other farmers in Kenya. This is likely due to the more formalised value chains they operate within. However, there is still significant room for improvement in the digitisation of payments along the value chain.

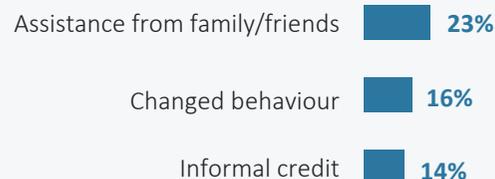
LIQUIDITY



Experienced liquidity distress in the past 12 months



Top 3 mechanisms used to cope (Experienced liquidity distress)

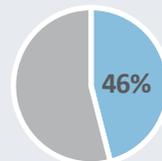


This segment is the MOST LIKELY of the priority segments to have experienced liquidity distress. Many in the segment who have experienced liquidity distress use non-financial mechanisms to cope including assistance from social networks and changing their behaviour by reducing consumption (9%) or working additional hours or jobs (7%). Social networks may not be effective where liquidity distress is caused by a shock that impacts a wider area (e.g. a drought), which may affect these social networks too.

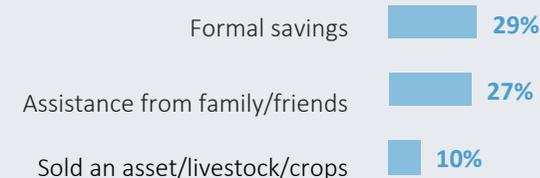
RESILIENCE



Experienced a financial shock in the past 12 months



Top 3 mechanisms used to cope (Experienced a shock)

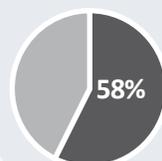


This segment is the MOST LIKELY of the seven priority segments to have experienced a financial shock. This segment's main shocks include a sickness or health problem (29% experienced this) and loss or damage of livestock or crops (21%). For health-related shocks, the segment relies on social networks. For farm-related shocks which may impact wider areas, social networks are likely also affected and so the segment relies on their formal savings to cope.

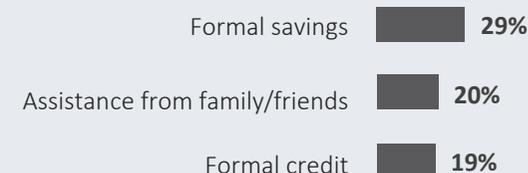
MEETING GOALS



Currently trying to meet a goal



Top 3 mechanisms to meet goals (Trying to meet a goal)



This segment's main goals include education for themselves or their family (13% of the segment are currently trying to meet this goal) and farm-related goals including buying inputs or assets for their farm (12%) and buying land (10%). Many farmers in this segment who are trying to meet a goal are using formal savings and formal credit, mostly acquired from SACCOS. Regional Market Farmers have higher access to credit than other farmers in Kenya.

SUMMARY OF FINANCIAL NEEDS METRICS FOR THE SEVEN PRIORITY SEGMENTS



	REGIONAL MARKET FARMERS	LOCAL MARKET FARMERS	SOPHISTICATED BUSINESSES	URBAN SMALL BUSINESSES	PUBLIC SECTOR WORKERS	URBAN WAGE EARNERS	URBAN ASPIRATIONAL YOUTH	
Segment size (adults 18+)	1.1 M	4.2 M	490,000	2.2 M	900,000	2.2 M	1.2 M	
TRANSFER OF VALUE	% who receive their income/payment from <i>main income source</i> directly into an account							
	% who have made any digital payment (including remittance payments) in the past 12 months							
LIQUIDITY	% of have experienced liquidity distress in the past 12 months							
RESILIENCE	% who experienced a financial shock in the past 12 months							
GOALS	% who are currently trying to meet a specific goal							