

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

LOCAL MARKET FARMERS

Focus note 2 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.

LOCAL MARKET FARMERS

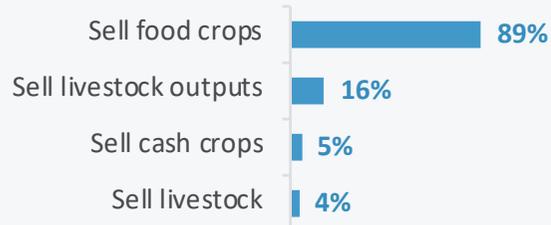
4.2 Million adults 18+

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

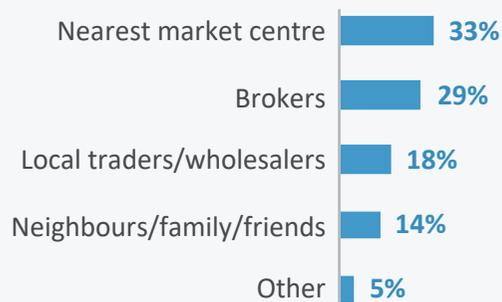
LIVELIHOOD

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



MAIN SALES PLACE FOR PRODUCE



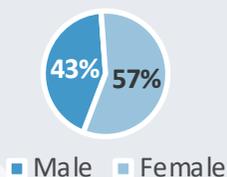
20%

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

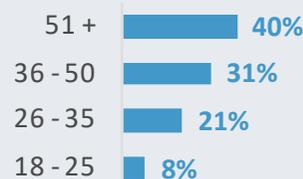
DEMOGRAPHICS

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



AGE GROUP



MONTHLY INCOME (KSH)



69%

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

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.

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.

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

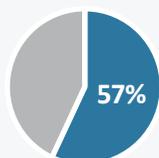


For Local Market Farmers, farm-related payments are cash-based. Just 5% of farmers in the segment have received a payment for their farming activities directly into their account and only 5% have made a digital payment for their farm-related activities such as paying suppliers or workers.

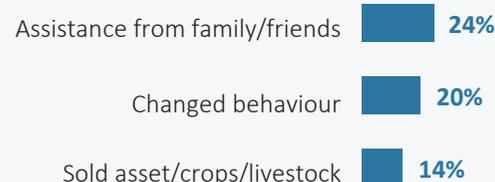
LIQUIDITY



Experienced liquidity distress in the past 12 months



Top 3 mechanisms used to cope (Experienced liquidity distress)



Local Market Farmers are the MOST LIKELY of the seven 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 behaviour by reducing consumption (11%) or working additional hours or jobs (9%). Reduced consumption affects the segment's welfare – 42% of those who experienced liquidity distress say they have gone without enough food to eat.

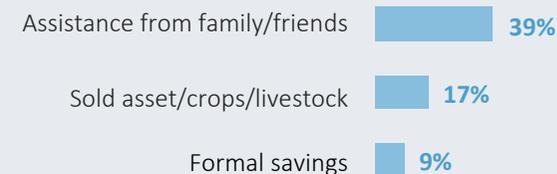
RESILIENCE



Experienced a financial shock in the past 12 months



Top 3 mechanisms used to cope (Experienced a shock)

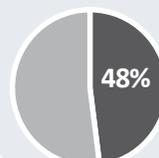


This segment is the second-most likely of the seven priority segments to have experienced a financial shock (after Regional Market Farmers). The main shocks experienced by this segment include a major sickness or health problem (21% experienced this) and loss or damage of livestock or crops (18%). For those who have experienced a financial shock, the main mechanism to cope is assistance from social networks or selling an asset or livestock/crops to cope.

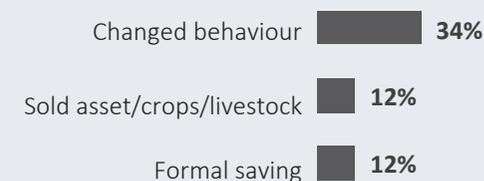
MEETING GOALS



Currently trying to meet a goal



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



This segment is the LEAST LIKELY of the seven priority segments 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. Main goals for the segment include education for their family (13% are trying to meet this goal) and starting or expanding a business (11%). Many who are trying to meet a goal change their behaviour to accumulate funds, mostly by working additional hours or additional jobs (30%) or reducing consumption (4%).

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							