

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

## PUBLIC SECTOR WORKERS

Focus note 5 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.

REGIONAL  
MARKET  
FARMERS

LOCAL  
MARKET  
FARMERS

SOPHISTICATED  
BUSINESSES

URBAN  
SMALL  
BUSINESSES

PUBLIC  
SECTOR  
WORKERS

URBAN  
WAGE  
EARNERS

URBAN  
ASPIRATIONAL  
YOUTH

### 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:

#### 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



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.

## PUBLIC SECTOR WORKERS

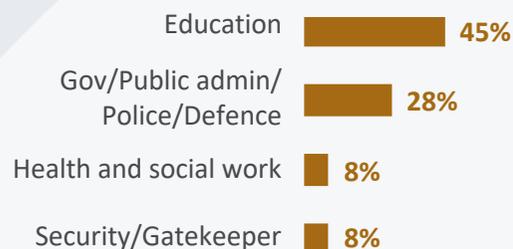
900,000 adults 18+

This segment accounts for 27% of employees in Kenya (based on main income source) and 4% of Kenyans 18+.

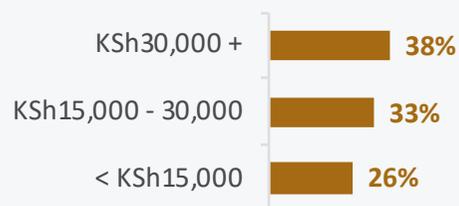
### LIVELIHOOD

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

#### TOP 5 OCCUPATIONS



#### MONTHLY INCOME (KSH)

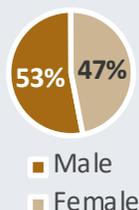


Public sector workers stand out in terms of their high usage of credit. Two-thirds of the segment are currently using a formal credit product. They are likely targeted by credit providers because they have a relatively high, stable income and loans can be deducted directly from their salary which reduces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

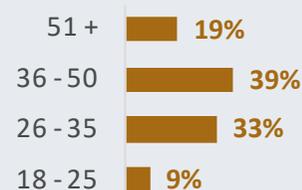
## DEMOGRAPHICS

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

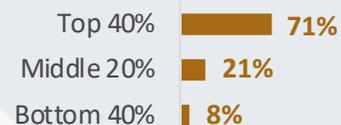


#### AGE GROUP



70% have at least some **TERTIARY EDUCATION**

#### WEALTH QUINTILE



## 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*

## FINANCIAL NEEDS

### Transactional 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

## TRANSFER OF VALUE



Received any payment (incl. remittances) into their account in the past 12 months



Make any payment (incl. remittances) via an account in the past 12 months

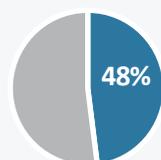


Almost all Public Sector Workers have made and received a digital payment in the past 12 months. This is driven by remittance payments; more than 80% have sent a domestic remittance digitally (mostly via mobile money) in the past 12 months. Public Sector Workers also pay their pensions digitally and over half pay their monthly bills digitally.

## LIQUIDITY



Experienced liquidity distress in the past 12 months



Top 3 mechanisms used to cope (Experienced liquidity distress)

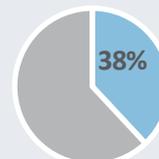


Almost half of the segment has experienced liquidity distress in the past 12 months, despite their relatively large and stable incomes. This may reflect high levels of indebtedness – a third of the segment says that they typically spend more than half of their monthly incomes on debt repayments. Of those in the segment who have experienced liquidity distress, many rely on formal credit or formal savings to cope.

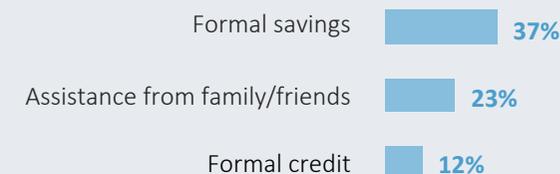
## RESILIENCE



Experienced a financial shock in the past 12 months



Top 3 mechanisms used to cope (Experienced a shock)

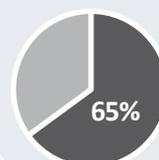


Almost 40% of the segment experienced a financial shock in the past 12 months. The main shocks experienced include a major sickness, health problem or injury (23% of the segment experienced this) and the death of a family member (11%). Most of those who experienced a shock used formal savings to cope. Interestingly, of those who experienced a health-related shock, 89% have NHIF, however, only 16% say insurance was the main device used to cope.

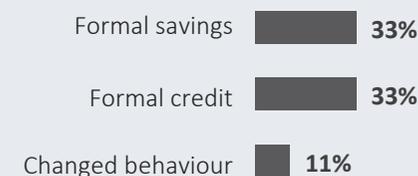
## MEETING GOALS



Currently trying to meet a goal



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



Nearly two-thirds of the segment is currently trying to meet a specific goal. The segment's main goals include education for their family members (17% of the segment is currently trying to meet this goal), and housing and land-related goals (30%) including buying or building a property to live in or for rent or resale and buying land. Most of the segment who is trying to meet a goal is using formal credit devices or formal savings devices to meet these goals.

# 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 <b>digital payment</b> (including remittance payments) in the past 12 months							
LIQUIDITY	% of have <b>experienced liquidity distress</b> in the past 12 months							
RESILIENCE	% who <b>experienced a financial shock</b> in the past 12 months							
GOALS	% who are <b>currently trying to meet a specific goal</b>							