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

URBAN WAGE EARNERS
Focus note 6 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:

- **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.
**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%

**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**

- 18 - 25: 45%
- 26 - 35: 30%
- 36 - 50: 14%
- 51 +: 4%

**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

**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.

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This is higher than the national average for all Kenyan adults where 21% are considered financially healthy.
Urban Wage Earners mostly receive their income directly into an account and almost all adults in the segment report having made a digital payment in the past 12 months.

Almost half of the segment has experienced liquidity distress, despite their relatively large and stable incomes. Of those who have experienced liquidity distress, one third of the segment say that formal savings was the main device used to cope. Many in the segment rely on non-financial mechanisms to cope including changing their behavior by reducing consumption (11%) or working additional hours/jobs (9%) and relying on assistance from social networks.

Over 80% of the segment is currently trying to meet a goal. This segment is the MOST LIKELY of the seven priority segments to be trying to meet a housing or land-related goal (47% are trying to meet this goal). Almost half of the segment who are trying to meet a goal are using formal savings. Over 20% say they are changing their behavior by working additional hours/jobs (20%) or reducing consumption (3%) to accumulate funds.
# Summary of Financial Needs Metrics for the Seven Priority Segments

## Understanding the Unmet Financial Needs and Opportunities of Key Segments in Kenya

### Urban Wage Earners

<table>
<thead>
<tr>
<th>Segment Size (adults 18+)</th>
<th>1.1 M</th>
<th>4.2 M</th>
<th>490,000</th>
<th>2.2 M</th>
<th>900,000</th>
<th>2.2 M</th>
<th>1.2 M</th>
</tr>
</thead>
<tbody>
<tr>
<td>% who receive their income/payment from main income source directly into an account</td>
<td>58%</td>
<td>62%</td>
<td>95%</td>
<td>91%</td>
<td>96%</td>
<td>99%</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>
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</tbody>
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