

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

URBAN ASPIRATIONAL YOUTH

Focus note 7 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 ASPIRATIONAL YOUTH

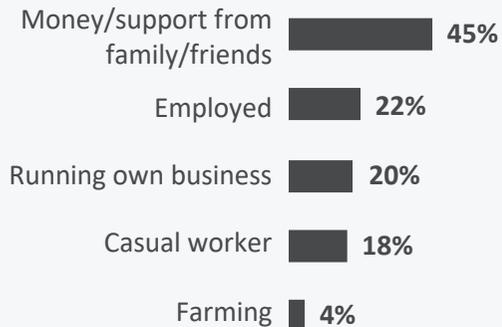
1.2 M adults 18 - 25

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

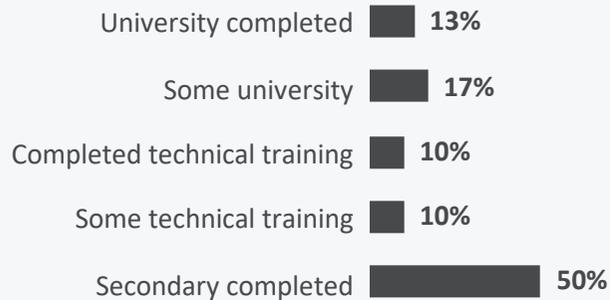
LIVELIHOOD

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



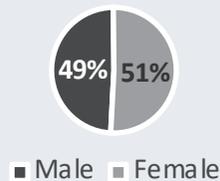
HIGHEST LEVEL OF EDUCATION ACHIEVED



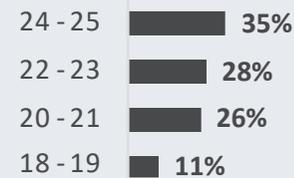
DEMOGRAPHICS

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.

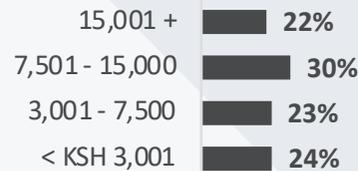
GENDER



AGE GROUP



MONTHLY INCOME (KSH)



100% have completed secondary school

FINANCIAL HEALTH INDEX

- 70% Have the ability to cope day-to-day
- 61% Have the ability to cope with risk
- 34% Have the ability to invest in their livelihoods and the future

40% 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

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

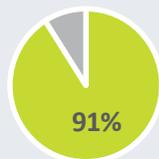
TRANSFER OF VALUE



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

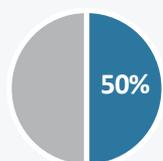


Most Urban Aspirational Youth have received a payment directly into an account in the past 12 months. Many receive domestic remittance payments and money from family or friends directly into an account. Almost all of the segment (94%) have made a digital payment in the past 12 months, mostly sending domestic remittances via mobile money.

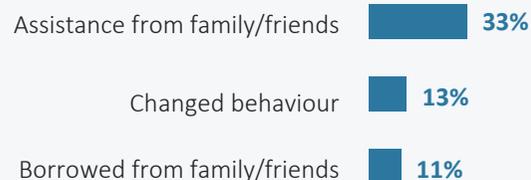
LIQUIDITY



Experienced liquidity distress in the past 12 months



Top 3 mechanisms used to cope (Experienced liquidity distress)

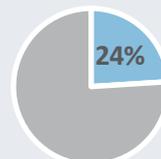


Half of the segment has experienced liquidity distress in the past 12 months. For those in the segment who have experienced liquidity distress, many rely on non-financial mechanisms to cope, mostly assistance from their families or friends and changing their behavior by reducing consumption or working additional hours/jobs.

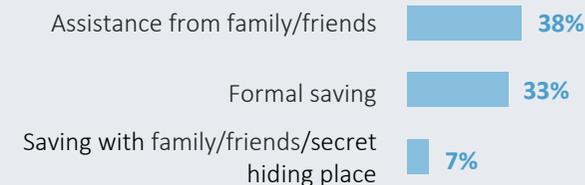
RESILIENCE



Experienced a financial shock in the past 12 months



Top 3 mechanisms used to cope (Experienced a shock)

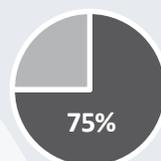


Urban Aspirational Youth are the LEAST LIKELY of the seven priority segments to have experienced a financial shock in the past 12 months. Many in the segment depend on their families, so would not be financially responsible if a shock occurs. In addition, younger populations are less prone to health-related shocks. Of those in the segment who have experienced a shock, most rely on assistance from social networks and formal savings.

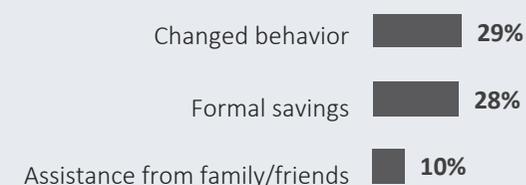
MEETING GOALS



Currently trying to meet a goal



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



75% of the segment is currently trying to meet a specific goal. This segment is the most likely of the seven priority segments to state that education is their main goal. This is their second most common goal after starting or expanding a business. Many of those in the segment who are trying to meet a goal are changing their behavior by working additional hours/jobs (25%) or reducing consumption (4%) to accumulate funds, and 28% are using their formal savings.

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	58%	5%	70%	19%	93%	88%	46%
	% who have made any digital payment (including remittance payments) in the past 12 months	80%	62%	95%	91%	96%	99%	91%
LIQUIDITY	% of have experienced liquidity distress in the past 12 months	57%	57%	36%	56%	48%	46%	50%
RESILIENCE	% who experienced a financial shock in the past 12 months	46%	40%	37%	35%	38%	34%	24%
GOALS	% who are currently trying to meet a specific goal	58%	48%	79%	76%	65%	84%	75%