Gendered financial products and services for women in Kenya
There are 1.75M urban female retail traders who run businesses either out of necessity or purposefully for growth and expansion.

**Who are urban female retail traders?**

- **1.75M** Urban female retail traders
- **55%** are 16-35 years old, of the percentage of total female traders
- **32%** have secondary education compared to 44% of men
- **88%** own their own mobile phone
- **Ksh. 15,000** is the average monthly income for more than half of these traders

**Why are women in retail trading?**

Urban female retail traders can be broadly segmented in two categories according to their choice of career:

- **“Push entrepreneurs”** who run their business out of necessity and to keep busy
- **“Pull entrepreneurs”** who purposefully start and seek to expand their business

Most are low sophistication, micro-sized businesses

- 28% of female-only retail trade businesses are of low sophistication compared to just 8% that are high sophistication

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1) FSD Kenya, Challenges facing women and youth grocery traders in Kenya, 2020;  
2) *not gender-aggregated applying to all small urban business traders*
The business and personal needs and aspirations of urban female retailers create three main categories of financial needs:

**Investing in the future**
- **Personal needs:**
  - Education for themselves or their children
  - Investing in land and building a home – Security and customary reasons
  - Buying land for speculative purposes
  - Putting up rental houses
  - Life events e.g., weddings
- **Business needs:**
  - Business expansion – Setting up in a new location(s), moving to CBD or venturing into another business

**Managing the day-to-day**
- **Personal needs:**
  - Basic needs – Food, shelter, clothing
  - Household bills – Water, electricity
  - Necessities & extras – Transport, airtime
  - Dependent needs and investing in social networks – Family and friends
- **Business needs:**
  - Restocking and paying suppliers
  - Operational expenses – Rent, transport, permits, workers
  - Credit customers – Customers who buy goods and pay later
  - Record keeping

**Coping with risk**
- **Personal needs:**
  - Medical care
  - Funeral/bereavement costs
  - Personal or family emergencies/unplanned events – Sudden childcare expenses, social functions, etc.
- **Business needs:**
  - Security – In-store and night-time
  - Sturdy shop structures
  - Business emergencies e.g., fire or demolitions

*Bold highlights represent key needs and priorities*

1) FSD Kenya; 2) FinAcess 2019; 3) Dalberg focus group discussions and interviews
2) Figures shared on coping day-to-day, with risk and investing in the future are not gender-disaggregated

55% Can cope with risk
Lifecycle stages, amongst other factors, influence these financial needs of urban female retail traders

These financial needs can vary across the lifecycle of urban female retail traders

<table>
<thead>
<tr>
<th>Lifecycle stages</th>
<th>Livelihood priorities</th>
<th>Financial behaviour</th>
<th>Requirements of FSPs</th>
<th>FSPs ought to tailor products with an awareness of these needs over the different life stages based on the shifting factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early-stage career</td>
<td>Starting their business, building social/financial credibility, and pursuing own education</td>
<td>More risk seeking but with low financial resources; open to financial information and experimental</td>
<td>Support in building (digital) financial records and lowering barriers to credit (e.g., alternative collateral)</td>
<td><strong>Starting their business</strong>, building social/financial credibility, and pursuing own education</td>
</tr>
<tr>
<td>Motherhood</td>
<td>Business growth, meeting family and dependent needs and paying for their children's education</td>
<td>Highly risk averse with stretched financial resources; sticky with financial products and services</td>
<td>Support with purpose-driven products aligned with family needs (e.g., education savings, education insurance)</td>
<td><strong>Meeting family and dependent needs and paying for their children's education</strong></td>
</tr>
<tr>
<td>Later life</td>
<td>Business expansion, planning for health or social protection and care needs</td>
<td>Risk averse but open to different savings and social care products to diversify financial assets</td>
<td>Support in accessing more holistic financial services (e.g., bundled savings, credit and insurance offerings)</td>
<td><strong>Business expansion</strong>, planning for health or social protection and care needs</td>
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</tbody>
</table>

Other differentiators of financial needs include:

- **Household dynamics**
  - Household size and marital status can affect level of autonomy and dependency (e.g., women in family business can have lower autonomy)

- **Nature/type of business**
  - Different business sectors have varying financial needs (e.g., perishable goods have higher inventory turnover)

- **Location of business**
  - The location of a business can impact sales and operating costs (e.g., travel costs, trading permit/licence fees)

1) Dalberg Focus Group Discussions
Female traders’ financial needs are served through different use cases that have different product/channel requirements

<table>
<thead>
<tr>
<th>Use cases</th>
<th>Summary of key requirements</th>
<th>Prominent channels</th>
<th>Extent to which needs are met</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Managing day-to-day</strong></td>
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<tr>
<td>A</td>
<td>Day-to-day transacting</td>
<td>Female traders prioritize ease of access, low/no transaction charges, security of payments and interoperability with other financial channels to conduct regular transactions with customers and suppliers</td>
<td>M-Pesa, cash</td>
</tr>
<tr>
<td>B</td>
<td>Accessing savings for liquidity</td>
<td>Female traders prioritize ease of access, integration with mobile money, security and low fees for savings accounts used for regular withdrawals</td>
<td>M-Shwari, bank accounts, SACCOs, chamas</td>
</tr>
<tr>
<td>C</td>
<td>Borrowing for liquidity</td>
<td>Female traders prioritize quick access and flexibility in disbursement amount when borrowing money to meet short-term liquidity needs</td>
<td>M-Shwari, chamas, supplier credit</td>
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<td><strong>Coping with risk</strong></td>
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<tr>
<td>D</td>
<td>Planning for healthcare</td>
<td>Female traders prioritize affordability of premiums that reduce the burden of out-of-pocket expenditure and the added treatment benefits (e.g., scans, emergencies) when opting for health cover</td>
<td>NHIF</td>
</tr>
<tr>
<td>E</td>
<td>Planning for social care</td>
<td>Female traders prioritize affordability, ease of withdrawal, specialized features (e.g., education-only policies), and favorable interest rates when opting for social care (i.e., social security, pensions) policies</td>
<td>NSSF</td>
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<tr>
<td><strong>Investing in the future</strong></td>
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<tr>
<td>F</td>
<td>Responding to emergencies</td>
<td>Female traders look for speed, built in flexibility of terms and accessibility in seeking emergency funds to respond to unexpected emergencies</td>
<td>Chamas, digital lenders</td>
</tr>
<tr>
<td>G</td>
<td>Building a platform for borrowing</td>
<td>Female traders seek channels that are easy to use, encourage a savings habit and enable them to build a record of financial credibility when opening/using accounts to serve as a platform for future borrowing</td>
<td>M-Shwari, bank accounts, chamas</td>
</tr>
<tr>
<td>H</td>
<td>Saving to meet goals</td>
<td>Female traders prioritize longer-term savings channels that offer security, favorable interest rates and accounts designed for specific goals</td>
<td>Bank accounts, SACCOs, chamas</td>
</tr>
<tr>
<td>I</td>
<td>Borrowing to meet goals</td>
<td>Female traders prioritize loan size, interest rates, ease of registration and security for longer-term borrowing to meet goals</td>
<td>Banks accounts, SACCOs, chamas</td>
</tr>
</tbody>
</table>

1) Qualitative indication informed by a range of sources (e.g., secondary research, FSP interviews, FGD feedback)
Female traders’ choice of financial products and services can be informed by three categories of drivers of product choice

<table>
<thead>
<tr>
<th>Category</th>
<th>Driver</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td><strong>Product specification</strong></td>
<td>Affordability</td>
<td>Female traders can easily pay for the cost of the product (e.g., insurance premiums)</td>
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<td></td>
<td>Flexibility</td>
<td>The channel provides room for forgiveness, or renegotiation of loan repayment terms</td>
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<td></td>
<td>Interest-earning</td>
<td>The channel provides interest on savings or pension funds</td>
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<td></td>
<td>Size of loan</td>
<td>The channel provides relatively larger loan limits</td>
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<td></td>
<td>Specialization</td>
<td>The channel offers additional benefits such as education policy that other similar channels do not offer</td>
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<tr>
<td><strong>Product accessibility</strong></td>
<td>Ease of withdrawal</td>
<td>The beneficiaries can easily withdraw their funds upon maturity or whenever needed</td>
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<td></td>
<td>Physical proximity</td>
<td>The channel is physically near the female traders either by branch, agent, or meeting space</td>
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<td></td>
<td>Speed</td>
<td>The channel has a quick loan application and disbursement process/funds can be pooled together quickly for the user</td>
</tr>
<tr>
<td><strong>Consumer experience</strong></td>
<td>Ease of use</td>
<td>Users can operate the product on their own or with minimal support</td>
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<tr>
<td></td>
<td>Encourages saving</td>
<td>By using the channel and its services, users are encouraged to save</td>
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<td></td>
<td>Future credit</td>
<td>The channel provides an opportunity of obtaining a loan/credit in the future</td>
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<td></td>
<td>Interoperability</td>
<td>The channel can easily integrate and work with other channels</td>
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<tr>
<td></td>
<td>Security</td>
<td>The channel provides maximum security and safety to users' funds</td>
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<td></td>
<td>Social support</td>
<td>The channel provides space for female traders to provide support and encouragement to each other, which helps in coping with the risk or achieving a common goal</td>
</tr>
<tr>
<td></td>
<td>Traceability</td>
<td>Female traders can easily track transactions which helps in record keeping or in the event of theft</td>
</tr>
</tbody>
</table>
Female traders encounter challenges in qualifying for formal finance, while FSPs often view the segment as high risk

Female retail traders encounter challenges in qualifying for formal products around records, collateral and guarantors:

- **Poor banking and business records** due to insufficient documentation, low account activity and poor business record-keeping
- **Low collateral/ access to security** due to low levels of property ownership, prohibitive gender norms on ownership, and poor diversification of collateral sources by FSPs
- **Challenges with guarantors** who are difficult to find and when identified, often charge a portion of their loan to the borrower, regardless of familial relations

FSPs perceive female traders as high-risk and lack a data-driven, granular view of the segment:

- Despite the fact that much research suggests that women repay credit better than men, there remains a fairly high perception of risk (although views can vary per provider)
- Moreover, most FSPs inconsistently collect and use gender disaggregated data to better understand female consumers or segments within this (such as female traders)

"The segment is considered risky – Their use of money is mixed with business and personal needs, ability to repay can be low and many are single mothers which increases overdependence on their part"

"There are technical challenges in collecting and reporting data for women gender. The challenge comes in defining the gender segment – e.g., how do you define women-led businesses?"
Besides challenges in accessing formal finance, informal channels offer financial and social benefits that attract female traders.

Informal channels are often better suited to female traders’ needs...

The likes of chamas, suppliers and friends/family offer features better suited to female traders’ needs:

- **Flexibility**: Informal channels often offer greater flexibility in repayment terms (e.g., greater forgiveness or renegotiation instead of CRB\(^1\) blacklisting)
- **Speed of withdrawal**: Informal channels enable quick access to liquidity with limited application processes, which is useful when responding to short-term/emergency needs
- **Ease of registration**: Registration requirements are lower for informal channels with trusted referrals acting in place of formal eligibility requirements, such as collateral
- **Social support**: Informal channels offer non-financial benefits that are highly valued by female traders (e.g., networking, support in the face of emergencies)
- **Trust**: Women often have greater trust in the security of informal channels due to the strength of the personal relationships these channels cultivate

...chamas offer a particularly important source of financial and social capital

- Chamas can fulfill several different functions including savings, borrowing and broader social welfare, with many women members of multiple chamas
- Female traders value the strength of social relationships cultivated via chamas, which often extend beyond financial matters (e.g., members support each other in times of happy/sad occasions and with personal/business challenges)

"I'm in two chamas - one is a VSLA where we do table banking, monthly saving and borrowing so no money stays around. The other is a welfare group with businesses in the same block for social support."

Female trader | Eldoret

"I am in a chama where we would contribute money to buy house stuff for people like gas cookers. We don’t contribute anymore after Covid but still meet and encourage each other."

Female trader | Nakuru

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1) Credit Reference Bureau
Digital financial services are also becoming increasingly popular due to their greater accessibility, ease-of-use and interoperability.

**Accessibility**

Mobile platforms enable instant access to a range of financial services at the touch of a button, which is particularly valuable in meeting short-term/urgent needs and to women that suffer time poverty.

"I asked for M-Shwari and it was so fascinating how fast it was"

*Female trader | Eldoret*

**Interoperability**

Digital financial services provide a gateway to other financial services and enable seamless transactions between different accounts, which is useful for everyday transacting and for women who hold a portfolio of different financial accounts that meet different needs.

"I prefer saving money on M-Shwari - it's easier - once you have cash on M-Pesa, you can just transfer without charges"

*Female trader | Nairobi*

**Traceability**

Digital products include digital financial record-keeping (e.g., transaction history, loan repayments) that can serve as alternative sources of data that can be used to prove credit worthiness.

“For me, M-Pesa is about convenience; also for record-keeping. You can even trace transactions at the end of the day.”

*Female trader | Mombasa*

**Flexibility**

Digital financial services can use the account data they collect to tailor products to meet individual needs and offer greater flexibility (e.g., increasing borrowing amounts and offering flexible payment terms).

"M-Shwari is flexible - they give you more time when you don’t pay... and the more you save the more you can access for the loan - so I save through this”

*Female trader | Eldoret*
Some FSPs have started innovating to serve women’s unmet needs as well as those currently met by informal channels.

Fundamentally, there is a need for formal financial service providers to **develop financial products that better compete with informal channels** and serve a greater share of female traders.

Such FSPs therefore need to **invest in more innovative solutions** that are better aligned with the needs and preferences of female traders, and would be more attractive than many of their existing offerings.

Some FSPs are developing more innovative products for women that are gaining traction but these only account for a small share of the broader opportunity for serving female traders’ financial needs...

**Female-centric platforms**

- Stanbic’s DADA platform exclusively targets women or chamas with financial and non-financial service
- In addition to financial services, DADA offers networking, information on wellness with health screening, and general support on financial information

**Supplier guarantees**

- Pezesha partners with suppliers to provide lending to the suppliers’ customers, with the suppliers effectively acting as guarantors to their customers
- This supplier credit financing – though not aimed specifically at women – has demonstrated strong uptake by female traders

**Unsecured lending**

- Stanbic’s DADA digital platform loan offers up to KES 3 million in credit without collateral as long as clients can provide cashflow statements as proof of credit worthiness
- Pezesha also offers unsecured loans of up to KES 200,000

**Group guarantees**

- ASA MFI provides small loans to female enterprises by lending to individuals through client groups
- The members in the group screen clients, guarantee the credit and encourage timely repayment
More innovations can help FSPs serve female traders’ needs, particularly by addressing key trends in their financial behaviors

**Value of trust**
Female traders make financial decisions based on trusted relationships (e.g., recommendations from friends or family) rather than a systematic evaluation of products or channels

“I found my brother using Absa and Sidian, and he told me they are good banks. He is like my mentor, so I do whatever he says.”
Female trader | Meru

**Loyalty of customers**
Female traders with formal bank accounts rarely seem to switch providers and are mostly comfortable with their first account, stressing the importance of capturing customers early and investing in sustaining these relationships

“It was my first bank account and I’ve had it for a very long time. I also didn’t want to open many bank accounts.”
Female trader | Meru

**Importance of social relationships**
Female traders place great importance on cultivating strong relationships and credibility with informal channels (e.g., suppliers, chamas) instead of building a formal financial track record (e.g., savings/credit history, property ownership)

“You have to build the relationships with people - the officer expects you to know everybody first before forming the chama”
Female trader | Nairobi

**Preference for saving**
Urban female retail traders are more risk averse than male counterparts and are more disciplined savers, often appreciating channels that instill a sense of savings discipline, particularly for specific purposes (e.g., school fees)

“I have more stable finances so I don’t need to keep borrowing loans. I don’t want a lot of temptation”
Female trader | Eldoret

**Prevalence of digital**
With 88% of female retail traders owning their own mobile phone, women value the accessibility and interoperability of digital financial services, such as M-Pesa and M-Shwari; the importance of digital also has been amplified during COVID-19

“Digital accounts are convenient to use. I transact between Mpesa and [Equity] Eazzy banking”
Female trader | Mombasa

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1) FSD Kenya; 2) FinAcess 2019; 3) Dalberg focus group discussions and interviews
FSPs can develop innovative products and better serve female retail traders’ needs according to five recommendations

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<tbody>
<tr>
<td>1</td>
<td>Capture and retain the youth opportunity</td>
<td>Target the youth bulge amongst Kenya’s female traders – who represent a sizeable, long-term opportunity given the tendency of female traders to remain loyal to their first formal FSP – by explaining the benefits of formal financial products and how they support female traders’ long-term needs (e.g., the cheaper borrowing costs of banks vs chamas, insurance products’ longer-term benefits)</td>
</tr>
<tr>
<td>2</td>
<td>Generate more accurate risk assessments of prospective borrowers</td>
<td>Develop more accurate assessments of female traders' risk profiles and credit worthiness by measuring financial activities that provide a fairer reflection of their financial credibility (e.g., chama/supplier repayments, digital transactions) and do not discriminate against women's lower ability to meet traditional borrowing requirements (e.g., low collateral ownership)</td>
</tr>
<tr>
<td>3</td>
<td>Harness the social relationships cultivated through informal channels</td>
<td>Harness the trusted (and highly valued) relationships that female traders cultivate through informal channels (e.g., chamas, supplier relationships) to increase outreach and adoption of formal financial products by: • Incentivizing product referrals (e.g., through chama/supplier-based mutual incentive/referral bonus schemes) • Providing alternative sources of credit worthiness (e.g., through chamas or suppliers acting as guarantors) • Using alternative marketing channels (e.g., shopkeepers, chamas)</td>
</tr>
<tr>
<td>4</td>
<td>Integrate digital financial services with traditional formal channels</td>
<td>Promote the integration of digital financial services (e.g., M-Pesa, M-Shwari) with more traditional formal channels (e.g., banks, insurance providers) to provide a more accessible conduit for channeling short-term savings towards longer-term products (e.g., purpose-driven savings accounts)</td>
</tr>
<tr>
<td>5</td>
<td>Create digital platforms to host informal channels</td>
<td>Create digital platforms to host informal channels (e.g., chamas) to capture their social benefits (e.g., peer interactions) and economic activity (e.g., savings/borrowing history, transactions), which could provide financial record-keeping to integrate with existing digital financial products (e.g., M-Pesa, M-Shwari) and provide alternative credit scoring</td>
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</tbody>
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