

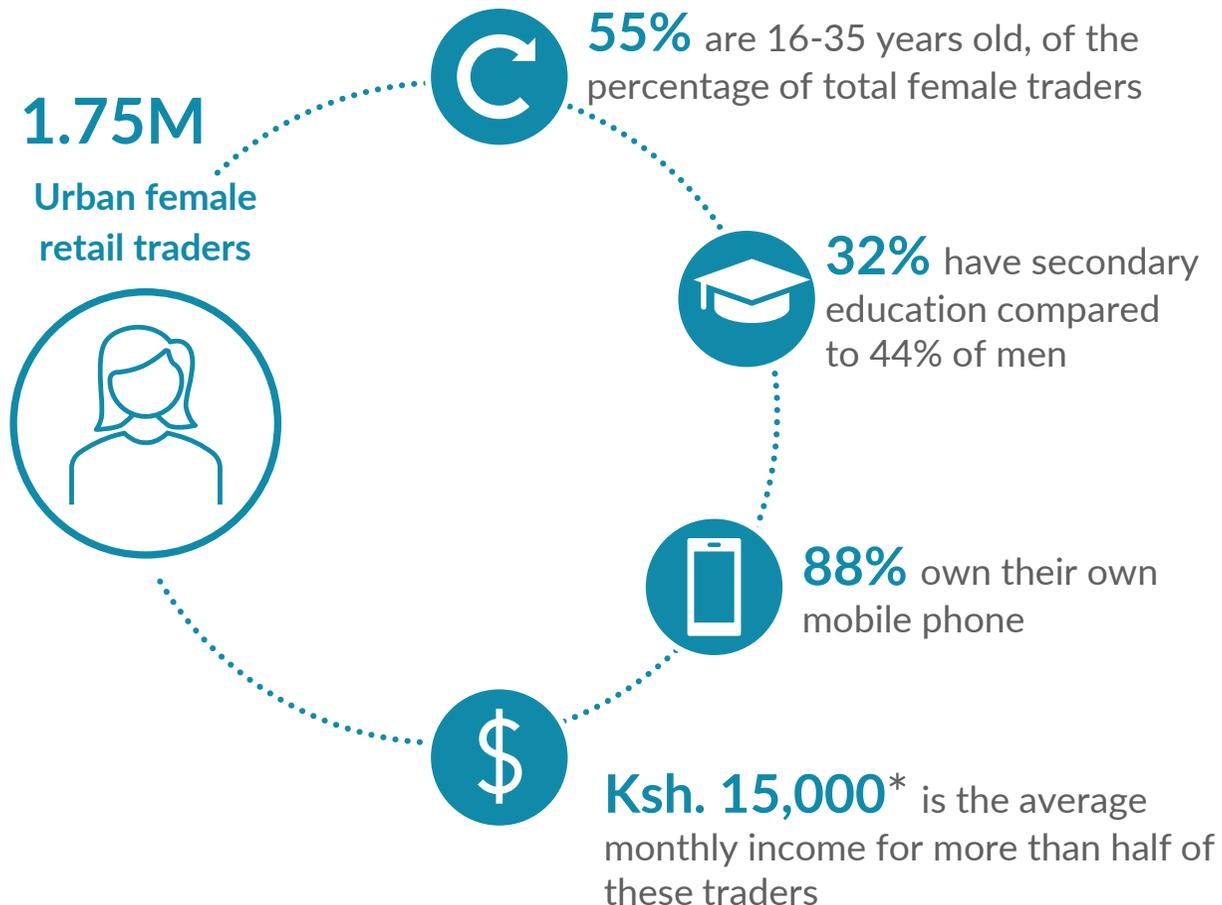
Dalberg

Gendered financial products and services for women in Kenya

PITCH DECK: FINANCIAL SERVICE PROVIDERS

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?



Why are women in retail trading?

Urban female retail traders can be broadly segmented in two categories according to their choice of career¹⁾:

“Push entrepreneurs” who run their business out of necessity and to keep busy

“Pull entrepreneurs” who purposefully start and seek to expand their business

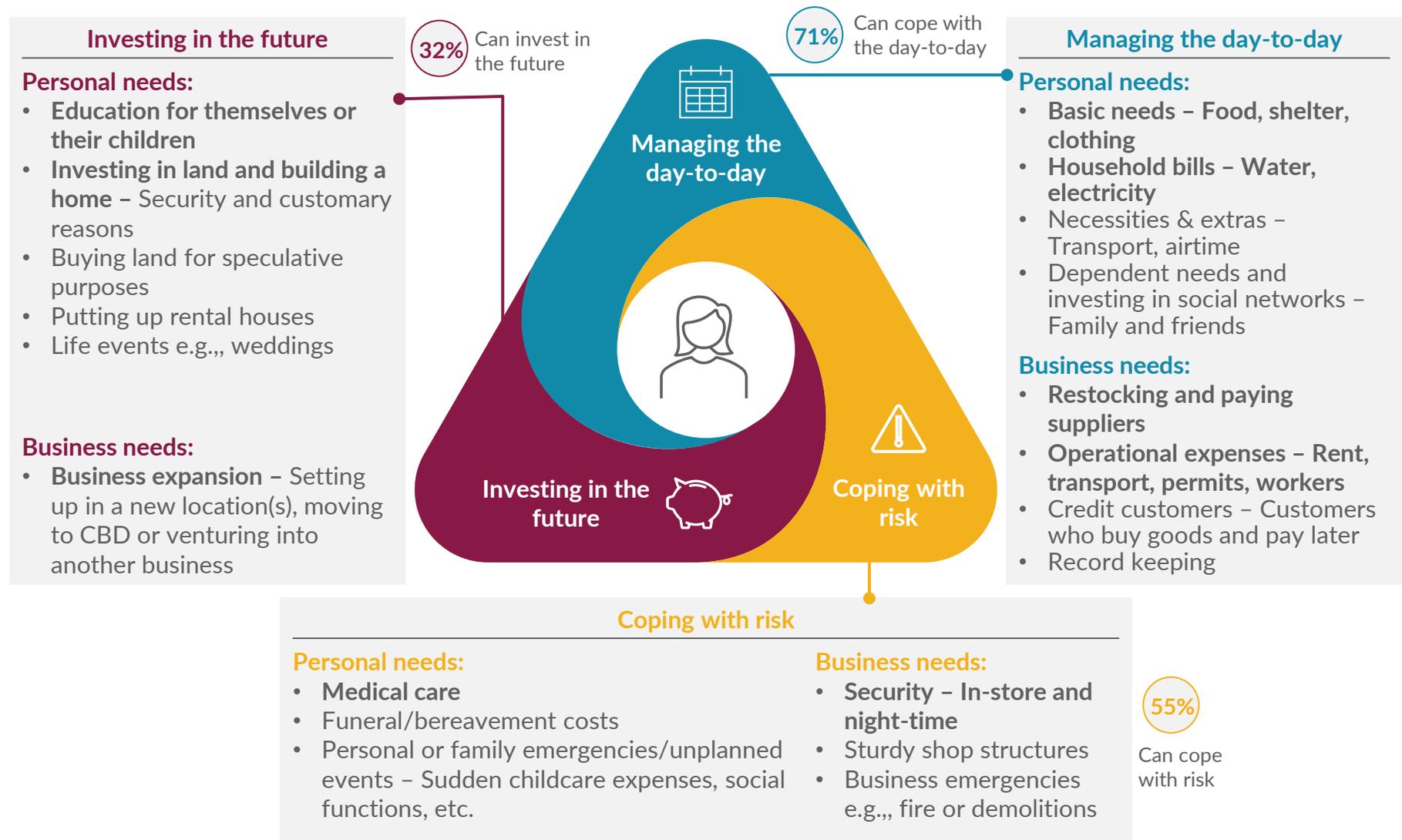
Most are *low sophistication, micro-sized businesses*

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

1) FSD Kenya, Challenges facing women and youth grocery traders in Kenya, 2020;

*-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



***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

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



	Early-stage career	Motherhood	Later life
Livelihood priorities	Starting their business, building social/financial credibility, and pursuing own education	Business growth, meeting family and dependent needs and paying for their childrens' education	Business expansion, planning for health or social protection and care needs
Financial behaviour	More risk seeking but with low financial resources; open to financial information and experimental	Highly risk averse with stretched financial resources; sticky with financial products and services	Risk averse but open to different savings and social care products to diversify financial assets
Requirements of FSPs	Support in building (digital) financial records and lowering barriers to credit (e.g., alternative collateral)	Support with purpose-driven products aligned with family needs (e.g., education savings, education insurance)	Support in accessing more holistic financial services (e.g., bundled savings, credit and insurance offerings)

FSPs ought to tailor products with an awareness of these needs over the different life stages based on the shifting factors

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)

Female traders' financial needs are served through different use cases that have different product/channel requirements

	Use cases	Summary of key requirements	Prominent channels	Extent to which needs are met ¹⁾
Managing day-to-day	A Day-to-day transacting	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	M-Pesa, cash	
	B Accessing savings for liquidity	Female traders prioritize ease of access, integration with mobile money, security and low fees for savings accounts used for regular withdrawals	M-Shwari, bank accounts, SACCOs, chamas	
	C Borrowing for liquidity	Female traders prioritize quick access and flexibility in disbursement amount when borrowing money to meet short-term liquidity needs	M-Shwari, chamas, supplier credit	
Coping with risk	D Planning for healthcare	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	NHIF	
	E Planning for social care	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	NSSF	
	F Responding to emergencies	Female traders look for speed, built in flexibility of terms and accessibility in seeking emergency funds to respond to unexpected emergencies	Chamas, digital lenders	
Investing in the future	G Building a platform for borrowing	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	M-Shwari, bank accounts, chamas	
	H Saving to meet goals	Female traders prioritize longer-term savings channels that offer security, favorable interest rates and accounts designed for specific goals	Bank accounts, SACCOs, chamas	
	I Borrowing to meet goals	Female traders prioritize loan size, interest rates, ease of registration and security for longer-term borrowing to meet goals	Banks accounts, SACCOs, chamas	

 Financial needs are met by existing channels
  Financial needs are not met by existing channels

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

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

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

Microfinance institution

“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?”

KCB



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 CRB¹ 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 **fulfil 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



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

Digital financial services such as M-Pesa and M-Shwari have become embedded in female traders' financial behavior (with COVID-19 reinforcing their importance) and therefore offer a platform from which to drive the adoption of formal financial products

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)

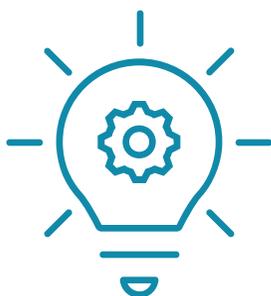
"M-Shwari is flexible - they give you more time when you don't pay... and the more you save the more you can access for the loan - so I save through this"

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



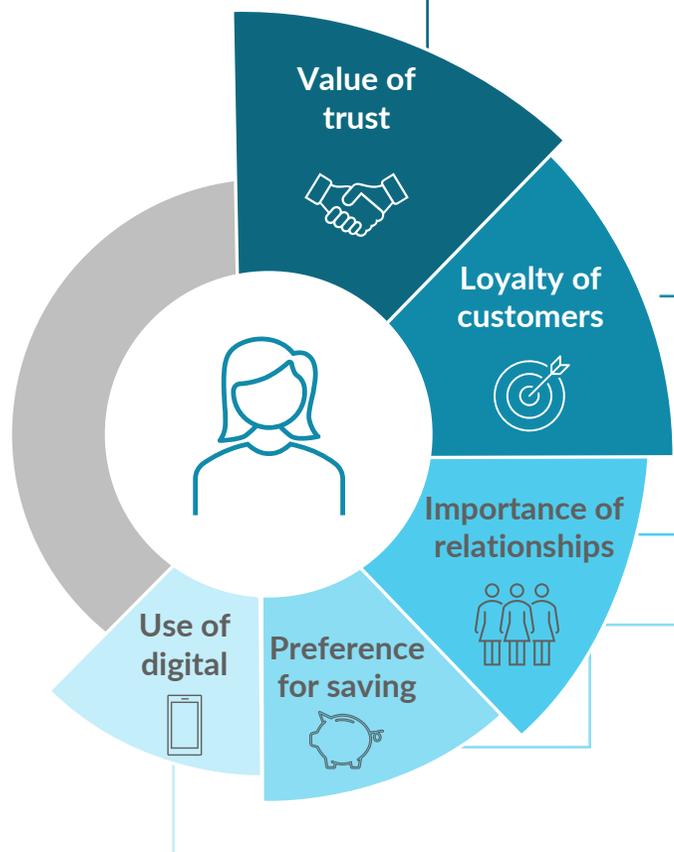
Group guarantees

- 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

Key financial behaviors observed in female traders



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

FSPs can develop innovative products and better serve female retail traders' needs according to five recommendations

- 1 Capture and retain the youth opportunity**  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) 
- 2 Generate more accurate risk assessments of prospective borrowers**  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) 
- 3 Harness the social relationships cultivated through informal channels**  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)
- 4 Integrate digital financial services with traditional formal channels**  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) 
- 5 Create digital platforms to host informal channels**  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 