

**Dalberg**

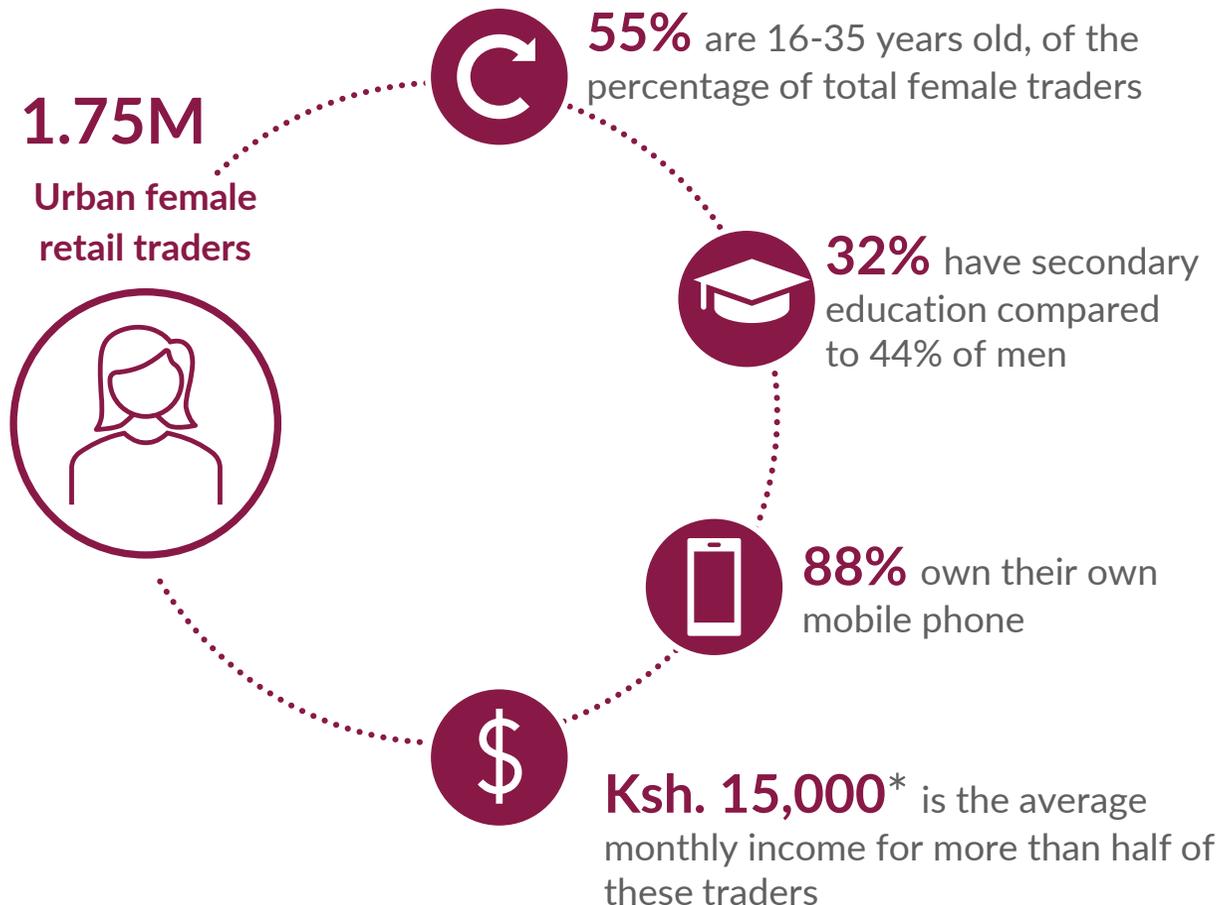
# Gendered financial products and services for women in Kenya

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PITCH DECK: POLICYMAKERS

# 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 career<sup>1)</sup>:

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

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

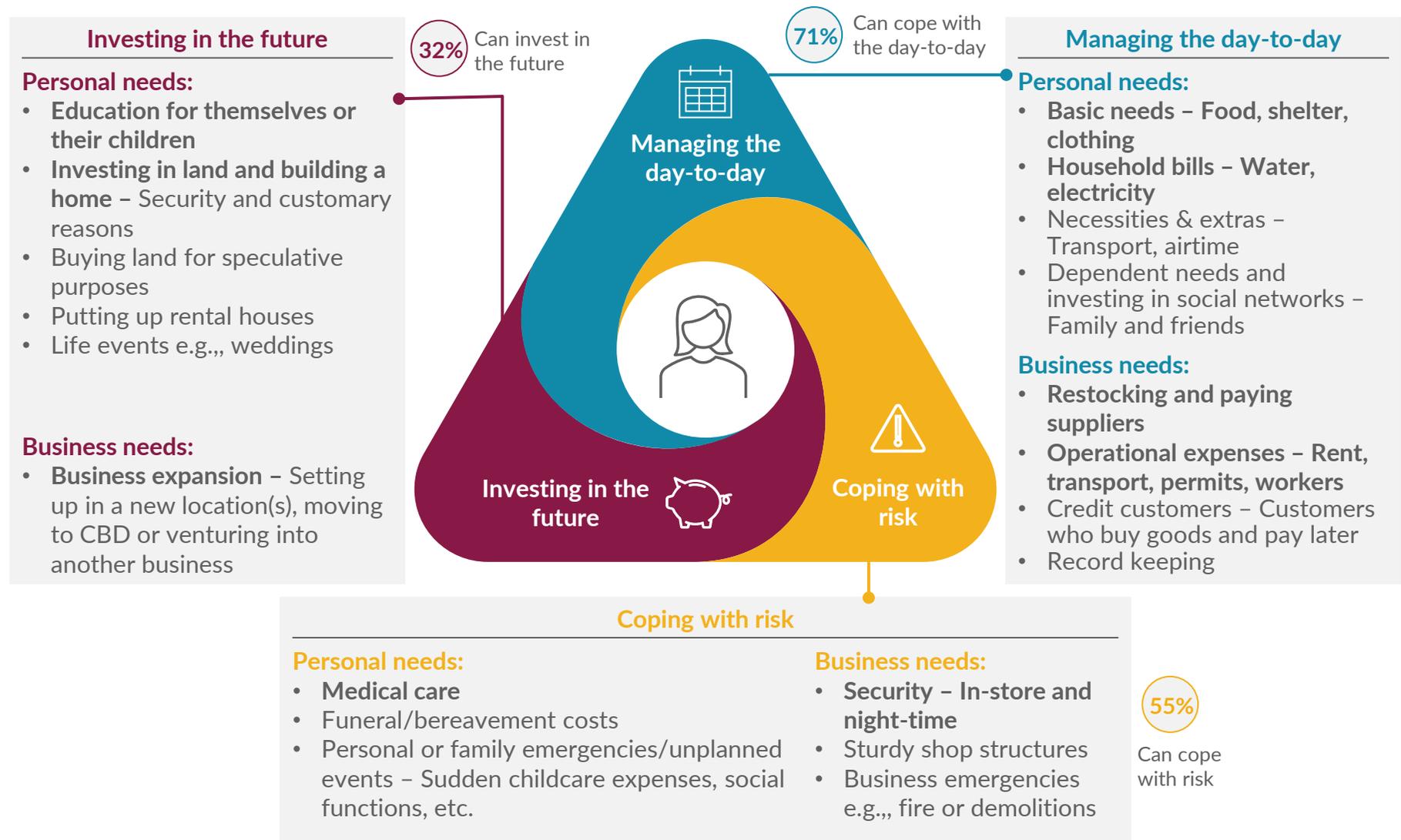
*Most are low sophistication, micro-sized businesses*

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

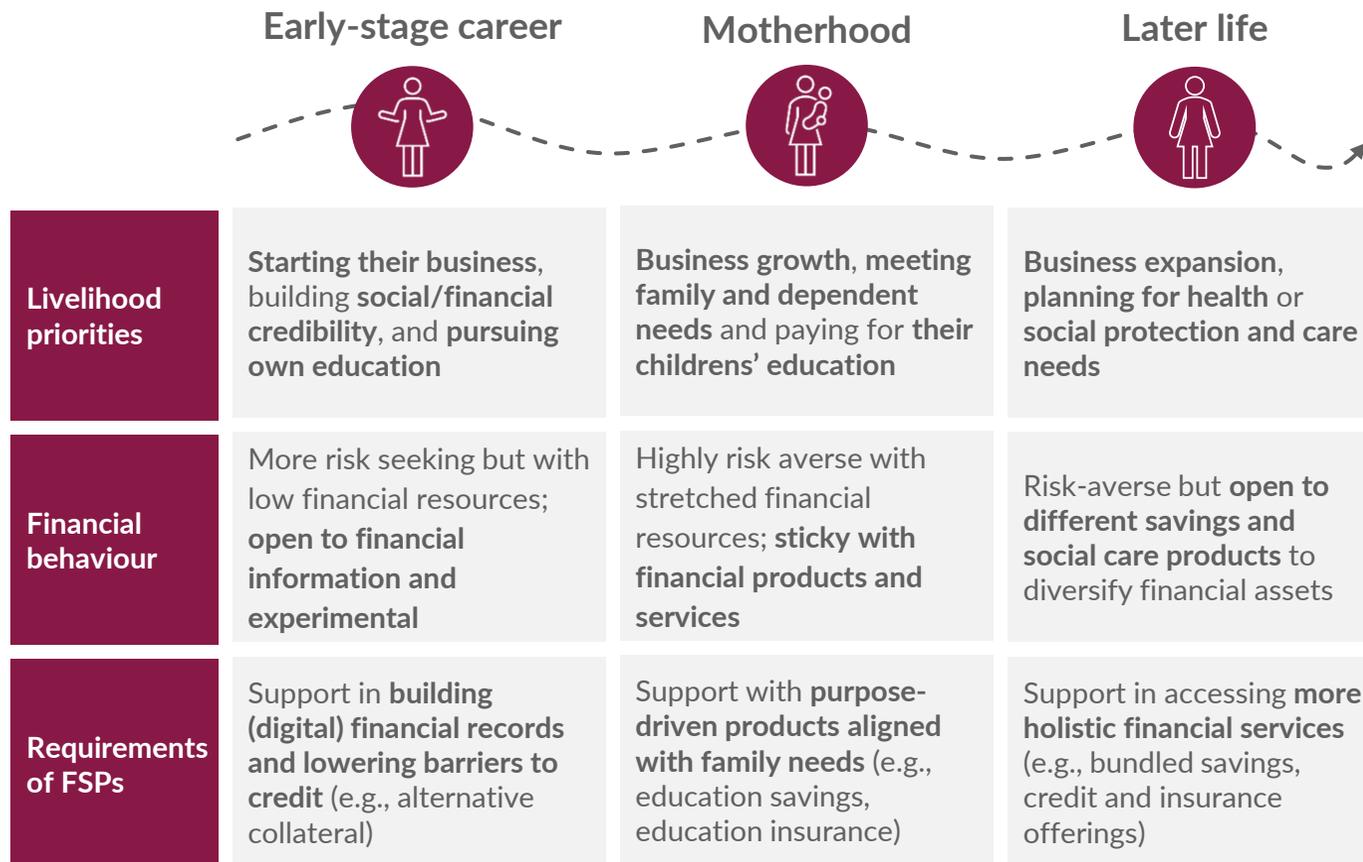


\*Bold highlights represent key needs and priorities

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



*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

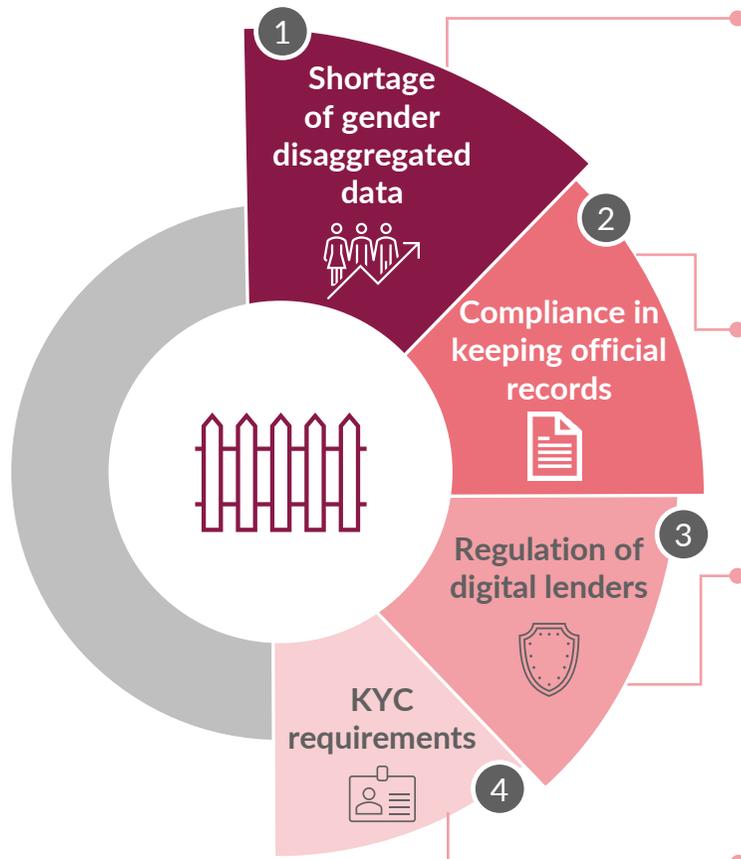
	Use cases	Summary of key requirements	Prominent channels	Extent to which needs are met <sup>1)</sup>
Managing day-to-day	<b>A</b> Day-to-day transacting	Female traders prioritize ease of access, low/no transaction charges, security of payments and interoperability with other financial channels to conduct regular transactions with customers and suppliers	M-Pesa, cash	
	<b>B</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	
	<b>C</b> 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	<b>D</b> 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	
	<b>E</b> 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	
	<b>F</b> 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	<b>G</b> 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	
	<b>H</b> 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	
	<b>I</b> 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 retail traders' ability to meet their financial needs is constrained by a number of systemic constraints

## Key systemic constraints to serving female retail traders



### Shortage of gender disaggregated data

Gender disaggregated data is not consistently used or applied by FSPs to inform the design of gender-specific financial products, often because FSPs lack guidance on how to collect such data or understand the value it holds

*"We have not been able to get gender disaggregated data really well, there are technical challenges in collecting and reporting data for women"*

**KCB**

### Compliance in keeping official records

Many female traders perceive difficulties, costs and low personal benefits in keeping official records, such as county trading permits, licences and tax records, which could otherwise serve as inputs into credit scoring

*"Having all the permits and documents needed to operate for me is like throwing money away"*

**Female trader | Nairobi**

### Regulation of digital lenders

Low regulation of digital credit providers poses a risk to consumer protection via predatory digital lenders, whilst also constraining the lending capabilities of more reputable digital lenders

*"I've used Tala but the interest was too high so I just deleted the app from my phone"*

**Female trader | Nairobi**

### KYC requirements

KYC requirements for more advanced products deter adoption by some female traders; KRA PIN requirements and the related filing of annual returns appear to be a large barrier for opening bank accounts, particularly given the disparity in ownership between men and women in Kenya

*"[On opening a formal bank account] They were asking for a KRA PIN and I didn't have one"*

**Female trader | Nairobi**

# There is no regulation to coordinate the collection, segmentation and use of gender-disaggregated data for FSP product design

**There are currently no centralized or coordinated guidelines for FSPs' collection and segmentation of gender disaggregated data...**

Kenya's financial ecosystem lacks a coordinated system for the collection of gender disaggregated data that could inform the design of gender-centric financial products and services

Various financial regulations stipulate FSPs to collect gender disaggregated data but these are fragmented and not applicable to all institutions

For example, SACCO Societies (Non-Deposit Taking Business) Regulations (2020) require non-deposit taking SACCOs to capture members' data and information, including gender, but these do not have broader applicability



**...which currently contributes to the inconsistent and fragmented collection and use of such data for the development of gender-specific financial products**

Given this lack of coordination, FSPs inconsistently collect and use gender disaggregated data; for example:

- KCB collects gender-disaggregated data but only regarding account ownership
- SMEP generates daily reports to assess credit performance of men versus women but this is not used to inform product design

This inconsistent collection and use of gender disaggregated data can be attributed to a lack of awareness of the value such data holds and technical understanding in how to collect/apply the data (e.g., in defining women segments to collect data for)

*“We have not been able to get gender disaggregated data really well, there are technical challenges in collecting and reporting data for women. The challenge comes in defining the gender segment – e.g., how do you define women-led businesses?”*  
KCB

*“There was a push to align teams on the ground to serve women, but there was a challenge of collecting information - IFC helped with data collection to inform the design of the DADA product”*  
Stanbic

# Many female traders lack trading permits, licences or business registration that could be used as proof of credit worthiness



## Regulation for obtaining trading permits, licences and business registration creates complexity for female traders

- Traders face an **unclear and ambiguous regulatory environment for business licensing procedures and registration requirements**; for example:
  - Under the County licensing bill (2019) licensing requirements and fees in Kenya **differ per the county that a business is registered in and type of business**
  - Moreover, some **national laws contradict local authority laws**, furthering the uncertainty of operations
- This **creates complexity and uncertainty for traders**, such as in Kisumu county, which offers an annual business license permit to registered businesses but informal traders cannot obtain it and are still required to pay daily market/municipal fees



## Female traders often view trading permits, licences and registration as extractive, with limited tangible benefits

- Many female traders view trading permits and county fees as **costly and with limited benefit**, whilst they also have concerns over fraud with such payments often required in cash with **no receipt or proof of transaction**
- Female traders often **perceive official business registration as only for 'big' businesses and are unaware of the benefits that it could bring** (e.g., access to markets, trust with customers, access to finance)
- In some areas, traders can renew trading permits and register their businesses online but **many are unaware that such facilities exist**

Many female traders lack records of official trading permits, licences and business registration that could prove their financial credibility and serve as an input into alternative credit scoring, thereby increasing their access to formal finance

*"Whenever you go to apply for a loan they ask to see the business permit"*

Female trader | Nairobi



# Regulation of credit only MFIs and non-deposit taking digital lenders is limited, raising concerns over consumer protection

## Implications of limited digital credit regulation



## Potential of digital credit regulation

Although digital credit providers are not officially regulated, the Central Bank of Kenya Act (Amendment) Bill (2021) plans to require the licensing of digital credit service providers by the Central Bank of Kenya. If passed into law, it would:

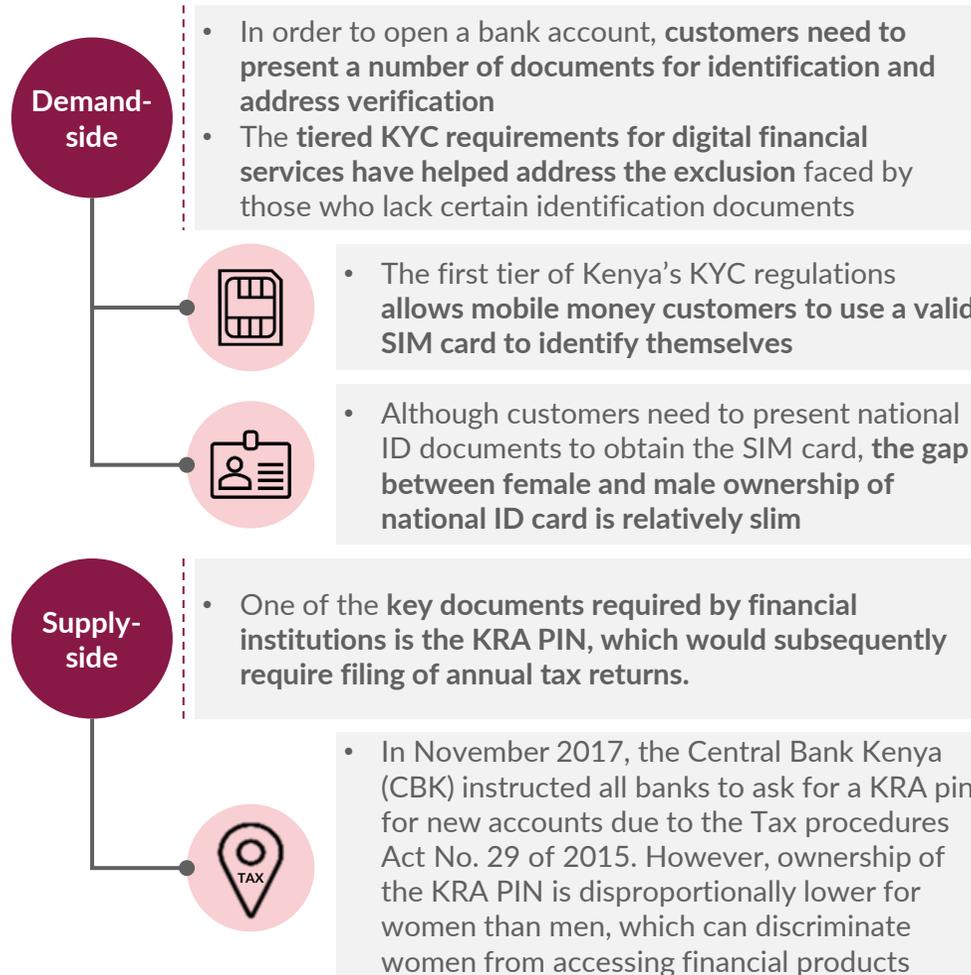
<p><b>Register with CBK</b></p> 	<p>Require all digital credit providers to register with the CBK within 6 months of the law's enactment</p>	<p><b>Liquidity requirements</b></p> 	<p>Allow CBK to set minimum liquidity requirements and capital adequacy requirements for digital credit providers</p>
<p><b>Confer powers to CBK</b></p> 	<p>Confer power to the CBK to license, supervise, suspend or revoke digital credit providers' licenses, and approve digital channels and business models</p>	<p><b>Regulate digital lending</b></p> 	<p>Regulate more predatory digital credit providers, whilst having a lower impact on those already self-regulated by the DLA</p>

Most large digital lenders are members of Digital Lenders Association (DLA), which already provides some self-regulation for members

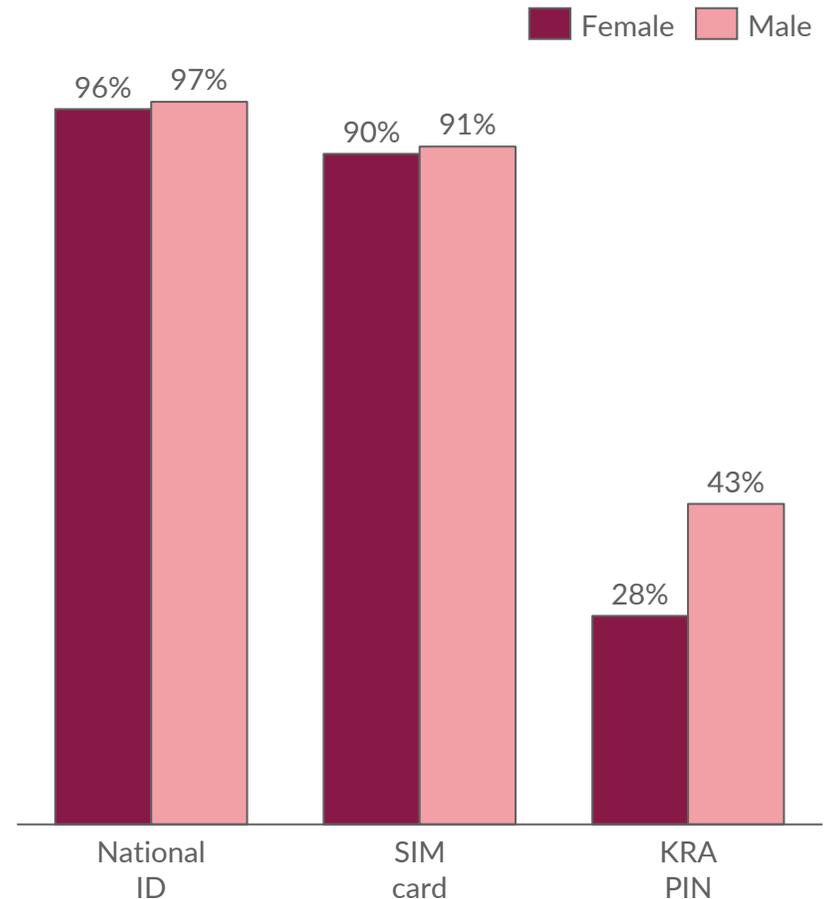
# KYC requirements are gender neutral but can unintentionally discriminate against women, such as the need for a KRA PIN

Men and women must meet the same KYC requirements to register for financial products in Kenya...

...although ownership of National ID and SIM cards is balanced, female ownership of KRA PIN is lower than men



Kenyan ID ownership by gender, 2021 [%]



[1] Caribou Digital, Kenya's Identity Ecosystem, 2019; [2] Kenya's Digital Economy, Dalberg/Omidyar Network; [3] Tax Procedures Act 29, 2015

# Policymakers can address systemic constraints to serving female retail traders' financial needs through four key recommendations

Demand-side	<b>1</b>	<b>Ease barriers of trading/licensing requirements for low-income traders</b>		Generate additional digital records that could be used as inputs for more accurate credit risk assessment by removing the barriers that restrict traders from obtaining official records (e.g., by providing a waiver to low-income female traders for county permits and trading licences, digitizing registration processes and increasing awareness of these improved processes)	
	<b>2</b>	<b>Partner with trusted channels to ease barriers in obtaining a KRA PIN</b>		Promote registration for KRA PIN and, in turn, increase accessibility of formal financial products by partnering with trusted channels (e.g. local agents, business associations, social groups) to explain the benefits of KRA PIN registration (e.g. greater access to finance, tender applications) and help female traders navigate the registration process (e.g. through educational support)	
Supply-side	<b>3</b>	<b>Regulate the collection of gender disaggregated data</b>		Enable FSPs to develop female-centric financial products (e.g., with more appropriate credit terms) and better assess the credit worthiness of prospective borrowers by regulating the collection of gender disaggregated data (e.g., with mandated guidelines for data collection requirements) and promoting awareness (alongside other stakeholders e.g., system-support actors) of the value this can create for FSPs to create more consistent repositories of gendered data	
	<b>4</b>	<b>Implement regulation of predatory digital lenders</b>		Enable digital credit providers to more accurately assess credit risk (e.g., by accessing Credit Reference Bureau data) and increase female traders' confidence in these lenders by implementing regulation to increase consumer protection against predatory lending (e.g., through the proposed Central Bank Amendment Bill)	