Gendered financial products and services for women in Kenya

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?

- 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

### Why are women in retail trading?

“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

* Ksh. 15,000 is the average monthly income for more than half of these 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) FinAccess 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

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

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 met¹</th>
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</thead>
<tbody>
<tr>
<td>A 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>
<td></td>
</tr>
<tr>
<td>B 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>
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<tr>
<td>C 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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<tr>
<td>D 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>
<td></td>
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<tr>
<td>E 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>
<td></td>
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<td>F 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>
<td></td>
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<tr>
<td>G 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>
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<tr>
<td>H 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>
<td></td>
</tr>
<tr>
<td>I 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>
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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:

1. **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

2. **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

3. **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

4. **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-Detect 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

Source: Gendered review of financial sector laws in Kenya, FSD (2021); FSP interviews
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

“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

**Demand-side**

Women are deterred by untrustworthy digital lenders who charge exorbitantly high rates and resort to predatory behaviour in the event of default by accessing their phone contacts and contacting them relentlessly.

**Supply-side**

The lack of regulation deprives FSPs of access to CRB data which they would need to use for tracking reliability of borrowers. This would make it easier to lend freely and approach compliant clients.

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:

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

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

In order to open a bank account, customers need to present a number of documents for identification and address verification. The tiered KYC requirements for digital financial services have helped address the exclusion faced by those who lack certain identification documents. One of the key documents required by financial institutions is the KRA PIN, which would subsequently require filing of annual tax returns.

In November 2017, the Central Bank Kenya (CBK) instructed all banks to ask for a KRA pin for new accounts due to the Tax procedures Act No. 29 of 2015. However, ownership of the KRA PIN is disproportionally lower for women than men, which can discriminate women from accessing financial products.

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 [%]

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<thead>
<tr>
<th></th>
<th>Female</th>
<th>Male</th>
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<tbody>
<tr>
<td>National ID</td>
<td>96%</td>
<td>97%</td>
</tr>
<tr>
<td>SIM card</td>
<td>90%</td>
<td>91%</td>
</tr>
<tr>
<td>KRA PIN</td>
<td>28%</td>
<td>43%</td>
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Policymakers can address systemic constraints to serving female retail traders’ financial needs through four key recommendations:

<table>
<thead>
<tr>
<th>Demand-side</th>
<th>Supply-side</th>
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<tbody>
<tr>
<td>1</td>
<td>Ease barriers of trading/licensing requirements for low-income traders</td>
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<tr>
<td>2</td>
<td>Partner with trusted channels to ease barriers in obtaining a KRA PIN</td>
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<tr>
<td>3</td>
<td>Regulate the collection of gender disaggregated data</td>
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<td>4</td>
<td>Implement regulation of predatory digital lenders</td>
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