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

URBAN WAGE EARNERS

Focus note 6 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.

- REGIONAL MARKET FARMERS
- LOCAL MARKET FARMERS
- SOPHISTICATED BUSINESSES
- URBAN SMALL BUSINESSES
- PUBLIC SECTOR WORKERS
- URBAN WAGE EARNERS
- URBAN ASPIRATIONAL YOUTH

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

fsd Kenya

CGAP

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 WAGE EARNERS

1.15 M adults 18+

This segment accounts for 35% of employees in Kenya (based on main income source) and 5% of Kenyans 18+.

LIVELIHOOD

Urban wage earners are employed in the private sector in manufacturing, private households and the retail trade. Their jobs appear formalised with most receiving their salary or wage directly into a bank account. Most of the segment has NHIF and almost 80% have a pension through the NSSF.

TOP 6 OCCUPATIONS

Manufacturing	15%
Private household services	14%
Wholesale and retail trade	14%
Financial and insurance activities	12%
Transport and Storage	7%
Accommodation and Food service	7%

MONTHLY INCOME (KSH)

KSh30,000 +	27%
KSh15,000 - 30,000	33%
< KSh15,000	37%

DEMOGRAPHICS

A large proportion of Urban Wage Earners are male and most are under 36 years old. Most have a secondary education, 20% have technical training and a further 20% have at least some university education. This segment is mainly located in Nairobi.

GENDER

Male	70%
Female	30%

AGE GROUP

51 +	4%
36 - 50	30%
26 - 35	45%
18 - 25	20%

20% have some technical training. A further 24% have at least some university

WEALTH QUINTILE

Top 40%	84%
Middle 20%	12%
Bottom 40%	4%

FINANCIAL HEALTH INDEX

89%	Have the ability to cope day-to-day
75%	Have the ability to cope with risk
57%	Have the ability to invest in their livelihoods and the future

63% 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

100% of the segment has a transactional account

This is mostly driven by mobile money uptake; 99% of the segment has a mobile-money account and 92% have a bank account

Savings

100% of the segment is currently saving

100% of the segment saves with a formal financial device – in their mobile-money accounts or with a SACCO

34% 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

77% of the segment has a pension, with 77% having a mandated pension with the NSSF

Credit

70% of the segment is currently borrowing

Formal credit devices are used most often; 47% of the segment has a formal credit device, mostly mobile banking loans and digital loans via phone apps

32% of the segment has an informal credit device and 20% are currently borrowing from their family/friends

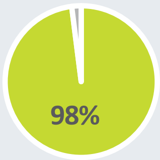
Insurance

94% of the segment currently has insurance

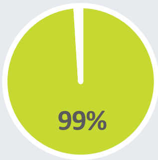
This is driven by the NHIF, 92% of the segment is a member. A further 16% have other insurance

TRANSFER OF VALUE

Received any payment (incl. remittances) into their account in the past 12 months



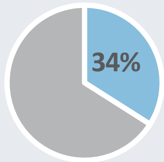
Make any payment (incl. remittances) via an account in the past 12 months



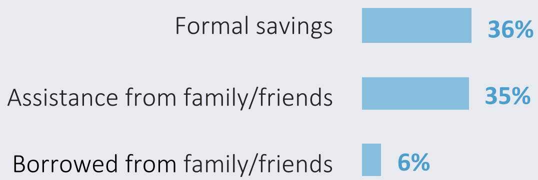
Urban Wage Earners mostly receive their income directly into an account and almost all adults in the segment report having made a digital payment in the past 12 months.

RESILIENCE

Experienced a financial shock in the past 12 months



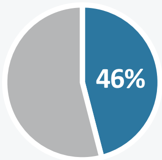
Top 3 mechanisms used to cope
(Experienced a shock)



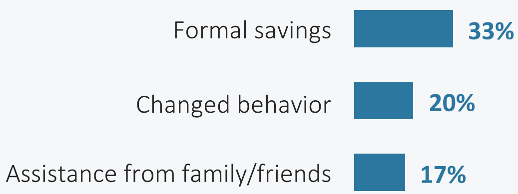
Just over one third of the segment experienced a financial shock in the past 12 months. The main shocks experienced by the segment include a major sickness or health problem (19% experienced this shock) and the death of a family member (13%). Most of those who experienced a shock used formal savings to cope or assistance from their social networks. Interestingly, of those who experienced a health-related shock, 87% have NHIF. However, only 9% say insurance was the main device used to cope.

LIQUIDITY

Experienced liquidity distress in the past 12 months



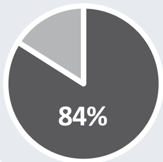
Top 3 mechanisms used to cope
(Experienced liquidity distress)



Almost half of the segment has experienced liquidity distress, despite their relatively large and stable incomes. Of those who have experienced liquidity distress, one third of the segment say that formal savings was the main device used to cope. Many in the segment rely on non-financial mechanisms to cope including changing their behavior by reducing consumption (11%) or working additional hours/jobs (9%) and relying on assistance from social networks.

MEETING GOALS

Currently trying to meet a goal



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

Over 80% of the segment is currently trying to meet a goal. This segment is the MOST LIKELY of the seven priority segments to be trying to meet a housing or land-related goal (47% are trying to meet this goal). Almost half of the segment who are trying to meet a goal are using formal savings. Over 20% say they are changing their behavior by working additional hours/jobs (20%) or reducing consumption (3%) to accumulate funds.

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 ***main income source*** **directly into an account**	58%	5%	70%	19%	93%	88%	46%
TRANSFER OF VALUE	% 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%