

# KENYA MARKET SEGMENTATION



Kenya's Vision 2030 identifies the financial sector as a key driver for achieving ambitious goals for economic development. This research identifies segments of the population whose financial needs are not being fully met by available strategies and devices offered by the formal financial sector. These segments offer opportunities for policy makers, regulators and financial service providers to step in and close the gaps between financial needs and product usage.

Seven segments have been prioritized because they are strategically important in contributing to stated policy objectives and they present opportunities for the formal financial sector. Each segment has been profiled by the four basic financial needs:

TRANSFER OF VALUE	LIQUIDITY	RESILIENCE	GOALS
			
The need to make and receive payments	The need to meet expenses on an ongoing basis	The need to meet large expenses resulting from shocks or other unpredictable events	The need to accumulate larger amounts of money to achieve objectives that cannot be funded from regular income

*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 were invited to explore the data - including FinAccess 2019, a study by CBK, KNBS and FSD Kenya - to identify key segments that display unmet financial needs and are strategically important for policy objectives and economic growth. This brochure provides a brief summary of prioritised segments and additional research outputs will follow.*





## TRANSFER OF VALUE

Just under half of urban aspirational youth are mainly being supported by their family members

46%

Received income from their main income source directly into an account

88%

Received ANY payments including receiving remittances into an account in the past year

55%

Made a non-remittance digital payment in past year

94%

Made ANY digital payment including sending remittances in the past year



## LIQUIDITY

Half of this segment has experienced liquidity distress. This segment relies on assistance from family and friends to cope

50%

Could not meet their regular spending needs at some point over the past 12 months

# URBAN ASPIRATIONAL YOUTH

## 1.2 million



Image: FSD Kenya

### 100%

Have completed secondary school and are 25 years or younger

### 75%

Are currently trying to meet a goal. Most goals relate to starting a business and further education

Julia is 22 years old and lives in Nairobi. She is currently trying to complete her university education. Although Julia has a part-time job to help cover some of her expenses, the cash she receives is often not enough. When she experiences liquidity issues, her family sends money to her mobile money account, which she accesses from her smart phone. Occasionally Julia's family is unable to help so she accesses small digital loans.

Julia is focused on graduating from university so that she can start her own business. She uses her savings held at a bank to pay for university fees, and she is already thinking about how she will accumulate start-up capital for her future business. Julia's key needs are for products and services to assist her with liquidity management. She also requires products that will help her finance her goals, specifically products that focus on education and small business development.



## RESILIENCE

This segment is the least likely to have experienced a shock

12%

Experienced a major sickness/ health problem

9%

Experienced the death of a family member

4%

Experienced loss or damage of major asset/ money



## GOALS

This segment is the MOST likely to be currently trying to achieve a goal. Their main goals are to start business and education

32%

Say the MAIN goal they are currently trying to achieve is to start or expand a business

30%

MAIN goal is education for themselves or their family

5%

MAIN goal is to buy or build a house to live in



## TRANSFER OF VALUE

Farm-related payments received and made by this segment are starting to become digitized

58%

Received a payment for *farming-related activities* directly into an account in the past year

84%

Received ANY payments including receiving remittances into an account in the past year

44%

Made a farm-related digital payment in the past year

84%

Made ANY digital payment including sending remittances and for personal/household expenses in the past year



## LIQUIDITY

This segment is the **MOST** likely to experience liquidity distress (with local market farmers)

57%

Could not meet their regular spending needs at some point over the past 12 months

# REGIONAL MARKET FARMERS

1.1 million



81%

Sell cash crops. Half sell food crops and or livestock

Henry is a tea farmer in Muranga. He is 48 years old and has been on the farm his whole life. The tea, picked with the help of casual workers, is delivered to a nearby tea factory.

Henry has some secondary school education, but he did not manage to finish his schooling as he needed to start working on the farm to help support his family.

Henry sometimes runs out of money to cover his day-to-day household costs. When this happens he takes items on credit from his local shopkeeper.

His main goals are to educate his children and purchase more

82%

Sell produce to a cooperative, factory or company

land. To achieve these goals he is saving with a SACCO and his wife contributes to a group. He is hoping to borrow some money from the SACCO to purchase more land.

Last year a drought impacted on his tea yield and he was forced to draw on his savings to make up the shortfall.

Henry needs help to help mitigate his farm-related risks but traditional insurance premiums are too high. He feels that most Financial Service Providers (FSPs) do not understand tea farming and so do not offer useful products and services for him.



## RESILIENCE

This segment is the **MOST** likely to have experienced a shock; 46% experienced a shock in the past year

29%

Experienced a major sickness/health problem

21%

Experienced loss or damage to their crops or livestock

16%

Experienced the death of a family member



## GOALS

This segment has goals related to education and improving their farms. 58% are **CURRENTLY** trying to achieve a key goal

13%

Say the **MAIN** goal they are currently trying to achieve is education for themselves or their family

12%

**MAIN** goal is buying inputs or assets for their farm

10%

**MAIN** goal is to buy land



## TRANSFER OF VALUE

Farm-related payments are cash based. Most digital payments are driven by remittances

**5%** Received a payment for farming-related activities directly into an account in past year

**60%** Received ANY payments including receiving remittances into an account in the past year

**5%** Made a farm-related digital payment in the past year

**69%** Made ANY digital payment including sending remittances and for personal/household expenses in the past year



## LIQUIDITY

This segment is the **MOST** likely to experience liquidity distress (with regional market farmers)

**57%** Could not meet their regular spending needs at some point over the past 12 months

# LOCAL MARKET FARMERS

## 4.2 million



Image: FSD Kenya

**89%**  
Sell food crops

**96%**  
Sell produce at a local market, to a neighbour or to a broker

Mumbi has a small plot of land in Nyandarua on which she grows maize and cabbages. She sells her produce at the local market. Mumbi is 36 years old, married and has three children. She was not able to finish her primary school education and she wants to ensure that all her children are able to complete their schooling. She has a mobile money account into which she occasionally receives money from her brother in Nairobi.

She often runs out of money to meet her day to day needs. She tries to reduce her family's expenses as much as possible,

but sometimes needs to take a small loan from the group she saves with to make ends meet. Along with educating her children her main goal is to buy inputs for her farm including fertilizer and pesticides. Last year pests destroyed a large portion of her crop. She was lucky to get some assistance from her brother to help cope. Pesticides, better fertilizer and more resistant seeds would be beneficial, however Mumbi needs assistance financing these in between harvests.



## RESILIENCE

This segment is the second most likely to have experienced a shock; 40% experienced a shock in the past 12 months

**21%** Experienced a major sickness/health problem

**18%** Experienced loss or damage of crops or livestock

**11%** Experienced the death of a family member



## GOALS

This segment has goals related to education and improving their farms. **48%** are **CURRENTLY** trying to achieve a goal

**13%** Say the MAIN goal they are currently trying to achieve is education for themselves or their family

**11%** MAIN goal is to start or expand a business/farm

**8%** MAIN goal is to buy or build a house to live in



## TRANSFER OF VALUE

Most businesses in this segment accept digital payments

**70%** Received a digital payment linked to business activities in past year

**98%** Received ANY payments including receiving remittances into an account in the past year

**52%** Made any business-related digital payment in past year

**97%** Made ANY digital payment including sending remittances and for personal/household expenses in the past year



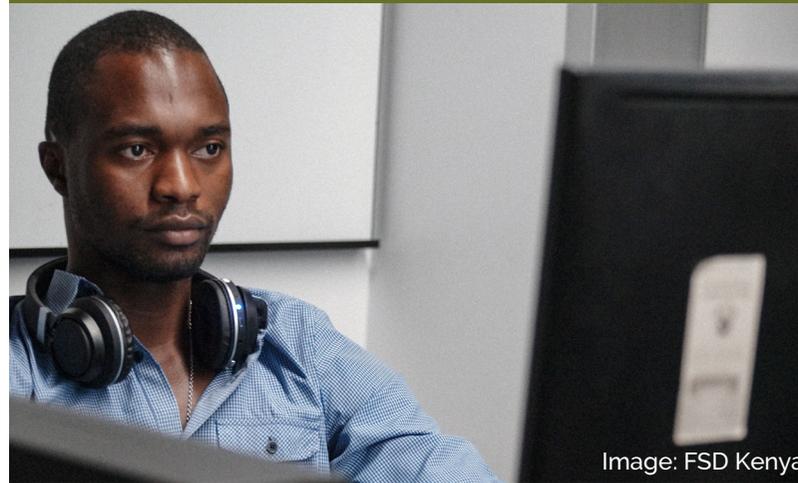
## LIQUIDITY

This segment is the **LEAST** likely to experience liquidity distress of all priority segments

**36%** Could not meet their regular spending needs at some point over the past 12 months

# SOPHISTICATED BUSINESSES

492,000



**98%**  
Of businesses in this segment are registered

**48%**  
Have three or more employees

**45%**  
Have a business bank account

John runs an electronics store in Nairobi. He started the business over ten years ago and currently employs four people full time in the business. John is 36 years old, he started the business right after leaving university and has been growing it since. He has recently started accepting payments via a till number in addition to his point of sale device. He has a business bank account and he keeps careful records for his business. A few months ago John was

in an accident and had to be hospitalised for a few weeks. While he has NHIF he found that he needed to dig into his personal savings to cover his medical costs. John hopes to open a new store soon so that he can expand his business. He is considering applying for a loan from his bank to help finance the expansion. John is looking for products and services for his business that will help him grow his business and also mitigate his business risks.



## RESILIENCE

37% of business owners in this segment experienced a shock in the past 12 months

**21%** Experienced a major sickness/health problem

**11%** Experienced the death of a family member

**6%** Loss or damage of major asset/ money



## GOALS

79% of business owners in this segment are currently trying to meet a goal. Mostly goals related to their businesses or housing

**25%** Say the MAIN goal they are currently trying to achieve is expanding their business

**15%** MAIN goal is to buy land

**15%** MAIN goal is to buy or build a house for rental income



## TRANSFER OF VALUE

Businesses in this segment generally only accept cash payments

19%

Received a digital payment linked to business activities in past year

81%

Received ANY payments including receiving remittances into an account in the past year

9%

Made any business-related digital payment in past year

92%

Made ANY digital payment including sending remittances and personal/household expenses



## LIQUIDITY

More than half of this segment has experienced liquidity distress in the past year

56%

Could not meet their regular spending needs at some point over the past 12 months

# URBAN SMALL BUSINESSES

## 2.2 million



Image: FSD Kenya

29%

Of businesses in this segment are registered

3%

Have three or more employees

0%

Have a business bank account

Akeyo is 30 years old, she is married with two children. She owns a small shop that sells food items in Nairobi. She is the only person working in the shop. Her business is not registered and she only accepts cash as payment. She occasionally lets people she knows well take goods on credit.

She does not keep records of her sales and tends to mix her household and business expenses. She has a mobile money account that she saves money in and she also contributes to a savings group. Occasionally she is unable to make ends meet. When this happens

she tries to reduce her family's expenses and asks her extended family for assistance. She tries to save some money for her children's education. She is also trying to save up to purchase an additional fridge so that she can stock more fresh produce in her store.

Akeyo doesn't see a reason to start accepting digital payments as her customers prefer cash. She is happy using informal services and her social network so formal Financial Service Providers (FSPs) will need to provide benefits that her informal services don't provide.



## RESILIENCE

35% of business owners in this segment experienced a shock in the past 12 months

22%

Experienced a major sickness/health problem

10%

Experienced the death of a family member

7%

Loss or damage of business



## GOALS

76% of business owners in this segment are currently trying to meet a goal. Most goals are related to their business and education

28%

Say the MAIN goal they are currently trying to achieve is expanding their business

13%

MAIN goal is education for themselves or their family

13%

MAIN goal is to buy land



## TRANSFER OF VALUE

Most public sector employees are paid directly into their bank account

**93%** Paid salary directly into an account

**99%** Received ANY payments including receiving remittances into an account in the past year

**84%** Made a non-remittance digital payment in past year

**99%** Made ANY digital payment including sending remittances in the past year



## LIQUIDITY

Just under half of public sector employees experienced liquidity distress in the past year

**48%** Could not meet their regular spending needs at some point over the past 12 months

# PUBLIC SECTOR EMPLOYEES

900,000



Image: FSD Kenya

**66%**

Are currently using a formal credit product

**31%**

Say they contribute more than half of their monthly salary to debt repayments on average

Chebet is 28 years old and is working as a teacher at a public high school in Uasin Gishu County. She started working as a teacher five years ago after completing her university degree.

Her salary is deposited monthly into her bank account. She also has a mobile money account, a pension through the NSSF and is covered by NHIF.

Recently she took out a loan from the bank to improve her home. The loan is deducted straight from her salary and so she sometimes struggles to make ends meet. She occasionally

takes a small loan via her mobile banking to help meet her regular expenses.

In the future she would like to build more properties and rent these out as an additional source of income.

Chebet is looking for additional products and services to complement her current portfolio of services. These include additional insurance to cover healthcare risks over and above her NHIF contributions, and products that will help her meet her education and housing related goals.



## RESILIENCE

38% of public sector employees experienced a shock in the past 12 months

**23%** Experienced a major sickness/ health problem

**11%** Experienced the death of a family member

**8%** Loss or damage of business, livestock or crops



## GOALS

65% of public sector employees are currently trying to meet a goal. Mostly goals related to education and housing

**17%** Say the MAIN goal they are currently trying to achieve is education for themselves or their children

**12%** Main goal is to buy land

**11%** Main goal is to buy or build a house to live in



## TRANSFER OF VALUE

Most urban wage earners are paid directly into their bank account

**88%** Paid salary directly into an account

**98%** Received ANY payments including receiving remittances into an account in the past year

**74%** Made a non-remittance digital payment in past year

**100%** Made ANY digital payment including sending remittances in the past year



## LIQUIDITY

Just under half of urban wage earners experienced liquidity distress in the past year

**46%** Could not meet their regular spending needs at some point over the past 12 months

# URBAN WAGE EARNERS

1.1 million



Image: FSD Kenya

**42%**  
Are men aged 35 or under

**84%**  
Are renting their dwelling

**46%**  
Say the main goal they are currently trying to achieve is housing related

Samuel is 29 years old and works for a textile manufacturer in Nairobi. He has a wife and a young child. He started working at the manufacturer after finishing secondary school. He is paid directly into his bank account. He has a pension through the NSSF and medical insurance via NHIF. He tries to save some of his weekly wages in his bank account and also saves some money in his mobile money wallet. He is renting a small flat just outside the city, but dreams of

being able to buy a house for his family. He sometimes struggles to meet all of his family's financial needs. He has started using loans obtained via his mobile banking as well as small loans obtained via a mobile app that he sometimes uses to purchase airtime. Samuel is looking for products that will help him finance a house. He would love to get some advice on the best way to go about this and what options are available to him.



## RESILIENCE

34% of urban wage earners experienced a shock in the past 12 months

**19%** Experienced a major sickness/ health problem

**13%** Experienced the death of a family member

**5%** Loss or damage of major asset/ money



## GOALS

84% of urban wage earners are currently trying to meet a goal. This segment is the MOST likely to be trying to meet a housing related goal

**24%** Say the MAIN goal they are currently trying to achieve is to buy or build a house/ apartment to live in

**20%** MAIN goal is to buy land

**20%** Main goal is to start or expand a business