

Financial Health

A qualitative exploration of the common metrics that the general public considers when describing financial well being



Background

Objectives

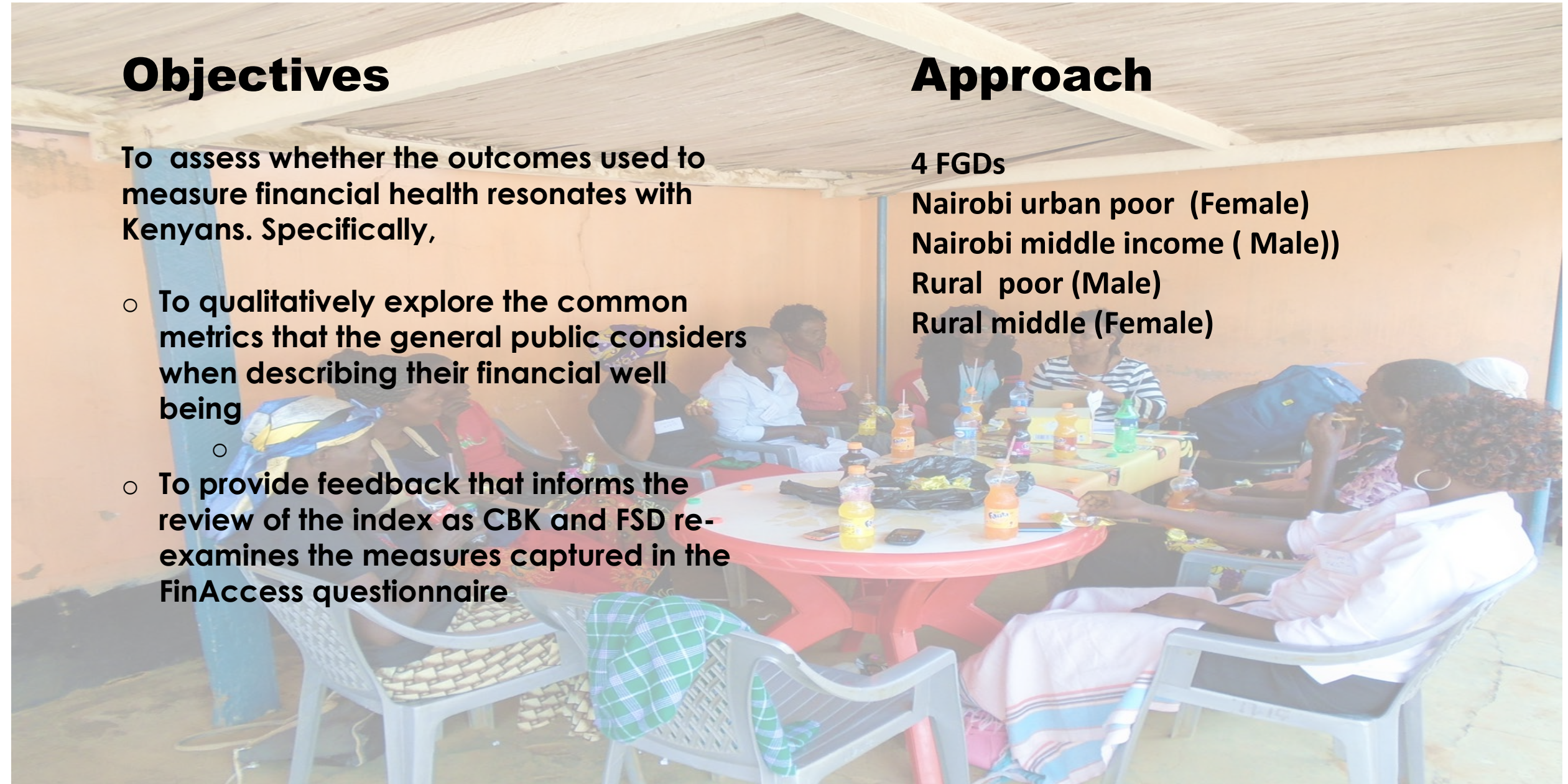
To assess whether the outcomes used to measure financial health resonates with Kenyans. Specifically,

- To qualitatively explore the common metrics that the general public considers when describing their financial well being
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- To provide feedback that informs the review of the index as CBK and FSD re-examines the measures captured in the FinAccess questionnaire

Approach

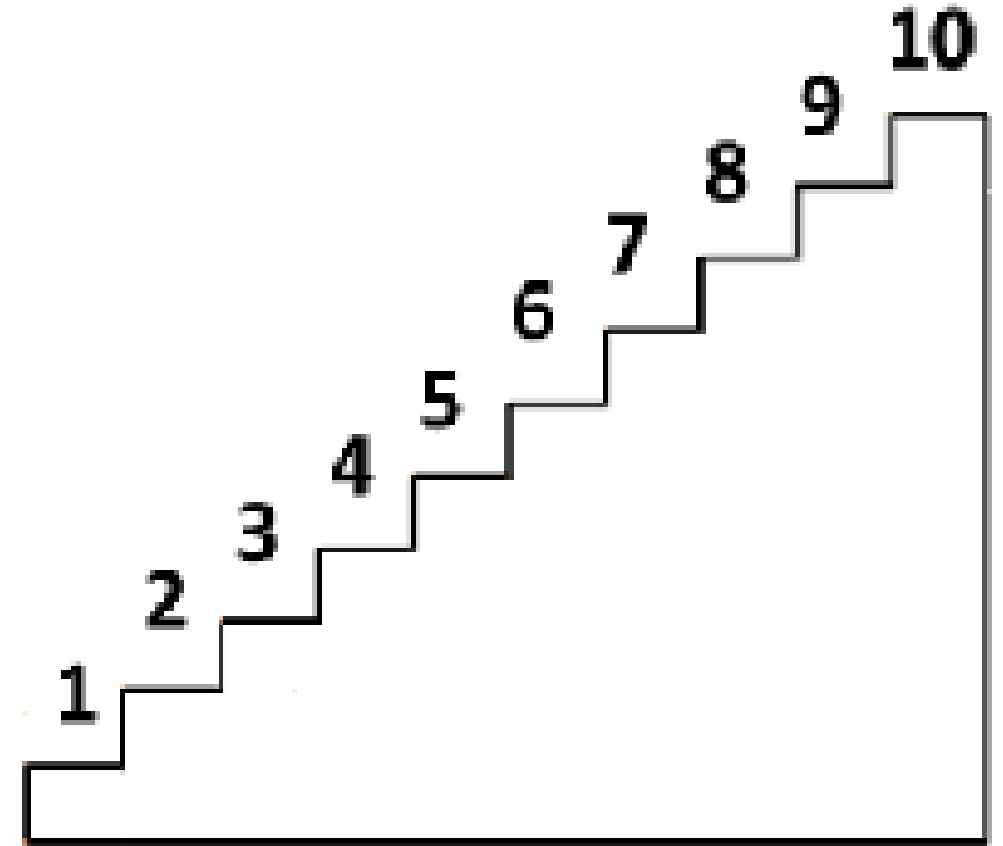
4 FGDs

Nairobi urban poor (Female)
Nairobi middle income (Male))
Rural poor (Male)
Rural middle (Female)



Part of the discussion involved a 10step FH ladder

- Imagine a **ten-step ladder** where the bottom first step stands for someone who has low financial health or low control of their finances. On the highest step, the tenth stands for a person with good financial control or good financial health. In this context,
- On which step are you today? Why ?
- What step were you in 2019? Why?





**Ability to manage day
to day**

*Rural middle-income female farmer with a retail shop,
household size 4*

Ability to manage day to day

Not having enough food

“Someone like me if I work for 3 days a week and I get 1200 shillings, that’s not even enough for food, so it’s hard to get to the level of that other person.” (Male Rural Poor)

Feeding focused on quantity and not quality

“Because I feed them to fill them up, but it is not the best I would want to give them. Sometimes it is the same kind of food throughout the week, but at least they are full.” (Female Nairobi Poor)

Living within your means/minimal no credit for day-to-day/minimal postponing of day-to-day bills

Every day is different from the other, today you get lucky, and tomorrow you don't. I have learned to live within my means, I don't put myself in a class I can't afford.” (Female Nairobi Poor)

Assurances of how to cope with the daily expected needs/ not dependent on luck

“I know what my day will be like in terms of feeding my family when I wake up ; we don't have breakfast in our house, and we only do 2 meals which I must provide.” (Female Nairobi Poor)

Ability to manage day to day

Day-to-day expenses are not exclusively/predominately dependent on remittances

“She can sell milk and use the money to buy other things that she needs; I don't have to send her money as much as I did before I bought her the cow.” (Female Nairobi Poor)

Ability to access and repay small value mobile lenders loans used for day to day

“Mpesa. It has really helped because even when I am down, I can always get a quick loan from Mshwari to give me a small boost. It was very helpful because even when there was Covid, my family never lacked. If I did not have enough money, I could just borrow from Mshwari, KCB Mpesa, or even Fuliza, and we would be okay.” (Female Rural Middle)

Holds some savings /regularly save – using an easily accessible channel

“I have made some little progress, 2019 I was not in a position to save; I was still in the hands of my husband, and I did not see the importance of saving money. I spend all the money I got on food and clothing something I can't afford to do so now, I need quick access.” (Female Nairobi Poor)

Has a budget and keeps to it

“I would say they know how to spend. They spend less and earn more. They schedule tighter budgets...” (Male Nairobi Middle)

Ability to cope with risks



Nairobi – low income; employed as a boda-driver, wife casual worker, income fluctuates to less than 15k /month, 3 children

Ability to cope with risks

Keeps an emergency (cash) fund for unexpected expenses

“....make sure I have some 5,000 shillings in my account for miscellaneous for unplanned things like school trips, etc., which emerge in between. So that discipline of separating money for different things has helped me get to number 5.” (Male Nairobi Middle)

Has livestock kept for quick sales/emergency

“Get assets, like cows, goats and so on, so that when I need money urgently, I am able to just sell one of them and get money to cover what I need.” (Male Rural poor)

Ability to borrow quick loans beyond the amount held in savings

“Someone can cope if let’s say someone has savings, maybe in the bank or microfinance, they can even get a loan from the institution to cover their emergency.” (Male Rural poor)

Having multiple sources for immediate emergency loans

“My nephew once fell sick, and the school called me because the mother was not around; my sister does not have a job, and I was the only person who could help at that time. I had to take some money from a Mpesa agent who gave me some money. This was a one-time thing, not that the same person will help me in all emergencies. Every time something happens, we have to look for a way out.”. (Male Rural poor)

Ability to cope with risks

Has an asset that can be used as collateral for loans

“... let’s say, a piece of land with a deed or even a car, they can get a good loan from a bank to assist them in handling the issue at hand, but for people like us who have nothing, we cannot get a loan to cover any emergency because we do not even have collateral.” (Male Rural poor)

Doesn’t see donations as the main source for funding emergencies

“To me it was not very good coping (getting donations to meet mother’s medical bills). I feel like I should have done better. I do not like involving people in those kinds of things because they help you, and then they mock you later on. But now I am prepared..” (Female Rural Middle)

Not selling under duress – not selling assets not intended for sale

“I lost my brother in March this year. So we had to sell part of our land just to cover the costs of the hospital plus the burial. Since this is family-owned land, of course, there were a lot of conflicts because some did not want the land to be sold., this was not a good thing, ...For a person with maybe cows, he can choose to sell a few just to be able to cover his financial needs at the time.” (Male Rural poor)

Copes with a child’s health emergency

“Someone who can not afford to take their children to the hospital when they are sick is not able to manage emergencies ..” (Female Nairobi Poor)

Ability to cope with risks

Has insurance/financial providers with emergency loans (Sacco, Chama etc)

“(They) will be able to cope with these shocks because most of them have insurance for their cars, houses, body parts, and some even take insurance covers for dogs...” (Female Rural Middle)

“I have a Sacco and they do give emergency loans because they know it will be deducted from my little salary. I also have the chamas that can give me an emergency loan., these things help.” (Female urban poor)

Inability to participate in obligatory social functions

“...my brother also lost his child, but I was unable to attend given that I did not have enough money for fare, so I ended up just sending some cash home. It made me feel really bad that I couldn't be there when he needed me,(that is not how to deal with an emergency).” (Male Rural poor)

Ability to survive X months after the loss of the main livelihood

“I was actually doing better than I am now because I had a better job.... I was working at a Sacco at the time, and they were paying really well. My sons were in boarding school, and I was able to give them a comfortable life. After Covid, I lost my job, and we lived on our savings for about 6 months, so that time I was better, I coped with no job.” (Female Rural Middle)

Ability to invest in the future



Rural – low income; house rented by a male casual farm worker, spouse also a casual farm worker.

Ability to invest in the future

Likely to get a lump sum at the end of the employment cycle

“I have friends who tell me that if they quit their job right now, they will get up to Ksh 500,000 paid to them. Apparently, their bosses deduct some of their salaries to help them plan for when they are going to go out of employment. We all need bosses like those.” (Female Rural Middle)

Has used employment income to save and invest in business and has confidence in her ability to retire

“Like the friend I was telling you about, she worked at Kenya airways previously, before joining the NGO, and you know how well people are paid there. She managed to save well every month and was able to open her businesses and start building rentals. Then after quitting Kenya Airways, she started working for the NGO a few months later. She was even telling me that she wants to retire because she feels that what she has will be able to cover her and her family.” (Female Rural Middle)

Doesn't have a CRB rating

“I don't qualify for a loan (for long-term investments) because I have been listed negatively in CRB.” (Male Nairobi Middle)

Saving in kind for long-term goals

“For me, I consider a person with cattle to also have an investment in the future, in that even if their child is going to school, they can opt to sell one and get enough to take their child to school. So I agree with what she just said. You do not have to be wealthy to invest.” (Female Rural Middle)

Ability to invest in the future

Currently accumulating/saving in assets that appreciate with time +5years (land for sale, buildings, rentals, plots for rental) Investing in bonds, shares, SACCO shares.

“Someone who buys a piece of land then sells it after some time when the piece of land has appreciated is someone who has invested for the future.” (Male Nairobi Middle) “One can also buy treasury bonds from the government, or invest in a real estate development for long-term investments.” (Male Nairobi Middle)

Saving with products where the loan amount available grows by X

“That for me, is the bank; when my husband took the loan he was using a payslip, and he was given a loan of 1.5 million shillings, you see he got much more than he had in that bank. I feel the bank has helped me and my family go up the ladder, But things like Mshwari are not very helpful because you must pay what you owe before you get a new loan; You find that your limit never goes up and remains at the same place for a long time. “(Female rural-urban)

Savings in more illiquid tools

“I would say Cooperative bank, because I have a locked savings account where I am saving up towards my goal. This is a plus for me because it is accruing interest, and I cannot misuse it while it is in a locked savings account, ...” (Female Rural Middle)

Regular savings from income

“I have also discovered these people who are looking out for their future people are able to save more and spend very little compared to what they receive every time they receive.” (Male Nairobi Middle)

Drivers of Financial Health



*Nairobi middle income male, Household size 4
Multiple income sources (employment + business)*

Drivers of FH



Education/training



Support from Spouse



Have sufficient liquidity to
seize opportunities



Multiple earning channels



Access to inheritance



Exposure to financial
education



Has regular inflows

What is the role of Financial products in FI

	Mobile lending	Mpesa	Banks	Sacco	MFI	Chama
Managing day to day	✓	✓				
Coping with emergencies	✓					✓
Investing in the future		✓	✓	✓		✓

Mobile lending

- Easily accessible
- No additional info required

Mpesa

- Easily accessible
- Direct transfer to bank

Chama

- Negotiable terms
- Loans for business

Banks

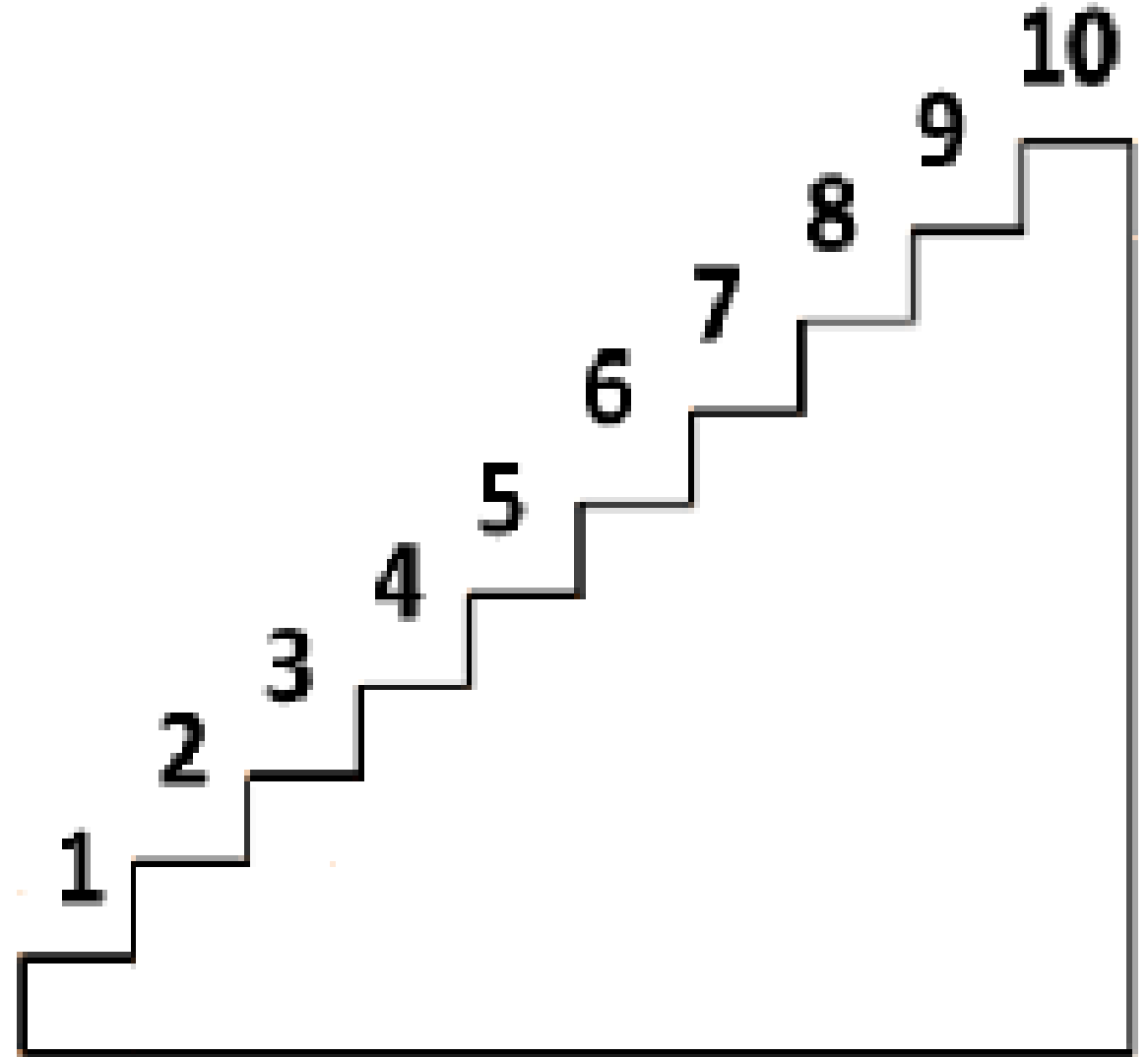
- Locked saving accounts

Sacco & MFI

- Large loan amounts relative to savings

Trends in financial health

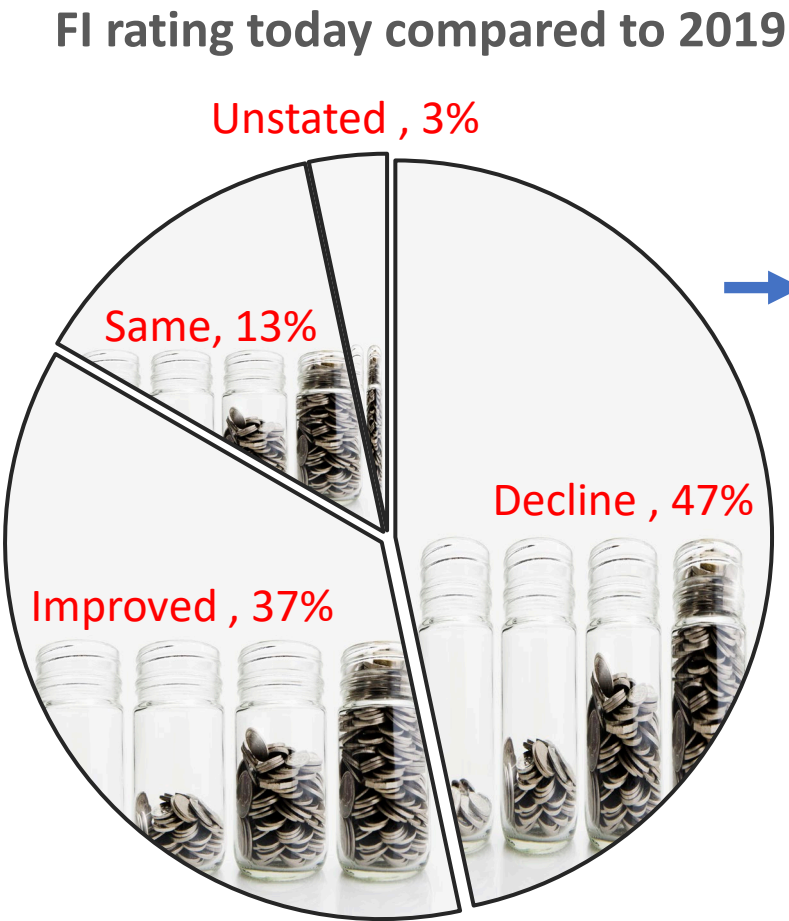
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- On which step are you today? Why ?
- What step were you in 2019? Why?



Financial health rating today compared to 2019

	Poor groups count	Middle groups count
Improved	1	10
The same	4	0
Declined	8	6

- Improved earning
- Reduced expenses (e.g. because children have finished school)



- loss of jobs/income (employment or business)
- Moving from employed to casual
- Business to casual
- Debt
- Loss of spouse
- Increased expenses

END



Ability to manage day to day

Included in current indicator

Food security/ nutrition	1. Not having enough food	✓	Never went without food during the last year
	2. Feeding focused on quantity and not quality	✓?	
Income predictably covers basic needs	3. Living within your means/minimal no credit for day-to-day/minimal postponing of day-to-day bills	✓	Doesn't have trouble making ends meet between income cycles
	4. Assurances of how to cope with the daily expected needs/ not dependant on luck	✓	Doesn't have trouble making ends meet between income cycles
	5. Day-to-day expenses are not exclusively/predominately dependent on remittances	✓	Doesn't have trouble making ends meet between income cycles
Access to liquidity	6. Ability to access and <u>repay</u> small value mobile lenders loans used for day to day		
	7. Holds some savings /regularly save – using an easily accessible channel		
Financial planning	8. Has a budget and keeps to it	✓	Has a plan/budget for allocating income and expenses

Ability to cope with risks		Included in current indicator	
Keeping aside an emergency fund/asset	1. Keeps an emergency (cash) fund for unexpected expenses	✓	Regularly kept money for emergency
	2. Has livestock kept for quick sales/emergency	✓	
Quick access to a lumpsum	3. Ability to borrow quick loans beyond the amount held in savings	✓	Can get hold of a lumpsum
	4. Having multiple sources for immediate emergency loans	✓	Can get hold of a lumpsum
	5. Has an asset that can be used as collateral for loans	✓	Can get hold of a lumpsum
	6. Doesn't see donations as the main source for funding emergencies		
	7. Not selling under duress – not selling assets not intended for sale		
Access to medicine	8. Copes with a child's health emergency	✓?	Never went without medicine in the last year
	9. Has insurance, especially health insurance/uses financial providers with emergency loan solutions (Sacco, Chama)		
	10. Inability to participate in obligatory social functions		
	11. Ability to survive X months after the loss of the main livelihood		

Ability to invest in the future		Included in current indicator	
Long-term investments	1. Likely to get a lump sum at the end of the employment cycle	✓?	Intends to use pension or investment income to make ends meet in old age
	2. Has used employment income to save and invest in business and has confidence in her ability to retire	✓	Is currently using savings or credit to invest in productive assets
	3 Doesn't have a CRB rating		
Confidence in ones financial future	4.Has used employment income to save and invest in business and has confidence in her ability to retire		
Saves for long-term goals	5. Saving in kind for a long-term goals		regularly putting aside money for the future
	6. Currently accumulating/saving in assets that appreciate with time +5years (land for sale, buildings, rentals, plots for rental). Investing in bonds, shares, SACCO shares		regularly putting aside money for the future
	7. Saving with products where the loan amount available grows by X	✓?	regularly putting aside money for the future
	8. Savings in more illiquid tools	✓?	regularly putting aside money for the future
	9. Regular savings from income	✓	regularly putting aside money for the future

END

