

Women in open-air and cross-border trade in Kenya: Insights from the financial diaries research



This project was commissioned to MSC by **BILL & MELINDA**
GATES foundation



Introducing the project



Action research designed to inform solutions that improve access to DFS

Objective

Resolve constraints and open opportunities for digital financial services for women-led micro- and small enterprises (WMSEs) operating from open-air and cross-border markets in Kenya

Participants

Women-led micro- and small enterprises (WMSEs) in open-air markets and cross-border trades

Rationale

Collaboration between WMSEs and financial services providers to:

- Diagnose the problem and identify opportunities to enhance the quality and use of DFS
- Develop a solution based on the diagnosis

Outcomes

- **In-depth knowledge** about the opportunity to serve WMSEs in open-air markets and cross-border trades with quality DFS
- **Use of data** to design relevant products and services
- **Pathways to scale up** DFS solutions for WMSEs

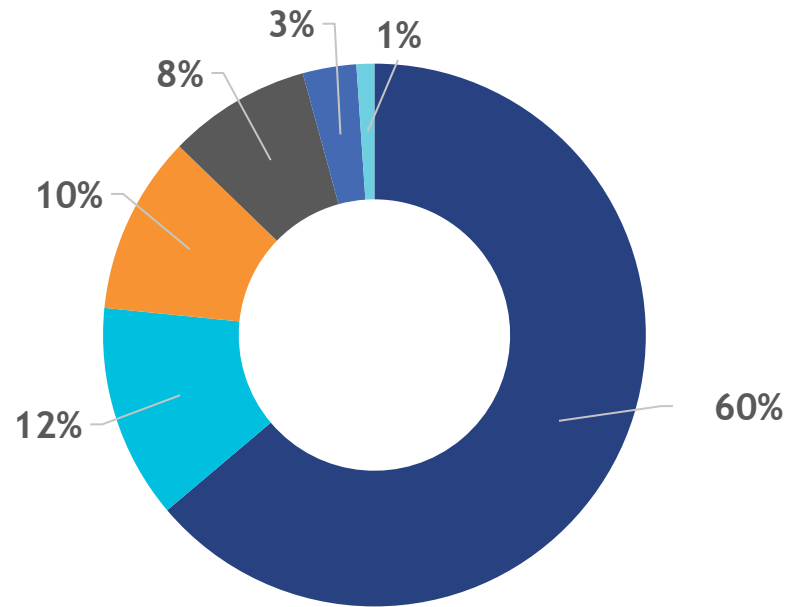


The participants:

- I. Open-air market traders (OAM)
- II. Cross-border traders (CBT)

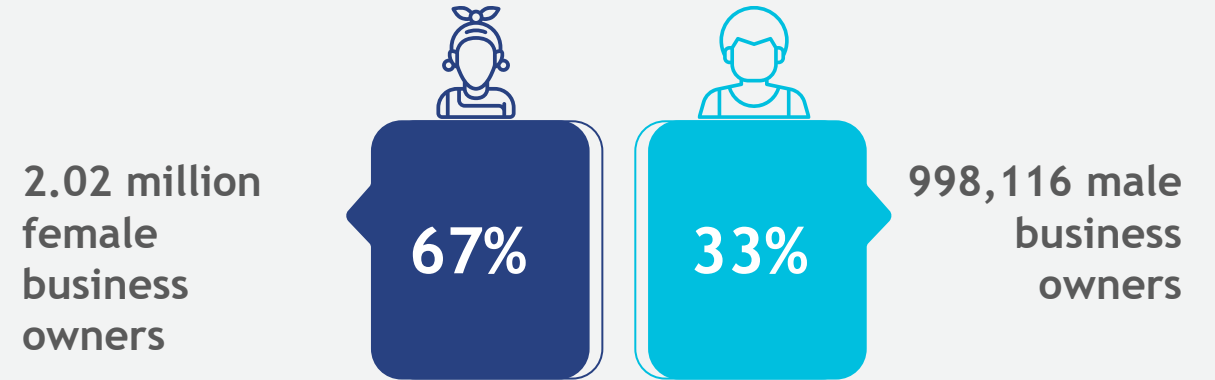
Wholesale and retail trade dominate businesses in Kenya, while women dominate the wholesale and retail trade

Kenya has 5.04 million business owners



- Wholesale and retail trade, repairs
- Agriculture, Forestry and Fishing
- Services
- Manufacturing
- Transport and storage
- Accommodation and food service activities

Wholesale and retail business 3.02 million business owners



- 32% of the female traders (~650,000) operate from open-air markets in Kenya
- Around 30% to 40% of Africa's regional trade is informal cross-border trade – a female-intensive sector that provides employment and livelihood for low-income and low-skilled women in the border districts of Kenya

Sources: FinAccess 2021- Analysis of wholesale and retail business owners (N=wholesale and retail traders and repair businesses=2,250 (men=731, women=1,519))

These two groups are often-overlooked groups among WMSEs



Open-air market female traders

- These traders have a fixed set of regular customers and flying customers—accept both cash payments and payments in M-Pesa.
- They generally lack a license. They prefer to evade the authorities or pay a temporary fee rather than get a permanent license to operate. Getting permits requires multiple visits, and each time traders need to close the business.



Cross-border female traders

- These traders either have customers across the border, in Uganda and Tanzania, or have suppliers across the border.
- They need to manage multiple currencies and know the exchange rates.
- Some have institutional clients who pay through bank checks.
- Most have some form of license to trade across the border.



Introducing the female traders' financial diaries

Financial diaries research: A useful tool to gather nuanced data to understand the financial lives of WMSEs



Research



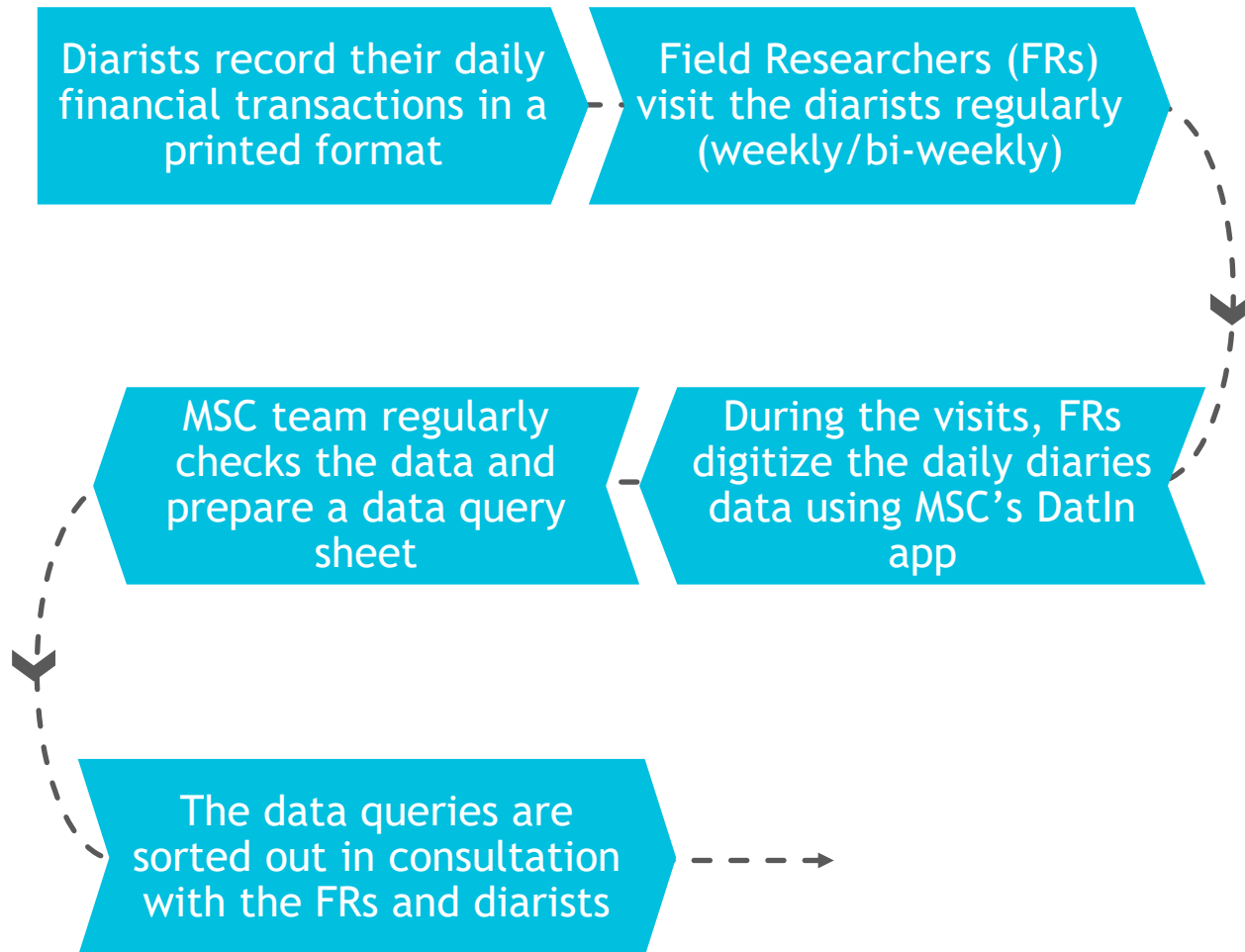
1. The financial diaries is a research methodology that collects data about how people manage money and provides insights into this practice.
2. The research provides a nuanced view of the financial life of diarists, which one-time surveys fail to capture.
3. Financial diaries can be used to introduce microenterprises to their first-ever bookkeeping exercise and serve as an effective tool for financial literacy. It is also used for impact evaluation.

Data collected



- ▶ Income earned from different sources
- ▶ Business related expenses
- ▶ Personal expenses
- ▶ Savings deposited
- ▶ Savings withdrawn
- ▶ Loan given
- ▶ Loan taken
- ▶ Loan repaid

A rigorous implementation of financial diaries to capture the contextualized financial realities of WMSEs in open-air markets and cross-border trades



Digital data collection using MSC's in-house DatIn (Data & Insights) app

On-ground data collection with the help of our partner, Dalberg

MSC MicroSave Consulting

Datin
MSC GLOBAL CONSULTING PTE LTD

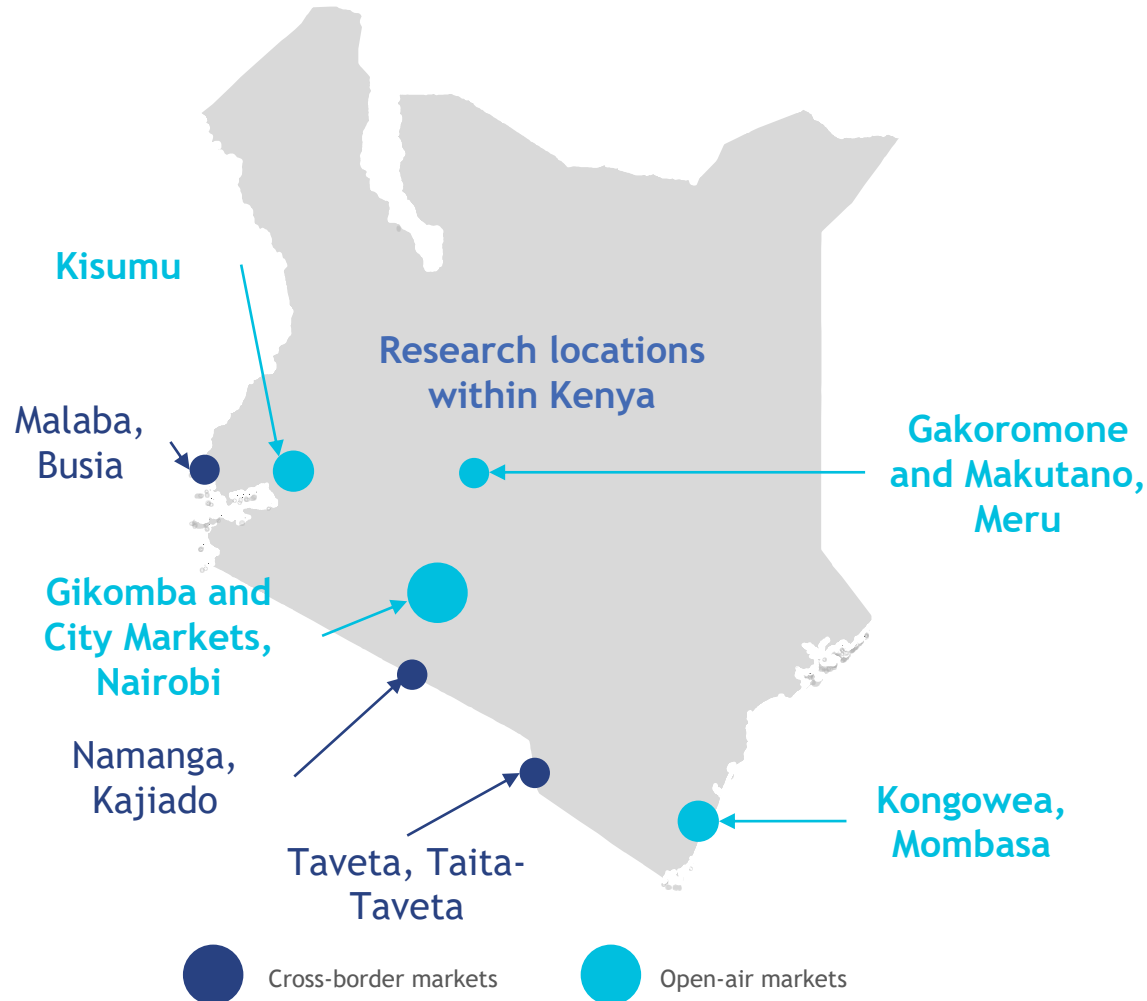
7.6 MB | Rated for 3+ | 100+ Downloads

Collect information for Financial diaries digitally and provide dataFor analysis

Dalberg

Sampling: The financial diaries research covers open-air and cross-border WMSEs in seven counties in Kenya

Map indicating the counties selected for field research



County	Market	Type of market
Busia	Malaba market	Cross-border market
Taita-Taveta	Taveta market	Cross-border market
Kajiado	Namanga market	Cross-border market
Kisumu	Rae-Kitito, CBD, and other open-air markets	Open-air market
Meru	Gakoromone and Makutano markets	Open-air market
Mombasa	Kongowea market	Open-air market
Nairobi	Gikomba and City Market	Open-air market

Phases of financial diaries	Sample size	Sample distribution
Phase 1 (April, 2022 - May, 2022) - Profiling, pilot, initial data	100	<ul style="list-style-type: none"> Cross-border traders = 63% and open-air market traders = 35% Women = 89% and men = 11%), daily financial transactions data
Phase 2 (July, 2022-June, 2023) - Deep-dives	30	<ul style="list-style-type: none"> Cross-border traders = 63% and open-air market traders = 37%, Women = 78% and men = 22%

Key insights so far



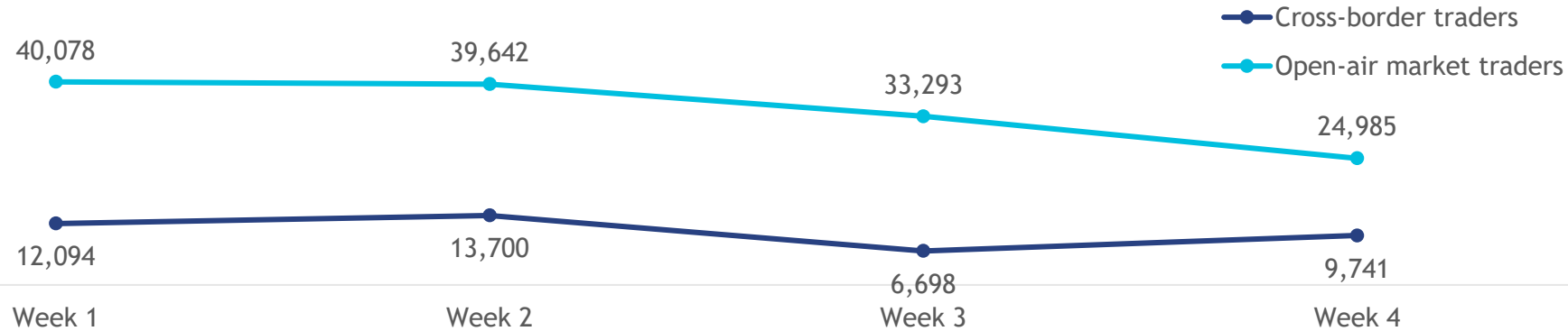
Women in open-air markets and cross-border trades are significantly different in their respective business economics

Even under the same segment, differences exist across locations.

Business economics

- On average, the net income of open-air market traders is more than cross-border traders.
- The diversity in businesses' revenue and profit margins vary as per seasonal differences.

Net profit (revenue-business expenses): it is volatile



The additional challenges faced by cross-border traders make their economic life more difficult (more on that in next slide)

Location: Similar types of businesses can differ in scale based on their locations

Characteristics	Open-air market traders		Cross-border traders	
	Gikomba (Nairobi)	Kisumu	Namanga (Kajiado)	Malaba (Busia)
Scale	Large	Small	Small	Large
Customers	Wholesalers, retailers, end users	Retailers, end users	End users	Institutions, wholesalers, retailers

Women in open-air markets and cross-border trade face several distinct challenges

Open-air market (OAM) traders



Challenges related to growth of the business and increasing revenues

- ▶ Decrease in sales
- ▶ Lack of access to new customers
- ▶ Lack of access to business networks
- ▶ Inflation-related impact on the business

Cross-border traders (CBT)



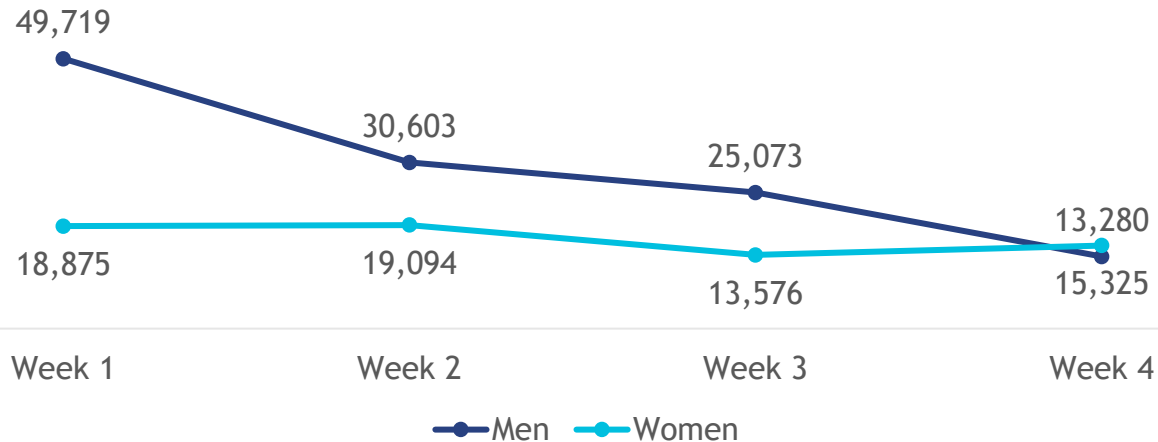
Challenges related to growth of the business and managing expenses

- ▶ High transportation costs
- ▶ Changing exchange rates affecting tariffs (on top of increasing inflation)
- ▶ Bribery and harassment at border posts
- ▶ Lack of information about border rules

Open-air market and cross-border traders exhibit a stark gender difference

A difference in scale and exposure to risks are the major differentiating factors

Weekly average net income (revenue minus business expenses)



- Female traders operate at a smaller scale and in less profitable business value chains than their male counterparts. It is evident from their low average net income and number of employees (29% of female traders have employees as opposed to 36% of male traders).
- Owing to the election and its aftermath, net income for both men and women was the same in week 4.



- Female cross-border traders face risks to personal safety, discrimination, and harassment by officials.
- They are more vulnerable to issues like the police or customs officials unlawfully confiscating their goods or compelling them to pay bribes.

Female traders in Kenya have a very dynamic and frequently complex financial life

They manage multiple transactions using multiple channels throughout the day and use mental models to make financial decisions



Catherine, a handicrafts trader from the Gikomba open-air market, Nairobi.

Her major buyer is Africa Heritage, a buyer that purchases bulk quantities for exports.

Let us see Catherine's financial transactions for 19th August, 2022

Sales revenue

From end-user buyers (in cash)= KES 15,000
From Africa Heritage (in M-Pesa)= KES 100,000

Business expenses

Buying stock (through M-Pesa)= KES 15,000
Transport(in cash)= KES 150
Rent for the shop in Westlands (in cash)= KES 5,500

Personal expenses

Home rent (in cash)= KES 4,500
Lunch (in cash)= KES 100
Airtime (in cash)= KES 100

Savings and credit

Savings in a chama (in cash) = KES 300
Savings in the bank (through M-Pesa) = KES 7,000
Loan = no loan repayment

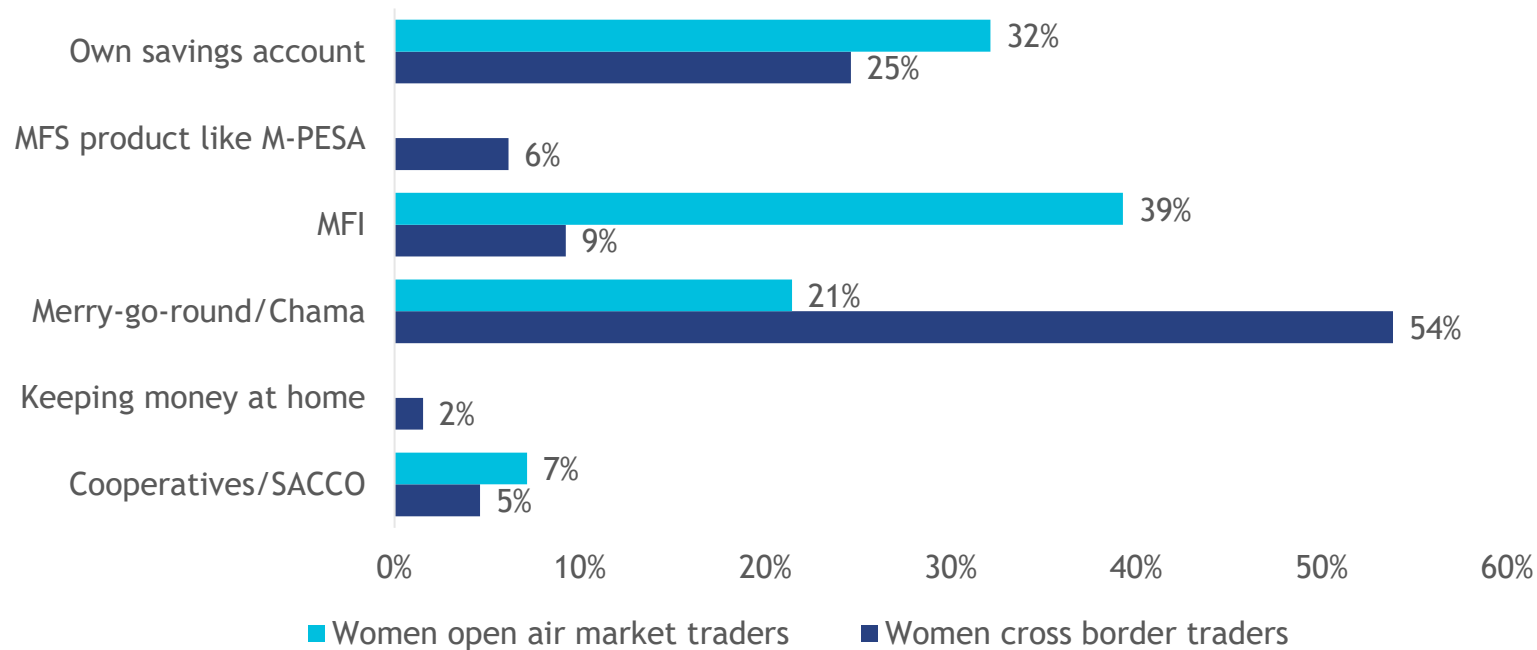
Financial decision making

She keeps substantial amount in her M-Pesa wallet as well as in cash so that she can pay her suppliers, if they come the next day.

The trader's location is crucial to her choice of savings instruments

The motivation to save regularly is often to secure a credit line

Savings tools opted by female traders



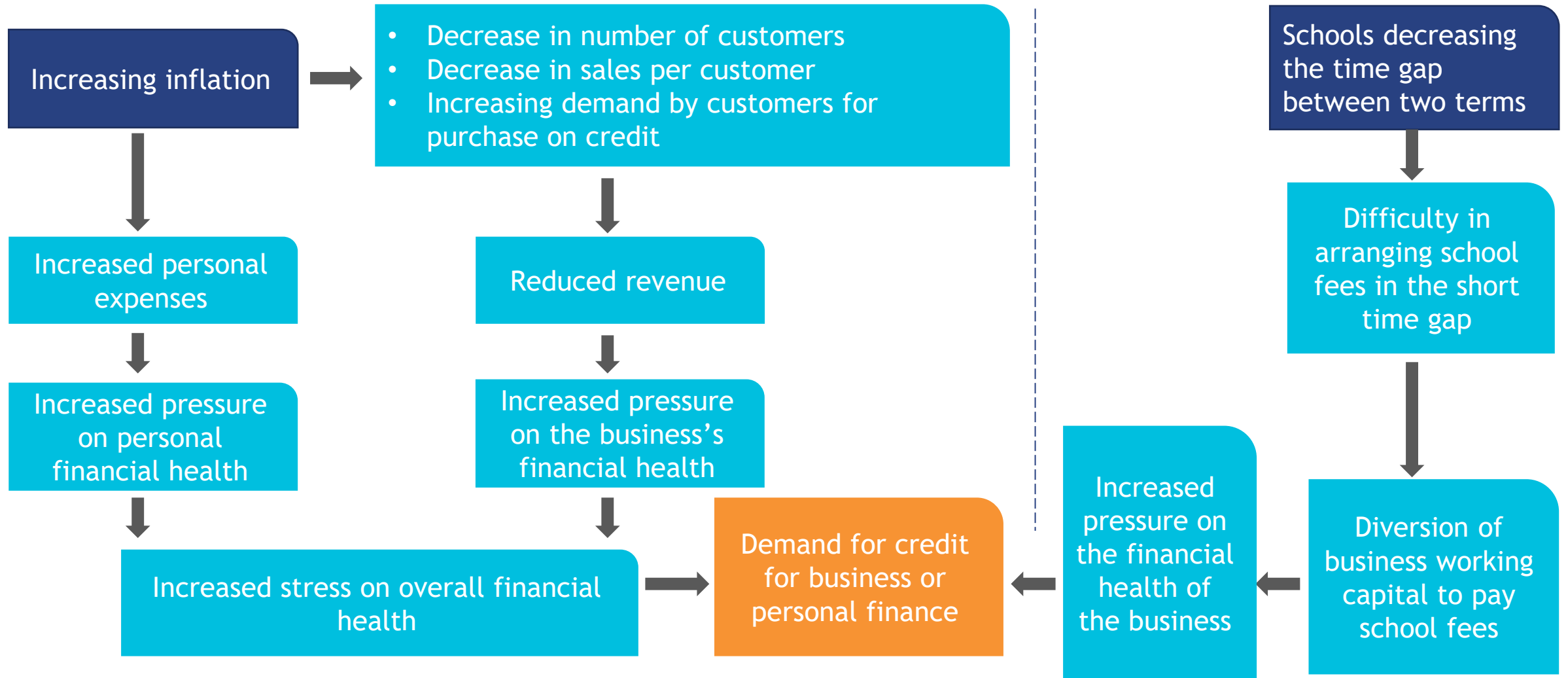
- ▶ Since open-air market traders work mostly in urban areas, they are more likely to have access to bank accounts compared to cross-border traders. Kisumu is an exception—it is mostly rural.
- ▶ Cross-border traders are mostly located in rural areas. Hence, they depend more on informal savings tools like groups or chamas.

Self imposed measures by WMSEs to ensure regular savings:

- ▶ Keeping money in “lock savings account” of M-Shwari so that the money cannot be withdrawn before a certain period
- ▶ Saving a fixed amount in a chama each week, no matter what
- ▶ Paying extra amount as loan repayment so that the remaining amount can go to savings

Kenyan traders have a growing need for credit due to external factors

The median ticket size of existing credit is KES 40,000



Women in open-air markets and cross-border trades are not a homogeneous group (1)

Open-air market traders are more sophisticated than cross-border traders; we have already seen that they make more net income than the cross-border traders.

Our composite index is based on seven parameters:

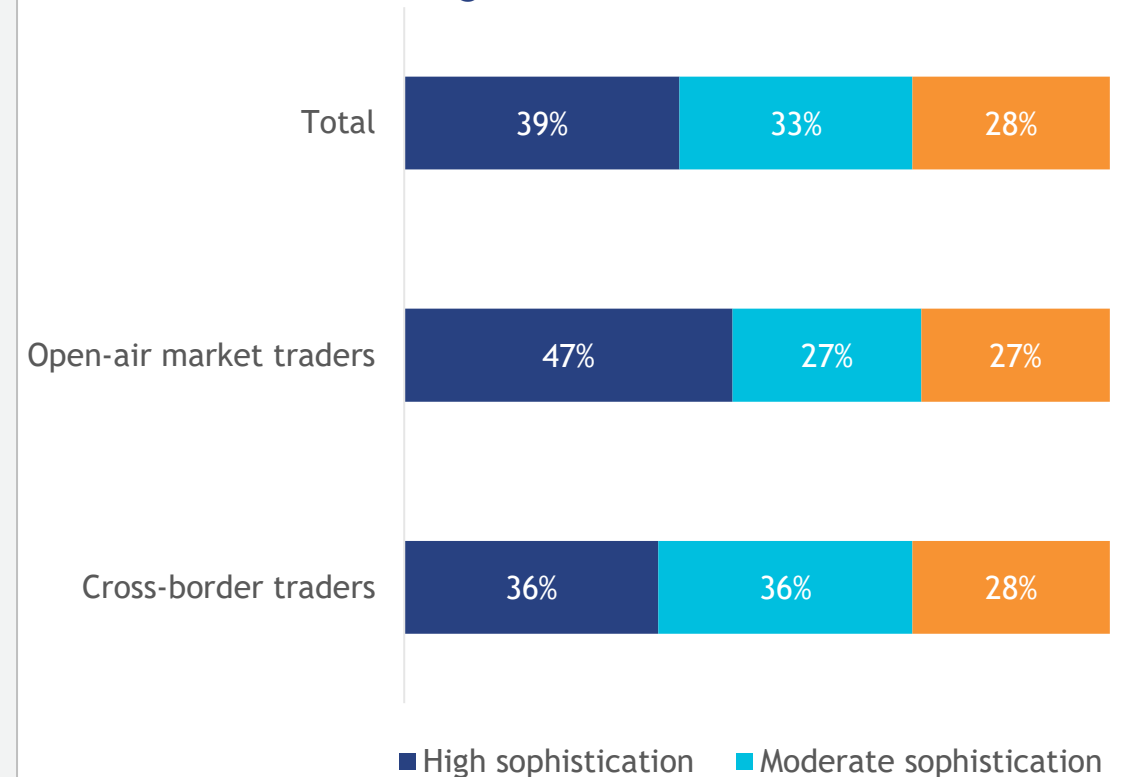
- Type of mobile phone used
- Whether they use mobile money
- Whether they have a savings bank account
- Whether they take major decisions about the business
- How do they manage record for inventory
- How do they do bookkeeping

Three segments of the WMSEs

- High-sophistication (score=7-9)*
- Moderate-sophistication (score=5-6)
- Low-sophistication (score=2-4)

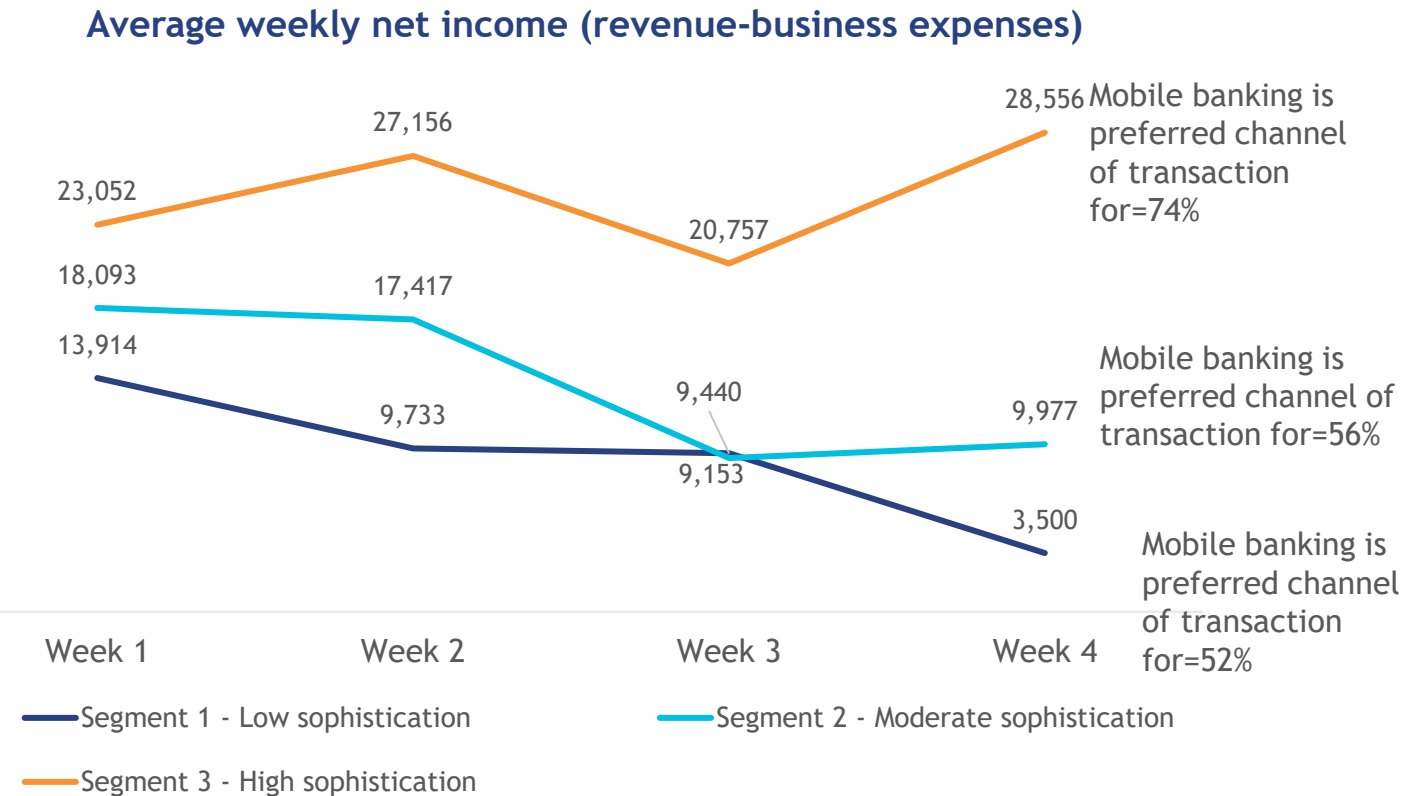
Overall, we found that 39% of the WMSEs were from high-sophistication, 33% are from medium-sophistication, and 28% are from low-sophistication segments.

Segmentation of WMSEs



Women in open-air markets and cross-border trades are not a homogeneous group (2)

WMSEs with more sophistication earn more



The lack of collateral is a challenge. Hence, most female traders prefer the group-lending models of banks. Their second choice is informal groups, as these offer flexible repayment models.

- ▶ The low-sophistication segment struggles to meet ends and needs more credit to balance their household finances and business finances. They use the credit mostly for consumption smoothing. They are not yet ready for big ticket-size credit. They need more support on **business advisory** and **small ticket-size credit** to manage personal finances.
- ▶ The moderate-sophistication segment is credit-ready for **productive credit** but of **moderate size**. They use most of it for business growth and some of it for personal consumption smoothing.
- ▶ The high sophistication segment is comparatively stable in their business and need credit support to grow. They are the ideally suited for big ticket size **productive credit**.

Bringing it all together



Open-air market traders and cross-border traders are two distinct categories of female traders.

Female traders run smaller businesses than men and face larger challenges.

1

Female traders are not monolithic. They comprise different categories and different segments, each with its own unique needs and circumstances.

2

Owing to external factors, female traders exhibit a high demand for credit.

3

Different segments have different needs for credit, both in terms of the end-use of loan and repayment capability. While using digital financial services, they prefer different channels.

4

Female open-air market traders earn more than cross-border traders. Open-air market traders have more sophistication than their cross-border counterparts, have a greater focus on business growth, and are aspirational.

5

Owing to the volatile nature of the business income, the female traders feel a need to save for the future, for which they use different tools. Their location plays a major role in the selection of instruments.

