

Choice of channel

Understanding how low- and moderate-income women in Kenya choose channels for financial transactions

August, 2022



Executive summary (1)

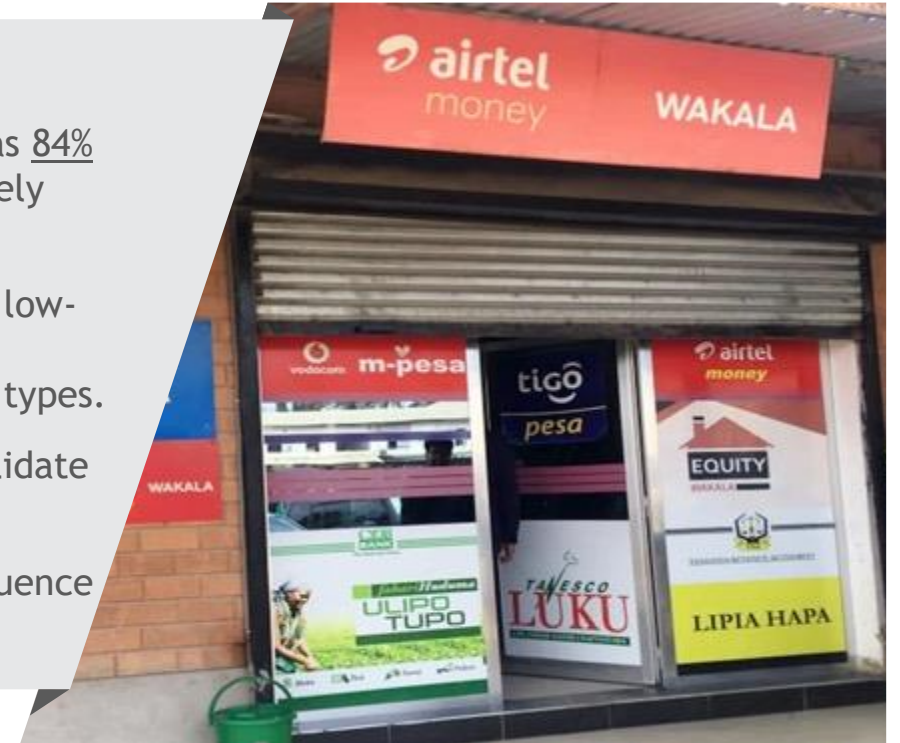


Kenya offers a unique landscape with comprehensive coverage provided by mobile network operators. The overall financial inclusion in the country was 84% in 2021, while the gender gap was at 4.2%. Yet, cash remains the most widely used method of transaction.

MSC conducted a choice of channel study to understand how women in the low- and moderate-income segment in Kenya select a financial channel. We interviewed 49 women across seven locations and covered four occupation types.

We used MSC's flagship DEBIT framework to undertake this exercise and validate the framework in the Kenyan context.

We do not see any other factor besides the ones outlined in DEBIT that influence the choice of the channel.



Women typically choose a channel based on:

1



Their perception of diffidence of trying to use the channel;

2



The amount of learning needed to use the channel;

3



The perceived bias they face while transacting with the channel;

4



The economic costs they face while trying to access the channel to transact;

5



The perceived trust that they have in the channel.

Executive summary (2)

Our study in Kenya yielded several insights:

- The choice of the channel was a function of three factors besides DEBIT-the level of income, consistency of income, and value of the transaction. Social norms did not determine the choice of the channel in Kenya.
- The higher the above-listed factors, the higher the preference to save in formal institutions, such as banks.
- Once their incomes become more reliable, women seek to join savings groups (*chamas*), which allow them to save and often also borrow from the group. Otherwise, women park their savings with M-PESA and transact using it.
- Financially excluded women need a foundational ID to enter the ambit of financial services. Enabling all women to have foundational IDs calls for concerted efforts from the government.
- M-PESA is the closest overall to cash (in terms of preference), even when the DEBIT scores are compared. Despite a high opportunity cost, groups are often preferred across segments owing to the social support they offer.
- While banks command a high level of trust, their use involves high opportunity costs that low- and moderate-income people typically feel can justify only if the transactions are worth a higher value.
- The omnipresence of M-PESA and other digital channels means that women in Kenya are much more comfortable with digital transactions than in India.



Executive summary (3)

The research led us to identify five clear segments of women within the low- and moderate-income group in Kenya. The segmentation is based on behavioral patterns, attributes, and preferences around the adoption and use of financial channels. The DEBIT score for each channel varies significantly, showing why one segment prefers a particular channel over another. The vital attributes of these segments are as follows:

- ▼ **Kizamani (old-fashioned)/Elephants (slow to change):** They typically earn up to KES 2,000 (USD 17) per month and are excluded from financial services because of their low income levels. They do not seek formal services and lack foundational IDs. They prefer to use cash and need high incentives, motivation, and support systems to move to digital payments or become formally included. They might use groups to save and borrow.
- ▼ **Abirias (low-budget travelers)/Cuckoos (use others' nests to lay eggs):** They earn up to KES 3,000 (USD 25) per month and are excluded from formal financial services because of their lack of foundational IDs. Hence, they use or borrow their partner's ID to receive or send money using M-PESA. They also prefer to use a group to save or borrow money in the absence of an alternative.
- ▼ **Kikundi (groups)/Penguins (stay in groups):** They earn between KES 3,000 to KES 6,000 (USD 25-50) per month and have foundational IDs. They are the first in the LMI group to get included in financial services and typically prefer to use M-PESA to pay, owing to its ease and convenience. However, they prefer the comfort and social security that groups offer and choose to save and borrow from groups. In this process, they avoid banks assuming that the money they must deposit at the bank is too low to compensate for the opportunity cost they will incur (in time and money) while transacting at a bank branch.



Executive summary (3)

The research led us to identify five clear segments of women within the low- and moderate-income group in Kenya. The segmentation is based on behavioral patterns, attributes, and preferences around the adoption and use of financial channels. The DEBIT score for each channel varies significantly, showing why one segment prefers a particular channel over another. The vital attributes of these segments are as follows:

- ▶ **Mzabibu (grapevine)/Wolves (loyal):** They earn between KES 6,000 and KES 10,000 (USD 50-84) per month and are highly loyal to M-PESA since it offers them ease and convenience. Hence, they use M-PESA for all financial transactions, including savings, payments, and borrowing. As a norm, they avoid borrowing from groups since they do not prefer to take the guarantee of other members who may possibly default on their borrowings.
- ▶ **Wepesi (agile)/Cheetahs (fast):** Extremely agile, this segment is quick to learn and can transact using any channel offered to them, depending on the value of the transaction. They also use banks, which is not seen in any other segment. While this segment is found across all income groups, they typically earn more than KES 10,000 (USD 84) per month.



Table of contents



1

Background

07

2

Key insights

11

3

Persona-wise insights

22

4

Annexes

50

Though financial inclusion is high in Kenya, financial health persists as a concern and cash dominates transactions

In Kenya, the status of formal financial inclusion has increased from

75%
In 2016

to

84%
In 2021

And the gender gap has reduced from

8.5%
In 2016

to

4.2%
In 2021



Mainly owing to financial technology and innovations, especially in mobile money and mobile banking.

The mobile penetration rate is almost 109%

96.1% of people are connected to the internet using a mobile phone

Around 73% of Kenyans aged 15 and above have a mobile money account



But...

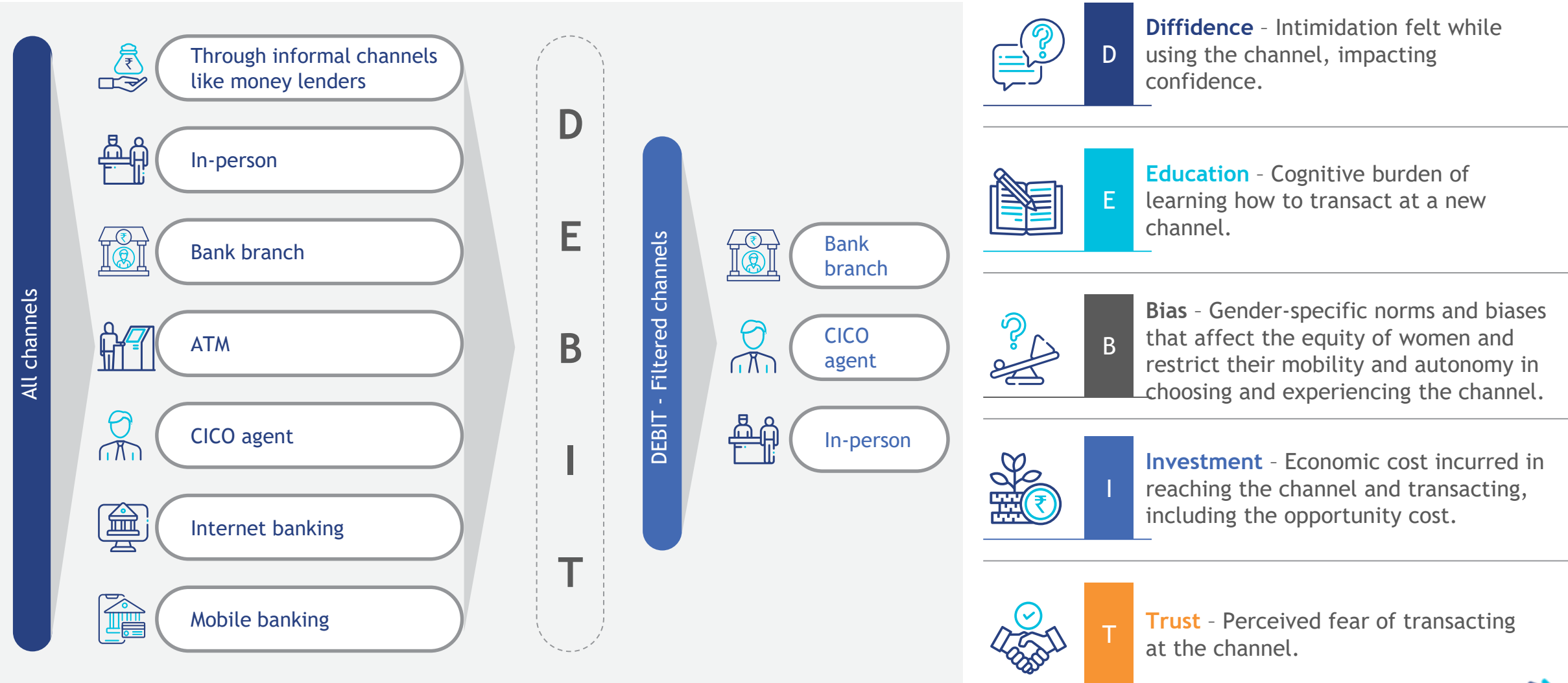
1. The financial health of Kenyans deteriorated from 21.7% in 2019 to 17.1% in 2021, which raises the question of the relevance of the financial products. The use of formal solutions to meet financial needs declined by half.
2. A higher proportion of women than men use informal channels (ROSCA/ASCA/SACCO) to meet their savings and credit requirements.
3. Rural and female respondents reported the highest exclusive use of cash, at 22.2% and 19.3%, respectively.
4. The gender exclusion gap increased from 0.5% to 1.6% between 2019 and 2021.

18.3% of the population uses cash exclusively. Cash dominates other channels across almost all categories of expenditure.

The predominant use of cash highlights the need to assess how individuals, especially women, choose the channel for financial transactions.

Our research across segments shows that women evaluate several factors to choose a channel: These are DEBIT

The larger the DEBIT value of a channel, the lower their chance of using it.



The drivers of DEBIT are complex and inter-related



Diffidence

The extent to which a woman perceives the channel as intimidating, irrespective of gender norms, her economic independence, or her environment

- Understanding of processes
- The perceived difficulty in understanding
- Confidence to use channel independently



Bias

The extent to which social and gender norms reduce the ability, autonomy, and mobility of women users to transact independently at each channel

- Cost of travel
- Other direct expenses
- Indirect expenses
- The additional cost of unpaid care work



Trust

A perception of possible loss of money, control, respect, and privacy, which affects their trust to test or start using the channel repeatedly

The effort that an individual must put into understanding the way the channel works and can transact independently and frequently



Education

- Experience with similar things
- The perceived complexity of processes
- The perceived relevance
- The perceived treatment at channel

Pure economic loss incurred to transact at the channel and while transacting at the channel



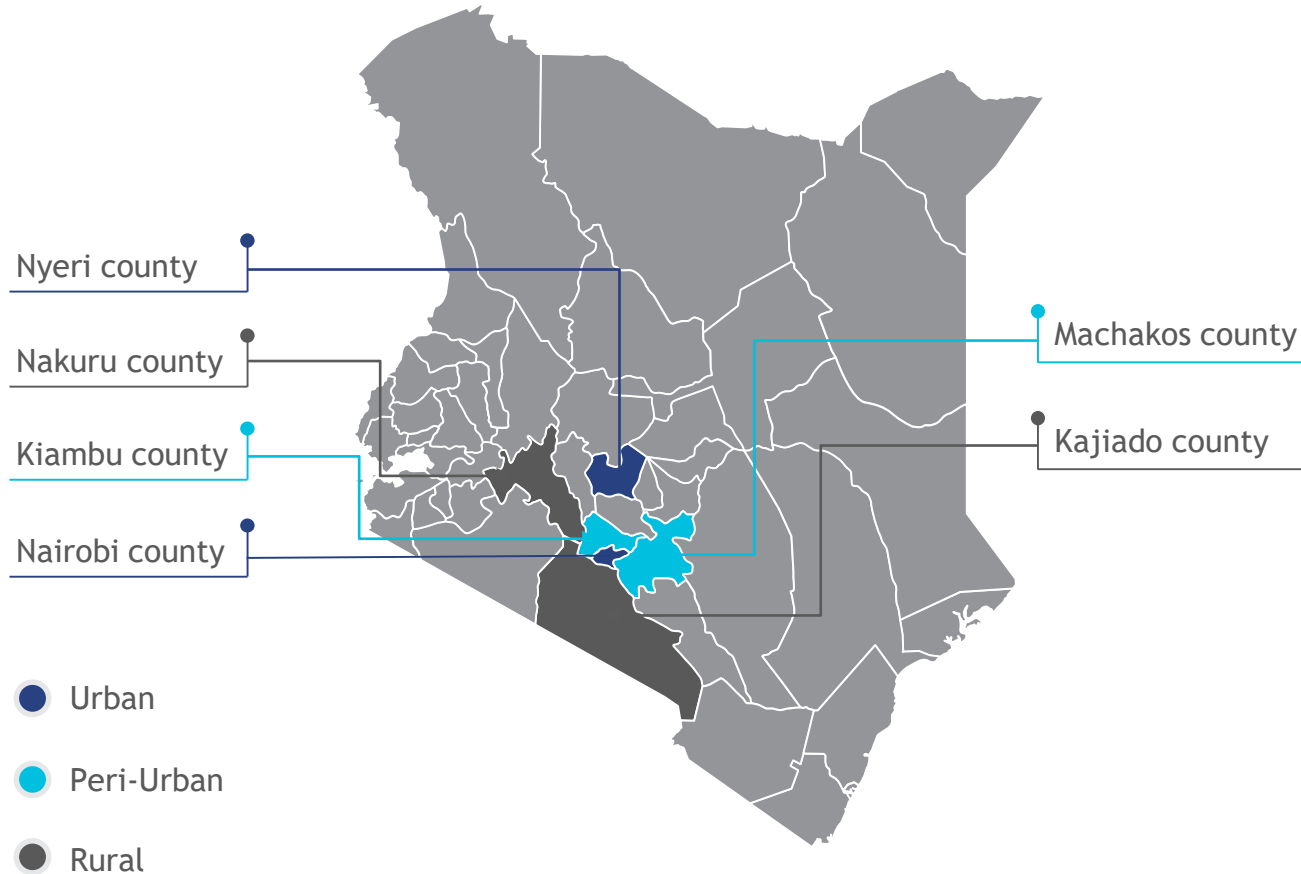
Investment

- Restriction in mobility
- Ownership of assets
- Autonomy in decision making

- Perceived privacy
- Perceived safety
- Perceived frauds
- Overall trust on channel



We met 49 women across Kenya to understand how they choose among channels to conduct basic financial transactions



49 Women interviewed across

7 Locations in **6** counties and

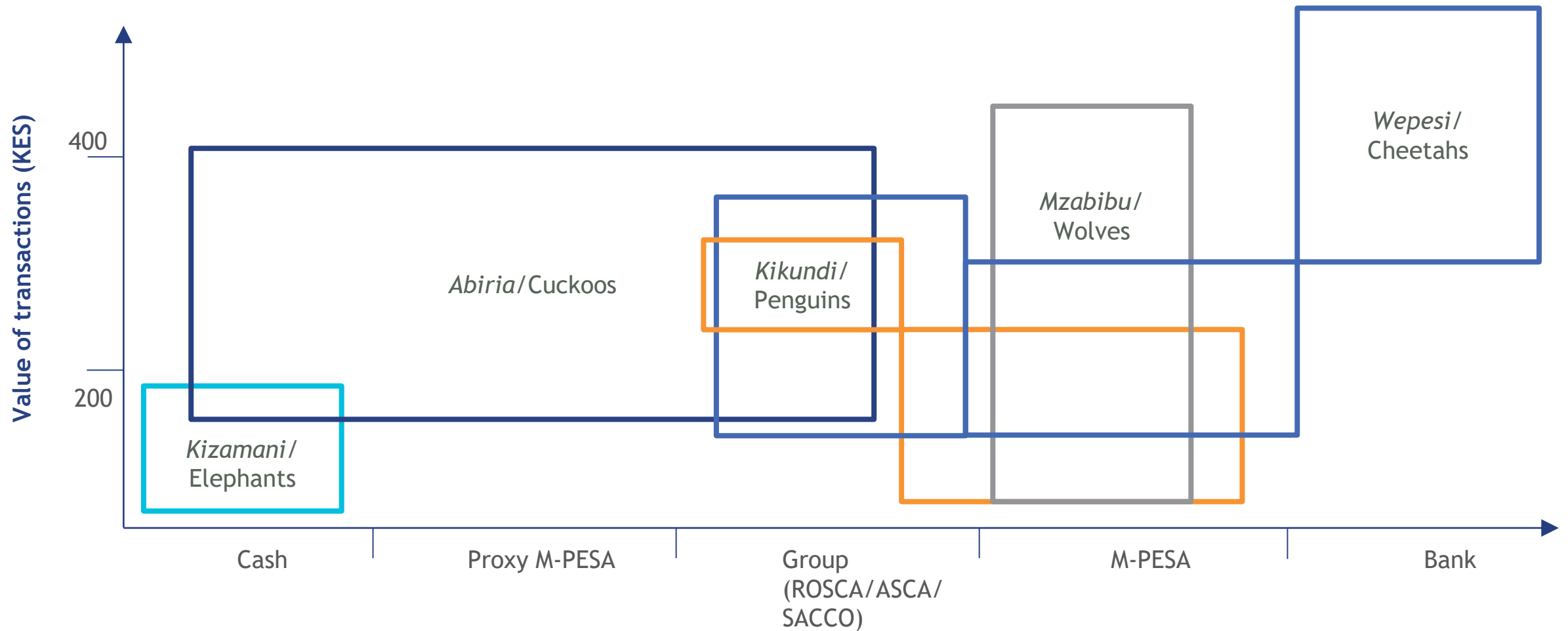
4 Occupation types to collect

102 Individual DEBIT scores

Key insights

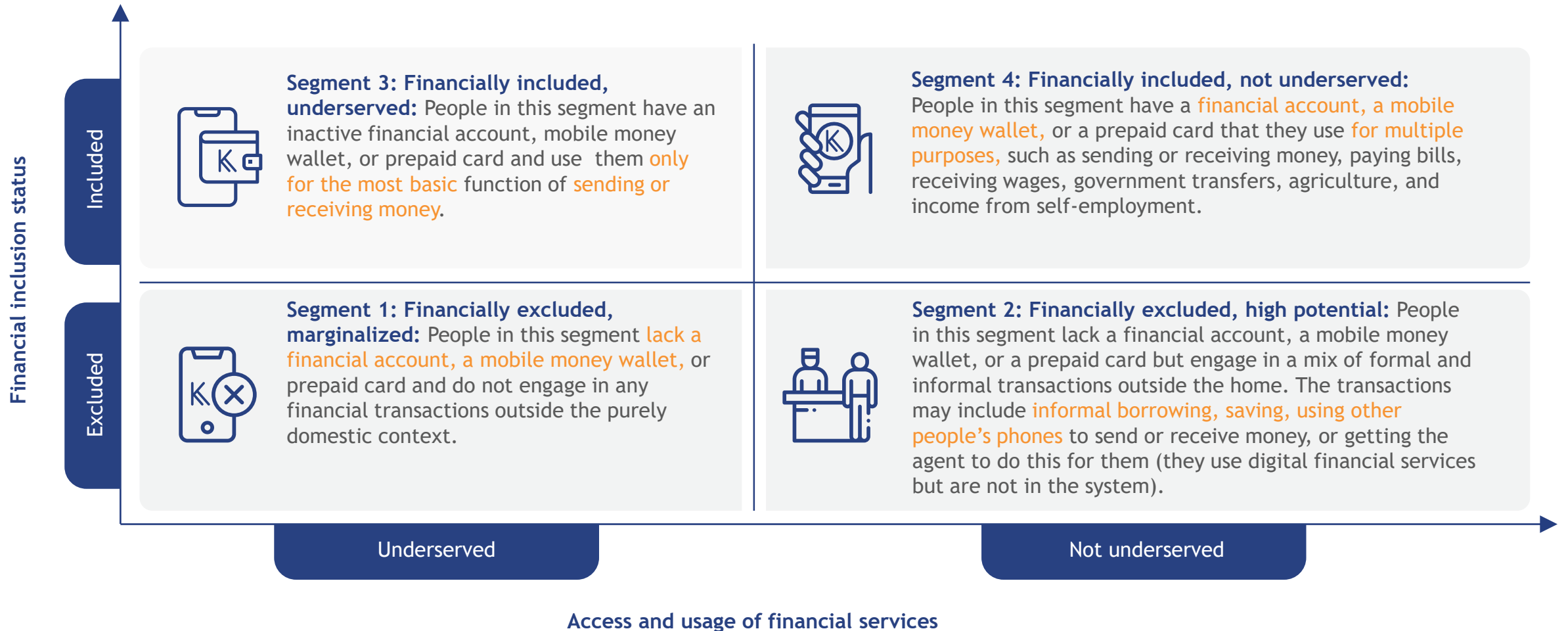


We identified five distinct personas for women from the low-and moderate-income segment; the selection is based on their preference for financial channels for various transaction needs



Channels that users could use to undertake different types of financial services

We used Mathematica's simple framing to segment women persons across their financial inclusion status and access and usage of financial services



These definitions are likely to bias the number of people identified as Segment 3 (“included, underserved”) because Findex does not allow us to consider the marginalization that comes with having an account or wallet or card for which meaningful proximate access is absent. Please note, however, that the account/wallet/card - holders that we treat as included underserved have themselves declared they have an account, wallet, or card. So, the degree of marginalization does not seem as acute to us as the people and behaviors described above for the “excluded, marginalized” category.

Several women’s personas within the low- and moderate-income segment echoed a strong affinity for group-based savings and credit mechanisms (1/3)

Segment	Persona attribute	Income per month	Attribute	Channels for financial transactions			
				Cash	M-PESA	ROSCAs/ASCs /SACCOs	Banks
Excluded, marginalized	<p>Prefer traditional ways. Hence, we call them <i>kizamani/elephants</i>.</p> <p><i>Kizamani</i> means “old-fashioned” in Kiswahili</p>	<p>KES 1,000-2,000</p> <p>(USD 8.4-17)</p>	<p>They lack an ID and do not own formal financial services accounts. They prefer to use traditional mechanism of using cash. They are not formally financially included.</p> <p>They need high incentives, motivation, and support systems to move to digital payments or become formally included.</p>	Savings, payments		Savings, credit	
Excluded, high potential	<p>Use other’s resources (such as IDs) to transact. Hence, we call them <i>abirias/cuckoos</i>.</p> <p><i>Abiria</i> means “low-budget travelers, such as in <i>matatu</i> buses” in Kiswahili</p>	<p>Up to 3,000</p> <p>(USD 25)</p>	<p>They wish to use digital payments. However, they lack ID and sometimes use their partner’s ID to receive remittances, much like how cuckoos use another bird’s nest to lay eggs. They first need support to create their ID, to become formally included.</p>	Payments, Savings	Remittance-withdrawal (using spouse’s ID)	Savings, credit	

The critical need is to help these women have their fundamental IDs so that they can create their financial footprint.

Channel selected by the persona for specific needs

Several women’s personas within the low- and moderate-income segment echoed a strong affinity for group-based savings and credit mechanisms (2/3)

Segment	Persona attribute	Income per month	Attribute	Channels for financial transactions			
				Cash	M-PESA	ROSCAs/ASCAs /SACCOs	Banks
Included, under-served	<p>Prefer the safety and comfort of group-based transactions, hence called <u>Kikundi/penguins</u>.</p> <p><i>Kikundi</i> means “group” in Kiswahili</p>	<p>KES 3,000-6,000 (USD 25-50)</p>	<p>They have foundational IDs. They are formally financially included. Just as penguins prefer to huddle in groups, people in this segment value the social and financial security they receive through groups like ROSCAs, ASCAs, and SACCOs, which they save in and borrow from. M-PESA allows them to pay with ease and involve low opportunity cost, so the <i>kikundis</i> prefer M-PESA over banks.</p>		Payments	Savings, credit	
Included, under-served	<p>Extremely loyal, prefer ease and speed, hence, called <u>mzabibu/wolves</u>.</p> <p><i>Mzabibu</i> refers to grapevine in Swahili</p>	<p>KES 6,000-10,000 (USD 50-84)</p>	<p>They have access to smartphones and have foundational IDs. However, they perceive that the amount they save is too small to deposit in the bank. They also tend to receive money and make payments using M-PESA. Like wolves, they are highly faithful to M-PESA, especially since they seek convenience and relevance over the cost incurred in the channel.</p>		Savings, credit, payments		

There is a need for more relevant, adequate credit and savings products for women in these segments

Channel selected by the persona for specific needs

Several women's personas within the low- and moderate-income segment echoed a strong affinity for group-based savings and credit mechanisms (3/3)

Segment	Persona attribute	Income per month	Attribute	Channels for financial transactions			
				Cash	M-PESA	ROSCAs/ASCAs /SACCOs	Banks
Included, served	They can move across channels with ease and learn quickly, hence called <u>wepesi/cheetahs</u> . <i>Wepesi</i> means agile in Swahili	No clear demarcation, but most exceed KES 10,000 (USD 84)	They own smartphones and have foundational IDs. They are extremely agile, like cheetahs. They can use all three channels for financial transactions based on their perceived value and cost for each channel for a particular transaction. This persona is not specific to income levels but an individual's personality.		Payments	Credit	Savings
Cross-border traders (Included, the underserved)	Typically a mix of: <i>Kikundi</i> /penguins and <i>mzabibu</i> / wolves Rarely <i>wepesi</i> /cheetahs	KES 2,500-10,000 (USD 21-84)	Cross-border traders' incomes are low and inconsistent. Thus, they tend to rely on M-PESA for payments and groups for credit. Some bank-led groups help them access credit as well.		Savings, credit, payments	Savings, credit	

Adopting multiple channels depends on income and personality. These personas are not affected by the complexity of the processes at the channels or their levels of financial literacy

Channel selected by the persona for specific needs

Key insights from the study (1)

Respondents (female entrepreneurs in the low- and moderate-income segment) displayed:

1. High literacy and understanding of financial processes, and
2. High importance of privacy for their finances, even from their family members and their partners

Social norms do not determine the choice of channel in Kenya. Our study revealed this choice was a function of three factors besides DEBIT:

- The level of income;
- Consistency of income;
- The value of the transaction.

When these factors are higher, people are more likely to prefer saving in banks.

Once their incomes become more reliable and consistent, women attempt to join groups and save in them. Otherwise, they choose to park their savings in and transact using M-PESA.

Channel-specific insights:

1 Motivation to stay with cash:



- a. The DEBIT scores for cash and M-PESA are similar. The similarity implies M-PESA users find the channel as simple as transacting in cash. A dedicated cash user will switch to M-PESA only if they believe that the safety it offers from the risk of being cheated or robbed can offset the extra effort needed to withdraw or deposit money in M-PESA.
- b. People in cash-based economies or those segments that earn in cash lack incentives to move away from cash to more digital or formal means, mainly owing to the transaction charges applied by M-PESA and the possibility of theft by the agent.

Insight: Notably, most segments do not perceive M-PESA fees as a cost, or at least do not report it as such.



Key insights from the study (2)

2 Perception regarding groups:



- a. The DEBIT scores for cash and M-PESA are similar. The similarity implies M-PESA users find the channel as simple as transacting in cash. A dedicated cash user will switch to M-PESA only if they believe that the safety it offers from the risk of being cheated or robbed can offset the extra effort needed to withdraw or deposit money in M-PESA.
- b. People in cash-based economies or those segments that earn in cash lack incentives to move away from cash to more digital or formal means, mainly owing to the transaction charges applied by M-PESA and the possibility of theft by the agent.

3 Perception of M-PESA:



Respondents perceived M-PESA to be a convenient, effective, and secure channel for transactions. All female respondents indicated they could receive and send money anywhere at any time.

- a. Many respondents raised the risk of reversal of transactions by the customer in M-PESA. For enterprises, the customer can retract the money paid to the business even for valid services. M-PESA offers a feature ("*Pochi La Biashara*") for registered business users to help mitigate this challenge. However, the cost of business registration is high. Hence, fewer enterprises are formally registered, implying that only a handful of enterprises can take advantage of this feature.
- b. Rural marginalized women indicated that the M-PESA agents are fewer in number and located more than 5 km away. Agents work mostly in towns or marketplaces. Thus, women in rural locations struggle to access M-PESA as a channel, particularly when they wish to deposit or withdraw money.
- c. Respondents reported a fear of fraud through M-PESA, which included stealing their identity, or withdrawing money from their account by posing as legitimate agents trying to help them.

Key insights from the study (3)

4 Perception regarding agents:



- a. The agent's gender was not a critical criterion the respondent considered while choosing the agent point they wanted to transact at. Instead, the respondents attached more importance to the level of customer service, the perceived safety associated with the agent, and their location.
- b. Users prefer agents for small-value deposits and withdrawals. They reported very few instances of fraud at the agent level. However, the external environment outside the agent's vicinity was considered highly unsafe, especially in urban locations. As a result, customers often avoided agents if they wanted to deposit or withdraw amounts more than KES 500 (USD 4.2).
- c. Few respondents reported agent fraud (especially at banking agents) while depositing money. This included acts such as undercounting the money deposited by the respondent. Such acts have deterred respondents from using specific agents and, eventually, the bank at which the agent works.


5 Insights specific to banks:




- a. Banks are highly trusted across segments, with the only grievance being the extra time it takes them to reach the bank and transact there.
- b. However, most respondents exhibited anchoring bias and felt they should not go to the bank to deposit small values of money (typically less than KES 500 (USD 4.2)).
- c. The main nudge to open a bank account was external. This mainly included instances when the respondents' previous employers would open accounts for them to disburse their salaries.
- d. Respondents did not perceive any discrimination at the bank and reported that the bank staff treated them with respect.
- e. Some respondents avoided the ATM as a channel since their neighborhoods were considered unsafe owing to frequent cash thefts.
- f. Respondents reported that the density of bank agent points was lesser than those of M-PESA agents.

The pattern of choices among the typical personas in India and Kenya were similar despite significant demographic differences (1)

Segment	Personas	Income (KES) per month	Channels for financial transactions			
			Cash	M-PESA	ROSCAs/ASC As /SACCOs	Banks
Excluded, marginalized	<i>Kizamani/ Elephants</i>	KES 1,000-2,000 (USD 8.2-16.5)	Savings, payments		Savings, credit	
Excluded, high potential	<i>Abiria/ Cuckoos</i>	Up to KES 3,000 (USD 25)	Payments, Savings	Remittance - withdrawal (using spouse's ID)	Savings, credit	
Included, under-served	<i>Kikundi/ Penguins</i>	KES 3,000-6,000 (USD 25-50)		Payments	Savings, credit	
Included, under-served	<i>Mzabibu/ Wolves</i>	KES 6,000-10,000 (USD 50-83)		Savings, credit, payments		
Included, served	<i>Wepesi/ Cheetahs</i>	No clear demarcation, but most > KES 10,000 (USD 83)		Payments	Credit	Savings
Cross-border traders (Included, underserved)		KES 2,500-10,000 (USD 21-83)		Savings, credit, payments	Savings, credit	

 Channel selected by the persona for specific needs

 Similarity with India, in terms of the choice of channel.
The omnipresence of M-PESA and other digital channels means that women in Kenya are much more comfortable with digital transactions than those in India.

The pattern of choices among the typical personas in India and Kenya were similar despite significant demographic differences (2)

Segment	Attribute	Assessment (Similar or different)	Kenya	India
Across all segments	Awareness of processes	Different	Much higher across segments	Relatively lower, especially among rural and low- and moderate-income segments
Across all segments	Fear of theft	Different	Much higher in Kenya for both-physical theft and digital fraud	Moderate in India for physical thefts and low for digital frauds. This could be attributed to low financial and digital literacy as well
Included segments	Sense of privacy for finances, dependence on partners	Different	High emphasis on “their money is personal to them,” and low dependence on the partner for permission, autonomy to move	Low level of privacy for their finances. The woman’s income is considered a part of the family’s income. The woman depends extensively on the partner for mobility and has little autonomy
Included, under-served	Choice of channel	Different	Preference for M-PESA for all categories of transactions	Preference for cash and banks
Included, served segment	Preference for banks as a channel	Similar	High preference for banks as a place to park their savings, despite high opportunity costs	
Excluded segments	Sense of privacy for finances, dependence on partners	Similar	High dependence on the partner for permission to travel and transact	
Excluded segments	Preference for groups as a channel	Similar	High preference, despite high opportunity costs. In Kenya, the preference is observed even in urban locations, which is not the case in India.	
Excluded, high-potential	Use of wallets for remittance withdrawals	Different	The segment can use M-PESA to receive remittances and withdraw money	Mobile wallets are yet to build that space in India. People typically use wallets to make payments.



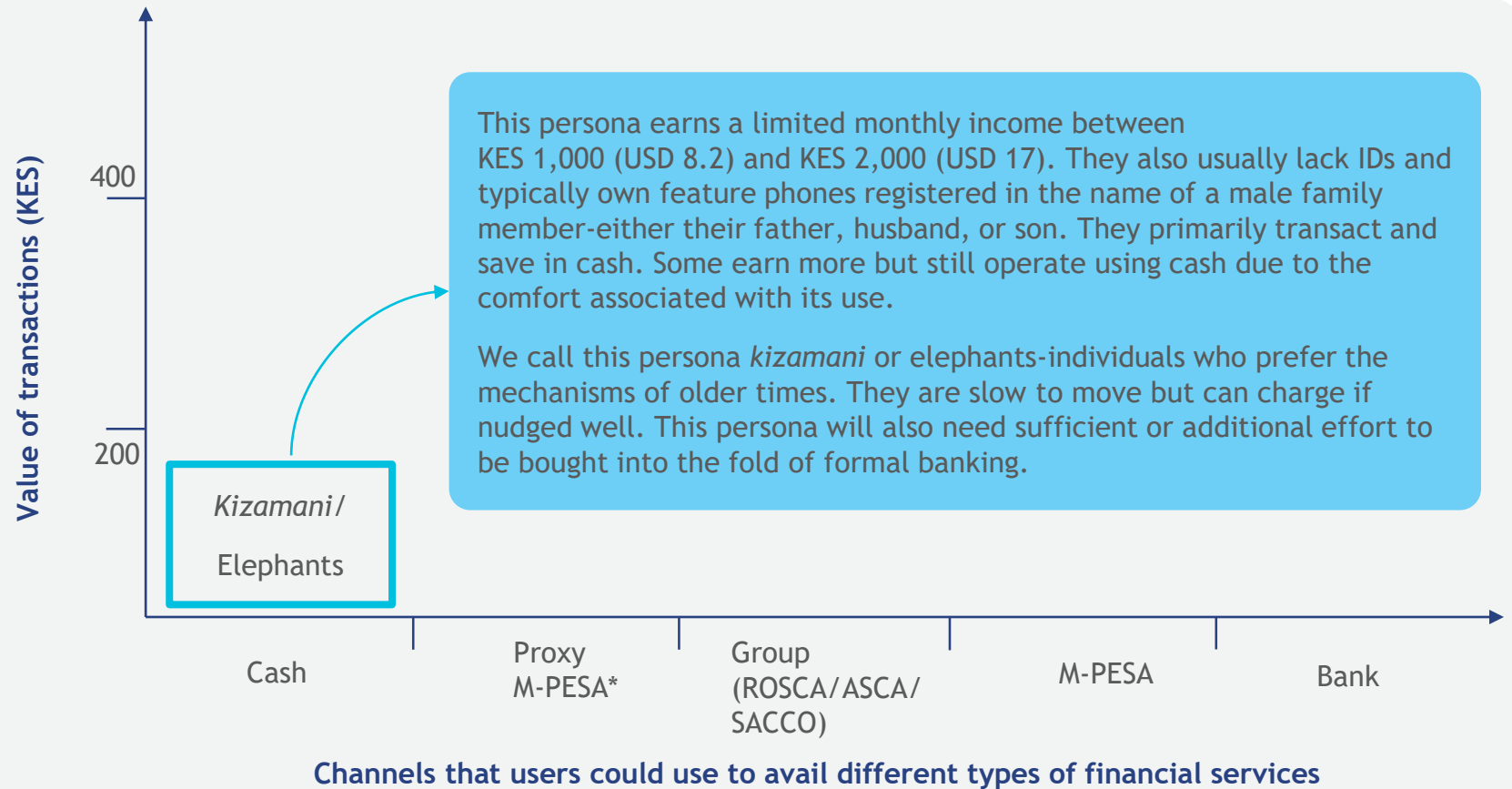
Persona-wise insights

Persona 1: *Kizamani* or elephants belong to the ultra-poor segment and typically use cash exclusively

Meet the user: Matata



Matata is a 55-years old married woman with two children. She runs a beadwork business with a monthly income of KES 2,000 (USD 17). Her husband is a livestock broker. She transacts using cash because she does not have an ID or a mobile account. She aspires to open a mobile account when she receives her ID. She intends to use her mobile account to pay her bills, save, and carry out her daily transactions.



*Women who use M-PESA registered in their spouse's name

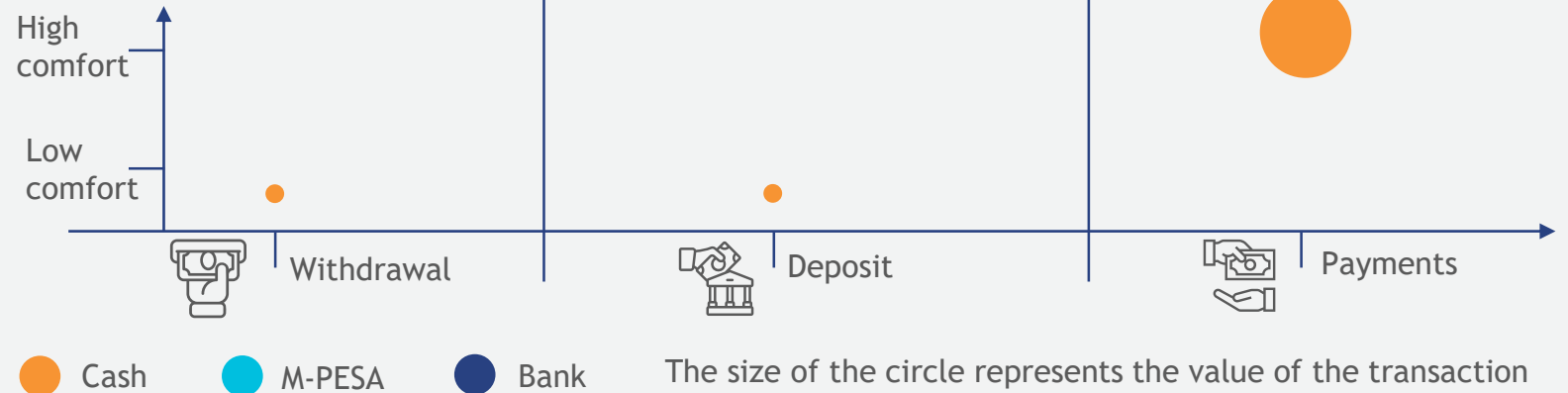
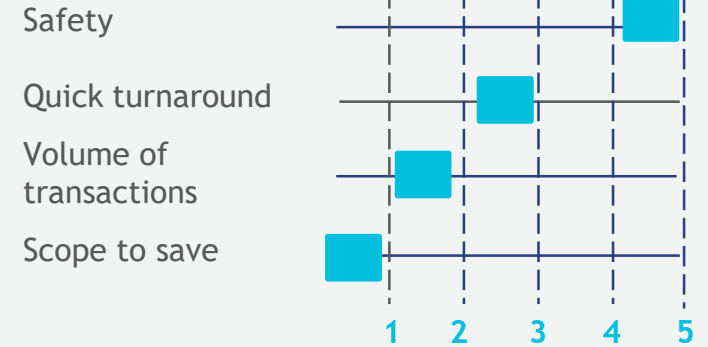
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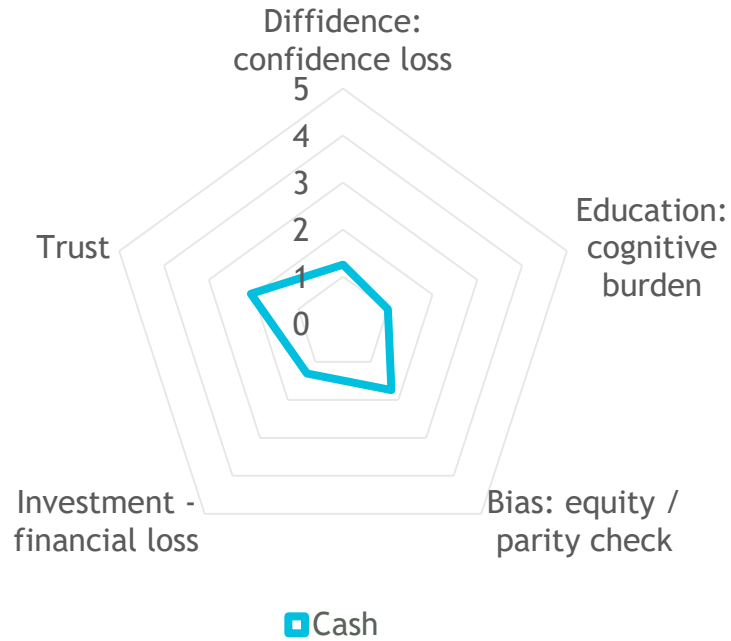
Demographic details



Characteristics of financial needs



Kizamani or elephants are extremely comfortable with cash, barring the slightly low “trust” on this channel since they fear being duped by counterfeit currency



As expected, the DEBIT scores for cash users show their ease in understanding how to use cash overall. However, they fear losing money during the transaction due to counterfeit currency or fraud. This could be a potential touch point that financial service providers could tap into to help include these users into the fold of formal banking.

The major reasons for these users to become cash users include:

- A lack of a self ID
- The confidence that cash as a channel instills among customers

A low value on any of the five axes depicts a lower perceived challenge while using the channel. For e.g., 0 on the scale for diffidence depicts that the customer does not feel any diffidence while transacting at the channel, 0 for bias means they do not face any biases while transacting.

Hence, a lower score on any axis indicates the user perceives the channel as better.

Kizamanis prefer transacting in cash since it is convenient; yet they also seek other channels to choose from that could be equally convenient



Awareness

I learned to transact in cash at a young age from my mother, who is a businesswoman. Her customers used to pay in cash. She said it was convenient. I too find transacting in cash convenient. I also find it easier to monitor my transactions using cash.



Understanding

My mother established my key understanding of how to transact using cash.

I believe that transacting in cash is good in many ways. First, it is convenient since I can access it anytime. I can buy household items or attend to urgent issues anytime using cash.

Secondly, I can monitor my business transaction easily when I transact using cash.

Thirdly, it helps build a good customer relationship since it does not encourage debt.

I do not have an ID; else, I would have opened an M-PESA account. I also do not want to borrow my husband's ID.



First-time use and repeated use

My mother showed me how to run a business with cash. At first, I was unsure if I would be able to carry hard cash safely from the market to my home. I did not have enough confidence. Today I feel confident handling my business proceeds in cash. I built good habits of transacting with cash through discipline.

I currently use cash for all my transactions, such as paying bills, receiving payments from customers, and paying taxes to the county council. I usually encourage all the customers who come with money in their mobile wallets to withdraw from the M-PESA agents and give me the cash.



Repeated use

I have transacted with cash out of habit all my life. I cannot think of any other channels since it fulfills my needs.

I usually use cash to pay my children's school fees, pay my bills, and save small amounts at home daily.



Grievance management

Transacting in cash is risky because it is prone to theft, and the sense of insecurity is high, especially when handling a high volume of transactions.

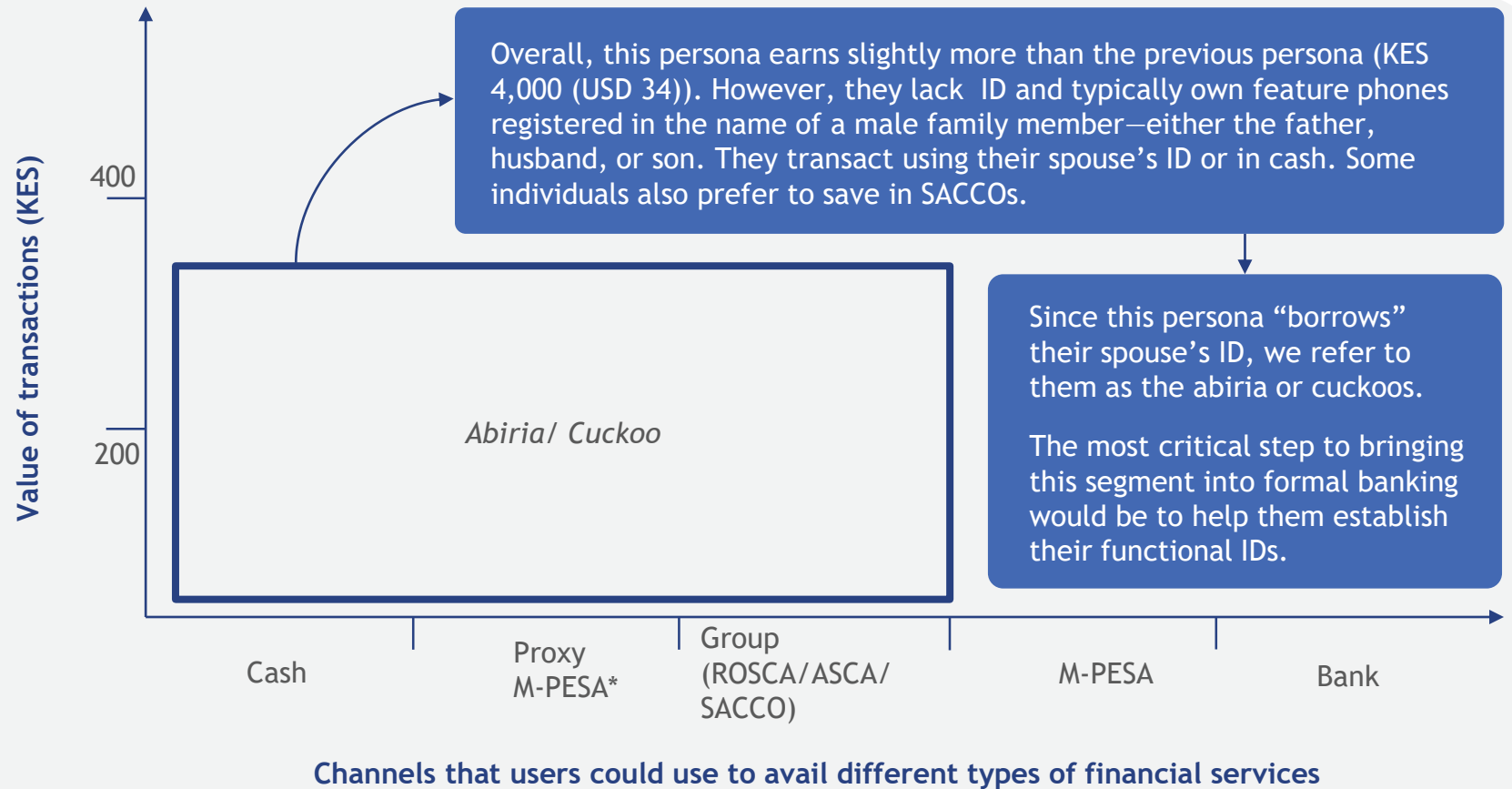
I also struggle to save because I am always tempted to spend my savings on buying unnecessary things. Also, if you are not careful, you may be duped by fraudsters who would pay with forged currency notes.

Persona 2: *Abiria* or cuckoos are proxy users that ride on their spouse's IDs to use M-PESA

Meet the user: Pendo



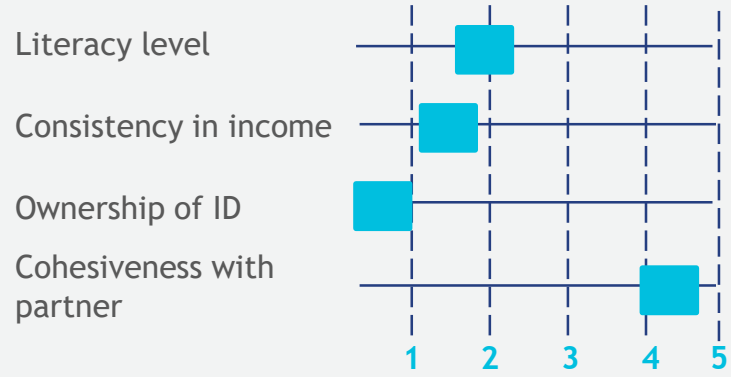
Pendo is 36 years old, married with three children. She lives in a rural village in Kajiado. She dropped out of school in form 2 (secondary school) and has a small beadwork business, making KES 4,000 (USD 34) per month. She takes care of the household, cares for kids, and tends to livestock. She does not have an ID and uses a SIM card registered under her husband's name for M-PESA transactions. She owns a feature phone. She uses M-PESA to withdraw cash for household items and basic needs.



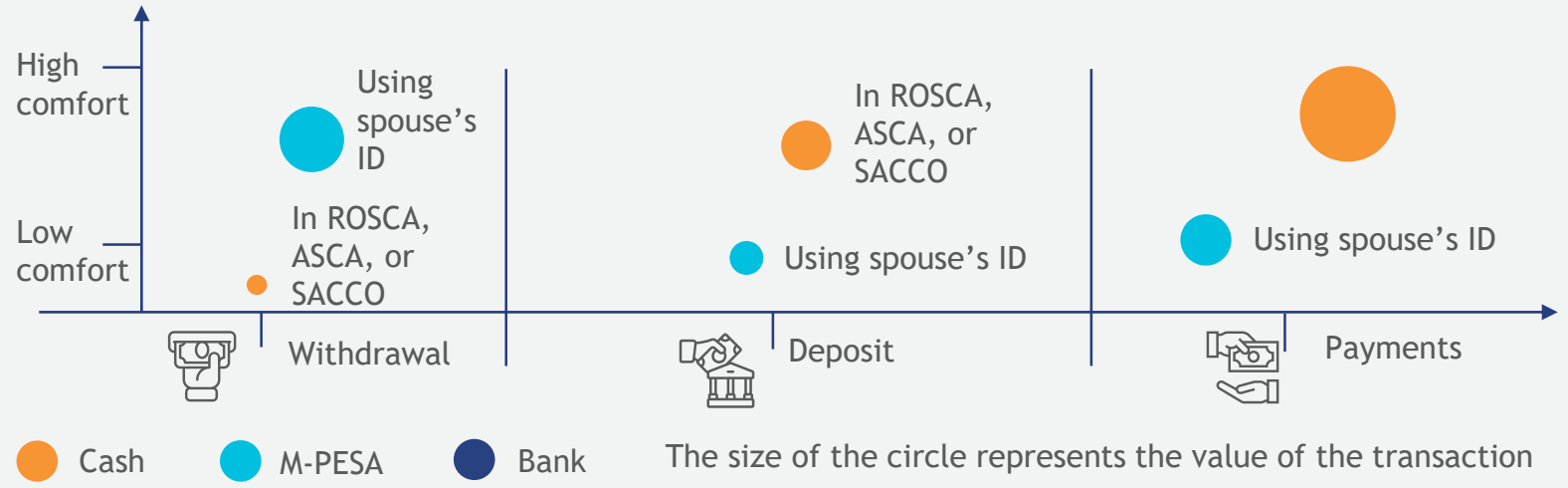
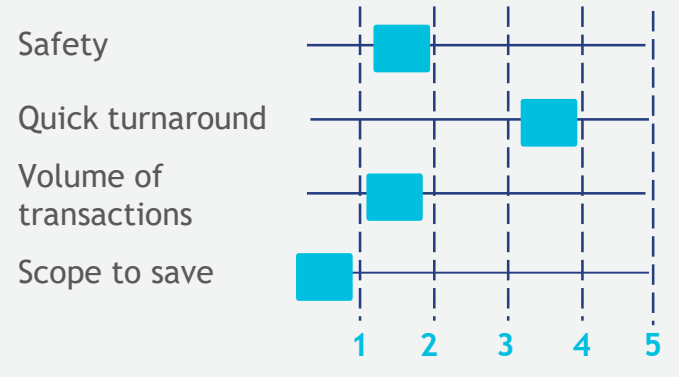
Since they use another ID, they are technically financially excluded; they also perceive that their savings are meager, and hence avoid using formal financial institutions



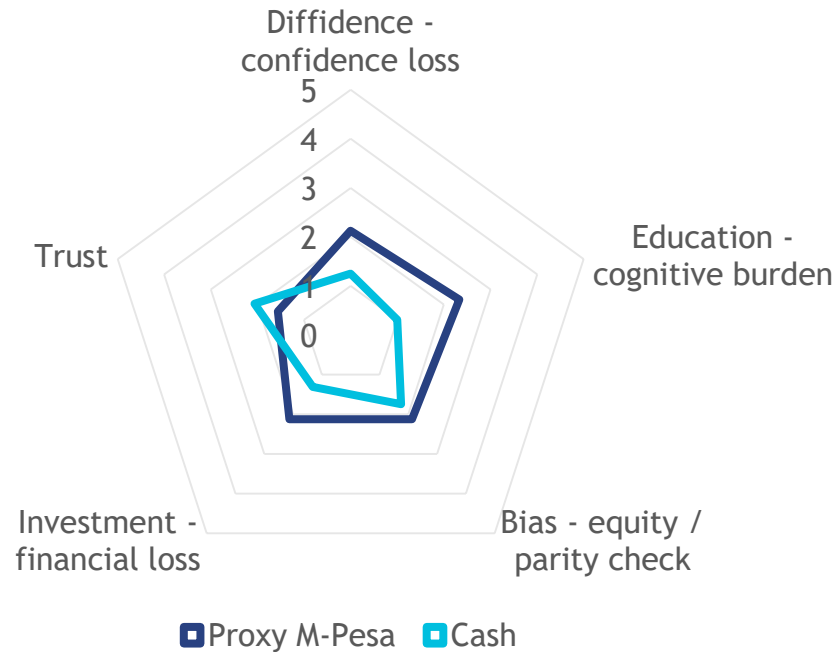
Demographic details



Characteristics of financial needs



For payments, *abirias* or cuckoos have two choices-cash and M-PESA (using the spouse's ID).



Abirias prefer to use cash most of the time unless they have to withdraw money sent by their spouse. To do so, they use the M-PESA wallet and go to the closest M-PESA agent.

Their main challenge is the lack of ID, which increases their dependency on carrying their spouse's physical ID.

A low value on any of the five axes depicts a lower perceived challenge while using the channel. For e.g., 0 on the scale for diffidence depicts that the customer does not feel any diffidence while transacting at the channel, 0 for bias means they do not face any biases while transacting.

Hence, a lower score on any axis indicates the user perceives the channel as better.

While using M-PESA for withdrawing money, *abirias* or cuckoos face significant barriers in terms of showing legitimate ID proofs



Awareness

I learned about M-PESA from my husband. I do not have an ID. I registered for M-PESA services using my husband's ID. The M-PESA agent took me through the process. I mainly use M-PESA to receive and withdraw money. I am satisfied with the experience with M-PESA services and agent. I intend to have my own M-PESA account and hopefully a bank account when I get my national ID card.



Understanding

I had heard stories of people sending money at their convenience at home. I wanted to send money to my mother. My husband explained that it is possible with M-PESA. Soon, I registered for M-PESA and learned how to send money and withdraw.



First-time use and repeated use

My husband took me to the M-PESA agent, bought a SIM card, and registered it under his name. M-PESA was activated with his details. The agent then showed me how to use M-PESA and told me I had to produce my husband's ID for M-PESA withdrawal.

The first time I used M-PESA, the same agent in my village helped me withdraw money I had received from my husband.

I do not use M-PESA frequently because I am required to produce my husband's ID. I have identified one M-PESA agent in my village, although the agent point is an hour away. This agent has become familiar and allows me to spell out the ID number without producing the ID itself. I have therefore memorized my husband's ID number.

However, I cannot transact if I travel to the town center as I would not have access to my husband's ID.

While using M-PESA for withdrawing money, *abirias* or cuckoos face significant barriers in terms of showing legitimate ID proofs



Repeated use

I use M-PESA twice a month. The frequency depends on when my husband sends money, and I have to use his ID for withdrawal. I often struggle with long queues as my village has only one M-PESA agent, an hour away. I mostly walk. Taking a motorbike taxi costs me KES 350 round trip.

I mainly use M-PESA to receive money from my husband, withdraw cash, and buy food items. Sometimes I deposit and send money to my mother.



Grievance management

Going to the agent takes time and costs money.

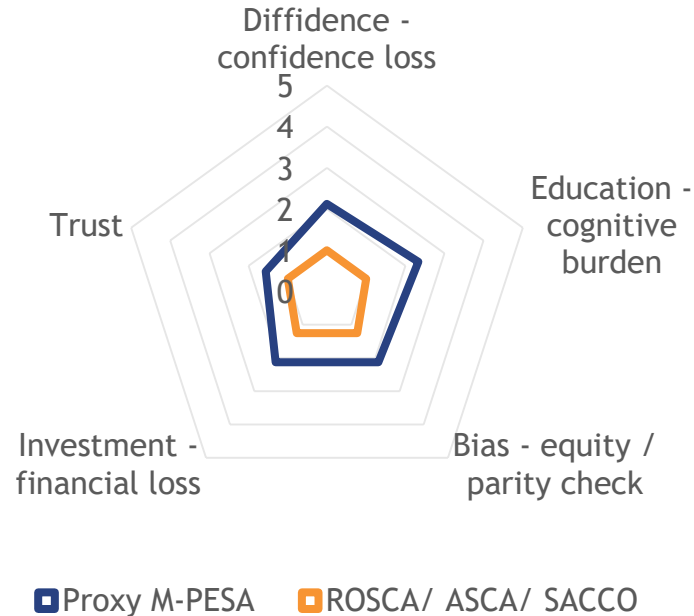
must ask my husband for permission, as he wants to know about my transactions.

have no access to my husband's ID. Therefore, I still prefer to use cash to purchase.

I cannot take M-PESA loans (M-Shwari or Fuliza) because my husband must do it himself.

How frequently I go to the M-PESA agent depends on whether I get someone to watch my children. Every time, I go, I must take my youngest with me or send the children to stay with my neighbors. I am otherwise very busy with household chores.

Abirias or cuckoos prefer to use the ROSCAs, ASCAs, or SACCOs instead of M-PESA to save and borrow



A low value on any of the five axes depicts a lower perceived challenge while using the channel. For e.g., 0 on the scale for diffidence depicts that the customer does not feel any diffidence while transacting at the channel, 0 for bias means they do not face any biases while transacting.

Hence, a lower score on any axis indicates the user perceives the channel as better.

Abirias prefer to save using ROSCAs, ASCAs, or SACCOs rather than in the M-PESA wallet. This is mainly because:

1. They lack control over the deposit and withdrawal in their proxy M-PESA wallet (registered on their spouses' ID).
2. Procedural consent of the ID holder (the spouse in this case) is needed for them to gain credit from M-Shwari or Fuliza

This persona also encounters a high level of unpaid care work and enjoys limited autonomy from the husband, which restricts their movement and ability to experience other channels.

Notably, even if the persona could access credit or save more through M-PESA, they are deprived of the chance to establish their credit footprint.

For *abirias* or cuckoos, ROSCAs, ASCAs, or SACCOs seem to be the only viable channel for saving and accessing credit



Awareness

I came to know about *chamas* through Plan International, a development organization



Understanding

A woman from Plan International explained to my friends and me the importance of *chamas*.

She explained that *chamas* were a form of saving and that saving as a group would empower us. I learned that we should begin with trusted members. I also learned that as a group, we needed to draft rules and regulations and decide the amount that needs to be saved weekly, the conditions for borrowing, and the interest rate. I also learned the importance of setting goals for savings, such as future investments and children's education.



First-time use and repeated use

After meeting the woman and other members, we formed our first group and established rules to run it.

I joined the chama to save and access credit. I keep KES 200 every Thursday. I can also access credit at a monthly interest rate of 10%.

I save in the group to access credit to meet my basic needs. I do not want to be left out since all my peers are in the group and benefit from it. I am happy with the group because I can access credit and the group process remains transparent. However, I intend to open a bank account when I get my ID.

Note: “*Chamas*” come in a wide range of forms—some as savings only ROSCAs and others as ASCAs, which lend out from the pool of money saved by members, typically only group members are allowed to borrow from the pool

For *abirias* or cuckoos, ROSCAs, ASCAs, or SACCOs seem to be the only viable channel for saving and accessing credit



Repeated use

I find it easier to access credit, unlike the bank where I must undergo the loan appraisal process and seek guarantors and collateral.

Every member contributes, and our contribution is locked in a box with four padlocks. The box is locked in a specific room in one of the members' houses. Selected members go with the keys. The saving box can only be opened when all the members are at the meeting venue.



Grievance management

I must inform my husband when I attend the group meeting. That takes away my freedom to move around at freely.

In the group, we also fear that the box will be stolen or broken into. This happened to us before, and we all lost our hard-earned money.

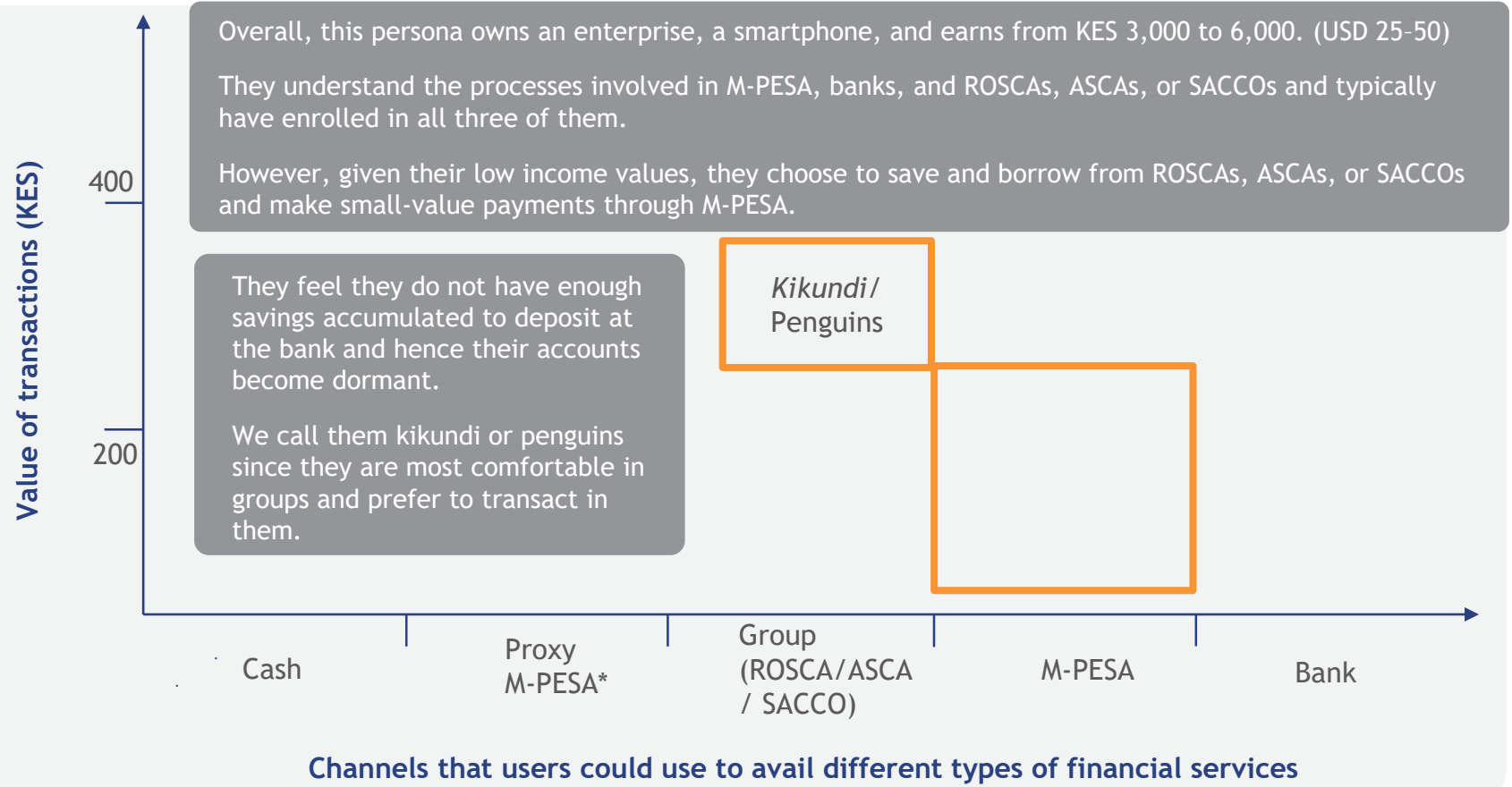
Note: "*Chamas*" come in a wide range of forms—some as savings only ROSCAs and others as ASCAs, which lend out from the pool of money saved by members, typically only group members are allowed to borrow from the pool

Persona 3: The *kikundis* or penguins are the first to be included in the fold of formal financial services

Meet the user: Ruth



Ruth is 36 years old and sells handmade wooden sculptures. She is married, and her husband is a casual laborer. She earns about KSH 4,500 (USD 37) per month. She has been using M-PESA for years and has been part of a ROSCA that she depends on for financial assistance. Overall, she prefers ROSCAs as a channel to keep her funds.

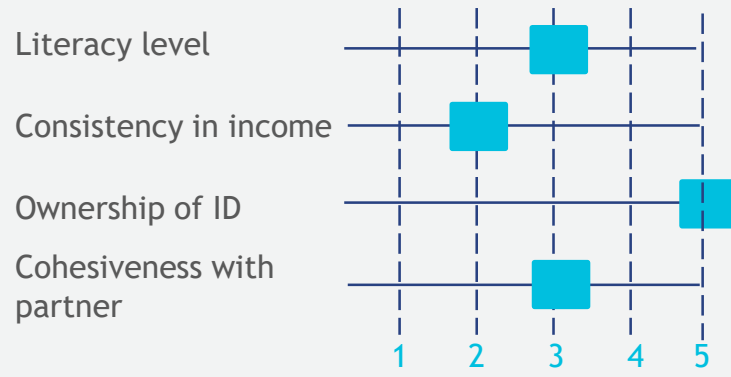


The size of the circle represents the value of the transaction
 Orange - Cash; Light blue - M-PESA; Dark blue - Bank

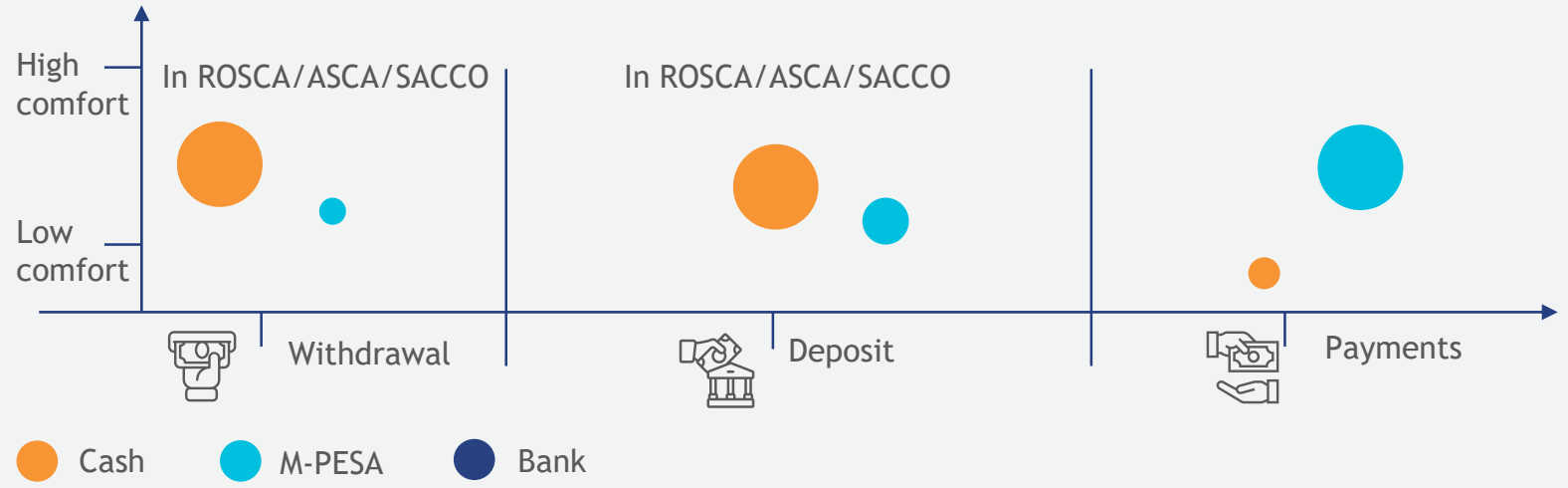
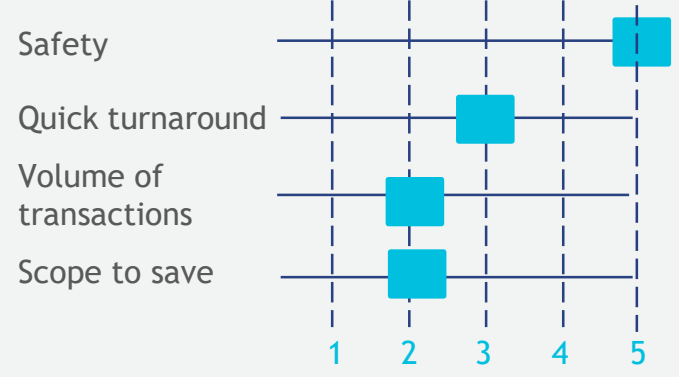
They have a high affinity for staying in groups and hence, typically prefer groups like ROSCAs, ASCAs, or SACCOs for savings and credit, and M-PESA for payments



Demographic details

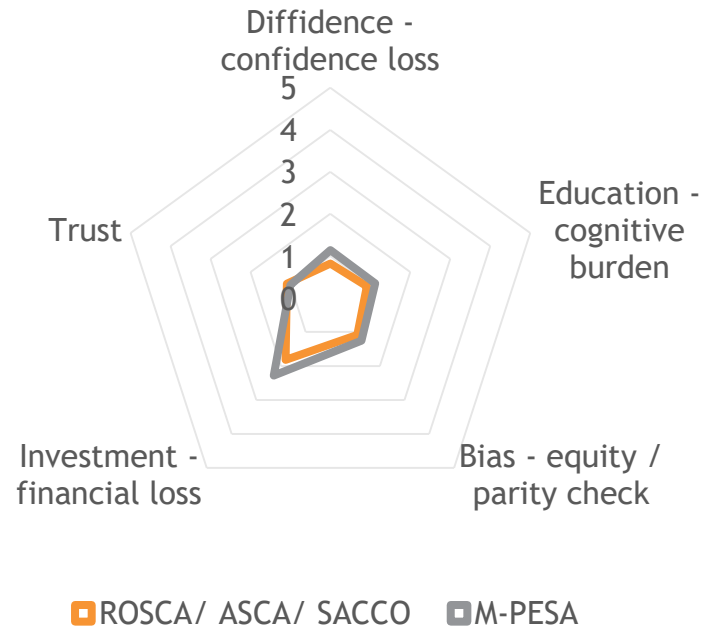


Characteristics of financial needs



- ▶ The size of the circle represents the value of the transaction
- ▶ The graphs do not feature circles for bank accounts, as these are dormant

Kikundis or penguins look at ROSCAs, ASCAs, or SACCOs increasingly as a source of credit and to park their savings; they avoid M-PESA as much as possible unless they need to make instant payments



A low value on any of the five axes depicts a lower perceived challenge while using the channel. For e.g., 0 on the scale for diffidence depicts that the customer does not feel any diffidence while transacting at the channel, 0 for bias means they do not face any biases while transacting.

Hence, a lower score on any axis indicates the user perceives the channel as better.

When it comes to making payments, especially to individuals who are far away, *kikundis* prefer to use M-PESA. They find it convenient and quick.

Kikundis know about M-PESA's drawbacks, specifically as a channel to park money in and borrow funds from. These include:

1. Scope of losing money parked in their wallet, especially in times of need, if they owed any money to Fuliza (since Fuliza could auto-debit the due value from their wallet)
2. High chances of impulse spending
3. Chances of losing money through theft or fraud in M-PESA

In contrast, this persona prefers to park funds within their ROSCAs, ASCAs or SACCOs, especially since they know they will save on a set frequency, their money will stay safe, and they will get credit at a more affordable rate (compared to M-PESA).

A sense of security and the ability to get lump-sum money on a set frequency from ROSCAs, ASCAs, or SACCOs strengthen the sense of solidarity among the *kikundis*



Awareness

My friends and neighbors were part of ASCA groups and often discussed it. I needed money for my business and my personal use. So, my friends suggested that I join the group.



Understanding

My friends were the key source that helped me understand the concept of ASCAs.

With ASCAs, one can access credit without much collateral. People share ideas and have activities like “merry go round” to help women. For example, every member that the group visits each month gets KES 7,000 (USD 60). This benefits that member since her M-Shwari loan limit is just KES 2,000 (USD 17).

We have insured the group, so in case of the demise of a member, the insurer compensates her.



First-time use and repeated use

My friends and neighbors around me were forming a new group and asked me to join. I know them, trust them, and we have similar ideas. We all got together as a group and created a constitution (rule book). The group treasurer helped me understand how to make my personal contribution and receive credit or dividends through my M-PESA account or cash. I find the process very exciting and easy to transact.

ASCA is a socioeconomic need. The group is premised on trust and transparency. I can get a higher-value loans that charges lower interest than M-Shwari and can negotiate loan repayment.

I also get to meet my friends and discuss personal matters. I have been with this group for 12 years. The group also ensures that bad behavior is not neglected. When I defaulted on a repayment, I was penalized for three months and was not allowed to access credit from the group.

A sense of security and the ability to get lump-sum money on a set frequency from ROSCAs, ASCAs, or SACCOs strengthen the sense of solidarity among the *kikundis*



Repeated use

I prefer the ASCA since it allows me to save small amounts with discipline and access credit with little hassle. The group trusts me and I trust the members. It is like a family.

Through the ASCAs, I have received dividends, bought household items, paid off the school fees, and got access to collateral-free credit to boost my poultry business.



Grievance management

Even ASCA has some risks. People lose money when they have dishonest leaders and members. People have disappeared with other members' savings. Some have lost their savings in the schemes that purport to have come to improve their lives. Others have lost their savings with banks, such as Kenya Women Microfinance Bank when one member defaults.

One of my friend's groups lost all their savings. The group had gotten together to grow strawberries, but it got wasted. The local community body destroyed their strawberries as they decided to create a football pitch on that land. We do not know whom to approach for these issues.

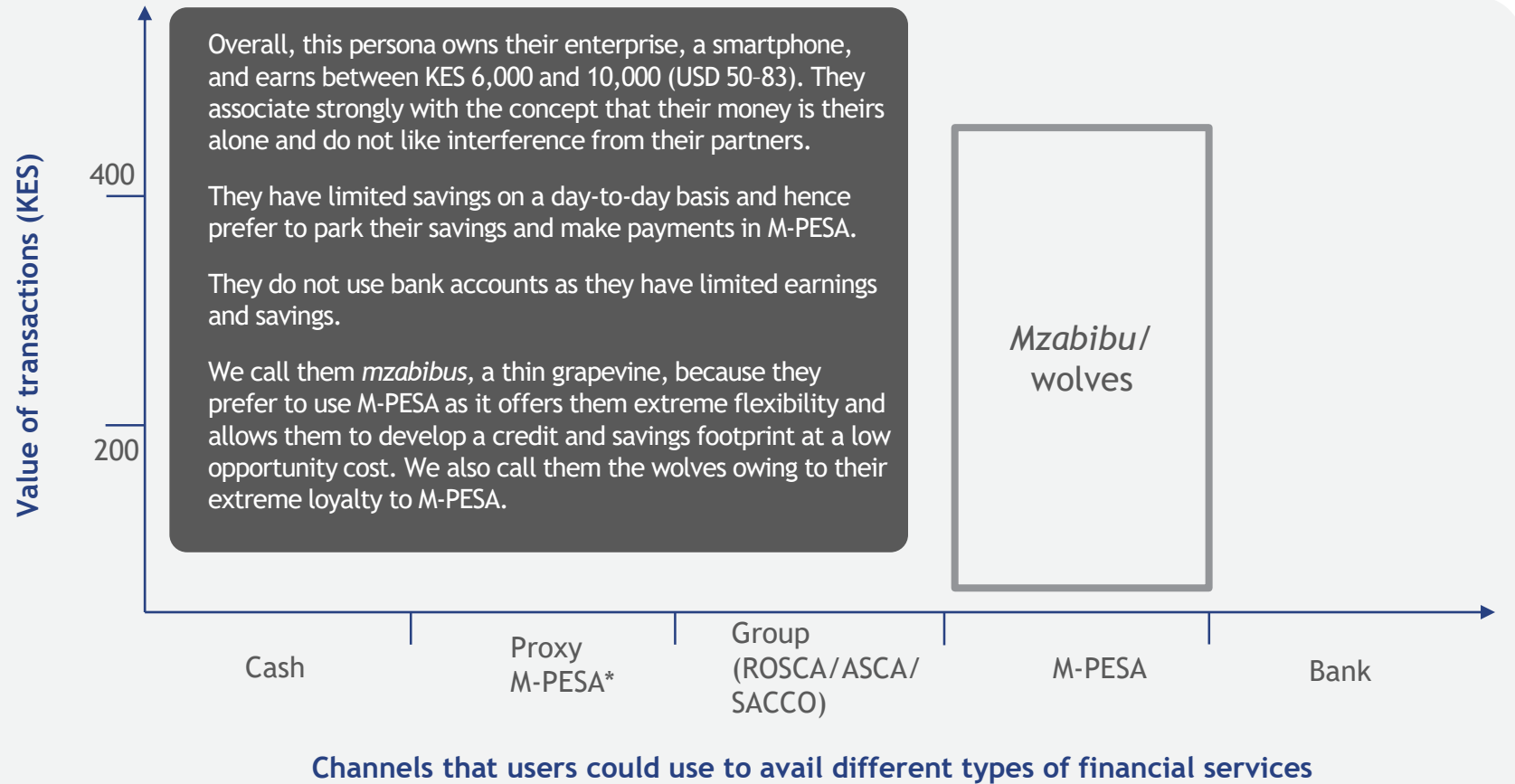
Persona 4: The *mzabibus* or wolves are loyal patrons of M-PESA for all categories of transactions

Meet the user: Faith



Faith is a 47 years old married woman with five children. She has completed high school. She currently sells jewelry on the roadside. She earns ~KSH 6,500 (USD 54) per month. She is single and has never been married.

Faith prefers to use M-PESA to make and receive payments. She saves very little daily.



The size of the circle represents the value of the transaction
Orange - Cash; Light blue - M-PESA; Dark blue - Bank

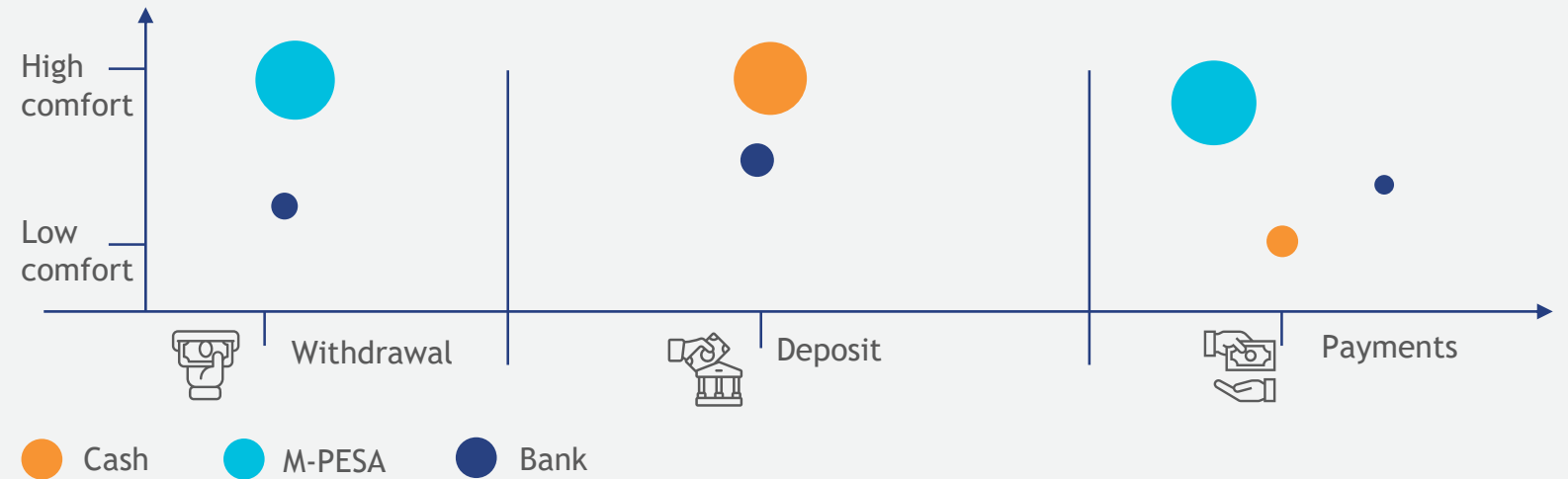
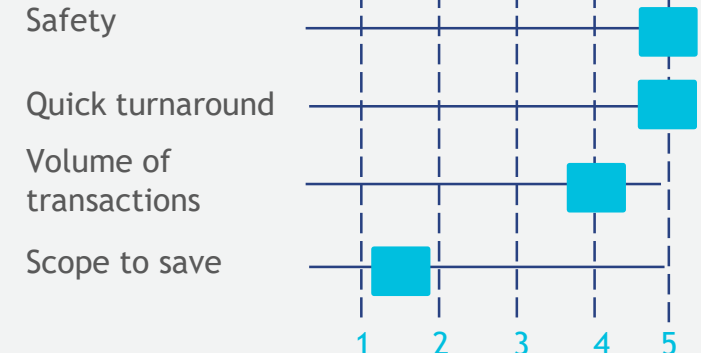
Mzabibus typically have limited and inconsistent incomes that often reach them through M-PESA



Demographic details



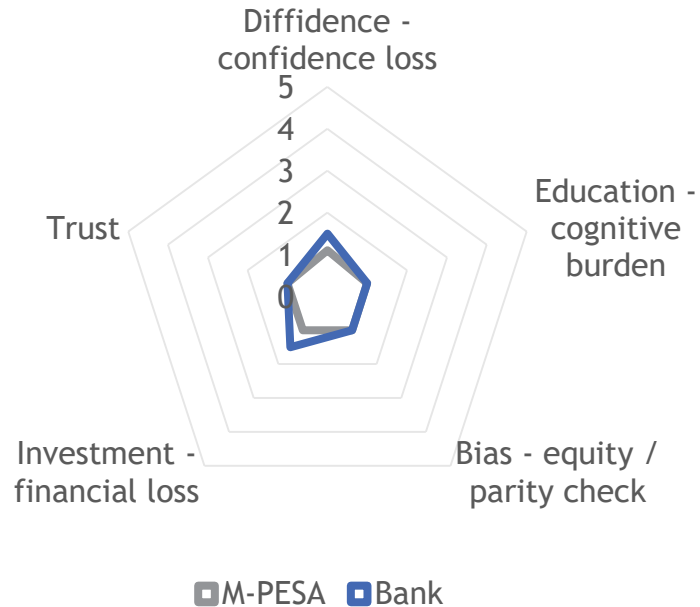
Characteristics of financial needs



The size of the circle represents the value of the transaction

While they do not use banks, their perception of using a bank is plotted in the chart above

Mzabibus prefer M-PESA over the bank as well, owing to the anchor effect and the high opportunity cost incurred while transacting at the bank



A low value on any of the five axes depicts a lower perceived challenge while using the channel. For e.g., 0 on the scale for diffidence depicts that the customer does not feel any diffidence while transacting at the channel, 0 for bias means they do not face any biases while transacting.

Hence, a lower score on any axis indicates the user perceives the channel as better.

Some *mzabibus* or wolves even have bank accounts. However, they rarely use them, and hence often have deactivated accounts because of:

1. Inconsistent income, which leads to a lack of savings
2. Relatively high opportunity cost that they face while transacting at the bank, especially in terms of the waiting period at the bank (roughly one hour per visit)
3. Low amount of savings they tend to be left with at the end of the day. This factor seems to have become more critical especially after COVID-19

M-PESA allows the segment to make and receive payments related to their occupation and otherwise. This pattern was seen among several cross-border traders as well.

M-PESA's ubiquitous presence and its seamless onboarding process has made it an integral part of the ecosystem for the *mzabibus* or wolves (1)



Awareness

I remember seeing the TV advertisement for Safaricom, I even heard it on the radio, and some friends and family spoke about it too.



Understanding

My friends were using M-PESA for their business and would send money to their family in the village. It sounded like a quick and convenient way to transfer money to people far off. I had seen people in the market use M-PESA to receive money from customers and pay the suppliers without spending time going to them.



First-time use and repeated use

The Safaricom agent took my national ID to register me for M-PESA. The enrolment process was easy and fast and did not involve too many documents.

The first time I used M-PESA, I was a bit scared of the process, but my agent took me through each step, screen by screen. It was simple and easy to handle. I found it to be affordable, but I also hope the costs get cheaper.



Repeated use

I earn very little, so I find limited to no scope to save money. I also receive most payments through M-PESA. Most of my vendors are also on M-PESA, which makes it easy for me to pay them using this platform. Hence, I keep using M-PESA.

A sense of security and the ability to get lump-sum money on a set frequency from ROSCAs, ASCAs, or SACCOs strengthen the sense of solidarity among the *kikundis*



Repeated use

Now I use M-PESA all the time. Right from receiving payments to transferring money. I also use M-Shwari and KCB-M-PESA, where I can save and earn credit without collateral. Overall, it is so easy! Why would I choose any other channel? I hardly save any money, so I do not see the point of going to a bank to deposit it. I can leave some money in my wallet and pay my bills using it.

If I have to send money, I am careful. I write down the account number on paper, go to M-PESA, select send money or Lipa Na M-PESA or till number, enter the account number, followed by the amount, and then the PIN. After sending, I get the option to cancel the transaction by pressing any number within 25 seconds.

As I am careful, I never had to use the cancellation option. I also know that you can reverse the transaction by forwarding the M-PESA text to *456# or call customer care by dialing 100 to reverse the transaction within 24 hours.

If I need to cash-out the M-PESA money, I do have to go to the agent to withdraw. This process takes about 20-30 mins, but I do not mind. It is still quicker than going to the bank. There are so many agents too. If one agent is busy, I can always go to the next one.



Grievance management

Some of my friends have complained that their customers reverse the transaction after buying fruits or jewelry and these friends end up losing money. This worries me, so I prefer to deal in cash.

I do not share my PIN with anyone, but I must give it to my children in unavoidable circumstances. Their negligence can cause me problems if they withdraw or send money to the wrong number.

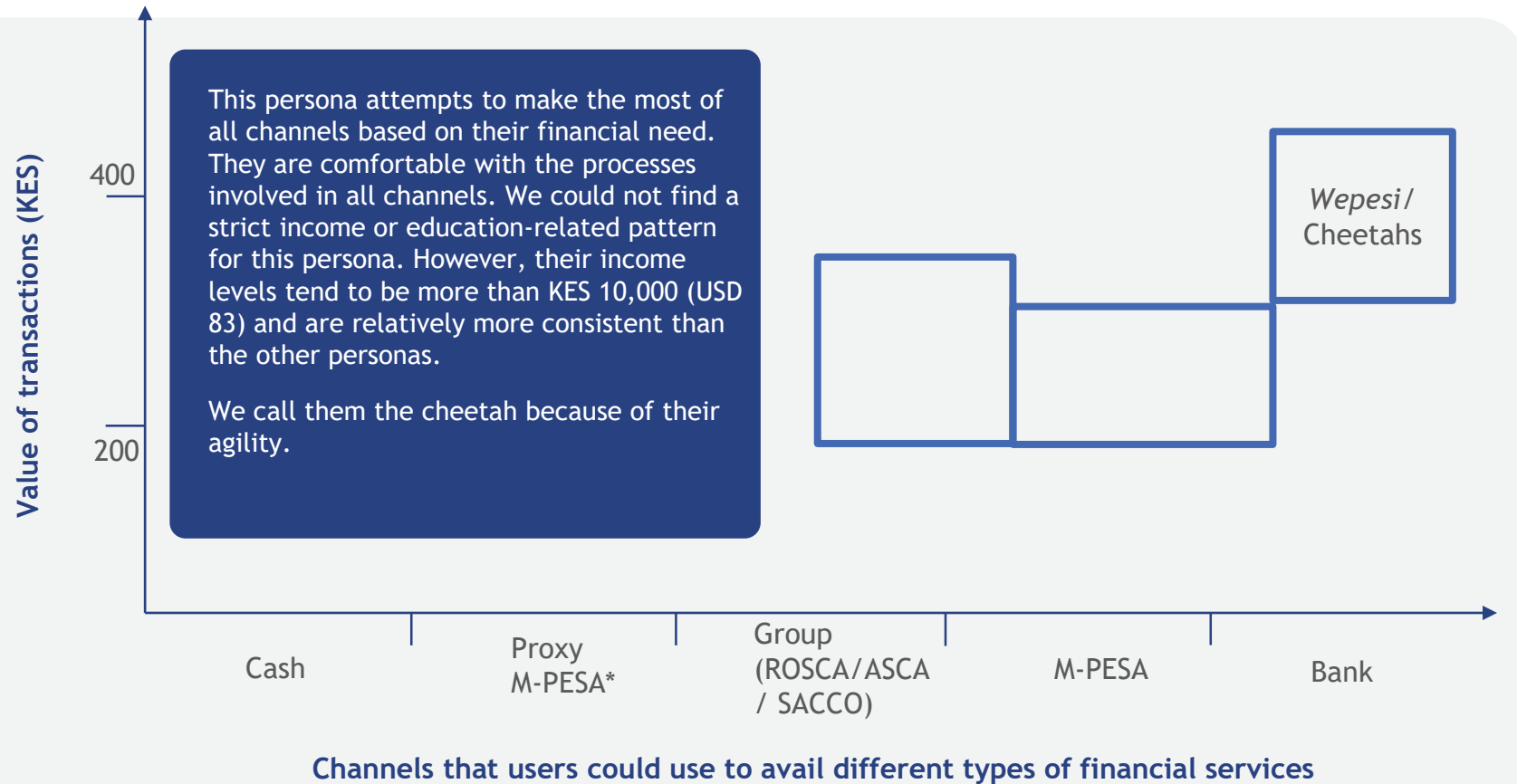
I have heard stories of people losing money as they get calls from fraudsters pretending to be from Safaricom. They get the customer PIN on some pretext and then swipe out funds. So, I am cautious and never give anyone my PIN. I wish we had a solution for all these problems, and then I could use more of M-PESA.

Persona 5: The cheetahs are agile enough to oscillate across three channels depending on their financial needs

Meet the user: Tina



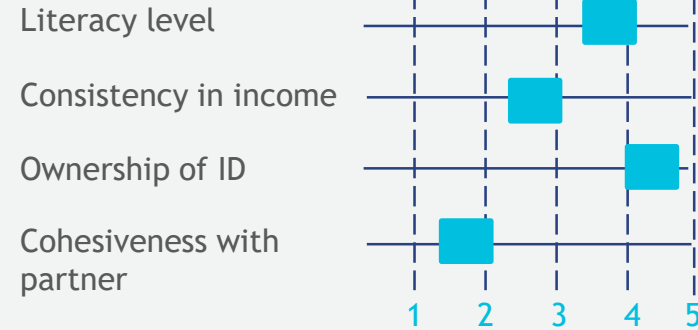
Tina is 35 years old and a mother of three children. She sells secondhand clothes. She has a monthly business turnover of KES 13,000 (USD 108). She uses M-PESA, a bank, and ROSCAs, ASCAs, or SACCOs. Her husband is a mason. Tina uses her mobile wallet to receive payments and pay bills, her bank account for saving, and a ROSCA, ASCA, or SACCO account, which she uses mainly to save and access credit. She currently has a loan of KES 30,000 (USD 248) from ROSCA/ASCA/SACCO, which she used to pay school fees for her children, and to enhance her business.



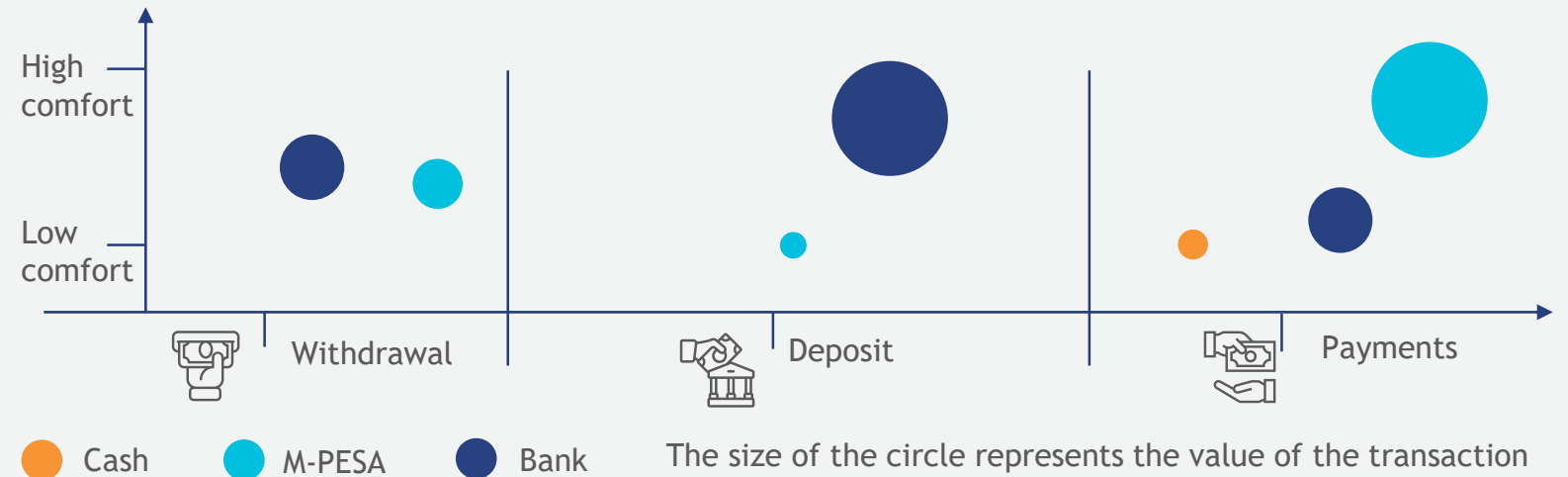
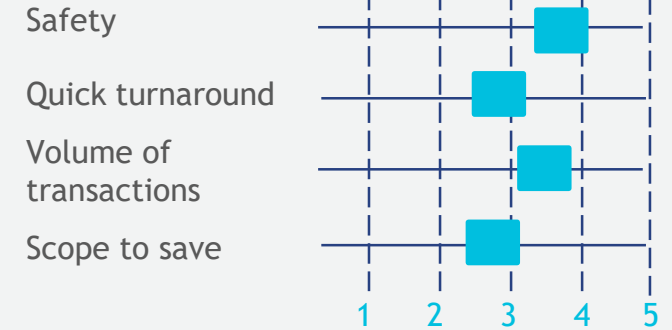
Cheetahs typically have a more consistent income pattern and have a higher scope to save



Demographic details

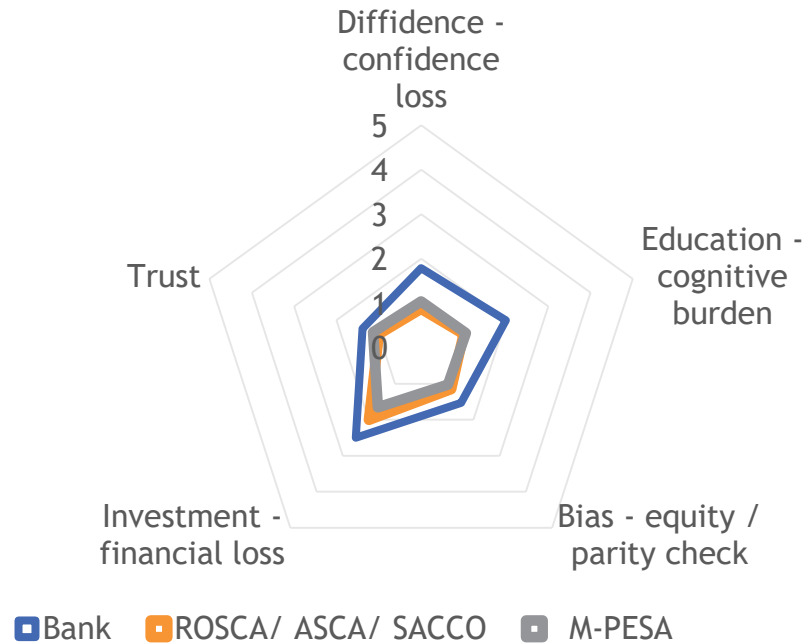


Characteristics of financial needs



The size of the circle represents the value of the transaction
 Orange - Cash/ROSCA/ASCA/SACCO; Light blue - M-PESA; Dark blue - Bank

DEBIT for the cheetah shows that despite a relatively high DEBIT value for ROSCAs, ASCAs, or SACCOs compared to M-PESA, the solidarity offered by groups and their low interest rates are critical for this segment



Despite M-PESA's meager DEBIT score, the interest rates charged by M-Shwari and the perceived risks associated with the channel stop the segment from using it for parking their savings and borrowing.

The segment deposits as much as possible in the bank and borrows at low interest rates from the ROSCA, ASCA, or SACCO. The segment finds the bank comparatively less attractive, mostly owing to the extra time and money that they need to spend to transact at it, yet still choose to park their savings there owing to the higher level of safety at the bank.

ROSCAs, ASCA, or SACCOs are trusted more and offer greater comfort, despite the relatively higher time value investment.

A low value on any of the five axes depicts a lower perceived challenge while using the channel. For e.g., 0 on the scale for diffidence depicts that the customer does not feel any diffidence while transacting at the channel, 0 for bias means they do not face any biases while transacting.

Hence, a lower score on any axis indicates the user perceives the channel as better.

The desire to save well allows cheetahs to be patient with the relatively long banking processes as well (1)



Awareness

I remember my father and grandmother taking me to the bank as a child. My father would often deposit or withdraw money, especially if we planned an outing the next day. My grandmother also used a debit card to withdraw from an ATM.



Understanding

My father helped me understand how to use a bank account. He even helped me open the account when I was 18 and had just started my own business.



First-time use and repeated use

I opened the account long bac—almost 12 years ago, so I do not remember the entire process of registration. I do remember giving my national ID and photograph.

My first transaction was to deposit a small value. I remember my father helping me along the process, where I also signed on a receipt.



Repeated use

Even though I earn little, I try to make sure that I deposit all that I manage to save at the end of the day in the bank. My father taught me this habit. The advantage is that my shop is close to the bank branch, so I do not lose a lot of time travelling there.

However, going to the bank takes almost an hour at times, and my brother has to manage my shop while I am gone. The worst part is that he does not give me what he earns through my shop at that time!

A sense of security and the ability to get lump-sum money on a set frequency from ROSCAs, ASCAs, or SACCOs strengthen the sense of solidarity among the *kikundis*



Repeated use

I go to the bank almost daily, or at least twice a week to deposit there. I have also joined a group linked to the bank, which has helped me access some credit. I have tried to borrow from the bank, but it takes time. I rely on my SACCO for the credit part and use the bank for saving alone.

I also use M-PESA, when I get payments from my customers in M-PESA, when I have to make payments to my suppliers or when I have to pay my utility bills. I otherwise do not keep a lot of money in my M-PESA wallet.



Grievance management

I have not faced any issues at the bank. They treat me with great respect and always provide all my needed services. One time my debit card was stuck in an ATM, and the bank staff was very helpful in retrieving it the next day. They do not even charge for the services, unlike the agents.





My only concern is that transacting at the bank take a long time. I wish they did something about the long queues.

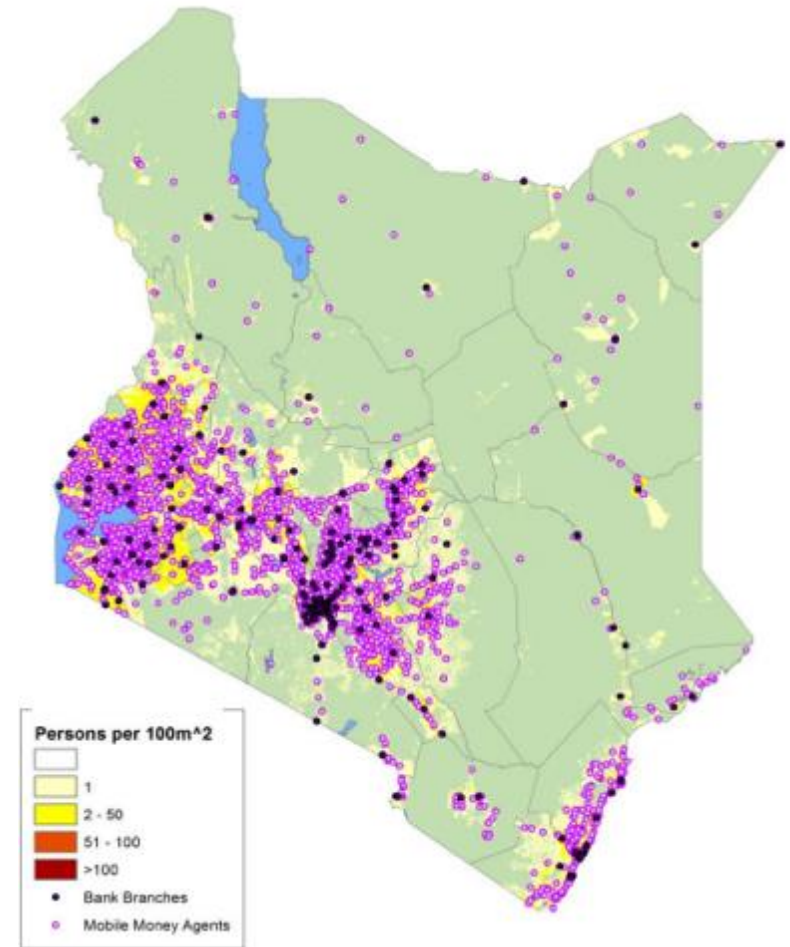


Annexes

Kenya has four key formal channels that vary significantly in terms of their affordability and their spread across the country

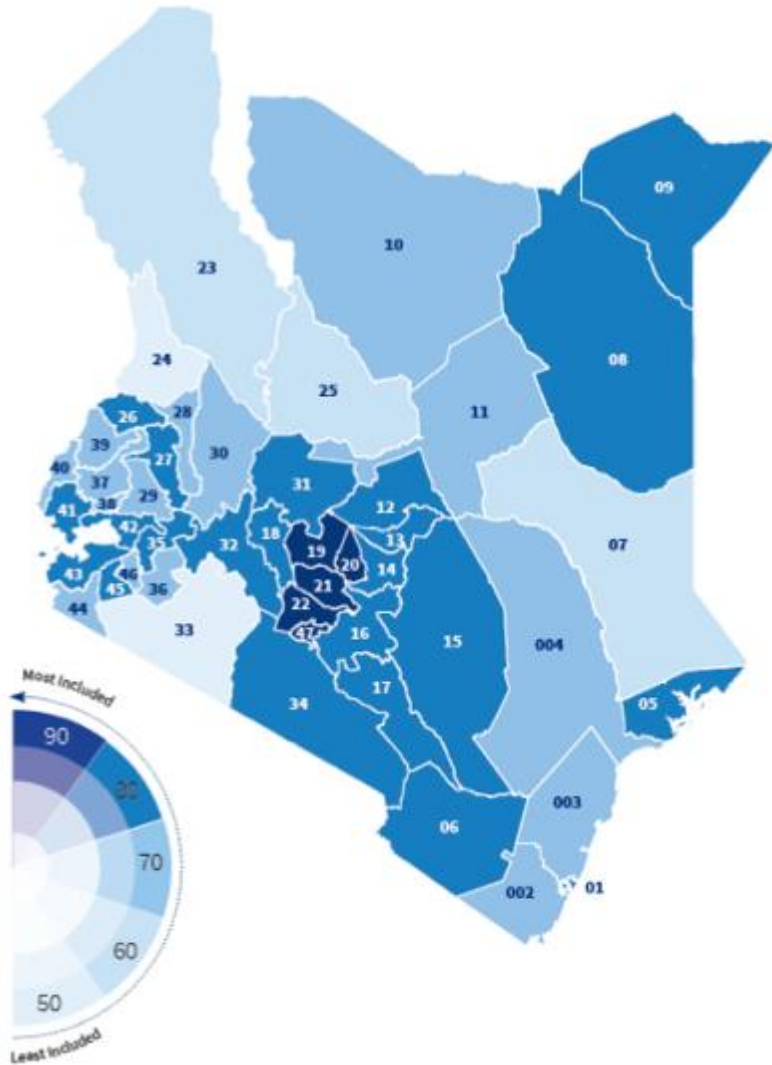
Summary table showing variation in affordability across channels

Channel	Withdrawal	Deposit	Payment
 Bank	Withdrawal at the counter is expensive, with the highest across all the channels. The highest transaction cost is KES 200 (USD 2) from KCB, and the cheapest is KES 100 (USD 1) from Equity Bank.	Free deposit	Bank transfer charges vary across different transaction channels.
 CICO Agent	Withdrawal charges are relatively low as KES 25 (USD 0.25). Cooperative bank charges KES 50 (USD 0.50)	Free deposit	N/A
 ATM	The average ATM withdrawal across all the banks is KES 30 (USD 0.30)	Free deposit	N/A
 M=Pesa	<p>The cost of withdrawing at the M-PESA agent is relatively high based on the amount of withdrawal</p> <p>Ranges from KES 28- KES 67 (USD 0.28-0.67) if the customer withdraws between KES 500 - 5,000 (USD 5-50).</p>	Free deposit	<p>Till number-based payment is free</p> <p>Paybill is chargeable with an average transaction fee of KES 34 (USD 0.34)</p> <p>Transferring money from Safaricom to Safaricom is easy but chargeable based on the amount. Sending to unregistered or other accounts is much more expensive and ranges from KES 49 - KES 135 (USD 0.49-1.35) to transfer KES 500-5,000 (USD 5-50).</p>



Source: FSD Kenya 2014

Financial inclusion landscape: The levels of financial inclusion have also been found to vary significantly across the country



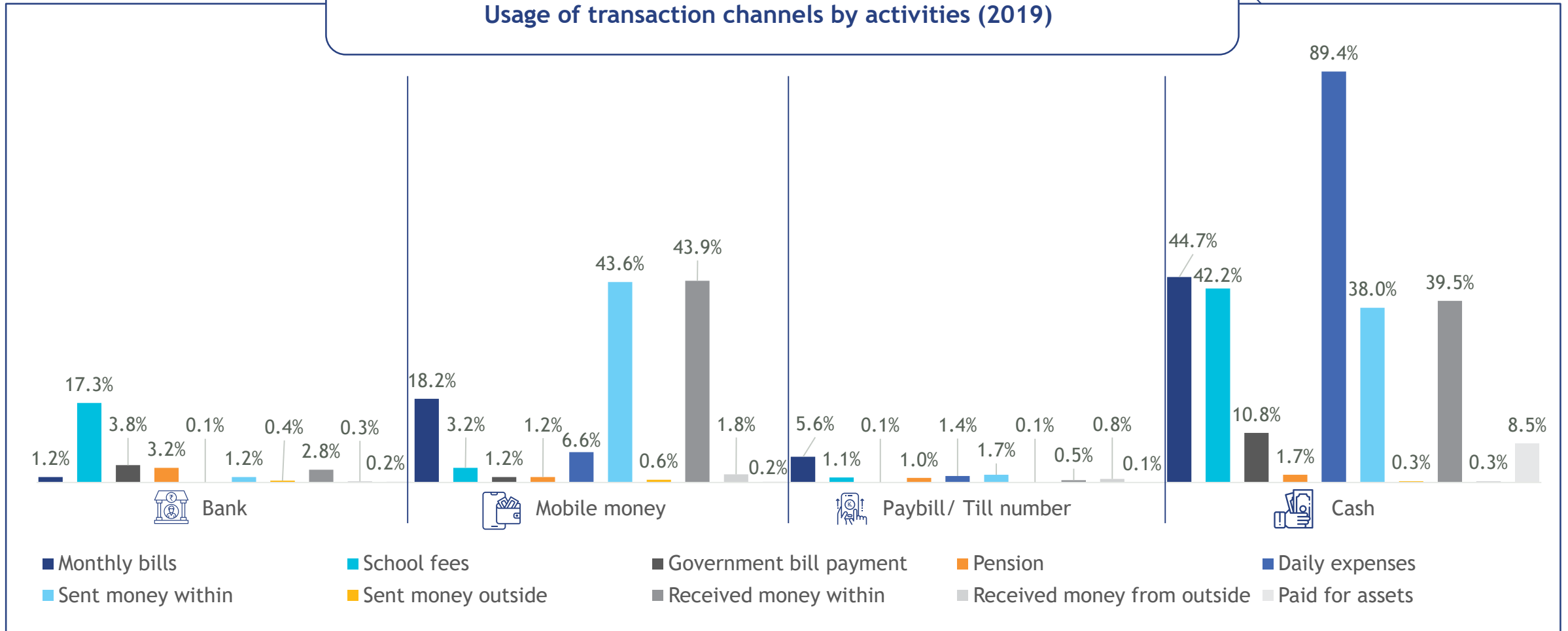
County comparisons: formal inclusion

Code	Country	%	Code	Country	%	Code	Country	%
1	Mombasa	89.8	17	Makueni	87.5	33	Narok	64.9
2	Kwale	72.9	18	Nyandarua	81.1	34	Kajiado	88.7
3	Kilifi	74.4	19	Nyeri	93.8	35	Kericho	85.8
4	Tana River	71.3	20	Kirinyaga	92.2	36	Bomet	78.6
5	Lamu	84.2	21	Murang's	92.8	37	Kakamega	79.5
6	Taita-Taveta	82.0	22	Kiambu	91.8	38	Vihiga	79.5
7	Garissa	60.7	23	Turkana	60.3	39	Bungoma	73.9
8	Wajir	86.5	24	West Pokot	57.7	40	Busia	78.2
9	Mandera	83.8	25	Samburu	68.6	41	Siaya	83.8
10	Marsabit	78.4	26	Trans Nzoia	89.3	42	Kisumu	88.2
11	Isiolo	87.8	27	Uasin Gishu	87.6	43	Homabay	81.8
12	Meru	81.0	28	Elgeyo-Marakwet	73.8	44	Migori	75.5
13	Tharaka-Nithi	84.5	29	Nandi	79.3	45	Kisii	81.8
14	Embu	87.7	30	Baringo	74.9	46	Nyamira	76.8
15	Kitui	80.4	31	Laikipia	83.4	47	Nairobi City	95.0
16	Machakos	89.6	32	Nakuru	87.8			

Source: FinAccess Household Survey 2021

Financial inclusion landscape: The use of cash has dominated all types of transactions in Kenya across the years and proves that it is the preferred channel of transaction

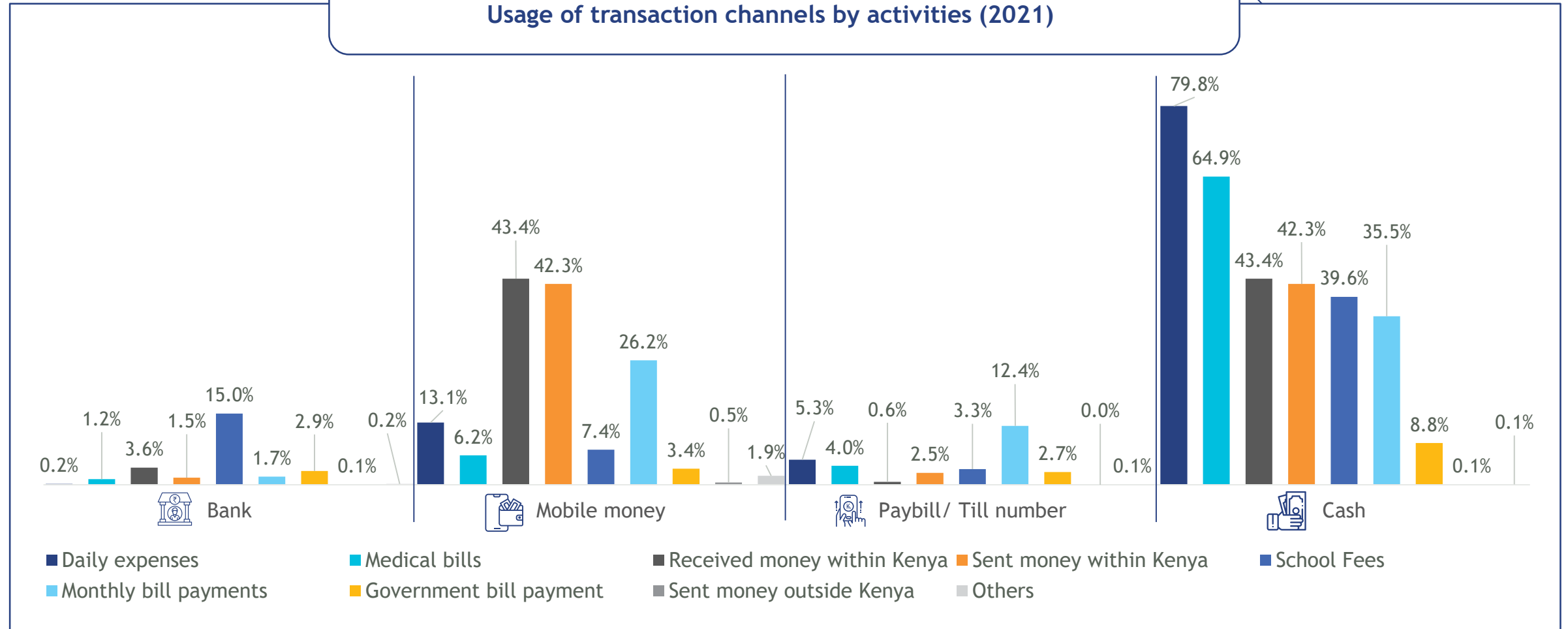
Usage of transaction channels by activities (2019)



Source: FinAccess Household Survey 2021

Financial inclusion landscape: The use of cash has dominated all types of transactions in Kenya across the years and proves that it is the preferred channel of transaction

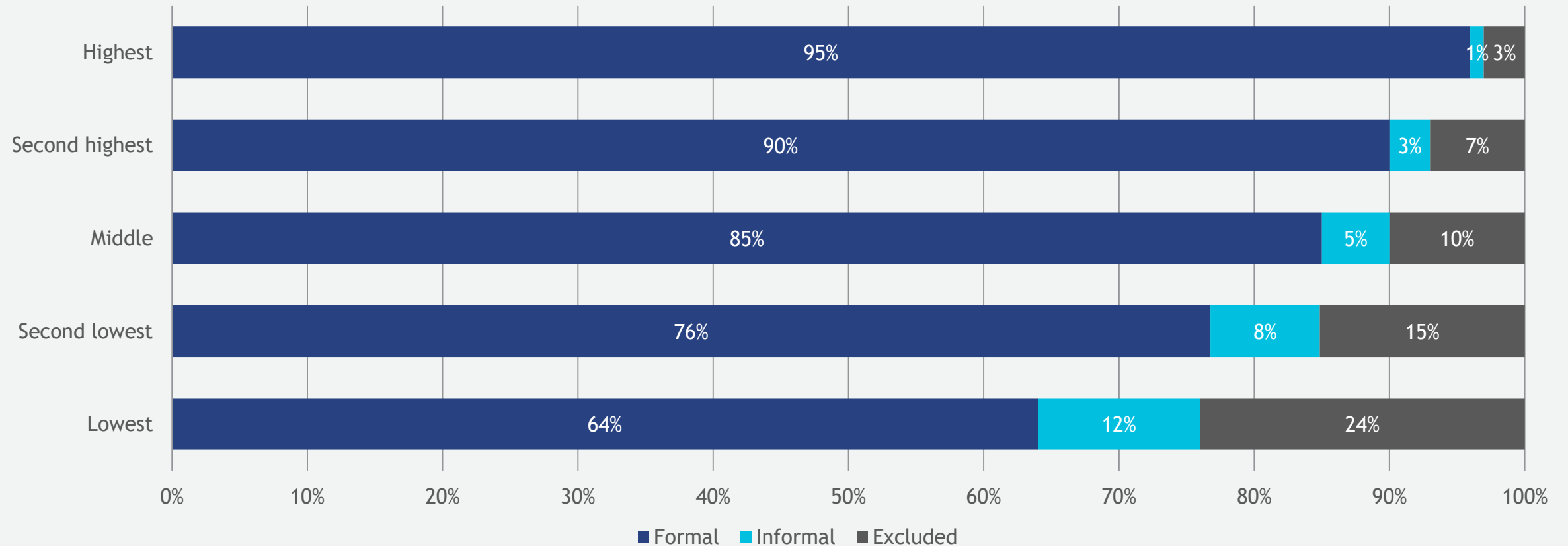
Usage of transaction channels by activities (2021)



Source: FinAccess Household Survey 2021

Financial inclusion landscape: The level of financial inclusion varies by almost 30 percentage points across wealth quintiles, indicating that income levels play a role in an individual's level of financial inclusion

Financial access by wealth quintiles (2021)



Source: [FinAccess Household Survey 2021](#)

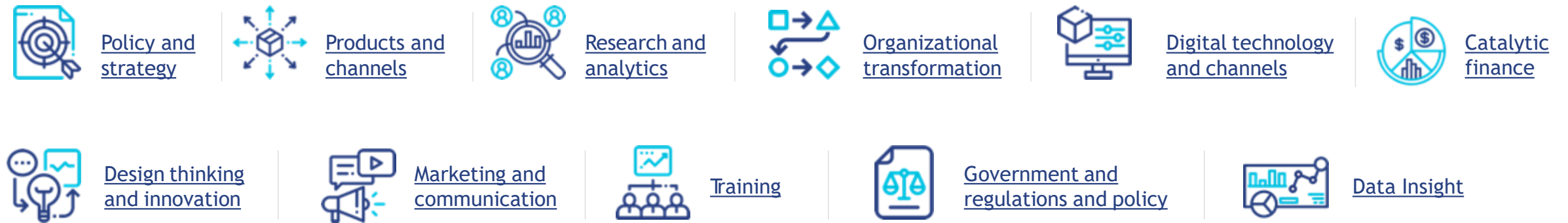
Sectors we work in

Providing impact-oriented business consulting services



Multi-faceted expertise

Advisory that helps you succeed in a rapidly evolving market



MSC is recognized as the world's local expert in economic, social, and financial inclusion



International financial, social, and economic inclusion consulting firm with **20+** years of experience



>200 staff in **12** offices around the world



Projects in **~65** developing countries

Our impact so far

>550
clients

>1,000
publications

Assisted development of digital G2P services used by **>875 million** people


Implemented **>875 DFS** projects

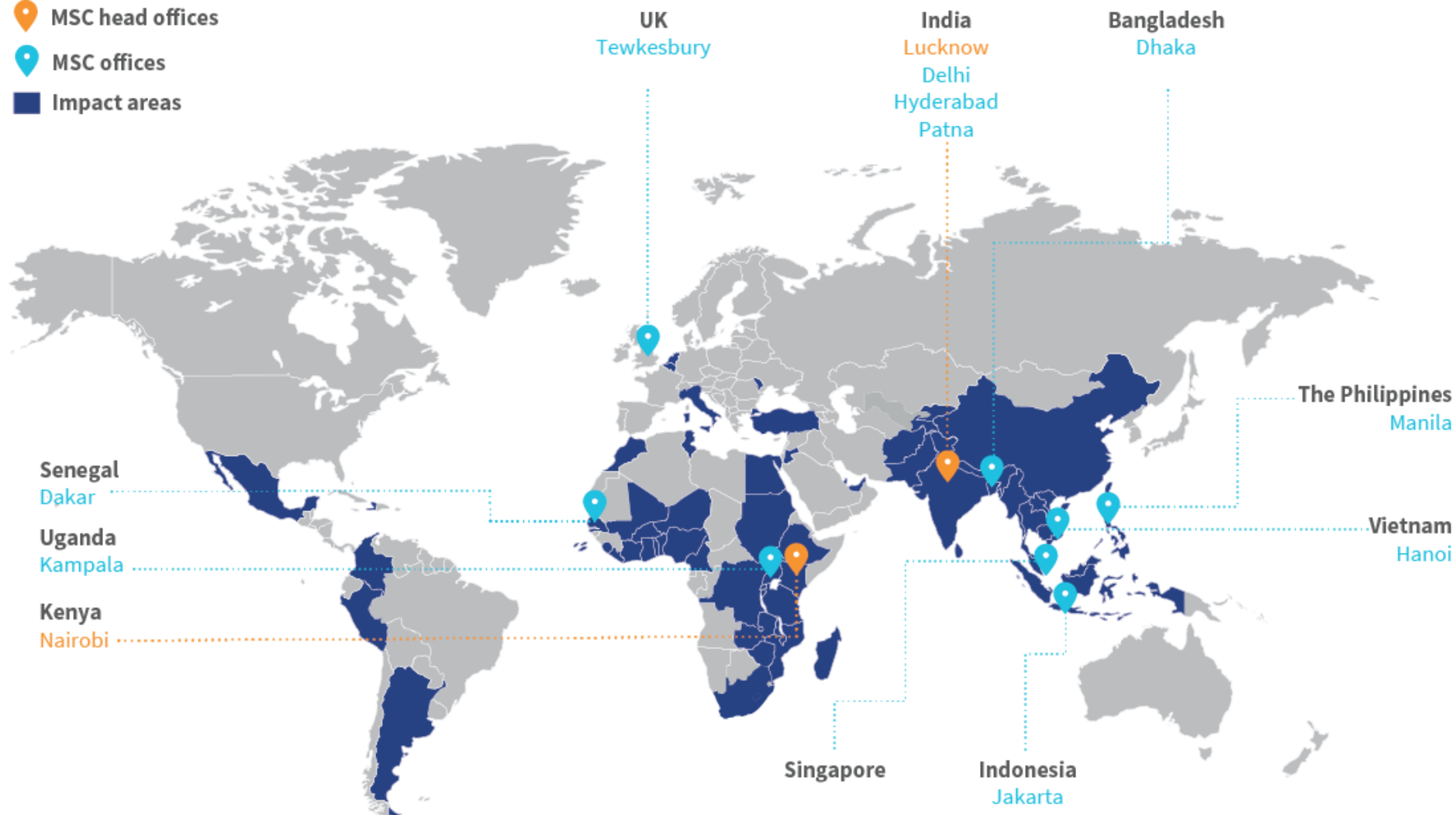
Developed **>275 FI products** and channels now used by **>55 million** people

Trained **>10,500** leading FI specialists globally

Some of our partners and clients



-  MSC head offices
-  MSC offices
-  Impact areas



[MSC corporate brochure](#)

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