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RURAL EMPLOYMENT

Agricultural finance and the youth

Prospects for financial inclusion in Kenya

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Prospects for financial inclusion in Kenya

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Young farmers interact and interview senior farmers, producers and business owners at the local market in Embu, in the frame of a FAO initiative that organized farm tours to connect young entrepreneurs to local farmers and producers.

Acronyms

ADF	African Development Fund
AFC	Agricultural Finance Corporation of Kenya
AFIDEP	African Institute for Development Policy
APR	Annual percentage rate
ASAL	Arid and semi-arid lands
BIS	Bank for International Settlements
CABFIN	Improving Capacity Building in Rural Finance Partnership
CAK	Communications Authority of Kenya
CBA	Commercial Bank of Africa
CBK	Central Bank of Kenya
CGAP	Consultative Group to Assist the Poor
CRB	Credit reference bureau
CSD	Center for Social Development
CTA	Technical Centre for Agricultural and Rural Cooperation
D4Ag	Digital solution for agriculture
Danida	Danish International Development Agency
DFI	Development finance institution
DLAK	Digital Lenders Association of Kenya
DRET	Decent Rural Employment Team of FAO
EACC	Ethics and Anti-Corruption Commission of Kenya
FAO	Food and Agriculture Organization of the United Nations
FI	Financial institution
FSD Kenya	Financial Sector Deepening Kenya
GDP	Gross domestic product
GoK	Government of Kenya
GSMA	Global System for Mobile Communications
ICA	Integrated Country Approach
ICT	Information and Communication Technology
IDS	Institute of Development Studies
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
KCB	Kenya Commercial Bank
KCIC	Kenya Climate Innovation Center
KEPSA	Kenya Private Sector Alliance
KES	Kenyan Shilling (currency)
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KNBS	Kenya National Bureau of Statistics
MFI	Microfinance institution
MMO	Mobile money operator
MNO	Mobile network operator

MVNO	Mobile Virtual Network Operator
MoALF	Ministry of Agriculture, Livestock and Fisheries
MSME	Micro-, small- and medium-scale enterprise
NGO	Non-governmental organization
NPL	Non-performing loans
P2P	Peer-to-peer
PPP	Public-private partnership
RISE	Rural Institutions, Services and Empowerment Team of FAO
SACCO	Savings and credit cooperative
UNCDF	United Nations Capital Development Fund
UNDESA	United Nations Department of Economic and Social Affairs
USD	United States Dollar (currency)
WFP	World Food Programme
YEDF	Youth Enterprise Development Fund

Introduction

The aim of this publication is to provide a comprehensive assessment of the current state of financial inclusion among the Kenyan youth, especially those residing in rural and financially underserved areas. In particular, the study seeks to illustrate the **clear linkage** between the substantial financial access gap faced nowadays by the Kenyan youth and their inability to pursue high value-added entrepreneurial opportunities, chiefly in the agribusiness sector.

The research sets out to analyze **the core constraints and opportunities** associated with the provision of tailored financial services to young Kenyans (especially first-time entrepreneurs), while showcasing the essential role that key supporting actors (such as the government, international development institutions, NGOs, foundations and many others) can play in fostering the provision and uptake of such services.

The methodical approach employed to develop this study integrates extensive desk research with data gathering and analysis at field level, carried out among key stakeholders in Kenya's agriculture and finance sectors. In particular, the analysis has made extensive use of the 2019 FinAccess Household Survey dataset developed by Financial Sector Deepening (FSD) Kenya, which was used to bring to light essential insights regarding youth's access and use of agricultural finance.

The study is meant to support FAO's interventions in the country in the domains of **financial inclusion and decent employment opportunities for the rural youth**, with a specific view to enabling partnerships with relevant financial institutions and apex-level organizations capable and willing to support the development of a range of youth-tailored financial products, as well as other complementary activities.

The study is divided into five sections:

Section 1: Understanding the context

This section provides a general overview of the youth employment situation in Kenya, with a specific focus on the agricultural sector. It seeks to showcase a range of structural and contextual weaknesses that constrain the creation of decent work opportunities for youth in the country, focusing in particular on the relationship between financial exclusion and the lack of decent employment and entrepreneurial opportunities for the rural youth.

Section 2: Focus on the financial inclusion of the rural youth

This section analyzes the currently available data on the depth and quality of the financial inclusion of rural youth in Kenya, with a particular focus on those engaged in the agricultural sector. The section analyzes aspects such as the degree and quality of access to credit, savings and insurance in rural areas, while providing a comprehensive overview of the core constraints that are currently limiting the expansion of financial inclusion among young rural entrepreneurs.

Section 3: Digital financial inclusion in the rural and agricultural landscape

This section seeks to provide a deeper dive on what is arguably the core enabler of youth financial inclusion in the country: the rapid rise and expansion of the digital financial sector. In addition, it seeks to provide an analysis and key examples of innovative digital financial products that specifically target the agricultural sector.

Section 4: Public and private engagement in youth financial inclusion

This section provides an overview of the main public and public-private programmes and policies, whose impact is highly relevant to the promotion of youth financial inclusion in the country. It also provides an overview of the main financing facilities developed by the government to promote youth access to finance, as well as an analysis of the state of the current offer of youth-specific financial products among private financial institutions.

Section 5: Conclusions and recommendations

This section provides a series of conclusions drawn from the data gathered in the study, as well as a number of recommendations for policymakers, apex institutions and financial service providers that seek to implement solutions to overcome the current challenges associated with the provision of finance to young entrepreneurs in rural Kenya.

Aside from the main body of research, the study also provides three annexes which focus on specific topics of interest related to youth financial inclusion in Kenya in greater depth:

1: Deeper dive on Siaya and Kakamega counties

As Siaya and Kakamega represent a core target of the FAO ICA project in Kenya, more in-depth information related to youth financial inclusion in these two counties is provided in this annex.

2: Focus on the Kenyan financial regulator's response to the COVID-19 crisis

This annex presents an in-depth look at the first measures taken in the Kenyan financial sector to respond to the initial impact of the COVID-19 pandemic, which have important implications for the state of financial inclusion in the country.

3: Review of youth-specific financial products offered by formal financial institutions

This annex provides a list of financial products offered by Kenyan formal financial institutions that are designed especially for young clients, highlighting main product features and requirements.

Section 1: Understanding the context

1.1 A scenario of youth unemployment and job informality

Kenya is the strongest economy in East Africa, boasting considerable agricultural exports, thriving tourism and a growing manufacturing sector, which together have led to an average annual growth of the real gross domestic product (GDP) of about 6 percent for the past five years. Nevertheless, Kenya's ongoing economic transformation still faces considerable roadblocks in terms of the state of the labour market, characterized by **extremely high levels of under- and unemployment**, as well as high job informality, which put enormous pressures on Kenya's political, social and economic stability (Sikenyi, 2017). This issue stands at the forefront of the core challenges threatening Kenya's present development prospects, which also include the country's high vulnerability to prolonged drought; the exposure of its main exports to global price fluctuations; its rapid population growth (at 2.3 percent annually); and the extreme levels of wealth disparity in the country.

To a large extent, unemployment in Kenya is a youth problem. In fact, the Kenyan youth unemployment rate is the highest of all countries in East Africa. According to the Kenya National Bureau of Statistics (KNBS), national unemployment in the country stands at 9.3 percent, but this rises up to **18.3 percent in the case of youth aged 15–24**. The gender gap is also a critical issue in this sense: according to KNBS data, women make up 67 percent of the unemployed youth population (KNBS, 2018a; ILO, 2020).

The issue of youth unemployment is particularly critical considering how young Kenya's population is overall: **75 percent of Kenyans are below 34 years of age** (out of a population of 35 million people) while the median age is 20. The young adult population (i.e. those aged between 18 and 34) represents 29 percent of the total, or 13.7 million people (KNBS, 2019).

TABLE 1 Key data on Kenya (2019)

Total population	47.6 million
% residing in rural areas	68.9%
% below 34 years of age	75.1%
% aged 18–34	29%
% of women	50.5%
Average population growth rate	2.3% per year
No. of households	12.1 million
% of male household heads	75.7%
Country surface	569 140 km ²
% of cultivated land	67.5%
Real GDP	USD 99.2 billion
Real GDP per capita	USD 2 010
Public debt (% GDP)	54.2%
Economically active population	22.3 million
Unemployment rate (general)	9.3%
Unemployment rate (15–24 year olds)	18.3%

Source: KNBS (2018a and 2019); World Bank (2020).

There are various factors that explain this extremely high youth unemployment rate. To begin with, **the Kenyan economy has not been able to generate enough jobs** to absorb the growing working age population.¹ According to data from FAO (2019), nearly 1 million young people enter the Kenyan job market every year, however between 2013 and 2017 **only 826 600 jobs were created each year**, on average. Furthermore, employment growth in recent years has mainly benefitted the older segments of the labour force, due to their better contacts and education.

Insufficient education is also a major constraint in relation to employment, which is reflected in the mismatch between the skills required by the job market and those imparted by the national school system. This is very evident in the challenges that young Kenyans face during **the school-to-work transition process**, i.e. the capacity of the youth to find a job following graduation. Several factors make this process extremely challenging for young graduates: the low quality of formal education; the weak linkages between schools and industry, which demands levels of technical capacity that local schools and training centers do not provide; as well as the gender and rural/urban gap in education (especially evident in arid and semi-arid counties). Overall, **90 percent of the unemployed youth in Kenya have no vocational or professional skills training**, which significantly limits their capability to enter the formal job market (FAO, 2019).

Poor employment prospects, as well as a desire to escape poverty, stand at the core of the considerable **rural-to-urban migration phenomenon** in Kenya, which is especially pronounced among young adults. According to a survey carried out among rural youth by the non-profit research institute RTI International in 2017, **education and job opportunities** are the primary factors drawing youth

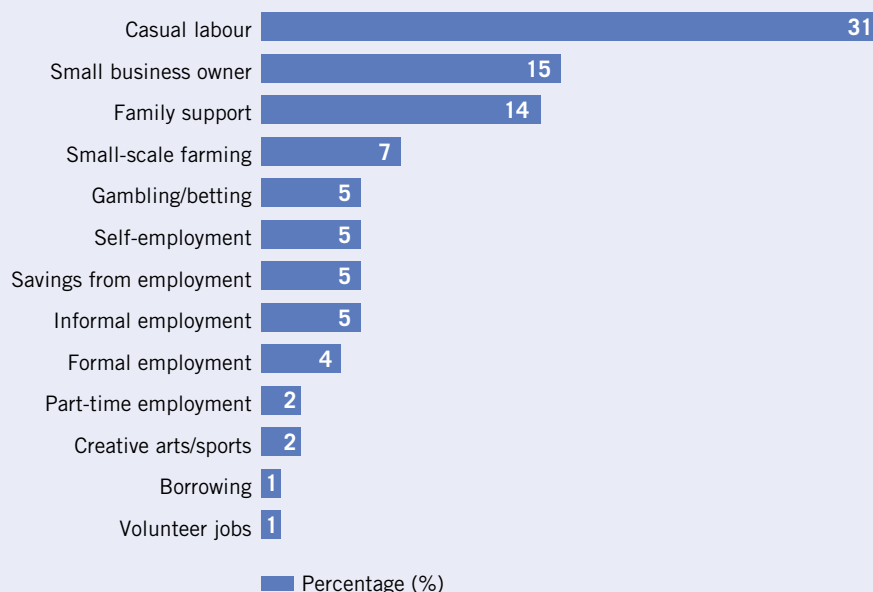
away from rural areas and into the larger cities. Interestingly, more than 76 percent of the youth interviewed as part of the survey expressed a desire to eventually move back to their village of origin in a permanent way, which shows that the rural-to-urban migration phenomenon is a dynamic, rather than static, trend, and thus susceptible to reversal (Eckert, Turner and Yeager Sallah, 2019).

Beyond unemployment, **informality in the labour market is also a critical issue**: more than 80 percent of newly created jobs every year are actually in the informal sector. This means, among other things, youth entering the job market through such routes will not be able to benefit from any state-backed social safety net based on formal proof of employment. The level of informality faced by the youth in terms of job opportunities can be glimpsed from the results of a large-scale survey carried out by the social movement JIACTIVATE among Kenyan youth in 2018, which paints a stark picture of youth involvement in the labour market. Among the survey respondents, 31 percent claimed that they covered their daily expenses through casual labour, 15 percent by running a small business and 14 percent with support from their families. Only 4 percent of respondents stated that they made a living through formal employment (see Table 2).

From a financial inclusion perspective, the high levels of unemployment and the informality of the job market have major repercussions for the capacity of the Kenyan youth to access formal financial services, as will be further illustrated in Section 2.1. Furthermore, the high level of informality in the job market implies that **youth are barred from satisfying a number of prerequisites** demanded by formal financial institutions (FIs) in order to provide financing, such as providing proof of regular income.

¹ Kenya's population is growing at a considerable rate of 2.3 percent per year. The country is forecast to reach a population of 66 million by 2030 and 91.5 million by 2050 (UNDESA, 2019).

TABLE 2 Survey answers to the question:
“How do you cover your daily expenses?”



Source: JIACTIVATE, 2018.

1.2 Youth employment and entrepreneurship: focus on agriculture

In principle, the Kenyan agricultural sector has great potential for youth employment creation, as well as for boosting local economic growth through youth-led entrepreneurship. Nevertheless, the current situation is one of considerable underdevelopment and lack of policy support, with lack of access to suitable financing solutions being one of the most critical barriers limiting the growth of the economic backbone of Kenyan agriculture: **micro- and small-sized farmers**.

These actors are responsible for the vast majority of agricultural production in the country. Approximately 87 percent of Kenyan farmers cultivate less than 2 ha of land, while 67 percent cultivate less than 1 ha. The agricultural sector is responsible for 34 percent of the total national GDP, and 65 percent of all export earnings. **The sector also employs more than 50 percent of the total labour force** (World Bank, 2020), while also indirectly ensuring the livelihood of more than 80 percent of the total population. Furthermore, it

is important to note that a sizeable sub-set of the agricultural labour force (more than 50 percent) is engaged in livestock production. In fact, livestock production plays a very important role in Kenya's food security and its economy, especially for the livelihoods of rural populations in arid and semi-arid lands (ASAL).

Nearly all agricultural production in Kenya is rainfed,² while almost half of animal production occurs in ASAL. Only 2 percent of the total arable land is irrigated, compared with an average of 6 percent in Sub-Saharan Africa as a whole and 37 percent in Asia. As a result of this, the agricultural sector is extremely vulnerable to drought and erratic rainfall patterns, which are increasingly critical consequences of the climate change phenomenon.

The Kenyan agricultural sector is characterized by particular poverty dynamics. Rapid population growth has resulted in a decrease of land parcel sizes in areas of substantial agricultural potential, which has in turn affected agricultural production. The **issue of land scarcity**, which is also reflected in the high rental prices for agricultural land, is a

² Milk, mangoes, guavas and maize are the main commodities in Kenyan agriculture by volume and value, followed by flowers, vegetables, rice, bananas and sweet potatoes. Furthermore, there are a number of key agricultural value chains with high export value that are dominated by large-scale agribusinesses, such as coffee, tea, sisal and sugar.



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Young woman on a climate-smart farm in Kakamega County.

major constraint on rates of agricultural production. This issue has been compounded by the expansion of agriculture into arid lands, which has affected the dynamics of pastoralism by increasing competition for natural resources and even giving rise to conflict in some areas (World Bank, 2019).

Although the Kenyan agricultural sector has very significant potential to contribute to decent job creation for the youth, as well as livelihood security and overall economic growth, **youth engagement in the sector appears to be low – and diminishing over time.** According to the Kenya Youth Agribusiness Strategy (2017–2021), only 10 percent of youth are directly engaging in agricultural labour, the majority of whom earn their living through informal and occasional jobs (including pastoralism) (MoALF, 2017a). Kenyan farmers are, in fact, quite old overall: according to FAO (2014), the average age of the Kenyan farming population is 55. A commonly cited reason for this lack of youth engagement is that youth perceive

agriculture to be an **unprofitable, labour-intensive and unattractive occupation**,³ characterized by high risk, little potential for entrepreneurship and associations with low social status.

Despite this, recent studies appear to question, at least in part, this belief. The aforementioned RTI International survey, carried out in 2017 among Kenyan youth who had migrated from rural to urban areas, showed that 76 percent of those interviewed had expressed an interest in eventually **going back to their area of origin to take up farming**, which, albeit not a proof of strong commitment, seems to suggest that youth do perceive the potential in agripreneurship (Eckert, Turner and Yeager Sallah, 2019). Similarly, in the aforementioned JIACTIVATE survey, the interviewees mostly agreed on two solutions to mitigate the scarcity of formal employment in the country: fostering youth entrepreneurship overall, and encouraging youth to pursue ventures in the agribusiness sector in particular (JIACTIVATE, 2018).

³ In fact, according to governmental sources, in recent years Kenyan technical institutions and universities have seen a substantial drop in enrolment in agriculture-related subjects among the youth (GoK, 2017).

The Kenyan agricultural sector offers substantial opportunities for young entrepreneurs looking to make a profit, especially by engaging in **high value-added business endeavors** such as the processing and export of fruits (e.g. mango, passion fruit), vegetables and nuts (e.g. macadamia) and the processing of imported commodities (e.g. vegetable oils, wheat for pasta) for local markets. Despite this, access to finance represents a critical barrier⁴ for young entrepreneurs seeking to seize these market opportunities, considering the high capital investment in modern agricultural production and processing technologies that would be required to kickstart their business ideas (World Bank, 2019).

The financial access barrier, coupled with a range of other core obstacles such as insufficient

technical capacity, lack of information on business opportunities and weak market linkages, **constitutes a considerable limitation on the capacity of young entrepreneurs to properly seize these high-value opportunities** in the agribusiness sector and – from a macro perspective – to contribute towards fostering employment growth and overall socioeconomic development in rural areas.

Given the importance of financial access as a key determinant for youth entrepreneurship and decent employment, the following sections will be devoted to analyzing **the determinants – and most critical consequences** – of the financial access barrier in further detail, while presenting a series of successful innovations and pilots that have proven successful in overcoming this critical constraint.

⁴ In a survey carried out by the Kenya Private Sector Alliance in 2017 – among young beneficiaries of the “Kenya Youth Empowerment Project” – 85 percent of respondents indicated that a lack of access to finance was the core barrier that they faced to starting a new business (KEPSA, 2017).



Despite the considerable economic growth experienced by the country in recent years, nearly four out of ten youth (aged 18–34) in Kenya remain unemployed, with young women accounting for 65 percent of this group.

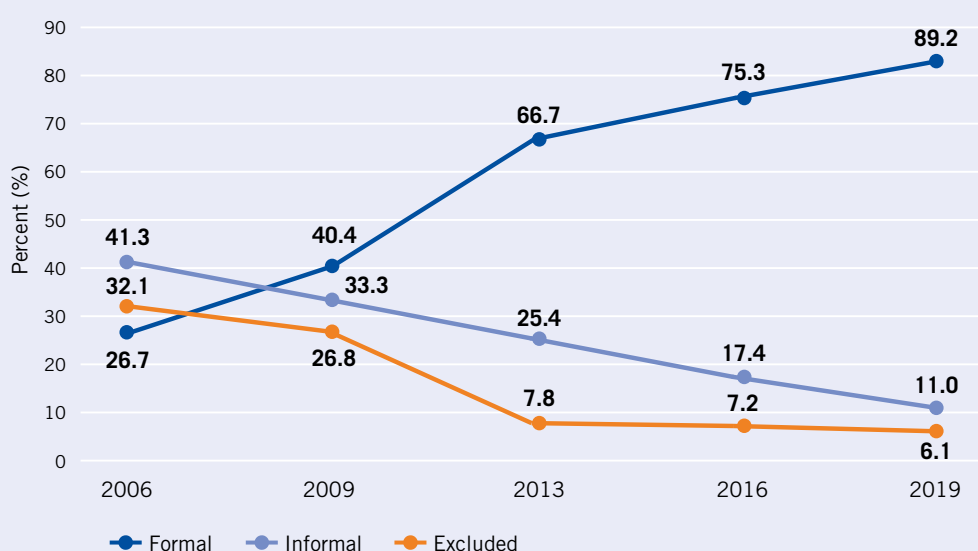
Section 2: Focus on the financial inclusion of the rural youth

2.1 Overview of the financial inclusion scenario

Financial inclusion rates in Kenya have dramatically improved over the last decade. According to the latest FinAccess survey,⁵ carried out in 2019, the share of the population that could access formal financial services⁶ rose from 26.7 percent in 2006 to 82.9 percent in 2019. Meanwhile, as can be seen in Figure 1 below, the share of people relying

only on informal financial services⁷ dropped from 41.3 percent to 6.1 percent in the same time period, while the share of those completely excluded from accessing finance fell from 32.1 percent to 11 percent. As will be further illustrated in Section 3, this tremendous growth in financial inclusion **has been mainly driven by the expansion of the mobile money industry**, pioneered by the introduction of the M-Pesa mobile platform in 2007.

FIGURE 1 Financial access rates according to modality of access



Source: FSD Kenya, 2019.

⁵ The 2019 FinAccess household survey is the fifth of a series of surveys that seek to assess the drivers and usage of financial services in Kenya. It was carried out by Financial Sector Deepening (FSD) Kenya, in partnership with the Central Bank of Kenya (CBK) and Kenya National Bureau of Statistics (KNBS). Previous editions of the surveys were carried out in 2006, 2009, 2013 and 2016.

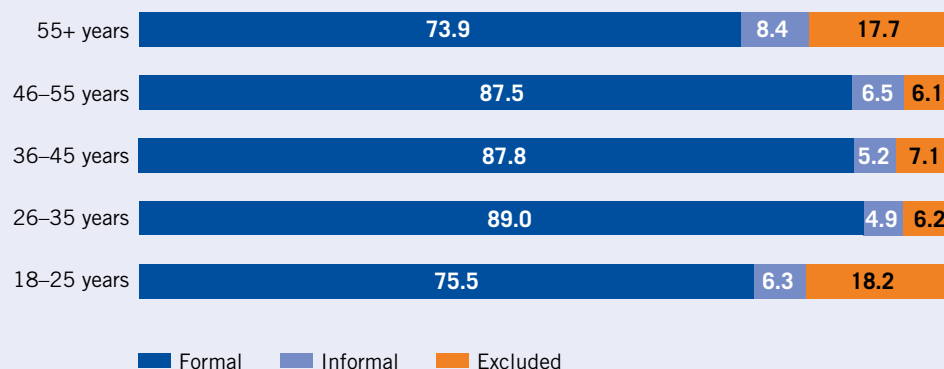
⁶ Formal financial services are those offered by entities whose primary specialization is financial provision, and which are regulated and supervised according to the national regulatory framework for the financial sector. These include commercial banks, microfinance institutions, financial cooperatives, insurance companies and several others.

⁷ Informal financial services are those offered by entities for which the provision of finance does not represent their main profession or specialization, and/or which are not regulated by the national regulatory framework for the financial sector. These include informal moneylenders, value chain agents such as input providers or retailers, and family and friends.

Figure 2 breaks down current levels of financial access according to different age categories. As can be seen from the data, **youth in the 18–25 age category show the highest rates of financial exclusion**, with 18.2 percent excluded – considerably higher than all other age categories

except for adults over the age of 55, who face similar rates. In terms of the rate of access to formal financial services, youth in the 18–25 age category face a gap of approximately 12 percentage points compared with adults in the 36–45 and 46–55 age categories (FSD Kenya, 2019).

FIGURE 2 Rates of financial access according to age category

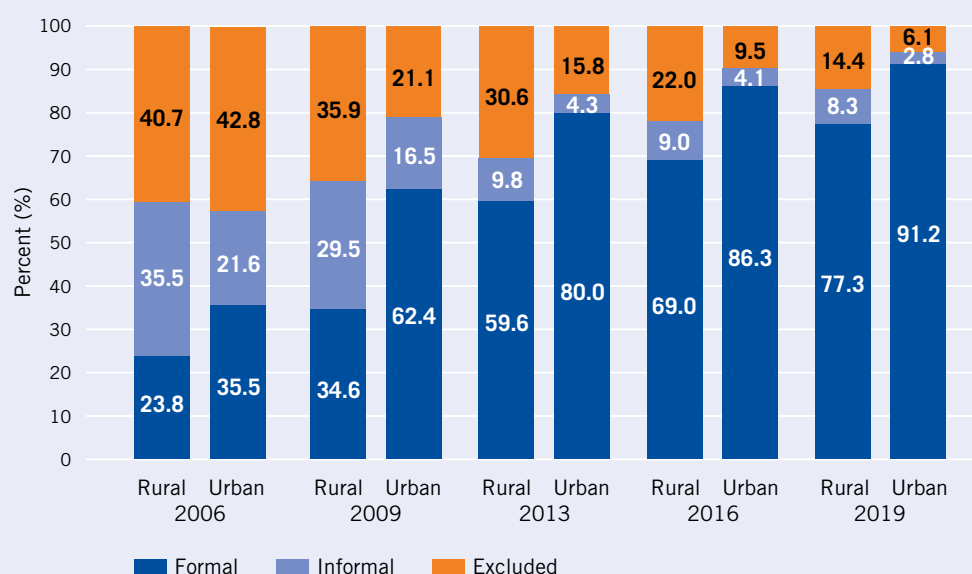


Source: FSD Kenya, 2019.

Although on a different scale compared with 2006, as of 2019 Kenya still registers **a sizeable rural-urban gap in financial access** (see Figure 3), with urban Kenyans experiencing extremely high levels of access to formal financial services (91.2 percent), as well as overall financial inclusion. Notwithstanding this, rural financial inclusion has

seen tremendous improvements in the past 15 years. The share of rural Kenyans who can access formal financial services has risen from 23.8 percent in 2006 to 77.3 percent in 2019. In parallel, there has been a significant reduction in the proportion of rural people who are financially excluded, from 40.7 percent in 2006 to 14.4 percent in 2019.

FIGURE 3 Growth in financial inclusion over the 2006–2019 period (rural/urban)



Source: FSD Kenya, 2019.

As can be expected, rates of financial inclusion are directly correlated to the **level of education** and to the **main source of livelihood** of an individual. According to the 2019 FinAccess survey, nearly all Kenyans with higher education also have access to formal financial services, while only 80 percent of those with only primary education can say the same. This figure is considerably lower in terms of Kenyans who have no formal education, standing at 60.7 percent (FSD Kenya, 2019).

From a livelihood perspective, it should be noted that **almost all of Kenyans who run their own business or are formally employed (outside of agriculture) have access to formal financial services** (93.3 and 98.7 percent of the total respectively). Kenyans engaged in agriculture and agribusiness, despite being the backbone of the economy, experience a considerably lower rate of access to formal financial services (79.2 percent), as well as significant rates of access to only informal sources of financing (8.3 percent) and of financial exclusion (12.6 percent) (FSD Kenya, 2019).⁸

2.2 Focus on youth access to agricultural finance

The following section presents the main findings from the study's analysis of the 2019 FinAccess survey dataset, focused specifically on the levels of access to agricultural finance⁹ among the youth population, in relation to provision from both formal and informal financial service providers.

Figures 4 and 5 provide a comparative analysis of the levels of access to agricultural finance on different axes (youth/adult, rural/urban, gender,



Kenyan youth tending to seedlings in Mariaini Village, Kiambu County.

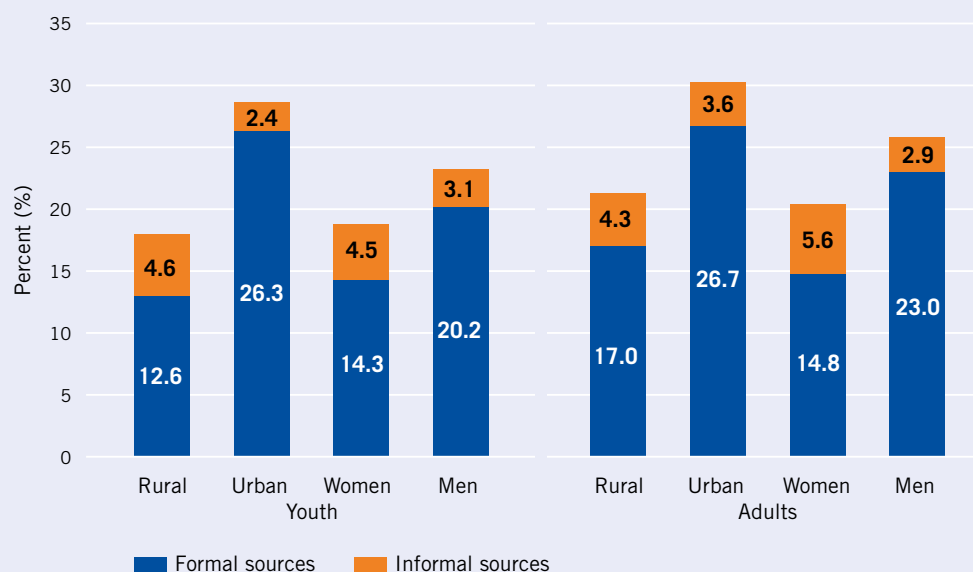
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age categories). One notable finding is that, overall, **youth present lower access rates to formal financing for agriculture** compared with both urban¹⁰ youth and rural and urban adults. The gap in formal financial inclusion between rural youth and adults is 4.3 percentage points. This age gap is not present in urban areas: urban youth and adults present similar rates of access to finance. From a gender perspective, there is a gap of 5.6 percentage points in formal access between young women and young men, while there is little difference in terms of access rates between younger and older women. Finally, rates of access to informal financing are low for all categories analyzed, which implies that those capable of accessing agricultural financing are mostly able to do so through formal channels.

⁸ Note that access to does not automatically translate to actual usage of financial services: in 2019, almost 80 percent of Kenyans were resorting to savings and credit co-operative organizations (SACCOs) only once a month, while almost 70 percent used their bank account with the same frequency. From an age perspective, there was a gap of approximately 10 percent in the usage of traditional bank services between youth aged 18–25 and older adults. From a gender perspective, there was an 8 percent gap in mobile money usage between men and women, which rose to 14 percent in terms of bank services (FSD Kenya, 2019).

⁹ Following the 2019 FinAccess survey definition, access to agricultural finance is defined as having been able to use at least one of kind of financial product (e.g. credit, savings, insurance) for agricultural or agribusiness-related activities in the 12 months prior to the survey.

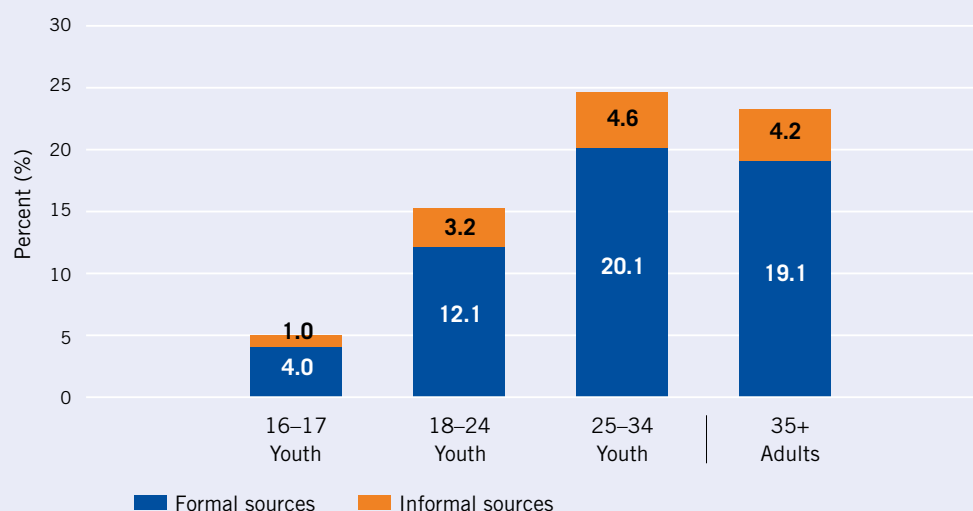
¹⁰ Note that the provision of agricultural finance encompasses all segments of agricultural value chains, not just the upstream segments that are prevalently rurally located (such as input provision and production), but also downstream segments that can be often be based in urban areas (such as wholesaling, retailing and exports).

FIGURE 4 Access to agricultural finance by age, gender and location


Source: Authors' calculations from the 2019 FinAccess household survey dataset.

As can be seen in Figure 5, young adults (those in the 25–34 age category) register higher levels of formal financial inclusion than younger age categories. **In fact, the rates of access for young adults in the 25–34 age category and for adults are almost the same.** Youth in the 18–24 age range

face an 8-point gap in formal access compared with older youth, while youth in the 16–17 age range are barely capable of accessing agricultural finance. Rates of access to informal financing sources are low overall, mirroring the findings presented in the previous figure.

FIGURE 5 Access to agricultural finance by age category


Source: Authors' calculation from the 2019 FinAccess survey dataset.

Figure 6 presents a comparison of the rates of access to formal finance in general (i.e. for any purposes) and agricultural finance specifically. It is evident that only a small share of loans and savings are explicitly dedicated to agricultural purposes, with relatively small differences between the

various categories analyzed. There is a notable **gender-based gap in agri-savings for youth** (a 4-point gap between young women and men), although this does not translate into an equivalent gap in terms of the low overall rates of agricultural credit.

FIGURE 6 Access rates to general vs. agricultural finance (credit and savings), by age, gender and location

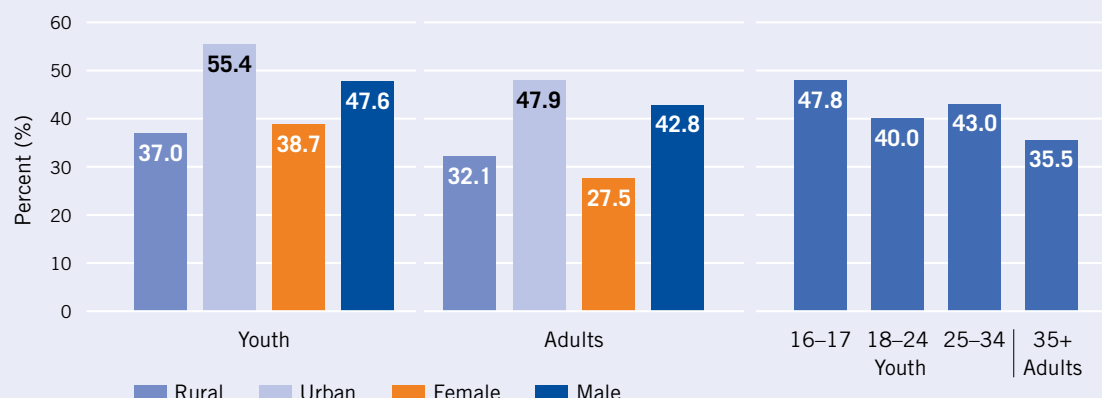


Source: Authors' calculations from the 2019 FinAccess survey dataset.

On average, young Kenyans appear to present higher levels of financial and digital literacy than adults. In particular, **youth in the 16–24 age range show significantly higher levels of digital literacy compared with older youth and adults**, possibly due to their ingrained familiarity with digital devices. Meanwhile, however, there is also an evident gender gap registered in terms of financial literacy, both in the adult and youth population.

Figure 7 shows the share of people in the FinAccess survey sample that were capable of computing simple interest rates, broken down according to age, location and gender. As can be seen from the figure, youth show considerably higher rates than adults in all categories, with a notable 11-point gap between young and adult women. A considerable gender gap is also present, with an almost 10-point gap between young men and women.

FIGURE 7 Percentage of population capable of computing simple interest rates, by age, location, and gender

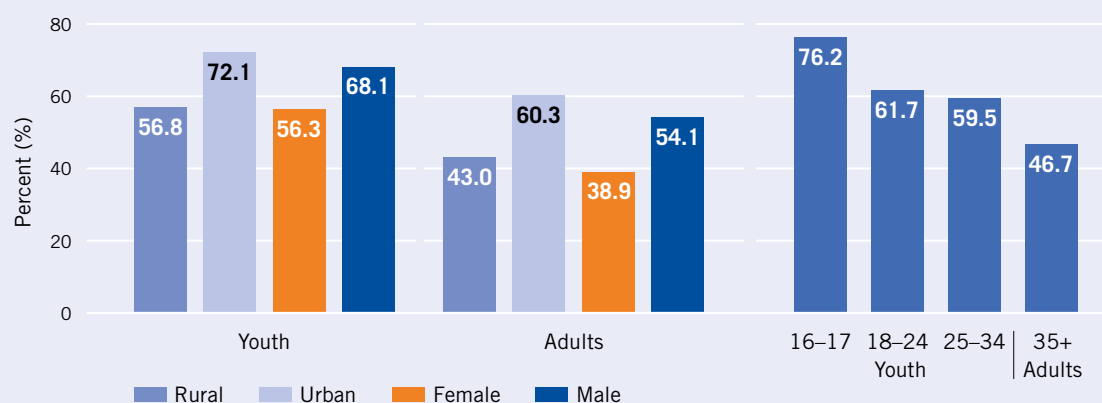


Source: Authors' calculations from the 2019 FinAccess survey dataset.

In a similar vein, youth have a better understanding than adults of basic financial information provided through mobile messages, which is an indication of their capability to employ mobile money services effectively (see Figure 8). Compared with the previous figure, **the advantage that youth show in this regard is considerable**: there is a 13.8-point gap in favor

of rural youth compared with rural adults, and similar gaps between young and adult women (18 points) and men (14 points). Furthermore, more than 75 percent of youth aged 16–17, and approximately 60 percent of youth aged 18–34, are able to understand this kind of information correctly, compared with 46 percent of adults over the age of 34.

FIGURE 8 Share of the population that can understand basic financial information delivered through SMS



Source: Authors' calculations from the 2019 FinAccess Household Survey.



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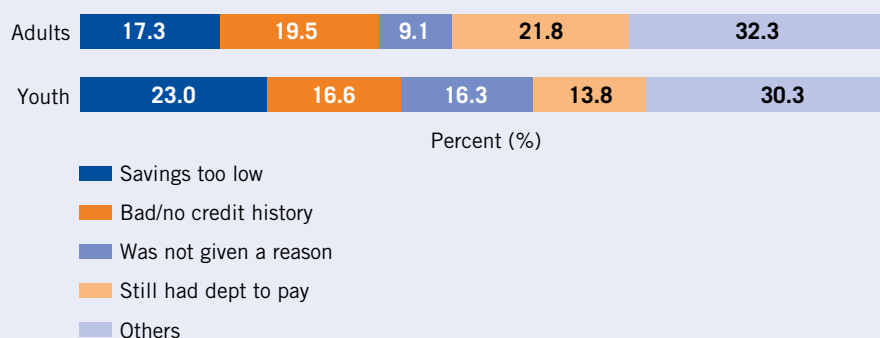
A farmer feeds dairy cattle on her farm in Kiambu County.

2.3 Key bottlenecks to youth financial inclusion

In the Kenyan context, it is possible to highlight the following **key bottlenecks** that hinder youth access to finance: scarce available savings; weak or no credit history; lack of conventional collateral; low and irregular income flows; lack of a guarantor; and

FI's diffused bias against lending to this specific client category. To give an idea of the importance of these specific barriers, Figure 9 presents the reasons for credit denial among adults and youth who applied for a loan specifically destined for agricultural activities, according to the analysis carried out by leveraging the 2019 FinAccess survey dataset.

FIGURE 9 Reason for denial of a formal agricultural loan (first-time loan applicants)



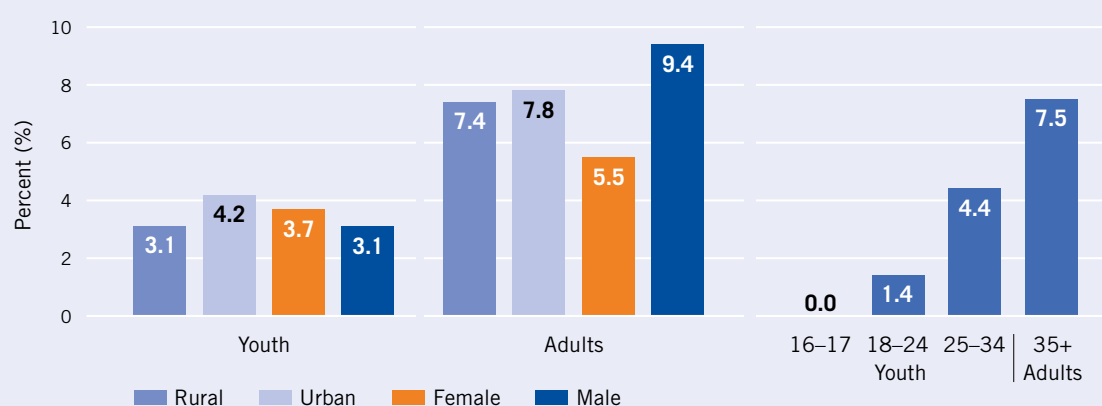
Source: Authors' calculations from the 2019 FinAccess survey dataset.

As can be seen from the figure, low available savings represent a core barrier for young Kenyans, even more so than for adults, while a bad or absent credit history was the second most common reason for loan denial. It is also interesting to note that considerably more youth than adults **were denied credit with no given explanation**, which appears to be a sign of the dismissive attitude which formal FIs can have towards this specific client segment.

In addition to the aforementioned challenges, it is important to mention another important barrier to

credit access for young Kenyans: finding a **suitable guarantor** who can vouch for their agricultural loan application. As can be seen from Figure 10 below, according to the 2019 FinAccess survey **only 3.1 percent of the rural youth were able to rely on a guarantor** to back up their loan application – less than half the share of adults. Furthermore, while the gender gap related to the availability of a guarantor is minimal among youth, most likely due to the overall low figures involved, it becomes more evident in the case of adults (5.5 percent of women compared with 9.4 percent of men).

FIGURE 10 Share of individuals whose loans were guaranteed by another person (by age, residence and gender)

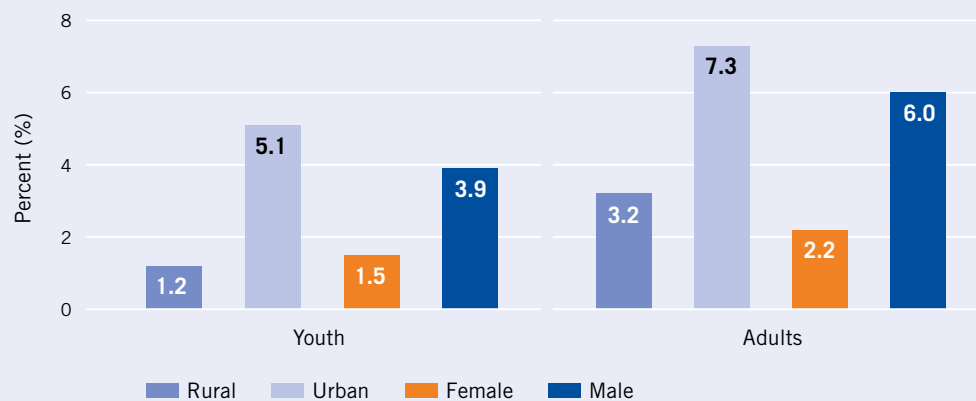


Source: Authors' calculation from the 2019 FinAccess survey dataset.

For rural youth in general, and young women in particular, **the lack of a regular, salaried source of income** also represents a key challenge to formal financial access, as overall they encounter very few opportunities to take up wage labour (whether full- or part-time) in rural contexts. According to the 2019 FinAccess Survey, only 1.2 percent of the rural youth and 1.5 percent of young women (both urban and rural) actually used their salary as collateral when applying for a loan. While a

small gap exists in rural areas between youth and adults in terms of the use of salary as collateral, numbers are low overall for both categories, which links to the issue of high informality of the job market described in Section 1.1. Evidently, wage labour tends to be more common in urban areas, and among male adults. In fact, only 21 percent of all Kenyan women engage in wage labour, compared with 52 percent of men (World Bank, 2020).

FIGURE 11 Percentage of people in agriculture who used salary as collateral



Source: Authors' calculation from the 2019 FinAccess Household Survey.

Despite the various bottlenecks to formal financial inclusion faced by youth in rural Kenya, especially in terms of access to agricultural finance, these actors hold substantial untapped potential for formal FIs, as **a profitable and unexploited client segment** which could be reached effectively provided that youth's strong

points – such as their higher level of familiarity with digital technology – are properly leveraged. In this sense, digital financial services can (and have) proven to be a powerful tool to foster the financial inclusion of young Kenyans, as the next section will illustrate in more detail.



In recent years, the development of Kenya's digital infrastructure has represented a core enabling factor for financial inclusion. The main drivers that have led to the growth in mobile subscriptions include: the introduction of more affordable phones; declining prices for mobile data plans; and improved network coverage. As of 2018, 90 percent of subscribers to a mobile plan had access to internet data on their phones.

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Section 3: Digital financial inclusion in the rural and agriculture landscape

3.1 A brief history of the Kenyan digital finance sector

The Kenyan digital revolution started over a decade ago, in 2007, when Safaricom – the largest telecommunication company in the country – launched M-Pesa¹¹ (*Pesa* meaning “money” in Kiswahili), a **mobile money platform** enabling peer-to-peer (P2P) payments and transfers. This innovative service was born as a solution for sending and receiving domestic remittances, in order to address the growing necessity for rural-to-urban migrants to send money home to their families.

In the second stage of the digital revolution, between 2007 and 2015, the existing mobile money platforms enhanced their offer of services in partnership with commercial banks, primarily by implementing the option for **micro-deposit accounts** (Ndung’u, 2019). This innovation represented a considerable boost for financial inclusion in the country and significantly influenced the commercial banking sector. In 2009, Safaricom launched a bill payment service (Lipa Na M-PESA), further expanding the features of its mobile platform. Afterward, the company signed a partnership with 25 banks and over 700 businesses to facilitate a range of services such as fund deposits, loan reimbursements, bank transfers and the payment of utility bills through the M-Pesa platform (Buku and Meredith, 2013). In line with this experience,

other mobile network operators (MNOs) followed by developing similar products.

Another milestone for the expansion of digital financial services in Kenya dates to 2012, when Safaricom and the Commercial Bank of Africa (CBA) launched M-Shwari (*Shwari* meaning “calm” in Kiswahili) – a **mobile banking platform that provides access to both savings and short-term credit**, whose provision is dependent on the user’s past transactions and current savings.

The latest stage of expansion of the digital finance sector in Kenya, again led by Safaricom, included the launch of a **mobile platform for agricultural finance** (Digifarm, in 2017), as well as new digital services for international remittance transfers and e-commerce (M-Pesa Global,¹² in 2018).

The most recent innovation by Safaricom, implemented in January 2019, is **the world’s first real-time mobile money overdraft facility**¹³ – *Fuliza* (which means “continuously flowing” in Kiswahili) – which was developed after the company started noticing that its customers were cancelling M-Pesa transactions due to a lack of sufficient funds (on average, the equivalent of USD 487 million per month). One in two M-Pesa subscribers (over 10 million customers) opted into the service within three months of its launch, and as of September 2019, the total value of *Fuliza* overdrafts amounted to approximately USD 1.4 billion (GSMA, 2019).

¹¹ As of December 2018, the M-Pesa platform had 25.5 million users and a network of 176 000 agents, generating USD 531 million in annual revenue and accounting for nearly 75 percent of the mobile money market in Kenya.

¹² As of March 2019, M-Pesa Global facilitated over 33 percent (USD 950 million) of the total remittance flows from the Kenyan diaspora (approximately USD 2.7 billion).

¹³ An overdraft facility is a credit agreement made with a financial institution that allows an account holder to use or withdraw more money than what they have in their account, up to an approved limit.

Box 1: The Blaze platform

In 2016, Safaricom launched Blaze, a mobile platform aimed at youth aged 18–26, which provides mentorship, training, funding and networking services. In the context of such programmes, youth are engaged in bootcamps, summits and TV shows to stimulate their entrepreneurial spirit. Blaze channeled its campaigns through the leading social media platforms: Facebook, Twitter and YouTube. It cost an initial USD 6.9 million to launch the Blaze platform, which had 3.2 million subscribers as of 2019.

In 2019, the platform introduced an aggregator of e-learning resources – Blaze Link – which aims to connect young Kenyans with new market opportunities and allows its members to enjoy free courses spanning multiple disciplines, including sales and marketing, finance, agriculture, creative arts and IT programming, among others.



3.2 ICT penetration as an enabler of digital financial inclusion

In recent years, the **development of Kenya's digital infrastructure** has represented a core enabling factor for financial inclusion. The main drivers that have led to the growth in mobile subscriptions (and consequently increased access to mobile money services) include: the introduction of more affordable phones; declining prices for mobile data plans; and improved network coverage. As of September 2018, 90 percent of subscribers to a mobile plan had access to internet data on their phones (CAK, 2018).

According to data from the KNBS (2018b), **76 percent of young Kenyans (those aged 18–35) own a mobile phone**, while, in the case of the older adults (those aged 36–70), this rate stands at 80 percent. Furthermore, when considering the usage rate of digital devices (which might or might not entail ownership), there is an even higher share of Kenyan youth making use of mobile phones (90 percent), the Internet (37 percent) and computers (18 percent). Urban areas have the highest share of mobile phone owners, at 88.2 percent of the total population, compared with 68.8 percent in rural areas. This urban-rural gap in mobile penetration is mainly caused by: the weakness of the electricity infrastructure¹⁴ in rural areas; the lack of digital literacy (education and familiarity with digital devices); and issues of affordability (income).

The high rates of mobile phone usage and ownership among the Kenyan youth are **a critical determining factor for their financial inclusion**. Data from the World Bank's 2017 Global Findex¹⁵ survey shows that 29 percent of young Kenyans (those aged 20–29) can access financial services exclusively thanks to mobile platforms (Demirgüç-Kunt *et al.*, 2018).

¹⁴ In Kenya only 42 percent of households are connected to the main electrical grid, while 16 percent of households use solar panels.

¹⁵ The World Bank's Global Findex database is the world's most comprehensive dataset on how adults save, borrow, make payments and manage risk. Launched with funding from the Bill & Melinda Gates Foundation, the database has been published every three years since 2011. The data is collected in partnership with Gallup, Inc., through nationally representative surveys of more than 150 000 adults in over 140 economies.

Box 2: The gender gap in mobile ownership and mobile money use

According to the Mobile Gender Gap Report from the GSMA (2019), Kenya also has a considerable **gender gap in mobile ownership and internet access**: although the share of women owning a mobile in Kenya is quite high (86 percent), there is still a 5 percent gap compared with men. This gap rises when considering mobile internet access: only 32 percent of women have internet access through their mobiles, a 17 percent gap compared with men. The main barrier to mobile ownership and internet use for women is the cost of the handset, cited by more than a third of the female survey base, while reading/writing difficulties were mentioned by 23 percent of them.

With regard to **mobile money specifically**, data from FSD Kenya (2018) notably shows that women are half as likely to use mobile money to manage business finances, although they are more likely to use their mobile money accounts on consistent monthly basis (43 percent of women against 34 percent of men), which is most likely a reflection of the role of Kenyan women as primary mediators of household earnings. Furthermore, the rate of mobile money adoption of women has tripled between 2007 and 2018, while the rate among men only increased twofold, which shows that the gender gap in mobile money access is shrinking over time.

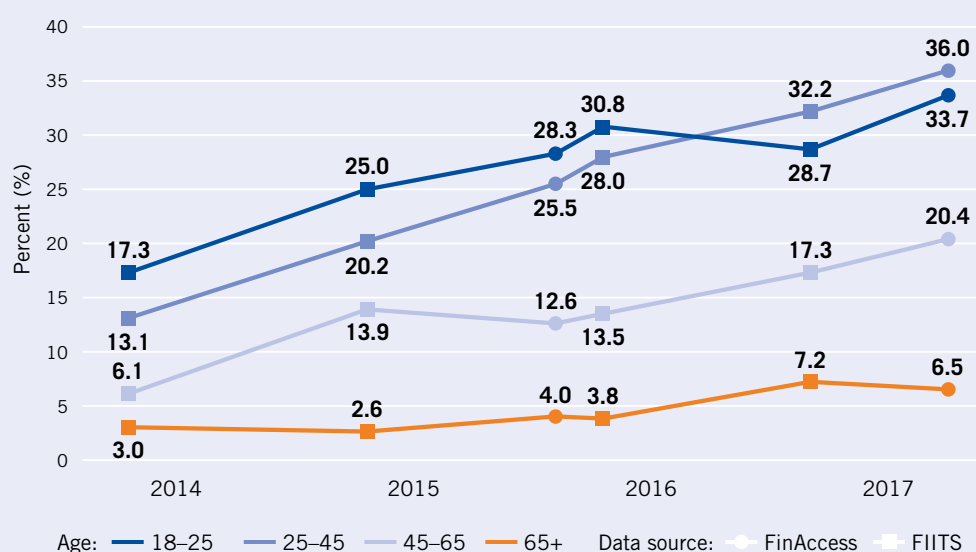
3.3 Financial inclusion and digital lending

The Kenyan digital finance sector has seen a rapid expansion in recent years. In the 2013–2017 period, the share of mobile owners actively using digital finance services on their devices more than doubled, increasing from 12.4 to 30.3 percent, with an average annual growth rate of 24.4 percent (FSD Kenya, 2017). Overall, the features of the Kenyan digital financial landscape – characterized by high mobile penetration, automated credit scoring systems, extended agent networks, solid

automated credit scoring systems and credit reference bureaus – have enabled mobile money providers (MMOs) to supply financial services in a timely manner and at scale, reaching even the most isolated and underserved members of society.

Youth in the 18–25 age category were among the early adopters of mobile-based financial services, and still represent **the second most active age category in mobile banking** in the country (33.7 percent of total clients, a few points less than the 25–45 age category), as shown in Figure 12.

FIGURE 12 Share of mobile banking users (phone owners) by age category



Source: Gubbins and Totolo, 2018; with data taken from the FinAccess and Financial Inclusion Tracker databases.



Young woman sorting French beans that she harvested in the morning.

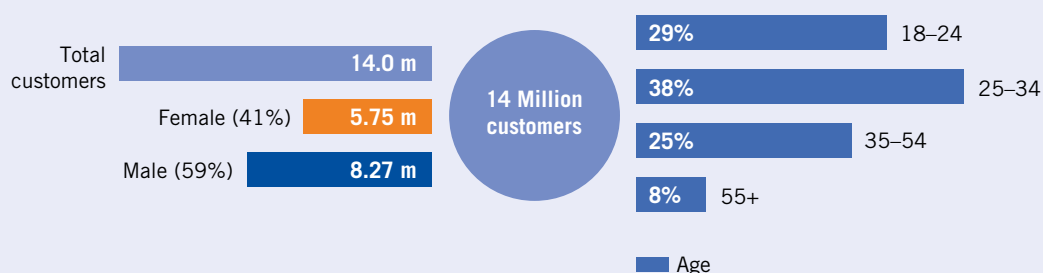
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16 million active mobile savings accounts, valued at over USD 1 billion, which corresponded to over 30 percent of the total number of savings accounts in the country, and 3 percent of the total amount of savings.

The case of the M-Shwari platform is useful to highlight to give an idea of the important role that young Kenyans play in the digital finance market. To date, the CBA is the largest bank in Kenya in terms of number of savings accounts and loans provided, as it holds respectively 46.1 percent and 54.8 percent of the total market share. These rates are achieved mainly thanks to its mobile banking product, M-Shwari, which accounts for more than 20 million customers and disburses over 70 000 loans per day (Orange Digital Ventures Africa, 2018). As of 2016, **youth aged 18–34 accounted for around 67 percent of all M-Shwari customers** (see Figure 13), with almost 60 percent being male.

Aside from M-Shwari, many other Kenyan commercial banks have entered the digital financial market with similar platforms, and with considerable success. Other examples include Kenya Commercial Bank (KCB) with KCB M-Pesa, Cooperative Bank with MCo-op Cash, and Equity Bank with Eazzy Loan. Table 3 on page 25 provides a summary of the main results achieved by these institutions.

FIGURE 13 Breakdown of M-Shwari customers according to age and gender



Source: Gichuru, 2016.

Moreover, since 2014, the Kenyan digital landscape has experienced **a surge in the number of mobile applications offering digital credit**, thanks to fintech companies like Tala and Branch. In terms of market share, these fintech companies have grown from 0.6 percent in 2016 to 8.3 percent in 2019 (FSD Kenya, 2019). Overall, it should be

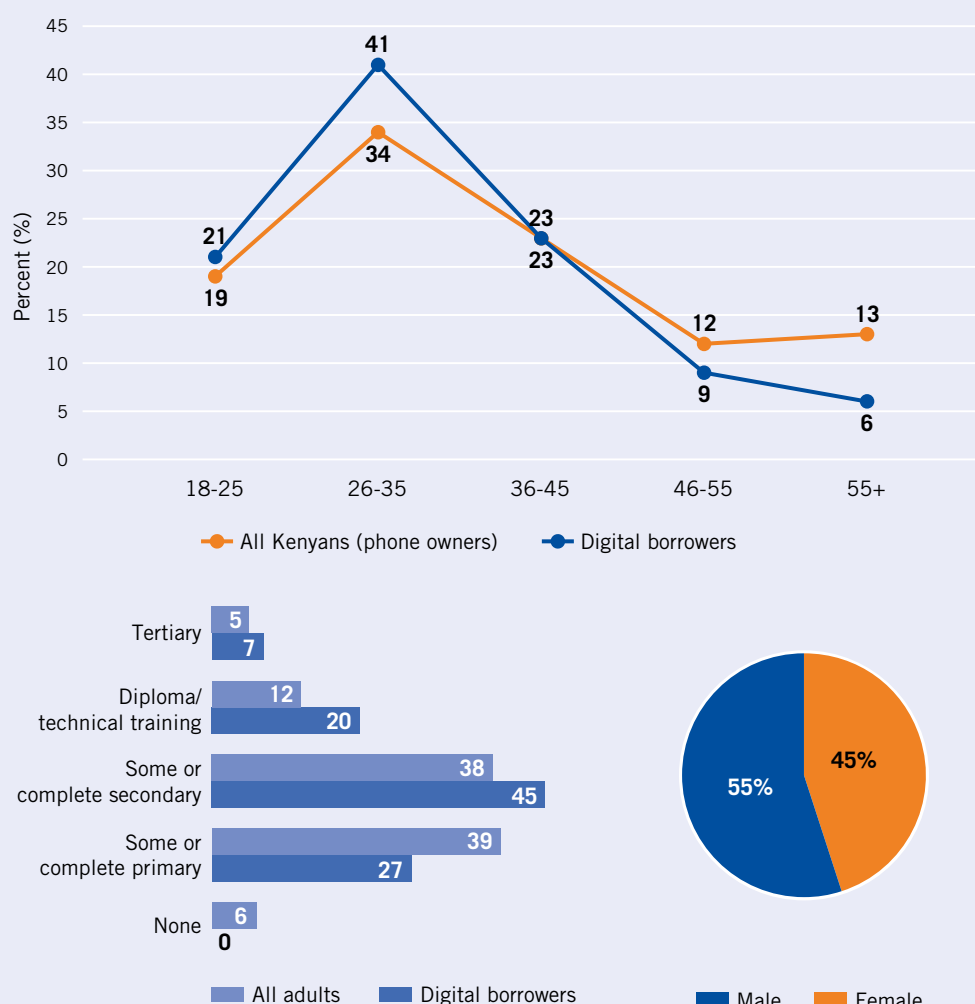
noted that fintech and telecom companies have a competitive advantage over commercial banks in the provision of mobile money services, as they fall under the supervision of the telecom public regulator – the Communications Authority of Kenya – and not under that of the Central Bank. As a result, they have to adhere to looser regulations

than commercial banks in the provision of mobile financial services, which allows, among other advantages, cheaper prices and faster provision.

From the perspective of the youth, the 2016 FinAccess survey showed that **27 percent of Kenyans over 18 years old had accessed digital credit** – more than 6 million borrowers in absolute terms. The top three motivations for resorting to digital credit were: the need for working capital; to meet daily expenses; and paying for education. Among the total population of Kenyan mobile phone owners, more than a third had received a digital loan at least once.

As can be evinced from Figure 14, **borrowers of digital credit tend to be young** (62 percent are between 18 and 35), male (55 percent), urban residents (55 percent), and educated (72 percent have completed at least secondary school). Interestingly, young rural women (under 30 years of age) are 50 percent more likely to have used digital credit compared with adult women in rural areas, while also being more active borrowers of digital credit than young men in their same age cohort (15.1 percent).

FIGURE 14 Breakdown of digital borrowers' population according to age, sex and education



Source: Totolo, 2018.



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Tea pickers in the Mount Kenya region.

Box 3: The impact of M-Pesa on Kenyan women's poverty rates and economic prospects

In recent years, several studies have sought to assess the positive effects that mobile money has had on the socioeconomic fabric of Kenya. One of the most interesting among these was published by Suri and Jack (2016), who ran a study on the long-term impact that M-Pesa had on the economic lives of Kenyans, **with a specific focus on women**. The study's estimates show that – thanks to the service – in the 2008–2016 period, approximately 185 000 Kenyan women graduated beyond subsistence farming and multiple-part-time occupations into business and retail sales. This was achieved both because the service gave them more agency in their economic and professional decisions, and because it allowed them to receive remittances directly into their own mobile accounts.

Furthermore, they provide evidence that M-Pesa has increased daily per capita consumption levels of 194 000 (or 2 percent of) Kenyan households, lifting them out of extreme poverty, with female-headed households registering considerably greater increases in consumption than male-headed ones. The authors argue that **financial inclusion at a basic level**, which enhances Kenyan women's ability to manage already accessible financial resources, is more important for the reduction of their poverty levels than actual provision of additional capital.

TABLE 3 Snapshot of the main digital lending platforms
(as of the end of 2018)

Lending product/ platform	M-Shwari	KCB M-PESA	M-Coop Cash	Eazzy Loan	Tala	Branch
Business Model	Telco-facilitated bank			Bank + Mobile virtual network operator (MVNO)	Fintech (Android app)	
Year of launch	2012	2015	2014	2015	2014	2015
Institutions involved	Safaricom & CBA	Safaricom & KCB	Cooperative Bank	Equity Bank	Tala	Branch
Total subscribers (million)	20.1	9.8	3.3	1.6	0.7	0.7
No. of loans disbursed (million)	83.3	15.4	2.8	4.2	1.8	1.5
Value of loans disbursed (million USD)	2 080	482	87	570	35	20
Approx. value of daily loans (USD)	70 000	21 000	1 000	8 500	310	190
Loan portfolio (million USD)	80.0	24.0	8.6	38.0	7.8	4.0
Loan interest rate (monthly)	7.5%	3.66%	3.66%	3.66%	15%	1–14% ¹⁶
Default rate	1.9%	2.9%	3.1%	2.77%	>10%	8%
Loan size range (USD)	1–500		10–1 000		20–500	2.5–500

Sources: Orange Digital Ventures Africa, 2018; Igadwah, 2018.

3.4 Challenges to the growth of the digital financial sector

The rapid rise of the digital financial sector in Kenya has brought a series of associated challenges and bottlenecks, especially from a regulatory point of view, that need to be appropriately mitigated in order to ensure the long-term development of the sector:

Predatory lending on the part of fintech companies

Competition in the digital lending market in Kenya is marred by an unbalanced regulatory framework that strongly favors fintech companies and MMOs over commercial banks, as the former's activity in the digital lending market **is only loosely regulated by**

the Communications Authority of Kenya, while the latter have to respond to the more rigid consumer protection measures imposed by the Central Bank of Kenya. As a result, in recent years there has been a boom in predatory mobile lending practices on the part of some fintech companies and MMOs, which have leveraged the lack of interest rate caps to saddle borrowers with debt.

Providing a few examples of annual percentage rates (APR) charged by various MMOs on their mobile loans can help to gain an understanding **of the extreme differences that exist between various categories of digital financial providers**. For starters, the telecom company Safaricom, which is responsible for two-thirds of all digital loans in the country, charges an APR of 90 percent on its mobile credit. The cheapest option, which

is the mobile credit offered by Kenya Commercial Bank, only charges an APR of 44 percent. Various unregulated fintech companies providing credit through mobile apps, on the other hand, can charge APRs that are well into the hundreds. Although none of these nano-loans are meant to be repaid over periods as long as a year, the fact remains that interest rates on mobile credit in the market can reach astounding levels (Rhyne, 2019).

Currently, the majority of the digital credit offerings in Kenya remain ill-suited for the largest share of the population that survives on an irregular income, such as farmers and casual labourers. A deeper analysis of this potential client base on the part of FIs¹⁶ can provide fundamental insights for the design of ad hoc financial service solutions, capable of reaching **a large segment of the still financially underserved population** (Kaffenberger and Totolo, 2018).

Blacklisting following loan default

Almost half of all digital borrowers included in the 2016 FinAccess digital tracker survey reported facing delays in repaying their loans. The primary reason cited for these delays was “poor business performance and loss of an income source”. Overall, mobile loans rank second in terms of default rate among all types of credit in the country (after informal credit from a shopkeeper).

Despite the relatively low average amount associated with these digital loans, around USD 40 (nearly half of a Kenyan household’s monthly consumption), over **2.7 million Kenyans** – 6 percent of the overall population – **defaulted on their digital loans** in the period between 2016 and 2018. About half of these defaulted loans had an outstanding balance of less than USD 10 (MicroSave Consulting, 2019).

In accordance with the sector’s regulations, those borrowers who default on their digital loans end up on a credit bureau’s blacklist, irrespective of the loan amount unrepaid (which is often minimal) or of the past credit history of an individual, **with serious repercussions on their future ability to receive further financing** from formal FIs.¹⁶

The **general lack of awareness about the functioning of credit reference bureaus** – only 30 percent of Kenyans are aware of what a credit reference bureau is or does – plays a critical role in aggravating this problem, a concern connected to the more general issue of the weakness of financial literacy levels in the country (Gwer, Otero and Totolo, 2019). Overall, this extensive blacklisting phenomenon ends up impacting young borrowers in particular, due to their lack of familiarity with formal FIs, the higher risk of loan default they face on average and the weakness (or absence) of their credit history.

The credit reporting bureaus themselves are also not structurally capable of keeping up with the increasing number of mobile credit providers, facing challenges such as making sure that all types of lenders are included in the system, and uploading data on defaulters with enough frequency (monthly at present, although daily is more relevant for today’s short-term nano loans). As a result, **several FIs are not referring information on their borrowers to credit bureaus on a regular basis**. Furthermore, they do not necessarily make sure that the credit information is updated or precise, nor do they refer to it before approving loans (Rhyne, 2019).

Transparency and consumer protection

The rapid development of the Kenyan digital finance landscape has brought a series of associated challenges, which include: low privacy protection; predatory lending; the risk of data theft; and lack of contract transparency. All of these issues stem mainly from the lack of a balanced regulation valid for all categories of MMOs in the country (commercial banks, MNOs, fintech companies etc.). In fact, as of September 2018, over 100 fintech companies in the country were marketing digital finance services through mobile apps without being regulated (FSD Kenya, 2019).

To respond to the regulator’s worries over this situation, in 2018 the leading players in the digital lending sector established an association, the Digital Lenders Association of Kenya (DLAK), introducing **a code of conduct to promote responsible practices** and dialogue with regulators, in light of upcoming policy reforms.

¹⁶ As part of the emergency regulatory measures taken in the financial sector to fight the COVID-19 pandemic, a number of relief policies were implemented by the Central Bank of Kenya to mitigate or eliminate this blacklisting phenomenon, at least for the most vulnerable borrowers. See Annex 2 for more details.

Furthermore, in 2018 the Kenyan Finance Ministry proposed a draft bill (yet to be approved) which sought to establish a Financial Sector Ombudsman, a Financial Sector Tribunal and a Financial Markets Conduct Authority. The latter would be tasked with, among other responsibilities, **licensing and overseeing digital lending institutions in the financial sector**, with a view to improving consumer protection and financial stability in the sector (Omondi, 2018).

3.5 Digital financial services for young agripreneurs

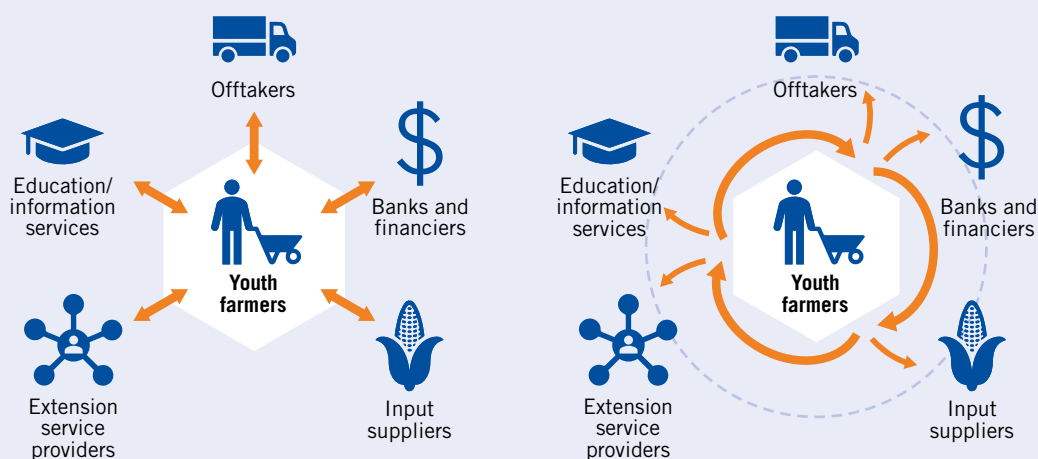
The adoption of innovative digital technology is driving the engagement of the African youth in agriculture and agribusiness. According to a recent report from the Technical Centre for Agricultural and Rural Cooperation (CTA), in the past few years the sub-Saharan African region has witnessed a surge of new digital innovations explicitly focused on agriculture. These innovations encompass **five major use cases**: advisory services; market linkages; financial access; supply chain management; and macro-level agricultural data. Over half of these digital solutions bundle more than one of these services in their offer (e. g. market linkages and financial access). The market for these digital services in the

sub-Saharan African region is currently witnessing a major expansion, with over 33 million smallholder farmers and pastoralists registered as customers, among which youth represent more of 70 percent of total users (Tsan *et al.*, 2019).

Kenya is one of the most active countries in sub-Saharan Africa in terms of the development and offer of **digital solutions for agriculture (D4Ag)**. As of 2020, 64 D4Ag companies have established their headquarters in Kenya, while more than 120 are based abroad but offer their services in the country. Altogether, these companies provide their services to a registered customer base of over 9 million people.

In recent years, Kenya has seen the rise of a series of **D4Ag multi-service platforms** that offer a wide combination of financial and non-financial services to agricultural actors, with particular potential for youth engaged in agribusiness. Through these platforms, young agripreneurs are able to receive support for their businesses in multiple ways (see Figure 15), such as via quality input provision, training on good agricultural practices, market linkage facilitations, weather forecasts and the provision of a variety of financial services (e.g. credit, savings, money transfer, insurance) (Shrader, Morawczynski and Karlyn, 2018).

FIGURE 15 Traditional vs. platform-based interactions for young farmers



Source: Mercy Corps, 2019.

This bundled offer of services has considerable potential to increase the likelihood of success for young Kenyans' agricultural ventures, while also strengthening their credit profile and **capacity to attract further funding from other sources** (both public and private). Overall, these platforms are able to significantly reduce transaction costs and increase business efficiency for their users, and have the potential to rapidly scale up their member base.

There are several examples of prominent and fast-growing D4Ag platforms in the Kenyan market that provide – among other things – financial services. Although their offer is not explicitly tailored to a young target clientele, young agripreneurs are in the position to benefit from it. These include:

Tulaa

Tulaa is a digital end-to-end platform, active since 2015 in Kenya and Ghana, that uses mobile technology and a last-mile agent network to connect together smallholders, input providers, large-scale commodity buyers and financial institutions, improving the flow of information among these actors and making it cheaper and easier for lenders to identify the most promising investments in the value chain. Box 4 on page 29 offers more information on this platform.

DigiFarm

Safaricom's DigiFarm is an integrated mobile platform, launched in 2016, that provides a bundled offer of services to smallholder farmers, including input credit and supply, agri-insurance, a digital market platform, and access to agricultural and livestock data. Box 5 on page 30 offers more information on this platform.

Pula

Pula is an insurance firm, created in 2015, that provides smallholder farmers with a bundled offer of microinsurance, inputs (in partnership with local suppliers) and farmer advisory services, all through a mobile app. As of 2019, it served more than 1.7 million smallholders in ten African countries and India.

MobiGrow

KCB, Kenya's largest commercial bank, launched MobiGrow in 2016, in the context of a USD 30 million partnership with the Mastercard Foundation focused on promoting financial inclusion for smallholder farmers. It is a prominent example of a digital super platform that provides more than 400 000 smallholders with a bundle of financial services (credit, savings and insurance), capacity building and market linkage facilitations.

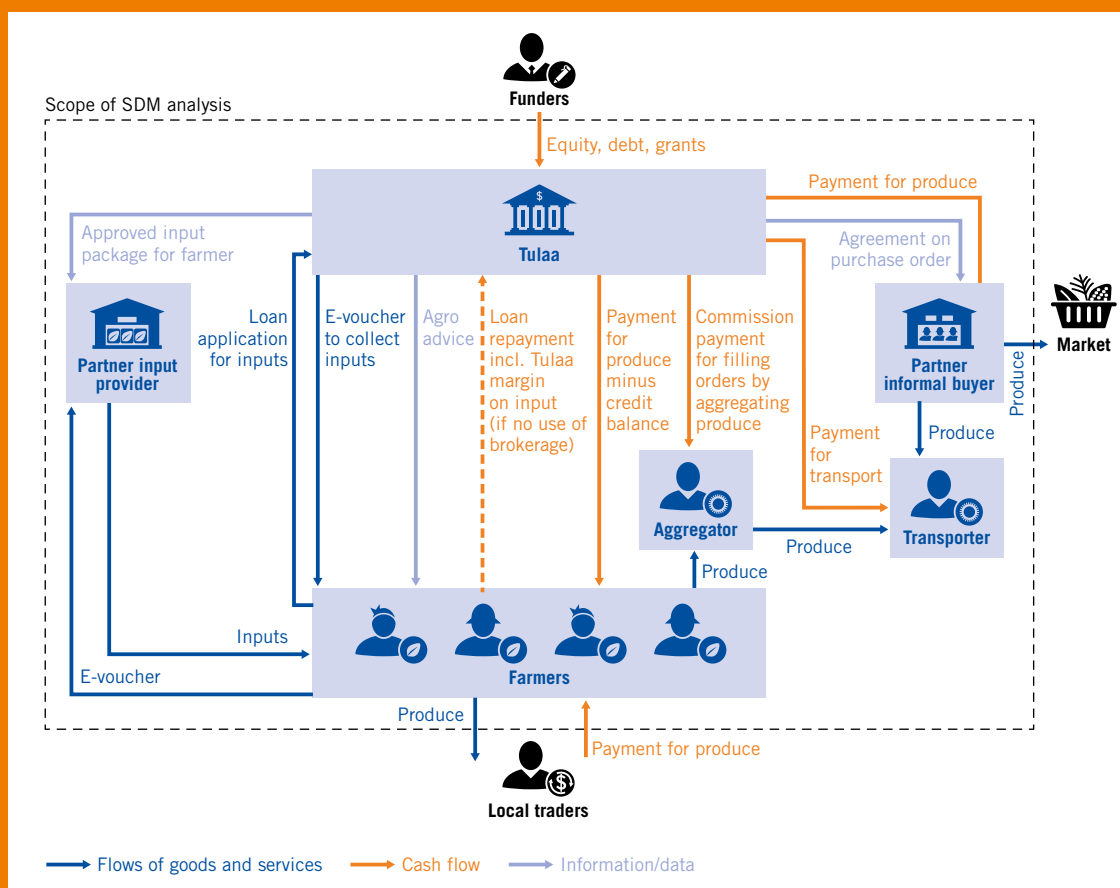
Twiga Foods

Twiga Foods is an agritech startup, created in 2014, that runs a mobile-based business-to-business (B2B) food supply platform which sources produce directly from a network of 17 000 farmers and delivers it to more than 8 000 urban retailers in Nairobi (e.g. small- and medium-sized vendors, outlets and kiosks). Through a mobile-based, cashless platform, Twiga Foods sources fresh fruits and vegetables from its farmers, offering them higher prices than the market average for their products, and guaranteed sales. Vendors, for their part, can benefit from a steady supply of products, while final consumers are able to buy fresher fruits at a lower price, thanks to the more efficient supply chain (Tsan *et al.*, 2019).

Box 4: The case of Tulaa

Tulaa is a fintech company, launched in 2017, that provides input on credit, advisory services and access to market facilitations to small-scale farmers. The company has developed partnerships with over 100 local input providers, aggregators and buyers, that play a vital role in implementing its service delivery model. Each transaction is managed using mobile applications, mobile money and artificial intelligence to capture know-your-customer data and define credit profiles, send and receive payments, fulfil input orders, determine farm gate prices, and match buyers and sellers of produce. The company has since reached 15 000 farmers with plans to serve over 110 000 farmers by 2024.

The provision of input on credit, being part of the company's value proposition, is not the main driver of Tulaa's profitability at the current scale, due to small loan sizes, high costs of capital and the high fixed overhead costs required to set up and operate its credit business processes. Such provision, however, is crucial as an entry point to onboard farmers, build trust and cross-sell additional services. At the same time, this enables farmers to produce the quality and volume of produce that Tulaa needs to broker bigger and higher value sales (Tulaa, Learning Lab and IDH Farmfit, 2019).



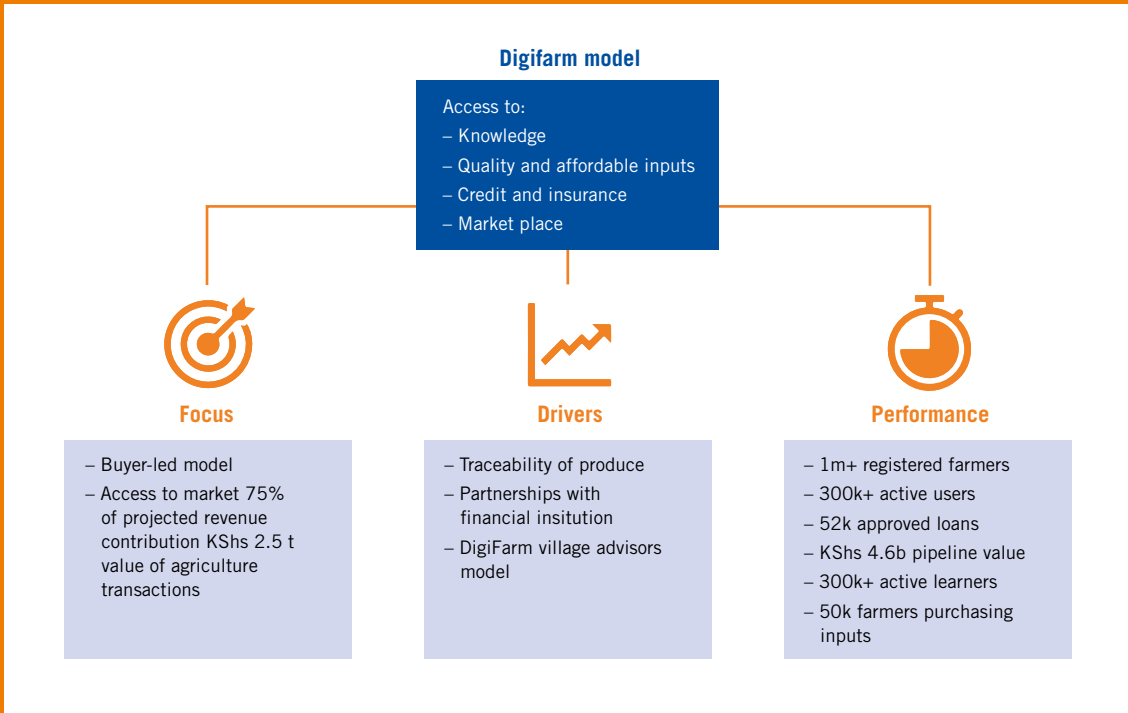
Source: Tulaa, Learning Lab and IDH Farmfit, 2019.

Box 5: The case of DigiFarm

Safaricom’s DigiFarm is among Kenya’s most successful D4Ag platforms, employing mobile technology to provide **a bundled offer of services to smallholder farmers**. Through strategic partnerships with other service providers, it is able to deliver services such as: input supply (I-Procure); input credit (Farm-Drive); business advisory services (ARifu); and access to market facilitations.

As of early 2020, over 1 million farmers have subscribed to the platform, with almost one-third of these being active customers on a monthly basis. At local level, Digifarm has established over 140 seeds and fertilizers depots to deliver inputs to farmers. To date, 61 435 loans for input purchases have been approved, while 23 107 loans have been used to buy inputs at DigiFarm depots.

“DigiFarm’s buyer-driven model seeks to drive a behavioral change by encouraging smallholder farmers to grow crops based on market demand. This allows them to produce with a level of certainty, with a minimum price guaranteed before planting commences” (Safaricom, 2019b).



Source: Safaricom, 2019b.



Tea farmer in the Tana River Basin.



Young farmers visit a poultry farm in Thika, Kaimbu county, in the frame of a FAO initiative for youth.

Section 4: Public and private engagement in youth financial inclusion

This section aims to provide a deeper understanding of the level of engagement of key stakeholders in the Kenyan context – both public and private – in terms of specifically youth-focused financing and youth financial inclusion.

It does so firstly, in Section 4.1, by analyzing a series of **public and non-profit programmes and policies** whose impact is highly relevant to the financial inclusion of the Kenyan youth, especially in rural areas. These comprise both governmental initiatives and strategies that aim to define the general operational pathway towards fostering financial inclusion in the country, as well as more specific and local projects that put in action a series of defined interventions to overcome specific barriers related to youth financial inclusion and entrepreneurship.

Secondly, Section 4.2 presents the recent experience of two **public financial facilities** explicitly created to facilitate access to credit for Kenya's youth. As will be seen in the section, these cases have only been moderately successful in their intended objective of fostering youth credit access, mainly because of design and implementation flaws which have exposed them to issues such as impossible requirements for access and elite capture, thereby reducing their intended impact.

Thirdly, Section 4.3 provides a summary of the findings of a **comprehensive analysis of the Kenyan formal financial sector**, which sought to break down and highlight the offer of youth-specific financial products, designed and offered by commercial banks, microfinance institutions (MFIs) and other types of formal financial service providers.

4.1 Public programmes and policies linked to youth financial inclusion

4.1.1 Vision 2030

Vision 2030 is an ambitious long-term development plan for Kenya which was launched by the Government of Kenya (GoK) in 2008, with the aim of turning Kenya into a “globally competitive and prosperous country with a high quality of life by 2030.” It is based on three key pillars: Economic; Social; and Political Governance. The economic pillar sets the goal of achieving a GDP growth rate of 10 percent annually – and sustaining it until 2030. Over the years, **several flagship projects**, in all sectors of the economy, have been launched under the umbrella of Vision 2030 to advance its objectives. Several of these flagship projects encompass themes of youth empowerment, with one – the Youth Enterprise Development Fund, described in Section 4.3.1 – being focused specifically on promoting access to finance for young entrepreneurs.

To guide these activities in the medium term, the GoK has also developed Medium Term Plans every five years, in order to operationalize the broad objectives set by Vision 2030. At the time of the writing of this study, the Third Medium Term Plan, for the 2018–2022 period, is currently under implementation.

In terms of financial inclusion, analyzing the strategy of Vision 2030 is key, as it represents the overall pathway that the GoK has envisioned to solve some of the major barriers constraining development in the country. The plan sets out to

create “a vibrant and globally competitive financial sector promoting high-levels of savings and financing for Kenya’s investment needs”. This is meant to be achieved through various interventions:

- **undertaking legal and institutional reforms to make Kenya more competitive as a financial hub;**
- **improving access to financial services and products for a larger number of Kenyan households and small businesses;**
- **ensuring greater efficiency in the delivery of financial services to ensure that the cost of mobilizing and allocating resources becomes increasingly affordable;**
- **introducing credit referencing in the country;**
- **regulating and increasing the efficiency of Savings and Credit Cooperatives (SACCOs) and MFIs;**
- **mobilizing higher levels of savings to support higher investment rates.**

In the context of Vision 2030, several major reforms which have been implemented in Kenya’s financial sector have had a **major impact on financial inclusion**, including: the introduction of agent banking; the licensing of two credit reference bureaus; the development of regulatory framework for SACCOs; the licensing of deposit-taking microfinance institutions; and the introduction of bancassurance¹⁷ products (BIS, 2014). Despite this, as pointed out by Ferrand (2019), halfway through the overall time period of Vision 2030, it is clear that while substantial gains have been achieved in terms of financial inclusion in the country, these have not translated into the development impact that the Strategy had sought with its initial goals.

4.1.2 The Kenya Youth Agribusiness Strategy

The Kenya Youth Agribusiness Strategy was adopted by the GoK in 2017, for a five-year period, in order to specifically address the development of youth entrepreneurship in the Kenyan agricultural sector. It is placed under the overall coordination of the Ministry of Agriculture, Livestock and Fisheries. Among the eleven strategic challenges it identifies as core constraints to youth involvement in the agribusiness sector, the third is the **lack of access to suitable financial services for young entrepreneurs**, compounded by their lack of conventional collateral, financial education, credit history and savings culture (MoALF, 2017a). In terms of strategic interventions to overcome this specific constraint, the strategy sets a budget of Kenyan Shilling (KES) 2.6 billion (USD 24 million) to pursue the following:

- **develop youth-specific public-private partnership (PPP) models that can mitigate the risk faced by agribusiness enterprises;**
- **promote initiatives geared towards developing youth-friendly financial and insurance models to support youth agribusiness enterprises;**
- **devise mechanisms for leveraging existing funds such as the Youth Enterprise Development Fund (YEDF) to support agricultural entrepreneurs;**
- **develop a participatory framework for contract farming, including the formation of cooperatives and groups to access funds;**
- **train young agricultural entrepreneurs on resource mobilization and financial literacy.**

Overall, it should be noted that the targets set within the context of this objective are quite ambitious. To name a few, the goal of the strategy is to achieve: a 50 percent increase in the number of youth receiving

¹⁷ “Bancassurance” is an arrangement between an insurance company and a commercial bank, whereby the company can use the bank as a distribution channels to sell its policies to the bank customers. This allows the insurance company to expand its client base by leveraging the agent network of the bank, while the intermediary (the bank) earns a fee on the commission and can bundle its own financial products with the insurance policy. The bank agents are also supported and advised by the insurance company in the policy sale process.

tailor-made financial services; a 50 percent increase in youth agricultural investment; and a 30 percent increase in commercial contracts awarded to youth-led agribusiness ventures (MoALF, 2017a).

The extent of the implementation of the strategy is also unclear, and no progress reports or evaluations can be found online. Selected counties in Kenya, like Siaya County, have initiated a process for the adoption of the national strategy at the county level.

4.2 Projects linked to youth financial inclusion implemented by development agencies

4.2.1 Save the Children's YouthSave Project

YouthSave is an international consortium project led by Save the Children, in partnership with the Center for Social Development (CSD) at Washington University in St. Louis, the New America Foundation, the Consultative Group to Assist the Poor (CGAP) and the MasterCard Foundation. It seeks to develop, deliver and test new savings products that are accessible to low-income youth in Colombia, Ghana, Kenya and Nepal, in partnership with local financial institutions. In the period the project was implemented (2010–2015), it managed to open more than **130 000 accounts for young savers**, primarily in the 12–18 age range, to collectively save over USD 1 million. In addition, approximately 44 000 youth received direct financial education, 48 000 individuals were reached through community-level events and an estimated 660 000 were reached through mass media (Sykes *et al.*, 2016).

In Kenya, the project has been undertaken in partnership with Kenya Post Office Savings Bank (Postbank) and the Kenya Institute for Public Policy Research and Analysis (KIPPRA) since 2012. In the context of the project, Postbank rolled out the new **SMATA savings account product** in 2013, geared towards youth aged 18 or below. A parent or guardian operates the account on behalf of children under the age of 12, while those in the 12–18 age range can operate it with minimal supervision (but require the parent's signature to open the account). In order to open an account, a parent or guardian is required to provide some sort of identification document available to youth, such as a birth certificate or school ID.

The account does not require an initial deposit to be opened. Although this can prove to be beneficial for youth with low income, it also resulted in **a higher number of dormant accounts** (i.e. open accounts with no deposits). Aside from dormant accounts, 71 percent of accounts created under the programme registered less than one deposit per month. In the years that the project was run, more than 90 000 youth had registered for a SMATA savings account (The Mastercard Foundation, 2018; FSD Kenya, 2017).

4.2.2 The EU's AgriBiz Programme

A notable and extremely relevant public initiative which was launched at the time of the drafting of this study is the EU-funded AgriBiz Programme, the intended goal of which is to overcome the main constraints hindering rural and peri-urban youth and women in Kenya from fully unlocking their potential as agribusiness entrepreneurs. To do so, the programme seeks to address four core barriers faced by these actors: negative perception of the sector; lack of capacity to design and implement a business; lack of access to land (and other natural resources); and lack of suitable financing.

The programme, which is projected to cost KES 5.1 billion (USD 47.9 million), will be funded by the European Union, FAO and the Danish development cooperation agency (Danida). The Kenya Climate Innovation Center (KCIC), a business incubation platform, was tasked with implementing the programme, in partnership with the governments of eight selected counties which will host "Business Incubation Hubs" to support the programme's beneficiaries.

The programme offers mentorship, capacity building and business advisory services, as well as grants and credit, to youth and women who seek to either start or expand an entrepreneurial idea related to agribusiness. Its initial target is to support the establishment of 2 400 agribusinesses owned and led by youth and women, with the stated objective of creating an initial 17 000 job opportunities for these actors in agricultural value chains.

In terms of the financing aspect of the programme, those agripreneurs who benefit from it will be assisted through a blended financial facility, which will seek to provide concessional capital to formal FIs to reduce the level of risk they face in

lending to women and youth. The facility will also contemplate capacity building for the beneficiaries, aimed at increasing their ability to meet the FIs' requirements to access capital (EU, 2019).

Box 6: The *Stawisha Mashinani*

At the time of the drafting of this study, the Government of Kenya (GoK) has announced the implementation of a new KES 4 billion investment fund (USD 37.2 million) in June 2020, the *Stawisha Mashinani*, explicitly targeting Kenyan MSMEs in the fields of agriculture, food processing, textiles and apparels, furniture and metal fabrication, medical facilities, pharmaceuticals, and building and construction. The fund provides these enterprises with equity, asset financing, working capital, project finance and business advisory services, at all stages of development.

The fund is overseen by the Ministry of Industry, Trade and Development, and managed by a consortium of five public agencies: the Micro and Small Enterprises Authority, the Industrial Development Bank, the Industrial and Commercial Development Corporation, Kenya Industrial Estates and the Kenya National Trading Corporation.

4.2.3 The AfDB Enable Youth Kenya Project

The Enable Youth Kenya Project was announced by the African Development Fund (ADF)¹⁸ of the African Development Bank (AfDB) in 2018, for a five-year period, to provide skills and capacity development, mentorship, and access to markets and finance to young agripreneurs aged 18–35, in an effort to **boost decent employment and business opportunities** for this category. The project has a budget of USD 36.3 million, carrying out its activities in coordination with the Kenya Youth Agribusiness Strategy 2017–2021.

The target population of the project is divided in two categories: 1) **unemployed graduates** who have completed post-secondary education and are looking to start their first enterprises (incubation); and 2) graduate youths who are already engaged in agribusiness entrepreneurship but **have no or limited access to commercial loans** to grow their

businesses (acceleration). The project is expected to train and empower about 2 080 agricultural entrepreneurs, out of which 1 200 agribusinesses are expected to be generated (ADF, 2017).

The programme is made up of four components: 1) creation of an enabling environment for youth entrepreneurship; 2) incubation of youth-led agricultural enterprises; **3) financing of youth agribusinesses**; and 4) program coordination and management. The training and incubation/acceleration of youth start-ups is carried out through eight Youth Agri-Business Incubation Centres in the country, which comprise universities, training centres and research institutes (ADF, 2017).

The financing component of the project, which accounts for 60 percent of the total budget, involves several facilities:

- **A USD 5 million grant facility which provides grants of USD 5 000–15 000 to the graduates of the incubator and accelerator components of the programme. This seed capital is essential to support the early stage business activities including, among others, the purchase of critical equipment. This allows the beneficiary entrepreneurs to purchase essential assets that will later become useful as a form of collateral when they approach banks for working capital or long-term financing (ADF, 2017);**
- **A USD 6 million credit facility that provides low-interest loans to the incubator and accelerator graduates, managed by the Agricultural Finance Corporation of Kenya (AFC), so that they can access the working capital they need to support their growth. The AFC has also provided USD 3 million in matching funding to the facility, bringing the total to USD 9 million; and**
- **A USD 8 million partial credit guarantee facility to support licensed financial institutions in providing commercial credit to agricultural entrepreneurs. This facility is also managed by the AFC, with the institution assuming 10–50 percent of the risk, and participating FIs assuming the rest.**

¹⁸ The African Development Fund (ADF) is the concessional financing window of the African Development Bank Group, providing low-income member countries with concessional loans and grants, credit guarantees, and technical assistance for studies and capacity building in support of projects and programmes that foster poverty reduction and economic development.



Young agricultural entrepreneurs, beneficiaries of a FAO project, visit a herbs and spices farm in Kamburu, Kaimbu County.

4.3 Public financial facilities relevant to the rural youth

4.3.1 The Youth Enterprise Development Fund

The Youth Enterprise Development Fund (YEDF) was developed by the GoK in 2006 to support young entrepreneurs seeking credit to start and expand a business. As one of the flagship projects of Vision 2030, the YEDF provides **credit lines to financial intermediaries** (commercial banks, MFIs and SACCOs) to on-lend to young entrepreneurs, in an effort to foster job creation and channel investment capital in the micro-, small- and medium-scale enterprise (MSME) sector. Over the years, the YEDF has grown to offer a variety of specialized loan products, such as: the AgriBiz Loan, explicitly focused on the agribusiness sector; the Vuka Loan, for youth seeking the working capital or income-generating assets required to kickstart a business; and the Talanta Loan, for youth in the creative/performing arts business.

The YEDF also offers **a host of complementary services** to young entrepreneurs to support their

business growth, which include: facilitating market linkages for product commercialization, in domestic, regional and international markets; linking youth-led MSMEs to larger enterprises for mentorship and business linkages; providing entrepreneurship training; and hosting two business competition awards.

According to the YEDF, to date the fund has provided entrepreneurship training to over 351 000 youth across the country, while at least 5 000 youth have been sensitized on how to access procurement from the public sector. In terms of loan disbursements, the fund targets to reach a total of KES 2.27 billion (USD 21.2 million) by 2022.

Despite these premises, a 2017 study from the Institute of Development Studies (IDS) has highlighted several factors that have impeded effective outreach and uptake of the YEDF. For starters, although the fund had targeted over 13 million youth, in the first five years of its existence only around 158 000 youth entrepreneurs had received loans (i.e. 1.2 percent of the target), for a total disbursed amount of KES 94 million (USD 940 000). One reason behind this lack of

access is the **unclear eligibility requirements and strict lending conditions** imposed by intermediary FIs, which include demands for traditional collateral, recommendation letters from administrative units and high interest rates. Timing is also an issue: young applicants usually wait between six months to one year to access the funds, and, in some cases, do not receive any communication on their status of their applications (Sikenyi, 2017).

Corruption is another reason for the YEDF's limited impact, as it resulted in well-connected individuals being able to divert YEDF's funds towards friends and family who did not meet the eligibility requirements to access the facility. Furthermore, a 2016 investigation by the Criminal Investigation Department and the Ethics and Anti-Corruption Commission of Kenya (EACC) stated that senior public officials had actually diverted YEDF funds into their personal accounts.

More broadly, as the YEDF does not take into account factors other than age in its eligibility policy, the many inequalities that exist among various segments of the Kenyan youth (e.g. urban/rural, gender) result in a **sizeable gap** in terms of the accessibility and uptake of the fund, as it ends up favoring mostly well-educated, urban youth. For example, a study carried out in the rural Matungu constituency of Kakamega County showed that by 2015, only 83 youth had received funds through the YEDF (Sikenyi, 2017).

At the time of the drafting of this study, the GoK is working to merge the YEDF with two other public funds which share similar goals, the Uwezo Fund and the Women Enterprise Fund, in a newly created entity called Biashara Kenya Fund, in an attempt to correct some of the irregularities witnessed in these funds and centralize public lending efforts directed at marginal groups.

4.3.2 The Uwezo Fund

The Uwezo Fund is another flagship programme of Vision 2030, launched in 2013 by the GoK with a KES 6 billion (USD 55 million) capitalization. It is available to savings groups (*chamas*¹⁹) for women and youth that are registered with the Department of Social Services **and already have a bank account**, which is evidently a major barrier for informal, unbanked groups. The loan is repayable in eight

installments, with a grace period of six months. The only rate charged for the loan is a 3 percent fee to pay for the fund's management. The fund also allocates KES 500 million (USD 4.6 million) for capacity building activities for youth and women groups related to the promotion of entrepreneurship and market access.

In August 2019, an audit of the fund carried out by the State Auditor General found that records for loans of more than KES 3.9 billion (USD 36.6 million) in total value were missing, with no registry of the issued loans or of the groups who had accessed them. This **makes it extremely challenging to recover** a substantial share of the Uwezo Fund's entire capitalization. The discovery led to serious concerns over possible misappropriation of the funds. The audit revealed that KES 10.1 million (USD 94 000) in loans had been provided to public officers, even to those who had already an open loan with the fund, while up to KES 171 million (USD 1.5 million) in administration costs that the fund claimed to have transferred to constituencies could not be supported by any documentary evidence. According to the most recent figures, more than 60 percent of the beneficiaries of the Uwezo Fund were defaulting on their loans (Owino, 2018).

4.4 Private financial institutions' engagement in youth finance

Only a select number of formal FIs in Kenya have designed and offered financial products that are **tailored to the specific needs and strengths of younger age categories**. The typical motivation for this relatively low level of engagement from the formal financial sector is the perceived low profitability of younger client segments, compounded by the lower overall levels of financial literacy associated with this category (which means that that FIs have to bundle financial services with financial education for these to be effective) and the scarce information available on youth's financial and business habits.

To gain a deeper understanding of the current level of offer of youth-specific financial products, an extensive analysis was carried out, for the purpose of this study, among Kenya's commercial banks, mortgage financial institutions and microfinance

¹⁹ A chama is an informal cooperative society, quite common in East Africa, that is traditionally used to pool and invest savings.

banks. The analysis encompassed 28 formal FIs; the minimum threshold for inclusion in the analysis was for an FI to have a network of at least ten banking branches. While the detailed results of this exercise can be found in Annex 3 of this study, the main findings are summarized below:

-
- **None of the FIs analyzed offered credit or insurance products specifically for youth; only different types of savings products were provided. Only a quarter of the formal FIs analyzed (i.e. seven institutions) had developed and offered more than one type of youth-specific savings product. Only one FI, KCB Bank, offered three of them;**
-
- **The first and most common type of savings product provided by the FIs analyzed is the *teen or junior savings account* – offered by 21 FIs (75 percent of the sample). The main objective of such a product is to support a young person, under the supervision of his or her parents or guardian, in saving up money for different future purposes (e.g. education, starting a business). These accounts are established in compliance with the country's financial regulatory framework, according to which a young person under 18 needs a parent or guardian to co-open and supervise an account. Usually, these types of accounts allow young people to receive an initial introduction to money management and other financial aspects of their daily life. These teen savings accounts are normally quite simple in their design, sharing the following features:**
 - » They do not carry monthly fees, although they do require a minimum amount to start operating. According to the analysis in Annex 4, this minimum amount can range from KES 200 to 5 000 (approximately USD 2 to 50);
 - » The sum deposited generates interest for the account holder;
 - » Given their objective of longer-term savings, they do not provide much leeway in terms of frequency of withdrawals. Generally, the account holder is allowed to withdraw their money once per quarter, with no fee attached;

- » The account does not have a lower age limit, and can be opened by the parent by providing the child's birth certificate – which, in rural areas, can prove to be quite a significant barrier to registration.

-
- **The second type of youth savings account identified, offered by nine of the FIs analyzed, is the *student account*, designed for youth attending college, university or other types of training/education institutions. As these youth are over 18 years of age, they interact directly with the FI with no need for the parents' mediation or supervision. Within this study's analysis, only five FIs were found to offer a full-purpose youth account. These types of accounts are checking accounts, available for frequent and immediate access, giving the owner the ability to access them receive and send money, as well as to make payments via mobile and credit card. They do not carry monthly fees and can be opened with no or low minimum balance (up to KES 1 000, or USD 10).**
 - » An interesting example of such an account is the one offered by Kenya Women Microfinance Bank, designed specifically for young women aged between 18 and 26 who are studying in an institution of higher learning, such as a college, university or polytechnic. The account is accompanied by a distinctive offer of complementary, non-financial services such as access to networking fora for entrepreneurship and mentoring programmes.
-
- **The third type of youth savings account provided, offered by only five of the FIs analyzed, is a *full-purpose youth account*, which provides the widest range of services and advantages to its owner among the three types of products presented, including credit cards and access to mentorship and networking fora. Examples of such products include the YEA Account by Coop Bank, Maestro Visionary by Family Bank and the Young Professional Bundle by I&M Bank.**



A young woman harvesting
French beans in Taveta,
Taita-Taveta County.

Section 5: Final recommendations

The following section summarizes and refines the insights presented throughout this study, providing a series of recommendations – for policymakers, development agencies and other interested stakeholders – which the authors consider to be the most direct answers to some of the most critical constraints and bottlenecks that are currently limiting the expansion of youth financial inclusion in Kenya.

5.1 Foster initiatives and programmes that promote entrepreneurship and financial access in a synergic manner

Despite the considerable economic growth experienced by the country in recent years, **nearly four out of ten youth (aged 18–34) in Kenya remain unemployed**, with young women accounting for 65 percent of this group. According to this study's analysis, these critical rates of youth unemployment are driven by a series of factors, in particular the limited capacity of the Kenyan economy to create enough jobs to match the number of new entrants into the labour market, as well as the mismatch between the professional skills demanded by the job market and the level of education provided by the national school system. Compounding the issue of unemployment, the **high level of informality** in the job market faced by young Kenyans remains a critical concern, with a wide range of associated constraints (e.g. erratic income flows, lack of access to formal sources of finance, lack of health and safety occupation standards) stemming from this.

In principle, the Kenyan agricultural sector has significant potential to foster job creation for youth, but this potential remains largely untapped due to the relatively low level of development of the sector, brought about – among other factors – by lack of public policy support, scarce levels of agricultural mechanization and, in particular, lack of access to agriculture-specific financial products. Overall, the combination of these elements, coupled with the low perceived social status associated with

work in agriculture, limits the appeal of engaging into agri-business ventures among the youth. This lack of engagement in agricultural ventures is one of the many factors behind the strong rural-to-urban migration phenomenon, which contributes to depriving rural areas of an essential element of economic growth: **youth-led entrepreneurship**.

In fact, it is important to note that financial inclusion and entrepreneurship **are two sides of the same coin**: youth need financing to kickstart and expand their business ideas, but formal FIs will remain unwilling to provide it to young entrepreneurs who cannot show a strong track record of success in the sector. This holds particularly true in a sector such as agriculture which is commonly perceived as risky, and in which youth face considerably more challenges in kickstarting high-added value business ideas.

As such, there is ample potential for the GoK and development stakeholders to intervene at the nexus between entrepreneurship and financial inclusion, through a series of tailored mechanisms such as:

-
- **supporting the design of a financial graduation programme, in partnership with a local FI, which makes the provision of a scaled bundle of financial services for young entrepreneurs conditional on the successful completion of a series of capacity building-related steps (e.g. vocational training, business and life skills capacitation, business tutorage and mentorship, training on good farming practices), with a view to matching the realization of their business ideas with the most up-to-date demand from the market;**
 - **promoting the introduction of savings-led approaches to capital building and credit provision, in collaboration with the formal financial sector, which can help young entrepreneurs to accelerate their asset accumulation process, and at the same time build a relationship with a formal financial provider;**

-
- **fostering the development of public-private incubator programmes to invest in and support the development of high-added value business ideas from young entrepreneurs in agriculture;**
-
- **addressing the issues of high default levels and design flaws in existing public credit facilities, as mentioned in Section 4.3, to channel those facilities' resources more effectively towards the promotion of youth-led entrepreneurship in agriculture, as well as fostering awareness among agripreneurs of the advantages derived from repaying the credit received from the public sector.**

5.2 Focus on developing public-private, multi-service digital platforms for agricultural entrepreneurship

Over the last decade, Kenya has achieved outstanding results in terms of financial inclusion, mainly brought about by the explosive growth of the mobile money industry. According to the latest data from FSD Kenya (2019), the percentage of citizens accessing formal financial products has risen from 26.7 percent in 2006 to 82.9 percent in 2019. In parallel, the share of financial consumers relying only on informal mechanisms dropped from 32.1 percent to 6.1 percent in the same period, while the share of the population who are financially excluded has dropped from 41.3 percent to 11 percent.

Notwithstanding this, Kenya still registers considerably low levels of access to finance in the agricultural sector specifically, with youth being particularly affected in this regard. **Low and erratic income, scarce savings and bad or absent credit history** are all core bottlenecks currently limiting access to agricultural finance for the youth, with rural youth, young girls and youth in the 16–24 age group being especially affected. The only sources of finance such actors can rely on to finance potential agricultural endeavors are either informal sources (e.g. savings groups, village moneylenders) or mobile credit providers that are not prudentially regulated.

The rural youth engage mainly in the production of food crops with no export value, whereas urban youth engage prevalently in the **distribution**

segment of cash crop value chains. As a result, young urban entrepreneurs can leverage their strategic position at the downstream of agricultural value chains in order to facilitate their access to formal financial services and bolster their businesses. The credit profile of the urban youth, in the eye of formal FIs, is strengthened by the **higher added value generated in cash crop chains** and the more formalized contractual relationships that hold these chains' segments together.

There are also, however, **several advantages** relating to rural youth as a customer segment which could be leveraged by formal FIs to develop a profitable offer of financial services. Rural youth show levels of financial and digital literacy which are relatively higher than those of adults, which strengthens their creditworthiness. They perceive the profitability inherent to high added value agribusiness endeavors, although the current system constrains them from pursuing them.

In the context of public-private partnerships among different actors (e.g. private FIs, fintech companies, development agencies, local NGOs) it would be possible to develop a bundle of digital services (financial and non-financial) that leverage youth's advantages as financial clients, while taking precautionary actions to mitigate the main weaknesses in their client profile that prevent them from obtaining the financing required to advance their business ideas. A potential example of such an innovation would be the introduction of a new **multi-service digital platform that could provide young agripreneurs with:**

-
- **savings and credit services, provided by the FI itself;**
-
- **trade linkages with prospective buyers (wholesalers and retailers), that can register to the platform;**
-
- **tutorship programmes, with successful young businessmen and women who have previously been aided by the platform assisting their peers;**
-
- **financial education to increase young agripreneurs' capability to advance their business plans, manage their finances, repay their loans and to increase their creditworthiness in the eyes of formal FIs;**

- **technical mentorship on good business and agricultural practices provided by expert consultants hired by the development agency;**
- **e-learning courses on topics such as business plan design, pitching ideas and carrying out market analyses to identify demand for a specific product;**
- **access to information, related to weather, yields and market prices, etc.**

Although several examples of D4Ag platforms have been mentioned in Section 3.5, none of them focus on young agripreneurs as a specific client category, and none offer a holistic bundle of services as set out in the example above. As such, it would be possible for an enterprising public-private consortium to capture a sizeable market segment, with potential good returns, if they were the first to launch a multi-service digital platform developed along the lines suggested in this recommendation.

5.3 Reform the digital credit market to ensure a level playing field and better consumer protection

The advent of mobile-based lending, which began with the introduction of M-Shwari by Safaricom and CBA in 2012, has proved to be a milestone for the evolution of the Kenyan financial sector. A new digital financial landscape, enabled by high levels of mobile penetration, established automated credit scoring systems and extensive agent networks, has allowed mobile credit providers to tap into an enormous market segment that had so far been considerably underserved by traditional financial institutions.

According to FSD Kenya, the share of Kenyans who actively made use of digital finance services through their mobile devices more than doubled during the 2013–2017 period, increasing from 12.4 to 30.3 percent at an average annual growth rate of 24.4 percent. With regard to digital credit specifically, the 2016 Finaccess survey shows that **27 percent of Kenyans aged over 18 had received a digital loan** – a total of over 6 million borrowers. The three main reasons to access digital credit were to meet daily expenses, to access working capital and to pay for education (FSD Kenya, 2017).

At the end of 2018, according to the Central Bank, regulated FIs were hosting 7 million active

mobile credit accounts (mainly providing nano-loans), offering credit for a total of USD 585 million. At the same time, unregulated mobile credit providers and fintech companies (such as Tala and Branch) have surged in the market. The market share of these unregulated services – of which there are estimated to be more than a hundred – have grown from 0.6 percent in 2016 to 8.3 percent (FSD Kenya, 2019).

Youth are playing a leading role in the Kenyan mobile money market. Overall, mobile borrowers in Kenya tend to be young (62 percent of digital borrowers are aged 18–35), male (55 percent), urban dwellers (55 percent) and better educated (70 percent of them have completed at least secondary education). 70 percent of the customer base of M-Shwari, the largest mobile credit and savings platform in the country, are young adults in the 18–34 age range.

Despite the considerable impact that digital lending has had on financial inclusion in Kenya, it has also **brought serious risks and distortions into the market** which remain unresolved, such as considerable predatory lending on the part of many fintech companies, rigid blacklisting procedures, data theft and lack of redressal mechanisms along with several other issues. Furthermore, the available evidence suggests that digital microloans remain ill-suited for the largest share of population whose livelihood depends on irregular cash flows, such as farmers and casual workers. All of these elements are a threat for young entrepreneurs looking to borrow for the first time, as they most often lack the business experience and financial literacy to navigate such a risky environment.

A comprehensive regulatory reform process should aim to correct these various distortions in a harmonious manner, ensuring **a level playing field among all categories of MMOs** in the market, guaranteeing adequate financial consumer protection mechanisms to everyone (and especially the most vulnerable among the unbanked), and establishing a credit reference system that is up-to-date with the mobile era. This is an essential step towards ensuring that young Kenyan entrepreneurs can access credit in a mobile money market that is safe, transparent and that does not penalize them excessively because of their relatively lower levels of business and financial education, or their limited overall experience with financial services compared with that of older entrepreneurs.

5.4 Promote the digital financial inclusion of young women by leveraging their unique client features

While the rise of mobile money in Kenya has played a vital part in bridging the gender gap in financial inclusion, women – and especially young women – **still face greater challenges than men when trying to access formal financial services.** A 15 percent gap in bank access persists between men and women, according to the latest survey from FSD Kenya (2019), as well as a 6 percent gap in mobile money access (in fact, women are 39 percent less likely than men to have access to mobile internet, and 23 percent less likely to own a smartphone). As illustrated in Section 2.2, there is also a five-point gap in formal access to agricultural finance between young men and women.

With this premise, it is fundamental for all stakeholders involved in the financial inclusion domain (development agencies, policymakers, FIs and MMOs) to develop inclusion strategies that target the specific pain points **that stem from the convergence between gender-specific and youth-specific constraints to access.** For young girls, barriers such as lack of collateral, scarce access to formal ID and limited financial education are the result of multiple socioeconomic and cultural factors that have to be addressed holistically, as targeted public and private interventions that only focus on one aspect of these constraints risk actually widening the financial inclusion divide affecting young women, given the added layers of complexity in the bottlenecks that they face

An important factor in reaching young women as financial clients is to understand their lifestyle, specific habits and customer journey as financial clients, especially by **breaking down the specific gender-based barriers that limit their capability to access financial services.** Cultural and social expectations make it especially challenging for young women both to access the same level of education as men and to transition successfully from school to work. Women do three times more unpaid care work than men, such as tending to children and the elderly in the family, which deprives them of time and resources which could be devoted to promoting a business. High levels of teenage pregnancy also represent a barrier to education, entrepreneurship and financial access, with two out of ten Kenyan girls in the 15–19 age range having

had a child (a consistent trend since 1993). From the side of the supply of financial services, there is also gender bias on the part of formal FIs against lending to female entrepreneurs, which reduces their chances of accessing investment capital. All of these factors – which are but a fraction of the overall gender-based barriers to financial access – limit the growth potential of young Kenyan women as entrepreneurs (Kahurani, 2020).

In Kenya, women (especially in rural areas) rely heavily on *chamas* to build financial capital by saving in small amounts over long period of times, in order to address both consumption and investment capital needs. According to the latest FSD Kenya (2019) survey, 37 percent of women rely on informal savings and credit group (i.e. *chamas*) to satisfy their financial necessities, compared with 22 percent of men. In this sense, **public or private financial programmes** that seek to digitize these savings patterns and behaviors will have considerable appeal to women as formal financial clients, especially if implemented as a component of a graduation scheme. Safaricom has tried and tested this approach by developing a financing model by which *chamas* members can save small amounts towards the purchase of a smartphone, as an essential bridge to internet access and mobile wallet ownership, and as a starting point on a route towards higher levels of inclusion and entrepreneurship (Muhura, 2019).

From the perspective of the individual customer, **mobile financial services that can provide young Kenyan women with greater agency and control over their savings** are also an important aspect of innovation, considering the role they play as managers of household finances. In 2015, for example, KCB launched the mobile savings product M-Pesa Accounts, which complemented the traditional M-Pesa mobile wallet with two new savings features: the first giving users the opportunity to set aside small amounts of savings into a target sub-account (e.g. for school fees), while earning higher interest on the deposited balance; the second effectively locking away money for a fixed term of up to 12 months. Both of these features give women substantially more agency and control in saving different amounts of money towards different ends, whether related to household expenses, capital investments, professional development or other purposes (Women's World Banking, 2015).

Finally, another essential factor that both FIs and MMOs should take into consideration is **selecting the most appropriate delivery channels** to market and provide financial services to young women. There are plenty of examples of how this can be done, such as: using local media channels, such as radio stations, to advertise financial products, and delivering targeted ads for young women; hiring and training female banking and mobile agents with whom young women can feel more comfortable interacting; and delivering tailored digital and financial literacy trainings which can introduce young women to traditional and digital financial products.

5.5 Leverage the potential of D4Ag companies as public-private partners to foster youth financial inclusion

The widespread adoption of D4Ag technology has considerable potential to become a powerful driver for youth engagement in agriculture and agribusiness, with agritech companies having launched a wide range of digital solutions to support agricultural value chains in sub-Saharan Africa in recent years. According to the Technical Centre for Agricultural and Rural Cooperation (CTA), the D4Ag sector is booming at present, **with over 33 million smallholder farmers and pastoralists registered as customers**, among which youth represent more than 70 percent of total users.

Kenya plays a leading role in this landscape, with almost 200 D4Ag companies active in the country, accounting for more than 9 million registered customers. The emerging experience is showing that D4Ag platforms that offer a bundled package of financial and non-financial services (such as Digifarm, Tulaa and Mobigrow) have considerable potential to reach large numbers of unbanked farmers, acting as **one-stop shops for agriculture-related services in the digital market**.

By leveraging these multi-service platforms, youth would be able to receive support with a variety of agribusiness-related issues, such as quality input provision, training on good farming practices, increased market linkages for their produce and weather forecast services. As channeling these different products through one platform **reduces transaction costs and increases user efficiency**, their bundled offer of

services can become quite appealing for young entrepreneurs.

There is space for considerable advances in the expansion of the D4Ag market in the country if this receives the continued support of the GoK, as well as other development stakeholders. Smart incentives for D4Ag companies that offer bundled financial services can be taken into consideration as a measure to foster the financial inclusion of young entrepreneurs in the agricultural sector. **Linking D4Ag companies' activities with existing youth empowerment programmes** managed by international development agencies at country level could also prove to be a beneficial form of collaboration, as it allows the development agency to leverage the substantial technical capacity and multi-service platform offered by the D4Ag company, while the latter can see its client base expanded and its brand strengthened by the partnership with a renowned development agency.

In this regard, D4Ag platforms appear to have considerable potential as partners in a **public-private incubator programme** for young entrepreneurs, given the range of services they are already able to provide. The incubation model is emerging as an effective solution to foster youth agripreneurship, promoting value-adding ideas for new businesses across all value chain segments. It combines business education, advisory services, mentorship and access to concessional funds, providing youth with the basic enabling factors they require to kickstart their own enterprise.

Although there appears to be clear potential for these models to foster job creation and MSME expansion in rural Kenya, if brought up to scale, it should be noted that **the majority of successful business incubators so far have been implemented in urban areas**. At the moment, the few public programmes that host an incubator component explicitly meant for the rural youth, such as the EU's AgriBiz Programme and the ADF's Enable Youth Programme, are too recent to provide any meaningful insights on their effectiveness at this point in time.



Young Maasai woman at a local livestock market in Narok, Narok County

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Paying for groceries during
the COVID-19 crisis in a market
in Nairobi.

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Annex 1: Deeper dive on Siaya and Kakamega counties

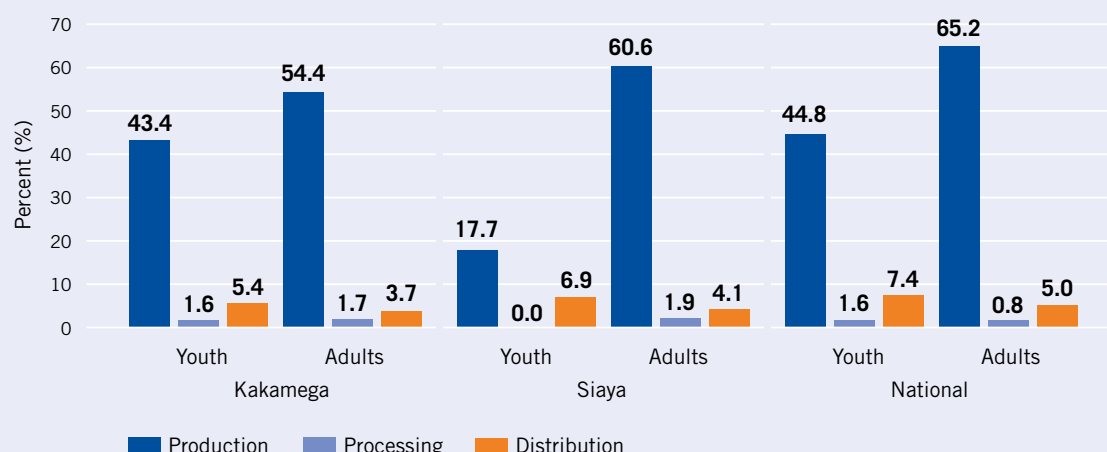
At the time of the drafting of this study, the FAO ICA Project has set the counties of Siaya and Kakamega as two priority targets for a series of interventions seeking to foster youth entrepreneurship in agricultural value chains. These interventions will aim to mitigate several **key barriers** that currently constrain youth from developing and expanding their agricultural enterprises, such as limited market access, lack of business development skills, absence of knowledge of climate-smart production techniques and, evidently, access to suitable financing. Thus, in the context of this engagement, this annex aims to provide a deeper analysis of some key data on youth financial inclusion and agripreneurship specifically for these two counties.

Siaya and Kakamega are neighboring counties in the south-west of Kenya, whose economies depend primarily on crop farming and livestock (approximately 60 percent of households are engaged in agriculture). Kakamega's population is 1.6 million people (of which 73 percent are under 25 years old), while Siaya's is almost 1 million (with 61 percent under 25). In both counties, approximately 72 percent of the population resides in rural areas. Unemployment rates are quite high, at 55 percent for Kakamega and 53 percent for Siaya (KNBS, 2019).

Both counties register a higher share of population living below the national poverty line: 51.3 percent in Kakamega and 47.5 percent in Siaya, against a national average of 45.9 percent. Poor youth and women in both counties stand out as particularly vulnerable categories with regard to the **rising effects of climate change** on crop and livestock production, which takes the form of increased droughts, more intense rainfall and flooding. It is notable in relation to this that young farmers in both counties have been more eager than adults to adopt climate-smart soil and water conservation practices, such as tree planting and mulching, which could be due to their greater inclination towards the employment of new agricultural practices (MoALF, 2017b and 2017c).

In both counties, youth employment and entrepreneurship in the agricultural sector is considerably more limited than that of adults. As can be seen from the figure below, **youth are considerably less engaged in agricultural production** than adults, and barely present in other segments of agricultural value chains – in line with the national trend. In Siaya County, there is a 33-point gap between youth and adults in terms of their engagement in agricultural production, and an 11-point gap in Kakamega (which is similar to the overall average gap registered at national level).

Share of engagement in agricultural value chain segments (youth and adults)



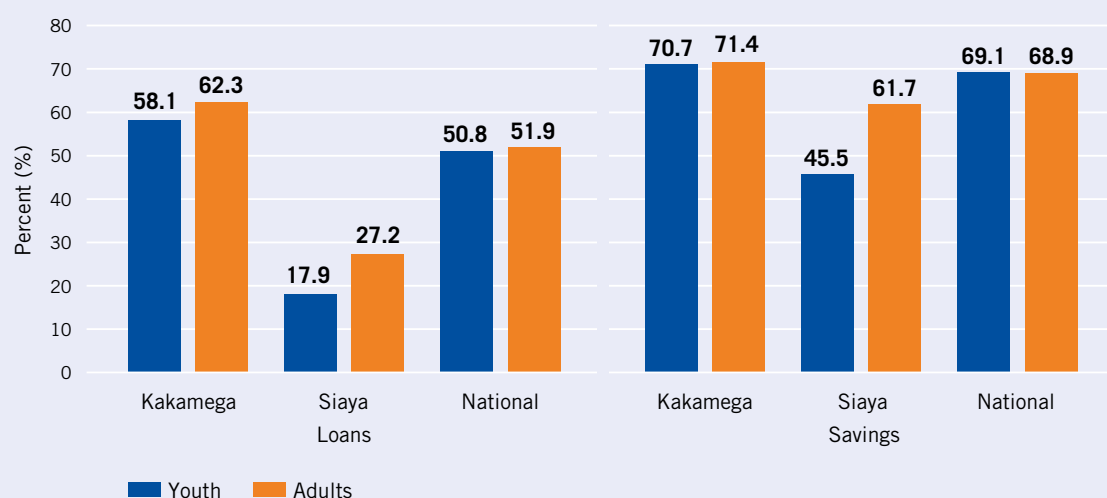
Source: Authors' calculations from the 2019 FinAccess survey dataset.

In the specific case of Kakamega, youth are considerably less engaged than adults in both crop and livestock farming, when it comes to family labour. In terms of off-farm labour, youth pursue formal employment, if available (15 percent) and self-employment in non-agricultural endeavors (16 percent) (MoALF 2017b). In the case of Siaya, women and youth comprise the majority of family and hired labour in agriculture (MoALF, 2017c).

Focusing specifically on issues related to financial access, the **levels of access to savings and credit** present in the two counties differ

quite substantially, both from each other and in comparison to the national average (see Figure below). Siaya County presents notably low rates in regards to youth access to credit (17.9 percent) and to savings (45.5 percent), especially when compared with Kakamega and with the entire country – most notably, there is a **52-point gap in access to credit** compared with the national average. Kakamega County presents substantially higher figures than Siaya in general, and specifically in access to credit – it is also higher than the national average (a 7.3-point difference in youth access, and a 10.4-point difference in adult access).

Access to finance in Kakamega and Siaya, by type of product and age



Source: Authors' calculation from the 2019 FinAccess survey dataset.



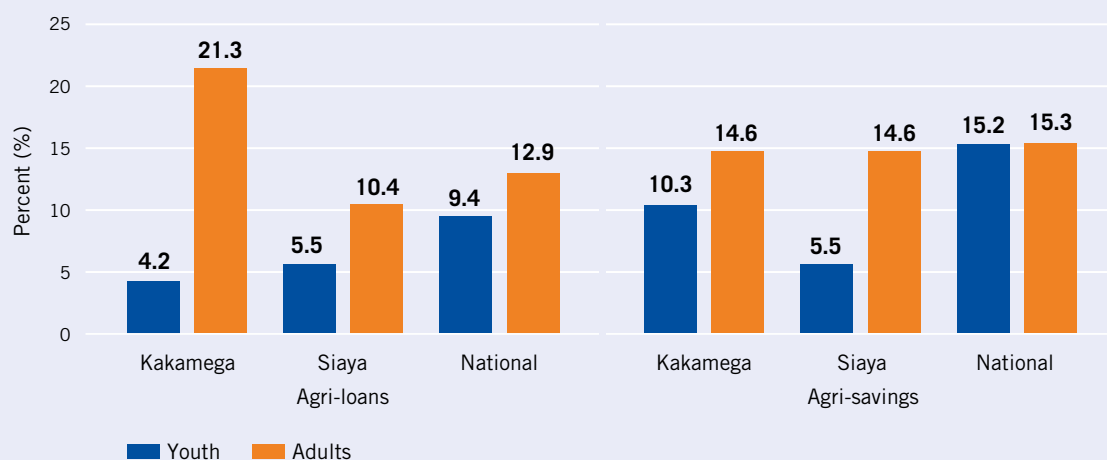
Vegetable farm in Gachie, Kiambu County.

©FAO/Luis Tato

In terms of **youth access to agricultural finance**, both counties present levels which are considerably lower than the national average (see figure below), as well as a notable access gap between youth and adults. Especially in the case of Kakamega, it is relevant to note that the comparatively higher levels

of youth access to finance in general, as seen in the previous figure, do not translate into similarly high levels when it comes to agricultural finance specifically (access to agri-credit in Kakamega, for example, is 7 points lower than the national average).

Access to agricultural finance in Kakamega and Siaya, by type of product and age



Source: Authors' calculation from the 2019 FinAccess survey dataset.

Annex 2: Focus on the Kenyan financial regulator's response to the COVID-19 crisis

The COVID-19 pandemic, since its emergence in Asia at the end of 2019, has spread rapidly to every continent. The first case of COVID-19 infection was reported in Kenya on the 13 March 2020, with the outbreak since having escalated to 2 021 confirmed cases, with 69 deaths and 380 recoveries as of 2 June 2020. In terms of the economic impact of the crisis, the International Monetary Fund has estimated that GDP growth in the country will slow down from 5 percent in 2019 to 1 percent in 2020, with critical effects on the service sector (transport, retail trade, tourism), industry (manufacturing and construction) and agriculture, as well as **critical implications for the already suffering job market.**

To counteract the effects of the crisis, in March 2020 the Central Bank of Kenya announced a set of emergency measures (for an initial period of three months) to promote the use of mobile payments over cash, especially in the case of **small-scale, routine payments** made to take care of personal expenses. This was done following a directive from Kenya's President Uhuru Kenyatta "to explore ways of deepening mobile-money usage to reduce risk of spreading the virus through physical handling of cash" (Central Bank of Kenya, 2020a). The measures are the following:

- **waiving fees on all mobile money transactions up to KES 1 000 (USD 9);**
- **increasing transaction limits for mobile money to KES 150 000 (USD 1 400);**
- **increasing the daily limit for mobile money transactions to KES 300 000 (USD 2 800), and elimination of monthly limits;**
- **eliminating charges for transfers between mobile money wallets and bank accounts.**

Aside from these measures, further measures were implemented to provide relief to small-time borrowers who found themselves incapable to repay their loans due to the impact of the COVID-19 pandemic. Although no specific measures were included to support youth as a specific vulnerable category, the following policy interventions are expected to have a beneficial impact on small-scale entrepreneurs as a whole:

- **Having commercial banks postpone or restructure loans for borrowers impacted by the pandemic, based on proof of specific extenuating circumstances. A commercial bank, at the request of a borrower, can extend a deadline for a loan repayment for up to one year, while waiving all costs related to the extension or restructuring of the loan;**
- **Formal FIs are forbidden from providing data on defaulting clients to a credit reference bureau, for blacklisting, when the unrepaid loan amount is below KES 1 000 (USD 10);**
- **Unregulated mobile-based and credit-only lenders can no longer submit credit information on their borrowers to credit reference bureaus, given the numerous complaints of misuse of the credit information system and lack of responsiveness to customer complaints on the part of this category of lenders;**
- **First-time credit bureau clearance certificates have to be provided at no charge (which is particularly helpful for youth and graduates);**
- **The listing of negative credit information on a credit reference bureau is suspended for those borrowers whose loans fall into arrears in the April to September period, and thus do not lead to blacklisting (Central Bank of Kenya, 2020b).**

Annex 3: Review of youth-specific financial products offered by formal financial institutions

Financial Institution ²²	No. of branches	Full-purpose Youth Account	Student Account	Teen/Junior Savings Account ²³
Commercial banks				
ABSA Bank Kenya Plc	85		<ul style="list-style-type: none"> No maintenance fee 	<ul style="list-style-type: none"> No charge Interest rate applied (7 percent)
African Banking Corporation Ltd	13			<ul style="list-style-type: none"> Minimum opening balance of KES 1 000 One free withdrawal per month
Bank of Africa Kenya Limited	45			<ul style="list-style-type: none"> Minimum opening balance of KES 500 Interest paid on balances of above KES 5 000
Bank of Baroda (K) Limited	14			<ul style="list-style-type: none"> Minimum balance of KES 1 000 Attractive interest rates
Consolidated Bank of Kenya Limited	18			<ul style="list-style-type: none"> Opening balance of KES 2 000 No fees charged
Co-operative Bank of Kenya Limited	144	The YEA Access Account (for those aged 18–30) <ul style="list-style-type: none"> No minimum balance 		<ul style="list-style-type: none"> Minimum opening balance of KES 1 050 4 percent interest on deposits
Credit Bank Limited	18	CB U-Dreams (Young Professionals) <ul style="list-style-type: none"> Access to mentorship and networking forums 		<ul style="list-style-type: none"> Account opening balance of KES 2 000 No monthly fees Once the owner turns 18, the account evolves into a youth account
Diamond Trust Bank Kenya Limited	70			
Ecobank Kenya Limited	31		<ul style="list-style-type: none"> Provides free mobile banking 	
Equity Bank Kenya Limited	170			<ul style="list-style-type: none"> Minimum opening balance of KES 200
Family Bank Limited	91	Maestro Visionary <ul style="list-style-type: none"> Opening and minimum balance of KES 200 (KES 300 for debit card) For those 18–26 years old 	<ul style="list-style-type: none"> Minimum opening and operating balance of KES 200 No ledger fees 	
First Community Bank Limited	18		<ul style="list-style-type: none"> No ledger fees Minimum opening balance of KES 1 000 	

²² List of Kenyan financial institutions licensed by the Central Bank as of February 2020 – institutions with a minimum of ten branches were included in the review.

²³ As these accounts are meant for youth under 18 years of age, they are opened with the intermediation and supervision of a parent/guardian.

Financial Institution ²²	No. of branches	Full-purpose Youth Account	Student Account	Teen/Junior Savings Account ²³
Guardian Bank Limited	11			<ul style="list-style-type: none"> Minimum operating balance: KES 500 No ledger fee
Gulf African Bank Limited	17		<ul style="list-style-type: none"> Minimum opening and operating balance KES 500 No ledger fees 	
I & M Bank Limited	44	Young Professional Bundle <ul style="list-style-type: none"> Zero opening and minimum balance 		
Jamii Bora Bank Limited	27			<ul style="list-style-type: none"> Minimum opening and operating balance of KES 1 000 7 percent Interest rate on deposit
KCB Bank Kenya Limited	198	Bankika Personal <ul style="list-style-type: none"> Zero monthly fees Zero minimum balance 	<ul style="list-style-type: none"> Minimum opening and operating balance of KES 100 No ledger fees 	<ul style="list-style-type: none"> Minimum opening balance of KES 1 000 Zero monthly fees
National Bank of Kenya Limited	73		<ul style="list-style-type: none"> No minimum operating balance No monthly fees 	<ul style="list-style-type: none"> Minimum balance of KES 500
NCBA Bank Kenya PLC	64		<ul style="list-style-type: none"> No minimum operating balance No monthly fees 	<ul style="list-style-type: none"> Minimum opening balance of KES 2 000
Prime Bank Limited	20			<ul style="list-style-type: none"> Minimum opening and operating balance of KES 5 000
Sidian Bank Limited	41			<ul style="list-style-type: none"> Minimum opening and operating balance of KES 5 000 Interest rate applied (7 percent)
Spire Bank Ltd	15			<ul style="list-style-type: none"> Minimum opening and operating balance of KES 500
Stanbic Bank Kenya Limited	27			
Standard Chartered Bank Kenya Ltd	41			<ul style="list-style-type: none"> Minimum opening balance KES 2 000
Trans-national Bank Limited	26		<ul style="list-style-type: none"> Low minimum balance 	<ul style="list-style-type: none"> Minimum opening and operating balance of KES 500 No monthly fees
Licensed Mortgage Financed Institutions				
HFC Limited	27			<ul style="list-style-type: none"> Interest earned from KES 5 000 No ledger fee
Microfinance Banks				
Faulu Microfinance Bank Ltd	39			<ul style="list-style-type: none"> Minimum operating balance of KES 200 No monthly maintenance fee
Kenya Women Microfinance Bank PLC	31		<ul style="list-style-type: none"> For women aged 18–26 Access to networking forums Access to mentorship programmes 	<ul style="list-style-type: none"> No minimum opening and operating balance No monthly maintenance fee

Agricultural finance and the youth

Prospects for financial inclusion in Kenya

The aim of this publication is to provide a comprehensive assessment of the current state of financial inclusion among the Kenyan youth, especially those residing in rural and financially underserved areas. In particular, the study seeks to illustrate the clear linkage between the substantial financial access gap faced nowadays by the Kenyan youth and their inability to pursue high value-added entrepreneurial opportunities, chiefly in the agribusiness sector.

The study sets out to analyze the core constraints and opportunities associated with the provision of tailored financial services to young Kenyans (especially first-time entrepreneurs), while showcasing the essential role that key supporting actors (such as the government, international development institutions, NGOs, foundations and many others) can play in fostering the provision and uptake of such services.

Inclusive Rural Transformation and Gender Equity – Economic and Social Development

<http://www.fao.org/policy-support/policy-themes/access-to-finance>

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