

### INCLUSIVE FINANCING IN AFRICA: LESSONS FROM THE CEO OF KENYA WOMEN HOLDING GROUP

*From the African Community of Practice on Managing for Development Results at the African Capacity Building Foundation (ACBF)*



Case Study  
N° 42

#### SYNOPSIS

In Africa, women are less likely than men to have access to and benefit from financial services. In Kenya for example, compared to men, women still have lower access to formal prudentially regulated services such as banks – 35 percent for women compared to 50 percent for men. This case study features Jennifer Riria, Chief Executive Officer (CEO) of Kenya Women Holding Group (KWH) and her work in reducing that gender gap in financial inclusion.

**Key findings:** Kenya Women Microfinance Bank (KWFT), the financial arm of KWH, has become the most successful microfinance bank controlling over 45% of the microfinance market in Kenya and providing financial and non-financial services to over 900,000 clients across Kenya. Most of the clients are rural poor women formerly excluded from the financial sector.

**Key lessons:** Jennifer's case study emphasizes the persistent gender gap in Africa and demonstrates that improving women's access to finance makes a positive contribution to the economic growth. Her case exemplifies progress by African women and provide strong arguments about the financial viability of microfinance for women. Another key lesson from Jennifer's case study is that non-financial services are as important as the financial ones.

**Recommendations:** Joint efforts by all stakeholders to build capacity in the financial sector are necessary to create the conditions that will enhance women's financial inclusion in Africa. Specifically, capacity building institutions and development partners should support governments in establishing gender sensitive regulations and business environment that will enhance women's financial inclusion. Moreover, it is important to strengthen the capacities of financial institutions and national statistical offices in producing better insights on the gender based barriers, costs and opportunities of including women in the financial industry.

#### Introduction

Financial inclusion can be defined as delivery of banking services at an affordable cost to the vast sections of disadvantaged and low-income groups (Mahendra, 2006). Financial inclusion has been recognized as critical to reducing poverty and achieving inclusive economic growth (Demirguc-Kunt et al., 2015). Collins et al (2009) show that when people participate in the financial system, they are better able to start and expand businesses, invest in

education, manage risk and absorb financial shocks. According to the recent World Bank Global Findex database, the world has made remarkable progress in financial inclusiveness in recent years. Worldwide, 62 percent of adults have a financial institution or mobile money account up from 51 percent in 2011. Yet, 2 billion poor adults or 38 percent of all adults worldwide remain excluded from the financial system, with unmet needs and untapped market potential. The majority live in developing economies

in Asia and Sub-Saharan Africa (SSA). South Asia, East Asia and the Pacific are home to more than half the world's unbanked. In SSA, about 350 million unbanked adults comprising only 34.2 percent of adults, have an account at a formal financial institution, accounting for 17 percent of the global total.

The Findex data also revealed that unbanked people are disproportionately poor and female. Worldwide, 42 percent of women are unbanked compared to 35 percent of men. Women comprise 55 percent of the world's unbanked population. The problem is particularly acute in SSA where only 21.5 percent of women held accounts at formal financial institutions. Such figures show how difficult it is for women globally, to access and use financial services. The International Financial Cooperation (IFC, 2014) has estimated that worldwide, a US\$300 billion gap in financing exists for formal, women-owned small businesses and more than 70 percent of women-owned small and medium enterprises have inadequate or no access to financial services. Financial exclusion is also related to household incomes. Worldwide, the poorest 40 percent of households within economies account for about half the world's unbanked, comprising about 1 billion adults (Demirguc-Kunt et al., 2015). Therefore, despite the progress made in financial inclusion, more effort still needs to be directed towards increasing the financial inclusion of the poorest and the women. It is recognized that microfinance provides solutions to the challenge of providing banking for the poorest (Robinson, 2001; Armendáriz and Morduch, 2010). Beyond financial inclusion, research evidence has highlighted the importance of microfinance to poverty alleviation (Littlefield et al., 2003; Honohan and Beck, 2007) though some authors indicated limitations and weaknesses in microfinance models (Swope, 2005). Overall, there is no doubt that microfinance has the potential to bring the unbanked people into the financial market.

Financial data on Kenya and research evidence show that Kenya, like other African countries, also has a

gender gap in financial services access and use (Demirguc-Kunt et al., 2015). Experiencing restricted financial access, women have difficulty in collecting and saving income, growing their businesses and moving their families out of poverty. Jennifer Riria, Chief Executive Officer of Kenya Women Holding (KWH) is using microfinance to tackle that gender gap and empower thousands of Kenyan women to improve their access to financial services. Under her leadership, KWH employs 2,800 people and has disbursed loans to over 900,000 Kenyan women. Her successful entrepreneurship story is an inspiration and an evidence, showing how women are reducing the gender gap in the financial sector in Kenya. This case study aims to showcase Jennifer Riria and KWH's successful financial inclusion initiative to inspire other entrepreneurs and provide key policy recommendations to further financial inclusion in SSA. The rest of the presentation is organized in three parts, namely, the presentation of the case study, the outcomes of the initiative and lessons learnt and policy recommendations.

## **Closing the gap in gender access to financial services in Africa: case study on an African woman entrepreneur**

### **Financial inclusion in the Kenyan context**

With a population up to 45.5 million and a Gross Domestic Product (GDP) estimated at US\$47.8 billion in 2014, Kenya is the largest economy in East Africa. Women comprised 50.01 percent of this population in 2014 (World Bank, 2014). The financial sector is among the six key drivers of high growth identified in Kenya's Vision 2030. Other sectors are tourism, agriculture, manufacturing, wholesale and retail trade and business process outsourcing<sup>1</sup>. In Kenya, financial exclusion is a challenge and is observed in different forms. According to Amanja (2015), 35 percent of the population has access to formal financial institutions. The rest is excluded from the financial system or use informal financial systems which are costly, inefficient and unsustainable.

The 2016 FinAccess Household survey in Kenya (Central Bank of Kenya, 2016) revealed that exclusion in rural areas is now roughly double that of

---

<sup>1</sup> Kenya Vision 2030 (See references)

urban areas and is falling much more slowly. In terms of education level, formal inclusion increases significantly with level of education; 73% of those with primary education are formally included but almost all those with tertiary education are included (98%). Furthermore, exclusion for the poorest continues to be high at 42% compared with the national average of 17.4%. By contrast, 95% of the wealthiest quintile are formally included.

On the other hand, as in all African countries, women in Kenya experience continuous challenges in accessing financial services which constrain them from fully participating in the economy. According to 2014 World Bank Global Findex data, only 26 percent of women have access to formal savings and only 10 percent have access to formal credit. Compared to men, women still have lower access to formal prudentially regulated services such as banks – 35 percent for women compared to 50 percent for men – (Central Bank of Kenya, 2016). Therefore, the majority of women in Kenya still operate their businesses outside the financial sector. Financial inclusion is definitely a major concern for Kenya to sustain the economic growth experienced in recent years.

### Who is Jennifer Riria?

According to an interview she gave to the blog “Lionesses of Africa”, Jennifer Riria was born in a Kenyan village. She is the fourth daughter in a family of ten. Her poor family and her poor childhood were not an obstacle to her studies. Jennifer was awarded a prestigious Master’s degree at the University of Leeds in the United Kingdom. After her Master’s degree, she returned to Kenya where she completed a doctoral degree on women, education and development. Jennifer started her career as a lecturer at a local Kenyan university. She also worked at the United Nations. Her strong passion for improving women’s conditions in Kenya gave her the incentive to build and sustain her company. Today, she is one of the most successful women entrepreneurs in Africa.

### Solutions developed by Jennifer Riria

In an attempt to improve women’s financial inclusion in Kenya, Jennifer Riria led the creation of Kenya Women Microfinance Bank (KWFT), the financial arm of Kenya Women Holding (KWH). KWFT’s innovative positioning is the niche market. KWFT developed the bulk of its operations with women and prides itself on being the bank of women in Africa. This is quite innovative and disruptive on a continent where a large proportion of women is excluded from the banking system. KWFT was established in 2008 and began operations in 2009 after successfully taking over the Microfinance business from KWH.

The social mission of KWFT is formulated below:

*KWFT endeavours to empower women since for a long time women have received limited services from the financial sector. Lack of hard collateral has been a great challenge to the women, hence KWFT encourages group leading, where women take up loans and co-guarantee each other, consequently giving the low income earners equal chances of accessing credit which will help them to improve their economic status.*

*Source: <http://www.kwftbank.com/our-story/who-we-are/overview> (Accessed on 16 February 2016)*

KWFT clearly positioned itself to address the key challenges such as the requirement for collateral that excludes women from the financial system. Through KWFT, Jennifer Riria provided an affordable solution to the financing needs of women in their businesses and in their households.

### The financial services

The services of KWFT consist of savings, loans and insurance products.

The **savings products** are tailored to meet the real life needs of women and their families. These products encompass junior savings, a product designed to enable parents to accumulate savings for their children under the age of 18. The money from these savings accounts can be invested to secure the education of children. The Riziki Fixed

Deposit Account is another savings product designed for individuals, groups and institutions who desire a savings plan for a fixed duration. Further, Tujiunge Chama Account is a savings product that is designed for formal and informal women's groups comprising at least three members who deposit their savings for growth.

On the loans side, different types of **loans** are offered. Business loans are the most popular. They are designed to support women with micro, small, medium and large scaled businesses to access credit. Besides business loans, KWFT also offers emergency loans, education loans and consumer loans. An innovative and important aspect of the loans policy at KWFT is that some loans products are designed to address specific and well-targeted needs that improve the livelihoods of the women and their families. Those specific loans include Clean and Renewable Energy Loans, Water, Sanitation and Hygiene Loans and Education loans. These loans target specific economic or social needs that are important for women and their families. Since these loans are not for business, conditions for accessing and repaying them are fixed. KWFT also offers a wide range of specific loans that cover the financing needs of the actors involved in the agricultural value chains. These loans are essential since agriculture is a key economic sector in which many women are involved.

In addition to the savings and loans products, KWFT offers to its customers a wide range of **insurance products** including life, motor, business, medical and agricultural insurance. KWFT also offers mobile banking, money transfers, Automatic Teller Machine services. The combination of these three major groups of products offers women possibilities to grow their businesses and improve their living conditions.

### **Incorporating non-financial services**

Financial services entail dealing with money but the success of women's businesses is not dependent on financial services only. There is a wide range of non-financial services that are associated to the financial ones to create the necessary conditions for women to thrive. KWH championed by Jennifer Riria, provides "non-financial services to women entrepreneurs to enable them improve their

economic status, their livelihoods and the wellness of their families". (KWH, 2016) Non-financial services include capacity building, education and mentorship, health and awareness and peace building. For example, the capacities of women are strengthened in financial literacy and entrepreneurship to enable them to make informed and effective decisions, and identify business opportunities in their environments and pursue them. Overall, these non-financial services build women's capacities and sustain their financial inclusion.

### **Outcomes and overall assessment**

The leadership of Jennifer Riria at Kenya Women Holding yielded a number of outcomes. The main outcomes are presented in this section.

#### **The leadership of Jennifer Riria made KWFT a premier microfinance institution in Kenya**

KWFT went against the odds by focusing its microfinance initiative exclusively on women. Despite her lack of experience in the financial industry, Jennifer used her courage and determination to learn how the sector works and how to succeed in it with the objective to change the lives of women. She has transformed the microfinance industry in Kenya. According to official data published on the KWFT website, KWFT has become the most successful microfinance bank controlling over 45% of the microfinance market in Kenya. Riria is the chairwoman of Women's World Banking, a global microfinance network consisting of over 53 Microfinance institutions from 30 countries and the Association of Microfinance Institutions, an initiative focused on strengthening democratic processes in Kenya. The success of Jennifer Riria at Kenya Women Holding has been recognized through several awards (Figure 1).



Figure 1: Some awards accorded to Jennifer Riria

Source: <http://kenyawomen.org/> (Accessed on 17<sup>th</sup> February 2016)

**KWFT contributes to sustainable and inclusive economic growth in Kenya**

KWFT emerged as a model microfinance institution positively impacting the lives of Kenya’s women and their families. The independent audits performed by Deloitte on the financial statements from 2012 to 2014 show that the company is financially viable (Figure 2).

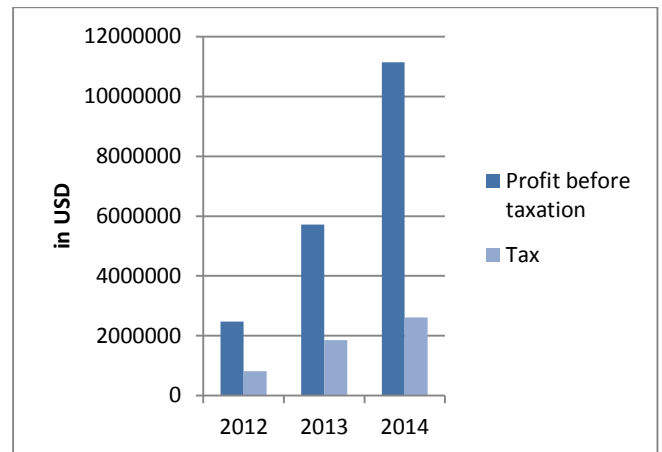


Figure 2: Profit and taxation for KWH

Source: Data are from the financial statements independently audited by Deloitte (See references)

NB: Original amounts were in Kenyan Shilling. 1 USD = 101 Ksh.

Total taxes paid by KWH from 2012 to 2014 amounted to 5,285,396 USD. This is an important contribution to the domestic resources of Kenya, which will be allocated by the government to economically and socially productive activities. The increase of profits over years is an indicator of the success of Kenya Women Holding in Kenya and is evidence of the growing access by women to financial services, reducing the financial gender gap.

**More women are included in the financial sector**

Overall, KWH works with more than 2.3 million women and their families, mostly in rural Kenya. KWFT, the financial arm of KWH has over 900,000 clients across Kenya. As of December 2014, KWFT had a loan book to Ksh 18.9 billion, assets valued at Ksh 27 billion and deposits of Ksh 17 billion, according to official data published on the company’s website. Recent progress made by Kenya in women’s financial inclusion is, in part, explained by the outstanding efforts made by KWFT (Johnson et al., 2012). The savings, loans and insurance products have improved the businesses of women and the living conditions of their families. Successful stories of women whose lives have been transformed by the activities of Kenya Women



Holding are captured over time (Example in Box 1) and show evidence of growth in women's economic power in Kenya<sup>2</sup>.

### Box 1: Stella Njoroge: Earning a fortune from pig farming

With financial support from KWFT, enterprising woman dares to dream big. The idea was born in 2006 when Stella's husband asked her if she could consider pig farming. None of them has any experience in farming. Determined to succeed in the business, they embarked on research and feasibility studies for four years before getting started. Having finalized their plans, they identified a 4-acre piece of family land that was lying idle in Kiserian. With their personal savings, the couple brought in the first two sows in September 2010. Each was going for Ksh30,000. However, they soon realized that they needed additional funds to build more structures to accommodate the burgeoning population of pigs. Their turning point came in 2010 when Stella learnt about KWFT from a friend. She promptly applied for a loan which she got within three weeks. Unlike other financiers, the microfinance bank agreed to lend to her against their poultry business. With the loan and personal savings, they build the first structures for the pigs, bought a vehicle for logistics and set up their farm which currently employs four full time employees and sells an average of 20 baconers every month. Over time the business generates profits to the couple, and Stella recognized that it improves her life. The couple is planning to build a milling plant to solve the problem of poor quality feeds. They also intend to install a grinder that will help the local farmers grind their maize. Currently, they use laborers to mix about 7 tons of animal feeds, an exercise they term as tedious. Besides, they plan to expand the capacity and the output of the farm to 80 pigs every month.

Source:

<http://www.kwftbank.com/images/stories/Stella-Njoroge-Story.pdf>

(Accessed on 16 February 2016)

### More jobs are created for Kenyans

KWH activities created both direct and indirect jobs. With over 900,000 clients across the country, according to official data published on its website, KWFT has invested in a vast branch network with over 230 offices spreading across 45 out of the 47 counties in Kenya. For such a huge volume of activities KWH now employs 2,800 people. Despite the absence of data on indirect jobs, KWH creates and maintains thousands of jobs as the loans enable businesses to grow substantially and employ more people.

### Lessons learnt, policy implications and recommendations

#### African women can demonstrate high leadership

In the world of entrepreneurship and social impact, Jennifer Riria is a real inspiration. She exemplifies progress by African women who are impacting a diversity of social and economic sectors. Though, women are under-represented in many spheres of the economies in Africa, women such as Riria are taking risks and becoming entrepreneurs. Since the financial sector requires significant capital outlays and compliance to a highly restrictive and regulatory environment, it is not easy both for men and women to develop entrepreneurship in it. This further explained the leadership of Riria who successfully developed her business in the sector.

#### Women are bankable and financial inclusion should be more gender-sensitive

One of the reasons for the persistent financial exclusion of women is that they are often considered to be risky clients. The successful experience of Jennifer Riria through KWFT shows that women in Africa are bankable and can help companies to earn decent profit. However, the financial policy environment in Africa is not gender-sensitive. In many countries, policies and mechanisms for financial inclusion are gender-blind. Failing to recognize differences between women and men in accessing financial services led to persistent financial exclusion of women. The successful experience of

<sup>2</sup> See more at <http://www.kwftbank.com/our-story/who-we-are/stories-of-success>

KWFT supports the view that there is need to address the financial exclusion of women through specific conditions and mechanisms. Thus, all actors in the financial sector need to deepen their understanding of women's financial needs through research and case studies to gain better insights into the gender based barriers and costs and opportunities of including women in the financial industry. This is an area in which actors like ACBF can play an important role by strengthening the capacities of financial institutions and national statistical offices in producing such information. These insights will facilitate the design of specific, adequate and informed financial products that will deliver value to more women in the financial sector.

### **Non-financial services are as important as the financial ones**

KWH does not offer financial services only. They also offer non-financial services which are essential to the success of the financial ones. Despite that financial exclusion is a major concern, it is recognized that it is not money alone that is important for the success of a business or to improve livelihoods. Therefore, financial services should not be offered in a vacuum.

Managing a loan requires capacity to make financial decisions and ability to sustain a business. Therefore, the actors on the supply side should include in their portfolio a wide range of well-targeted non-financial services. Such services increase the probability that loans will be repaid and they will also help cement relationships between lenders and borrowers, generate further profits to lenders while diversifying the financial services available to borrowers. Such aspect also calls for capacity building of the financial institutions as the provision of non-financial services to customers is not trivial and needs specific knowledge and skills.

In conclusion, the case study of Jennifer Riria and her entrepreneurial success in the financial industry sheds lights on how one female Kenyan entrepreneur can improve and diversify the financial inclusion of women. The case study demonstrates that microfinance for women is a financially viable business sector in Africa. Thus, joint efforts by all stakeholders are necessary for the creation of the conditions that will enhance women's financial inclusion in Africa.

## References

- Amanja. 2015. *Financial Inclusion, Regulation and Stability: Kenyan Experience and Perspective*. Paper presented at the UNCTAD's Multi-Year Expert Meeting on Trade, Services and Development held in Geneva, Switzerland May 11-13, 2015.
- Armendáriz, B and Morduch, J. 2010. *The economics of microfinance*. MIT press.
- Central Bank of Kenya. 2016. 2016 *FinAccess Household Survey*. Central Bank of Kenya.
- Collins, D., Murdoch, J., Rutherford, S. and Ruthven, O. 2009. "Portfolios of the Poor: How the World's Poor Live on \$2 a Day." Princeton University Press.
- Deloitte. 2013. Independent audit report of KWH 2012 financial statements. Available at <http://kenyawomen.org/>
- Deloitte. 2014. Independent audit report of KWH 2013 financial statements. Available at <http://kenyawomen.org/>
- Deloitte. 2015. Independent audit report of KWH 2014 financial statements. Available at <http://kenyawomen.org/>
- Demirguc-Kunt, Asli, Leora Klapper, Dorothe Singer, and Peter Van Oudheusden. 2015. "The Global Findex Database 2014: Measuring Financial Inclusion around the World." Policy Research working paper 7255, World Bank, Washington, DC.
- Government of Kenya, Ministry of Planning and National Development. 2007. Kenya Vision 2030. [http://www.researchictafrica.net/countries/kenya/Kenya\\_Vision\\_2030\\_-\\_2007.pdf](http://www.researchictafrica.net/countries/kenya/Kenya_Vision_2030_-_2007.pdf)
- Johnson S., Brown K. G. and Fouillet C. 2012. The search for inclusion in Kenya's financial landscape: the rift revealed. With support from Financial Sector Deepening Kenya, 56p. [http://fsdkenya.org/wp-content/uploads/2015/08/12-03-29\\_Full\\_FinLandscapes\\_report.pdf](http://fsdkenya.org/wp-content/uploads/2015/08/12-03-29_Full_FinLandscapes_report.pdf)
- Honohan, P. and Beck, T. 2007. *Making finance work for Africa*. World Bank Publications.
- International Finance Corporation (IFC). 2014. Women-owned SMEs: A business opportunity for financial institutions. Washington DC. The International Finance Corporation. Available at <http://www.ifc.org/wps/wcm/connect/b229bb004322efde9814fc384c61d9f7/WomenOwnedSMes+Report-Final.pdf?MOD=AJPERES>
- Kenya Women Holding (KWH). 2016 Corporate website [www.kenyawomen.org/](http://www.kenyawomen.org/) Accessed in February 2016
- Kenya Women Microfinance Bank (KWFT). 2016. Corporate website [www.kwftbank.com/](http://www.kwftbank.com/) Accessed in February 2016
- Lionesses of Africa. Interview with Dr Jennifer Riria <http://www.lionessesofafrica.com/blog/2015/11/dr-jennifer-riria-the-start-up-story-of-a-inspiring-entrepreneur-who-has-transformed-the-lives-of-hundreds-of-thousands-of-kenyan-women>
- Littlefield E., Jonathan M. and Syed H. 2003. Is Microfinance an Effective Strategy to Reach the MillenniumDevelopment Goals? Focus Note No. 4, CGAP Washington, D.C.
- Mahendra, S. 2006. Financial inclusion: Issues and challenges. *Economic and political weekly*, 4310-4313
- Robinson, M. 2001. *The microfinance revolution: sustainable finance for the poor*. World Bank Publications.
- Swope, T. 2005. *Microfinance and Poverty Alleviation*. (Dissertation Paper). Available at: [www.rollins.edu/olin/rurj/mpa.pdf](http://www.rollins.edu/olin/rurj/mpa.pdf)
- UN Women. 2012. Facts and Figures from the Commission on the status of women. <http://www.unwomen.org/en/news/in-focus/commission-on-the-status-of-women-2012/facts-and-figures>
- World Bank Group (Ed.). 2014. *World Development Indicators 2014*. World Bank Publications.





## Acknowledgement

This knowledge series intends to summarize good practices and key policy findings on managing for development results (MfDR). African Community of Practice (AfCoP) knowledge products are widely disseminated and are available on the website of the Africa for Results initiative, at: [www.afrik4r.org/page/resources](http://www.afrik4r.org/page/resources).

This AfCoP-MfDR knowledge product is a joint work by the African Capacity Building Foundation (ACBF) and the African Development Bank (AfDB). This is one of the knowledge products produced by the ACBF under the leadership of its Executive Secretary, Professor Emmanuel Nnadozie.

The product was prepared by a team led by the ACBF's Knowledge, Monitoring, and Evaluation Department (KME), under the overall supervision of its Director, Dr. Thomas Munthali. In the KME Department, Ms. Aimtonga Makawia coordinated and managed production of the product while Dr. Barassou Diawara, Mr. Kwabena Boakye, Ms. Anne Francois and Mr. Frejus Thoto and other colleagues provided support with initial reviews of the manuscripts. Special thanks to colleagues from other departments of the Foundation who also supported and contributed to the production of this paper. The ACBF is grateful to the AfDB for helping produce this case study under grant number 2100150023544.

ACBF is also immensely grateful to Mr. Parfait Gbokede, the main contributor, for sharing the research work contributing to this publication. We also thank our independent reviewers whose insightful external reviews enriched this knowledge product. The Foundation also wishes to express its appreciation to AfCoP members, ACBF partner institutions, and all individuals who provided inputs critical to completing this product. The views and opinions expressed in this publication do not necessarily reflect the official position of the ACBF, its Board of Governors, its Executive Board, or that of the AfDB management and board.