Going without?

Household economics in Kenya

1. Introduction

Kenya has experienced a reasonable rate of economic growth in the past few years, typically around 5-7% growth each year. And yet, poverty persists, particularly in certain parts of the country[1]. In 2013, the Kenya National Bureau of Statistics and the Society for International Development identified five counties where over three quarters of the population lived below the poverty line, compared to 45% for the country as a whole[2]. In 2014, Kenya was declared a middle-income country after a statistical reassessment increased the size of its economy by 25.3%, and the country became Africa's ninth largest economy. The move to middle-income status is said to have largely been driven by the agriculture, manufacturing, and real estate sectors as well as re-categorization of Information and Communication Technology (ICT) as a standalone sector. Nonetheless, the government cautioned citizens that an increase in GDP per capita did not necessarily mean that their lives would be better off[3].

This brief explores the financial health of Kenyan households. How much money do households say they need to meet their running costs? What measures have they had to take in response to shortages of money? What would their priorities be, if they had more money available to them?

Data for this brief comes from Twaweza's flagship *Sauti za Wananchi*, which is a nationally-representative, high-frequency mobile phone panel survey. Information on the overall methodology is available at www.twaweza.org/sauti. For this brief data were collected from 1,739 respondents from the Kenyan *Sauti za Wananchi* panel. This was the seventh round of calls to the panel, conducted between 23 September and 11 October 2016.

1 World Bank. See http://siteresources.worldbank.org/INTAFRREGTOPGENDER/Resources/PAKENYA.pdf
2 Turkana, Mandera, Wajir, Marsabit and Tana River. See http://bit.ly/2kaeTCO
3 Kenya Joins Africa's Top 10 Economies After Rebasing Of Its Gross Domestic Product (GDP) Web. 13 Feb. 2017

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Sauti za Wananchi

Twaweza ni sisi

The key findings are:

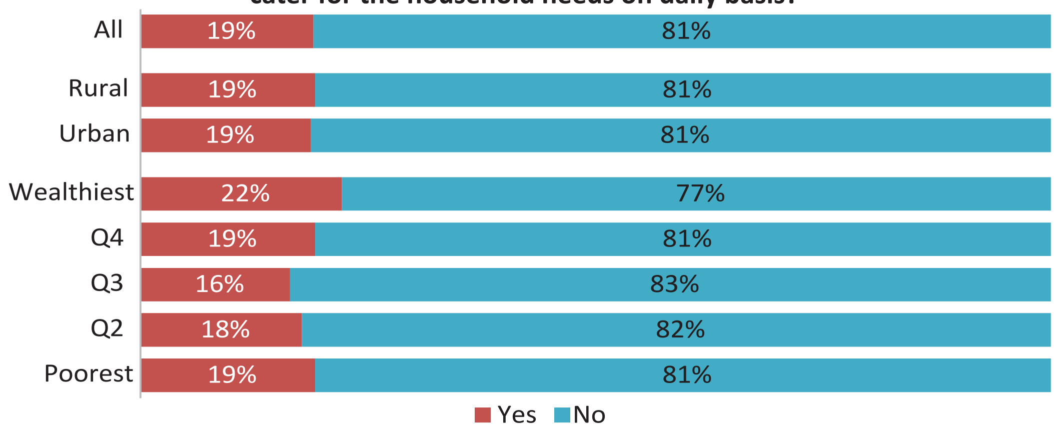
- On average, Kenyan households report needing KES 99 per person per day
- Eight in ten citizens describes their daily household income as insufficient for their household's needs
- Inflation and the high cost of living were cited as the leading problems facing both individual households and the whole country
- Half of all households have run out of food in the past three months due to a lack of money
- Financial pressures in rural and urban areas are similar
- One in four citizens live in rented accommodation. Among them, three out of four have had difficulty paying the rent
- If given KES 10,000 by the government, citizens would spend most of the money on starting or supporting their business, on school fees or on food.

2. Six facts about household finances in Kenya

Fact 1: Eight in ten Kenyan households report that their income is insufficient to cover their household's needs

A clear majority of citizens (81%) report that their daily household income is insufficient to cover the household's needs. This is consistent across urban and rural areas, and across different wealth[4] groups.

Figure 1: "Is the income obtained by the household enough to cater for the household needs on daily basis?"



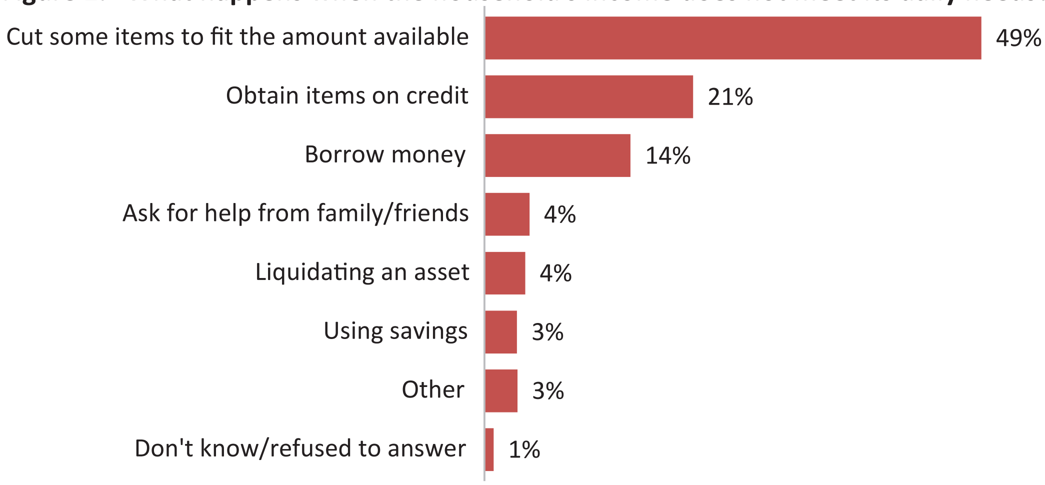
Source of data: *Sauti za Wananchi Mobile Phone Survey – (23 September – 11 October 2016)*
Base: *All respondents, n=1,739*

4 Wealth is categorized through wealth quintile calculation based on ownership of various household assets rather than direct financial income

To cover their daily running costs, the average Kenyan household needs KES 99 per household member per day, according to an average of the estimates given by the household members themselves. This figure is slightly higher in urban areas, at KES 113, than in rural areas, at KES 90, and higher in wealthier households, at KES 117 per person per day, than in poorer ones (KES 102).

When facing cash constraints, half of all households (49%) respond by cutting spending. Smaller numbers try to get through the tough times by calling on loans, either by obtaining supplies on credit (21%) or by borrowing money (14%).

Figure 2: "What happens when the household's income does not meet its daily needs?"



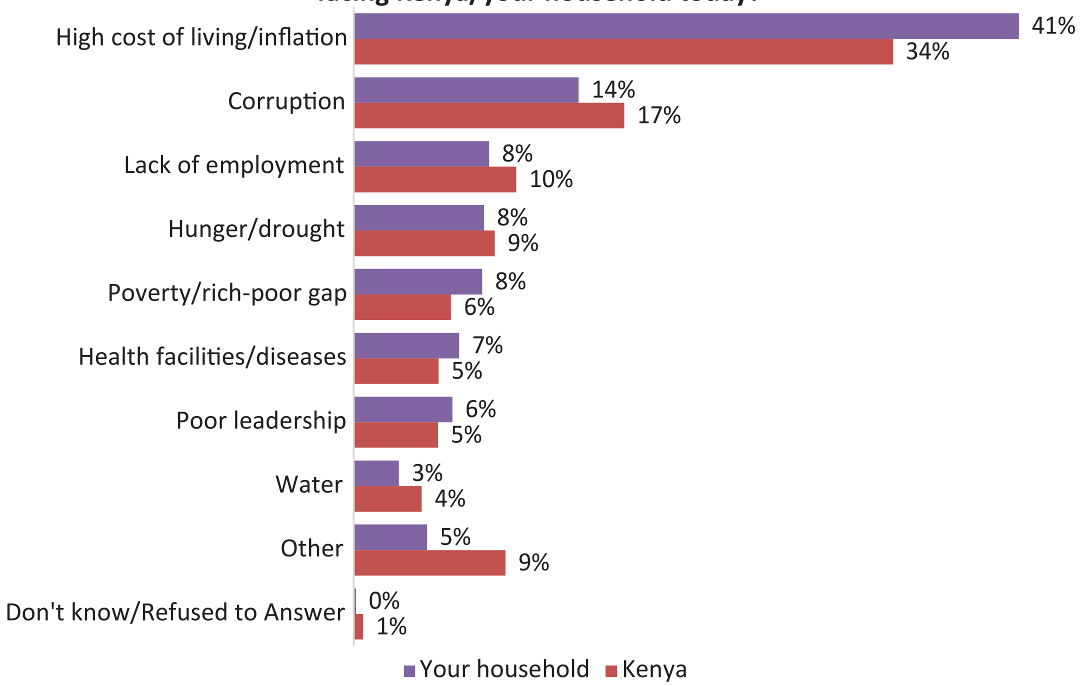
Source of data: *Sauti za Wananchi Mobile Phone Survey – (23 September – 11 October 2016)*
Base: *All respondents, n=1,739*

Fact 2: Inflation and the high cost of living are the main challenges for individuals and the country

Four in ten citizens (41%) named inflation and the cost of living as the main problems facing their households today, with corruption coming second (named by 14% of citizens).

A similar pattern is visible in perceptions of problems facing the country as a whole, with inflation and the cost of living again coming out as the top issues, chosen by one in three (34%) citizens. Again, corruption (17%) took second place.

Figure 3: "What would you say is the most serious problem facing Kenya/your household today?"



Source of data: *Sauti za Wananchi Mobile Phone Survey – (23 September – 11 October 2016)*
Base: *All respondents, n=1,739*

Fact 3: Half of all households report running out of food in the past three months due to a lack of money

Four in ten citizens (43%) report having gone for a whole day without food due to a lack of money sometime in the previous three months of this survey's data collection period. Half (53%) reported that their households ran out of food during the same three-month period.

Subsequently around three quarters had been forced to take at least one measure to adapt to financial pressures during the previous three months, including eating less than they should (72%), eating less healthy food (74%), or eating less variety of food (76%)[5] (not shown in chart).

5 Scale based on the global "The Food Insecurity Experience Scale" (FIES)

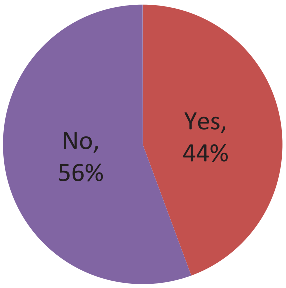
Figure 4: "During the last three months, was there a time when …?"
(% answering yes)

Source of data: *Sauti za Wananchi Mobile Phone Survey – (23 September – 11 October 2016)*
Base: *All respondents, n=1,739*

Fact 4: Almost half of all households (44%) with school children have withdrawn them due to financial pressures in the past six months

Among households with school-going children, almost half (44%) report having had to withdraw one or more pupils from school in the past six months due to financial pressures.

Figure 5: "In the last 6 months, did any of the school-going household members have to drop out or stop going to school because school fees couldn't be paid or school supplies couldn't be provided?"

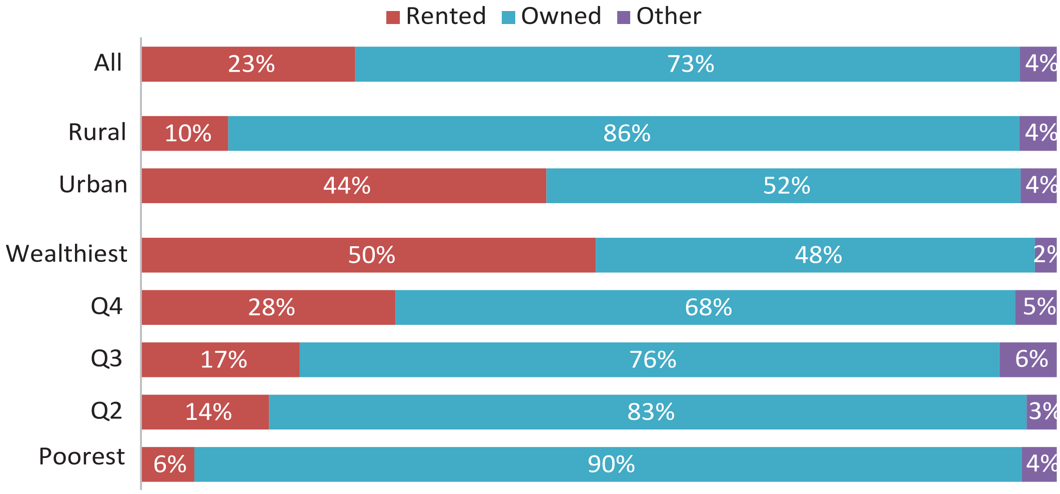


Source of data: *Sauti za Wananchi Mobile Phone Survey – (23 September – 11 October 2016).*
Base: *Those reporting having children in school, n=1383*

Fact 5: One in four citizens lives in rented accommodation, three in four of them have had difficulty paying the rent

Three in four citizens (73%) live in a building owned by household member(s), though this may well include many buildings constructed from basic materials that do not necessarily meet the standard of a "decent house" - the highest level of home ownership is among the poorest 20% of the population. One in four (23%) live in rented accommodation. The proportion of renters is substantially higher in urban areas (44%) than rural (10%). It is also much higher among wealthier households (50%) than poorer ones. (6%).

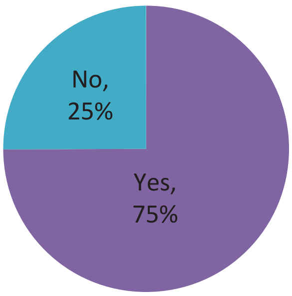
Figure 6: Who owns the building that you live in?



Source of data: *Sauti za Wananchi Mobile Phone Survey – (23 September – 11 October 2016)*
Base: *All respondents, n=1,739*

Among those who rent their living accommodation, three quarters (75%) have either delayed paying their rent or been unable to pay at some point in the past 12 months.

Figure 7: In the past 12 months, were you ever late or unable to pay the rent?



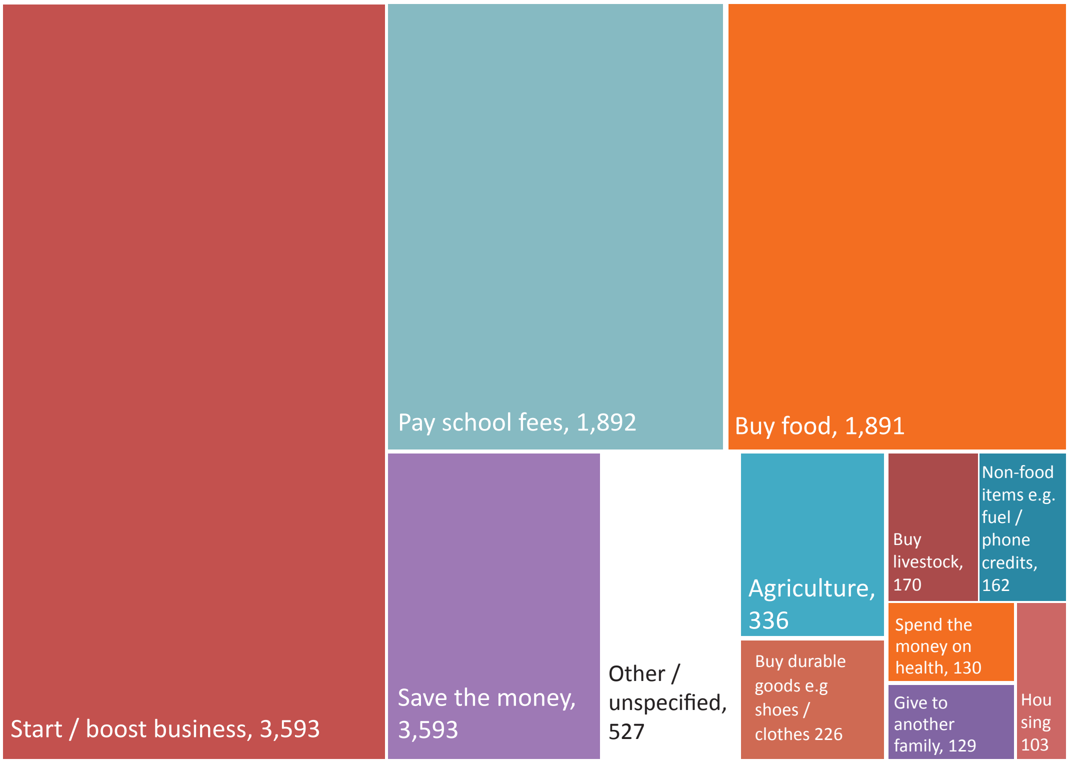
Source of data: *Sauti za Wananchi Mobile Phone Survey – (23 September – 11 October 2016).*
Base: *Those who rent the building they live in, n=388*

Fact 6: If given KES 10,000 by the government, citizens would spend most of the money on a business interest, school fees or food

In the hypothetical situation of being presented with a gift of KES 10,000 by the government, citizens' top priority for the money would be starting or growing a business. On average, citizens allocated KES 3,600 (of the KES 10,000) to this purpose. Second and third on the list are school fees and food, each of which would receive an average of KES 1,900. Together, these three items account for KES 7,400 of the hypothetical gift.

These allocations vary only very little between urban and rural areas, (data not shown).

Figure 8: If you were to receive KES 10,000 from the government, how would you use it?
(averages, KES)



Source of data: *Sauti za Wananchi Mobile Phone Survey – (23 September – 11 October 2016)*
Base: *All respondents, n=1,739*

3. Conclusion

Vision 2030[6] (Kenya's development blueprint covering the period 2008 to 2030) articulates the aim to transform the country into an industrialized "middle-income country providing

6 Kenya Vision 2030

a high quality life to all its citizens by the year 2030". The main goal for equity and poverty elimination is to reduce the number of people living in absolute poverty to the tiniest proportion of the population. As the nation progresses towards 2030, the data presented in this brief on citizens' actual financial and economic realities paint a sobering picture. An overwhelming majority of households do not have enough income to cater for their daily needs. This pressure is also evident in citizens' identification of inflation and the high cost of living as the most serious problems faced both by their individual households and by the country as a whole.

Poverty has many faces; almost half of all households with school-going children have had to pull their children out of school over the past six months. Three in four renters have had trouble paying the rent over the last year. Close to half of Kenyans have gone a whole day without food because of a lack of money or other resources.

Few households are untouched by financial pressures. Even the wealthiest fifth of the population struggles to make ends meet. The exception is a small elite; Knight Franks' Wealth Report for 2017, for example, found that there were 9,400 dollar millionaires in Kenya in 2016 (as compared to 8,500 in 2015), controlling nearly two thirds of the country's economy[7]. In the meantime, half of Kenyan households ran out of food completely in the last three months.

The majority of Kenyans live life on the edge, vulnerable to price shocks or changes in their own circumstances. Addressing this precariousness requires thoughtful decision-making based on a careful review of the evidence available. Evidence from the World Bank and others demonstrates the value of direct cash transfers, for example, in supporting people to find their own solutions to their own individual constraints and challenges. As Kenyans head to the polls scheduled for August 2017, all parties should be united in their resolve to ensure more even distribution of Kenyan's macro-economic success.

7 http://www.theeastafrican.co.ke/business/Kenya-mints-900-new-dollar-millionaires/2560-3833526-5c8fhjz/index.html