



MicroSave

Market-led solutions for financial services

Why are friends and family central to the financial choices of Kenyans?

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Low Income Lives

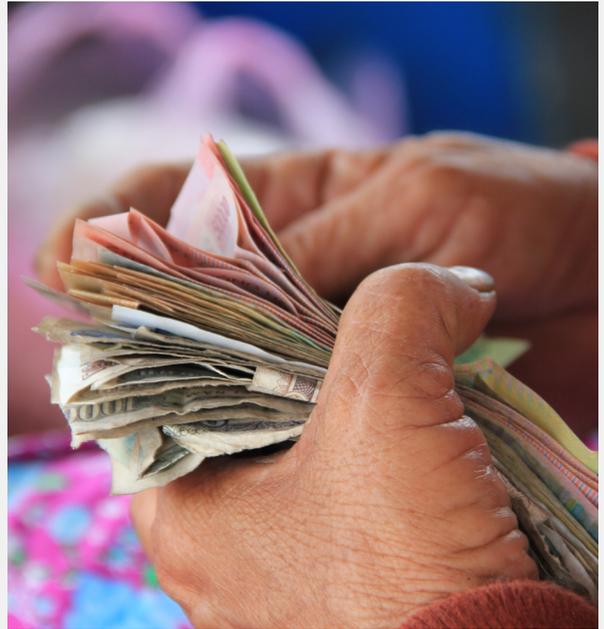
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The “big four” financial instruments that Kenyans in the bottom 40% use and consider the most are mobile money, informal groups (*chamas*), saving at home and borrowing from the social network.¹ Surprisingly, very little consideration has been given to borrowing from social networks. Where it is, it is usually understood to be awkward at the least and cause conflict and break relationships at worst – so as far as policymakers are concerned, it is a category to be avoided.

1. Financing households: Paul Gubbins (2016) Taking stock of FSD Kenya’s consumer insights and how to achieve better value propositions for Kenyan households. Unpublished presentation.



On the other hand, an analysis shows that there are different types of “borrowing”. This is a term which can also refer to the more specific case of asking in the context of need, in which case this is a category of borrowing that is not necessarily expected to be returned.² So is it just because these people do not have access to formal services that these social networks are important or are there dimensions of this borrowing that have an intrinsic value?



Drawing on qualitative research carried out over the last six years for Financial Sector Deepening (FSD) Kenya, I argue that it is necessary to understand that reciprocity and borrowing within social networks embody social values that are important motivators. It is because mobile money has lowered transactions costs **in the context of these social dynamics** that it has become so successful. For many, this may seem self-evident, but its implications are hugely important. It is the social dynamics that matter!

The findings from this research show that social networks for financial support through friends and family respond to a wide range of circumstances. Asking for support from family members in situations of emergencies is very common. Respondents who have asked for support from relatives normally say that the situation forced them to ask and that they would only ask for help when in real need, as asking does make them “feel bad”. Often, the help received from family members is not expected to be immediately or personally returned. Indeed, this becomes a part of a long-term, often an inter-generational mechanism of an open-ended reciprocity in which different family members help each other out whenever emergencies occur and they are in a position to help.

Rachel, 24, lives in Mwamba with her three children, while her husband is employed in Thika. She relies on her husband’s remittances and their farm produce. In the past, Rachel asked for help from her mother, sister and brothers-in-law when they had medical emergencies and her husband was unemployed. The support they received in the past was not to be returned. However, when Rachel’s husband did get a job in Thika and his sister was having problems paying school fees, she saw the opportunity for them to reciprocate the help they had received from other family members and said, “He will support his sister just like he was supported”.

Indeed, supporting children in the (extended) family with school fees and related expenses is a very common practice. In particular, this supporting relationship operates between aunts and uncles with their nephews

2. Johnson, S., Storchi, S. et al. (2017). Finance and living well: Insights into the social value Kenya’s seek from their financial services. Nairobi, Kenya: FSD Kenya.



and nieces, and between older and younger siblings as well. When probed, respondents may explain that the recipient “will help us or somebody else” in future. This response underlines the open-ended aspect of the reciprocity involved as well as its lack of specificity in terms of both time and to whom it will occur. After all, whether the support will, in fact, be reciprocated depends on how the child succeeds in education and then in developing his/her livelihood.

Occasionally, respondents who had helped relatives with school fees in the past reported that when the need arose to fund their own children’s education and they were having difficulties, they were able to appeal to those they had helped for support. These respondents would think, “now is the time to ... get the benefit”. Older siblings frequently see this provision as a means of supporting their parents and may express this as a response to the way they have themselves been supported in the past. While there is an understanding that any support is mutual and reciprocal, it is far from being instrumental.

Going beyond the family, this ability to assist others is not only indicative of both the ways in which mutual support and generosity operate, but also underlines the ways in which development is recognised as a collective rather than individual endeavour. In other words, investing in others in the community yields long-term value.

John lives in Kitui town, is 44, and married with four children; the youngest is a newborn baby and the oldest son is in Form one. He has a business of supplying schools with maize and books. He owns three taxis. In addition, he had bought a piece of land and is busy constructing rental houses on it. Every month, John tries to save a few hundred shillings towards education expenses in his child savings accounts which he had opened for each of his three older children. One of the other ways he had used some of his funds was by purchasing three motorbikes which he sold to three of his friends who he called “needy persons”. They paid daily instalments and he made an overall profit. He reported with a clear sense of pride that one of these friends now owns three motorbikes, and another takes him to lunch saying, “You made me be what I am”. In this way, John used his funds to ‘uplift’ his needy friends, thereby building his relationships with them and opening new routes to future reciprocity.

However, this is not to say that interpersonal exchanges are necessarily problem-free, whether given for emergencies or other reasons. As one man put it, pointing out the fine line between borrowing and being asked to assist in the case of need, “If it’s requesting without paying back, it’s ok because you will forget, but if it’s lending, it might not work as it can kill our relationship ... It’s like a promise that is not fulfilled. Even the desire to help dies”.

This research, therefore, reveals how reciprocal resource exchange builds relationships, mutual support, reciprocity, and improvement, and that it is not motivated by a heavily instrumental view of reciprocity. These dynamics create social value and we argue that it is when financial services are able to catalyse or create the social value that they are most likely to find adoption.

This blog is the product of a research undertaken for FSD Kenya. Click [here](#) to see the related research findings.



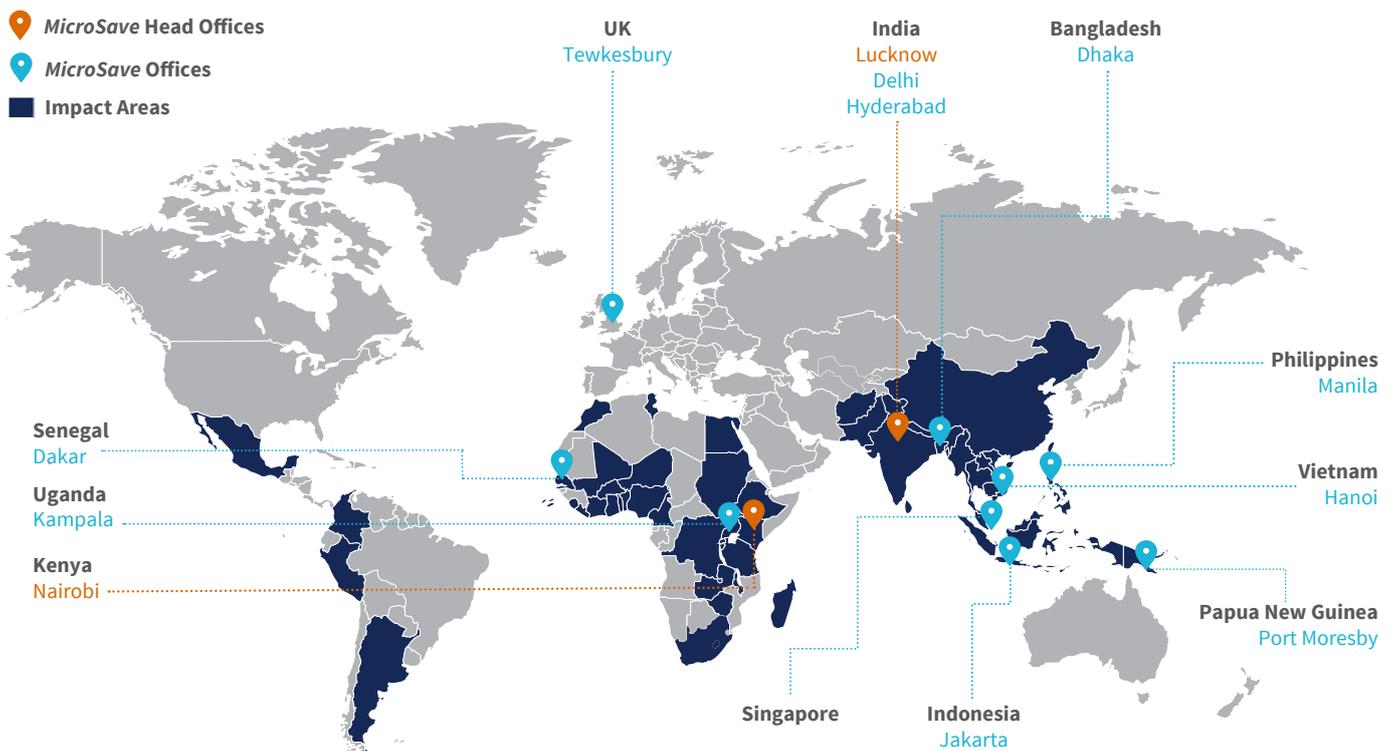
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Susan Johnson is a Senior Lecturer in International Development at the University of Bath and Director of the Centre for Development Studies. She has a background in Economics and Agricultural Economics and worked in development organisations for eight years before joining academia. Susan has researched and written extensively in the field of microfinance expanding the analysis in this field to the institutional analysis of local financial markets, in particular examining their social embeddedness.

Susan has undertaken extensive research into microfinance and financial access, particularly focussed on its gender dimensions, the role of informal financial services, and the impact of interventions on poverty. She has worked on a number of major impact assessment studies for DFID and the Ford Foundation, and undertaken research on financial access and the development of decentralised financial systems with the Financial Sector Deepening Trust in Kenya.

About *MicroSave*

MicroSave is an international financial inclusion consulting firm with nearly 20 years of experience, operating in eleven offices across Asia and Africa. Our mission is to strengthen the capacity of institutions to deliver market-led, scalable financial services for all. We guide policy, provide customised strategic advice and on the ground implementation support.



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