



Why Banks in Kenya are failing Gen Z

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Executive Summary

The Kenyan banking sector is facing a pressing need to adapt its services to meet the expectations of Generation Z, a demographic increasingly influential in the consumer market with a preference for digital-first financial services. Traditional revenue models, heavily reliant on lending and non-interest income, are misaligned with Gen Z's retail banking activities, highlighting a gap in meeting this generation's needs. Despite healthy returns on equity, traditional banks are challenged to translate this success into value for younger customers seeking more from their financial institutions. The rise of fintech companies and alternative service providers, offering technology-driven and ethically aligned services, puts additional pressure on banks to innovate.

To remain competitive, Kenyan banks are offering savings accounts with features like competitive interest rates, digital banking capabilities, and convenience to attract young adults. However, Gen Z's engagement with financial services extends beyond traditional banking, with a preference for mobile money solutions and a notable engagement in personal loans, insurance, and investment products. This indicates a demand for financial services that are not only accessible and user-friendly but also supportive of their broader financial goals and values. Banks aiming to attract and retain Gen Z customers must prioritize digital innovation, align with their ethical standards, and foster a supportive, relationship-focused banking experience.

Problem Statement

The Kenyan banking sector faces a significant challenge: aligning their business models with the expectations of Gen Z, a demographic set to dominate the consumer market in the coming decade. Evidence of this pressing issue is seen in the banks' revenue streams, where a substantial portion stems from lending activities and non-interest income, such as trade financing and forex trading and a relatively small fraction is derived from the retail segment

– precisely where Gen Z's financial activities are concentrated.

As this generation comes of age, their digital-first lifestyle, and unique financial needs are not being adequately met by traditional banking products.

Additionally, while Kenyan banks may report satisfactory returns on equity, this profitability does not necessarily translate to the financial betterment of their customers, especially the younger ones who are now seeking more from their financial partners. The urgency for adaptation becomes clearer when considering the next ten years. Banks are preparing to serve a generation that doesn't just want banks to hold their money, but to act as partners in achieving their financial goals. This is a generation that evaluates their banking experience through the prism of their everyday digital interactions. The conventional banking model, which has not fully embraced the digital and customer-centric approach that Gen Z favours, is at risk of falling behind.

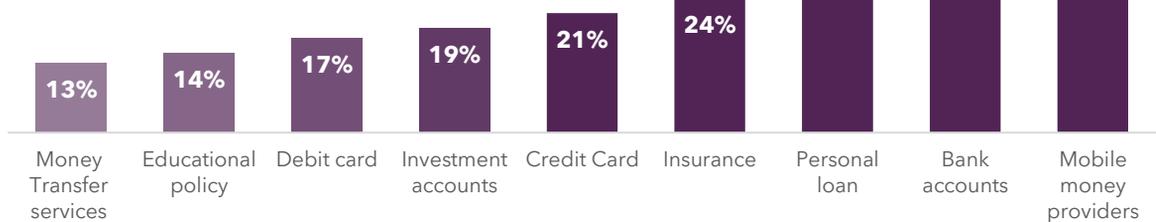
In the face of this reality, Kenyan banks must acknowledge their competition, which is already capitalizing on the Gen Z wave. Fintech companies and alternative financial service providers are outpacing traditional banks by offering services that are not only technologically advanced but also aligned with the financial literacy and ethical standards valued by Gen Z. These competitors are setting new benchmarks in customer satisfaction and engagement, which banks must meet or exceed if they are to retain their market share and remain relevant in the evolving financial ecosystem.

For Kenyan banks to stay competitive and secure their position in the future financial landscape, a transformative approach is essential. Banks must innovate and pivot, not incrementally but radically, to address the unique preferences of Gen Z—preferences. Banks that can align with the values and digital fluency of Gen Z will position themselves for enduring success in an era marked by changes in consumer behaviour.

What do Kenyan Banks offer?

In Kenya, several banks offer a variety of savings accounts that cater to the needs of the youth, emphasizing convenience, competitive interest rates, and digital banking capabilities. While specific youth-targeted accounts are not detailed, general savings accounts accessible to the young adult population provide insight into what you might expect.

Stanbic Bank Kenya offers a savings account that aligns with the needs of young adults by providing impressive rates on balances above KSh 5,000, a personal loan of up to 80% of your savings balance, and pre-approved advances up to the same amount. This account requires a minimum opening balance of KSh 5,000 but does not have a monthly fee. It offers internet access to the account, a free over-the-counter withdrawal per month, and the ability to link to a PureSave account with a free inter-account standing order. The Cooperative Bank Savings Account is noted for its affordability, requiring no minimum opening balance, operating balance, or maintenance fees. Interest is calculated daily on the credit balance and paid quarterly, with one withdrawal permitted per quarter. Equity Bank's EazzySave Account offers a straightforward and accessible option, with reasonable interest rates and no minimum balance requirements. Equity Bank is known for its widespread presence across the country, which can be a significant advantage for accessibility.



Q. Here is a list of different financial services from financial institutions. Which of the following products or services if any, do you PERSONALLY have or make use of?

These accounts reflect a broader trend in the Kenyan banking industry towards embracing digital banking, improving accessibility, and providing flexible solutions for savers. Banks are increasingly focusing on digital platforms, such as mobile apps and internet banking, to cater to the tech-savvy youth demographic, offering a range of services from simple savings accounts to loans and investment options.

But what products do Gen Z in Kenya use?

Kasi Insight's Banking in Kenya - Brand Intelligence Tracker paints a vivid picture of the financial preferences of Gen Z in Kenya, favoring the agility and accessibility of mobile money providers, as evidenced by a striking 70% adoption rate. This preference underscores the demographic's alignment with digital solutions that streamline their financial transactions. Traditional banking still holds sway, with a majority of 56% having bank accounts, signaling a balanced blend between conventional and modern financial practices.

The tracker brings to light the significant reliance on personal loans, with 36% of Gen Zers taking them on, suggesting a scenario where young Kenyans are leveraging credit to support themselves, whether for educational purposes, starting businesses, or other personal needs. This indicates not only a familiarity with financial products but also a proactive approach to managing their financial aspirations and obligations. Insurance uptake, at 24%, suggests a budding consciousness among Gen Z about the importance of safeguarding against potential risks.

The parallel usage of credit cards and investment accounts by roughly one-fifth of this demographic points to an emerging trend in financial literacy and investment-mindedness, further underpinned by the digital revolution in commerce and personal finance management. The more modest utilization of debit cards, at 17%, may well be a direct result of the predominance of mobile money solutions.

What does financial freedom mean to them?

For Gen Z, financial freedom primarily means having no debt, suggesting a strong aversion to financial burdens and a desire for unencumbered financial flexibility. This is followed closely by feeling in control of their finances, indicating a high value placed on personal agency and autonomy over their economic lives. Being confident in covering any unexpected expenses ranks third, which shows a focus on financial security and preparedness. Their fourth value is not worrying about when their payday is, reflecting an aspiration for a financial cushion substantial enough to mitigate the typical paycheck-to-paycheck concerns. Finally, being able to save some money each month completes their top five, pointing to a forward-looking mindset and an understanding of the importance of savings.

However, they differ in the emphasis on having no debt, which Gen X does not prioritize as highly, and Millennials rank at sixth place, possibly because they are at different life stages where they may have accepted some level of debt as part of their financial landscape.

These contrasting views reveal that while some aspects of financial freedom are universally valued, there are distinct generational perspectives shaped by different economic conditions, life stages, and personal values. Gen Z's outlook appears to be more focused on the present and immediate future, favoring flexibility and financial agility over traditional milestones like homeownership.

Financial freedom meaning	Overall	Female	Male	Gen X	Millennials	Gen Z
Owning my own house / paying off my mortgage	1	1	1	1	1	5
Feeling in control of my finances	2	2	2	2	2	2
Having no debt	3	3	5	3	6	1
Being confident that I can cover any unexpected expenses	4	4	3	4	3	3
Being able to save some money each month	5	5	3	4	5	6
Having some disposable income available at the end of the month	6	6	5	9	4	7
Not worrying about when my payday is	7	6	7	4	7	4
Paying for things without having to check my bank balance first	8	9	9	10	8	7
Paying off all bills in full each month	9	8	10	4	10	10
Having some savings to cover the cost of any emergencies	10	10	8	8	8	9
Having the choice to stop working full-time	11	11	11	11	11	11



Source: Kasi Banking in Kenya - Financial Freedom survey

Q. When choosing a bank to open up different types of accounts, which of the following factors do you consider?

In comparison, other age groups such as Gen X and Millennials prioritize homeownership more highly, placing it as the number one definition of financial freedom. This difference may reflect generational attitudes towards property ownership, with the older groups viewing it as a critical aspect of financial security and success. Moreover, both Gen X and Millennials align with Gen Z in valuing the feeling of control over finances and being able to cover unexpected expenses, which are consistent across all age groups.

What do they consider when choosing financial partners?

Gen Z's top priorities for financial services highlight a mix of accessibility, usability, and relational factors. They place the highest importance on having a wide network of agents and branches, indicating a preference for accessibility and the ability to interact with their financial service providers in various locations. This is followed closely by the ease of use of products and services, showing that for Gen Z, intuitive design and user experience are key determinants in their choice of financial service providers.

Good data security and privacy rank high on their list as well, which underscores the value they place on personal information protection in an era where digital footprints are extensive. Helping customers achieve their goals is also a priority, suggesting that Gen Z looks for financial services that not only meet their immediate needs but also support their long-term aspirations. Lastly, they emphasize the importance of being treated with care and respect, pointing to a desire for a positive and empathetic customer service experience.

These preferences paint a picture of a generation that seeks a harmonious blend of practicality and personal interaction. Gen Z wants financial service providers that are not only physically accessible and easy to use but also protective of their data, supportive of their ambitions, and considerate in their customer relations. This contrasts with older generations, who may weigh these factors differently, potentially placing more emphasis on customer service. Gen Z's approach combines the best of technology with a strong human element, showing they do not see the two as mutually exclusive but as complementary facets of a quality service.

Factors considered	Overall	Female	Male	Gen X	Millennials	Gen Z
Wide network of agents or branches	1	1	1	2	1	1
Its products and services are easy to use	2	4	2	4	3	2
Help customers achieve their goals	3	2	3	1	2	4
Have the best customer service	4	3	4	3	4	6
Have good data security and privacy	5	5	5	5	5	3
Treats customers with care and respect	6	6	6	7	6	5
Have everything on one platform	7	7	7	7	7	8
Are more affordable than others	8	8	8	6	9	6
Is more trustworthy than others	9	9	10	11	8	11
Reward your loyalty	10	10	11	9	11	12
Offer the most convenience	11	11	9	12	10	10
Excellent at what they do	12	12	12	9	12	9



Source: Kasi Banking in Kenya – Brand Intelligence survey

Q: When choosing a bank to open different types of accounts, which of the following factors do you consider?

Conclusion

Kenyan banks are facing a defining challenge in their attempts to serve Generation Z, a demographic that is not only redefining the essence of customer engagement but also reshaping expectations for financial services. Gen Z's predilection for a seamless, digital-first banking experience, coupled with their unique financial behaviors, is not entirely being met by the current banking landscape. Their high adoption of mobile money services and the significant uptake of personal loans point to their preference for agile, tech-driven solutions that offer support and growth for their distinctive financial journey, yet banks seem to be trailing in providing the tailored, ethical, and digitally sophisticated services Gen Z demands. The data paints a stark picture: Gen Z in Kenya is seeking financial partners that provide not just a service, but a relationship – one that offers accessibility, data security, and tools for financial empowerment. Their definition of financial freedom strays from the conventional path of asset acquisition to a more flexible approach centered around debt-free living and financial self-efficacy. This generational shift is a call to action for banks; to not only reassess and innovate their product offerings and customer engagement strategies but also to align their operational ethos with the values of transparency, sustainability, and ethical practices that Gen Z holds in high regard.

As banks continue to navigate the evolving financial landscape, they must recognize that failing to adapt to the needs and values of Gen Z could mean missing out on engaging with a powerful and transformative consumer base. The future of banking in Kenya hinges on its ability to be forward-thinking, digitally adept, and socially conscious, aligning with the very traits that define Generation Z.

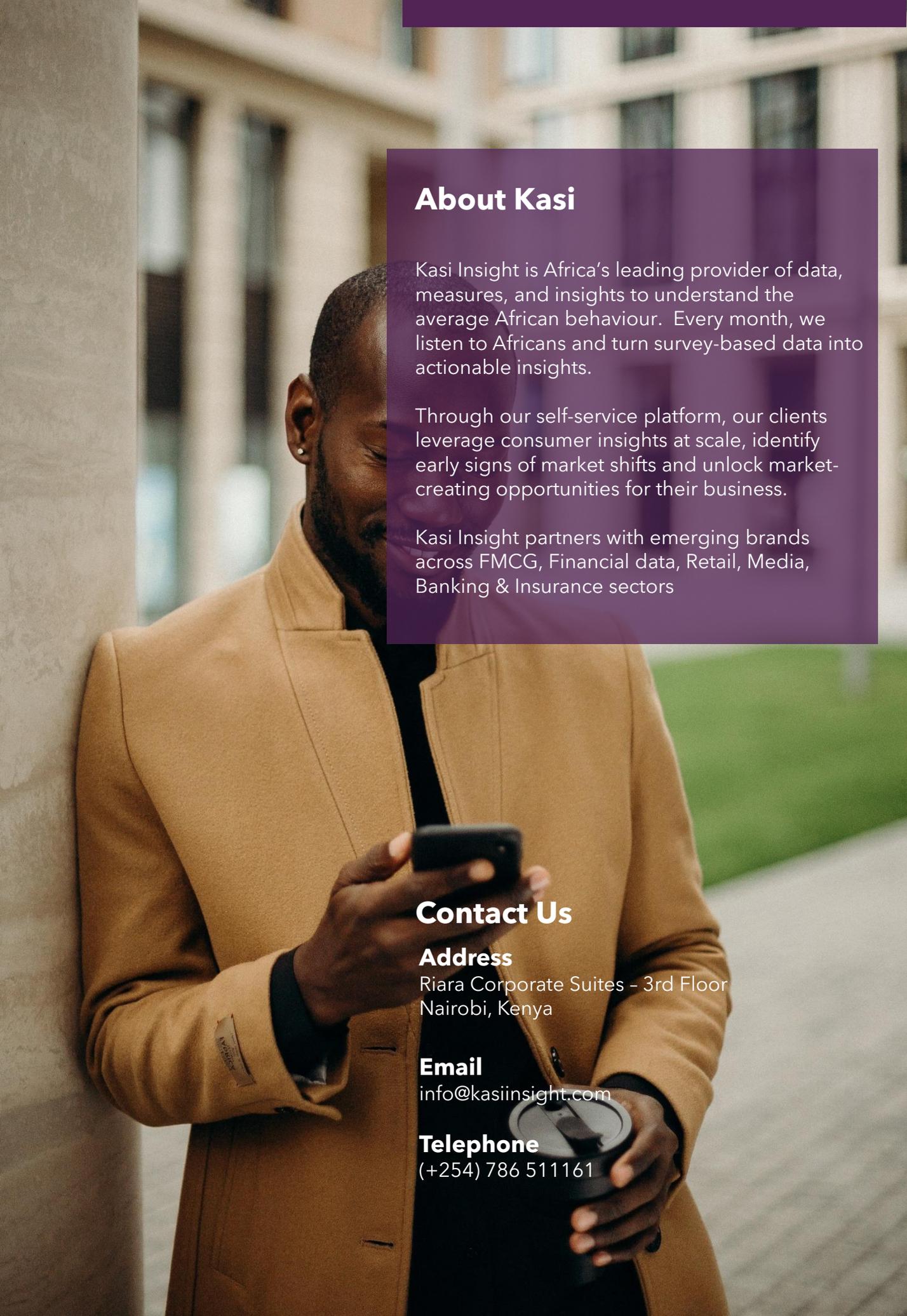
About the platform

The Kasi Insight Decision Intelligence platform is a robust framework developed by Kasi Insight to help decision makers unlock trends and insights at scale. We fuse exclusive real-time data with applied AI to decode African opinions, actions, and the future.

With our cutting-edge platform, we tap into 609 million African voices, conducting 12,000+ monthly interviews across 21+ major economies, crafting tailored projects spanning every corner of the continent. Results for the survey are based on online/desktop questionnaires conducted under the direction of our team in Canada and Africa. More details about our survey methodology and sample designs are available on our website.

This whitepaper is leveraging data collected in March 2022 and April 2023, two datasets (Banking - Brand Intelligence and Financial Freedom)

For more information on the survey methodology for this report, contact us.

A man in a tan jacket is looking at his phone. He is standing outdoors, leaning against a wall. The background shows a building with windows and a green lawn.

About Kasi

Kasi Insight is Africa's leading provider of data, measures, and insights to understand the average African behaviour. Every month, we listen to Africans and turn survey-based data into actionable insights.

Through our self-service platform, our clients leverage consumer insights at scale, identify early signs of market shifts and unlock market-creating opportunities for their business.

Kasi Insight partners with emerging brands across FMCG, Financial data, Retail, Media, Banking & Insurance sectors

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