Contents

- Acronyms & Report Context
- Executive Summary & Market Overview
- Digital Lending Market Overview
- Research Methodology & Demographics
- Survey Findings
- Conclusion and Key Takeaways
Acronyms

- DLP – Digital Lending Platform
- CATI - Computer Aided Telephone Interviews
- FinTech – Financial Technology
- CRB – Credit Reference Bureau
- SHG – Self Help Group
Context of the Report

While fintech has done much to drive adoption of financial services by making them cheaper and easier to access, the last mile of financial inclusion can only be travelled if we build businesses that reflect the populations and challenge the problems faced by citizens on the ground.

The 2021 Global Fintech Rankings

While in Kenya formal financial inclusion has risen to 82.9 percent, up from 26.7 percent in 2006, many Kenyans rarely use their bank accounts on a day-to-day basis. For many households, smaller and micro scale businesses and farmers mobile phones are their key financial platform solving day-to-day problems with a considerable reliance on the use of informal financial channels.

A 2019 FinAccess Report

Kenya has become a hotbed of fintech proliferation by using inexpensive, accessible tech (following the accelerated mobile phones adoption in the millennial era). The breakout success of Kenya’s fintech companies hinges, in great part, on their ability to combine trusted and emerging brands. Financial literacy has been enhanced by emerging fintech in the Kenyan space. These are lessons that can be picked by other countries.

Executive Summary

- In every one hundred Kenyans we polled, 55 had acquired loans from the digital lending applications at least.

- Majority of the digital lending platform users are in Urban settings; **66% of urban dwellers** are subscribed to these services. Rural settings dwellers account for **34%**.

- **59% of Men** respondents have used digital lending platforms: most men have multiple digital credit providers, whereas women are more loyal to a single brand.

- Most users of digital credit subscribers are aged between **30-34 years**, constituting for 26% and 22% of male and female beneficiaries, respectively.

- Most Kenyans prefer digital lending platforms due to **convenience, easy access and fast loan remittance** (less hassle in loan acquisition).

- **92%** of Kenyans don’t see interest rates charged by digital lenders as a factor, while **8%** of Kenyans consider the interests charged as a factor when borrowing.
Market Overview

- According to a report by FSD Kenya, the country has experienced an explosive growth in digital credit services since the launch of M-Shwari in 2012.

- From the FSD Kenya report, there are a total of 49 digital credit providers operating in the Kenyan market space. M-Shwari accounts for 29% of the local market share, followed by KCB M-Pesa at 12%, then Equity Eazzy, Tala and MCo-op Cash at 4%, 1.8% and 1.3% respectively.

- Digital credit services have improved access to loans and helped bridge the gap between Kenyans who have formal bank accounts and those without or whose incomes are not stable enough to borrow from formal financial institutions.

- According to FSD Kenya, 35% of Kenyan digital borrowers use digital credit to meet day-to-day household needs while 37% borrow for business reasons.

- Digital lending apps usage in Kenya majorly depends on how convenient and easy to use the app is and loan disbursement period.
RESEARCH METHODOLOGY & DEMOGRAPHICS
To assess the uptake of digital credit services in Kenya, Reelanalytics conducted representative a survey across eight counties of Nairobi, Mombasa, Nakuru, Kisumu, Nyeri, Meru, Eldoret and Embu.

Data collection was done between 3rd – 22nd of June 2021 via Computer Aided Telephone Interviews (CATI) among 1,000 Kenyans using a systematic random sampling technique.

The survey was done at 95% confidence level and ±3.1% margin of error.
**Study Demographics**

**Gender**
- Male, 59%
- Female...

**Setting**
- Urban, 66%
- Rural, 34%

**Occupation**
- Self employed: 49%
- Employed/working in the informal sector: 13%
- Employed/working in the formal sector: 12%
- Unemployed (did not work in the past 12 months): 11%
- Unemployed (worked in the past 12 months): 8%
- Students (Still in school): 3%
- Others: 4%

**Education Level**
- Did not attend School: 5%
- Some Primary: 12%
- Completed Primary: 14%
- Some Secondary: 11%
- Completed Secondary: 30%
- Some College/University: 7%
- Completed College/University: 21%

*Base: 1,000 Respondents*
SURVEY FINDINGS
Men experiment with multiple digital credit providers, whereas women are more loyal to a single brand.

Women are more concerned about loan defaulting and their consequences, unlike men.

FSD Kenya 2021 report on digital economy showed female headed startups accounted for 20% of the Venture Capital equity funded deals in Kenya in 2020, substantially more than the African average of 13%.
Loan Acquisition by Occupation

Digital credit uptake is highest among Kenyans employed in formal sector; this is mainly attributed to repayment surety based on a regular monthly salary.
Urban residents are the most active borrowers on digital lending platforms, which is attributed to awareness about these platforms and also their repayment capability.

Uptake of DLP services is highest in major towns i.e. Nairobi, Mombasa and Nakuru.

48% of residents in rural areas have borrowed from a digital lending app; mostly boda boda’s, farmers, mama mboga and retailers.
M-Shwari is the most popular digital lending platform, influenced by its connection to the leading mobile service provider in the country (Safaricom) and also longevity in the local marketspace (it was the first mobile lending platform to be launched in the country.)
Majority of DLP borrowers have at one time in life used M-Shwari platform.

**M-Shwari:** 39% of subscribers are attracted to this platform due to instant availability of loans on their M-Pesa and 16% said it is user friendly and doesn’t require any app or internet.

**Fuliza:** 55% prefer it because of the instant availability of its overdraft facility.

**KCB-Mpesa:** Diversified reasons for using the platform including instant loan availability (29%), favourable interest rates/pricing (15%), friendly customer care.

**Tala:** 37% of users cited instant availability of loans and 22% cite user-friendliness of the app.

**Branch:** User friendly app as well as the platform’s low interest rates.

**Zenka:** 35% say it has superior customer care and advertising.
Top DLP Usage by Career Group

All top DLP popularity and usage is highest among self employed Kenyans between 30-34 yrs.
Most of the DLPs gained or maintained subscription in the past three months.
Motivating Factors to get loans from Digital Lending Platforms in Kenya

➢ Majority of Kenyans prefer digital lending platforms due to their convenience and easy access of loans compared to acquisition of loans from other credit service providers such as banks, saccos among others.

➢ Another factor that contributes to increasing uptake of digital credit is the instant availability and fast disbursement of loans compared to other sources.

➢ 12% of the respondents said low interest rates charged by some of the digital credit providers is their motivating factor to the continued usage of these platforms.
Customer satisfaction with Digital Lending Apps

Majority of subscribers are satisfied with the services offered to them by digital credit providers; 62% are satisfied while 14% are dissatisfied.

Dissatisfaction among most of these borrowers is linked to failure to extend repayment period and low loan limits.

Majority of the persons who said they were satisfied are loyal to a single DLP which addresses all their needs conveniently and effectively i.e. fast disbursement of loans.

<table>
<thead>
<tr>
<th>Category</th>
<th>Very Satisfied</th>
<th>Satisfied</th>
<th>Neutral</th>
<th>Dissatisfied</th>
<th>Very Dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>25%</td>
<td>37%</td>
<td>24%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Self employed</td>
<td>27%</td>
<td>37%</td>
<td>21%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Employed in formal sector</td>
<td>28%</td>
<td>27%</td>
<td>33%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Employed in informal sector</td>
<td>22%</td>
<td>37%</td>
<td>25%</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>Unemployed/ worked in the past 12 months</td>
<td>15%</td>
<td>50%</td>
<td>20%</td>
<td>13%</td>
<td>2%</td>
</tr>
<tr>
<td>Unemployed/ did not work in the past 12 months</td>
<td>17%</td>
<td>45%</td>
<td>21%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Students /Still in school</td>
<td>25%</td>
<td>42%</td>
<td>21%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Others</td>
<td>28%</td>
<td>36%</td>
<td>16%</td>
<td>12%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Satisfaction score (out of 5)

- Overall 3.7
- Self employed 3.7
- Employed in formal sector 3.6
- Employed in informal sector 3.6
- Unemployed/ worked in the past 12 months 3.6
- Unemployed/ did not work in the past 12 months 3.5
- Students /Still in school 3.7
- Others 3.4
There is a significant share of the respondents that see use of social capital, such as borrowing from micro-savings groups (chama), as their prime alternative to borrowing from digital platforms.

10% of the respondents had borrowed from banks as an alternative; majority of these persons are in formal employment.

Bank borrowing had a significant positive correlation with education attainment (respondents with higher educational attainments picked it as alternative to digital borrowing).

Base: 453 Respondents
Reasons for not Borrowing from DLP

- **Lack of awareness about DLPs**: 24%
- **Not interested in DLP loans**: 23%
- **Fear of being harrassed by the lender**: 12%
- **Inability to repay**: 9%
- **High Interest rates**: 8%
- **Don't need loans**: 6%
- **Don't like DLP**: 2%
- **Others**: 18%

**Base: 453 Respondents**

- Majority of Kenyans who have not acquired loans from DLP (24%), is mainly because they lack knowledge about these platforms/services.
- 23% of the persons said they were not interested in acquiring loans from these platforms.
- 11% have not acquired loans because they are concerned about lenders’ collection processes and threats of being listed at CRB.
- 8% said their main reason for not taking digital credit is because of high interest charged by some of the lenders, compared to saccos and SHG.
Almost 70% of digital lending platform users are likely to continue using the platforms. Persons aged above 65 years are the most definitely likely to continue using DLPs, while persons aged between 35-39 years are likely not sure if to continue using the DLPs.
CONCLUSION AND KEY TAKEAWAYS
A key factor to digital lending affinity is the instant access to credit. This is a key enabler to MSMEs who need quick turn-around to succeed in business.

Digital lenders have been a force to reckon with in the finance industry, and traditional commercial banks have been on the receiving end. With the Banks’ financial muscles, they have redesigned their services to include digital banking (and lending) to rebuff the emerging financial trends.

Higher loan limits attract consumers since more users of digital loans tend to use these loans for business-related funding.

Cost of loans is a key factor to digital lending platforms subscription. The cost of digital loans is influenced by transaction fees and interest rates. Therefore, reasonable interest rates would enhance platform-proliferation from a competitive advantage perspective.

Digital lenders can ensure counter-play by ensuring higher loan accessibility and limits, already having the advantage of convenience and limited paperwork. Also, digital lenders can opt to go beyond surface digital lending to other unexcavated ventures in the Kenyan financial space.

A majority (over 60%) of customers are satisfied with the services of digital lenders and that there really aren’t strong formal alternatives to digital lenders.

A majority of the respondents who have deferred payment of digital loans gave reasons related to loss of (or low) income after borrowing the loans and strict repayment timelines. Flexibility in handling compliant loanees is ideal to encourage loan repayment. Further, by-bit repayment of loans should be considered by digital lenders.

Digital lenders should ensure USSD service presence for their loan facilities to enhance accessibility ease for those who lack smartphones.
ReelAnalytics is a marketing & media intelligence company that seeks to empower brand owners by helping them to understand people and markets, so that they can develop and execute effective media, marketing and communication strategies.

With a presence in East Africa, ReelAnalytics provides clients with value-added information built on insights, recommendations and actionable truth in Market research, Media intelligence and Business intelligence.

Visit our website www.reelanalytics.net for more information.

Contact Us:

4th Floor, Rhapta Heights,
Rhapta Road, Westlands, Nairobi.
Tel: +254 020 2300167/ 0793 404 976
Email: info@reelanalytics.net
Website: www.reelanalytics.net