

# law to rein in digital lenders

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## Increasing mobile loans uptake good for country, experts say

BY JOHN MUTUA

jmutua@ke.nationmedia.com

Increased mobile loans uptake is expected to boost the country's economic growth this year, economic experts have predicted citing mounting interest among borrowers.

Kenya's monetary value or Gross Domestic Product (GDP) is predicted to grow by six per cent this year according to the latest figures by African Development Bank (AfDB) — and part of that expansion is projected to be influenced by the rise of mobile loan takers.

Figures from the Credit Reference Bureau Kenya (CRB) show that as of March 2019, there were over 19 million mobile loan borrowers with 40 per cent of this number having credit from at least six out of 10 lenders.

That figure has the potential to swell this year, according to Mr George Abwajo, an economist and chief executive of GulfHub, a trade and financial data company.

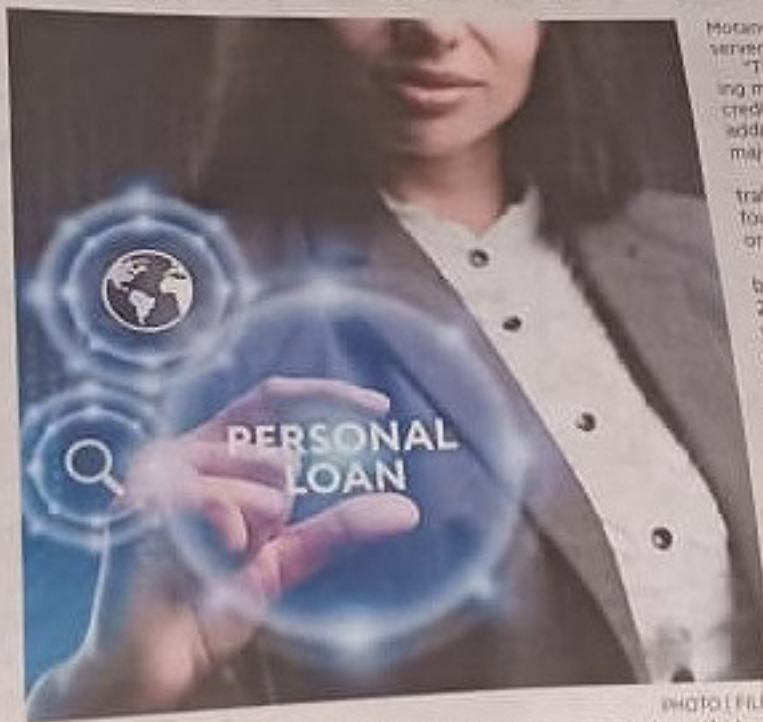
He believes the underserved informal sector such as jua kali, coupled with regulatory reforms, will play a key role in the sector's growth with a ripple effect on the country's economic growth.

"There has been serious push to bring sanity to the mobile lending industry through the formation of Digital Lenders Association of Kenya (DLAK) which is a welcome addition to recent efforts to achieve financial inclusion in Kenya to reach the underserved informal sector," Mr Abwajo said.

That increase is being attributed to introduction of a credit reference bureau regime in the country.

The number of mobile borrowers has increased from five million eight years ago to over 19 million besides a rise in the number of small and medium enterprises (SMEs) who are key beneficiaries of mobile loans.

Kenyan-based mobile money lender Zenka chief executive Duncan



Mutua says mobile loans continue to make a difference to the underserved and believes that this trend is likely to carry on.

"These lending institutions have helped in bridging the gap in offering much-needed credit to small business people who could not access credit because they lacked the credit score or banking history," he says, adding that mobile lending apps will continue to provide a route to majority of small traders.

The 2019 FinAccess Household Survey in collaboration with the Central Bank of Kenya, Kenyan National Bureau of Statistics and FSD Kenya, found that 82.9 per cent of the adult population has access to at least one financial product.

A survey by the Central Bank of Kenya on economic activity by banks and non-bank private sector companies in the last quarter of 2019, shows strong expectations of increased economic activity this year driven by loan growth and deposit mobilisation by banks, implementation of business budgets by bank customers and activities around the government's Big 4 Agenda 1.

This is expected to provide investment opportunities in manufacturing, housing, agriculture and healthcare.

The anticipated long rains and expected disbursement of funds to suppliers by county and national governments and the private sector are also a plus.

Over the last few years, the advent of Kenyan fintech with regards to digital lending, has been a game changer for the SMEs. However, Mr Macharia says that a huge chunk of the market with opportunity for digital lending is still untapped and could attract more players with both local and foreign presence.

A study on SMEs Competitiveness Report 2019 by the International Trade Centre, Ministry of Trade and Kenya National Chamber of Commerce and Industry (KNCCI) released in September last year shows that 33 per cent small traders avoid commercial bank loans despite their need for credit.

PHOTO FILE  
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