DigitalBusiness

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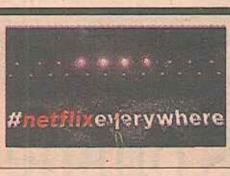

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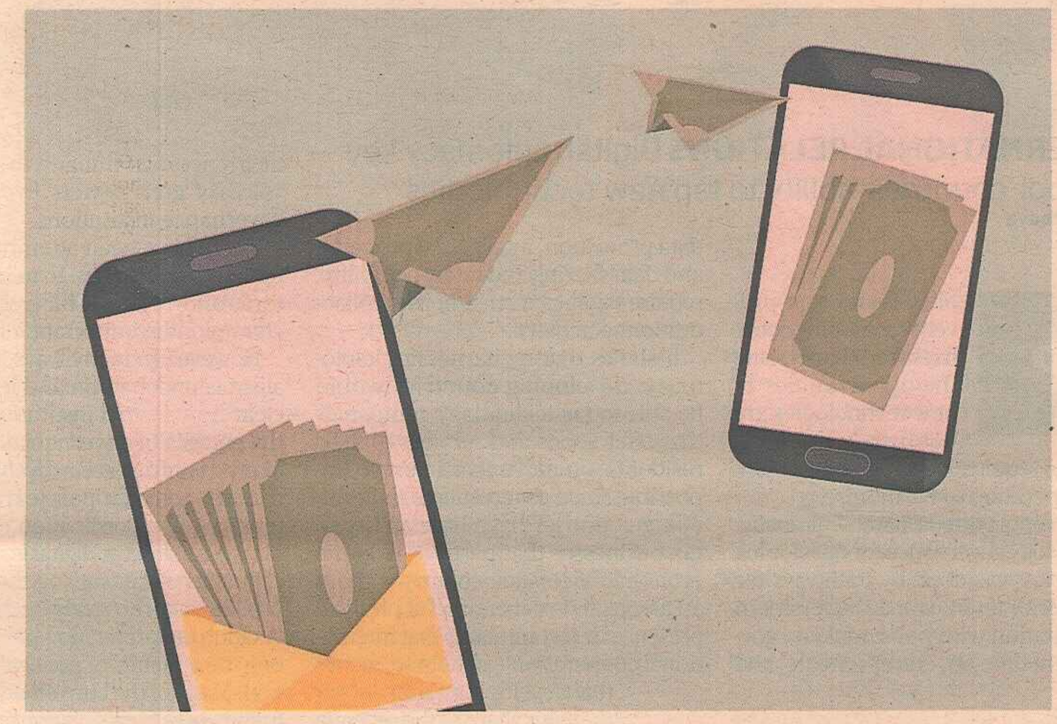
Mobile-based loans now ahead of saccos, friends



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Mobile phone loans have overtaken Saccos, family and friends to become the largest source of loans for Kenyans, reflecting the wider accessibility and reach of digital credit for borrowers in the county.

The findings of the survey released yesterday by the Digital Lenders Association of Kenya (DLAK), which was established this year, showed that in Kenya 77 per cent of borrowers rely on the mobile phone loans rather than family and friends when they need cash.

About 12.4 per cent of borrowers usually go for credit from both digital lenders such as Tala, Branch and OKash as well as from friends, family and relatives.

The report however shows that 10.2 per cent of Kenyans prefer to borrow loans from friends as well as family members.

The survey shows that the popularity of mobile loans has grown from 41.5 per cent in 2014 to 91.2 per cent in 2018.

"Customers are looking for most convenient and user friendly access to credit. Often the opportunity cost of delayed access is too high for customers," said DLAK chairperson Robert Masinde in a phone interview with the *Business Daily* yesterday.

According to the survey, the proportion of persons borrowing from friends has dropped from 58.5 percent in 2014 to 8.8 percent last year.

This could also suggest that Kenyans are moving from informal methods of borrowing to more formal ones since mobile phone loans are supported by banks and other lending institutions such as Saccos.

Apps such as Tala Kenya, Branch International and the Opera Group-owned OKash have also increased access to digital loans.

The growing demand for the instant low-value unsecured mobile loans has increasingly seen firms venture into the mobile micro-lending segment, which is largely not regulated.

In the first five months of the year, mobile deals stood at Sh1.79 trillion from Sh1.60 trillion a year ago.

Interestingly, although Kenyans go for mobile loans, they still prefer to transact in cash.

"The benefits of timely availability of credit makes all the difference when clients chose the mobile channels over other options," said Mr Masinde.

Digital Lenders Association of Kenya chairman Robert Masinde. -COURTESY

The report further indicated that despite more Kenyans going for digital loans, some of the credit are till non-performing.

The survey finds that approximately 16 per cent of the total digital loans borrowed between 2016 and 2018 are non-performing.

The report indicates that even though the overall non-performing rate is 16 per cent, it is encouraging to note the decreasing trend for non-performing loans, year-on-year from 2016 to 2018.

For instance, there has been a considerable 15 per drop largely due to significant portfolio performance improvements at mobile network operator-facilitated banks.

"This could be due to validation of the theory that over time digital loan performance will improve as customers 'test and learn' and over time digital loans are also increasingly valued, which in turn motivates good repayment behaviour," says the report.

From the survey, an analysis at the borrower level reveals that 38 percent of digital borrowers have at least one non-performing loan.

Banks and fintechs record a higher number of borrowers who default on their digital loans compared to the other two provider categories. "This could be due to the prevalent practice of debt cycling and loan stacking by their borrowers due to relative ease and speed of loan approvals," says the report.

Borrowers, most of whom are unable to access loans from mainstream banks, are normally attracted to the digital lenders who demand relatively less documentation and are quick to disburse the cash.

The lenders have tapped into a market that has become more lucrative than mainstream banking where lending rates are capped by law at 13 percent.

Their entry was in response to a rise in demand for quick loans and the freeze in commercial bank lending to individuals and small business that followed the 2016 capping of interest rates.

REVIEWS

GOOGLE ROLLS OUT 3 NEW PRODUCTS IN KENYA

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Google Kenya on Wednesday launched three new gadgets.

The products include user-generated Street View, Bolo, Gallery Go and Grow with Google.

Google Maps Street View manager, Stafford Marquardt, said the user-generated Street View will help businesses get added to Google Maps and attract new customers locally and from around the world.

"Street View uses actual photos uploaded by Kenyans and local guides to create a 3D panorama of a specific place," Mr Marquardt said.

He added that close to 50,000 kms of Street View have been mapped across Kenya, and nearly 36,000 businesses added to Google Maps for the first time.

Beside Street View, the company also launched Bolo, a speech-based reading app that helps children learn how to read in English.

Michael Murungi, Government Affairs and Public Policy Google East Africa manager, said with teacher-to-pupil ratio in Kenya's public primary schools standing at one to over 50, Bolo works as a personalised tutor for children to help improve their reading capabilities offline.

"It uses Google's existing speech recognition and text-to-speech technology that power the Google Assistant. It is already available in India and Nigeria," Mr Murungi said.