



Viffa Consult



2,020



Kenya SME

MOBILE CREDIT FINANCE

2020

Access to finance remains the top challenge Kenyan SMEs face with current financing mix including family and friends, chama, SACCO, savings, retained profit, Banks.

The introduction in 2016 of interest rate cap coupled with the success of Mpesa saw the rise of Fintech offering access to credit riding on mobile phone platform.

Digital credit in Kenya manifest as follows; mobile phone apps, payroll credit, digital money wallets not to mention offerings by financial institutions, savings and credit cooperative (SACCOs).

Credit score and loan amount to be advanced in most case is determined based on customer data such as mobile money transaction history, call and SMS records and social media data among others.

Viffa is conducted its second edition study on the adoption of mobile credit by SMEs with the overall aim of exploring the impact of such financing on the SMEs especially in light of Covid-19.

The objectives of the study was :establish credit or financing mix by SMEs, establish mobile credit usage behavior and factors affecting usage of mobile credit in Kenya.

Study Methodology

The survey study was conducted between 24-26th August 2020 targeting SMEs in Nairobi, Kisumu, Homa Bay, Kajiado, Machakos, Nakuru, Kiambu and Mombasa counties.

A stratified random sampling procedure was used for selecting the participants in this study. This technique was employed to ensure a fairly equal representation of key economic sectors. The stratification was based on economic sectors while selection of SMEs within each sector was simple random sampling

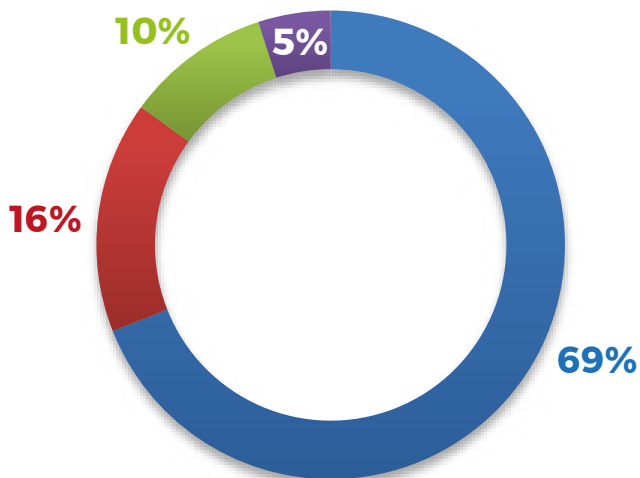
Sample size was 158.

Data collection was conducted using online survey as well as telephone interviews.

Survey Results

1 - Half Year Revenue Performance (Jan-June 2020)

Half Year Revenue Performance
(Ending June 2020)



0-500,000 Ksh

500,001 - 1 M Ksh

1 M - 5 M Ksh

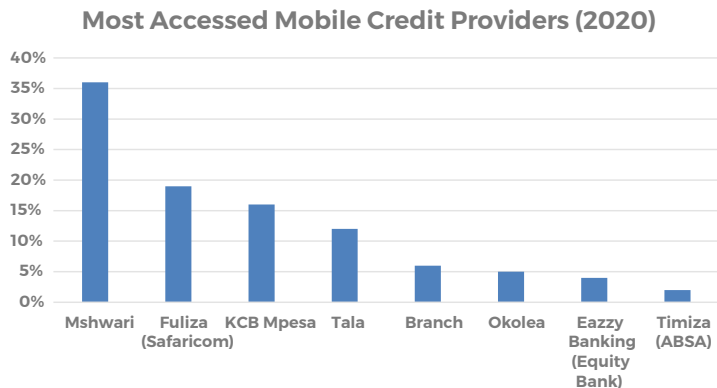
5 M - 10 M Ksh

Insight

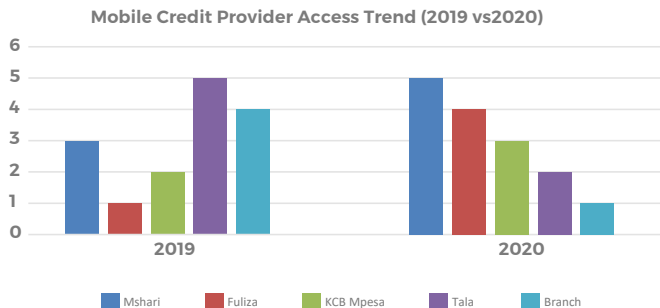
85% of all respondents indicated sales of less than 1 Million Ksh with 10% posting sales between 1 M and 5 M Ksh while 5% posted sales of between 5 M and 10 M Ksh.

Survey Results

2 - Most Accessed Mobile Credit Providers



Mobile Credit Provider access trend 2019 vs 2020



Insight

Mshwari and Fuliza respectively both backed by Safaricom lead mobile credit providers in 2020 compared to Tala and Branch who led in 2019.

Survey Results

3 - Top Six Mobile Credit Usage in 2020

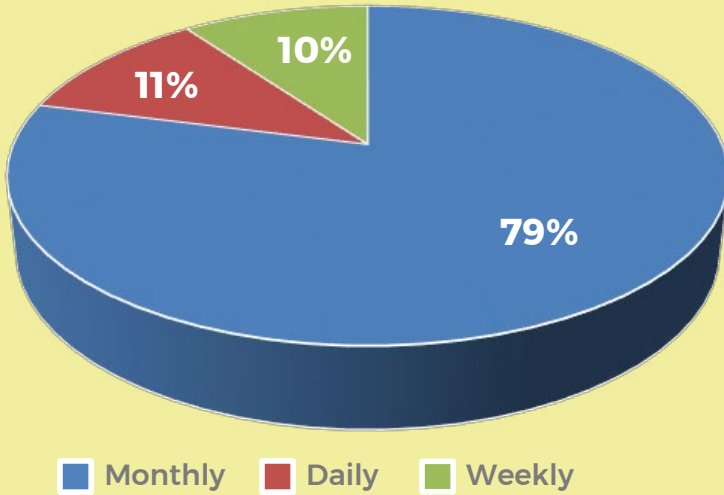


Insight

Mobile credit utilization gravitates mostly in cashflow or working capital financing and is yet to break the ceiling of long-term financing that involves purchase of assets, investment in technology among other both of which lead SMEs to capture more value.

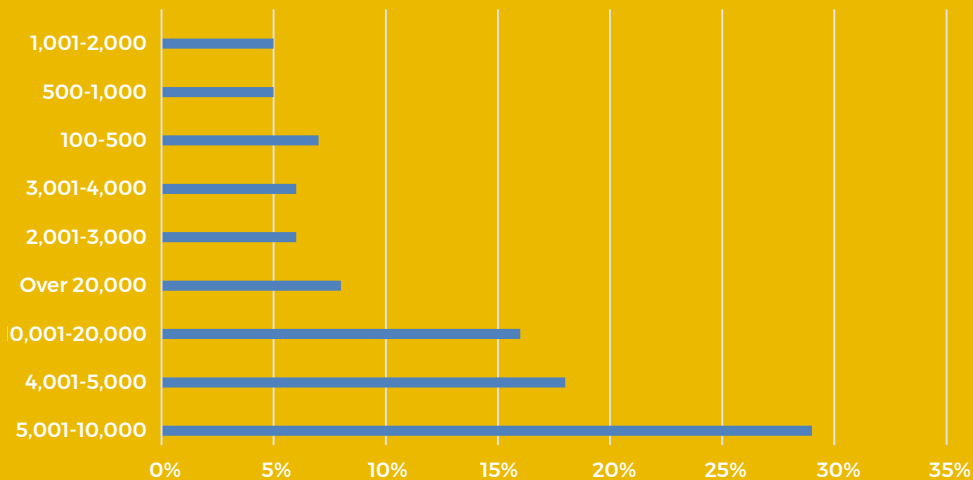
Survey Results

4 - Frequency of Mobile Credit Access



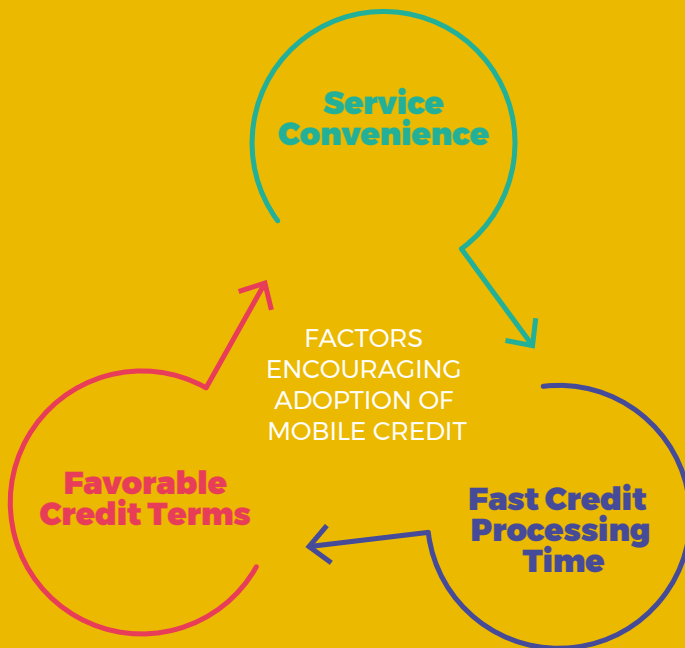
Survey Results

5 - Average Loan Size per Application (Ksh)



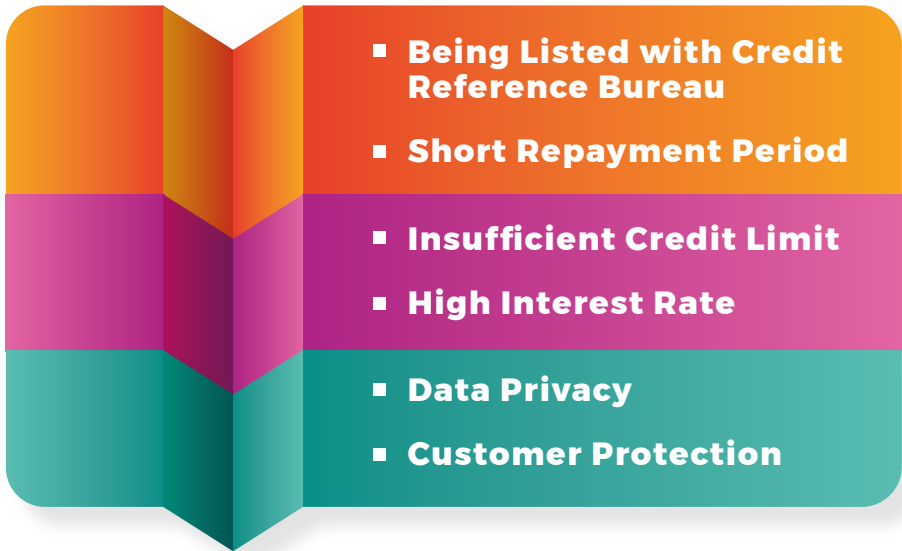
Survey Results

6-Factors Encouraging Adoption of Mobile Credit



Survey Results

7-Factors discouraging or negatively affecting usage of mobile credit



Conclusion

SME uptake of mobile credit is going to experience sustained growth both short and medium term underpinned on demand for credit to finance working capital that SMEs use to finance their day to day activities which continues to be pronounced due to negative effects of Covid-19.

Financial Institution backed mobile credit such as Mshwari as well as KCB Mpesa experienced significant uptake in period 2019-2020 compared to independent Fintech's such as Tala and Branch. This could be explained by increased marketing activities, favorable credit terms such as long repayment period and low interest rate as well as increased capitalization of mobile credit arm.

Its worth noting the low uptake of STAWI that was launched late in 2019 backed by KCB Group, NCBA Bank, Cooperative Bank of Kenya and Diamond Trust Bank despite their significantly lower cost of credit proposed at 9% annual interest.

Mobile credit utilization continues to gravitate mostly in cashflow or working capital financing and is yet to break the ceiling of long-term and big ticket financing that involves purchase of assets, investment in technology among other both of which lead SMEs to create and capture more value.



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