

20  
21

# KENYA SME MOBILE FINANCE

*Friend or Foe?*



Viffa Consult

# TABLE OF CONTENT

ACRONYMS	01
ACKNOWLEDGEMENT	01
STUDY METHODOLOGY	01
INTRODUCTION	02
RESULTS	03
Half Year sales-Between Jan-June 2021 (Ksh)	03
Top Mobile Credit Provider	03
Usage of mobile credit	04
Frequency of access to mobile credit	04
Frequency of mobile money credit repayment	05
Average loan size per mobile credit application	05
Factors that encourage adoption of mobile credit	06
Factors that discourage or negatively affect usage of mobile credit	06

## ACRONYMS

CRB	Credit Reference Bureau
FINTECH	Financial Technology
IT	Information Technology
SACCO	Savings and Credit Cooperatives
SME	Small Medium Enterprise

## ACKNOWLEDGEMENT

Deepest gratitude to Viffa team that worked tirelessly to bring the report to fruition. A big thank you to all SMEs who participated in the survey as well as key experts who shared their expertise.

## STUDY METHODOLOGY

STUDY TOOL	<ul style="list-style-type: none"><li>● Online &amp; Telephone survey</li><li>● Expert Interviews</li></ul>
SAMPLE DESIGN	<ul style="list-style-type: none"><li>● Purposive {Nairobi, Kajiado, Machakos, Kiambu, Mombasa, Nakuru, Kisumu}</li><li>● Random {Within Counties}</li></ul>

## INTRODUCTION

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

The introduction in 2016 of interest rate cap coupled with the success of Mpesa and the most recently the negative effects of COVID 19 to business operations has seen increased demand for credit and subsequently rise of Fintech offering access to credit riding on mobile phone platform.

Mobile money has become mainstream attributed to low access to financial services by SMEs from formal financial institution's underpinned on collateral based lending model

Kenya continues to perform above average compared to its East African peers (Table 1) with Kenya accounting for 23 percent of aggregate registered accounts as well as over 13 percent of aggregate mobile transaction value in East Africa.

**Table 1: Mobile Money Growth Analysis**

	Registered Accounts	Active Accounts	Transaction Volume	Performance	Transaction Value (USD)	Performance
Global	1.04 bn	372 m	37.1 bn	21.8% Increase	690.1 bn	26% Increase
Sub-Sahara Africa	469 m	181 m	23.8 bn	19.7% Increase	456.3 bn	27.5% Increase
East Africa	249 m	102 m	17.1 bn	15.1% Increase	293.4 bn	
Kenya	58 m				38.5 bn	
Kenya vs East Africa	23%				13%	

Source: GSMA-State-of-the-Industry-Report-On-Mobile-Money-2019

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).

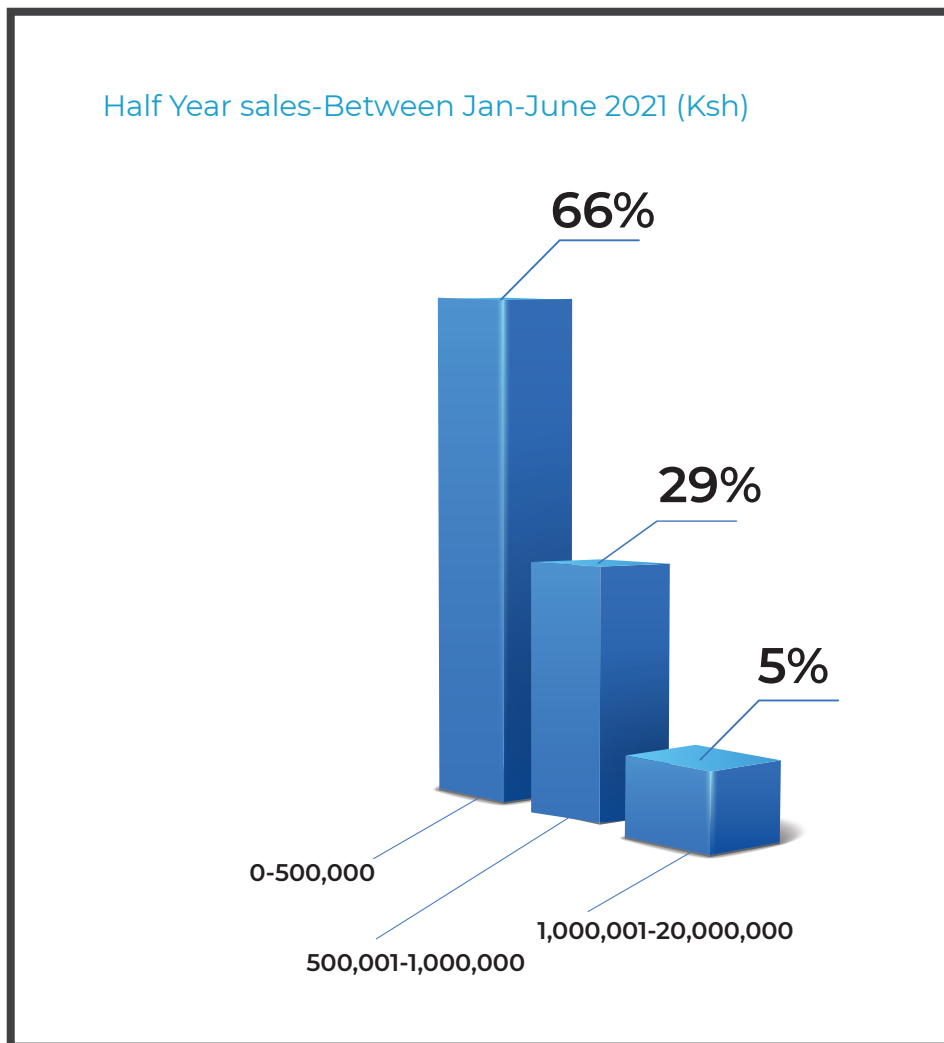
Credit score and loan amount to be advanced in most case is determined based on customer data such as mobile money transaction history, call and SMS records and social media data among others.

Viffa 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 objective of the study was:

- Establish credit or financing mix by SMEs
- Establish mobile credit usage behavior
- Factors affecting usage of mobile credit

## RESULTS



### Insight

Transport and Logistics, Construction and fast moving consumer traders and IT constituted a majority of businesses that posted half year turnover of over 500,000 Ksh

## TOP MOBILE CREDIT PROVIDER

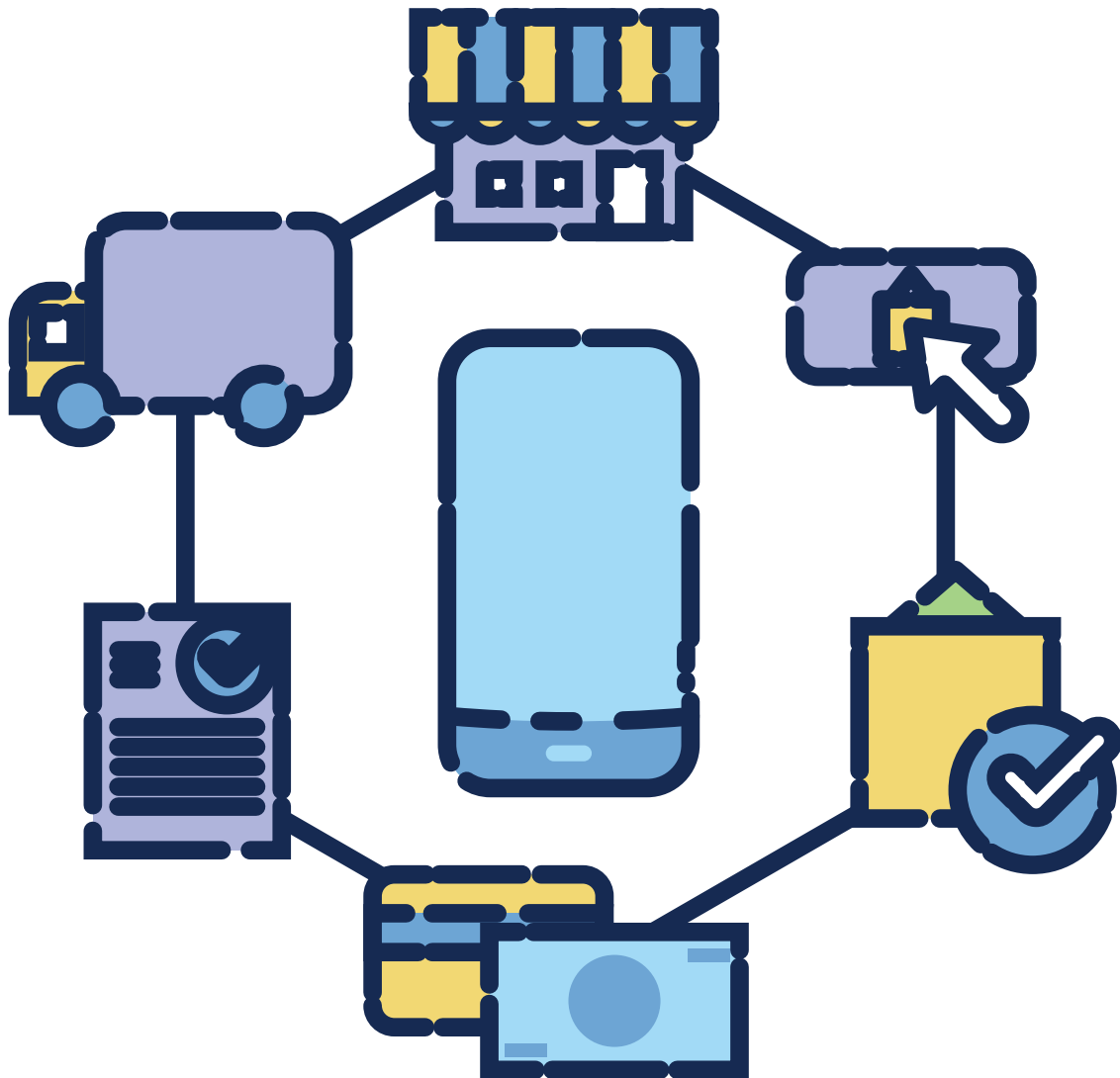


### Insight

There is a high preference for financial institutions backed mobile credit providers due to perceived fairness and decorum in debt collection and the need to build financial history to enable qualification to big ticket size loans from main bank.

STAWI launched by central bank of Kenya has yet to take root in supporting SMEs.

## USAGE OF MOBILE CREDIT



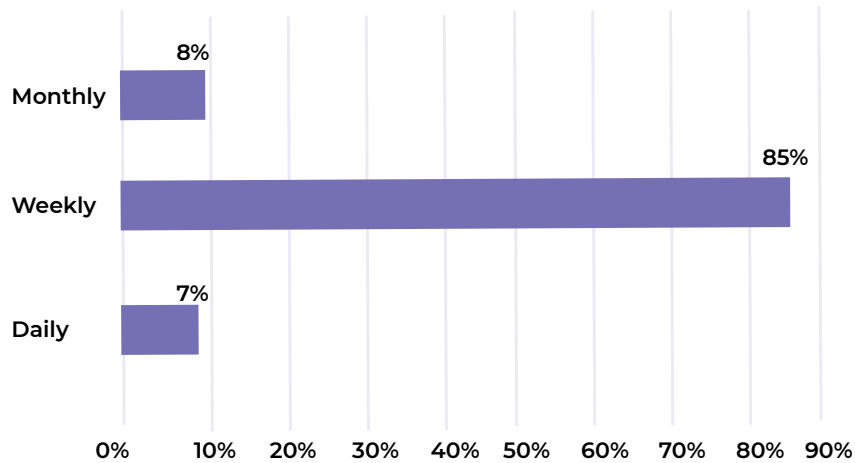
- Utilities (Water, Electricity,)
- Fulfil customer order
- Purchase Stock
- Salaries & Wages
- Asset e.g Machine

### Insight

Mobile credit continues to finance cashflow directed at short term cash needs and not long time investment such as machine, new technology, training that can unlock greater value to the business.

This trend is underpinned by the skewed nature of Kenyan SMEs investment towards wholesale and retail sector where the profits are thin hence the need for external cash injection to keep the undifferentiated business going. This situation has been made worse due to the Covid 19 pandemic.

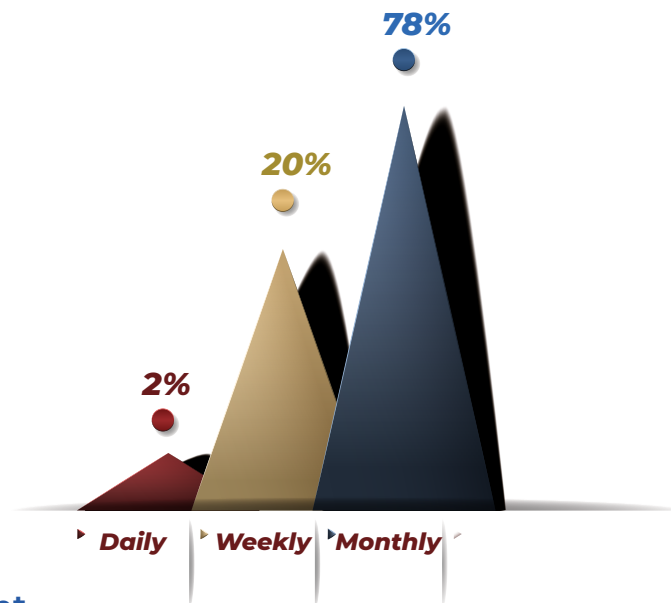
## FREQUENCY OF ACCESS TO MOBILE CREDIT



### Insight

85 percent of SMEs interviewed applied for mobile credit weekly which is consistent with wholesale and retail sector with utilization being on cashflow financing

## FREQUENCY OF MOBILE MONEY CREDIT REPAYMENT



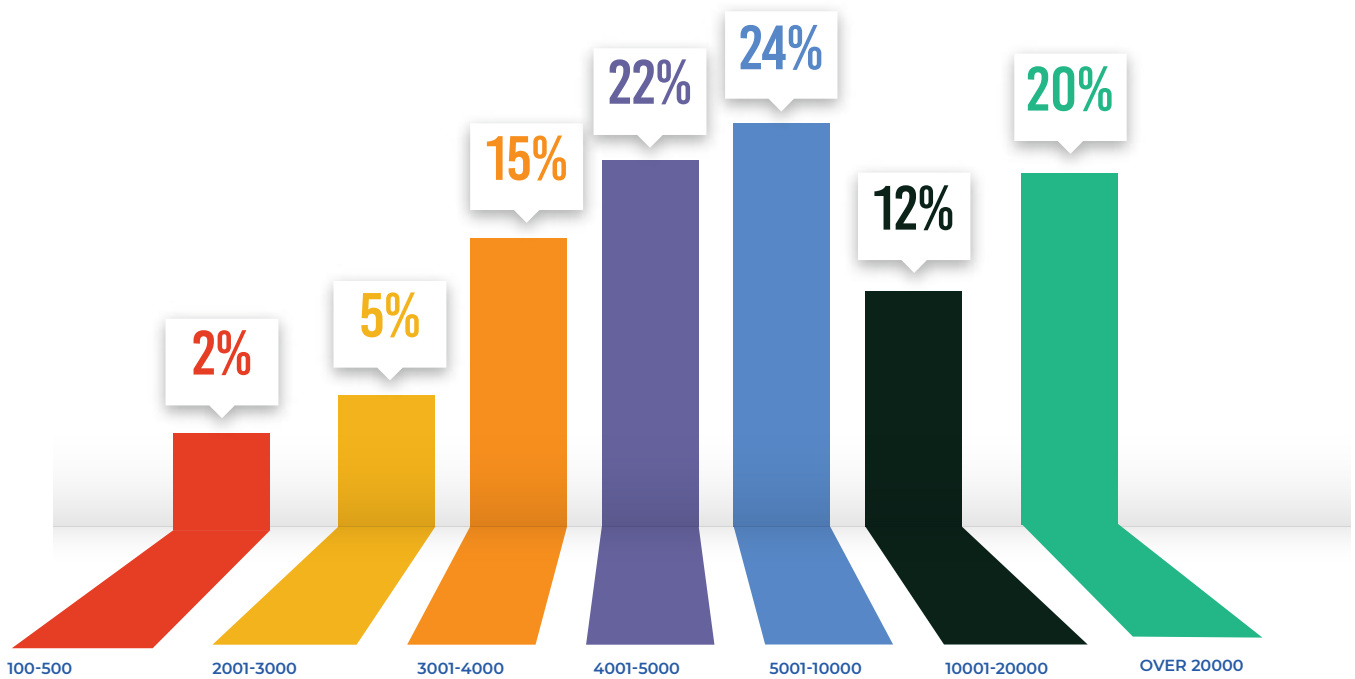
### Insight

78 percent of SMEs repay their mobile credit loans on a monthly basis, 20 percent weekly and 2 percent repay daily

SMEs borrow at a higher frequency (weekly) and repay at a lower frequency (monthly) hence increase churn of funds i.e. buy and sell stock before loan fall due



## AVERAGE LOAN SIZE PER MOBILE CREDIT APPLICATION



## FACTORS THAT ENCOURAGE ADOPTION OF MOBILE CREDIT



**01** Fast Credit Processing Time

**02** Favorable Credit Terms


**03** Service Convenience

06

## Insight

SMEs view favorable credit terms from the lenses of in comparison with loan requirements of formal financial institutions

## FACTORS THAT DISCOURAGE OR NEGATIVELY AFFECT USAGE OF MOBILE CREDIT

-  CRB listing
-  Short repayment period
-  High Interest Rate
-  Customer Protection
-  Insufficient credit Limits
-  Data Privacy

## Insight

Although mobile credit offers SMEs the opportunity to access credit as compared to traditional financial institutions, SMEs are concerned about high interest rate charged which eats into already thin profits leading to a vicious cycle of loan dependency.

There is a huge concern by SMEs interviewed on customer protection in light of debt collection practices as well as privacy of personal data that the mobile credit Apps access.



# **KENYA SME MOBILE FINANCE**

*Friend or Foe?*

---

**2021**

[www.viffaconsult.co.ke](http://www.viffaconsult.co.ke)