



Unmasking the BOP

A case of digital credit

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GAME CHANGERS



The Agenda



Background

Findings / Key takeout's



Areas of exploration

Milestones in financial inclusion

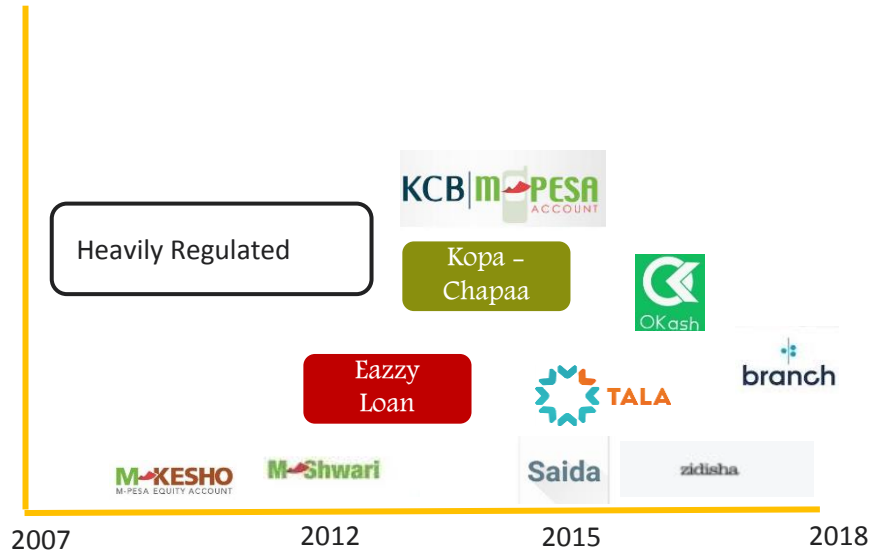
- In a developing economy like Kenya, access to credit is vital for economic development
- Prior to 2016 financial inclusion was at 56% and gradually increased to 82%

- *The increased penetration of mobile technology pioneered by innovative M-Pesa and M-shwari services which are majorly technological driven, created products and services like digital credit solutions that have played a key role in financial inclusion*

- The high cost of lending coupled with the complex conditions of set by the formal institutions created a gap which has been taken up by the digital credit platforms

The advancement in financial inclusion via digital credit

The exponential growth of different money borrowing platforms



Current Situation



Characteristics of digital credit solutions:

Most range from Kes.250-50,000

Ease of access from Apps and USSD prompts

Quick turn around on loan approval & disbursement

Less stringent regulations

Short term loans often payable in 1month

High Interest rate, ranging from 3.5- 25 % or more (per month)

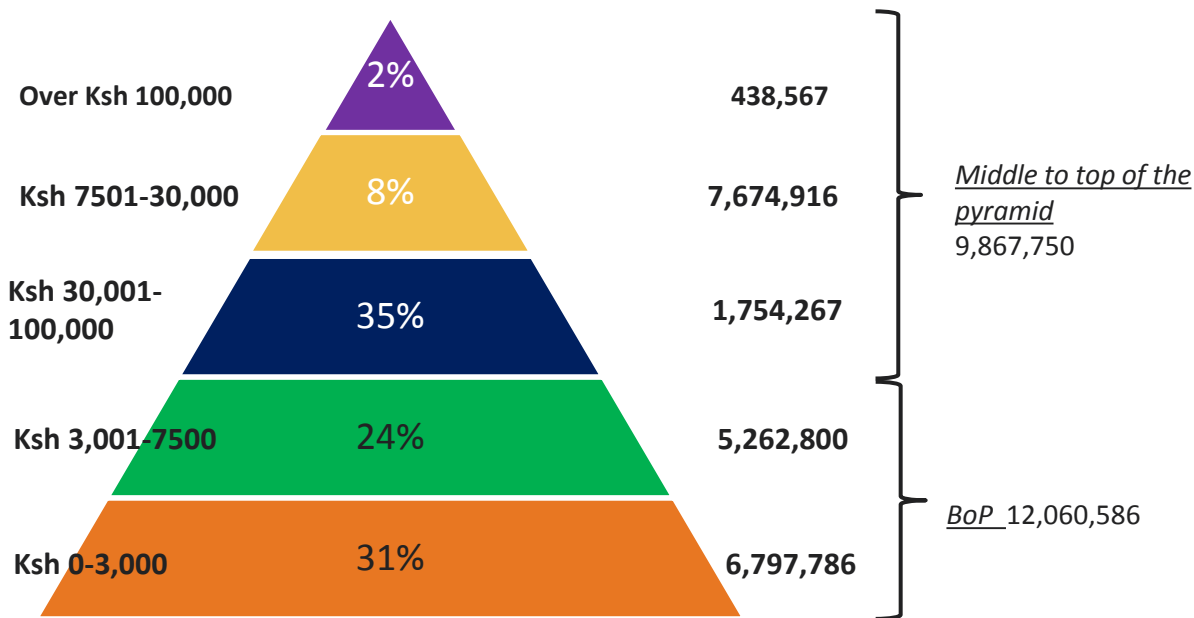


**Characteristics
of digital
credit
solutions**



How does the BoP consumer play in the digital credit market?

Defining the BoP Consumer: These about 55% of the population that live within 200ksh a day



Key Take out:

- Live within KSH 200 a day (2 UD per day)(per HH)
- Unpredictable/irregular cash flow
- Limited purchasing power
- They have limited access to formal financial institutions
- Some of them have used Mobile money in comparison to other financial services – (FSDK survey of 2017 places it at 50%-60%)
- They are aspirational and crave premium products and services

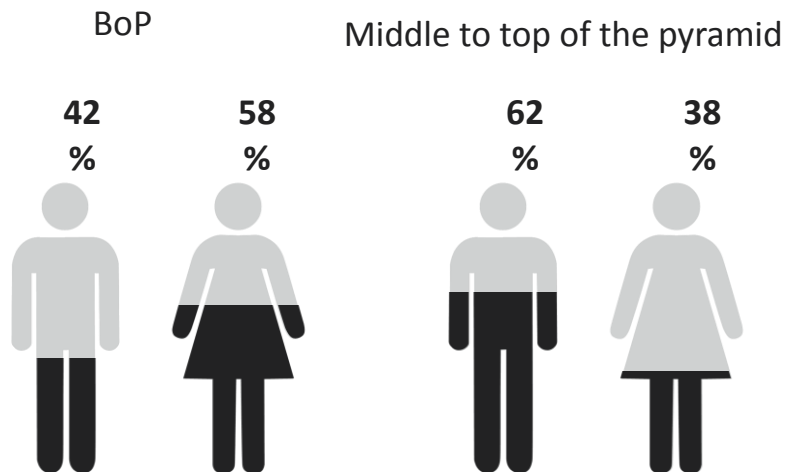


What is the BoP Consumer digital credit profile?

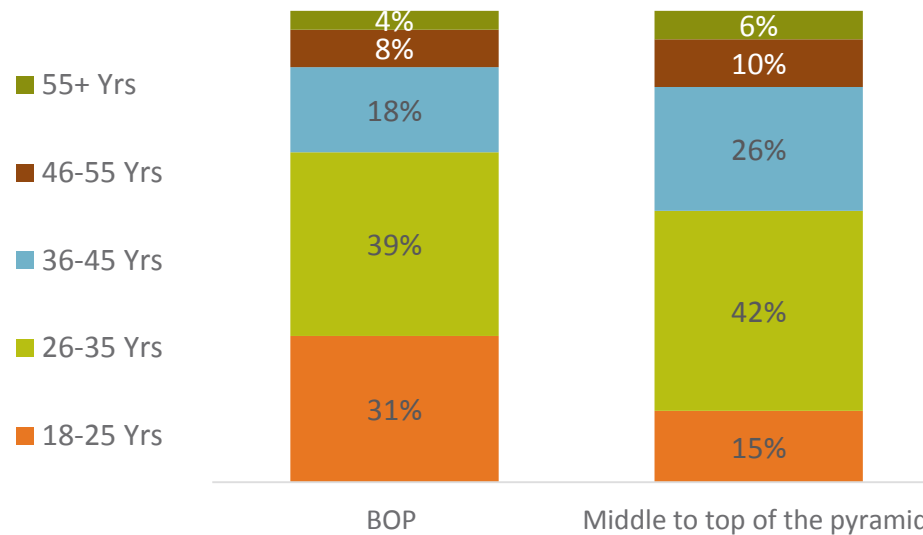
The BoP digital credit user profile

A BoP user is more likely to be a younger woman

Gender

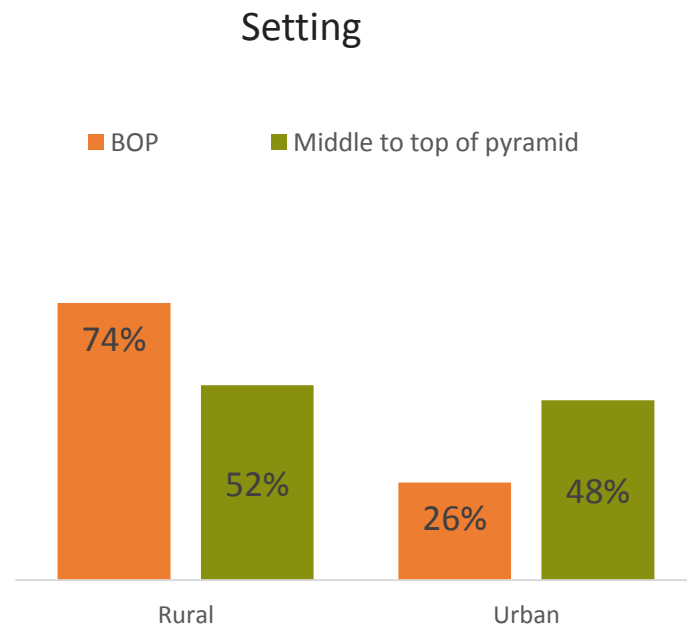
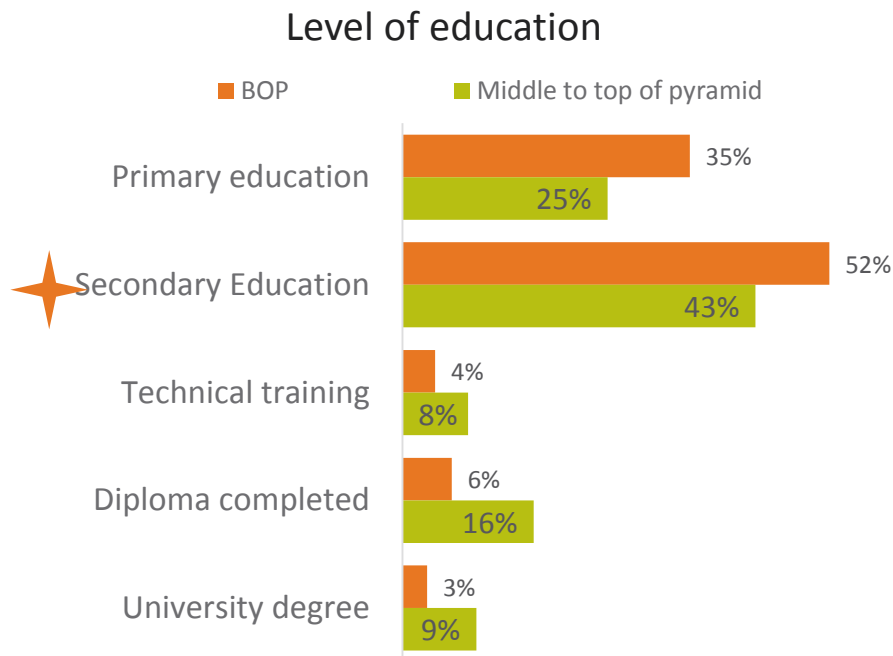


Age



The BoP consumer digital credit user profile

Most BoP consumer is educated with majority having completed the secondary school level



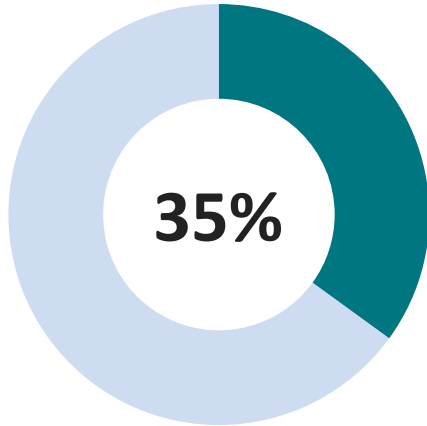


What is the BoP Consumer digital credit usage?

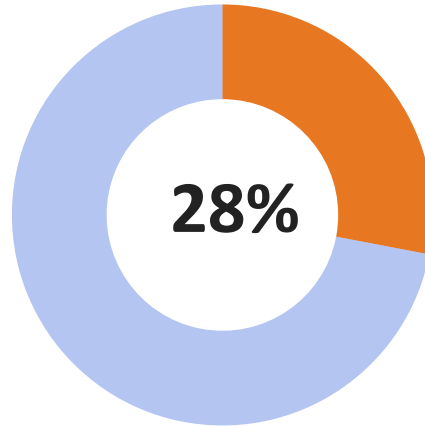
The BoP consumer digital credit incidence

About 2 in 10 adults are digital credit users, this consequently means BoP consumer is less likely to take up digital credit

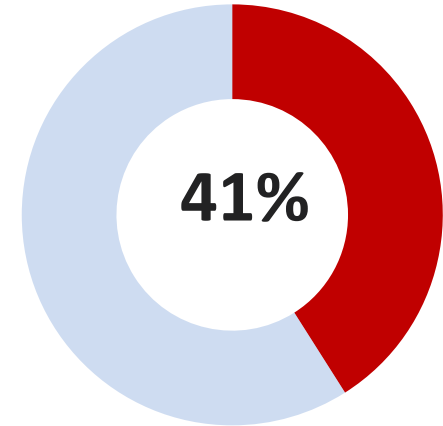
Total (Kenyans above 18 years)



BoP



Middle to top of the pyramid

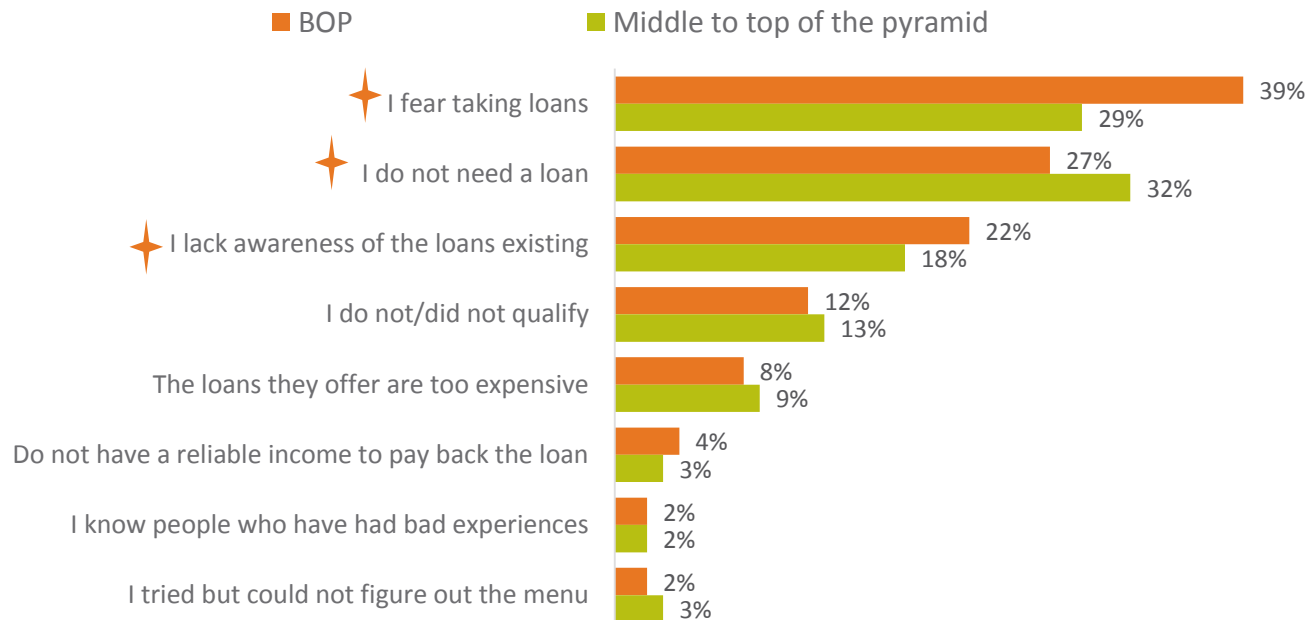


B4. Is the survey respondent a digital credit user –?

For non –borrowers: Reasons for low usage

Fear of possible consequences of default as a result of irregular income

Reasons for non-usage



For borrowers: Majority are servicing two loans

The need to manage repayment can be pushing the BoP consumer towards multiple borrowing

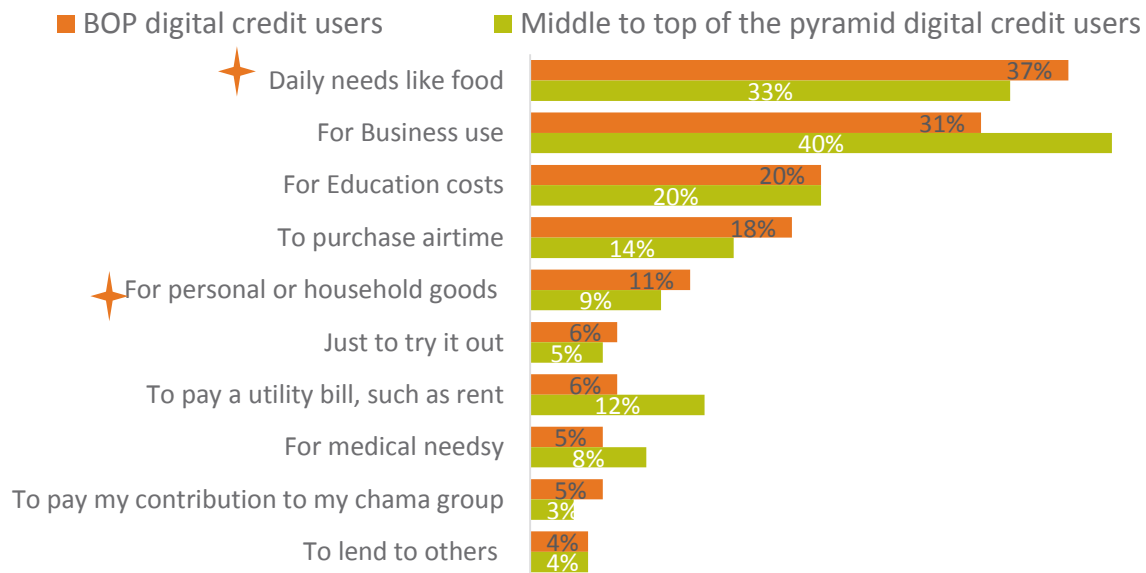
How many Loans do you have?

	Total	BoP	Middle to top of the pyramid
2 loans	88%	95%	85%
3 loans	12%	5%	14%
4 loans	-	-	1%

The BoP consumer digital credit usage

Credit taken from is majorly used for day to day needs within the household

Uses of the digital credit loans

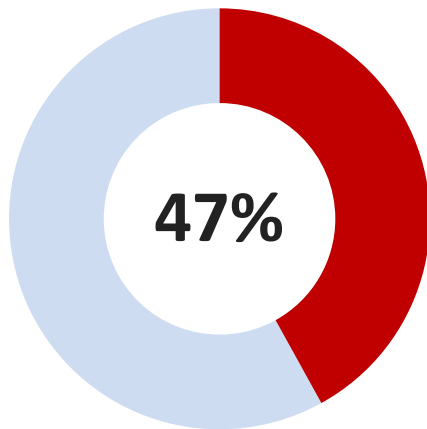


Consumer repayment of digital credit

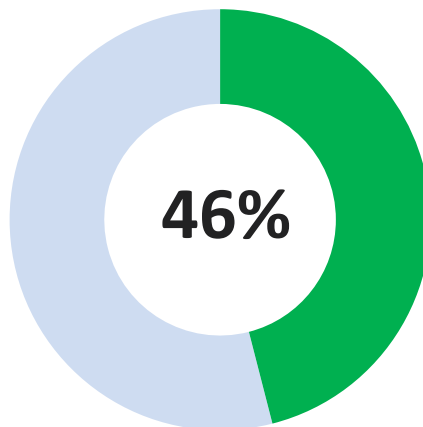
Repayment seems to be an issue across the social economic classes

Have been late in repayment of your loan?

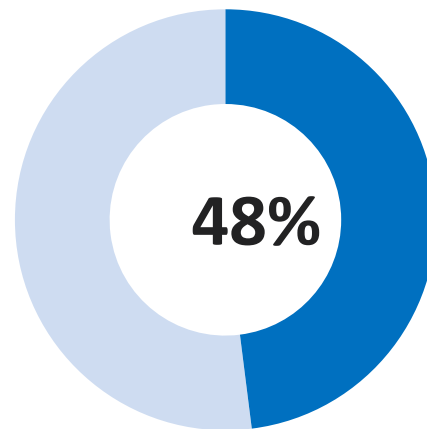
Total above 18 years late on repayment



Current BoP late on repayment



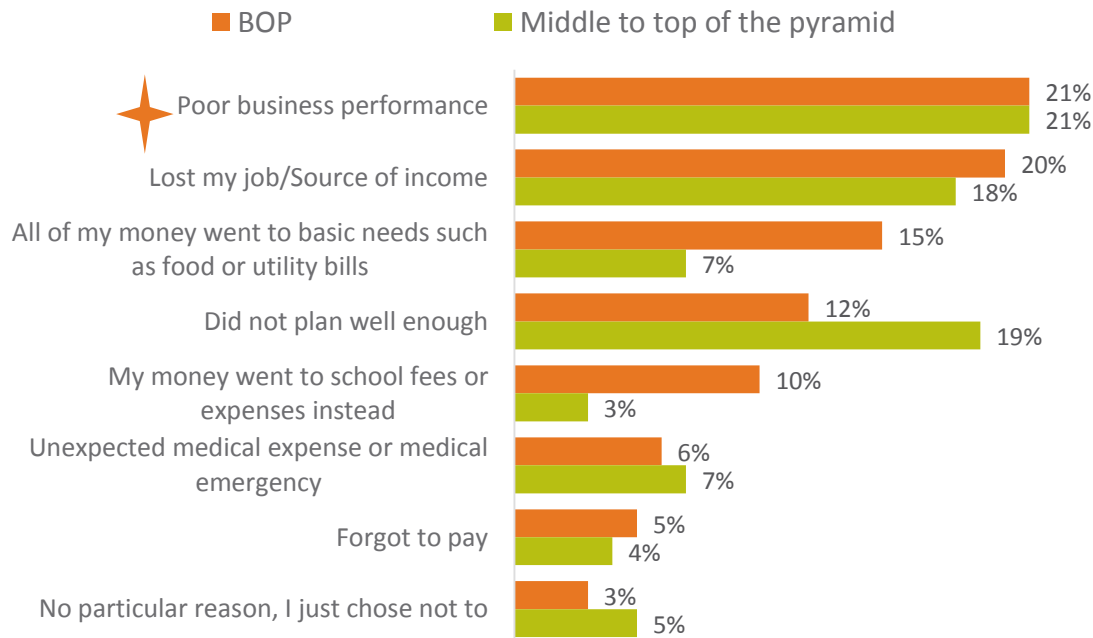
Current middle to top of the pyramid late on repayment



Late Repayment incidences: Drivers

The inability to repay the loans is majorly driven by the uncertainty of their income

What was the reason for late repayment?





Observations of BoP Credit User



Observations of the digital credit revolution

- ✓ Digital credit uptake is majorly driven by the Digital credit platforms have made it possible for more women to open and operate digital accounts
- ✓ Improved access to credit facilities – individuals can now access credit from the comfort of their homes
- ✓ Over borrowing – Consumers have more than 2 loans from several platforms, may actually plunge more households into poverty
- ✓ Majority of these loans are used to cater for day to day needs raising questions on their ability to fight poverty

Way Forward >>>



Areas of exploration >>>

Areas of exploration



Regulations of the platforms in terms of credit offering to the BoP to prevent overborrowing

Increased partnerships with banks – To improve the products and services offered to the BoP and creation of stronger partnerships, This will establish a superior digital experience with more specialized, higher quality, and lower cost services e.g. bring KWFT on board to cater for the needs of women who are majority of the borrowers



As more BoP consumers uptake of the digital credit products and services , can there be development of a credit history which can be shared with banks for credit acquisition

Areas of exploration



Expansion of access to improve inclusion for the BoP whose uptake is still low

In-depth understanding of the consumer and what drives the demand for loans,



Consumer education – On dangers of overborrowing and the importance of early repayment (Financial literacy)

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GAME CHANGERS

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