

# Digital Credit Business models and Technologies in Kenya

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**PAUL KAVAVU**  
SAFARICOM PLC

[pkavavu@Safaricom.co.ke](mailto:pkavavu@Safaricom.co.ke)





## **Disclaimer**

This evaluation is purely my opinion and do not represent the views of my Employer – Safaricom PLC

## Setting the stage

- How has the adoption of digital credit changed over time?
- How large is the market for digital loans?
- The market for cash loans in Kenya
  - *While digital lenders command volumes the average values of loans remains low*
- What are the industry concerns?

## **Partnership models** - Seven years after the launch of the first digital credit solution, the market has expanded rapidly

- There are different type of partnerships in the market, depending on the role each player takes in the value chain
  - Bank + MNO
  - Bank + MNO + Tech firm
  - Fintech + MNO
  - Mobile Banking lending – Virtual Wallets
  - MNO only
- Over 60 players in the market offering digital.

## **Business Models** - While Credit risk remain a challenge, product propositions continue to evolve to address the risk

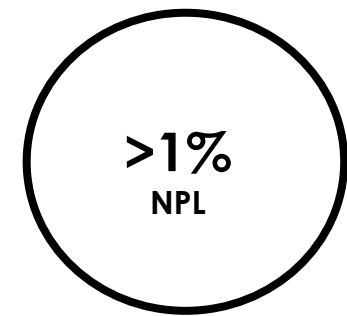
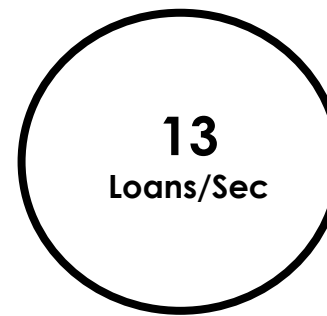
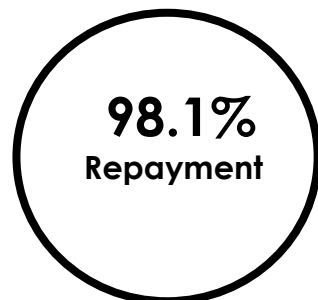
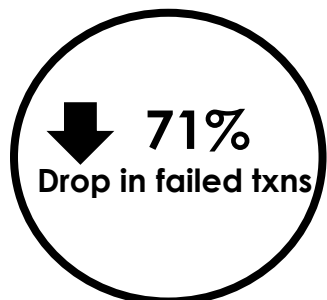
- The use of loan advanced has an underlying motivation to servicing loans
- Emerging Business Models beyond access to loan in cash
  - Pay as you Go – M-KOPA
  - Overdraft - Fuliza
  - Value chain financing – Stock credit
  - Instore Credit
  - Utility Loans – Okoa Stima

**Fuliza** – The first overdraft authorization happened in 1728, according to the Royal Bank of Scotland. The first ever mobile money based Overdraft happened in 2019 on M-PESA

## Data Insights

- Customers with failed transactions due to insufficient funds
- Number of failed chargeable transactions
- Value of transactions failed
- 56% of the failed transactions were fulfilled within 48%

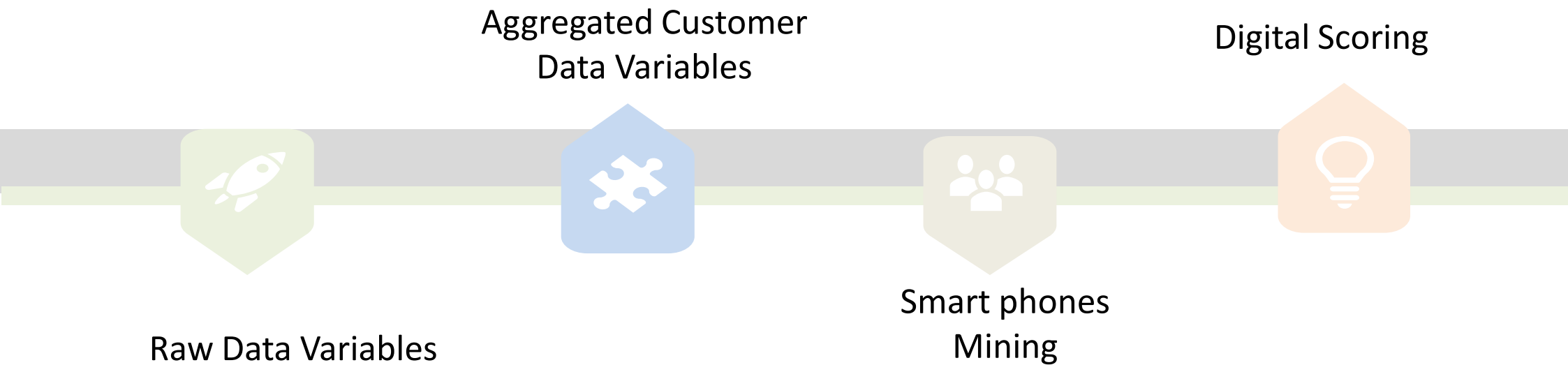
## Outcomes



# Technology is critical **BUT** Customer experience drives decisioning and everything

- Customer Interface - Sim Tool Kit (STK), APP and USSD
- Big Data
  - Data made available through APIs
  - Credit reference Bureau - CRB
  - Integrated Population Registrations Services - IPRS
- Smartphones
- Mobile money Infrastructure
  - Customers and Agent Distribution
- Open APIs
- Machine Learning

# Data privacy and protection laws have changed the way data is shared





## **Regulation** - Have digital lenders gone rogue?...Regulation is stepping in to address a few industry concerns.

- CRB listing holiday for 3 months
- Digital lenders barred from listing customers
- Data privacy and protection laws
- New regulation of the digital lenders on draft format
- Telco's cautioned against digital lenders

This has resulted to decreased access to credit as banks and digital lenders become more precautious because of increasing NPL's.

# Future Outlook

- New Partnership Models – MNO Only
- Loan Market place
- SME and MSME Credit
- Peer and Peer
- Identity as a Service

**THANK YOU**

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