

Q4 2023

Executive Summary

Kenya Credit Industry Insights Report



The Kenya Credit Industry Insights Report for the fourth quarter of 2023 provides an in-depth analysis of the macroeconomic environment and its influence on credit trends within the Kenyan market.

This executive summary highlights key findings from the report, including significant trends and metrics within the credit sector that reflect the emerging economic landscape and its impact on consumer and business credit behaviours.

Macroeconomic overview

In the latter part of 2023, Kenya's economic landscape showcased remarkable resilience with GDP growth hitting a high of 5.9% – a significant rise from the previous year's 3.7%. This growth is a testament to a burgeoning economy bolstered by the robust performance of agriculture, forestry and fishing sectors.

The inflation rate also mirrored this positive trajectory, receding to 6.9% in Q4 from 9.6% in the same quarter of the previous year, marking a decrease of 27.84%. Despite this, the Central Bank of Kenya made a strategic pivot in monetary policy by elevating the Central Bank Rate to 12.50%, up from prior year's 8.75%, thereby influencing loan costs and borrower repayment capabilities.

Moreover, the depreciation of the Kenyan Shilling against significant global currencies in Q3 has implications for the credit market, signalling potential headwinds for import-dependent businesses and sectors.

Regarding the consumer financial landscape in 2023, the combination of new fiscal measures and monetary policy adjustments, including the enactment of the Finance Bill and increased taxation, alongside higher interest rates, placed a considerable strain on consumers' disposable income. These factors collectively led to diminished affordability, reducing affordability and disposable income.



Q4 2023 highlights

Table 1: Overview of the formal loan data in TransUnion, Q4 2023

Index	Q1 2023	Q3 2023	Q4 2023	%QOQ change	%YOY change
Total borrowers	17.51M	18.75M	18.93M	0.96%	8.09%
Active accounts	24.73M	27.38M	29.72M	8.57%	20.19%
No. of non-performing active accounts	3.89M	7.33M	7.65M	4.43%	96.85%
Total outstanding balance	4.11T	4.59T	5.03T	9.68%	22.45%
No. of non-performing active balance	507.7B	556.0B	599.1B	7.74%	18%
NPL rates	12.35%	12.03%	11.80%	-1.98%	-4.49%

Sector and product overview

Sector distribution

Table 2: Account distribution per sector

Bank sector had the highest loan balance in Q4 2023 making up 96.16% with 27.03M active accounts and KES 4.84T balance.

Sector	Subscribers	Active accounts	Loan balance	% balance
Bank sector	66	27.03M	4.84T	96.16%
Other	20	182.4K	40.88B	0.81%
Microfinance sector	17	741.9K	90.14B	1.79%
FinTech sector	7	1.43M	11.21B	0.22%
Sacco sector	17	336.8K	51.06B	1.01%
Total	127	29.72M	5.03T	Total

Credit Sector Overview

The quarter's findings provide an incisive look into the pulse of the credit sector, highlighting nuanced behaviours across product lines.

The banking sector maintained its stronghold on the market in Q4 2023, commanding a lion's share (96.16%) of loan balances with 27.03M active accounts reflecting a consolidated balance of KES 4.84T. This dominance underscores the pivotal role banks play in the lending ecosystem.

A detailed inspection of different credit products unfolded a complex narrative.

Mobile loans, despite their sheer volume, exhibited a pullback in both the issuance of new accounts and cumulative value, signalling a climate of cautious borrowing.

High-value overdrafts (>KES 6K principal amount), on the other hand, indicated a shift toward higher borrowing ceilings, resonating with a client base seeking more substantial credit lines.

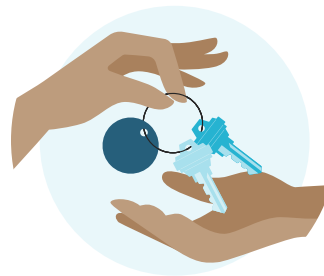
In a broader context, the landscape was characterised by dynamic shifts within various sectors.

FinTech, microfinance and **SACCOs**, although smaller in scale compared to traditional banking, demonstrated an agile and adaptive credit marketplace catering to a range of consumer and business financial needs.

Demographic insights

The fourth quarter of 2023 brought into focus the Millennial cohort as a driving force within Kenya's credit market. This significant demographic continues to engage actively with various loan products, suggesting its central role in shaping current and future credit trends.

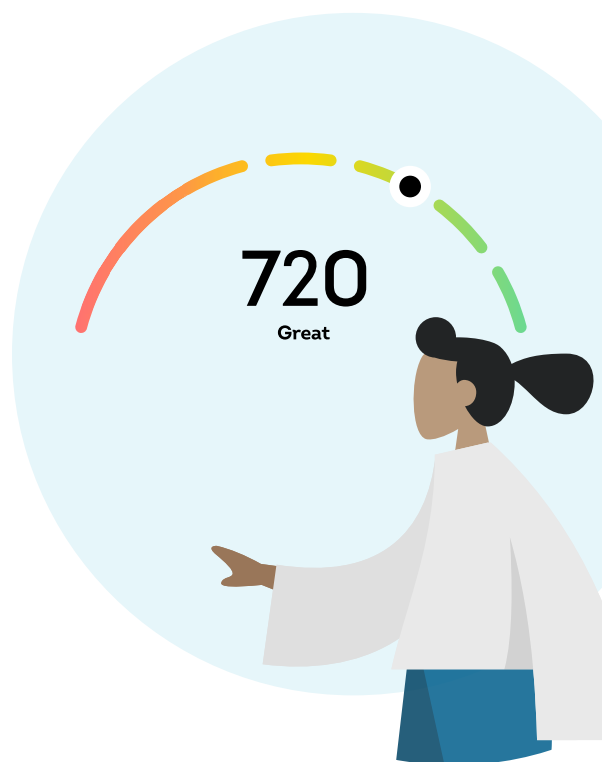
The evolving preferences and financial behaviours of this group highlight the necessity for lenders to tailor their products and services, ensuring they meet the unique demands of this increasingly influential consumer segment.



Looking ahead

Customer centricity

Lenders in Kenya must anchor strategies in the principles of customer-centricity, nuanced risk management and operational efficiency. A shift toward more customer-focused business models is imperative, with risk-based credit pricing and transparent information disclosure becoming the cornerstones of modern lending practices.



Risk management

In the realm of risk management, lenders are encouraged to adopt a more vigilant stance, thoroughly evaluating customer affordability against the backdrop of an ever-evolving credit landscape. Leveraging trended credit data and insights will be pivotal in making informed credit decisions.

Efficient operating models

Operational models must continue to evolve, embracing digitisation as a tool for enhancing business continuity and as a safeguard against the rising tide of cyber threats. Investing in robust IT systems will be key to safeguarding the integrity of financial transactions in an increasingly digital world.



Solutions for lenders

In the changing landscape of Q4 2023, risk-based pricing emerged as an industry standard. Lenders are now tasked with delving deeper into customer insights and market trends to shape effective pricing strategies across varied consumer segments and products.

TransUnion's suite of enhanced credit risk solutions, identity verification tools and fraud prevention systems is designed to support lenders in navigating

this complexity. These solutions aid in managing risk, optimising portfolio growth and enabling more informed lending decisions.

Our offerings in account and portfolio management, analytics, consulting, collections and recovery, credit reporting, customer acquisition and engagement encapsulate a robust toolbox for lenders aiming to enhance profitability while managing risk adeptly.



Account and portfolio management

Bolster profitability and mitigate risk with incisive analysis of your customers' financial activities, gaining valuable market insights and understanding consumer trends.



Analytics and consulting services

Set your business apart with TransUnion's cutting-edge analytical and consulting expertise.



Collections and recovery management

Improve engagement rates, efficiently prioritise collection efforts, minimise costs and enhance recovery rates. Our solutions provide continuous monitoring of loan portfolios, offering proactive alerts on early signs of delinquency.



Credit and risk reporting

Employ enriched data and sophisticated algorithms to refine risk management and enhance profitability. Our risk-based pricing models enable lenders to price loans commensurate with assessed risk levels.



Customer acquisition

Drive informed decision-making to convert prospects into customers, thereby expanding revenue. Our analytical scorecards support effective decision-making from acquisition through to underwriting.



Customer engagement

Strategically target and engage prospective customers, maximising the impact of your marketing investment. With enriched data you can enhance your marketing initiatives, whether it's upselling, cross-selling or acquiring new business.



Fraud and verification

Enhance customer trust and security with TransUnion TruValidate®, a holistic fraud solution that facilitates secure and smooth transactions in the digital age. The powerful features of this solution allow for reliable consumer identity establishment and authentication.

Conclusion

The Kenya Credit Industry Insights Report for Q4 2023 revealed a credit market in flux, shaped by macroeconomic shifts, consumer behaviour changes and technological advancements. The period's insights underscore a dynamic and evolving sector pivotal to Kenya's broader financial ecosystem.

As the country continues to navigate the complexities of a changing economic landscape, the credit sector stands as a critical pillar, fostering growth and offering rich opportunities for innovation and adaptation.

Lenders – equipped with deeper insights and advanced tools – will be well-positioned to meet these challenges head-on, crafting and adapting strategies that respond quickly to the current climate while anticipating future market shifts.







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Download the full report to get the complete picture.

Access our TrendedView Report to see how TransUnion can help you turn deep insights into valuable actions.

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