Informal Lending Habits Study

Kenya, Ghana & Cameroon

Kasi INSIGHT

October 2015
Target Audience: Banking / Credit Executives or managers
Industry: Banking, Insurance, Lending

Contents

Introduction

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Between friends and family, money lending, borrowing, requesting, and personal preferences for getting paid back is awkward (to say the least). Most people dislike personal checks and while cash is certainly still king, mobile payments are on the rise. In particular, "peer-to-peer" (P2P) payments are becoming more popular for IOUs, group gifts, and shared travel expenses.

Kasi Insight conducted an Informal Lending Habits Study: an online survey conducted in Kenya, Ghana and Cameroon on consumer behaviour and attitudes toward money they lend, payment options. Over 2185 respondents ages 18-55 participated in the survey, sharing their experiences about loan frequency, loan conditions and payment options..

Methodology

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What & When

A 10 -minute online survey was conducted by Kasi Insight between May 14th and September 25th, 2015, in Douala & Yaoundé (Cameroon), Nairobi (Kenya) & Accra (Ghana)

Who

3 countries were sampled via our internet- based network:

- Cameroon (N=596)
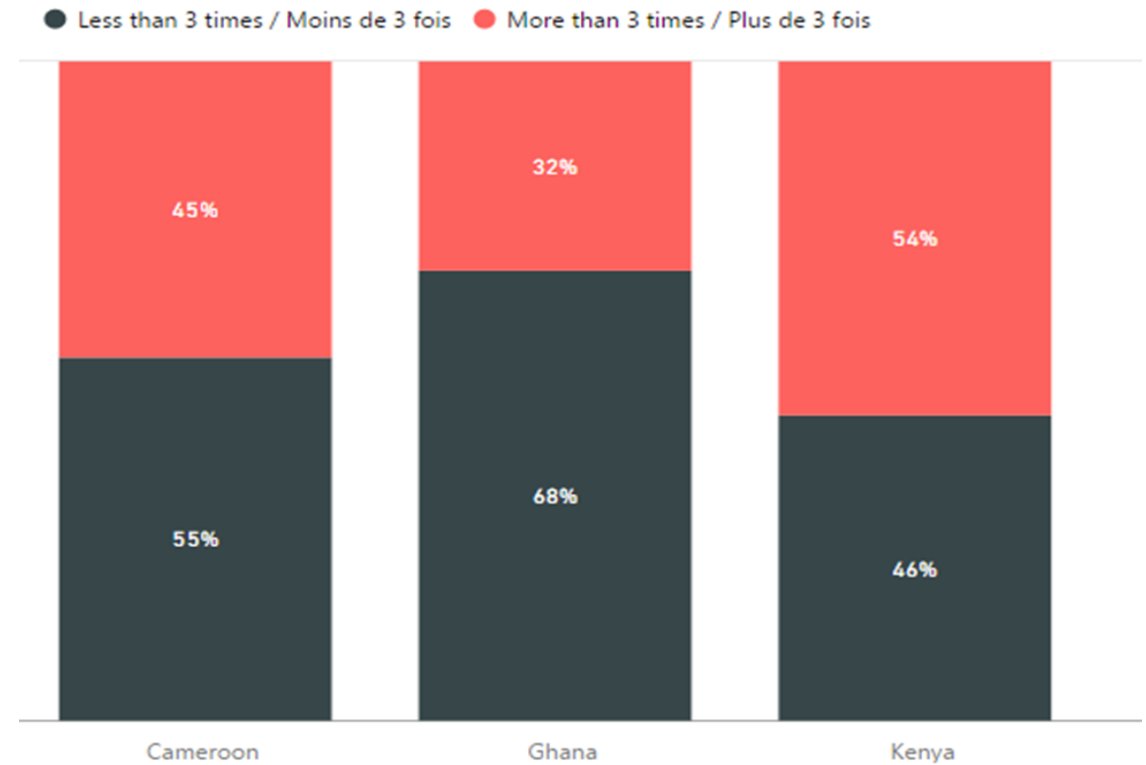- Kenya (N= 754)
- Ghana (N=835)

All survey participants are ages 18 to 55 and are urban dwellers.

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Informal lending is very liquid in Africa as almost 90% of respondents said they lent over the past 3 months

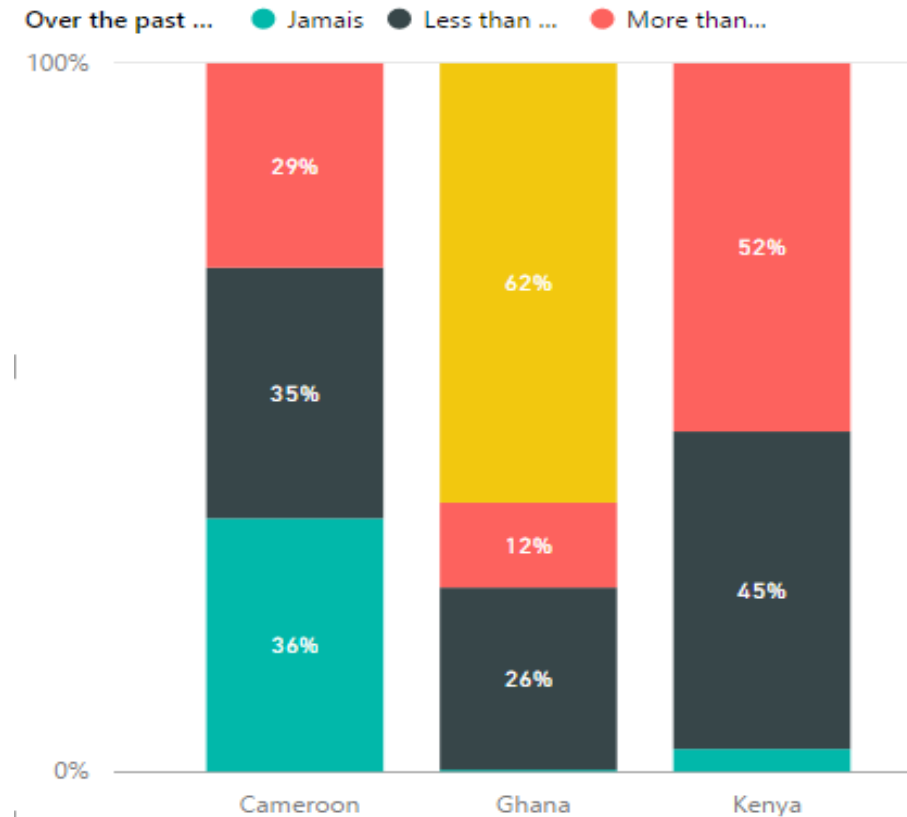**Ghana appears to be the less liquid country out of the 3 we survey**

Cameroon and Kenya have similar liquidity

Respondents in Kenya lent the most over the past 3 months

Legend: ● Less than 3 times / Moins de 3 fois ● More than 3 times / Plus de 3 fois

	Cameroon	Ghana	Kenya
More than 3 times	45%	32%	54%
Less than 3 times	55%	68%	46%

Q: Over the past 3 months, how often have you lent money? Kenya (N=730), Ghana (N=315), Cameroon (N=383)

36% of respondents never lent in Cameroon and 62% in Ghana

Over the past ...   ● Jamais   ● Less than ...   ● More than...

Cameroon: More than... 29%, Less than... 35%, Jamais 36%
Ghana: 62%, More than... 12%, Less than... 26%
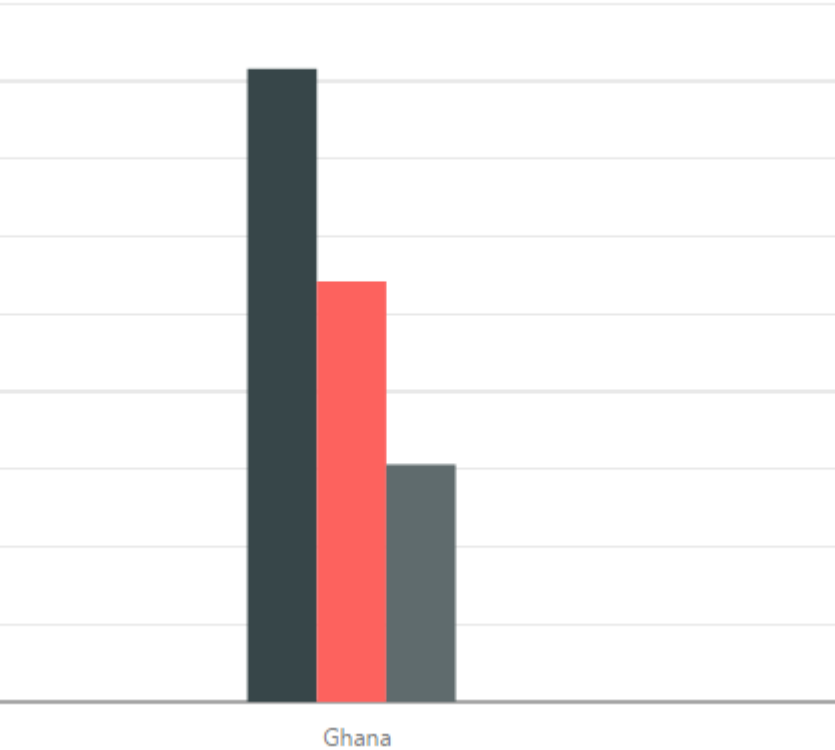Kenya: More than... 52%, Less than... 45%

Q: Over the past 3 months, how often have you lent money?
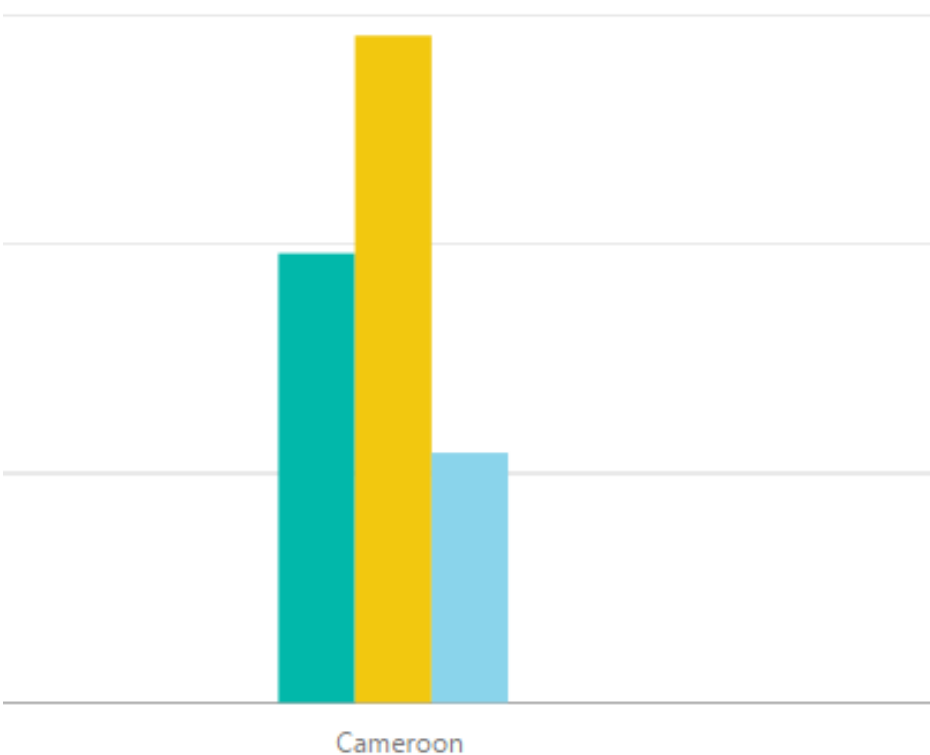Kenya (N=754), Ghana (N=836), Cameroon (N=596)

Majority of loans are small credit
(300 GHS in Ghana, <10K FCFA in Cameroon)

Legend (Ghana): Between 61 - 300 ... | Less than / Moins ... | More than 301 ghs
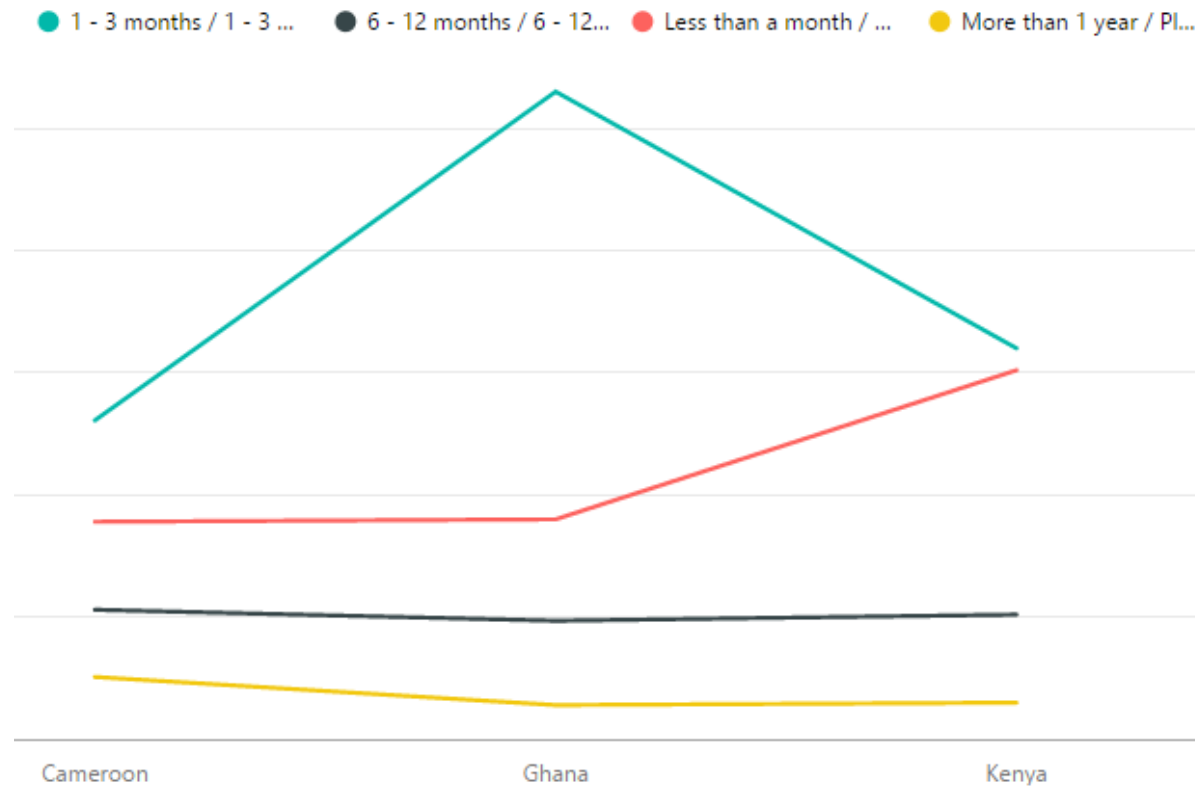
Legend (Cameroon): Between 11.000 - ... | Less 10.000 / Moi... | More than 50.000...

Q: How much do you usually lend?
Ghana (N=835), Cameroon (N=596)

1-3 months term loans prevail especially in Ghana although Kenya has healthy amount of monthly loans

Legend: 1 - 3 months / 1 - 3 ... · 6 - 12 months / 6 - 12... · Less than a month / ... · More than 1 year / Pl...

X-axis: Cameroon, Ghana, Kenya

Q: How long do you usually lend the money for?
Kenya (N=754), Ghana (N=835), Cameroon (N=596

- **Friends and Family gets the bulk of the loans**

- **In Ghana, majority of the loans goes to family members (60%)**

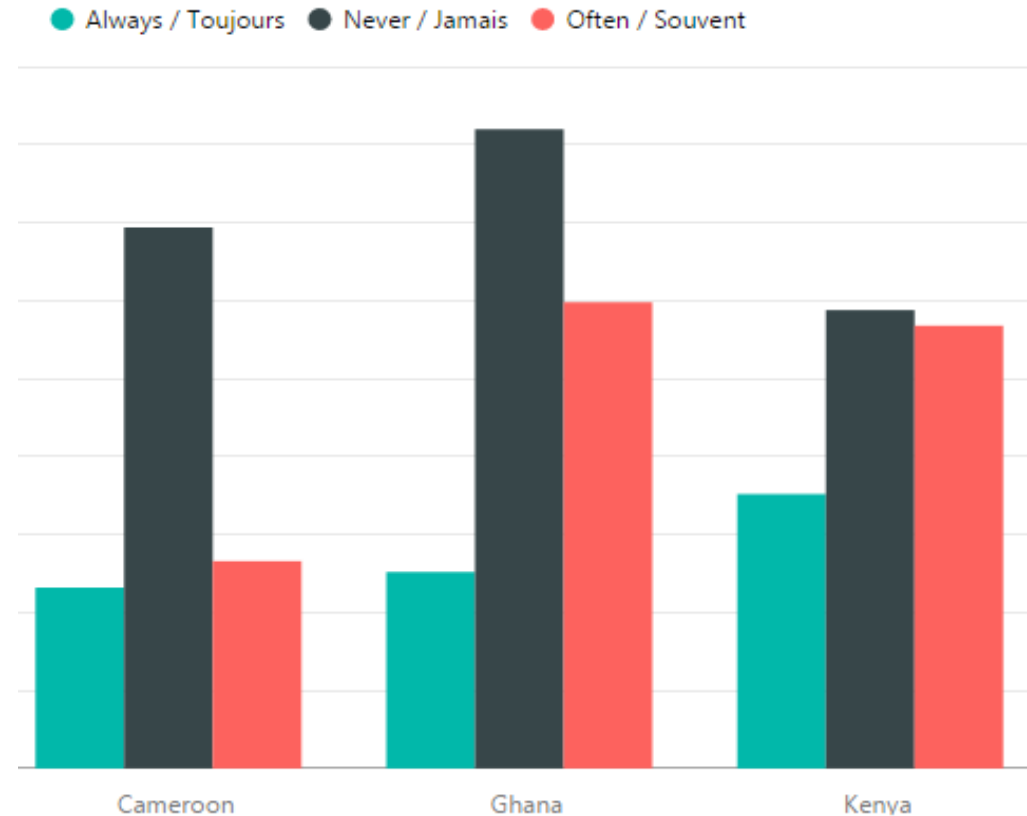- **In Cameroon, majority of the loans goes to friends (57%)**

Only few loans made to colleagues

Who did you l... ● Colleagues / Collegues de travail ● Family / La famille ● Friends / Les amis

	Colleagues	Family	Friends
Cameroon	15%	28%	57%
Ghana	12%	60%	28%
Kenya	20%	36%	45%
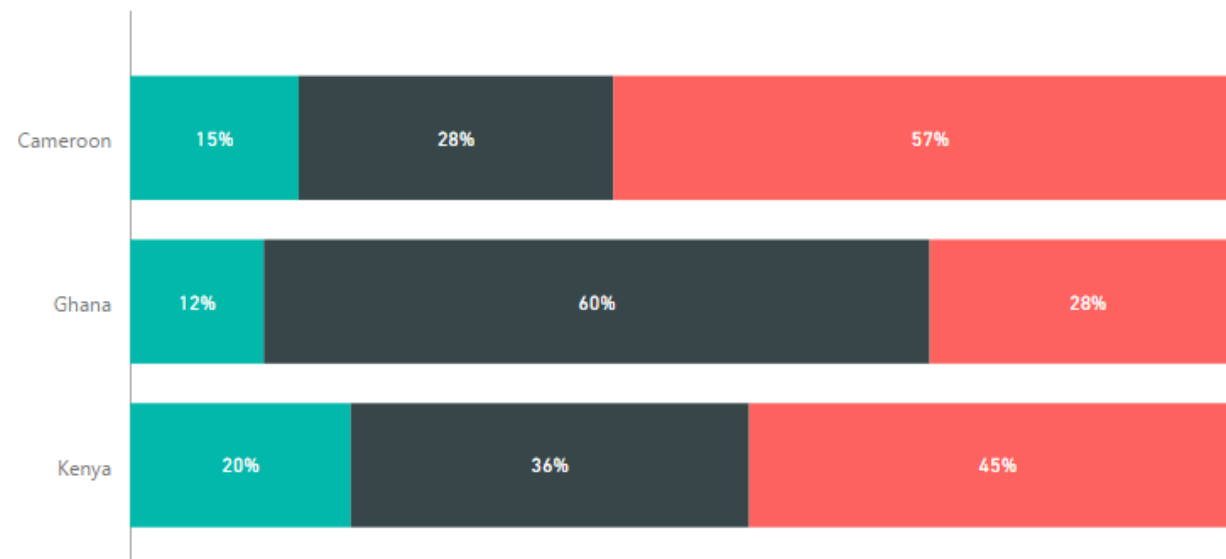
Q: Who did you lend the money to?
Kenya (N=754), Ghana (N=835), Cameroon (N=596)

Lending is a social engagement more than a business decision

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Legend:
- Always / Toujours
- Never / Jamais
- Often / Souvent

X-axis: Cameroon, Ghana, Kenya

Q: Do you usually include interest when you lend?
Kenya (N=754), Ghana (N=835), Cameroon (N=596

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Lending is a social engagement more than a business decision

Do you reques... ● Always / Toujours ● Never / Jamais ● Often / Souvent
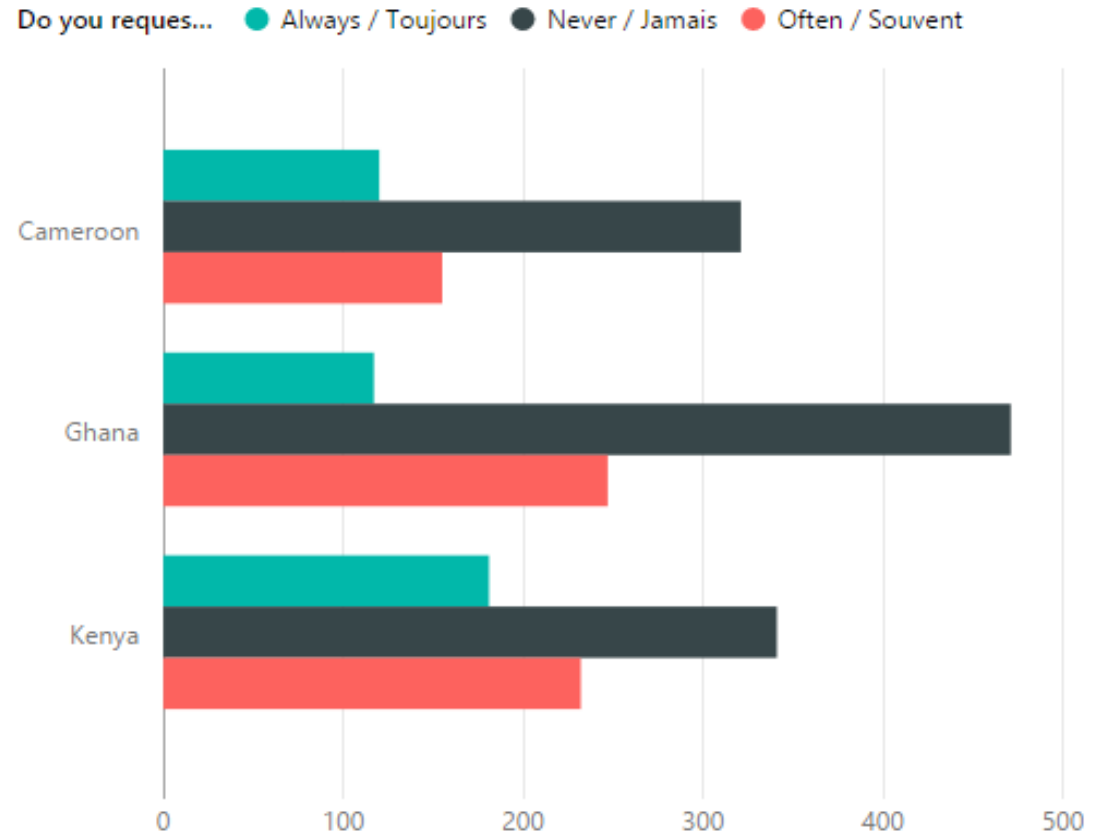
Q: Do you require guaranties when you lend?
Kenya (N=754), Ghana (N=835), Cameroon (N=596)

- In general lenders know what the money is used for

- Best way to get loan varies from country to country

- Kenya has the most mature lending ecosystem

Kenyan say bank is the best way to get a loan while Ghanaian say Family is

What is the be... ● Bank / Banque ● Family / Famille ● Friends / Amis ● Lending Club / T... ● Micro finance

Country	Bank / Banque	Family / Famille	Friends / Amis	Lending Club / T...	Micro finance
Cameroon	24%	22%	24%	17%	12%
Ghana	12%	32%	30%	4%	23%
Kenya	32%	20%	20%	6%	21%

0%   100%
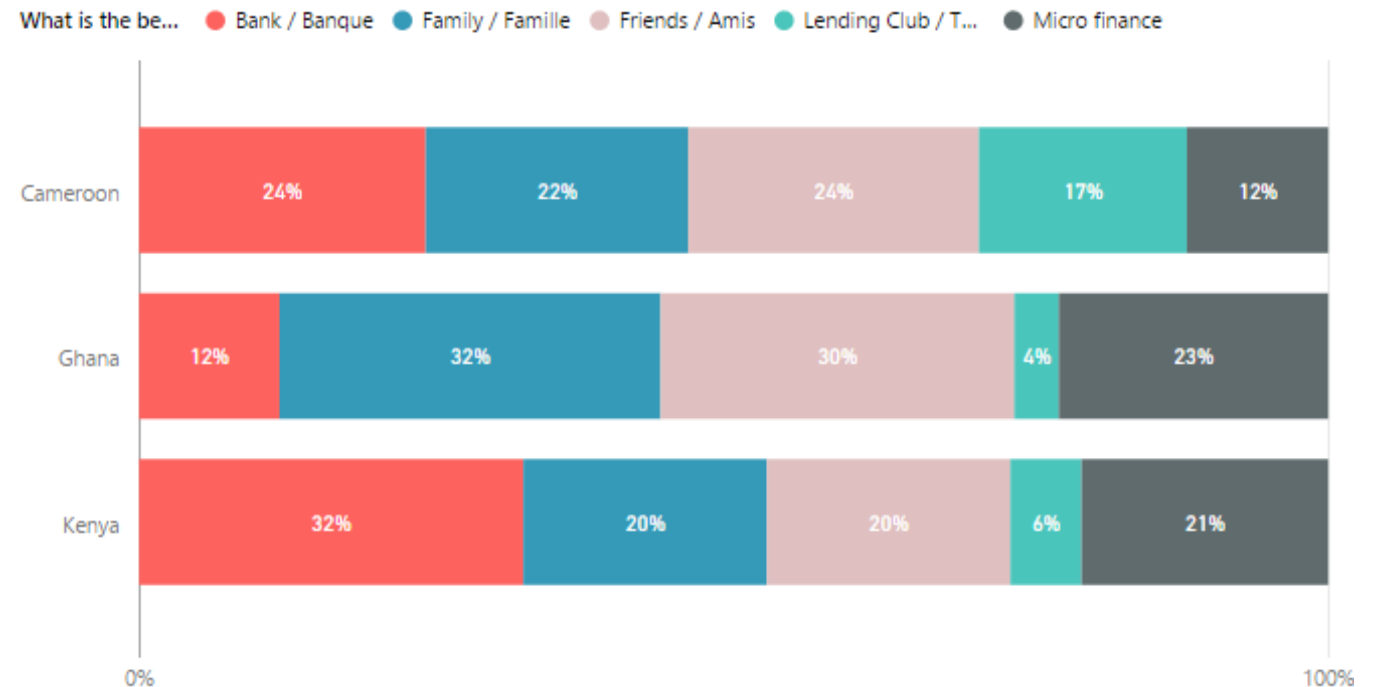
Q: What's the best way to get a loan?
Kenya (N=754), Ghana (N=835), Cameroon (N=596)

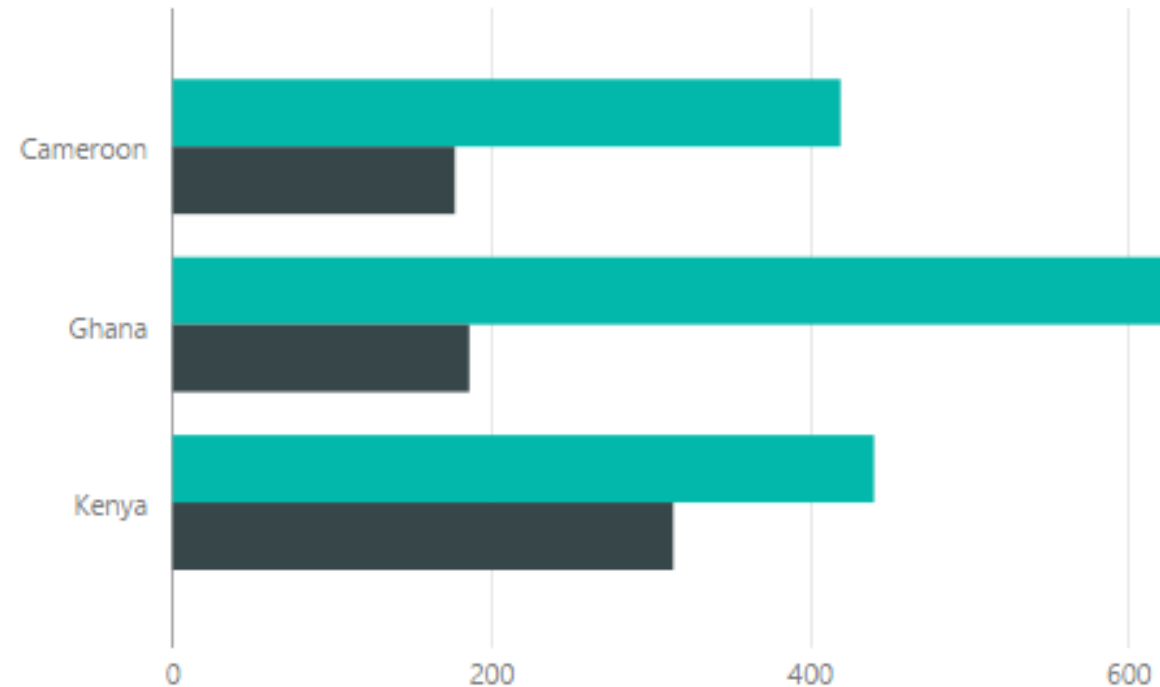# Majority of lenders know what the loan is going to be used for.

What's the use... ● I don't know / Je ...   ● Sudden expenses ...   ● To invest (comme...
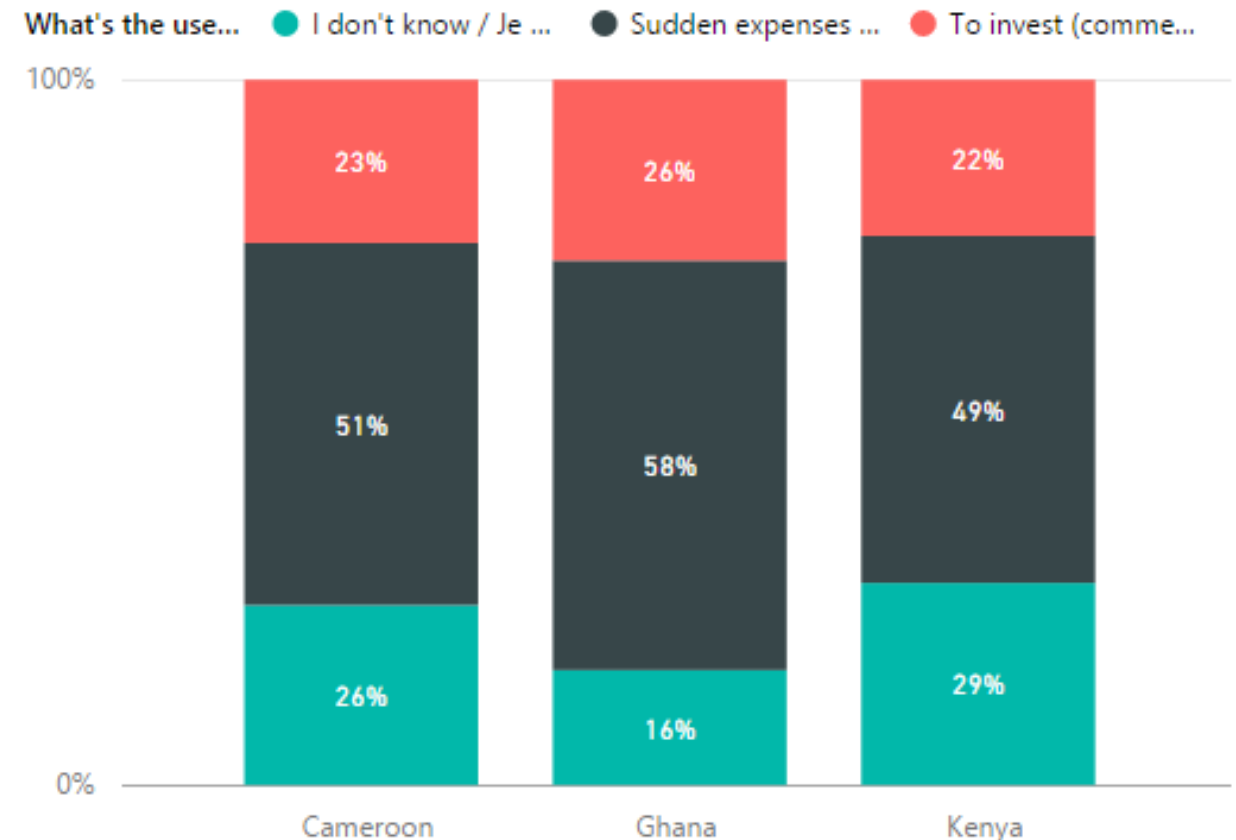
Q: What's the loan used?
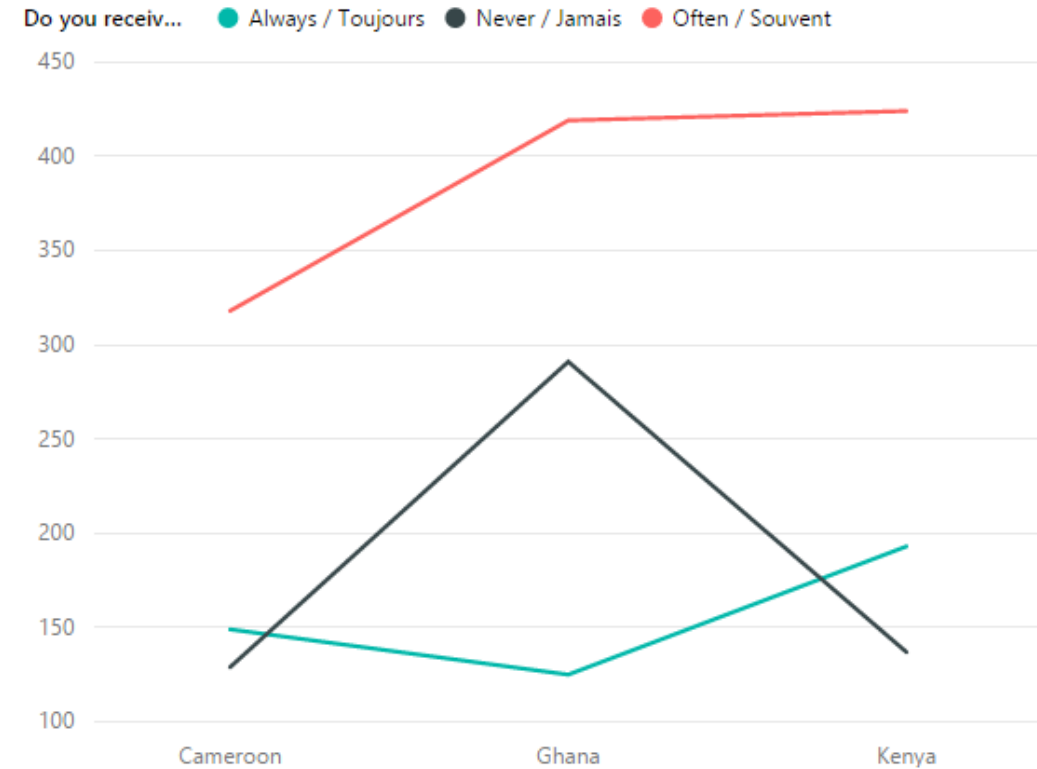Kenya (N=754), Ghana (N=835), Cameroon (N=596)

Most respondents have never asked for a bank loan. Kenyans seem to be closing the gap

Have you ever... ● No / Non ● Yes / Oui
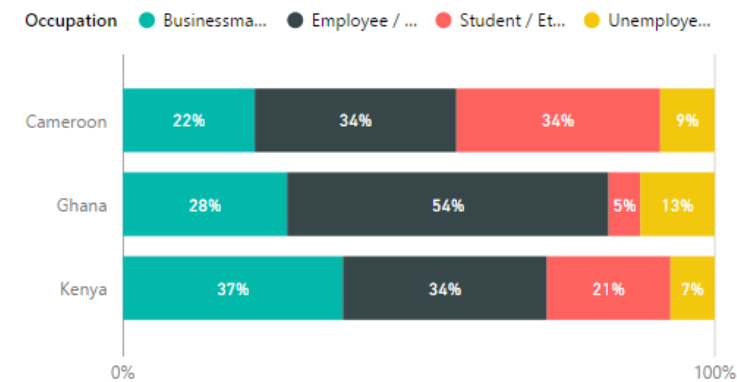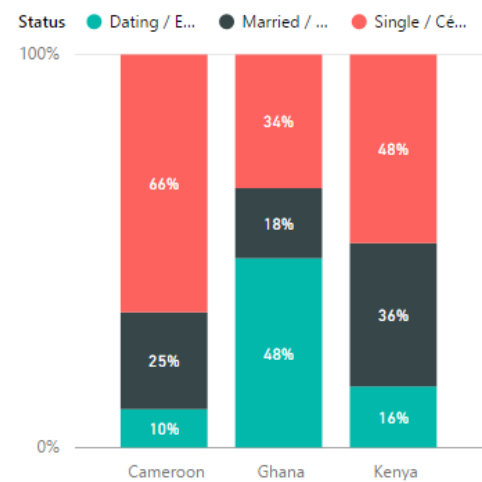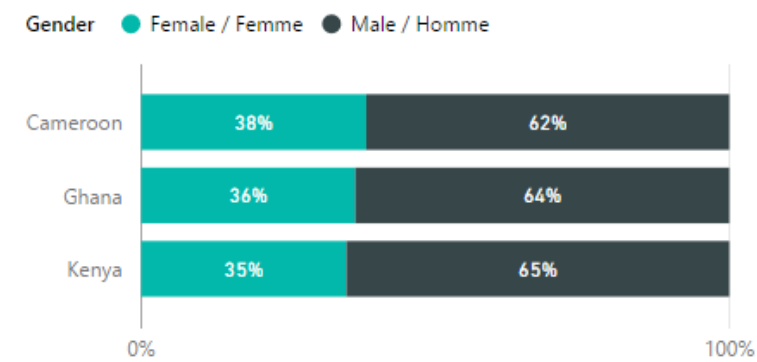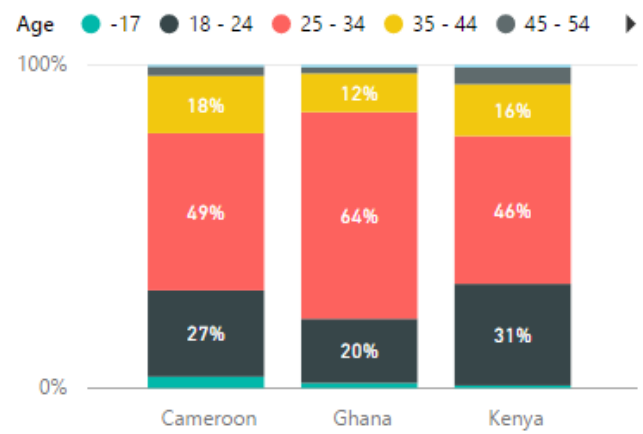
Q: Have you ever asked for a bank loan?
Kenya (N=754), Ghana (N=835), Cameroon (N=596)

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Lenders in Ghana has high default rate than lenders in Cameroon and Kenya. Kenya offers the safest lending environment

Do you receiv... ● Always / Toujours ● Never / Jamais ● Often / Souvent

Q: Do you receive your money back on time?
Kenya (N=754), Ghana (N=835), Cameroon (N=596)

Demographics

Age: ● -17 ● 18 - 24 ● 25 - 34 ● 35 - 44 ● 45 - 54 ▶

	Cameroon	Ghana	Kenya
35 - 44	18%	12%	16%
25 - 34	49%	64%	46%
18 - 24	27%	20%	31%

Gender: ● Female / Femme ● Male / Homme

	Female	Male
Cameroon	38%	62%
Ghana	36%	64%
Kenya	35%	65%

Status: ● Dating / E... ● Married / ... ● Single / Cé...

	Cameroon	Ghana	Kenya
Single	66%	34%	48%
Married	25%	18%	36%
Dating	10%	48%	16%

Occupation: ● Businessma... ● Employee / ... ● Student / Et... ● Unemploye...

	Businessman	Employee	Student	Unemployed
Cameroon	22%	34%	34%	9%
Ghana	28%	54%	5%	13%
Kenya	37%	34%	21%	7%

Introducing Kasi Credit Score (KCS)

Kasi Credit is the first crowdsourced, community-based credit score that captures Africa consumers creditworthiness given the local unstructured and informal environment.

- Developed by Kasi Insight, the score is derived from a pool of consumers/lenders in the community who provide feedback and assessment on their lending practices and behavior.

- To get a personal score, consumers can provide additional and specific information to convert the community-based score to a personal score.

- The credit score is experimental and available in 3 countries (Kenya, Ghana & Cameroon).

- A standard sample will aim to survey 1000 consumers / lenders mostly urban dwellers

Kasi Credit Score Methodology

The findings of this survey are based on respondents with Internet access. While an online survey methodology allows for scale and reach, it provides a perspective only on the habits of existing internet users, not the entire population.

In Africa where online penetration is still growing, internet users are younger and more affluent than the general population. In addition, survey responses are based on claimed behaviour rather than actual metered data.

- The data is collected from a target of 1000 lenders per country via an online survey designed and deployed by Kasi Insight

- The surveys were completed between May 25th and September 24th, 2015

- The data was collected from 160 different locations in Nairobi, Yaoundé, Douala and Accra.

- The respondents were answering the questions from a lender perspective

- The survey is split in 4 sections: Risk, Liquidity, Usage and Collection

- The score is generated based on a proprietary model developed by Kasi Insight research team
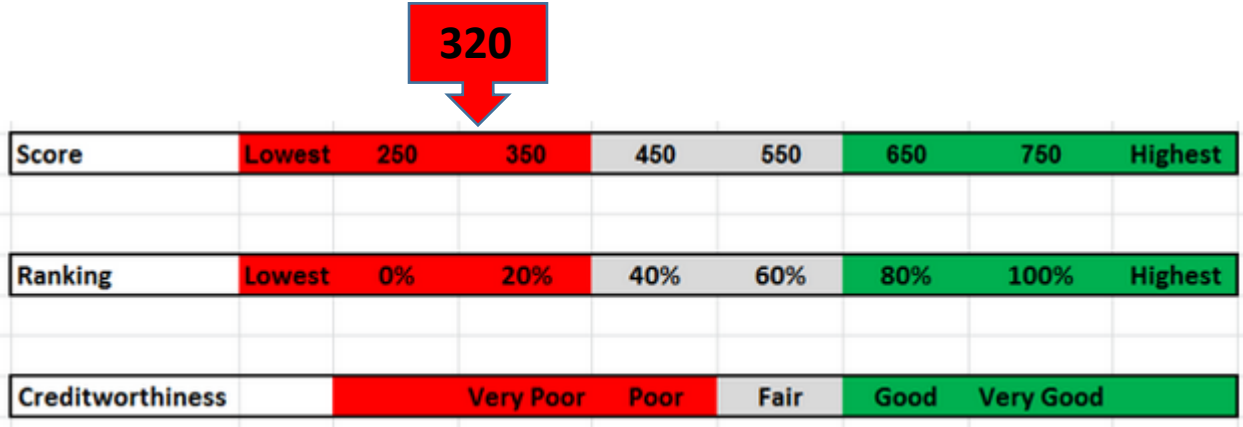
Kenya borrowers credit score

Default rate: 18%
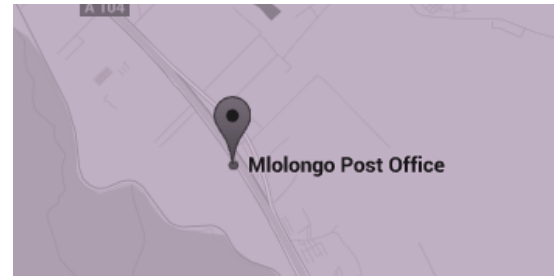
Positive drivers:
Risk & Payment

Negative drivers:
Usage and liquidity

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Score	Lowest	250	350	450	550	650	750	Highest

Ranking	Lowest	0%	20%	40%	60%	80%	100%	Highest

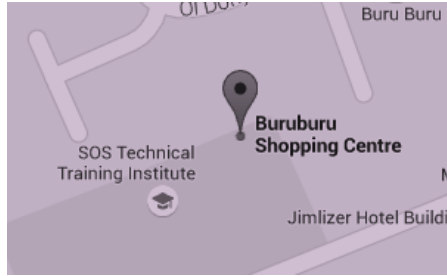| Creditworthiness		Very Poor	Poor	Fair	Good	Very Good

Kasi Credit is crowdsourced credit scoring for Africa

Kasi Credit Insights
Location drill in Nairobi

Insights: These neighborhoods or areas in Nairobi are potential good location for lending / bank branch
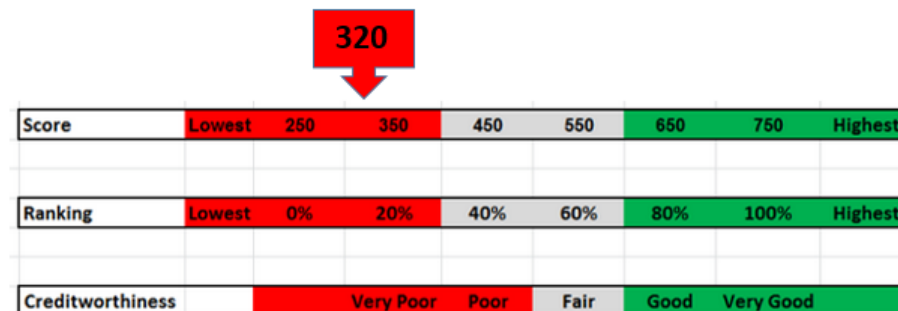
Criteria: >50% of the sample say they lent money and always got their money back on time.

Overall community credit score (N= 754)

Default rate: 18%

Positive drivers:
Risk & Payment

Negative drivers:
Usage and liquidity

Score	Lowest	250	350	450	550	650	750	Highest
			320					

Ranking	Lowest	0%	20%	40%	60%	80%	100%	Highest

Creditworthiness		Very Poor	Poor	Fair	Good	Very Good

Age ● -17 ● 18 - 24 ● 25 - 34 ● 35 - 44 ● 45 - 54 ● 55 +

Kenya	31%	46%	16%	

Gender ● Female / Femme ● Male / Homme

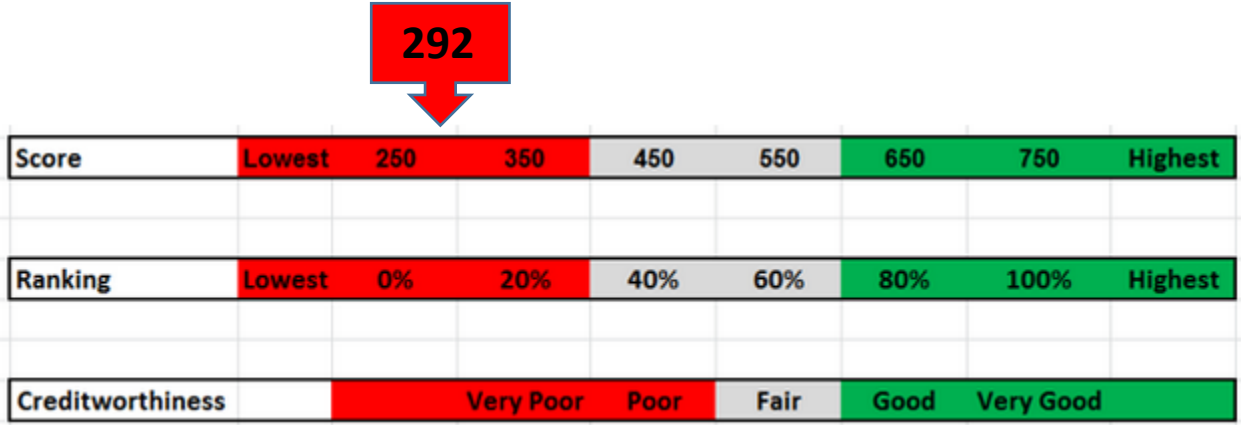| Kenya	35%	65%

Cameroon borrower credit score

Default rate: 22%

Positive drivers:
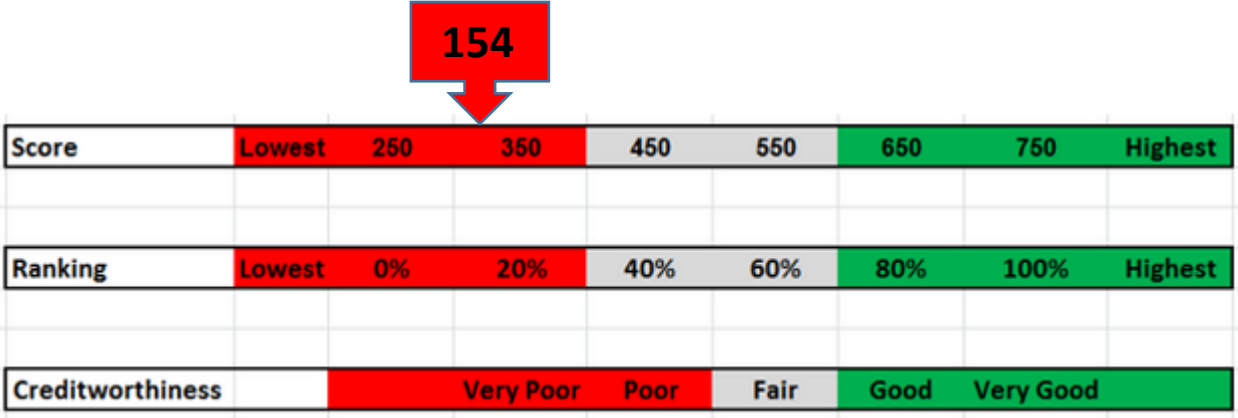Risk & Payment

Negative drivers:
Usage and liquidity

292

Score	Lowest	250	350	450	550	650	750	Highest
Ranking	Lowest	0%	20%	40%	60%	80%	100%	Highest
Creditworthiness		Very Poor	Poor	Fair	Good	Very Good		

Kasi Credit is crowdsourced credit scoring for Africa

Ghana borrowers credit score

Default rate: 35%

Positive drivers:
Risk

Negative drivers:
Usage, payment and liquidity

| 154 | | | | | | |

Score	Lowest	250	350	450	550	650	750	Highest

Ranking	Lowest	0%	20%	40%	60%	80%	100%	Highest

Creditworthiness		Very Poor	Poor	Fair	Good	Very Good

Kasi Credit is crowdsourced credit scoring for Africa

Data Sources

Kasi Insight

An internet-based information platform that empowers business leaders and organizations with reliable data and actionable insights from Africa. With deep roots in Africa and the data analytics and visualization tools, we crowdsource data and insights from millions of middle-class Africans to help you understand, track and serve the fastest growing consumer market in the world. Kasi Insight is becoming the leader in leveraging the African crowd and wisdom to drive success of your business in Africa

Get more actionable insights

- **Demographics analysis**
- **Location drilldown**
- **Business intelligence advice**
- **And more.**

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