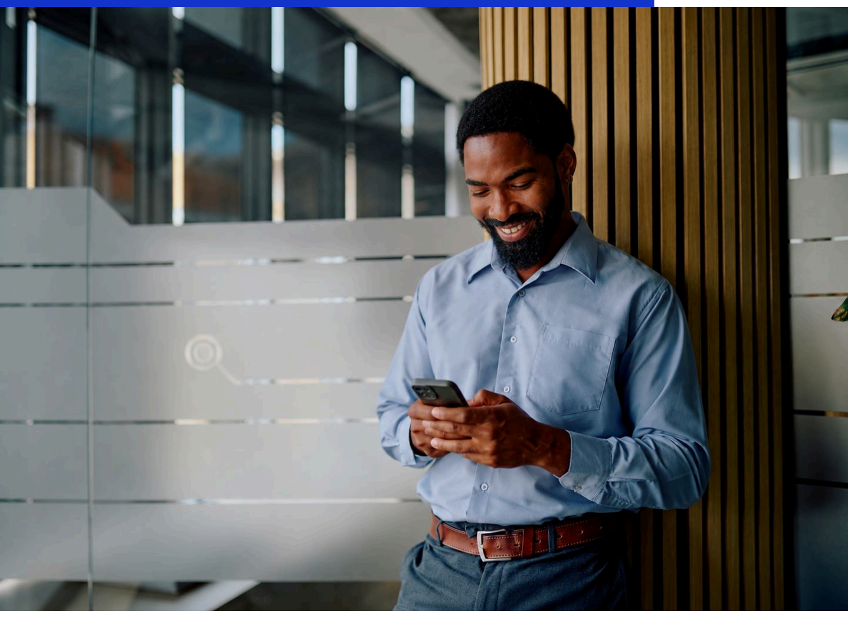
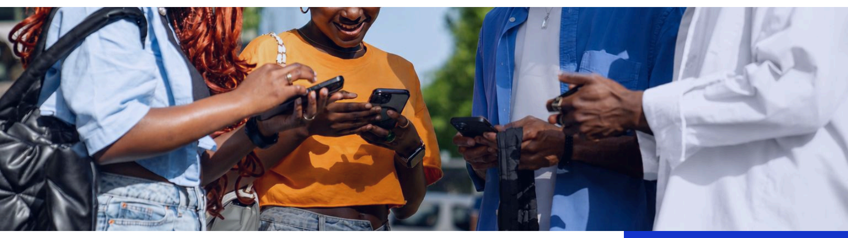
VISA

Visa Consulting & Analytics (VCA)

Winning Kenya's Next Unsecured Credit Wave

Closing the Underwriting Gap Between Digital and Traditional Bank Lending





Executive Summary

Kenya has one of the most advanced and dynamic consumer credit ecosystems in Africa, with roughly 18 million formal credit users. However, the market is structurally split into two segments with digital and traditional loans serving distinct, but increasingly overlapping, customer needs.

Traditional banks still anchor higher value, longer tenor products such as personal loans or mortgages. In parallel, digital credit providers have built a strong position in short term, small ticket lending, differentiated by instant access, mobile first delivery, and highly streamlined customer journeys.

In practice, the market is now a dual track:

- high value, slower moving, manually underwritten bank credit
- low value, high frequency, fully automated mobile credit

This structural split is underpinned by a widening gap in underwriting capabilities between digital and traditional loans. **Although select banks have launched low value digital credit**, all must urgently modernize **traditional loan** underwriting to compete.

As customers increasingly rely on mobile money for payments and mobile loans for everyday borrowing, banks are being progressively disintermediated from a critical component of the transactional and credit relationship, even where primary deposit relationships persist.

This shift has material implications for:

- market position
- customer ownership
- portfolio economics

It is also occurring against a backdrop of elevated credit risk across the ecosystem.

18M

Formal credit users across Kenya.

Dual-track

High-value traditional lending vs fully automated mobile credit.

Banks are being

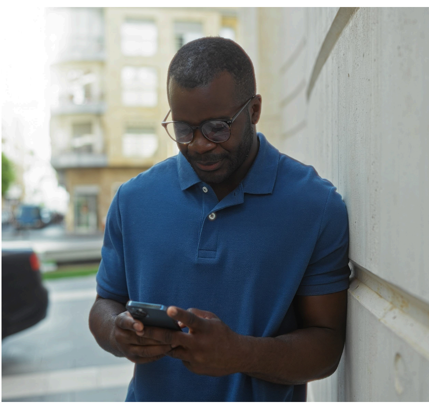
Disinter-mediated

from transactional and credit relationships.

The strategic message is clear: Traditional banks that do not upgrade underwriting, analytics, and decisioning capabilities will face mounting pressure on unsecured credit growth, profitability, and relevance, while those that move quickly can secure a stronger role in Kenya's next phase of financial services growth.

©2026 Visa. All rights reserved.

Business Impact: Displacement of Traditional Lenders in Short-Term Credit



Millions of Kenyans now access credit every month to manage short-term cash flow, absorb income volatility, and finance everyday spending.

Increasingly, these borrowers are choosing mobile and digital lenders over banks, attracted by rapid approvals, friendly interfaces, and instant disbursement.

Increase in digital lending

150+

No of licensed digital credit providers

~40%

Growth YoY in digital credit borrowers

~40%

Growth YoY in digital lending volumes

A clear divergence has emerged between digital credit providers and traditional banks

Digital credit providers

Powered by real-time mobile money and telco data with automated credit decisioning.

- Real-time data
- Automated decisioning
- Instant disbursement

Traditional banks

Unsecured credit underwriting remains largely based on static data, manual, and process driven.

- Static data
- Manual process
- Slower turnaround

©2026 Visa. All rights reserved.

Visa Consulting & Analytics' underwriting maturity assessment highlights three structural gaps that explain this divergence and increasingly constrain the ability of banks to scale unsecured credit sustainably.

Capability areas	Context/Gaps
Data	**Banks** hold extensive internal data on their customers' demographics, products and behaviors, in addition to credit insights. However, these datasets are often fragmented, and only partially embedded into underwriting. **By contrast**, digital lenders place real-time behavioral data at the core of risk assessment, enabling more accurate evaluation. **Closing this gap** requires consolidating internal data, integrating alternative data sources, and making data insights available for decisioning across the credit lifecycle.
Analytics	**Many banks** still rely on risk acceptance criteria, or traditional backward-looking scorecards. This limits precision in risk differentiation and pricing, especially for thin-file customers. **Digital lenders** deploy advanced, machine learning models based on recent behavior and transactions **Bridging the gap** demands deploying advanced analytical tools
Decisioning Frameworks	**Unsecured lending in banks** remains heavily manual with slow turnaround times. **Digital lenders** use, automated decision engines that support high straight-through processing and instant disbursement within set risk limits. **Addressing this** requires re-engineering credit decisioning to be digitized and automated, end-to-end—from risk assessment through disbursement—while maintaining disciplined risk controls.

The strategic imperative is evident -without closing this underwriting gap, financial institutions will encounter growing strategic and financial pressures.

©2026 Visa. All rights reserved.

Solution:
Urgent credit risk capability enhancement

To remain competitive, traditional lenders need to urgently modernize their credit risk capabilities, with three priorities standing out:

Expand data sources

Banks need to move beyond traditional data sources toward richer and more current signals including transaction behavior, merchant interaction patterns, and other alternative data sources that provide a more dynamic view of customer risk and affordability.

Develop new models

Banks should invest in advanced analytics, machine learning, and next-generation scorecards that can better predict risk in thin-file and mass-market segments, while also improving pricing and credit line management.

Automate decisioning

Competing effectively in unsecured credit increasingly requires near-instant credit decisioning at approval and continuous portfolio management. Banks must redesign approval frameworks to support automated decisions that significantly reduce turnaround times and pro-actively manage customer credit lines.

©2026 Visa. All rights reserved.

Visa Consulting & Analytics is uniquely positioned to help lenders enhance their credit risk capabilities by bringing both new insights based on Visa transaction data and leading credit risk expertise.

The VCA team brings together credit risk specialists across acquisition, portfolio management, and collections, alongside risk data science teams with experience in advanced decisioning models. The VCA Credit Risk Practice helps Visa partners grow and protect their credit businesses through a range of offerings including:

Offerings:

- **Visa data insights for Credit decisions and portfolio optimization**
  Unique card-level insights from Visa's network to strengthen credit decisioning
- **Credit cross sell capability enhancement**
  Identifying creditworthy customers and driving targeted credit cross-sell
- **Next Gen credit scorecard development**
  Supporting development of machine learning models across the credit lifecycle from approval, via customer management to collections
- **Credit policy and underwriting process optimization**
  Benchmarking and refining credit risk policy and underwriting processes based on global best-practice and Visa expertise

©2026 Visa. All rights reserved.

Conclusion

An inflection point for Kenya's credit market

Kenya's credit market is at an inflection point. Digital lenders are redefining customer expectations in unsecured lending, and their growth continues to accelerate. Traditional institutions therefore face a narrowing window in which to respond.

The priority for executive teams is clear

Invest now in data expansion, modern analytics, and automated decisioning infrastructure. Institutions that move early will be better placed to improve credit performance, protect customer ownership, and capture future growth.

A substantial opportunity—if strengths are matched with modern capabilities

The opportunity remains substantial. Banks retain strong customer relationships, funding advantages, and broad product ecosystems. However, these strengths will not be sufficient on their own if underwriting capabilities remain misaligned with the speed and complexity of the modern credit market.

Building a stronger credit ecosystem—together

A more competitive, inclusive, and resilient credit ecosystem will depend on lenders that can combine responsible risk management with digital-era responsiveness. That transformation must begin now.

That transformation must begin now.

©2026 Visa. All rights reserved.

About Visa Consulting & Analytics

VCA is a team of thousands of payments consultants, digital marketing specialists, data scientists, and economists across six continents.

The combination of our deep payments consulting expertise, our economic intelligence, and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.

- Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics, and machine learning, with exclusive access to insights from VisaNet, one of the largest payments networks in the world.
- Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

To get started, reach out to your Account Executive directly. Learn more about the team, resources, and our data-backed insights on Visa.com/VCA.

Follow the team on LinkedIn.

Forward-looking statements. This content may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements generally are identified by words such as "believes," "estimates," "expects," "intends," "may," "projects," "could," "should," "will," "continue" and other similar expressions. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict.

As-Is Disclaimer. Case studies, comparisons, statistics, research and recommendations are provided "AS IS" and intended for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice. Visa neither makes any warranty or representation as to the completeness or accuracy of the information within this document, nor assumes any liability or responsibility that may result from reliance on such information. The Information contained herein is not intended as investment or legal advice, and readers are encouraged to seek the advice of a competent professional where such advice is required.