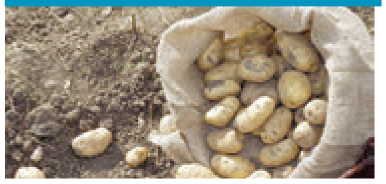
In Brief



Potato growers decry middlemen exploitation

Farming: Potato growers in Molo are up in arms over failure by Governor Kinuthia Mbugua's administration to protect them from middlemen who are allegedly circumventing the law by sticking to extended bags. They say middlemen have been swindling them by packaging the produce in bags exceeding the recommended 50 kilogramme bags. The farmers now want the County government to set up factories for value addition such as the production of potato crisps and also revive the collapsed Molo Potato factory. - KENNEDY KARIUKI

Tea farmers to establish regional auction centre

Marketing: Small scale tea farmer in Bomet and Kericho counties have jointly resolved to establish a regional auction centre that will see the tea produced in the two regions marketed locally. The farmers, who met at Silibwet in Bomet on Saturday, said the auction bay—which will be the second largest in Kenya and third in Africa—will be set up in Kericho. Tea growers Farmers Association interim chairman Richard Cheruiyot said just as the KTDA is there to manage tea produced in the country, farmers were also at liberty to opt out and scout for new markets where fair play is guaranteed. - FELIX YEGON

Bidco, developer seek out of court settlement

Trade: Cooking oil manufacturer Bidco Refineries and real estate developer Rosslyn Development have agreed to settle a land tussle out of court. The parties told the Court of Appeal judges Alnashir Visram, Martha Koome and Sankale Kantai that they were negotiating and needed to have the case adjourned for at least 30 days to finally pen a settlement. The judges allowed the prayers but with a caveat that if both firms do not agree, they should file their submissions within 14 days, after the lapse of the negotiation period. - NANCY GITONGA

Bamburi engages youth in cement bricks sale

Development: Bamburi Cement has begun converting shipping containers into retail shops to enable youths engage in production and sale of cement-based bricks. Youth groups will be given containers shops to serve the purpose of the cement manufacturing firm's exclusive retail outlet as well as to house a stabilised block making machine. "We are rolling this out in Kisii as part of our efforts to drive development and sustainable growth across the country," said firm's marketing and business development manager Irene Onacha. -SETH ONYANGO

PEOPLE DAILY / Wednesday, September 28, 2016

BusinessHub

App loan borrowers feel pinch of high interest rates

A look at country's laws shows mobile facility not covered under any rules

by Gitahi Ngunyi
@gitahi_ngunyi

Kenyans servicing loans from mobile apps will continue feeling the pinch of high interest rates despite the capping law coming into effect two weeks ago, *People Daily* can report.

A look at the Kenyan laws shows that the loans on mobile apps such as Branch, Saidia, Micromobile and Tala are not covered under any law in Kenya.

The Banking Act, which sets the legal parameters for banking and related business operations, defines financial institutions as a company, other than a bank, takes deposits from the public and uses them for lending to the public.

It further says that the minister in charge may, by notice in the Gazette, declare any other company to be a financial institution.

Expensive loans

In other words, the mobile apps companies just like shylocks and payday lenders, non-deposit taking micro-finance institutions are free from implementing the interest rates caps unless the finance minister declares them through a gazette notice as financial institutions.

The loans offered by the apps are now the most expensive with annual interest rates ranging between 90 and180 per cent per cent.

Tala, formerly Mkopo Rahisi, operated by US-based tech firm InVenture is the most expensive at annual rate of 180 per cent while Branch, operated by another US tech firm Branch International charges an annual percentage rate of 141.83 per cent.

Saidia charges a one off of 7.5 per cent facilitation fee on the loaned amount which translates to an annualised rate of 90 per cent.

Micromobile told *People Daily* that they are not in a position to discuss their business model for now. "Unfortunately right now we are hesitant to engage media until we have put a few things in place first. We will get back to you as soon as we are ready to go ahead with the article in the near future," said Micromobile's marketing associate Hellen Kariuki.

Debate has been ranging online on whether the companies which own the apps were covered by the interest rate capping act that came into effect on September 14. Last week, Central Bank Governor Patrick Njoroge told journalists he did not want to comment on the loans on the biggest mobile credit platform Mshwari when asked whether it is covered by the capping law.

"I would rather not comment on that for now," Njoroge told journalists in a press conference. Njoroge's response is a testimony of how complicated it is to regulate mobile phone-based loans in Kenya.

In the specific case of loans by mobile apps, the situation is even more complicated. The most common apps dispense cash through Safaricom's M-Pesa.

All the best

Kenya Tea Development Agency (Holdings) chairman Peter Kanyago (second right), presents a success card to Pauline Wanja and Brian Ombaba, beneficiaries of the KTDA Foundation's National Tea Scholarship during the recently held mentorship week. With him is Group chief executive officer Lerionka Tiampati (left). KTDA Foundation sponsors 325 bright and needy students in secondary schools across the country. PHOTO: COURTESY

BRINGING DOWN INTEREST RATES

On July 28, 2016, the National Assembly passed the Banking (Amendment) Bill, 2015 to help regulate interest rates that are applicable to banks' loans and deposits, capping the interest rates that banks can charge on loans.

However, Kenyans could still be subject to expensive loans as Mobile app companies do not fall anywhere with the legal definition of banks or financial institutions.

90-180
per cent interest
loans offered by the apps are now the most expensive.

Interest law to hit small banks hard, says report

by James Momanyi
@jamomanyi

The law-capping bank interest rates will force large banks to grow their market share by attracting customers from medium and small banks by offering them cheaper loans.

According to new research released yesterday by Britam Asset Managers, the recently implemented law is expected to squeeze medium and small banks' margins more than those of large banks, ultimately leading to lower net interest income for the medium and small banks.

As at 2015, there were seven large banks with a market share of 58.2 per cent, 12 medium banks with a market share of 32.4 per cent and 21 small banks with a market share of 9.2 per cent.

Banking assets

Despite controlling only 58 per cent of banking assets, the seven largest banks command a whopping 70 per cent of the sectors profits, indicating that they are able to better sweat their assets and grow shareholder value.

"Medium and small banks suffer higher non-performing loans due to their higher exposure to riskier Micro, Small and Medium Enterprises loans. Asset quality will be a key focus going forward as banks try to keep cost of risk low to cushion their bottom line," Britam Asset Managers' chief executive officer Kenneth Kaniu said during a media briefing in Nairobi.

70PC
Sector's profits
Commanded by the seven largest banks in the country

The banks are also likely to increase their investment in government securities in the short term due to the attractive risk-free yields and also increase focus on growing non-interest income to compensate for the decrease in interest income.

"We expect banks to step up efforts to improve efficiency by making alternative channels, which are more cost efficient, more attractive to customers. The banks are likely to increase their investment in government securities in the short term due to the attractive risk-free yields,"