



**Central Bank of Kenya**

# **2024 Survey Report on MSME Access to Bank Credit**

**June 2025**



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## Abbreviations

CBK	Central Bank of Kenya
CRBs	Credit Reference Bureaus
GDP	Gross Domestic Product
MFB	MFBs
MRPs	Money Remittance Providers
MSEA	Micro and Small Enterprises Act (2012)
MSME	Micro, Small and Medium Enterprise
NPL	Non-Performing Loan



## 1. Background

Micro, Small and Medium Enterprises (MSMEs) play a vital role in enhancing economic prosperity and social well-being. They also serve as a channel for new ideas and innovations to penetrate the market, hence contributing towards economic diversity and productivity. To ensure their viability and sustained growth, access to affordable and convenient financing options is critical.

The last MSME Survey done by the Kenya National Bureau of Statistics in 2016, established that there were over 7.4 million MSMEs in Kenya, which employed over 14.4 million Kenyans across all sectors of the economy<sup>1</sup>. These MSMEs contributed approximately 33.8 percent to the national GDP in 2015<sup>2</sup> and continue to play an important role in enhancing economic prosperity and social well-being. Financing by, and of MSMEs, remain critical to their sustainability and their contribution to Kenyans' livelihoods and economy.

As part of its strategic initiatives, CBK has over the years explored both the demand and supply side factors that influence the availability and access of formal financing for various market participants, including MSMEs. This has been done through conducting various surveys, including the *FinAccess Supply-Side Survey on Bank Financing of MSMEs* ("The Survey"). The MSME survey is conducted every two years to determine the status of the banking sector funding to MSMEs.

As a follow up to the Surveys conducted in 2020 and 2022, CBK has conducted the *2024 FinAccess Business Supply-Side Survey on Bank Financing of MSMEs*. The 2024 Survey provides the status of the banking sector funding to MSMEs in Kenya as of December 31, 2024. The report highlights findings on various indicators, including the definition of MSMEs, the amounts, pricing and tenors of credit disbursed, the primary credit products available to MSMEs and the sectoral distribution of MSME credit within the banking sector. The survey also provides insights into the performance of MSME loan portfolios, as well as their contribution to deposits in the banking sector, highlighting the trends over the last 2 years.

## 2. MSME Definition

The MSME Survey of 2024 adopted the definition of MSMEs provided under the Micro and Small Enterprises Act (2012) [MSEA Act 2012], and the Public Finance Management (Amendment) Act, (No. 2) of 2020.<sup>3</sup> Under the MSEA Act, MSMEs are classified by either their annual turnover, the number of employees engaged or by their total financial investment. The specific definitions for each category are as follows:

- **Micro enterprise** – any firm with an annual turnover not exceeding **Ksh.500,000** and employing (or rather engaging) 1 – 9 people. The total assets and financial investment or the registered capital of the enterprise does not exceed **Ksh.10 million** in the manufacturing sector and does not exceed **Ksh.5 million** in the service and farming sector.

<sup>3</sup> *Micro enterprises* refer to any firm that has an annual turnover that does not exceed **Ksh.500,000** and employing (or rather engaging) **1–9 people**. The total assets and financial investment or the registered capital of the enterprise does not exceed **Ksh.10 million** in the manufacturing sector and does not exceed **Ksh.5 million** in the service and farming sector.

*Small enterprises* are firms that post an annual turnover of between Ksh.500, 000 and Ksh.5 million and have 10-49 employees. In the manufacturing sector, investment in plant and machinery should be between Ksh.10 million and Ksh.50 million and registered capital of the enterprise between Ksh.5 million and Ksh.25 million in the service and farming sector. *Medium enterprises* are firms whose annual turnover is between five million shillings and one hundred million shillings and employ between fifty one and two hundred and fifty employees; in the manufacturing sector, total assets and investment in plant and machinery or the registered capital of the enterprise does not exceed two hundred and fifty million shillings; in the service and agricultural sectors, investment in equipment or registered capital of the enterprise does not exceed one hundred and twenty-five million shillings.

<sup>1</sup> <http://www.parliament.go.ke/sites/default/files/2022-11/The%20Annual%20Performance%20report%20for%20the%20MSMEs%20credit%20guarantee%20scheme.pdf>

<sup>2</sup> <https://www.knbs.or.ke/?wpdmpromo=2016-msme-basic-report>

- **Small enterprises** – Any firm with an annual turnover of between **Ksh.500,000** and **Ksh.5 million** and engaging 10-49 employees. In the manufacturing sector, investment in plant and machinery should be between **Ksh.10 million** and **Ksh.50 million** and registered capital of the enterprise between **Ksh.5 million** and **Ksh.25 million** in the service and farming sector.
- **Medium enterprises** – Any firm with an annual turnover of between Ksh.5 – 100 million and engaging between 51-250 employees; in the manufacturing sector, total assets and investment in plant and machinery or the registered capital of the enterprise does not exceed **Ksh.250 million**; in the service and agricultural sectors, investment in equipment or registered capital of the enterprise does not exceed **Ksh.125 million**. **Table 1** below presents the statutory definitions of MSMEs as used in the Survey

**Table 1: Statutory Definition of MSMEs**

Category	Sector	Annual Turnover (Ksh.)	No. of Employees	Assets/ Investment (Ksh.)
Micro	All	≤ 500,000	<10	N/A
Small	All	500,000<x<5,000,000	10<x<49	N/A
Medium	Manufacturing	5,000,000<x<100,000,000	50<x<250	125,000,000
	Service / Farming	5,000,000<x<100,000,000	50<x<250	250,000,000
	Other	5,000,000<x<100,000,000	50<x<250	As determined by Cabinet Secretary

Source: *Micro and Small Enterprises Act (2012)*

### 3. Survey Respondents

The Survey sought information from all licensed commercial banks, mortgage finance institutions and microfinance banks (MFBs). Data on the state of MSME financing as at December 31, 2024, was received from 37 commercial banks, 1 mortgage finance company and 14 MFBs.

### 4. Overview of Findings

- As at December 2024, the Kenyan banking sector's total net assets stood at Ksh.7.6 trillion, with gross loans and advances accounting for Ksh.4.2 trillion. Total customer deposits were Ksh.5.8 trillion<sup>4</sup>.
- There were 0.89 million active MSME loan accounts in the banking industry as at December 2024, with a total value of Ksh.784.4 billion. This was a 24.7 percent decrease from 1.18 million active loan accounts valued at Ksh.783.3 billion as at the last MSME lending survey in December 2022. The decline was driven by clean-ups of historical non-performing loan portfolios, including removal of duplicates, and increased repayments and loan closures. Of this total, commercial banks, and mortgage finance companies, cumulatively, disbursed Ksh.760.8 billion (97 percent) while MFBs disbursed Ksh.23.7 billion (3 percent).

<sup>4</sup> 2024 Bank Supervision Annual Report

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- The active MSME loan accounts as at December 2024 constituted a 24.7 percent decrease from 1.18 million active accounts existing as at December 2022. Whereas the cumulative value of the MSME loan portfolio as at December 2024 of Ksh.784.3 billion marginally increased by 0.1 percent from Ksh.783.3 billion reported in December 2022. This is largely attributable to one of the Tier 1 banks that increased its lending to micro enterprises.
  - The proportion of MSME loans by value to the total banking sector loan portfolio as at December 2024 stood at 21.4 percent, a marginal increase from 21.3 percent in December 2022.
  - The banking sector earned approximately Ksh.91.8 billion from MSME loans in the 12 months to December 2024, up from Ksh.79.1 billion in the same period to December 2022. This accounted for 35.3 percent of total lending-related income in 2024 that stood at Ksh.260 billion, compared to 32.9 percent in 2022, when the total lending income stood at Ksh.240.4 billion.
  - As of December 2024, the average loan tenor for MSMEs across both commercial banks and MFBs stood at 33 months, marking an increase from 27 months in December 2022. Within commercial banks, loan tenors ranged from 29 months for micro enterprises to 47 months for medium enterprises. In MFBs, loan tenors were shorter, ranging from 15 months for micro enterprises to 36 months for medium enterprises.
  - The average rate of interest charged on facilities to MSMEs as at December 2024 was 16.4 percent and 26.3 percent for commercial banks and MFBs, respectively. The average interest rates charged by the commercial banks and MFBs range between 16.0 – 16.7 percent, and 23.8 - 30.9 percent, respectively. Average interest rates per institutional category were 16.0 percent for micro enterprises, 16.6 percent for small enterprises and 16.7 percent for medium-sized enterprises in commercial banks. MFBs charge average interest rates of 23.8 percent, 30.9 percent and 24.3 percent for micro enterprises, small and medium-sized enterprises, respectively. In December 2022, the average interest rates were at 15.5 percent for commercial banks and 27 percent for MFBs.
  - MSMEs remained a key source of funding for the banking sector, contributing 16.9 percent (Ksh.956.0 billion) of total customer deposits in commercial banks and 79.7 percent (Ksh.34.2 billion) in microfinance banks (MFBs). As of the reporting period, total customer deposits stood at Ksh.5,810 billion for commercial banks and Ksh.42.8 billion for MFBs.
  - Banks have developed a range of products tailored to the specific needs of the MSME sector. Over 55 percent of commercial banks offer products that serve all three MSME categories - micro, small, and medium enterprises. Whereas, 13 percent focus exclusively on medium-sized enterprises, and 16 percent provide products targeting only the small and medium segments. For MFBs, 36 percent offer products for all three categories, whereas 21 percent target only micro and small enterprises.
  - As at December 2024, the largest proportion of MSME loans from commercial banks was extended to the Trade sector (39.5 percent), followed closely by Real Estate, and Transport and Communication, and Manufacturing sectors at 18 percent, 9.3 percent, and 7 percent respectively. The Energy, Financial Services and Mining sectors had the lowest allocation at 3.3 percent, 2.9 percent, and 1.3 percent, respectively.



- In MFBs, the largest proportion of the MSME loan portfolio was extended to the Trade sector (44.2 percent), followed distantly by Agriculture, Building and Construction, and Transport and Communication sectors with 13.5 percent, 11.5 percent and 9.6 percent, respectively. The Energy and Mining sectors had the lowest allocation at 1.6 percent and 0.7 percent, respectively.
- In 2024, most respondents reported a moderate impact of COVID-19 pandemic on MSMEs' access to finance, a shift from the high impact noted in 2022. Among commercial banks, 67 percent rated the impact as moderate, 29 percent as high, and 5 percent as low. Similarly, 62 percent of MFBs reported a moderate impact, 24 percent high, and 14 percent low.
- A total of 12,500 MSME loan facilities in the banking industry valued at Ksh.38.2 billion were restructured in 2024. These constituted 0.08 percent of total loan accounts and 1.04 percent of the total value of the gross loan portfolio as of December 2024. The restructuring was largely aimed at enabling borrowers to better manage their credit performance. This marked an increase from 4,899 facilities (Ksh.28.4 billion) restructured in 2023, but significantly lower in value than 2022, when 6,572 facilities worth Ksh.122.5 billion were restructured.
- Of the 0.89 million MSMEs loan accounts in the banking industry as at December 2024, 252,502 accounts valued at Ksh.149.8 billion were classified as non-performing. This amounted to 28.4 percent of total MSME loan accounts and 19.1 percent of the total value of outstanding MSME loans. NPLs in MSMEs also made-up 21.5 percent of total banking industry NPLs as at

December 2024 which stood at approximately Ksh.697.3 billion. In comparison, the level of MSME NPLs in December 2022 was relatively lower at Ksh.90.4 billion or 17.5 percent of the total banking industry NPLs which stood at Ksh.515.7 billion.

- In the 12 months to December 2024, a total of 95,179 loans valued at Ksh.8.8 billion were written off, with commercial banks and MFBs writing off Ksh.7.7 billion and Ksh.1.1 billion, respectively. The total accounts written off constituted 10.8 percent of total MSME loan accounts and 1.1 percent by value. This was a significant increase in number and decrease of loans restructured from 2022, when **18,105 MSME loans** valued at **Ksh.9.6 billion** were written off.

## 5. Banking Sector Structure

As at December 31, 2024, the Kenyan banking sector comprised of the Central Bank of Kenya (CBK), as the regulatory authority, 38 Commercial Banks, 1 Mortgage Finance Company, 1 Mortgage Refinance Company, 10 Representative Offices of foreign banks, 14 Microfinance Banks (MFBs), 3 Credit Reference Bureaus (CRBs), 19 Money Remittance Providers (MRPs), 8 non-operating bank holding companies, 85 Digital Credit Providers (DCPs) and 72 foreign exchange (forex) bureaus.

As at December 31, 2024, total net assets in the Kenyan banking sector stood at Ksh.7.6 trillion, while total deposits stood at Ksh.5.8 trillion. On the other hand, total loan accounts stood at 11.8 million while the total number of deposit accounts (in both commercial and MFBs) stood at 114.9 million in the same period. **Table 2** below gives a summary of the banking sector's asset and deposit base as at December 31, 2024.

**Table 2: Banking Sector Asset Base as at December 2024**

Total Net Assets	Gross Loans and Advances	Total Deposits	Total No. of Loan Accounts	Total No. of Deposit Accounts
Ksh. Trillion	Ksh. Trillion	Ksh. Trillion	Million	Million
7.6	4.2	5.8	11.8	114.9

Source: Central Bank of Kenya

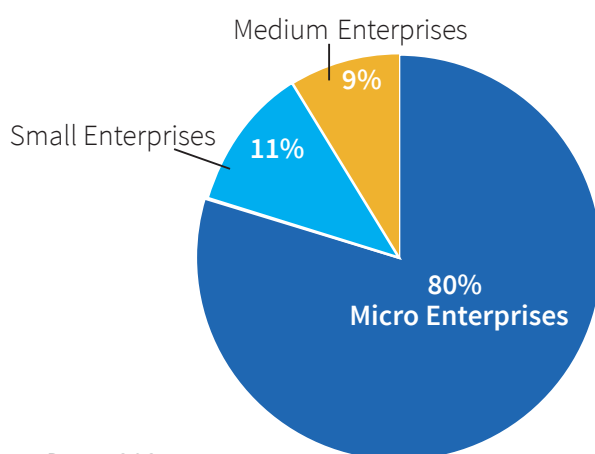
## 6. MSME Loan Portfolio Performance as at December 2024

### 6.1 Size and Distribution

- As at December 2024, there were 0.89 million active MSME loan accounts in the banking sector valued at Ksh.784.4 billion. This was a 24.7 percent decrease from 1.18 million active loan accounts valued at Ksh.783.3 billion as at the last MSME lending survey in December 2022. Over the two-year period between 2022 and 2024, the number of MSME loan accounts decreased at an annual average of 12.4 percent while the loan value increased at an annual average of 0.1 percent. The proportion of MSME loan accounts to the overall banking sector loan accounts declined to 6.0 percent in 2024, down from 8.0 percent in 2022. The decline can be attributed to the prevailing high lending interest rates and subdued consumer demand. Further, increased competition from alternative lenders, particularly digital credit providers and SACCOs active in MSME lending, may have contributed to the decline.
- Commercial banks and mortgage finance institutions held 78 percent of the total MSME loan accounts in the banking sector as at December 2024, while MFBs held the remaining 22 percent. This was an increase for commercial banks from 68 percent and a decrease for MFBs from 32 percent as at December 2022.
- Collectively, 80 percent of total MSME loan accounts were held by micro enterprises, 11 percent by small enterprises and 9 percent by medium enterprises as depicted in **Figure 1(a)**.
- Of the 78 percent of MSME loan accounts held in commercial banks, 60 percent were loans to micro-enterprises, 10 percent to small enterprises and 8 percent to medium enterprises. Of the 22 percent held in MFBs, 19.9 percent were loans to micro-enterprises and 1.7 percent to small enterprises. Loans to medium-sized enterprises constituted approximately 0.6 percent of the loan portfolio in MFBs.
- The proportion of MSME loans by value to the total banking sector loans portfolio as at December 2024 stood at 21.4 percent, a marginal decrease from 21.3 percent in December 2022.
- The value of MSME loans by commercial banks and mortgage finance companies as at December 2024 amounted to Ksh.760.7 billion or 97 percent of the total MSME loan portfolio while loans held by MFBs stood at approximately Ksh.23.7 billion or 3 percent.
- Of the Ksh.760.7 billion held in commercial banks, medium-sized enterprises held the highest portion at Ksh.473.1 billion, small-sized enterprises held approximately Ksh.204.1 billion while micro-enterprises held the least amount at Ksh.83.5 billion as highlighted in **Figure 1(b)**.
- Of the Ksh.23.7 billion lent by MFBs, medium-sized enterprises held the highest amount at Ksh.9.9 billion, small-sized enterprises held Ksh.8.0 billion while micro-enterprises held Ksh.5.8 billion, also highlighted in **Figure 1(b)**.

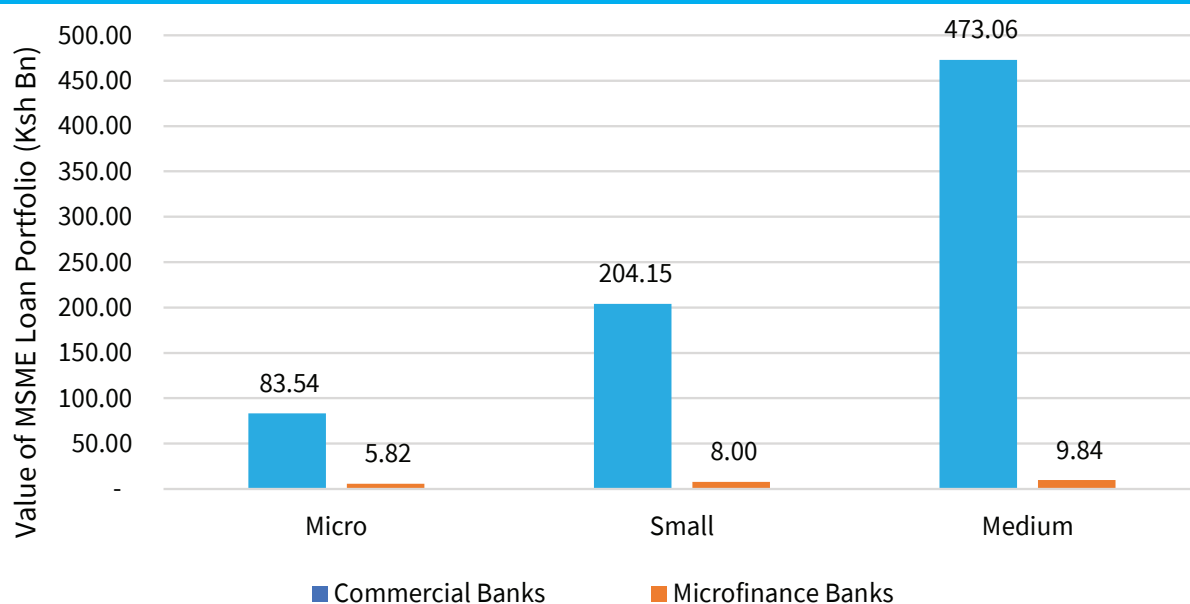
The above distribution is presented graphically in **Figures 1(a)** and **(b)** below.

**Figure 1 (a): Distribution of Banking Sector MSME Loan Accounts**



Source: MSME Survey Data, 2024

**Figure 1 (b): Distribution of the MSME Lending Portfolio by Value**



Source: MSME Survey Data, 2024

## 6.2 Average Loan Size

Overall, the average loan size across all categories as at December 2024 stood at approximately Ksh.885,293 compared to Ksh.662,169 in the 2022 survey. Average loan sizes for specific enterprise categories were as follows:

- Loans from commercial banks as at December 2024 averaged Ksh.157,413, Ksh.2.4 million and Ksh.6.3 million for micro, small and medium enterprises respectively. This compares to Ksh.112,849 (micro), Ksh.2.8 million (small) and Ksh.8.2 million (medium) in 2022.

- Average loans from MFBs in 2024 stood at Ksh.26,793, Ksh.414,260, and Ksh.2.6 million for micro, small, and medium enterprises, respectively. This compares to Ksh.27,928 (micro), Ksh.483,061 (small) and Ksh.4 million (medium) in 2022.

The increase in the average loan size is largely attributable to a differential increase in loan size by

commercial banks to micro-sized enterprises. The increase in average loan size is also attributable to the differential decrease in the number of loans to 0.8 million, a decrease of 26 percent compared with a 1 percent decrease in the value of loans. **Table 3** below shows the comparative average loan sizes (in Ksh. million) for commercial banks and MFBs for the years 2022 and 2024.

**Table 3: Average MSME Loan Sizes 2022 - 2024**

Category	Commercial Banks		MFBs		Overall	
	2024	2022	2024	2022	2024	2022
	(Ksh M)	(Ksh M)	(Ksh M)	(Ksh M)	(Ksh M)	(Ksh M)
Micro	0.16	0.11	0.03	0.03	0.13	0.08
Small	2.4	2.84	0.4	0.48	2.1	2.23
Medium	6.3	8.18	2.6	4.03	6.2	8.02
Overall	1.10	0.93	0.1	0.09	0.9	0.66

Source: MSME Survey Data, 2022 and 2024

### 6.3 Income Generated from the MSME Portfolio

The banking sector generated approximately Ksh.91.8 billion in revenue in the 12 months to December 2024 from the MSME loan portfolio. This represented 35.3 percent of the banking sector's overall lending-related income for the year, which stood at Ksh.260 billion. Of this total revenue:

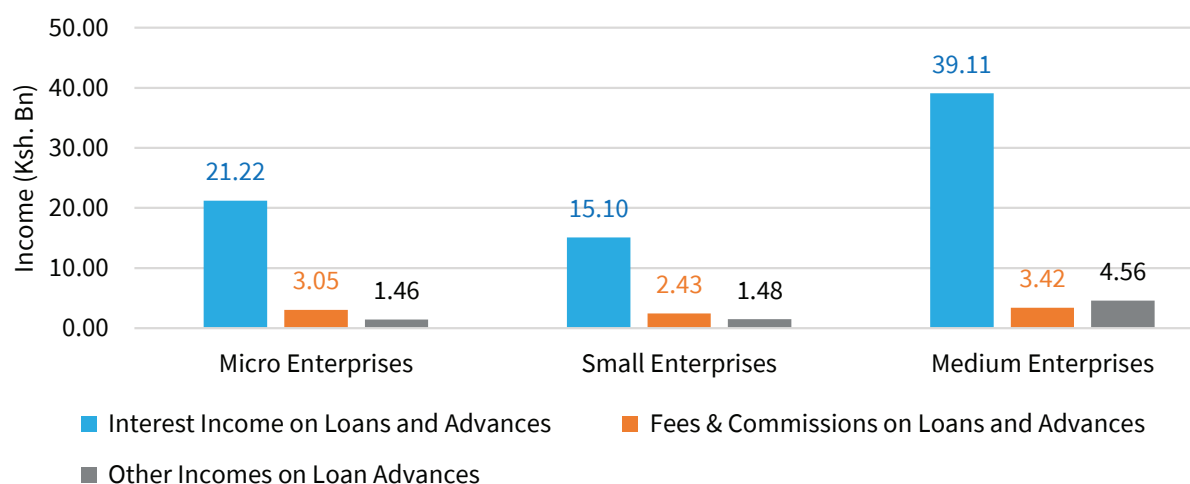
- Ksh.47.1 billion (51.3 percent) was generated from loans to medium enterprises. This comprised Ksh.39.1 billion in interest income, Ksh.3.4 billion in fees and commissions and Ksh.4.6 billion in other income. This represents an increase from the Ksh.41.7 billion (52.7 percent) generated in 2022, which consisted of Ksh.31.1 billion in interest income, Ksh.5.2 billion in fees and commissions, and Ksh.4.2 billion in other income.
- Ksh.25.7 billion (28.0 percent) was from loans to micro enterprises. This comprised Ksh.21.2 billion in interest income, Ksh.3.0 billion in fees and commissions and Ksh.1.5 billion in other income. This was an improvement from

Ksh.12.5 billion (15.8 percent) from loans to micro enterprises in the 2022 MSME survey.

- Ksh.19.0 billion (20.7 percent) was from loans extended to small enterprises. This comprised Ksh.15.1 billion in interest income, Ksh.2.4 billion in fees and commissions and Ksh.1.5 billion in other income. This was a decrease from Ksh.24.9 billion (31.5 percent) from loans extended to small enterprises reported in the 2022 MSME survey.

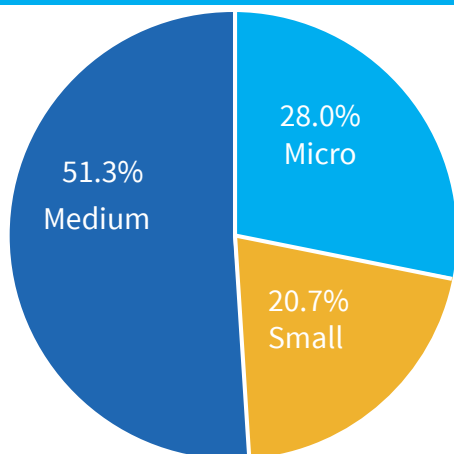
In 2024, overall revenue from MSME lending increased by Ksh.12.7 billion to Ksh.91.8 billion compared to 2022, when it stood at Ksh.79.1 billion. This increase is largely attributed to the increase in the value of MSME loans, as evidenced by an improvement in loan value from Ksh.783.3 billion in 2022 to Ksh.784.4 billion as at December 2024. While a rise in interest rates in 2024 raised the cost of borrowing, it also translated into increased interest income for financial institutions. This directly contributed to the growth in revenue from MSME lending. Figures 2 and 3 illustrate the above income distribution.

**Figure 2: Income Generated on the MSME Loan Portfolio as at December 2024**



Source: MSME Survey Data, 2024

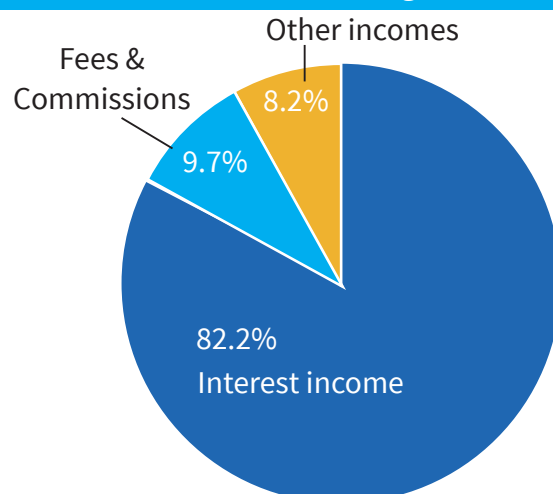
**Figure 3 (a): MSME Income Distribution Across Enterprise Category in 2024**



Source: MSME Survey Data, 2024

The revenue from MSMEs was composed of interest income, fees and commissions and other income. Loan interest formed the bulk of income generated from MSMEs at 82.2 percent of total income, with fees and other income contributing 9.7 percent and 8.2 percent, respectively.

**Figure 3 (b): Composition of the Income derived from MSME Lending**



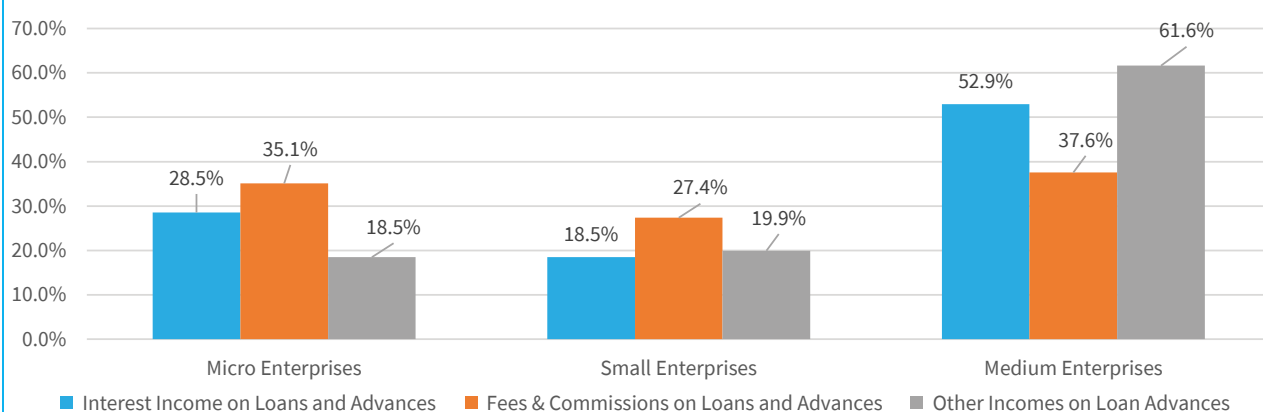
Source: MSME Survey Data, 2024



In 2024, medium-sized enterprises were the largest contributors to commercial banks' revenue from MSME lending, accounting for 52.1 percent of overall revenue. Micro enterprises followed with a contribution of 28.4 percent, while small enterprises accounted for 19.5 percent. This distribution trend is mirrored in the interest income, with 52.9 percent

derived from medium-sized enterprises, 28.5 percent from micro enterprises, and 18.5 percent from small enterprises highlighting the continued dominance of medium-sized businesses in driving MSME-related bank revenues. A similar distribution pattern was also observed for fees and other interest income (see Figure 4).

**Figure 4: Commercial Bank's Income generated from MSMEs Lending in 2024**

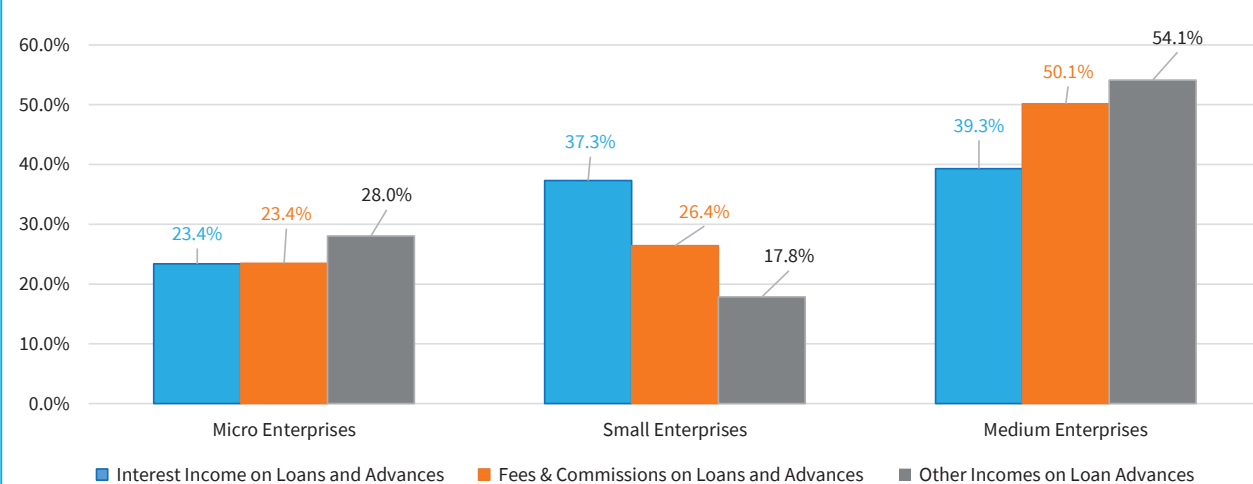


Source: MSME Survey Data, 2024

In MFBs, income from MSME lending in 2024 was composed of 81.1 percent in interest income, 8.7 percent in fees and commissions, and 10.2 percent in other income. Interest income was derived from medium-sized enterprises at 39.3 percent, small enterprises at 37.3 percent, and micro enterprises at 23.4 percent. Fees and commissions were derived

from medium-sized enterprises at 50.1 percent, small enterprises at 26.4 percent and microenterprises at 23.4 percent. Other income was derived from medium enterprises at 54.1 percent, micro enterprises at 28.0 percent at and small enterprises at 17.8 percent. The income structure for MFBs is presented in **Figure 5** below).

**Figure 5: MFBs - MSMEs Income Distribution across Enterprise Categories**



Source: MSME Survey Data, 2024

## 6.4 Loan Tenors

As of December 2024, the average loan tenor for MSMEs across both commercial banks and microfinance banks (MFBs) was 33 months, marking a 6-month increase from the 27-month average in December 2022. In commercial banks, loan tenor ranged from 29 months for micro enterprises to 47 months for medium enterprises, reflecting an extension from the 2022 tenor, which ranged between 19 and 40 months for MSMEs. Similarly, in MFBs, the loan tenor ranged from 15 months for micro enterprises to 36 months for medium enterprises, reflecting an extension from the 2022 loan tenor, which ranged between 12 and 30 months for MSMEs.

The average loan repayment period for micro-enterprises was shorter, at 22 months, compared to

35 months for small enterprises and 42 months for medium enterprises, across both commercial banks and microfinance banks (MFBs), as shown in Table 4 and Figure 6. This relatively shorter tenor for micro-enterprise loans is partly due to the perceived higher risk associated with these businesses. As a result, lenders tend to prefer shorter repayment periods to limit their exposure to risk.

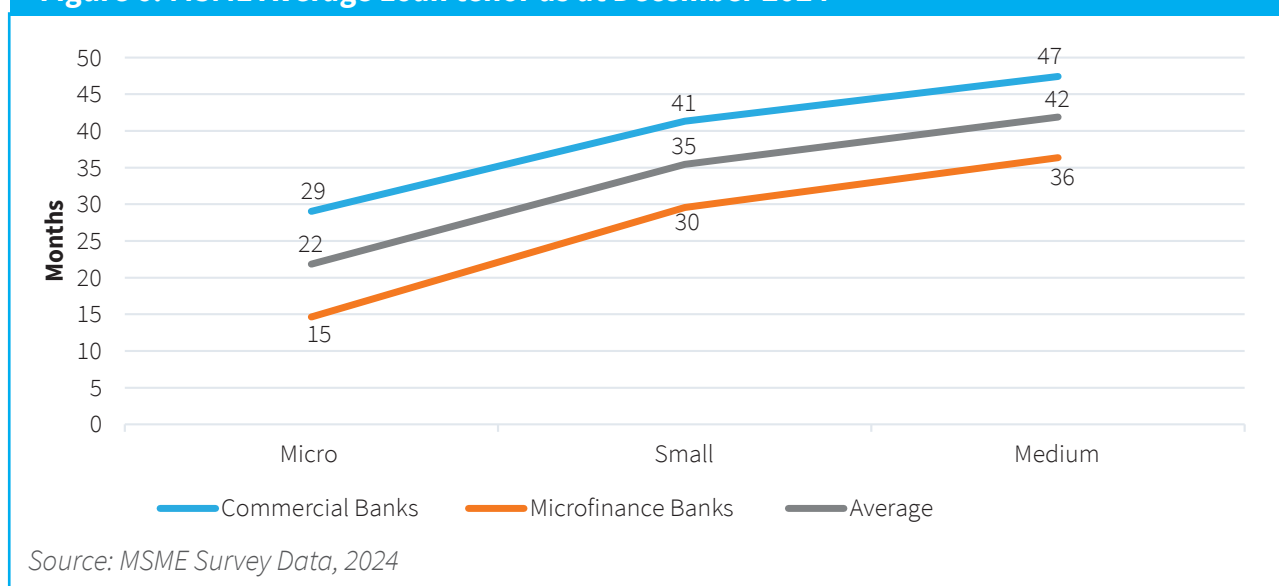
The extension of longer loan repayment periods by lenders may reflect growing confidence in the creditworthiness of MSMEs, as well as the banking sector's responsiveness to subdued loan demand. It also suggests a shift toward more tailored lending practices, with longer tenors aligned to the growth and cash flow cycles of MSMEs, offering more supportive and sustainable financing terms.

**Table 4: Average Loan Tenors for MSMEs Loans as at December 2024 (Months)**

Category	Micro	Small	Medium	Average
Commercial Banks	29	41	47	39
Microfinance Banks	15	30	36	27
Average	22	35	42	33

Source: MSME Survey Data, 2024

**Figure 6: MSME Average Loan tenor as at December 2024**



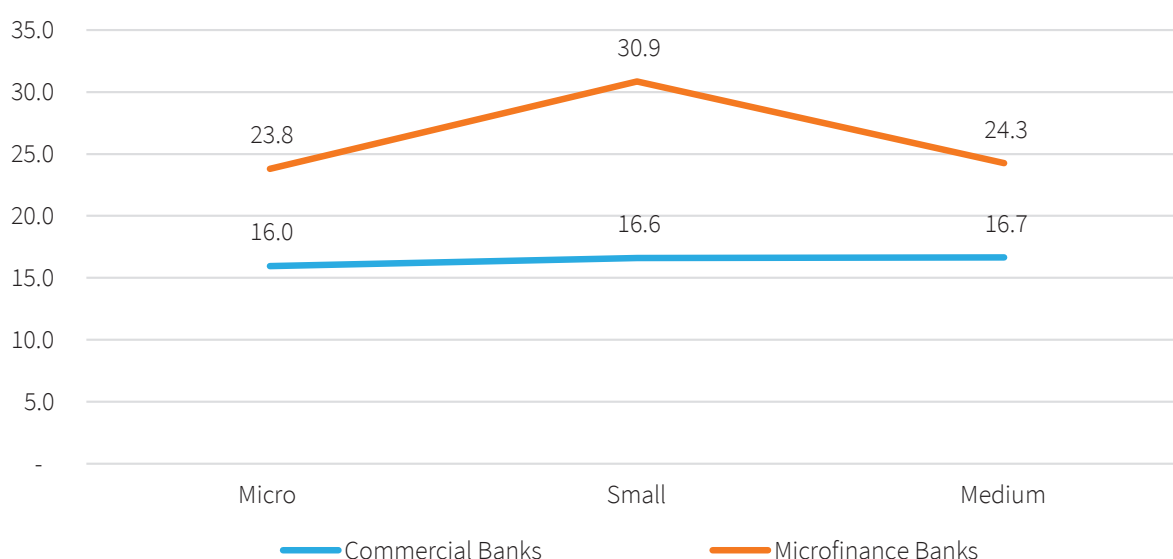
## 6.5 Interest Rates on MSME Loans

The highest average rate of interest charged on facilities to MSMEs as at December 2024 was 16.7 percent and 30.9 percent for commercial banks and MFBs respectively. While the lowest average rate of interest was 16.0 percent and 23.8 percent for the commercial banks and MFBs respectively. Within specific categories, interest charges were as follows:

- Commercial banks charged interest rates ranging between 16.0 and 16.7 percent on average, this is an increase from 2022 where it ranged from 12.6 percent to 13.9 percent on average. Within commercial banks' lending, micro enterprises had the lowest and the highest interest rates ranging from 8.4 percent at the lowest and 23.5 percent at the highest, averaging 16.0 percent, while medium enterprise charged interest of between 21.7 and 11.6 percent averaging 16.7 percent. Small enterprise segment had a low variability charging between 12.3 percent at the lowest and 20.9 percent at the highest, averaging a 16.6 percent.
- MFBs charged interest rates ranging between 23.8 percent and 30.9 percent on average on MSME loans, this compares with a range of 20 percent to 22 percent in 2022, indicating an increase. The highest reported rate was charged on small enterprises at 41.7 percent and the lowest was charged on micro enterprises at 10 percent.
- In general, the average range between the highest and lowest priced facilities stood at 15.8 percent.

The 2024 data indicate a continuing trend of increasing interest rates on MSME loans across both commercial banks and microfinance banks (MFBs). The variation in rates, particularly by enterprise size and lending institution, reflects differing risk assessments, operational costs, and business models. **Figure 7** below charts the average interest rates charged on loans to each of the three MSME categories in year 2024 by both commercial and MFBs.

**Figure 7: Average Interest Rates on MSME Facilities in 2024**



Source: MSME Survey Data, 2024

## 6.6 Product Analysis

To better serve the needs of MSMEs, banks have designed various products tailored to address the sector's specific needs. According to the 2024 survey findings, over 55 percent of commercial banks offer products targeting all the three categories of MSMEs, i.e. micro, small and medium-sized enterprises. In addition, 13 percent of commercial banks offer products targeting only enterprises in the medium category while 16 percent offer products targeting small and medium category. Among MFBs, 36 percent offer products targeting all three MSME categories, while 21 percent offer products targeting only micro and small enterprises.

Within commercial banks and MFBs, the typical term loans and bank overdrafts accounted for over 85 percent of the MSME loan portfolio as at December 2024. Other MSMEs products such as contract financing, performance bonds, bid bonds, invoice discounting, bank guarantees, letters of credit and warehouse receipts are also used but to a much lower extent, collectively accounting for the remaining 15 percent.

## 6.7 MSME Deposits

As at December 2024, there were a total of 9.6 million MSME deposit accounts held by financial institutions, representing 8.3 percent of the 114.9 million deposit accounts within the banking sector. Commercial banks and mortgage finance companies held 84.4 percent of the MSME deposit accounts, while MFBs held the remaining 15.6 percent.

Deposits held by MSMEs as at December 2024 amounted to Ksh.1.0 trillion or 16.5 percent of the total deposit liabilities (Ksh.5.8 trillion) in commercial banks. MSME deposits in MFBs amounted to Ksh.34.2 billion or 79.9 percent of overall deposits (Ksh.42.8 billion) held by MFBs as highlighted in **Table 5(a) & (b)**.

Previously as at December 2022, MSME deposits accounted for 14.9 percent of total deposit liabilities for commercial banks and 59.5 percent of deposit liabilities in MFBs. The increase in the proportion of MSME deposits to overall deposits may be attributed to a proportionately larger increase in MSME deposits than in non-MSME deposits over the three-year interval period **Tables 5 (a), (b)** below present the value of deposits held in both commercial banks and MFBs in December 2024, and December 2022 as a proportion of overall banking sector deposits.

**Table 5 (a): MSMEs Deposits Held in Commercial Banks**

Year ending Dec	MSME Deposits (Ksh Billion)	Total Customer Deposits (Ksh Billion)	MSME Deposits/Total Customer Deposits (%)
2024	956.0	5,810	16.5
2022	746.6	4,999	14.9
2020	577.6	4,011	14.4

Source: MSME Survey Data, 2024 and 2024 BSD Annual Report

**Table 5 (b): MSMEs Deposits Held in MFBs**

Year ending Dec	MSME Deposits (Ksh. Billion)	Total Customer Deposits (Ksh. Billion)	MSME Deposits / Total Customer Deposits (%)
2024	34.2	42.8	79.9
2022	27.6	46.5	59.5
2020	25.7	49.3	52.1

Source: MSME Survey Data, 2024 and 2024 BSD Annual Report

The above data shows the significant role played by deposits from MSMEs as a source of funding for the banking sector, particularly for MFBs in which MSME deposits account for more than half the total customer deposits.

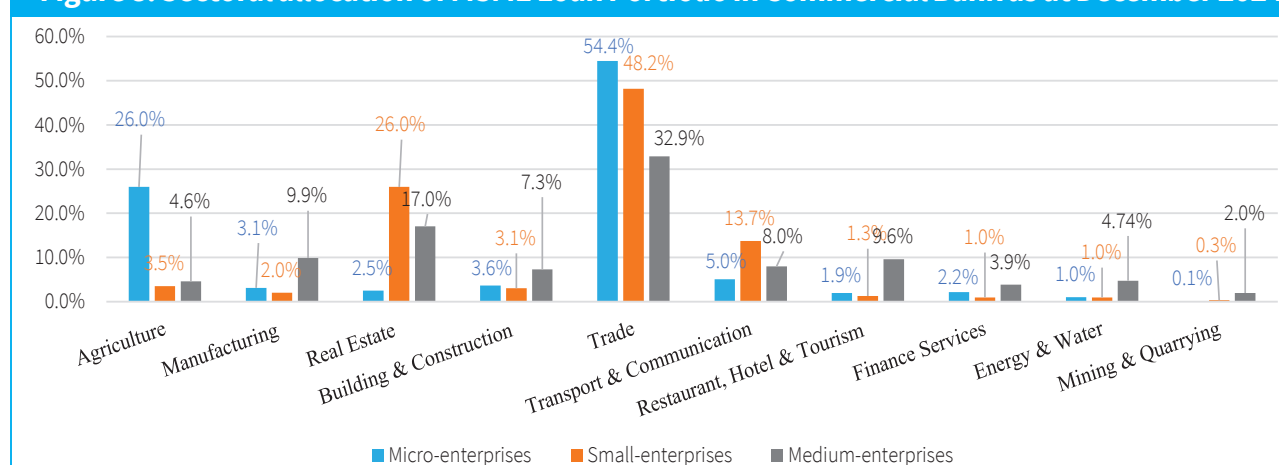
## 7. Sectoral Allocation of MSME Loans

As at December 2024, the largest proportion of MSME loans from commercial banks was extended to the Trade sector (39.5 percent), followed closely by Real

Estate, and Transport and Communication sector at 18 percent and 9.3 percent, respectively. The Energy, Financial Services and Mining sectors had the lowest proportion at 3.3 percent, 2.9 percent, and 1.3 percent, respectively.

**Figure 8** below illustrates the sectoral distribution (in terms of value of loan portfolio in percentage) of the MSME loan portfolio in commercial banks, expressed as a percentage of the total MSME loan value.

**Figure 8: Sectoral allocation of MSME Loan Portfolio in Commercial Bank as at December 2024**



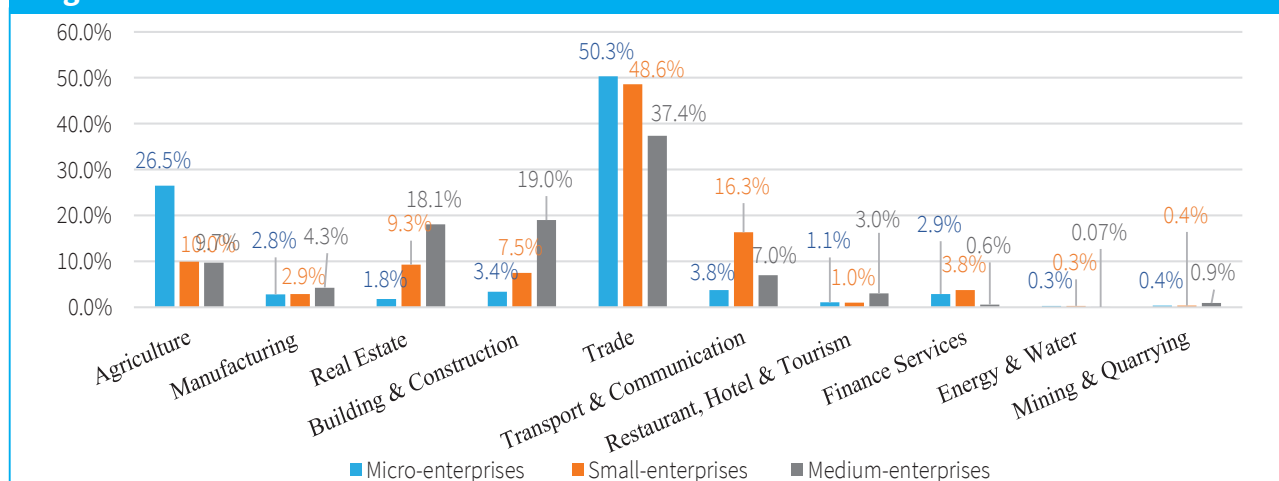
Source: MSME Survey Data, 2024

In MFBs, the largest proportion of the MSME loan portfolio was extended to the Trade sector (44.2 percent), followed distantly by Agriculture, and Building and Construction sectors with 13.5 percent, and 11.5 percent, respectively. The Energy and Mining

sectors had the lowest proportion at 1.6 percent and 0.7 percent, respectively.

**Figure 9** illustrates the sectoral distribution of the MSME loan portfolio in MFBs, shown as a percentage of the total MSME loan value.

**Figure 9: Sectoral allocation of MSME Loan Portfolio in Microfinance Bank as at December 2024**



Source: MSME Survey Data, 2024



## 8. Demand for Credit in the MSME Sector

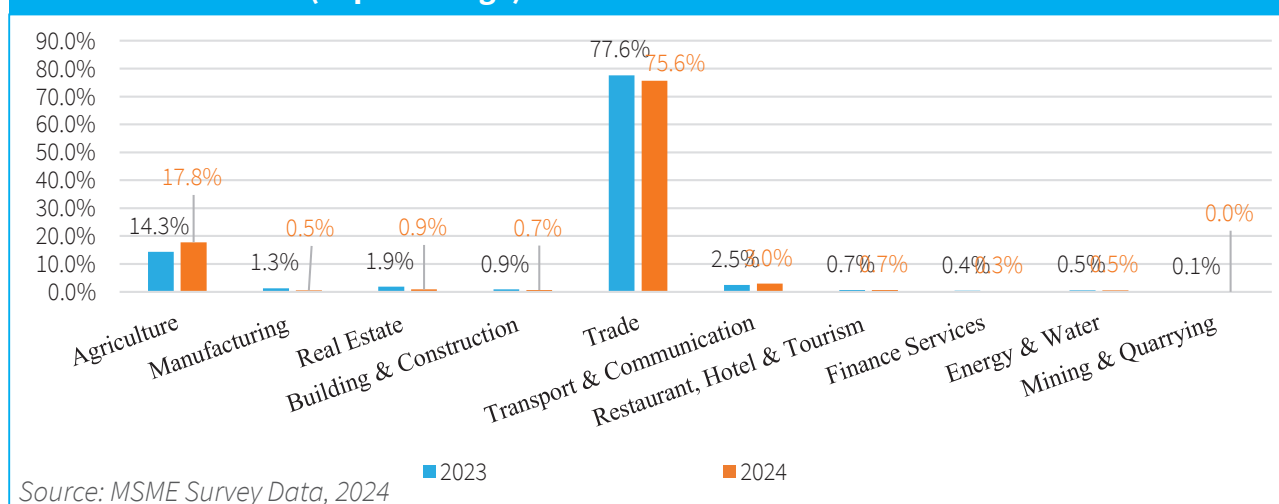
Between 2023 and 2024, commercial banks and MFBs received loan applications from MSMEs totaling approximately Ksh.872.6 billion, of which Ksh.771.1 billion (88.4 percent) was approved. This marked a 13.1 percent decline compared to the 2022 survey, when MSME loan applications amounted to roughly Ksh.1.0 trillion, with Ksh.829.8 billion (83 percent) approved.

Of the total applications received in 2023 and 2024, commercial banks accounted for Ksh.824.4 billion, approving Ksh.727.1 billion, representing an approval rate of 88 percent. In the micro-enterprise segment, the sectors receiving the most credit from commercial banks were Trade, Agriculture, and Transport and

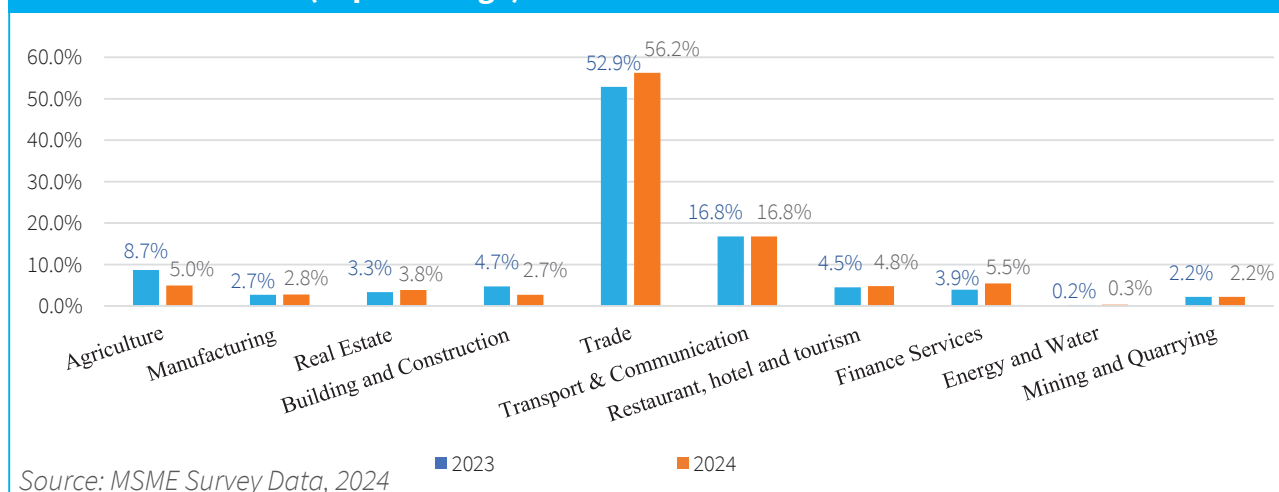
Communication. Conversely, the Mining and Quarrying, Financial Services, and Energy and Water sectors received the least.

For small enterprises, the Trade, Transport and Communication, Agriculture, and Real Estate sectors were the primary beneficiaries, while the Energy and Water, Mining and Quarrying, and Manufacturing sectors received the lowest share of credit. Among medium enterprises, the highest loan approvals were directed towards the Trade, Real Estate, Building and Construction, and Transport and Communication sectors. The least credit was extended to the Energy and Water, Mining and Quarrying, and Manufacturing sectors. **Figures 10 (a), (b), and (c)** illustrate the sectoral distribution of loan approvals by commercial banks during 2023 and 2024.

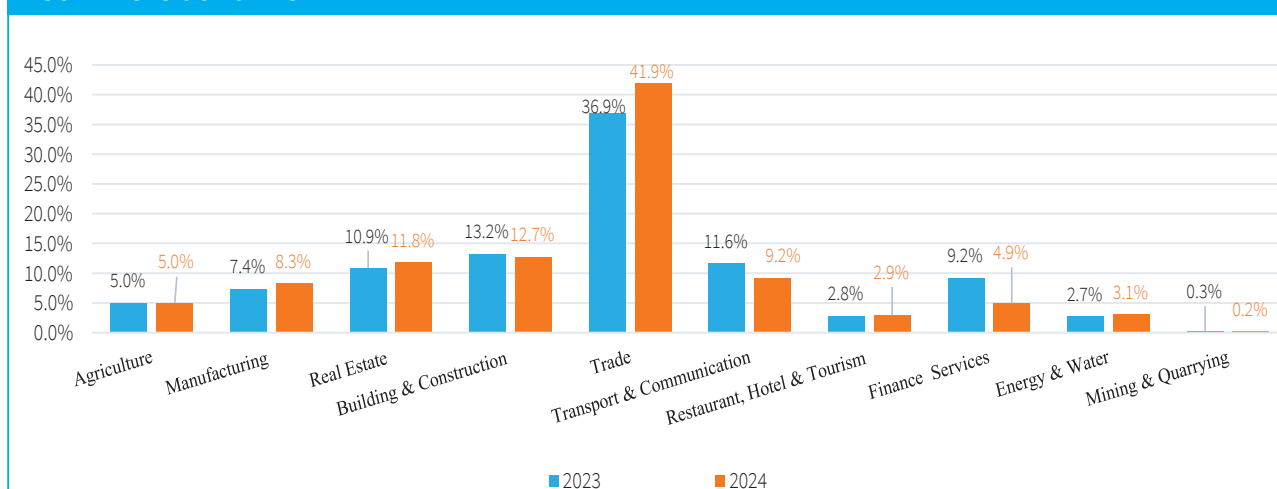
**Figure 10 (a): Credit to Micro-enterprises to Total MSME Loan Portfolio in 2023-24 – Commercial Banks (in percentage)**



**Figure 10 (b): Credit to Small Enterprises to Total MSME Loan Portfolio in 2023-24 – Commercial Banks (in percentage)**



**Figure 10 (c): Credit to Medium Enterprises to Total MSME Loan Portfolio (%) in 2023-24 – Commercial Banks**



Source: MSME Survey Data, 2024

In both 2023 and 2024, MFBs received MSME loan applications totaling Ksh.48.2 billion, with Ksh.44.1 billion (91.4 percent) being approved. This was a slight increase from 2021 and 2022 where they received MSME loan applications totaling to Ksh.47.8 billion with Ksh.43.5 billion (91.1 percent) being approved.

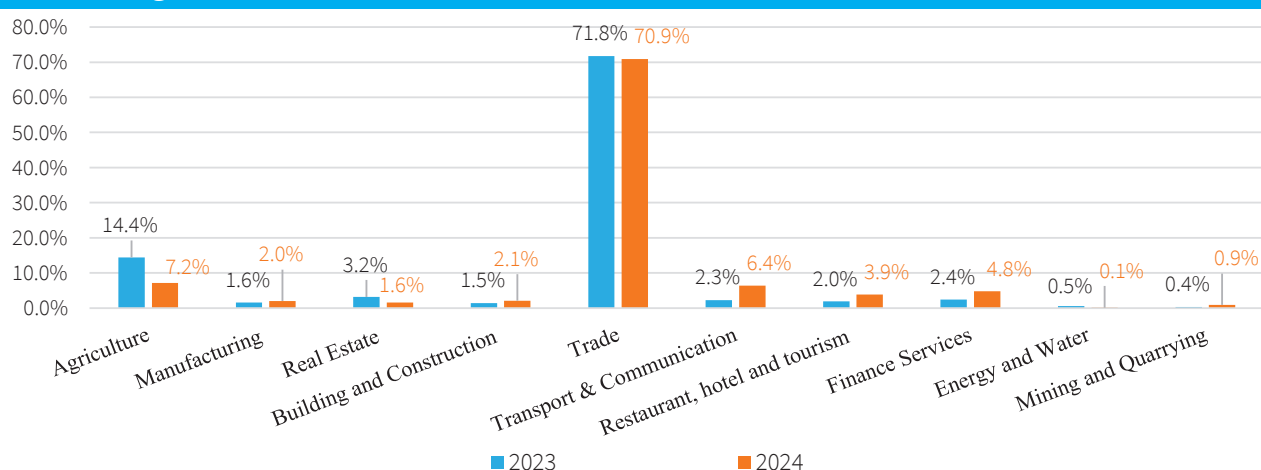
In 2024, within the micro-enterprise category, the Trade, Agriculture, and Transport and Communication sectors received the largest share of credit, while the Energy and Water, Real Estate, and Mining and Quarrying sectors received the least. This differs from 2023, when Trade, Agriculture, and Real Estate sectors were the largest beneficiaries, while Mining and Quarrying, Energy and Water, Building and Construction, and Manufacturing sectors received the least.

For small enterprises in 2024, the Trade, Transport and Communication, and Financial Services sectors

were the largest beneficiaries, while the Building and Construction, Mining and Quarrying, and Energy and Water sectors received the least. In 2023, the largest share was extended to Trade, Transport and Communication, and Agriculture, while Manufacturing, Mining and Quarrying, and Energy and Water sectors received the lowest proportion of credit.

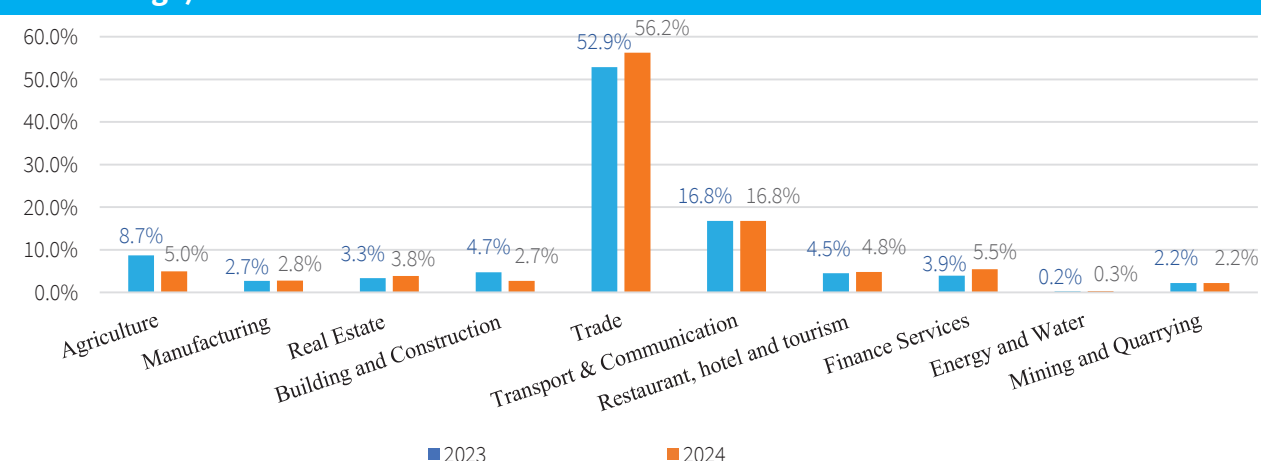
In the medium enterprise category, 2024 shows the Trade, Transport and Communication, and Financial Services sectors receiving the most credit from MFBs, while Manufacturing, Mining and Quarrying, and Energy and Water had the lowest allocations. In 2023, the highest amounts were lent to Trade, Agriculture, Real Estate, and Transport and Communication, with Manufacturing, Mining and Quarrying, and Energy and Water receiving the least. **Figure 11 (a), (b) and (c)** present the sectoral distribution of loan approvals by MFBs in 2023 and 2024.

**Figure 11 (a): Credit to Micro Enterprises to Total Loan Portfolio in 2023-24 – MFBs (in Percentage)**



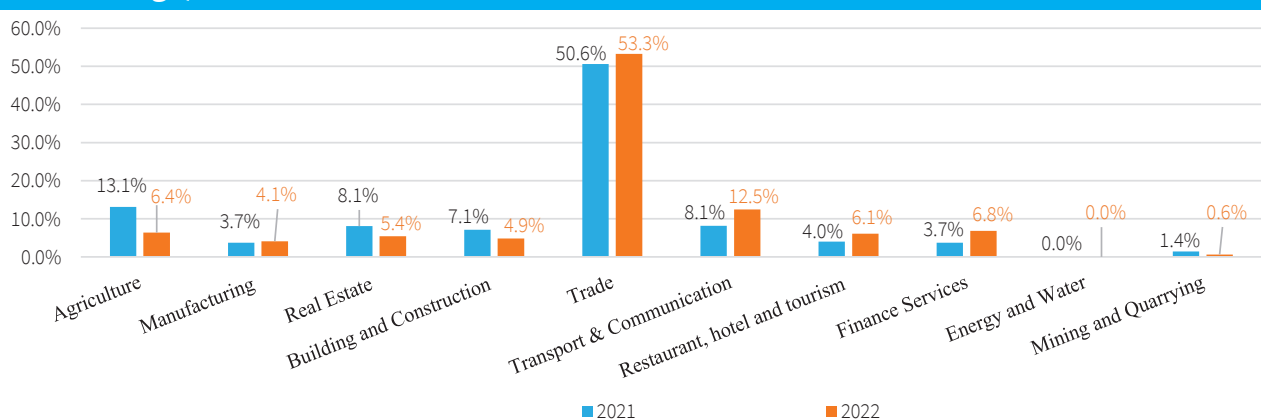
Source: MSME Survey Data, 2024

**Figure 11 (b): Credit to Small Enterprises to Total Loan Portfolio in 2023-24 – MFBs (in Percentage)**



Source: MSME Survey Data, 2024

**Figure 11 (c): Credit to Medium Enterprises to Total Loan Portfolio in 2023-24 – MFBs (in Percentage)**



Source: MSME Survey Data, 2024

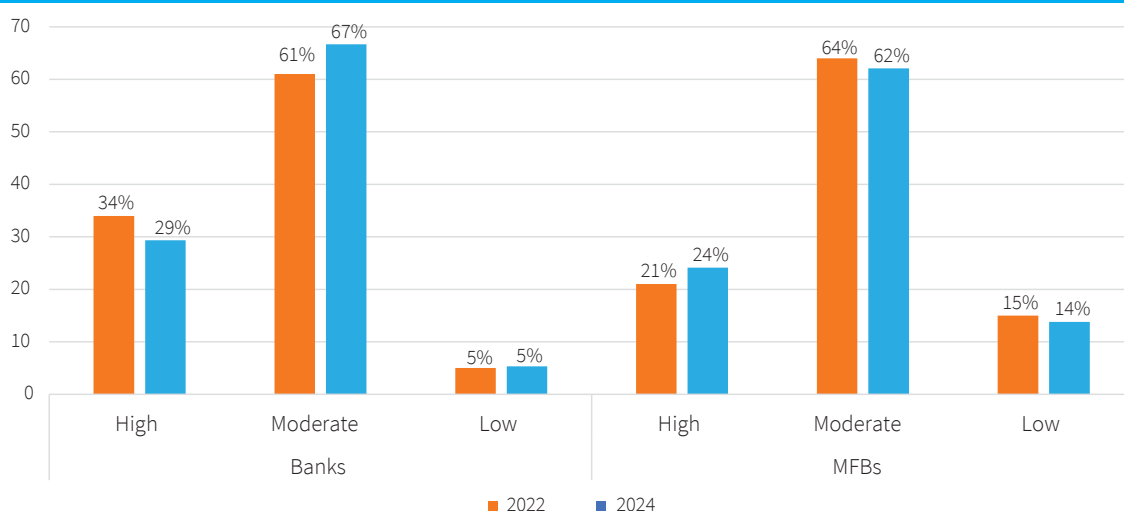
## 9. COVID-19 Pandemic and its Impact on the Banking Sector

Most respondents indicated that the COVID-19 pandemic had a moderate impact on MSMEs' access to finance during the period. Among commercial banks, 67 percent rated the impact as moderate, 28 percent as high, and 5 percent as low. Similarly, 62 percent of MFBs rated the impact as moderate, 24 percent as high, and 14 percent as low. The pandemic's impact

varied across enterprise sizes: for commercial banks, medium enterprises were most affected at 40 percent, followed by micro (30.7 percent) and small enterprises (29.3 percent). For MFBs, medium and small enterprises were equally impacted at 34.5 percent, with micro enterprises facing the least impact at 31 percent.

A summary of respondents' ratings of the pandemic's impact on MSME's access to finance is presented in **Figure 12**.

**Figure 12: Impact of COVID-19 Crisis on Enterprises' Access to Finance in 2022 as compared to 2024.**



Source: MSME Survey Data, 2024

### 9.1 Restructured MSME Loans and Non-Performing Loans (NPLs)

A total of 12,500 MSME loan facilities in the banking industry valued at Ksh.38.2 billion were restructured in 2024. These constituted 0.08 percent of total loan accounts and 1.04 percent of the total value of the gross loan portfolio as at December 2024. The restructuring was largely aimed at enabling borrowers to better manage their credit performance.

By comparison, in 2023, restructuring of MSME loan facilities was lower as commercial and MFBs

restructured a total of 4,899 loan facilities valued at Ksh.28.4 billion. This is partly because in 2022-2023, a larger restructuring of 6,572 loans valued at sh.122.5 billion was prompted by the adverse impact of the COVID-19 pandemic, seeking to cushion affected borrowers by easing debt servicing terms. The increased number and value of restructured loans in 2024 compared to 2023 indicate concerns about a challenging business and operating environment for MSMEs.

**Table 7** shows a summary of the total loan accounts and values thereof restructured in 2023 and 2024.

**Table 7: Restructured Loans in 2023/24**

	Number of Restructured Loans		Value of Restructured Loans	
	2023	2024	2023 Ksh Bn	2024 Ksh Bn
<b>Commercial Banks</b>				
Micro Enterprises	2,872	2,380	2.58	2.18
Small Enterprises	695	814	7.76	6.35
Medium Enterprises	537	646	21.90	33.57
<b>Total</b>	<b>4,104</b>	<b>3,840</b>	<b>32.24</b>	<b>42.10</b>
<b>MFBs</b>				
Micro Enterprises	246	7,062	0.04	0.03
Small Enterprises	235	1,468	0.11	0.14
Medium Enterprises	314	130	0.38	0.31
<b>Total - MFBs</b>	<b>795</b>	<b>8,660</b>	<b>0.53</b>	<b>0.48</b>
<b>Overall total</b>	<b>4,899</b>	<b>12,500</b>	<b>32.77</b>	<b>42.58</b>

Source: MSME Survey Data, 2024

## 9.2 Restructured Loans (RLs) in 2023 and 2024

The Agriculture sector had the largest share of restructured loans in 2024, accounting for 58.7 percent of the total number of loans restructured for commercial banks, followed by the Trade sector at 23.3 percent, while the Mining and Quarrying sector had the lowest share of 0.1 percent. Others were Transport and Communication sector (5.5 percent); real estate (4.7 percent); and Building and Construction sector (3.6 percent).

Other sectors had less than 2.0 percent each. In terms of value, the Manufacturing sector accounted for 33.4 percent of restructured loans followed by the Trade sector with 24.0 percent, Real Estate sector with 22.5 percent, Building and Construction sector with 12.9 percent, while other sectors had less than 10 percent.

In 2023, Agriculture sector still had the highest share of restructured loans at 56.0 percent of the total number of loans restructured by commercial banks, it was followed by trade at 26.6 percent. Mining and Quarrying had the least share of restructured loans at 0.1 percent. Other sectors include Transport and Communication (5.4 percent), Real Estate (4.6 percent), Building and Construction (3.1 percent), while the rest had a share

of less than two percent of the restructured loans. In terms of value of the restructured loans, Real Estate had the highest share accounting for 37.7 percent, followed by Manufacturing at 16.4 percent, trade at 15.4 percent, and Transport and Communication at 11.3 percent while the rest had of the sectors had less than 10 percent.

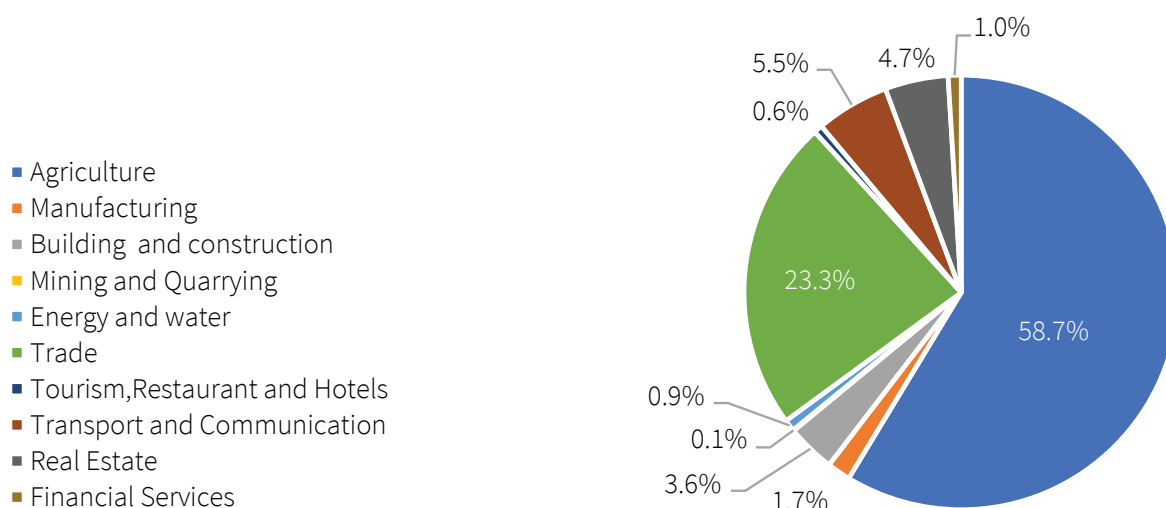
For MFBs, the Trade sector had the largest share of restructured loans in 2024, accounting for 92.4 percent of the total number of loans restructured which was an increase compared to 2023 where it accounted for 89.0 percent, followed by Agriculture at 4.8 percent down from 5.9 percent of 2023, and the Building and Construction sector at 2.0 percent down from 2.4 percent in 2023.

Other sectors had 1.0 percent or less of the restructured loans across the two periods. In terms of value, the Trade sector accounted for 49.4 an increase from 38.7 percent of restructured loans in 2023, followed by the Building and Construction sector with 25.9 percent from 26.2 percent in 2023, and Agriculture sector with 10.3 percent from 15.2 percent. The Real Estate sector had 6.7 percent of restructured loans in 2024 compared to 12.8 percent in 2023. while other sectors had less than 5 percent.



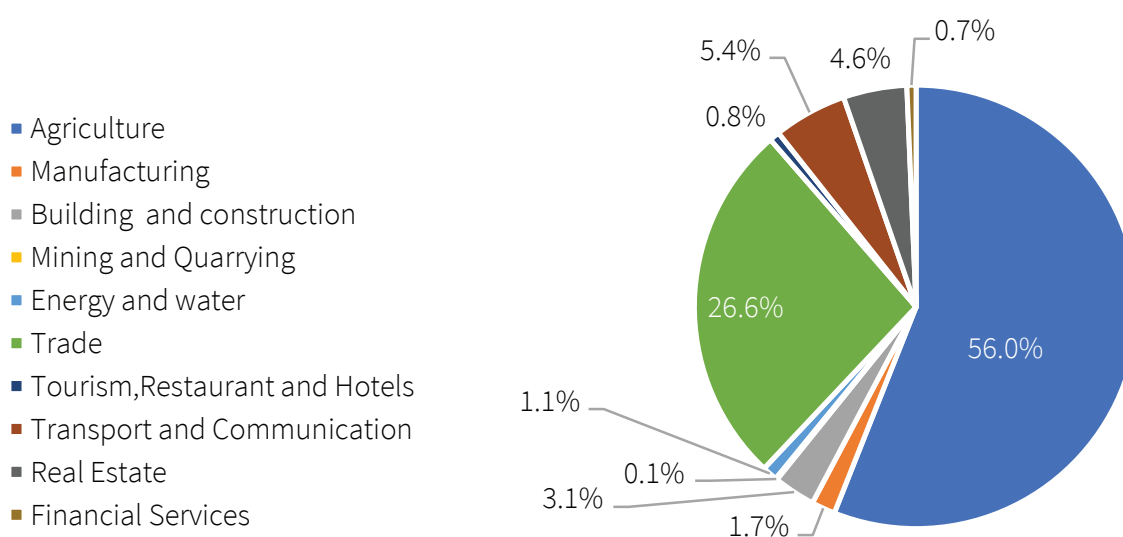
**Figures 13 (a), (b)** and **14 (a), (b)** below present a sectoral analysis of the numbers and values of restructured loans in both 2023 and 2024. **Figures 15 (a)** and **(b)** presents the MFBs numbers and values of the restructured facilities by sector for both years in percentage.

**Figure 13 (a): Number of Restructured Loans by Sector - 2024 (in Percentage)**



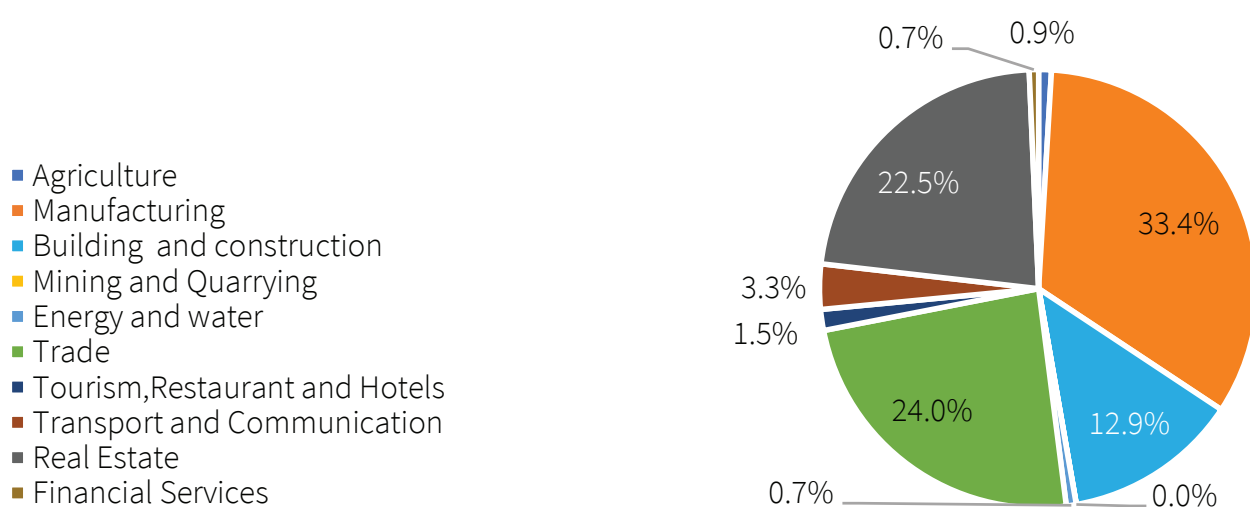
Source: MSME Survey Data, 2024

**Figure 13 (b): Number of Restructured Loans by Sector – 2023 (in Percentage)**



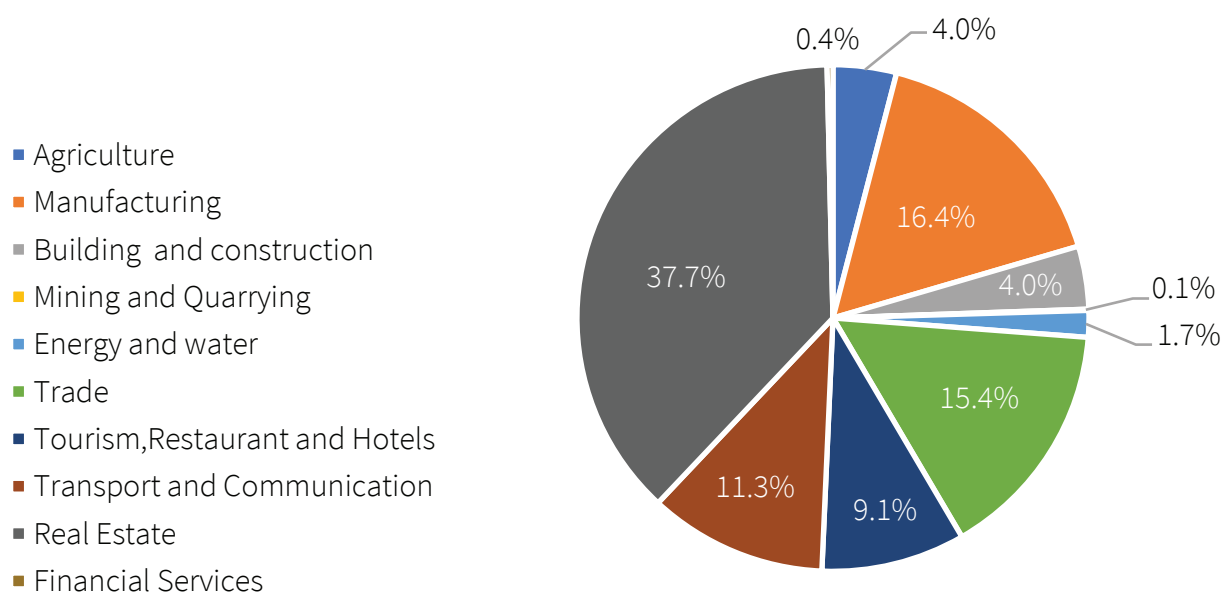
Source: MSME Survey Data, 2024

**Figure 14 (a): Value of Restructured Loans by Sector – 2024 (in Percentage)**



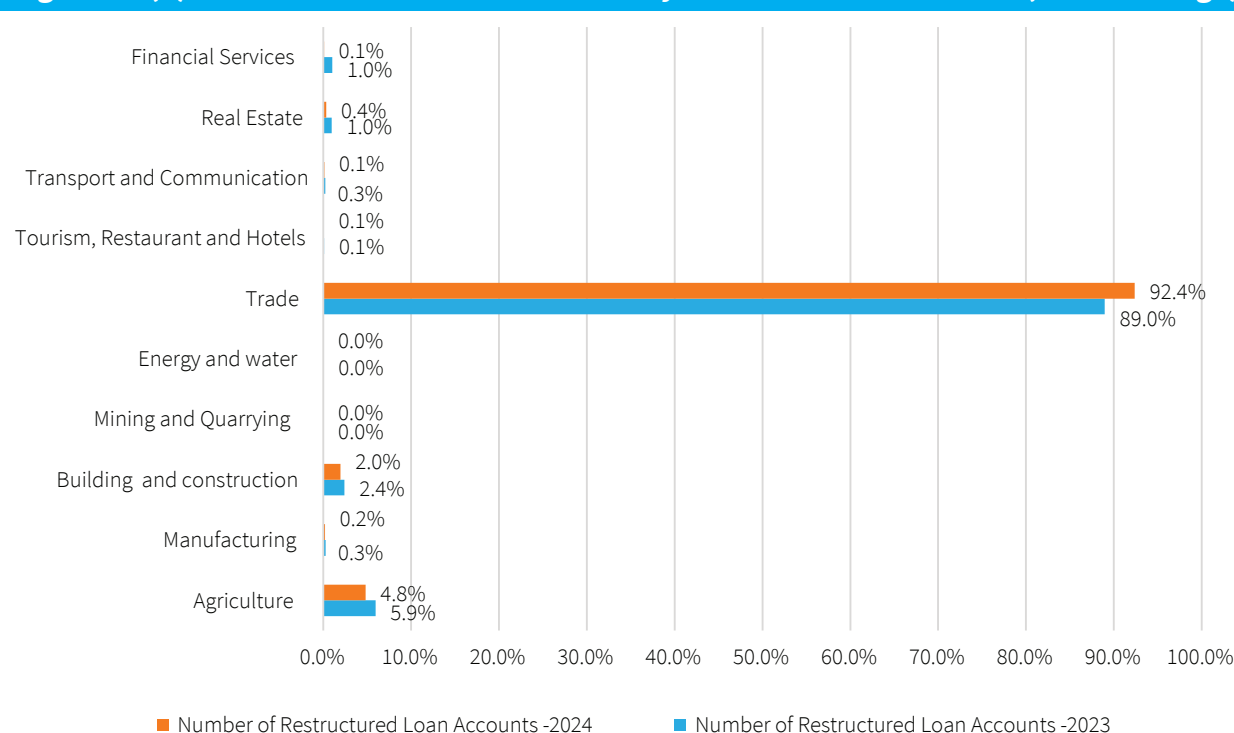
Source: MSME Survey Data, 2024

**Figure 14 (b): Value of Restructured Loans by Sector – 2023 (in Percentage)**



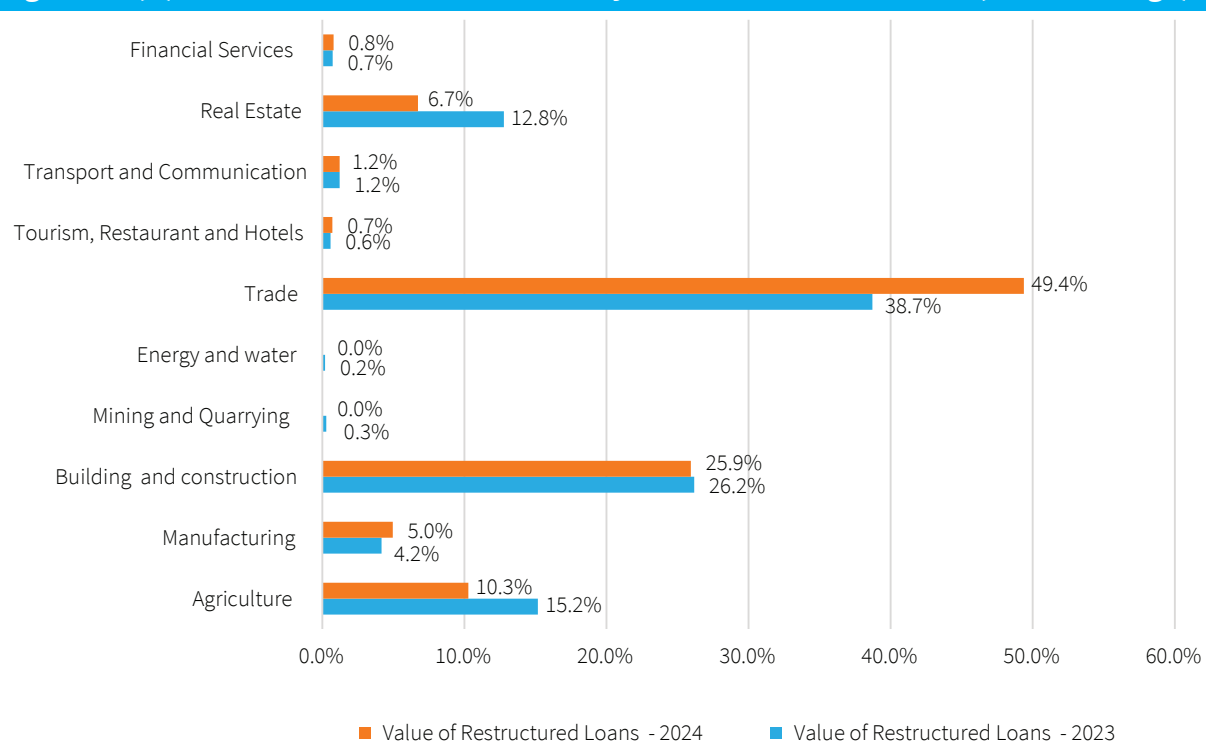
Source: MSME Survey Data, 2024

**Figure 15 (a): Number of Restructured Loans by Sector in 2023 and 2024 (in Percentage)**



Source: MSME Survey Data, 2024

**Figure 15 (b): Value of Restructured Loans by Sector in 2023 and 2024 (in Percentage)**



Source: MSME Survey Data, 2024

### 9.3 Performance of the restructured loans as at December 2024

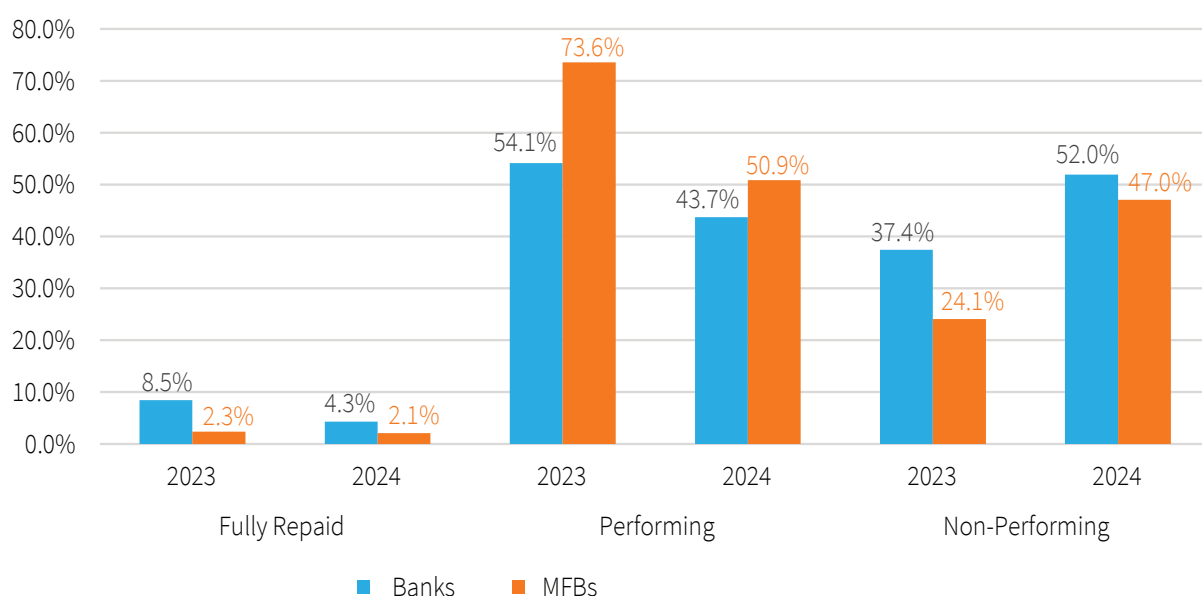
The Survey also sought to establish the performance of the loans restructured in 2023 and 2024 as at December 2024. Data was sought on the number of restructured loans that were fully repaid as at December 2024, those performing, and those that were non-performing. Based on the findings, 4.3 percent of restructured loans in commercial banks were fully repaid in 2024, compared to 8.5 percent in the previous year. Of the loans restructured in 2024, 43.7 percent were performing at the end of the year compared to 54.1 percent in 2023. For restructured loans that were non-performing, 52.0 percent remained non-performing in 2024 compared to 37.4 percent in 2023.

MFBs had 2.1 percent of the restructured loans fully repaid in 2024, an improvement from 0 percent that were fully repaid in 2023. 50.2 percent of the outstanding restructured loans were performing in 2024, which was lower than the 75.6 percent recorded in 2023. For the loans restructured in 2023, that were non-performing, 47.7 percent were non-performing in 2024 compared to 24.4 percent in 2023.

The moderate percentage of performing restructured loans could largely be attributed to subdued business activities following lower demand for credit as a result of high interest rates in the banking sector.

**Figure 16** below highlights the performance of the restructured loans in 2023 and 2024 (in percentage) for both commercial banks and MFBs.

**Figure 16: Performance of restructured loans in commercial banks and MFBs - 2023 and 2024**



Source: MSME Survey Data, 2024

### 9.4 Performance of Loans Restructured in 2023 and 2024 per enterprise category

In terms of the performance of restructured loans by the various businesses, both in 2023 and 2024 the highest percentage (16.0 percent and 5.0 percent,

respectively) of restructured loans by commercial banks that were fully repaid were in micro enterprises. In 2024, there was a decrease in the proportion of formerly restructured loans that were fully repaid compared to 2023, signaling subdued business activity.

In 2023 and 2024, restructured loans held by small enterprises had the highest level of performance at 76.7 percent and 74.3 percent, respectively.

**Table 8 (a)** and **(b)** below present the breakdown of the performance of loans restructured by category of business enterprise.

**Table 8 (a): Performance of Loans Restructured in 2023-2024 - Banks**

2023	Performance of RLs in Percentage - Banks		
	Fully Repaid (%)	Performing (%)	Non-Performing (%)
Micro Enterprises	16.0	69.8	14.2
Small Enterprises	8.1	76.7	15.2
Medium Enterprises	7.7	44.3	48.0
<b>Overall</b>	<b>8.5</b>	<b>54.1</b>	<b>37.4</b>
2024			
Micro Enterprises	5.0	74.3	20.7
Small Enterprises	4.0	73.5	22.5
Medium Enterprises	4.4	36.1	59.5
<b>Overall</b>	<b>4.3</b>	<b>43.7</b>	<b>52.0</b>

Source: MSME Survey Data, 2024

For MFBs, in 2024, the restructured loans by the various businesses that were performing accounted for 50.2 percent of the total restructured loans, while 47.7 percent were non-performing, and 2.1 percent had been fully paid. In terms of performance by the

type of enterprise, in 2024 the highest percentage of restructured loans that were fully repaid was in medium enterprises at 2.7 percent, while in 2023, none of the restructured loans were fully repaid across all categories.

**Table 8 (b): Performance of Loans Restructured in 2023-2024 – MFBs**

2023	Performance of RLs in Percentage - MFBs		
	Fully Repaid (%)	Performing (%)	Non-Performing (%)
Micro Enterprises	0.0	86.0	14.0
Small Enterprises	0.0	68.3	31.7
Medium Enterprises	0.0	76.6	23.4
<b>Overall</b>	<b>0.0</b>	<b>75.6</b>	<b>24.4</b>
2024			
	Fully Repaid (%)	Performing (%)	Non-Performing (%)
Micro Enterprises	0.0	60.6	39.4
Small Enterprises	1.2	49.0	49.8
Medium Enterprises	2.7	49.8	47.5
<b>Overall</b>	<b>2.1</b>	<b>50.2</b>	<b>47.7</b>

Source: MSME Survey Data, 2024



## 9.5 The Non-Performing Loans within the MSMEs Sector

Of the 0.89 million MSMEs loan accounts in the banking industry as at December 2024, 252,502 accounts valued at Ksh.149.8 billion were classified as non-performing. This amounted to 28.4 percent of total MSME loan accounts and 19.1 percent of the total value of outstanding MSME loans. NPLs in MSMEs also made-up 21.5 percent of total banking

industry NPLs as at December 2024 which stood at approximately Ksh.697.3 billion.

By comparison, the level of MSME NPLs in December 2022 was relatively lower at Ksh.90.4 billion or 17.5 percent of the total banking industry NPLs as at December 2022, which stood at approximately Ksh.515.7 billion. The 2024 survey, therefore indicated an increase in value of NPLs, signalling a subdued business environment for MSMEs as highlighted in **Table 9**.

**Table 9: MSME Credit Facilities – Asset Quality**

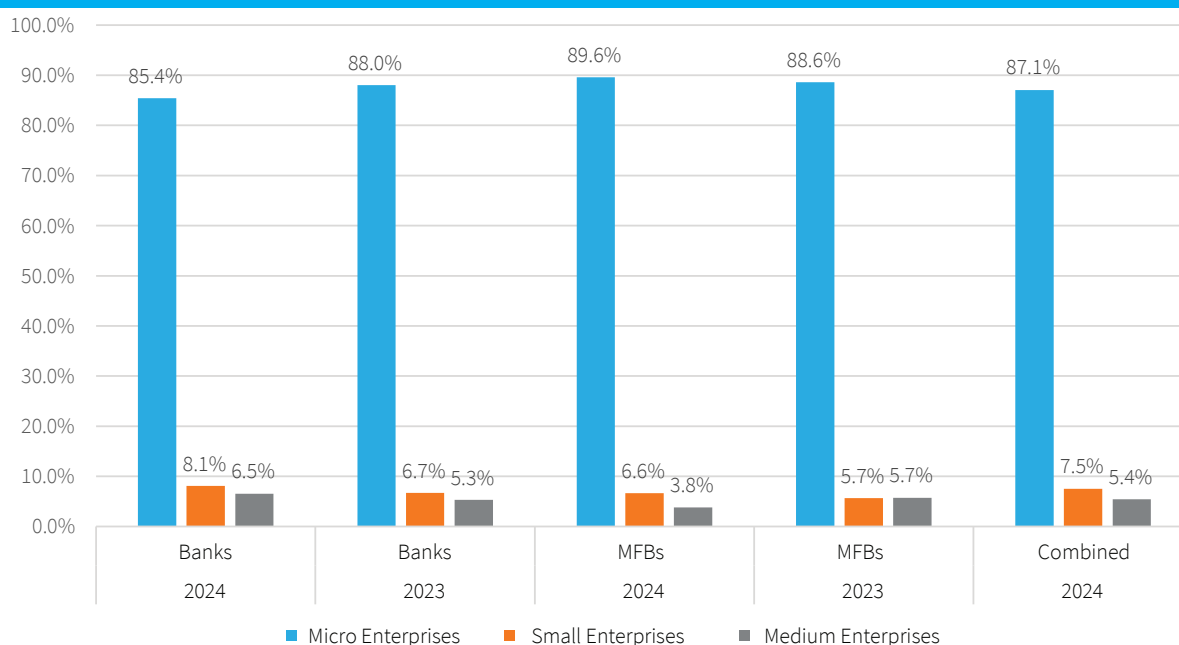
MSME Credit Facilities – Asset Quality				
Year ending Dec	No. of NPLs	Value of MSME NPLs (Ksh. Bn)	Total Value of MSME Loan Portfolio (Ksh. Bn)	Value of MSME NPLs / Total NPLs %
2024	252,502	149.8	784.4	21.5
2022	216,951	90.4	783.3	17.5

Source: MSME Survey Data, 2022 and 2024

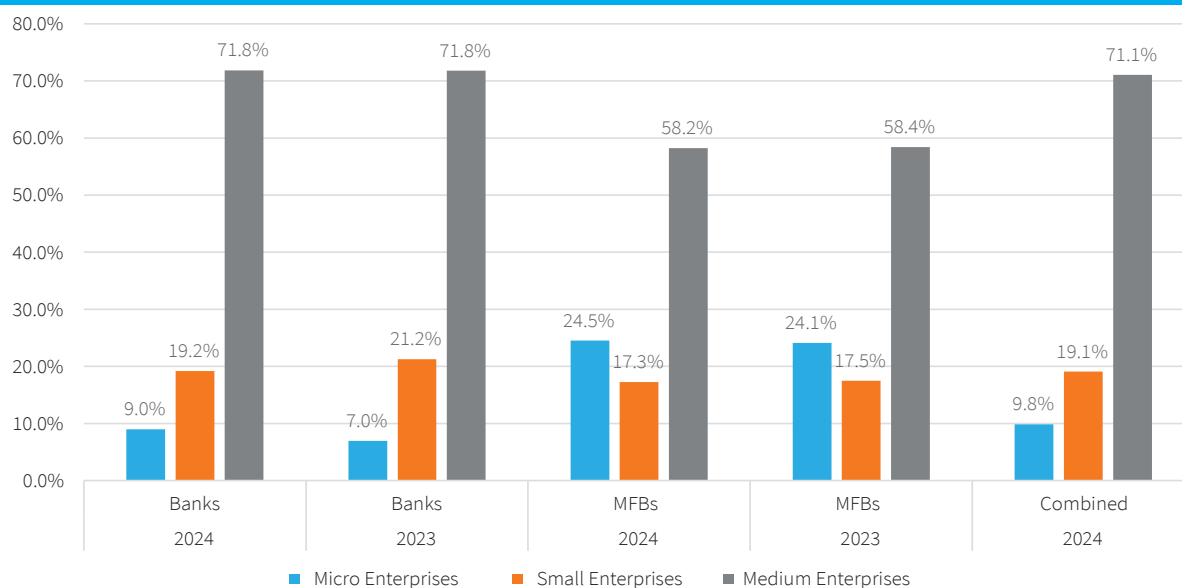
On the distribution of NPLs as at December 2024 for both commercial and MFBs, micro enterprises accounted for 87.1 percent of the total non-performing loan accounts and 9.8 percent of the value of non-performing loans; small enterprises accounted for 7.5 percent of the total non-performing

loan accounts and 19.1 percent of the value of non-performing loans; while medium enterprises accounted for 5.4 percent of the non-performing loan accounts and 71.1 percent of the value of non-performing loans for MSMEs. **Figure 17 (a)** and **(b)**.

**Figure 17 (a): Number of Non-Performing Loans Accounts**



Source: MSME Survey Data, 2024

**Figure 17 (b): Value of Non-Performing Loans**

Source: MSME Survey Data, 2024

## 9.6 Annual write-off due to non-performing business loans (in 2024 by Commercial Banks and MFBs

The Survey data indicated that, as at December 2024, a total of 95,179 loans valued at Ksh.8.8 billion were written off, with commercial banks and MFBs writing off Ksh.7.7 billion and Ksh.1.1 billion, respectively. The total accounts written off constituted 10.8 percent of

total MSME loan accounts and 1.1 percent by value. This was a significant increase in number and decrease in value from 2022, when 18,105 MSME loans valued at Ksh.9.6 billion were written off. Majority of these borrowers were unable to repay their loans due to high interest rates and a subdued business environment in 2024. Tables 10 (a) and (b) below present summaries of the numbers and values of NPLs written off in 2024 by commercial banks and MFBs, respectively.

**Table 10 (a): Non-performing Business Loans Written-off (In 2024) by Commercial Banks**

	No. of Write-Offs	Value of Write-Offs (Ksh. Million)
Micro Enterprises	72,014	4,859
Small Enterprises	1,557	1,387
Medium Enterprises	1,567	1,506
<b>Totals</b>	<b>75,138</b>	<b>7,752</b>

Source: MSME Survey Data, 2024

**Table 10 (b): Non-performing Business Loans Written-off (In 2024) by MFBs**

	No. of Write-Offs	Value of Write-Offs (Ksh. Million)
Micro Enterprises	17,935	759
Small Enterprises	1,759	165
Medium Enterprises	347	144
<b>Totals</b>	<b>20,041</b>	<b>1,068</b>

Source: MSME Survey Data, 2024

## 9.7 Debt Recovery Costs in 2024

In 2024, the average cost of recovering non-performing MSME loans rose sharply to 16 percent for commercial banks and 15 percent for MFBs, up from 7 percent and 13 percent, respectively, in 2022. This sharp increase indicates intensified efforts by financial institutions to manage expanding NPL portfolios, including greater investment in legal processes, asset tracing, and collection agencies. The rise also underscores the increasing difficulty and complexity of debt recovery in a challenging economic environment.

Recovery periods generally shortened across both commercial banks and MFBs compared to the previous period 2022. For MFBs, medium-sized enterprise NPLs were recovered fastest in 107 days (down from 540 days), while micro-enterprise recoveries slightly increased to 147 days from 110 days, and small enterprise recoveries increased to 314 days from 214 days. Commercial banks also saw improved recovery times, with micro-enterprises at 175 days (down from 205 days), small enterprises at 233 days (down from 270 days), and medium enterprises at 339 days (down from 418 days).

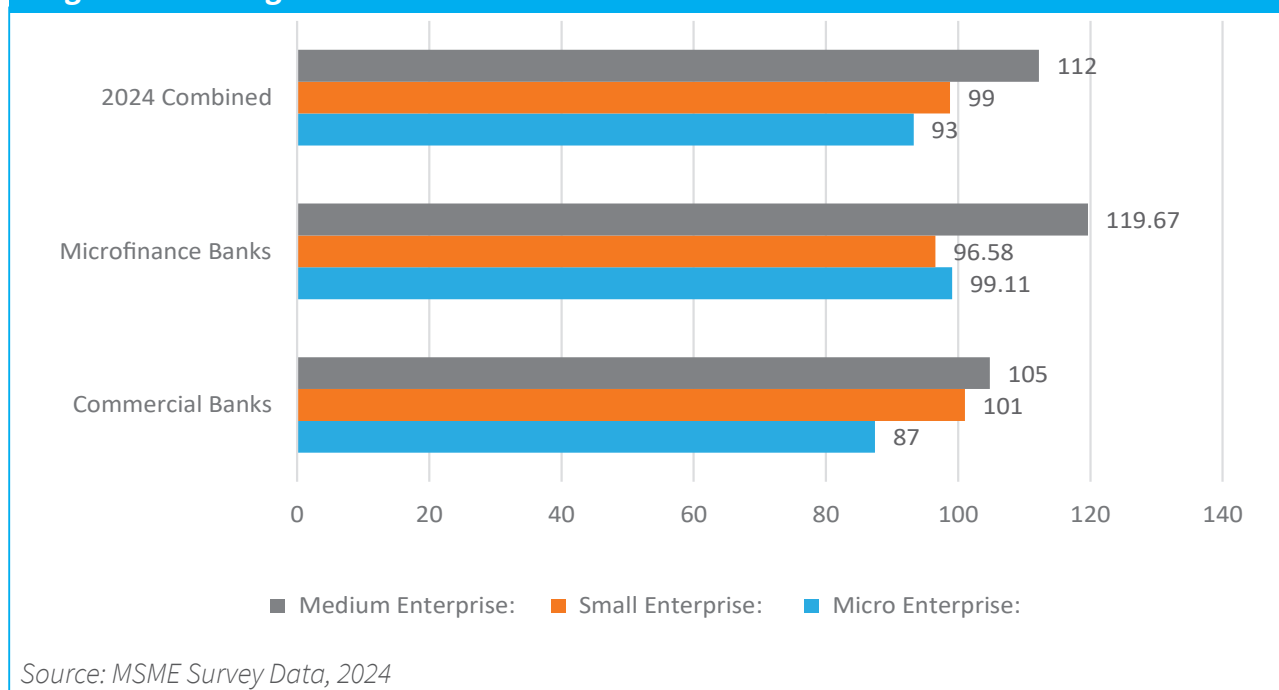
## 10. Collateral Requirements

Collateral requirements continue to be a major consideration for banks in extending credit to MSMEs in 2024 as was the case in 2022.

The responses indicate that lenders require MSMEs in all categories to avail collateral that is of sufficient value to fully or substantially cover the full value of the loan facility requested. **Figure 18** below presents the reported average values of collateral provided by MSMEs in both commercial banks and MFBs.

Reported collateral required for micro enterprises stood at an average of 93 percent, for small enterprises, the average collateral needed was 99 percent of loan amounts, and the medium enterprises lenders needed an average collateral of 112 percent of the loan amount. Based on these 2024 findings, there appears to be a slight shift to alternative risk pricing mechanisms, such as internal ratings and credit scores, when assessing the debt repayment capacity of MSMEs.

**Figure 18: Average Collateral Values for MSMEs Loans as at December 2024**



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## 11. Conclusion

Over the two-year period between 2022 and 2024, the number of MSME loan accounts decreased at an annual average of 12.4 percent while the loan value increased at an annual average of 0.1 percent. The proportion of MSME loan accounts to the overall banking sector loan accounts declined to 6.0 percent in 2024, down from 8.0 percent in 2022. The decline can be attributed to the prevailing high lending interest rates and subdued consumer demand. Further, increased competition from alternative lenders, particularly digital credit providers and SACCOs active in MSME lending, may have contributed to the decline.

Commercial banks have seen a notable shift in the sectoral allocation of MSME loans toward agriculture, particularly within the micro enterprise category, where the share rose from 2.6 percent in 2022 to 26.0 percent in 2024. This increase was largely driven by a strategic realignment by one of the Tier 1 banks, which repositioned its focus toward the food and agriculture sector. Key initiatives included the introduction of ecosystem financing, product innovation, and digitization of agriculture-specific loan products such as tailored tea sector loans which enhanced efficiency, increased uptake, and significantly contributed to the reported growth.

This shift signals a growing recognition of agriculture's potential within the MSME financing space and may reflect targeted efforts by lenders or policy interventions aimed at supporting rural and Agri-based enterprises. The observations bring out the following key themes: -

### 11.1 Product Diversity

Similar to the 2022 MSME survey, this Survey still shows the relatively narrow range of credit facilities utilized by MSMEs, dominated largely by short-term term loans and overdrafts. Within commercial banks, the term loans

and bank overdrafts accounted for over 85 percent of the MSME loan portfolio. Other MSMEs products such as contract financing, performance bonds, bid bonds, invoice discounting, bank guarantees, letters of credit and warehouse receipts are also used but to a much lower extent, collectively accounting for the remaining 15 percent remains underutilized.

This shows heavy reliance on traditional debt instruments by commercial banks and MFBs highlighting a limited diversification in MSME financing. It suggests that many MSMEs may not be accessing financial solutions that align with their cash flow dynamics, trade cycles, or project-based financing needs. The low uptake of more flexible instruments may reflect gaps in product availability, awareness, or accessibility, potentially constraining the growth and resilience of MSMEs in sectors that require transactional, short-term, or performance-based financing.

### 11.2 Collateral Requirements

The survey revealed that collateral requirements remain a key factor for commercial banks when extending credit to MSMEs. Lenders normally demand collateral of sufficient value to cover the credit exposure fully or substantially, regardless of the MSME category. As a result, collateral remains a significant barrier to MSMEs' access to formal credit.

Reforms aimed at strengthening the movable assets registry, adoption of alternative collateral instruments such as information capital through the use of credit reference bureau credit scoring models and improving security enforcement mechanisms are therefore critical. These measures can enhance the bankability of MSMEs and support broader access to credit by allowing more MSMEs to leverage non-traditional assets as acceptable collateral.

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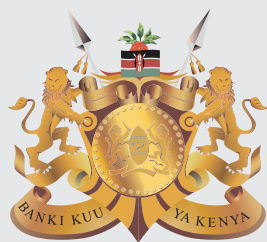
## Annex: MSME Survey Respondents

### A. Commercial Banks and Mortgage Finance Companies

1. Absa Bank Kenya Plc.
2. Access Bank (Kenya) Plc.
3. African Banking Corporation Limited.
4. Bank of Africa Kenya Limited.
5. Bank of Baroda (Kenya) Limited.
6. Bank of India.
7. Citibank N.A. Kenya
8. Commercial International Bank Kenya Limited.
9. Consolidated Bank of Kenya Limited.
10. Co-operative Bank of Kenya Limited.
11. Credit Bank Plc.
12. Development Bank of Kenya Limited.
13. Diamond Trust Bank Kenya Limited.
14. DIB Bank Kenya Limited.
15. Ecobank Kenya Limited.
16. Equity Bank Kenya Limited
17. Family Bank Limited.
18. Premier Bank Limited.
19. Guaranty Trust Bank (Kenya) Limited.
20. Guardian Bank Limited.
21. Gulf African Bank Limited.
22. Habib Bank A.G Zurich.
23. HFC Limited.
24. I&M Bank Limited.
25. KCB Bank Kenya Limited.
26. Kingdom Bank Limited.
27. Middle East Bank Kenya Limited.
28. M-Oriental Bank Limited.
29. National Bank of Kenya Limited.
30. NCBA Bank Plc.
31. Paramount Bank Limited.
32. Prime Bank Limited.
33. SBM Bank Kenya Limited.
34. Sidian Bank Limited.
35. Stanbic Bank Kenya Limited.
36. Standard Chartered Bank Kenya Limited.
37. UBA Kenya Bank Limited.
38. Victoria Commercial Bank Limited.

### B. MFBs

1. Branch Microfinance Bank Limited.
2. Caritas Microfinance Bank Limited.
3. Choice Microfinance Bank Limited.
4. Umba Microfinance Bank Limited.
5. Faulu Microfinance Bank Limited.
6. Kenya Women Microfinance Bank Plc.
7. LOLC Microfinance Bank Plc.
8. On It Microfinance Bank Ltd.
9. Muungano Microfinance Bank Plc
10. Rafiki Microfinance Bank Limited.
11. Salaam Microfinance Bank Limited.
12. SMEP Microfinance Bank Limited.
13. Sumac Microfinance Bank Limited.
14. U & I Microfinance Bank Limited.



## Central Bank of Kenya

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