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KCB reviews cost of M-Pesa loans as interests rise

Photo/ ENOS TECHE

TOP-TIER: KCB CEO Joshua Oigara with the bank's chairman Ng'eny Biwott during the Annual General Meeting in Nairobi on May 15.

BY RICHARD MUNGAI

KENYA Commercial Bank has revised its M-Pesa loan interest rates, an indication that users of mobile money platforms will not escape the rising cost of borrowing.

"Dear customer, effective October 26, 2015 (today), new loans on KCB M-Pesa will attract monthly loan interest of six per cent for one month, five per cent for three months and four per cent for six months," KCB notified customers in a text message on Saturday.

The bank had been charging interest of four, nine and 12 per cent for one, three and six-month repayment periods, respectively, since the launch of the mobile banking product in February.

The review means the bank has increased the cost of short-term loans and reduced the rate for long-term borrowing.

KCB M-Pesa is a product of KCB Group in partnership with telecommunication giant, Safaricom.

The KCB M-Pesa account allows customers on an M-Pesa platform to save and borrow up to Sh1 million instantly on their mobile phones based on their credit score.

M-Pesa customers have also been getting instant loans from M-Shwari, another popular mobile banking product, which was launched in 2012 by Commercial Bank of Africa and Safaricom.

M-Shwari interest rates have not been reviewed.

The interest rate hike started in July when the Central Bank's Monetary Policy Committee increased the bank rate from 10 to 11.5 per cent and the Kenya Bank's Reference Rate from 8.54 to 9.87 per cent, in a bid to tame the weakening of the shilling and enhance stability of commodity prices.

Barclays was the first bank to react to the Central Bank's announcement by hiking its interest rates from 16.19 per cent in July to 23.5 per cent in October.

Over the same period, Standard Chartered has also raised interest rates from 19.4 to 27 per cent, Cooperative Bank from 19.3 to 24 per cent, National Bank from 14.7 to 19.3 per cent and Housing Finance from 19 to 21 per cent.

The government has been accused of fueling the interest rate hike by giving banks attractive rates on Treasury bills, as it seeks to end the financial crisis that has threatened the implementation of the 2015/2016 budget.

The Central Bank's weekly statistical bulletin published on Friday shows the average interest rate for the 91-days T-Bills rose from 13.9 per cent in September to 22.5 per cent in October.

Nakumatt opens new branch in Kampala

BY RICHARD MUNGAI

NAKUMATT Holdings yesterday opened a $1.2 million (Sh122.42 million) store in Kampala, Uganda and said this forms part of its regional expansion drive.

This, it said, brings its outlets to 55, which include nine branches in Uganda, four in Tanzania, two in Rwanda and 40 in Kenya.

Managing director Atul Shah said they intend to close the year with a total of 60 branches in the four countries.

"At Nakumatt, we are actively committed to our corporate mission, which is geared at boosting formal retail penetration in East Africa," he said.

He said the store located at Metroplex Shopping Mall covers 35,000 square feet shopping floor area.

"Nakumatt Naalya has been suitably furnished and stocked with a wide variety of retail products. The store, also features a distinct retail layout and ambiance developed to guarantee a pleasurable shopping experience," he said.

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ALY KHAN'S STAR PORTFOLIO

KENYANS NEED TRANSPARENCY ON EUROBOND CASH SPENDING

You do not have to be an accomplished rocket scientist or even an economist to know that where investors were once keen to surf the "Africa Rising" wave, they have for the better part of this year been looking to get off their surf-boards. We see this in an extraordinary rout of African currencies.

Latest year to date via Bloomberg shows only two currencies have improved in Africa versus the dollar this year. Incredibly those two currencies are the Somali shilling +13.02 per cent and the Gambian dalasi +9.32 per cent.

The Kenya shilling is -11.29 per cent year to date outperforming the South African rand -13.78 per cent, The Tanzania shilling -20.5 per cent, Uganda shilling -23.56 per cent and the Zambian Kwacha, which is the worst performing currency in the World at -47.36 per cent.

President Edward Lungu led his country in prayer rallies last week to resurrect the kwacha. Prayer rallies are what traders call a "Hail-Mary" pass. These losses in our currencies are signalling that instead of money pouring into Africa, its been pouring out. In order to staunch the bleeding, Central Banks have hiked rates.

The Eurobond markets which were only recently a deep pool of liquidity have become shark-infested. When Zambia first sold bonds in international markets in 2012, the country got so much demand it could have issued 16 times the $750 million it raised and its all in rate was 5.63 per cent.

In July 2015 Zambia only got twice as many bids for the $1.25 billion on sale and was compelled to accept an interest rate of 9.38%.

Ghana this month became only the fourth country in the past decade to issue a Eurobond at yields above 10 per cent and that was only after the World Bank guaranteed 40 per cent of the issue. Average sub-Saharan African dollar yields have soared by almost 150 basis to 7.21 per cent between the end of April and October 22 [Bloomberg] and we can call this a "double-whammy". Our currencies are worth less and the cost to borrow has exploded off the charts.

Kenya has seen its Eurobond dollar yields climb to over eight per cent from about six per cent in the past six months and an enormous hullabaloo has kicked off [in traditional and on social media] about where the proceeds of this Eurobond reside, what deductions were made against this $2.75 billion cash raise and exactly what is being done with the interest. As you can see from the first two paragraphs Africa is living in a precarious financial moment. Those who do not get it end up holding prayer rallies like President Lungu.

Public relations or rallying hashtag armies is simply not going to cut it. In fact, this type of rebuttal is faux-naif and seriously counterproductive. We have two audiences we have to engage with and the engagement is called "investor relations" and its definitely not public relations.

When you sell $2.75 billion worth of bonds to international investors you are essentially ceding sovereignty over the pricing of your credit to the buyers. They are pricing us on a real time and continuous basis.

Therefore, the first audience we have to engage with are those who are holding our bonds. If they don't like what they are hearing [or are hearing nothing at all - we seem to have entered a black hole in this regard] they are going to sell our bonds and ask questions later. Point one is we need to start engaging with these folks and it requires serious, sophisticated and transparent investor relations messaging.

And the second audience is "Wanjiku"

I received this tweet over the week-end from zamzam@zamphen:

"Perhaps the situation is inexplicable, therefore explaining the lack of explanation"

I believe it is explicable but we have to start explaining.

Readers are advised that this column represents Satchu's personal opinions.