

Effect of Cost of Credit and Loan Accessibility on the Growth of Mobile Lending in Digital Lending Firms in Kenya

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Abstract:

Mobile-based loans have rapidly grown in the past few years and have turned out to be a critical alternative source of revenue to businesses and individuals. In their simplest form, customers access mobile loans over their mobile phones, which are cost-effective and convenient to the customer's side as they need not visit the physical branch. This study sought to determine the effect of cost of credit and loan accessibility on the growth of mobile lending in digital lending firms in Kenya. The study adopted a descriptive cross-sectional survey. The target population of the study was all the digital lending firms in Kenya. There are 128 digital lending firms registered with the Digital Lenders Association of Kenya that formed the target population. The study adopted purposive sampling technique and select the digital lending firms that were registered as of 2016. These were 54 digital lending firms. The study used both primary and secondary data. The questionnaire was the selected instrument or tool for the primary data collection for the study. A data collection schedule was used to collect secondary data on the dependent variable. The survey was pilot verified to establish its appropriateness, rationality, and dependability. Cronbach's alpha coefficient ($r > 0.7$) was used to establish retest reliability. The data was analyzed using descriptive and inferential statistics using Statistical Package for Social Sciences (SPSS) software. Descriptive statistics included the means, standard deviations frequencies and percentages. The data was presented in form tables. Inferential statistics involved a regression analysis. From the findings, the value of adjusted R squared indicated that percent growth of mobile lending could be explained by the cost of credit and loan accessibility. The study found that cost of credit has a negative and significant impact on the growth of mobile lending (beta coefficient = -0.385). Loan accessibility has a positive and significant impact on the growth of mobile lending (beta coefficient = 0.497). This implied that both cost of credit and loan accessibility are significant determinants of mobile lending growth. The study recommends that digital lenders should have the lending rates at the normal rates in the market to have more customers taking up the loans. They should continue devising more strategies to increase accessibility and continue utilizing other methods of determining the creditworthiness of their customers as opposed to relying on credit information sharing.

Key Word: Cost of Credit, Loan Accessibility, Growth of Mobile Lending, Digital Lending Firms

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I. Introduction

Digital credit is quickly establishing itself as a new frontier in financial inclusion (Gabor & Brooks, 2017). Instant, remote approval and disbursement of credit based on non-traditional information sources such as social media data, mobile phone activity, digital payments, and mobile banking history are some of the elements of digital credit (Reynolds, Klawitter, Anderson, Biscaye, Callaway, Greenway, Lunchic, Seymour, McDonald & Hayes, 2017). Lending institutions use these digital data records to assess a loan applicant's creditworthiness and eligibility using a mobile device without having to see them face to face (Consultative Group to Assist the Poor (CGAP), 2019). Mobile-based loans have rapidly grown in the past few years and have turned out to be a critical alternative source of revenue to businesses and individuals (Whitaker, 2018). In their simplest form, customers access mobile phones over their mobile phones which are cost-effective and convenient to the customer's side as they need not visit the physical branch (Ngaruiya, 2014). The increased adoption of mobile-based lending among customers and firms is from the fact that such channels do not require paperwork, they are customized to the specific needs of the customers such that lending can be as low as Kshs. 50. The rapid changes in technology and forces of globalization have also played an important role as drivers of mobile-based lending adoption for improved financial performance. The increased forces of competition and constantly

changing customer needs and preferences have also played an important role in the adoption of mobile-based lending to improve financial performance (Kithaka, 2014).

In North America, specifically the US, Fintech companies spearhead digital lending. These include a host of banks and non-financial institutions offering technologically enabled financial and related services. In these countries, less than 50% of the population has taken up digital financial services, and usage is mainly limited to savings and money transfers. Digital credit is restricted to Peer-to-Peer platforms and short-term online loan providers (EY Fintech Adoption Index, 2017). Peer-to-Peer (P2P) lending has developed into a key channel for digital finance in the US. P2P platforms gained popularity following the 2007-8 financial crisis. They offer cost-friendly and intermediary-free opportunities to both lenders and borrowers. Institutional investors control the P2P market in the US (Dietrich & Wernli, 2019). Prosper.com, like many big players in the US P2P space, was fraught with challenges as start-ups. They experienced high default rates and underfunding. The lending products were limited to low-value unsecured short-term loans offered to individuals (Yum, Lee & Chae, 2019). The industry has however evolved rapidly over the years and now offers high returns to investors. Product offerings now include business and consumer secured loans with longer tenure (Fourati, 2017).

Individual investors dominate the digital finance market in Europe, particularly in the United Kingdom (Casper & Whitley, 2018). According to Komarova and Gonzalez (2019), peer-to-peer lending promotes financial marginalization. Due to existing irrational competition behavior and less-than-ideal information sources linked with credit risk assessment, as well as the lack of soft information, lenders will eventually fail and otherwise viable borrowers will be financially excluded. In Germany, the uptake of digital borrowing has been surprisingly high compared to the rate of adoption of savings and money transfer products (Evans & Schmalensee, 2018). Stewart and Jürjens (2018) concluded that the uptake of digital borrowing by the German people is low when compared to other European countries such as the UK. Germans are sensitive about data security and their privacy online. The recent hacking of bank systems and violation of data privacy has held them back from embracing digital finance and by extension, digital credit. Borrowers in the developed world access digital credit via the internet. In Asia, financial inclusion among Pakistanis is increasing due to the adoption of mobile banking by customers of financial service providers. Kazi and Mannan (2019) Digital services are preferred due to easy access to these services as compared to traditional channels like banking halls and credit cards

Kenya is arguably the most developed digital credit market in the region, with a remarkable rise in financial inclusion as accessibility grew by nearly 300 percent over the last decade (Ndungu, Morales, & Ndirangu, 2016). This innovation in the financial sector has become very popular with consumers. The first digital loan in Kenya was issued in November 2012 by Safaricom through M-Shwari, which is powered by CBA bank. In 2013, KCB introduced mobile loans by offering microloans to KCB customers who had been with the bank for more than six months (Kinyua, 2017). KCB now has the KCB Mobi services that enable customers to borrow loans, get salary advances, and even have a product known as Kopa bills whereby customers can get a short-term loan that can go towards paying off their bills (Kenya Commercial Bank, 2019).

The introduction of digital credit into the industry saw other banks following suit such as the Co-operative Bank of Kenya, NIC, Barclays Bank of Kenya (Timiza), Commercial Bank of Africa (CBA loop), among others. It is not just banks that are issuing digital loans but also telecommunication companies such as Safaricom (M-shwari) and Airtel (Kopa Chapaa), as well as non-bank institutions such as Branch, Tala, Saida, Zidisha, Kiva, Pesa na Pesa, Pesa Pata, Okash, M-Kopa, Haraka and others. Analysis and Research Group (EPAR), 2017 reports that Kenya now has over thirty digital credit products, with the number steadily increasing. Kenyans employ a range of ways to access digital credit services, unlike borrowers in other markets. SIM toolkits, apps, websites, app-based payroll financing, Unstructured Supplementary Service Data (USSD), Sim toolkit utilities, and airtime platforms are just a few of the options. The loans range in size from Kes 50 to Kes 1 million, with annual interest rates ranging between 12 and 21 percent (Kaffenberger & Chege, 2017). In Kenya, over the past decade, mobile-based lending has continued to grow. Owuor (2019) estimates the number of mobile lending platforms at 49. The industry is largely unregulated, especially since it includes players that are non-bank institutions. These digital loans are unsecured hence; they can easily be accessed by individuals who are low-income earners, with no assets to place as collateral, unlike many formal bank loans.

Statement of the Problem

Innovation has led to the emergence of mobile banking in the last one decade. This has seen collaboration between mobile network operators and financial institutions who partner to provide loans to individuals and businesses. It has also led to the advent of virtual lending among both formal and non-formal financial institutions (Duncombe & Boateng, 2019). The development of smartphones has seen the invention of mobile applications where individuals can borrow loans without necessarily owning a bank account or having to submit any collateral. According to the Globe Newswire, 2020 report, the digital lending platform market size is

estimated at USD 4 billion in 2018 and is expected to grow at a compound annual growth rate of over 20% from 2019 to 2025(Vlasov, Gudoshnikov & Shakhnov, 2020).

In Kenya, mobile lending is also characterized by high lending rates and easy loan accessibility (Warsame & Ileri, 2018). Mobile credits are processed in less than 3 hours after which they will be deposited into the customer's Mpesa. The loan interest rate in Kenya ranges from 1% or 40% depending on the period borrowed (Jack, Ray & Suri, 2019). Despite the high-interest rates, digital lending represents a tremendous step forward for funding. Though these loans are of small amount and short-term in nature, they have attracted many people and are still on a tremendous rise in terms of uptake especially among the Millennials where the majority lack stable income. This group of individuals cannot easily access traditional credit given that they don't have enough assets or backing on the credit score. This makes them resort to easily available loans at a higher cost usually through a smartphone (Aliero & Ibrahim, 2018). The number of digital lenders is also rising as more customers seek to obtain mobile loans either for personal use, household, or business use (Moturi & Ogoti, 2020). According to the World Bank (2019) between 2016 and 2018, 86% of the loans taken by Kenyans were digital. Compared to 2016, digital loans issued increased by 1.9 times in 2018. From 2016 to 2020, the percentage of digital loans increased from 42% to 91% (Izaguirre, Kaffenberger & Mazer, 2020). However, the key determinants that have led to the growth of mobile loans are yet to be established.

Limonyo (2020) assessed the determinants of digital loan uptake among Millennials in Nairobi County, Kenya, and revealed that financial inclusion, income level, and financial technology lead to digital loan uptake. Mutiria (2017) assessed the factors influencing small and medium-size enterprises access to financing in Kiambu County and focused on factors such as access to credit, size of the firm and age of the firm. Muriuki (2018) sought the factors influencing access to finance by small and medium size enterprises in Meru County and established factors such as collateral, CRB listing and cost of credit. Gakuru, (2017) focused on virtual lending and loan repayment in commercial banks in Kenya., Mopia (2019) researched on the effects of mobile-based loans on the operational performance of selected commercial banks in Kenya. Masika (2019) sought the effect of mobile lending on financial performance of commercial banks in Kenya. Kithinji (2018) assessed the effect of mobile lending on the quality of bank loan portfolio in selected commercial banks in Kenya. The past studies have focused on factors influencing the uptake of mobile loans by SMEs and on the performance of the lenders mostly commercial banks however, the determinants of the growth of mobile loans were yet to be established. The study focused on cost of credit, loan accessibility, loan size and credit information sharing as they suit bets in digital lenders. This study, therefore, seeks to fill the evidenced gap on determinants of the growth of mobile loans in digital lending firms in Kenya.

Objectives of the Study

- i) To determine the influence of Cost of credit on the growth of mobile lending in digital lending firms in Kenya.
- ii) To establish the influence of loan accessibility on the growth of mobile lending in digital lending firms in Kenya.

Research Hypotheses

- i. H_{01} : Cost of credit has no significant influence on the growth of mobile lending in digital lending firms in Kenya.
- ii. H_{02} : Loan accessibility has no significant influence on the growth of mobile lending in digital lending firms in Kenya.

II. Literature Review

Theoretical Framework

The study was guided by the following theories; Transaction Cost Theory and Financial Inclusion Theory

Transaction Cost Theory

Ferris developed the theory in 1981. This theory postulates that trade credit use brings down exchange costs. The transaction motive rests on the simplification of payment induced by trade credit. The purpose here is not financing but reducing transaction costs. This theory holds that when transactions between sellers and buyers are frequent both parties may reduce transaction costs by agreeing to a periodical payment schedule This work so long as saving in transaction costs remains more than the cost of holding receivables. Ghoshal & Moran, (2019) found that when supply of goods and credit are made from one point there is an overall reduction in costs and increase in efficiency as both the monitoring of supplies and the credit could be done from the same point. Borrowing is associated with diverse costs such as processing costs.

According to transaction cost theory, transaction costs are positively associated with the necessity of investments in durable, specific assets, infrequency of transacting, task complexity and uncertainty, difficulty in

measuring task performance and independencies with other transactions (Gottshalk & Solli-Saether, 2017). Williamson (2017) also asserts that transaction costs are comprised of the costs of inspection of goods and establishing and formalizing the terms of agreement, including the means to both guarantee compliance with the terms and protect against the potential expropriation of the investments made, to ensure that contract conditions are fulfilled. According to Espino-Rodriguez and Gil-Padilla (2019) the greater the transaction costs, that is the greater the costs that information, negotiation and supervision of compliance entail, the less the tendency to outsource the activity. Transaction cost analysis combines economic theory with management theory to determine the best type of relationship a firm should develop in the market place. This theory implies that lenders should consider cost implications associated with the loans offered. The theory was adopted to determine the effect of the cost of credit on the growth of mobile lending in digital lending firms in Kenya.

Financial Inclusion Theory

This theory refers to the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost, in a fair and transparent manner, by mainstream institutional players (Mader, 2018). An inclusive financial sector that provides access to credit for all people and firms, to insurance for all insurable people and firms, to savings and payment services for everyone. Inclusive finance does not require that everyone who is eligible uses each of the services, but they should be able to choose them if desired. World bank (2018) has classified financial access barriers into four main categories; physical barriers, documentation barriers, affordability barriers and appropriate products and services.

Rahman and Khanam, (2019) report that financial exclusion is most prevalent amongst those on low incomes. Unemployed people living on social security payments from the state are therefore especially vulnerable, as are low income households from ethnic minority communities who may also have relatively low levels of engagement with the financial services industry. Abduh (2017) report that uptake of financial products and services is lowest amongst African-Caribbean, Black, Pakistani and Bangladeshi households in UK. However, for some members of these groups religious beliefs may provide a partial explanation for this apparent exclusion. For geographic access, branches have been the traditional bank outlet, hence geographic distance to the nearest branch, or the density of branches relative to the population can provide a first crude indication of geographic access or lack of physical barriers to access (Beck, Dermirguc-Kunt and Martinez (2018). The theory guided the study in establishing the effect of loan accessibility on the growth of mobile lending in digital lending firms in Kenya.

Conceptual Review

According to Orodho (2019), a conceptual framework refers to a model of demonstration whereby the association amid variables in the research is shown using diagrams. It is the schematic illustration that represents the variables involved in the research study. In the conceptual framework, cost of credit and loan accessibility is the independent variables, and growth of mobile lending is the dependent variable.

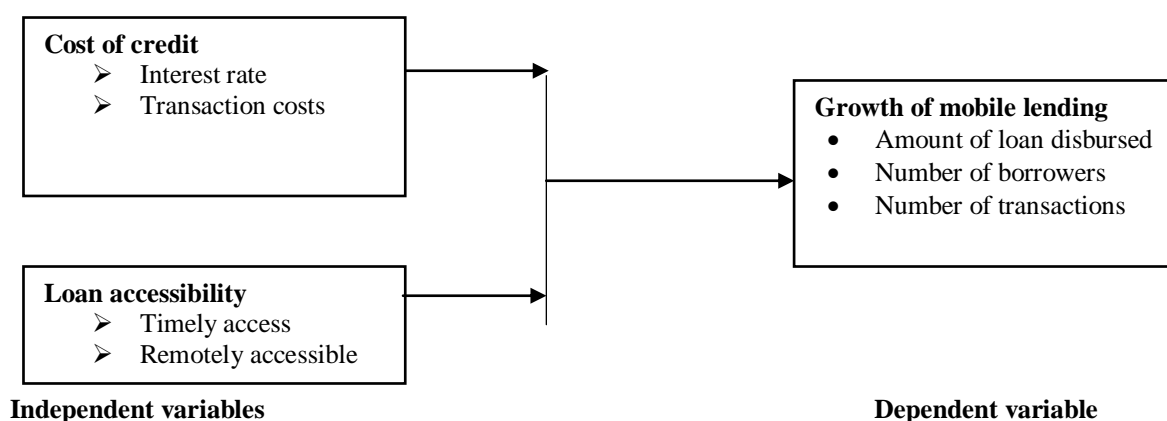


Figure 1.0: Conceptual Framework

Empirical Review

Otieno (2018) assessed the relationship between borrowing costs and uptake of mobile loans among small and micro enterprises in Gikomba Market in Nairobi, Kenya. Primary data was obtained from the business owners of the enterprises studied through the specially designed data collection tool. The data was analyzed using Microsoft Excel 2013 and SPSS version 20.0.0.0. Regression and correlation tests were conducted on the

data to determine the nature and extent of the relationship between the independent variable (cost of borrowing) and dependent variable (uptake of loans). The study results showed that interest rate charged, processing fees, late payment charges have a positive statistically significant effect on amounts borrowed. According to the findings, increase in interest rates, processing fees and late payment charges increases uptake of mobile loans amongst the traders in Gikomba market. The study results showed that higher borrowing rates have a positive statistically significant effect on amounts borrowed. Kiseu (2017) evaluated the effect of interest rate capping on the amount of credit issued by commercial banks in Kenya. The study period covered three quarters before and after the capping law came into effect. Descriptive and inferential statistics was employed in the study. The findings were that the interest rate control did not significantly affect how the commercial banks issued their loans. Although the study did find that some banks contracted their loans books after the law came into effect, such were not enough to shift the ground for the whole industry. However, it was also found that the growth of the credit was not drastic as the policy makers would have projected and only grew by 0.2% more as compared to pre-capping period.

Mwangi (2017) did an evaluation of the effect of interest rates on credit. Using primary data obtained from Equity Bank for the purposes of making inferences, the study involved 1,000 customers from various branches countrywide. The sample was randomly selected from the total customers of Equity bank of 2011. The results indicate that region and the repayment period are significant in explaining the amount of credit to the individual customers. After correcting for heteroscedasticity, the interest rate charged on loans is insignificant in explaining borrowing by Equity Bank's customers. Hosseyni and Khaledi (2017) conducted a study on an analysis of transaction costs of obtaining credits in rural Iran. A survey was employed to gather the data needed to determine the transaction costs that must be borne by the borrower in each step of the credit procurement process. Data were collected from a random sample of 459 households, including 272 borrower households. OLS regression and F-test (in view of the authors, OLS is not regression but a method of estimating a regression. F-test is not an econometric method but perhaps a statistical one and still it is a key statistics toll of either ANOVA or a regression. The results reveal that the transaction costs of receiving a loan are on the average equivalent to nine percent of the total loan size. Formal and semiformal institutions impose significantly different costs upon the rural loan applicants. Results reveal that contractual form, loan size, how far the borrower being away from the financial centre along with other borrower peculiarities are important determinants of transactions' costs.

Njiru (2017) conducted a study on the effect of cost of credit on the financial performance of commercial dairy small and medium enterprises in Kiambu County. This study used a mix of both quantitative and qualitative approaches. Semi structured questionnaires were the main instruments in the study. Results show that the cost of credit has direct influence on the financial performance of commercial dairy SME's in the county of Kiambu. There is a positive relationship between the financial interest payable in the year by SMEs because of loans borrowed by SMEs over time, loan outstanding from financial institutions, the age of commercial dairy SMEs, their sizes and the values of loans borrowed from financial institutions by commercial dairy SMEs to the financial performance.

Etemesi (2017) conducted a study on credit access from commercial banks and growth of small and micro enterprises in Nairobi Central Business District. This study used descriptive survey research design and targeted a population of 838 respondents operating SMEs in the Nairobi Central Business District. The effect of financial information on credit access from Commercial Banks showed that a unit change in knowledge on financial information promoted growth of SMEs by a factor of 0.596. The study also found a strong positive correlation between SMEs growth and development and knowledge on financial information where the correlation coefficient was 0.633. Mwangi (2019) assessed the relationship between access to credit and financial growth of small and medium enterprises in Nairobi County. A descriptive survey design was used. The population of this study was SME's registered in Nairobi County. The researcher did a cluster sampling of 40 small and medium enterprises in Nairobi based on geographical locations. Provision of credit to SMEs is still a fundamental problem faced by most owners and managers of SMEs. The findings of the study revealed that a few owners of SME's that obtained credit were able to grow and expand their businesses significantly.

Nguyen (2017) conducted a study on credit accessibility and small and medium-sized enterprise growth in Vietnam. Primary data was obtained from a survey of 487 SMEs in Hanoi in June 2013. The model about credit accessibility at the start-up period indicated that the SMEs network with lenders plays a significant role in determining the access to different sources of credit for SMEs start-up financing. In terms of credit accessibility for business operations, the results pointed out that the owner's characteristics are less important in obtaining loans in 2012. Finally, the growth determinants model of SMEs suggested that access to credit does not influence SMEs' growth. Kaijage (2019) assessed the demand-side factors and access to external finance by small and medium manufacturing enterprises in Nairobi, Kenya. The study employs an exploratory survey design utilizing quantitative methods in data collection and analysis. Data is analyzed using descriptive and inferential statistics. Logistic regression was used to test the relationship between demand-side factors and

access to external finance because of the dichotomous nature of the dependent variable. The findings of the study show that some of the demand-side factors significantly influence access to external finance. These factors include entrepreneur's networks, ethnic orientation, firm growth and earnings volatility.

Research Gaps

Diverse studies relating to the study have been conducted both globally and locally. Hosseyni and Khaledi (2017) conducted a study on an analysis of transaction costs of obtaining credits in rural Iran. Nguyen (2017) conducted a study on credit accessibility and small and medium sized enterprise growth in Vietnam. Duarte (2017) assessed the role of collateral and relationship lending in loan pricing: evidence from United Kingdom SMEs and Itoo, Selvarasu and Filipe (2018) conducted a study on the effect of loan value and collateral on value of mortgage default. However, due the differences in the economies, policies and business environments, the findings cannot be generalized to suit the current study and thus the need to conduct the study in Kenya. Otieno (2018) assessed the relationship between borrowing costs and uptake of mobile loans among small and micro enterprises in Gikomba Market in Nairobi, Kenya. Kiseu (2017) evaluated the effect of interest rate capping on the amount of credit issued by commercial banks in Kenya. Mwangi (2017) did an evaluation of the effect of interest rates on credit. Etemesi (2017) conducted a study on credit access from commercial banks and growth of small and micro enterprises in Nairobi Central Business District. Mwangi (2019) assessed the relationship between access to credit and financial growth of small and medium enterprises in Nairobi County. Muthee (2019) conducted a study on the management practices of unsecured loans in commercial banks in Kenya. The findings of these studies cannot suit the current study since the studies mostly focused on commercial banks but the current study focus on digital lending firms. The studies focused on loan uptake by SMEs and on the performance of the lenders but failed to establish the determinants associated with the growth of mobile loans. Further, the studies failed to establish how loan size and credit information sharing affects the growth of mobile loans. This study sought to fill these research gaps by assessing the determinants of the growth of mobile loans in digital lending firms in Kenya.

III. Material And Methods

The study adopted descriptive cross-sectional survey. According to Hill and König (2020), cross-sectional studies are carried out once. They help a researcher to establish whether significant associations among variables exist at some point in time. The target population of the study was all the digital lending firms in Kenya. There are 128 digital lending firms registered with the Digital Lenders Association of Kenya who formed the target population. The accessible population was the digital lending firms that had been in existence for at least 5 years which were 54 firms. The study's sampling frame is the list of the 54 digital lending firms that have existed for at least five years. The study adopted purposive sampling method and thus involved 54 digital lending firms that were in existence since 2016 as per the Digital Lenders Association of Kenya as during. Firms that have been in existence for a period of 5 years had information that was used to assess the growth. The study used both primary and secondary data. The questionnaire was the selected instrument or tool for the primary data collection for the study. A data collection schedule was used to collect secondary data on the dependent variable. The survey was pilot verified to establish its appropriateness, rationality and dependability. For construct validity, the questionnaire was divided into several sections to ensure that each section assesses a specific objective. To ensure the content validity of the research instruments, the researcher sought the advice of the university supervisor. The supervisor evaluated the statements in the questionnaire for relevance, meaningfulness and clarity. The study used a test-retest reliability method. The two sets were correlated using Cronbach's alpha coefficient to look for very high correlations ($r > 0.7$) to establish retest reliability. A Cronbach alpha value of above 0.7 was acceptable. Data analysis involved reviewing and editing of the data collected and compiling of the fully filled questionnaires in the Statistical Package for Social Sciences (SPSS) software. The data collected was quantitative and was analyzed using descriptive and inferential statistics. Descriptive statistics were the means, standard deviations frequencies and percentages. The data was presented in form tables. Inferential statistics involved a regression analysis.

IV. Result and Discussion

Descriptive Analysis

The descriptive analysis is presented in this section. Frequencies, percentages, mean and standard deviations have been used. The respondents indicated their level of support based on the statements for each objective with a corresponding tally of; (1) = strongly disagree, (2) = disagree, (3) = neither agree nor disagree, (4) = agree and (5) = strongly agree

Effect of Cost of Credit on the Growth of Mobile Lending

The respondents indicated their level of support based on the statements on cost of credit. The findings show that a greater majority of the respondents (77.4%) agreed that mobile loans have no hidden charges with a mean of 4.15 and a standard deviation of 0.46. Over three quarters of the respondents, (79.2%) agreed that virtual lending rates are higher than the traditional banking lending rates with a mean of 4.17 and a standard deviation of 0.43. The findings were inconsistent with the study findings by Otieno (2018) who found that increase in interest rates increases uptake of mobile loans amongst the traders in Gikomba market. Most of the respondents (41.5%) agreed that lack of loan processing fees encourage borrowers to take up mobile loans with a mean of 3.7 and a standard deviation of 1.01. In addition, 22(41.5%) respondents agreed that their loans have no insurance with a mean of 3.64 and a standard deviation of 1.05. The study revealed that almost half the respondents (49.1%) agreed that borrowers ignore the interest rates since the loans are mostly emergency and are instant with a mean of 4.06 and a standard deviation of 1.05. 50.9% of the respondents agreed that virtual lending rates increase with the number of months the money is borrowed with a mean of 4.06 and a standard deviation of 0.91. The results are as shown in Table 1.0.

Table 1: Statements on cost of credit

Statements	1	2	3	4	5	Mean	Std. dev
Mobile loans have no hidden charges	0 (0%)	0 (0%)	2 (3.8%)	41 (77.4%)	10 (18.9%)	4.15	0.46
Virtual lending rates are higher than the traditional banking lending rates	0 (0%)	0 (0%)	1 (1.9%)	42 (79.2%)	10 (18.9%)	4.17	0.43
Lack of loan processing fees encourage borrowers to take up mobile loans	0 (0%)	9 (17%)	10 (18.9%)	22 (41.5%)	12 (22.6%)	3.70	1.01
Our loans have no insurance		6 (11.2%)	16 (30.2%)	22 (41.5%)	9 (17%)	3.64	0.90
Borrowers ignore the interest rates since the loans are mostly emergency and are instant	3 (5.7%)	2 (3.8%)	3 (5.7%)	26 (49.1%)	19 (35.8%)	4.06	1.05
Virtual lending rates increase with the number of months the money is borrowed	1 (1.9%)	3 (5.7%)	5 (9.4%)	27 (50.9%)	17 (32.1%)	4.06	0.91

Effect of Loan Accessibility on the Growth of Mobile Lending

The respondents indicated their level of support based on the statements on loan accessibility. The findings showed that 31(58.5%) respondents agreed that they have instant loan approval with a mean of 4.04 and a standard deviation of 0.65. 22(41.5%) respondents agreed that the procedure of applying for mobile loans is simple with a mean of 4.25 and a standard deviation of 0.73 and 31(58.5%) agreed that anyone who owns a smart mobile phone can apply for a digital loan with a mean of 4.42 and a standard deviation of 0.50. Further, 27(50.9%) respondents agreed that borrowers do not have to travel to stations to access loans with a mean of 4.15 and a standard deviation of 0.93. Over half of the respondents (56.6%) agreed that accessibility of digital loans has been made easy by the increase in the number of digital lenders with a mean of 4.00 and a standard deviation of 0.71. 26(49.1%) respondents strongly agreed digital lenders provide convenience since they operate 24/7 with a mean of 4.26 and a standard deviation of 0.98. The results are as shown in Table 2.0

Table 2: Statements on loan accessibility

Statements	1	2	3	4	5	Mean	Std.dev
Instant loan approval	0 (0%)	0 (0%)	10 (18.9%)	31 (58.5%)	12 (22.6%)	4.04	0.65
The procedure of applying for mobile loans is simple	0 (0%)	0 (0%)	9 (17%)	22 (41.5%)	22 (41.5%)	4.25	0.73
Anyone who owns a smart mobile phone can apply for a digital loan	0 (0%)	0 (0%)	0 (0%)	31 (58.5%)	22 (41.5%)	4.42	0.50
Borrowers do not have to travel to stations to access loans	1 (1.9%)	4 (7.5%)	1 (1.9%)	27 (50.9%)	20 (37.7%)	4.15	0.93
Accessibility of digital loans has been made easy by the increase in the number of digital lenders	0 (0%)	1 (1.9%)	10 (18.9%)	30 (56.6%)	12 (22.6%)	4.00	0.71
Digital lenders provide convenience since they operate 24/7	2 (3.8%)	2 (3.8%)	2 (3.8%)	21 (39.6%)	26 (49.1%)	4.26	0.98

Inferential Analysis

Effect of Cost of Credit on the Growth of Mobile Lending

The first objective of the study was to determine the influence of Cost of credit on the growth of mobile lending in digital lending firms in Kenya. This objective sought to test first null hypothesis which posits H_{01} Cost of

credit has no significant influence on the growth of mobile lending in digital lending firms in Kenya. The criteria for this test was set at $P < 0.05$ and $\beta \neq 0$. The results are as indicated in Table 3.0.

Table 3.0: Effect of Cost of Credit on the Growth of Mobile Lending

Model Summary							
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate			
1	.526 ^a	.277	.253	4.05530			
a. Predictors: (Constant), cost of credit							
ANOVA							
Model		Sum of Squares	df	Mean Square	F	Sig.	
1	Regression		4.717	1	4.717	8.299	.004 ^b
	Residual		28.989	51	0.568		
	Total		33.706	52			
a. Dependent Variable: growth of mobile lending							
b. Predictors: (Constant), cost of credit							
Regression Coefficients							
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
		B	Std. Error	Beta			
1	(Constant)	3.77	0.682		5.528	.000	
	Cost of credit	-0.385	0.0901	-0.057	-4.273	.004	
a. Dependent Variable: growth of mobile lending							

From the model summary, the value of adjusted R squared was 0.253 indicating that 25.3 percent of the growth of mobile lending could be explained by cost of credit. This shows that 74.7% of the growth of mobile lending can be explained by other factors, other than cost of credit. From the ANOVA figures, the research recognized the regression model had a significance level of 0.004. The F calculated was higher than the F critical value ($8.299 > 4.027$), which is a sign that the model was fit as a good estimator of the cost of credit as determinant of growth of mobile lending in digital lending firms in Kenya.

From the regression coefficients above it was found that when cost of credit is at a constant zero, growth of mobile lending would be 3.77. The results show that the cost of credit has a negative and significant impact on the growth of mobile lending as shown by a regression coefficient of -0.385 ($p\text{-value} = 0.004$). A unit upsurge in the cost of credit would lead to a reduction in the growth of mobile lending by 0.385 units. The first null hypothesis was rejected since ($t = -4.273$; $p = 0.004$). This implied that there exist significant influence in the relationship between cost of credit and growth of mobile lending. Inconsistent to the study findings, Otieno (2018) revealed that higher borrowing rates have a positive statistically significant effect on amounts borrowed.

Loan accessibility and growth of mobile lending

The second objective of the study was to establish the influence of loan accessibility on the growth of mobile lending in digital lending firms in Kenya. This objective sought to test second null hypothesis which posits H_{02} Loan accessibility has no significant influence on the growth of mobile lending in digital lending firms in Kenya. The criteria for this test was set at $P < 0.05$ and $\beta \neq 0$. The results are as follows in Table 4.0

Table 4.0: Loan accessibility and growth of mobile lending

Model Summary							
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate			
1	.635 ^a	.403	.367	4.01610			
a. Predictors: (Constant), loan accessibility							
ANOVA							
Model		Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression		5.852	1	5.852	11.064	.002 ^b
	Residual		26.976	51	0.529		
	Total		32.828	52			
a. Dependent Variable: growth of mobile lending							
b. Predictors: (Constant), loan accessibility							
Regression Coefficient							
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
		B	Std. Error	Beta			
1	(Constant)	2.893	0.571		5.067	.002	
	loan accessibility	0.497	0.109	0.257	4.560	.001	
a. Dependent Variable: growth of mobile lending							

From the model summary, the value of adjusted R squared was 0.367 indicating that 36.7 percent of the growth of mobile lending could be explained by loan accessibility. This shows that 63.3% of the growth of mobile lending can be explained by other factors, other than loan accessibility. From the ANOVA figures, the research recognized the regression model had a significance level of 0.002. The F calculated was higher than the F critical value ($11.064 > 4.027$), which is a sign that the model was fit as a good estimator of loan accessibility as a determinant of growth of mobile lending in digital lending firms in Kenya. From the regression coefficients above it was found that when loan accessibility is at a constant zero, growth of mobile lending would be 2.893. The results show that the loan accessibility has a positive and significant impact on the growth of mobile lending as shown by a regression coefficient of 0.497 (p-value=0.001). A unit upsurge in the loan accessibility would lead to an increase in the growth of mobile lending by 0.497 units. The second null hypothesis was rejected since ($t = 4.560$; $p = 0.001$). This implied that there exist significant influence in the relationship between loan accessibility and growth of mobile lending.

V. Conclusion and Recommendation

The study concludes that the cost of credit has a negative and significant impact on the growth of mobile lending. Virtual lending rates are higher than the traditional banking lending rates however, lack of loan processing fees encourages borrowers to take up mobile loans. Mobile loans have no hidden charges and most digital mobile loans have no insurance. Borrowers ignore the interest rates since the loans are mostly emergency and are instant. Loan accessibility has a positive and significant impact on the growth of mobile lending. The digital lending firms have instant loan approval and the procedure of applying for mobile loans is simple. The application of digital loans requires one to have a smartphone and borrowers do not have to travel to stations to access the loan. Furthermore, the digital lenders provide convenience since they operate 24 hours a day, 7 days a week.

The study recommends that digital lenders should have the lending rates at the normal rates in the market to have more customers taking up the loans. In the same vein since lenders, take advantage of the market's desperation by engaging in predatory lending practices such as charging exorbitant interest rates, authorities must take measures that safeguard borrowers. Loan accessibility has a positive and significant impact on the growth of mobile lending and thus the digital lending firms should continue devising more strategies to increase accessibility such as short messages loan applications that will not necessarily require one to have a smartphone.

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