AMFI-K

JULY 2026

2026 MICROFINANCE SECTOR REPORT

ASSOCIATION OF MICROFINANCE INSTITUTIONS-KENYA

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ACRONYMS

AMFI-K - Association of Microfinance Institutions (Kenya)

CBK - Central Bank of Kenya

COMFIs - Credit-Only Microfinance Institutions

GDP -Gross Domestic Product

GOP -Gross Outstanding Portfolio

KNBS -Kenya National Bureau of Statistics

MFBs - Microfinance Banks

MFIs -Microfinance Institutions

OLP -Outstanding Loan Portfolio

PAR -Portfolio at Risk

SACCOs -Savings and Credit Co-operatives

SMEs - Small Medium Enterprises

WASH -Water, Sanitation and Hygiene

WMFIs -Wholesale Microfinance Institutions

EXECUTIVE SUMMARY

The **Kenya Microfinance Sector Report 2026** presents the performance and operating environment of participating Microfinance Banks (MFBs) and Credit-Only Microfinance Institutions (COMFIs) as at **31 December 2025**. The report is based on data submitted to AMFI-K through standardized reporting templates and reflects the institutions that participated in the data collection exercise.

The findings demonstrate that microfinance remains an important channel for financial inclusion and enterprise development in Kenya. The **35 participating institutions** reported a combined gross outstanding loan portfolio of approximately **KES 79.3 billion**, serving more than **1.1 million active clients**. COMFIs accounted for the larger share of the portfolio and outreach, with **KES 52.91 billion** in outstanding loans and **968,068 active clients**, compared with **KES 26.35 billion** and **180,644 active clients** reported by participating MFBs.

A key finding of the report is the **divergence in financial performance between MFBs and COMFIs in 2025**. Participating MFBs experienced significant profitability pressure, with financial revenue declining and the combined **net loss after tax increasing from KES 2.42 billion in 2024 to KES 2.82 billion in 2025**. In contrast, participating COMFIs recorded stronger financial performance, with financial revenue increasing to **KES 29.99 billion**, net operating income rising to **KES 4.98 billion**, and net income after tax increasing to **KES 3.60 billion**.

Portfolio quality remains a major concern, particularly for MFBs. Participating MFBs reported **PAR >30 days of KES 8.11 billion, equivalent to 30.8% of their gross portfolio**, compared with **16% among COMFIs**, where PAR >30 amounted to approximately **KES 8.45 billion**. The high level of arrears, together with significant older portfolios and loan write-offs, highlights the need for stronger credit appraisal, portfolio monitoring, recovery and risk-management practices.

The sector continues to demonstrate strong **women and youth participation**. Women accounted for 43% of active COMFI clients and 57% of participating MFB clients, while youth represented a significant proportion of COMFI borrowers. Women also constituted the majority of loan officers in both segments, indicating their important role in the delivery of microfinance services.

Digital and mobile lending continues to support outreach, particularly through small-value and accessible credit products. At the same time, the relatively higher risk observed in some digital portfolios underscores the importance of responsible lending, effective credit assessment and appropriate consumer protection.

Microfinance institutions maintained a **broad geographical presence**, with operations extending across urban, peri-urban and rural markets. COMFIs alone reported **741 fully fledged branches and 1,326 marketing and satellite offices**, demonstrating extensive physical outreach. However, the concentration of branches and service outlets in urban areas indicates continued scope to deepen access in rural and underserved markets.

Sectoral lending remained concentrated in **business, agriculture and check-off financing**, while strategic segments such as **housing, WASH and renewable energy/green finance** remained relatively smaller. Agriculture recorded comparatively stronger portfolio quality among COMFIs, while housing showed elevated portfolio risk. These findings highlight both the potential and the need for greater product innovation and risk management in development-oriented financing.

The sector continues to face challenges relating to **asset quality, profitability, funding and operating costs, technology and data systems, and uneven performance across products and geographical markets**. For MFBs in particular, restoring sustainable profitability and strengthening portfolio quality will remain critical priorities.

Going forward, significant opportunities exist to expand **MSME and agricultural finance, housing microfinance, WASH and green finance**, while leveraging digital technologies to improve outreach and operational efficiency. Strengthening data systems and analytics can further support better credit decisions, portfolio monitoring and evidence-based sector development. Continued engagement between AMFI-K, regulators, development partners and financial institutions will also be important in creating an enabling environment for responsible innovation and sustainable growth.

Overall, the 2025 results indicate a **resilient but differentiated microfinance sector**. While COMFIs demonstrated stronger financial performance, the profitability and portfolio-quality pressures experienced by MFBs require focused attention. The sector's extensive outreach, strong participation of women and youth, and potential for digital and development-focused finance provide a strong foundation for **sustainable, inclusive and responsible growth in 2026 and beyond**.

CHAPTER ONE: INTRODUCTION

1.1.0 Background of the Report

The **Kenya Microfinance Sector Report 2026**, the ninth edition of the annual sector report by the **Association of Microfinance Institutions–Kenya (AMFI-K)**, provides an assessment of the performance, outreach, portfolio quality, financial sustainability and emerging trends in Kenya's microfinance sector as at **31 December 2025**. The report focuses on two key segments of the industry: **Microfinance Banks (MFBs)** and **Credit-Only Microfinance Institutions (COMFIs)**.

Microfinance continues to play an important role in Kenya's financial system by extending financial services to **micro, small and medium-sized enterprises (MSMEs), low-income households, farmers, women, youth and other underserved populations**. Participating institutions provide financing across a range of economic and social sectors, including business, agriculture, housing, education, WASH, renewable energy and green finance. The sector therefore remains an important contributor to financial inclusion, enterprise development, employment and household resilience.

The 2026 report comes at a period of continued transformation in Kenya's financial services industry, characterized by increasing digitalization, changing customer needs, evolving business models and a strengthening regulatory environment. The growing use of digital and mobile lending, alongside traditional branch and field-based models, is reshaping how microfinance institutions acquire, serve and monitor customers. At the same time, increasing regulatory attention to consumer protection, responsible lending, data protection, credit information sharing, governance and risk management is influencing the operating environment for microfinance providers.

The report distinguishes between the **MFB and COMFI business models**, which operate under different regulatory and institutional arrangements. MFBs are deposit-taking institutions licensed and supervised by the Central Bank of Kenya under the Microfinance Act and provide both savings and credit services. COMFIs, on the other hand, operate primarily as credit providers and do not generally mobilize deposits. The regulatory framework for credit-only providers has continued to evolve, particularly in response to the growth of non-deposit-taking and digital credit providers.

As at 31 December 2025, **14 licensed MFBs** were members of AMFI-K, of which **nine submitted data** for inclusion in this report. In addition, **26 COMFIs** submitted operational and financial data. The participating institutions collectively reported a gross outstanding loan portfolio of approximately **KES 79.3 billion** and more than **1.1 million active clients**, illustrating the scale of microfinance activities captured by the report.

The 2025 results also highlight an important **divergence in the performance of the two segments**. Participating MFBs experienced significant financial pressure, including declining financial revenue and increased net losses, alongside relatively high portfolio-at-risk levels. In contrast, participating COMFIs recorded stronger financial performance, with increased financial revenue, improved net operating income and higher net income after tax compared with 2024. This distinction is important in understanding the different operating, funding and business-model dynamics within Kenya's microfinance industry.

Beyond financial performance, the report examines **client outreach and inclusion**, including participation by women and youth; geographical distribution of branches and service outlets; lending by economic sector; delivery channels; portfolio ageing and quality; loan write-offs and loss reserves; financial structure; and institutional profitability. Particular attention is given to strategic areas such as **agricultural finance, housing microfinance, WASH financing and renewable energy/green finance**, which have significant potential to contribute to inclusive and sustainable economic development.

The report also recognizes the importance of **data and evidence in strengthening the microfinance sector**. AMFI-K collected the 2025 data using standardized sector reporting templates incorporating control lines, validation checks and common definitions to improve consistency and reliability. However, participation was voluntary and varied across reporting periods. Consequently, year-on-year comparisons are made only where sufficiently comparable data are available, while other datasets are presented as the 2025 position of participating institutions rather than as historical sector trends.

The report is intended to provide **an evidence-based industry reference for policymakers, regulators, financial institutions, investors, development partners and other stakeholders**. By documenting the scale, performance, challenges and opportunities within the sector, it seeks to support informed decision-making, strengthen industry accountability, promote responsible financial innovation and contribute to the development of a **resilient, inclusive and sustainable microfinance sector in Kenya**.

1.2.0 Objectives of the Report

The specific objectives of this report are to:

1. Assess the financial and operational performance of participating Microfinance Banks (MFBs) and Credit-Only Microfinance Institutions (COMFIs).
2. Analyze the sector's outreach in terms of clients, branches, staffing, and geographical coverage.
3. Evaluate portfolio quality, profitability, and financial sustainability of participating institutions.
4. Examine lending trends across economic sectors and delivery channels.

Ultimately, the report aims to inform action by helping stakeholders make better decisions, identify opportunities, and contribute meaningfully to the future of financial inclusion in Kenya.

1.3.0 Methodology and Limitations

1.3.1 Methodology

The **Kenya Microfinance Sector Report 2026** is based on data collected by the **Association of Microfinance Institutions–Kenya (AMFI-K)** from its member institutions for the period ending **31 December 2025**. The data collection covered two main segments of the microfinance industry: **Microfinance Banks (MFBs)** and **Credit-Only Microfinance Institutions (COMFIs)**.

As at 31 December 2025, Kenya had **fourteen (14) licensed Microfinance Banks**, all of which were AMFI-K members. Of these, **nine (9) MFBs (64%)** submitted data for inclusion in the report. The MFB analysis therefore represents the institutions that participated in the data submission and should not be interpreted as a complete representation of all licensed MFBs where data was not received from the remaining institutions.

For the **Credit-Only Microfinance Institutions**, **26 COMFIs** submitted data and were included in the analysis. The COMFI section covers institutional profiles, outreach, geographical coverage, loan portfolio, portfolio quality, lending by sector and delivery method, financial structure, and financial performance.

Data was collected using AMFI-K's standardized reporting template, covering key institutional, operational, financial, client outreach, and portfolio quality indicators. Where applicable, the data was disaggregated by **sex, age/youth, geographical location,**

lending sector, and delivery method to provide a more detailed understanding of the sector's outreach and performance.

The report also provides **comparative analysis between 2024 and 2025** for selected indicators where comparable data was available. The analysis is intended to identify changes in sector performance, emerging trends, opportunities, and areas requiring further attention.

1.3.2 Coverage and Participation

Table 1: Coverage and Participation

Institution Category	AMFI-K Members in year 2025	Participating Institutions	Participation Rate
Microfinance Banks (MFBs)	12	9	**75%**
Credit-Only MFIs (COMFIs)	54	26	**48%**
Total Participating Institutions	**66**	**35**	**53%**

Source: AMFI-K (Note: The 26 COMFIs represent institutions that submitted data to AMFI-K for the 2025 sector report and are not presented as the total number of COMFIs operating in Kenya.)

1.3.3 Limitations

The findings of this report should be interpreted in light of the following limitations:

- **Voluntary participation:** Data submission was based on voluntary participation by AMFI-K members. Consequently, the report does not necessarily represent the entire microfinance industry.
- **MFB coverage**: The MFB analysis is based on data from 9 of the 14 licensed MFBs, representing 75% of licensed institutions.
- **COMFI coverage:** The analysis covers 26 COMFIs that submitted data and should not be interpreted as a census of all credit-only microfinance institutions in Kenya.
- **Data quality and consistency:** Data was collected using **standardized AMFI-K data collection templates**, with defined **control lines, validation checks, and consistency checks** to improve the accuracy, completeness, and comparability of submissions. The control lines were used to identify inconsistencies, omissions, duplicate entries, and discrepancies between related indicators before consolidation and analysis.

  The standardized templates also provided common definitions, classifications, and reporting formats to minimize differences in the interpretation of indicators across participating institutions. **Where clarification or correction was required,**

institutions were engaged to review and validate their submissions before the data was finalized.

- **Comparability:** Comparisons across years are **not presented for all datasets** because the number and composition of participating institutions varied between reporting periods. Some institutions that submitted data in 2026 did not submit data in previous years, making direct year-on-year comparisons potentially misleading.

  Accordingly, **year-on-year comparisons are only presented for selected indicators where the data provides a reasonable basis for comparison**. For datasets where reporting coverage or institutional participation was not consistent, the report presents the **2025 position based on the participating institutions only**, without making historical comparisons. This approach helps avoid attributing changes to sector performance where they may instead result from differences in reporting coverage.
- **Aggregated reporting:** Sector-level figures represent the combined data submitted by participating institutions and may therefore be influenced by the size and composition of the participating institutions.
- **Data validation:** AMFI-K undertook review and validation of submitted information; however, the report relies primarily on information provided by participating institutions and does not constitute an independent audit of institutional financial statements.

1.3.4 Interpretation of the Findings

The statistics presented in this report should therefore be understood as indicative of the performance and characteristics of the participating institutions, rather than a complete census of Kenya's microfinance sector. The findings nevertheless provide an important industry benchmark and a useful basis for understanding trends in financial inclusion, credit outreach, portfolio quality, institutional sustainability, and geographical coverage**.**

CHAPTER TWO: COUNTRY AND FINANCIAL SECTOR OVERVIEW

2.1.0 Country Overview Macroeconomic Environment

Kenya's macroeconomic environment improved in several respects during 2025. The population increased from **50.623 million in 2022 to 53.331 million in 2025**, expanding the potential market for financial services. Over the same period, nominal GDP per capita increased from **KES 266,473 to KES 329,594**, while real GDP growth stood at **4.6% in 2025**, following growth of 4.7% in 2024, as shown in Table 2 below.

Inflation also moderated substantially, declining from **7.7% in both 2022 and 2023 to 4.5% in 2024 and 4.1% in 2025,** as shown in Table 1 below. This improvement in price stability provides a more favourable environment for household consumption, business activity and credit repayment, although borrowers continued to face pressures from the cumulative increase in the cost of living.

Table 2; Demographic and Economic Profile of Kenya (2022 - 2025)

Indicator	**2022**	**2023**	**2024**
Population (Million)	50.623	51.526	52.428
GDP per Capita – Current (KES)	266,473	291,770	309,609
GDP per Capita – USD equivalent	2,259	2,087	2,297
Real GDP Growth (%)	4.9	5.7	4.7
Annual Average Inflation (CPI, %)	7.7	7.7	4.5

Source: KNBS

2.2.1 Financial Sector Overview

Kenya’s financial sector is structured into five major tiers based on regulatory supervision, type of services offered, and size of operations. AMFI-K members fall across all five tiers and play a crucial role in advancing inclusive finance, as shown in Table 3 below.

Table 3: Structure of Kenya’s Financial Sector

Type of Institution	Description
Commercial Banks	Commercial banks and large deposit-taking institutions are supervised by the CBK
Microfinance Banks	Deposit-taking Microfinance Banks (regulated by CBK under the Microfinance Act)

Credit Only Institutions	Credit-only MFIs, NGOs, SACCOs and social lenders to be regulated by CBK under Non-Deposit Taking Credit Providers (NDTCPs) regulations.
Digital Credit Providers MFIs	Digital Credit Providers MFIs are regulated by the CBK
SACCOs	SACCOs are regulated by SASRA, informal and semi-formal institutions

Source: CBK

2.2.2 Microfinance Banks

These are licensed and regulated by the Central Bank of Kenya under the Microfinance Act (2006). They are permitted to accept deposits, lend, and offer a range of financial services.

Table 4; AMFI-K Member Microfinance Banks (MFBs)

No.	Institution Name
1	Kenya Women Microfinance Bank
2	Rafiki Microfinance Bank
3	Faulu Kenya
4	SMEP Microfinance Bank
5	LOLC Kenya MFB
6	Branch Microfinance Bank
7	Sumac Microfinance Bank
8	U&I Microfinance Bank
9	Caritas Microfinance Bank
10	UMBA Microfinance
11	Maisha Microfinance Bank
12	Salaam Microfinance Bank
13	Choice Microfinance Bank
14	Muungano Microfinance Bank

Source: AMFI-K

2.2.3 Banks

Some commercial and savings banks provide microfinance products through special MSME departments or partnerships hence joining the AMFI-K membership.

Table 5; AMFI-K member Banks

No.	Institution Name
1	Co-operative Bank
2	Kenya Post Office Savings Bank
3	NCBA Bank

Source: AMFI-K

2.2.4 Credit-Only/ Digital credit Providers Microfinance Institutions

These institutions do not take deposits and are either NGOs, social enterprises, or private limited companies. Some are licensed by CBK while others follow AMFI-K's voluntary code of conduct.

Table 6: 2026 AMFI-K Member Credit-Only/ Digital Credit Providers MFIs (COMFIs)

No.	Institution Name
1	Eclof Kenya
2	Vision Fund Kenya
3	BIMAS
4	Letshego Kenya
5	Zenka Finance
6	YEHU Microfinance Trust
7	Jitegemea Credit
8	Fincredit Services Ltd
9	Juhudi Kilimo
10	Musoni Kenya
11	Select Management Services
12	Greenland Fedha
13	Platinum Credit
14	Real People
15	NEEMA HEEP Ltd
16	Hand in Hand Eastern
17	Premier Credit
18	Moneyworth Credit
19	Hazina Development Trust Limited
20	SpringBoard Capital
21	Progressive Credit

22	Longitude Finance
23	Jiweze
24	ASA Kenya
25	Kipepeo Microcredit
26	Liberty Afrika Technologies
27	Diversity Microcredit
28	My Credit
29	Momentum Credit
30	Fast Growth Credit Limited
31	FIN-Trustgro SCA
32	Incredo Access Solutions – Karibu Kenya
33	Modesty Credit
34	Edenbridge Capital
35	Ngao Credit
36	Fadhili Microenterprises
37	Jawabu Biashara
38	Granary Capital
39	Baraka Credit
40	Dream Credit
41	Ed Partners Africa
42	IZWE Loans
43	Skynotch Capital
44	Mogo Auto
45	Jafari Credit
46	Kewota Shared Services
47	Cherehani Africa
48	Money Cloud
49	Phoenix Capital
50	Spread Capital
51	Centenary Microenterprises Services
52	Spectrum Capital Ltd(swift capital)
53	First Capital Ltd
54	Jefigs Credit Ltd

55	Baron Capital
56	Mwangaza Micro Enterprises
57	Kaledofin Private Ltd
58	Umoja Fanisi Ltd
59	Ellegant Credit Ltd
60	Roots Credit Ltd
61	Kenbright Financial Services
62	Broadfields Capital Limited.

Source: AMFI-K

2.2.5 Wholesale Microfinance Institutions

These institutions lend primarily to other MFIs or financial institutions, acting as enablers of liquidity and long-term capital.

Table 7; 2026 AMFI-K Member Wholesale Microfinance Institutions

No.	Institution Name
1	MESPT (Micro-Enterprise Support Programme Trust)
2	Soluti Finance East Africa Ltd
3	Oikocredit
4	AdOpes Limited
5	Africa Enterprise Challenge Fund (AECF)

Source: AMFI-K

2.2.6 Insurance Companies

These partners offer inclusive insurance products such as health, life, and credit-life insurance through MFIs.

Table 8; AMFI-K Member Insurance Companies

No.	Institution Name
1	DD Finance
2	CIC Insurance
3	Turaco Insurance

Source: AMFI-K

2.3.0 The Regulatory Framework of the Financial Sector

2.3.1 Regulatory and Policy Environment

Kenya's financial sector operates within a multi-tier regulatory framework in which different statutory institutions are responsible for regulating and supervising specific segments of the financial system. The framework seeks to promote **financial stability,**

consumer protection, market integrity, responsible financial services, and financial inclusion.

2.3.2 Key Financial Sector Regulators

The principal regulators and institutions relevant to Kenya's financial sector include:

Table 9: Key Financial Sector Regulators

Regulatory Institution	Primary Area of Responsibility	Relevance to Microfinance
Central Bank of Kenya (CBK)	Banking and specified financial institutions	Regulates and supervises MFBs and Digital Credit Providers, among other institutions within its mandate
SACCO Societies Regulatory Authority (SASRA)	SACCO sector	Supervises deposit-taking SACCOs and specified non-deposit-taking SACCO activities
Capital Markets Authority (CMA)	Capital markets	Regulates securities, investment products and capital-market intermediaries
Insurance Regulatory Authority (IRA)	Insurance sector	Regulates insurance companies and intermediaries
Retirement Benefits Authority (RBA)	Retirement benefits sector	Regulates pension and retirement benefits schemes and service providers
Financial Reporting Centre (FRC)	AML/CFT/CPF	Oversees financial intelligence and compliance with AML/CFT/CPF requirements by reporting institutions
Office of the Data Protection Commissioner (ODPC)	Data protection	Oversees compliance with the Data Protection Act, 2019, including processing of customer data
Competition Authority of Kenya (CAK)	Competition and consumer protection	Addresses competition and consumer protection matters across sectors

Communications Authority of Kenya (CA)	Telecommunications and digital communications	Relevant to financial services delivered through telecommunications and digital platforms

Source: Relevant Kenyan laws, regulatory institutions and official regulatory publications.

2.3.3 Regulatory Environment for Microfinance Institutions

Within the microfinance sector, the **Central Bank of Kenya (CBK)** is the principal prudential regulator for **Microfinance Banks (MFBs)**. MFBs are licensed and supervised under the **Microfinance Act, 2006**, and applicable regulations and prudential requirements issued by CBK.

The regulatory environment for **Credit-Only Microfinance Institutions (COMFIs)** has also evolved, particularly with the increasing importance of non-deposit-taking credit providers and digital lending. The regulatory framework places greater emphasis on **consumer protection, responsible lending, transparency, data protection, credit information sharing, governance and market conduct**.

2.3.4 Key Regulatory Developments Relevant to the 2026 Sector

The regulatory environment during the period covered by the 2026 sector report is characterized by increasing attention to:

- **Digital credit and digital financial services**, including licensing and oversight of digital credit providers;
- **Responsible lending and consumer protection**, including transparency in pricing and lending practices;
- **Credit information sharing**, to strengthen credit assessment and responsible borrowing;
- **Data protection and privacy**, particularly given the increasing use of digital customer information;
- **Anti-money laundering and counter-terrorism financing (AML/CFT)** compliance;
- **Risk-based supervision and institutional governance**;
- **Financial inclusion and responsible innovation**; and
- **Strengthening the regulatory framework for non-deposit-taking credit providers**.

2.3.5 Implications for the Microfinance Sector

The evolving regulatory environment has significant implications for microfinance institutions. While stronger regulation is expected to enhance **consumer confidence,**

market integrity and institutional stability, it may also increase compliance requirements and operational costs.

For MFBs and COMFIs, the increased regulatory focus creates a need to strengthen **governance, risk management, data management, consumer protection, credit assessment and reporting systems**. At the same time, regulatory clarity provides an opportunity for institutions to develop innovative and responsible products that expand access to finance for **MSMEs, women, youth, rural households and other underserved segments**.

2.3.6 AMFI-K Submissions on the Microfinance Bill, 2026

In 2026, **AMFI-K actively engaged in the development of the Microfinance Bill, 2026**, advocating for a regulatory framework that strengthens the sector while remaining practical and proportionate to the operational realities of microfinance institutions.

Key recommendations by AMFI-K included:

- **Core capital:** Reducing the proposed minimum core capital requirement from **KES 250 million to KES 125 million** to avoid excluding smaller institutions and preserve competition and financial inclusion.
- **Single-borrower lending limit:** Increasing the proposed limit to **10%**, enabling MFBs to continue serving growing MSMEs whose financing needs increase as their businesses expand.
- **Non-performing loans:** Extending the loan classification period from **30 to 90 days**, providing borrowers facing short-term repayment challenges with greater flexibility and aligning the framework more closely with commercial banking practices.
- **Collateral requirements:** Expanding acceptable forms of collateral to include **digital and other emerging forms of assets**, thereby improving access to finance for MSMEs that may lack conventional collateral.
- **Governance and compliance:** Advocating for proportionate governance requirements that reduce unnecessary operational costs, particularly for smaller institutions.
- **Tax treatment:** Proposing measures to address the treatment of microfinance banks as financial institutions, with the potential to unlock approximately **KES 1 billion in tax assets**.

Overall, AMFI-K's submissions sought to ensure that the proposed regulatory reforms **strengthen institutional resilience and consumer protection without restricting access to finance or disproportionately burdening smaller microfinance institutions**. The recommendations reflect the sector's role in serving **MSMEs, low-income households and underserved communities**, while supporting a sustainable and inclusive microfinance industry.

2.4.0 Structure of the Association (AMFI-K)

2.4.1 Governance

The governance of AMFI-K is structured and anchored on a constitution and industry code of conduct and best practices that provide direction, establishes and stipulate rules, regulations, practices, and parameters to the members, the board and the management team.

2.4.2 The General Assembly (Members)

This is the highest organ of the Association of Microfinance Institutions-Kenya comprises of all the members and is represented by executive directors, chief executive officers, and heads of membership. The general assembly is tasked with the responsibility to make decisions, ratify, make recommendations, and has a responsibility to elect the Board of Directors in line with the Constitution.

2.4.3 The Board of Directors

The Board of AMFI-K is elected by the general assembly during the annual general meeting. It reflects and is comprised of 11 members; 9 members represent all the categories of membership, while 2 members are honorary, who are retired microfinance practitioners whose experience is required in supporting the development of the microfinance industry. The board provides leadership and strategic direction to the management team as well as approves budgets and makes key decisions that affect the trajectory of the Association.

Secretariat

The management team is headed by the Chief Executive Officer as the head of the institution and is tasked with the responsibility of running the day-to-day activities and programs of the institution. It is comprised of eight members of staff.

CHAPTER FOUR: MICROFINANCE BANKS

4.1.0: Microfinance Banks Profile

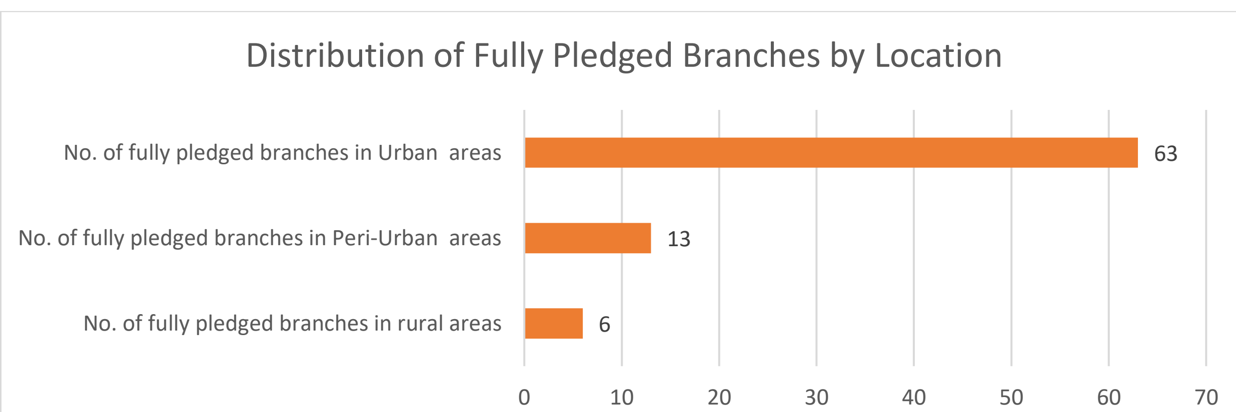
According to the Central Bank of Kenya (CBK), as of 31 December 2024, the number of licensed microfinance banks remained steady at fourteen (14), comprising one (1) community microfinance bank and thirteen (13) nationwide microfinance banks. As of 31 December 2025, all fourteen (14) licensed microfinance banks were members of the Association of Microfinance Institutions Kenya (AMFI-K). Of these, nine (9) institutions submitted data for inclusion in this report.

The participating microfinance banks had a combined workforce of 1,947 staff, including 712 loan officers, underscoring the sector's strong focus on customer outreach and credit delivery. Their operations were supported through a network of 82 fully pledged branches and 129 marketing/satellite offices, providing an extensive physical presence that enhances access to financial services across the country. This distribution reflects the sector's continued commitment to expanding financial inclusion by serving both urban and underserved markets through branch-based and alternative service channels.

4.1.1 Total Number of Fully Pledged Branches and Marketing Offices/satellite offices

As of the end of December 2025, the 9 MFBs operated 82 fully pledged branches, with the majority (63 branches, 76.8%) located in urban areas, followed by 13 branches (15.9%) in peri-urban areas and 6 branches (7.3%) in rural areas. This distribution reflects the continued concentration of full-service banking operations in urban centres, where customer density and business activity are highest, as shown in Figure 1 below.

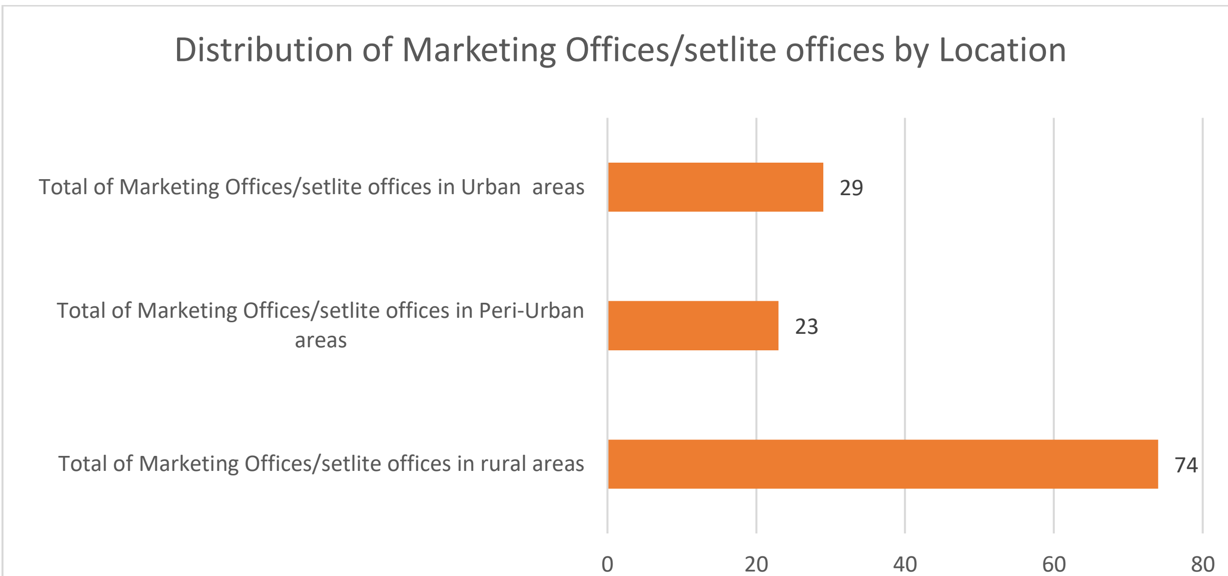
Figure 1:Distribution of Fully Pledged Branches by Location



Source: AMFI-K

In addition to their branch network, the participating institutions maintained 126 marketing and satellite offices to extend their outreach. Unlike the fully pledged branches, these offices were predominantly located in **rural areas**, accounting for **74 offices (58.7%)**, while **29 offices (23.0%)** were situated in **urban areas** and **23 offices (18.3%) in peri-urban areas**, as shown in Figure 2 below. This demonstrates a deliberate strategy of using lower-cost service outlets to deepen financial inclusion in underserved communities while maintaining comprehensive banking services through strategically located branches.

Figure 2: Distribution of Marketing Offices/satellite offices by Location

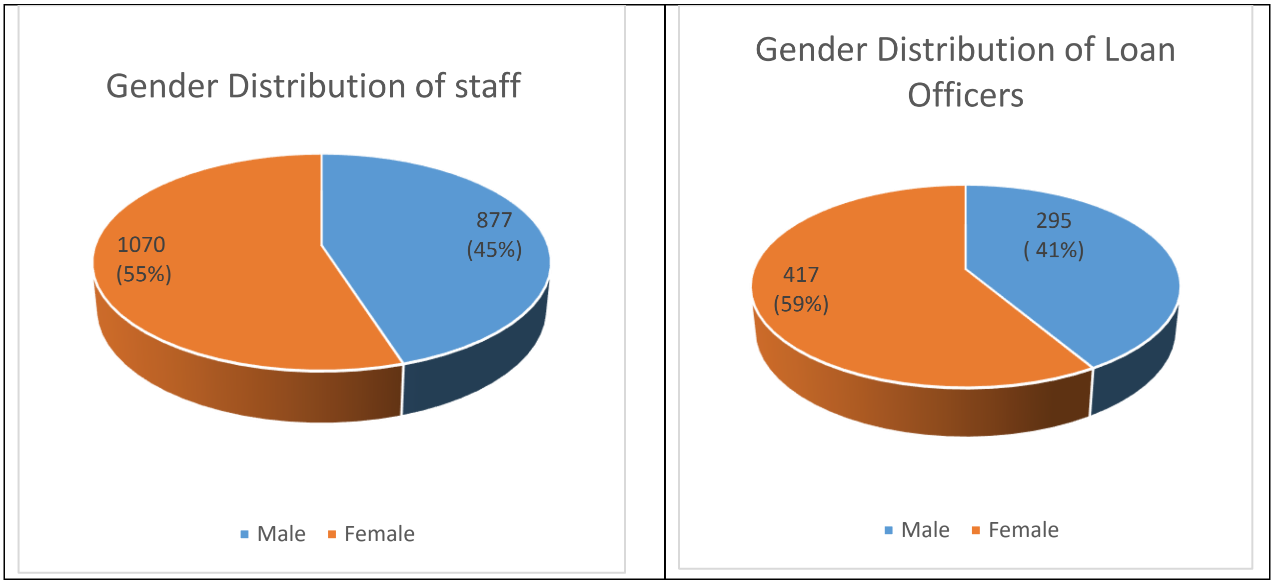


Source: AMFI-K

Overall, the combined network of **208 service points (82 fully pledged branches and 126 marketing/satellite offices)** highlights the sector's commitment to expanding access to financial services by balancing operational efficiency with increased geographical outreach, particularly in rural and peri-urban markets.

4.1.2 Number of Staff and Loan Officers

Figure 3:Gender distribution of staff and loan officers



Source: AMFI-K 1

The participating microfinance banks employed a total of **1,947 permanent staff** as at 31 December 2025, comprising **1,070 female employees (55.0%)** and **877 male employees (45.0%)** as shown in Figure 3 above. The workforce composition indicates a relatively balanced gender distribution, with women representing the majority of employees, highlighting the sector's continued efforts toward promoting gender inclusion and diversity within its institutions.

Within the overall workforce, **714 employees served as loan officers**, accounting for 36.7% of total permanent staff. Female loan officers represented 417 (58.4%), while male loan officers accounted for 295 (41.6%) Figure 3 above. The strong representation of women among loan officers demonstrates the important role women play in credit delivery functions, including client outreach, loan appraisal, portfolio monitoring, and customer relationship management.

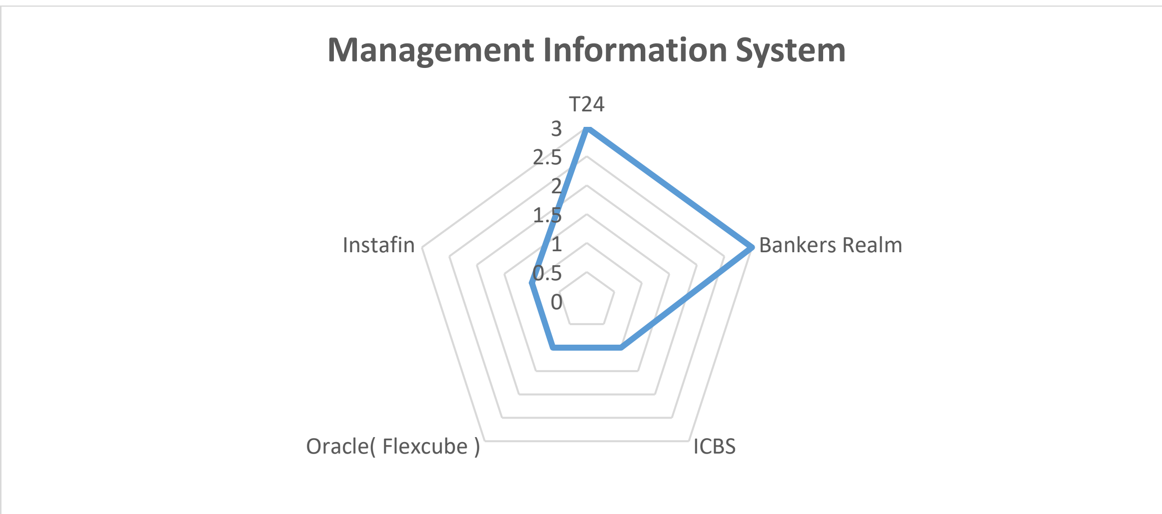
In addition to permanent employees, the participating microfinance banks engaged **288 agents and temporary staff** to support service delivery, customer acquisition, and operational activities. These additional personnel strengthen institutional outreach and provide flexibility in responding to market demands, particularly in extending financial services beyond traditional branch structures.

Overall, the combined workforce of **2,235 personnel (1,947 permanent staff and 288 agents/temporary staff)** reflects the significant human resource capacity supporting microfinance banking operations. The staffing structure, supported by a strong network of loan officers and additional field-based personnel, enables institutions to expand access to financial services while maintaining close engagement with clients across different market segments

4.1.2 Management Information System

The staff work to deliver their mandate across the 9 MFBs using different management information systems. Out of the nine (9) Microfinance Banks (MFBs), six (6) different core banking systems are in use. Only Temenos T24 (used by 3 MFBs) and Bankers Realm (used by 3 MFBs) are common, making a total of six (6) MFBs using these two Management Information Systems (MIS). The other three MFBs each use a different MIS, as shown in Figure 4 below.

***Figure 4:* Management Information System**



Source: AMFI-K

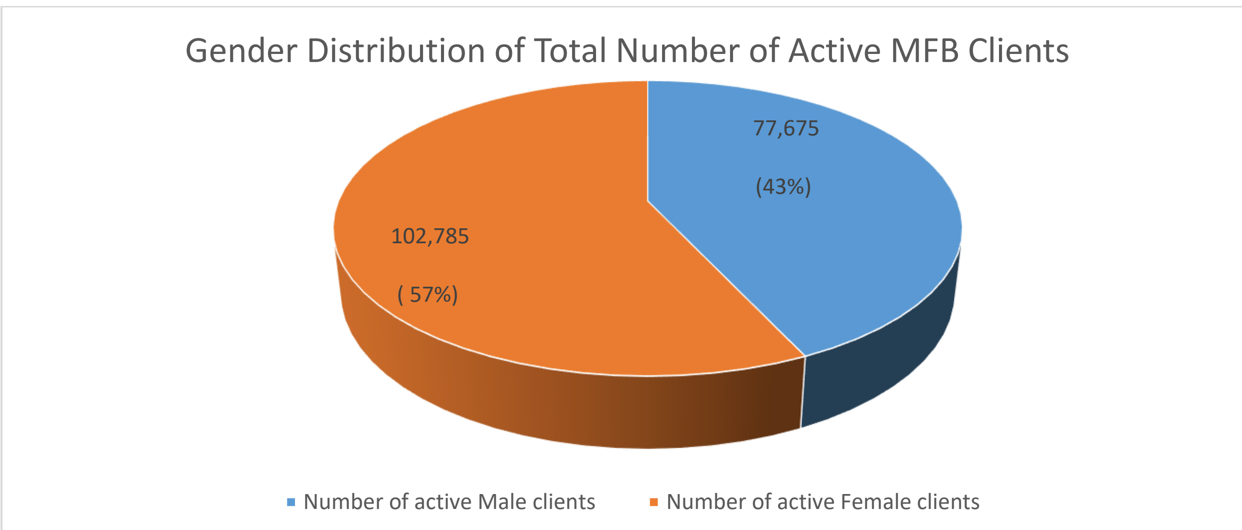
4.2.0 Portfolio Quality and Number of Clients of Microfinance Banks

As of **31 December 2025**, the **nine (9) participating microfinance banks** reported a combined **gross outstanding loan portfolio** of **KES 26.35 billion**, underscoring the sector's continued role in providing credit to individuals and micro, small, and medium-sized enterprises (MSMEs) across Kenya.

The reporting institutions had **200,129 loans** outstanding, serving a total of **180,644 active clients**. Female clients accounted for **102,785 (56.9%)** of the active client base, while **77,675 (43.1%)** were active male clients, as shown in Figure 5 below. The higher proportion of female clients reflects the sector's strong focus on financial inclusion and its continued commitment to empowering women through access to finance.

The combined **Portfolio at Risk (PAR) greater than 30 days** stood at **KES 8.11 billion**, representing approximately **30.8%** of the gross outstanding portfolio. This elevated PAR ratio indicates that a significant portion of the loan portfolio was in arrears for more than 30 days, highlighting the need for strengthened credit risk management, enhanced loan recovery efforts, and prudent portfolio monitoring. Despite these asset quality challenges, the participating microfinance banks maintained a substantial lending portfolio and continued to serve a broad client base, reaffirming their critical role in expanding access to financial services and supporting economic activity, particularly among underserved households and MSMEs.

Figure 5: Gender Distribution of Total Number of Active MFB Clients



Source: AMFI-K

4.3.0 Client Outreach Analysis

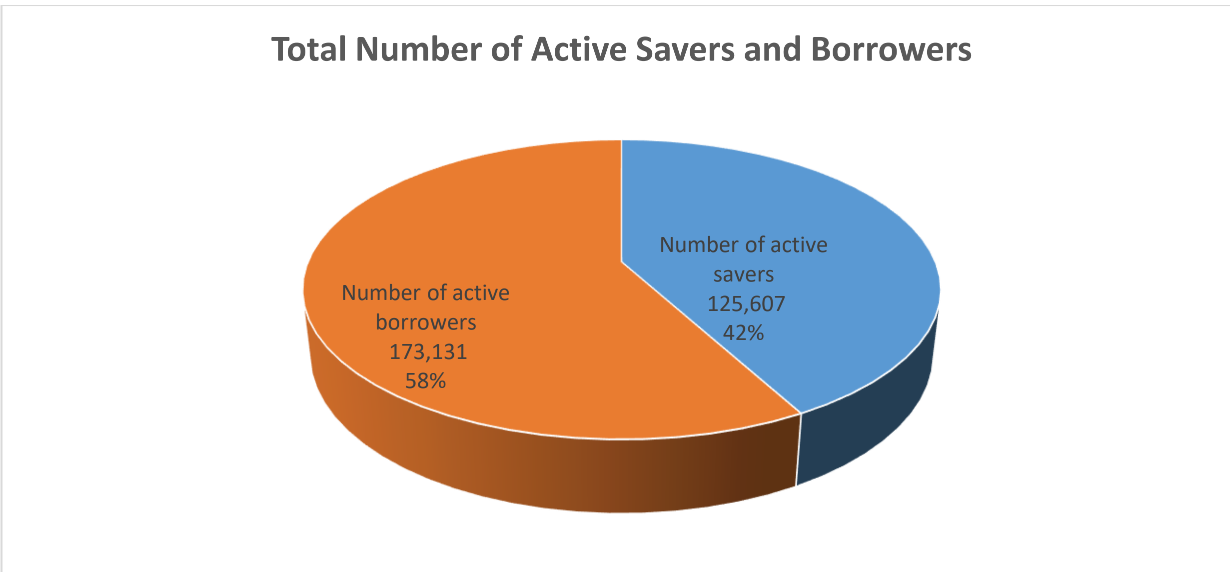
4.3.1 Total Number of Active Savers and Borrowers

As at 31 December 2025, the nine (9) participating microfinance banks reported 173,131 (58%) active borrowers and 125,607 (42%) active savers as shown in Figure 6 below. This indicates that the participating MFBs had a **larger active credit customer base than savings customer base**, with borrowers accounting for more than half of the reported active clients.

The higher proportion of borrowers reflects the institutions' strong focus on **credit provision and financial intermediation**, particularly in serving micro and small enterprises and other underserved segments. At the same time, the **42% share of active savers** demonstrates that savings mobilization remains an important component of MFB operations and provides a complementary source of funding for lending activities.

Overall, the distribution highlights the **dual role of MFBs as both savings mobilizers and credit providers**, with credit services accounting for the larger share of active customers among the participating institutions.

Figure 6: Total Number of Active Savers and Borrowers



Source: AMFI-K

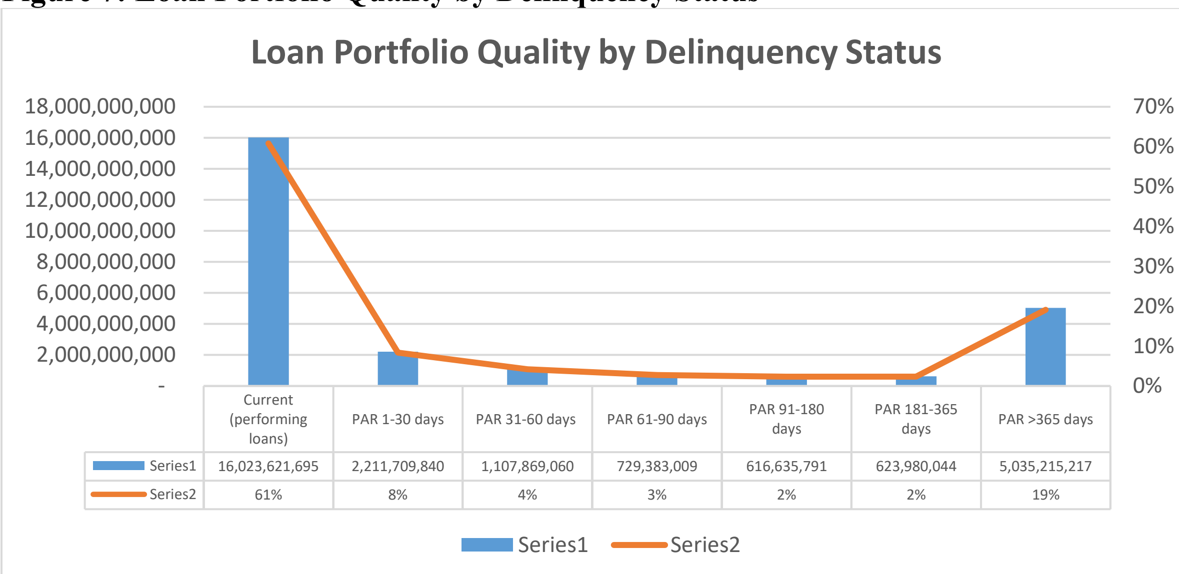
Data on clients with disabilities (PWDs) was not reported by participating institutions, presenting an opportunity to strengthen inclusive finance reporting in future sector assessments. This does not mean that the members are not serving PWDs, but this information is not collected by the participating MFIs.

4.4.0 Portfolio Ageing, Loan Loss Reserve and Write-offs.

4.4.1 Loan Portfolio Quality by Delinquency Status

As at **31 December 2025**, the nine (9) participating microfinance banks reported a **gross outstanding loan portfolio of KES 26.35 billion**, of which **KES 16.02 billion (60.8%)** comprised **current (performing) loans**. This indicates that the majority of the loan portfolio continued to perform in accordance with agreed repayment schedules. The remaining **KES 10.32 billion (39.2%)** of the portfolio was classified as **Portfolio at Risk (PAR)** across different delinquency categories

Figure 7: Loan Portfolio Quality by Delinquency Status



Source: AMFI-K

Loans overdue by **1–30 days** amounted to **KES 2.21 billion (8%)**, representing borrowers experiencing short-term repayment delays that may still be recoverable through timely collection efforts. The portfolio overdue by **31–60 days** stood at **KES 1.11 billion (4%), while loans in the 61–90 days category amounted to KES 729.4 million (3%),** as shown in Figure 7 above.

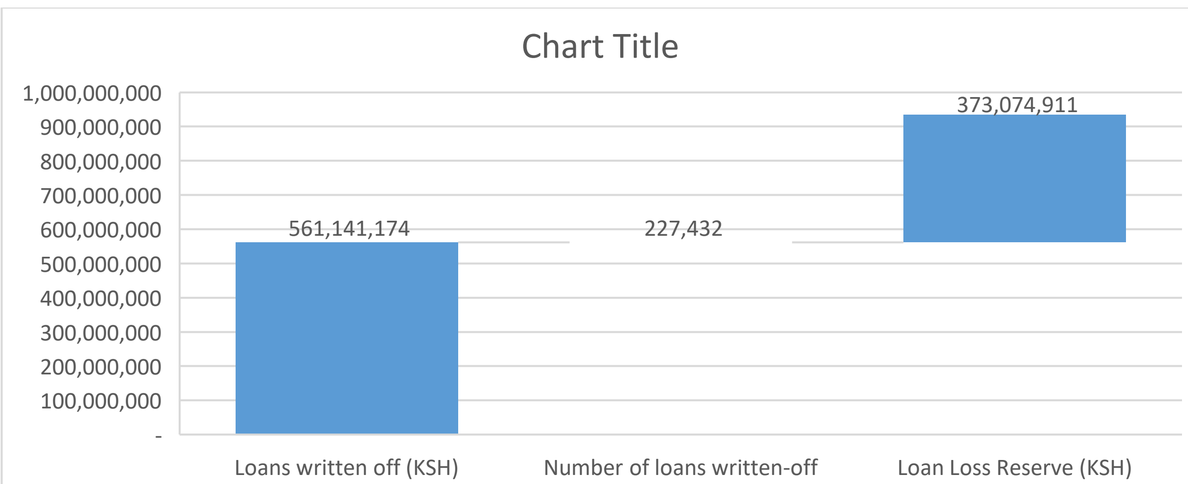
Loans overdue between **91 and 180 days** totalled **KES 616.6 million (2%)**, while those overdue between **181 and 365 days** amounted to **KES 624.0 million (2%),** as shown in Figure 7 above. The largest concentration of non-performing loans was observed in the **over 365 days** category, which totalled **KES 5.04 billion (19%),** as shown in Figure 10 above, accounting for nearly half of the entire portfolio at risk. This suggests that a significant proportion of delinquent loans have remained unresolved for an extended period and may require intensified recovery efforts, restructuring, or provisioning.

Overall, the portfolio quality analysis indicates that while the participating microfinance banks continue to maintain a sizeable performing portfolio, asset quality remains a significant challenge. The high proportion of loans overdue for more than one year underscores the need for strengthened credit risk management, enhanced loan monitoring, proactive collections, and prudent underwriting practices to improve portfolio performance and institutional sustainability.

4.4.2 Loan loss reserve and write-offs

As at **31 December 2025**, the nine (9) participating microfinance banks reported **loan write-offs amounting to KES 561.14 million**, comprising **227,432 loans** as shown in Figure 8 below that had been removed from their balance sheets after being assessed as unlikely to be recovered. Loan write-offs are a normal aspect of credit risk management and reflect institutions' efforts to maintain accurate financial records by recognizing losses on unrecoverable loans.

Figure 8: Loan loss reserve and write-offs



Source: AMFI-K

The participating institutions also maintained a combined **loan loss reserve of KES 373.07 million** as shown in Figure 8 above to absorb expected credit losses arising from their lending activities. Loan loss reserves are an important prudential measure that strengthens the resilience of institutions by providing a financial buffer against potential defaults and ensuring compliance with regulatory and accounting requirements.

The level of write-offs, when viewed alongside the sector's elevated portfolio at risk, highlights the continued asset quality challenges facing participating microfinance banks. This underscores the importance of robust credit appraisal, proactive loan monitoring, timely recovery strategies, and adequate provisioning to safeguard portfolio quality and institutional sustainability. Continued investment in credit risk management practices will be essential to reducing future write-offs while preserving the sector's capacity to extend credit to underserved individuals and businesses

4.5.0 PORTFOLIO PERFORMANCE PER SECTOR

This section presents a detailed breakdown of the loan portfolio by sector among MFBs as of 31st December 2025. It captures three key performance indicators: the number of loans disbursed, the outstanding loan portfolio value, and the Portfolio at Risk above thirty days for each sector. This information provides valuable insights into how MFBs have allocated credit across different economic activities, reflecting their lending priorities, market reach, and exposure to various sectors. The data also helps in assessing the quality of the loan book and identifying sectors that contribute most to credit growth or portfolio vulnerability.

Table 10: PORTFOLIO PERFORMANCE PER SECTOR

Sector	Number OF Loans	Outstanding Loan portfolio	PAR>30 (Amount)
Business Loans	42,305.00	5,750,809,975.49	39%
Agriculture loans (crops, livestock, fishing)	13,070.00	868,302,524.36	30%
Housing loans	3,364.00	644,754,561.67	17%
Emergency loans	-	-	
WASH loans	1,532.00	28,413,495.71	34%
Renewable Energy /Green finance loans	1,885.00	19,688,928.65	18%
Education loans	5,372.00	1,513,457,819.75	30%
Trade Finance loans	222.00	198,437,577.00	60%
Check off loans	14,498.00	6,635,680,256.16	29%

Insurance Premium Financing	16,821.00	298,953,544.64	46%
Asset financing	1,857.00	1,234,987,215.05	33%
Restructured	1,252.00	1,766,928,705.80	62%
Manufacturing	28.00	40,720,359.70	3%
Transport & Communication	2,336.00	1,294,776,400.72	31%
Digital Loans/Mobile Loans	91,300.00	731,747,780.49	20%
Institutional Banking	348.00	1,570,702,820.35	3%
Personal Banking loans/Consumer loans	1,946.00	955,723,570.88	8%
Staff Loans	241.00	145,327,801.16	1%
Tourism and Hotels	77.00	44,532,727.14	17%
Unspecified Sectors	1,596.00	2,527,244,775.52	27%
Building and construction	13.00	8,044,000.00	8%
Real Estate and Home improvements	20.00	8,415,000.00	5%
Building and construction	36.00	48,184,000.00	0%
Mining and quarrying	7.00	11,046,000.00	78%
Electricity and water	3.00	1,534,000.00	0%

Total by sector	**200,129.00**	**26,348,413,840.22**	**31%**

Source: AMFI-K

As at **31 December 2025**, the nine (9) participating microfinance banks as shown in table 10 above reported a combined **200,129 loans** with an outstanding portfolio of **KES 26.35 billion**. The loan portfolio remained concentrated in a few major lending products, with **Check-off Loans** accounting for the largest outstanding portfolio at **KES 6.64 billion**, followed by **Business Loans** at **KES 5.75 billion**. Together, these two products represented almost half of the total outstanding portfolio, highlighting the sector's continued focus on enterprise financing and salary-backed lending.

Other significant portfolio segments, as shown in Table 10 above, included unspecified **Sectors (KES 2.53 billion)**, **Restructured Loans (KES 1.77 billion)**, **Institutional Banking (KES 1.57 billion)**, **Education Loans (KES 1.51 billion)**, **Transport and Communication (KES 1.29 billion)**, and **Asset Financing (KES 1.23 billion)**. While **Digital/Mobile Loans** accounted for the largest number of individual loans (**91,300 loans**), they represented a relatively modest outstanding portfolio of **KES 731.7 million**, indicating that these facilities are generally small-ticket, short-term loans.

Portfolio quality varied considerably across loan products, as shown in Table 10 above. **Restructured Loans** recorded a **PAR >30 of 62%**, reflecting the heightened credit risk associated with restructured facilities. Similarly, **Trade Finance (60%)**, **Insurance Premium Financing (46%)**, and **Business Loans (39%)** exhibited relatively high delinquency levels, suggesting the need for enhanced credit monitoring and recovery strategies within these segments. Conversely, **Staff Loans (1%)**, **Institutional Banking (3%)**, **Manufacturing (3%)**, **Real Estate and Home Improvements (5%)**, and **Personal/Consumer Loans (8%)** maintained comparatively strong portfolio quality.

The portfolio also demonstrates the sector's commitment to financing priority development areas. Participating institutions continued to provide credit for **agriculture**, **housing**, **education**, **renewable energy**, and **Water, Sanitation and Hygiene (WASH)**, thereby contributing to broader socio-economic development and financial inclusion. Although these sectors represent a relatively smaller share of the overall portfolio, they remain strategically important due to their impact on livelihoods, climate resilience, and improved living standards

4.6.0 Performance of Methods of Delivery

As at **31 December 2025**, the nine (9) participating microfinance banks disbursed and managed **200,129 active loans** with a combined outstanding portfolio of **KES 26.35 billion** through five primary delivery channels: **individual lending, group lending, mobile lending, partnerships, and corporate/institutional lending,** as shown in Table 11 below. The delivery methods reflect the diverse approaches adopted by microfinance banks to meet the financing needs of individuals, businesses, groups, and institutions.

Table 11: Performance of Methods of Delivery

DELIVERY METHODS	Number of loans	Outstanding loan portfolio (KSH)	PAR>30 (%)
Groups	69,859	1,178,698,972.15	63%
Individual	36,529	20,404,689,899.19	32%
Mobile loans	91,646	756,765,262.97	20%
Partnerships	93	22,054,577.00	77%
Corporates/Institutional	2,002	3,986,205,945.91	17%
TOTAL	**200,129**	**26,348,414,657.22**	**31%**

Source: AMFI-K

Individual lending remained the dominant delivery channel, accounting for an outstanding portfolio of **KES 20.40 billion**, representing approximately **77.4%** of the total portfolio. Although individual loans constituted only **36,529 loans (18.3%)**, they comprised the largest share of portfolio value, indicating a relatively high average loan size. The portfolio recorded a **PAR >30 of 32%**, slightly above the sector average, highlighting the need for continued strengthening of credit monitoring and recovery efforts.

Corporate and institutional lending represented the second-largest portfolio with **KES 3.99 billion** across **2,002 loans**, while maintaining a comparatively low **PAR >30 of 17%**.

This suggests that institutional lending continues to exhibit relatively stronger portfolio quality despite its higher average loan values.

In contrast, **mobile loans** accounted for the **largest number of loans (91,646)**, equivalent to nearly **46% of all loans**, yet represented only **KES 756.8 million** of the outstanding portfolio. This reflects the small-ticket, short-term nature of digital lending products. Mobile loans also recorded a relatively low **PAR >30 of 20%**, demonstrating comparatively stronger repayment performance than several traditional lending channels.

Group lending as shown in Table 11 above remained an important mechanism for promoting financial inclusion, particularly among low-income households, women, and community-based enterprises. The participating institutions reported **69,859 group loans** with an outstanding portfolio of **KES 1.18 billion**. However, the portfolio recorded a relatively high **PAR >30 of 63%**, indicating elevated repayment challenges within this lending methodology and underscoring the need for enhanced group monitoring, borrower support, and recovery strategies.

Although **partnership lending** as shown in Table 11 above represented the smallest delivery channel, with only **93 loans** valued at **KES 22.1 million**, it recorded the highest **Portfolio at Risk (PAR >30) of 77%**. While the small portfolio size limits broad sectoral conclusions, the high delinquency rate suggests that partnership-based lending arrangements require closer monitoring and stronger risk mitigation measures.

Overall, the distribution of lending by delivery method demonstrates that participating microfinance banks continue to employ a diversified lending model to serve different customer segments. Individual lending remains the primary driver of portfolio value, while mobile and group lending significantly expand customer outreach and financial inclusion. However, the variation in portfolio quality across delivery methods highlights the importance of tailoring credit risk management practices to the unique characteristics of each lending channel to improve portfolio performance and institutional sustainability.

4.7.0 Geographical Coverage

As at **31 December 2025**, the nine (9) participating microfinance banks operated a network of **208 fully fledged branches/Marketing Offices/satellite offices by Location** across Kenya, serving **180,644 active clients** with a combined outstanding loan portfolio of **KES 26.35 billion**. The institutions maintained a broad national footprint, with lending activities spanning all eight former administrative regions, demonstrating the sector's continued commitment to expanding financial inclusion across both urban and rural markets.

Table 12: **Geographic Distribution of the Loan Portfolio**

GEOGRAPHICAL COVERAGE AS 31ST DEC 2025					
REGION	**County**	**No. of fully fledged branches/Marketing Offices/satellite offices by Location**	**Number of active clients**	**Outstanding loan portfolio (KSH)**	**PAR>30 days (%)**
Central	Kiambu	13	21,667	3,005,873,111.53	38%
	Kirinyaga	2	1,126	56,110,853.31	37%
	Muranga	9	11,255	709,523,985.70	22%
	Nyandarua	1	623	19,101,729.72	44%
	Nyeri	7	3,601	988,725,079.22	26%
Coast	Kilifi	8	3,630	372,782,108.08	25%
	Kwale	4	1,783	172,548,781.95	24%
	Lamu	1	253	26,712,571.36	26%
	Mombasa	7	6,270	789,334,467.88	23%
	Taita Taveta	2	1,002	83,103,066.01	21%
	Tana River	2	377	41,792,825.61	20%
Eastern	Embu	3	1,604	120,046,861.51	18%
	Isiolo	0	258	1,766,654.00	17%
	Kitui	6	1,823	207,420,680.11	45%
	Machakos	9	4,975	1,231,327,703.49	23%
	Makueni	6	1,695	205,304,746.65	46%
	Marsabit	1	213	46,980,782.59	20%
	Meru	4	3,278	366,789,915.62	33%
	Tharaka Nithi	2	501	42,884,257.30	16%
Nairobi	Nairobi	33	49,503	10,269,615,086.47	31%
	Wajir	0	86	592,946.00	14%

North Eastern	Garissa	0	256	1,753,515.00	12%
	Mandera	0	14	94,842.00	9%
Nyanza	Homa Bay	3	2,394	60,201,901.06	60%
	Kisii	3	3,656	149,911,743.57	57%
	Kisumu	5	5,554	898,125,044.31	41%
	Migori	7	3,053	185,149,968.31	46%
	Nyamira	2	2,645	84,671,839.47	57%
	Siaya	4	2,234	48,303,812.27	37%
Rift Valley	Baringo	4	1,262	60,966,305.25	23%
	Bomet	4	2,528	93,821,995.18	39%
	Elgeyo Marakwet	3	968	49,963,530.29	21%
	Kajiado	3	1,349	392,215,937.43	42%
	Kericho	4	2,659	92,171,035.10	43%
	Laikipia	3	1,987	445,853,393.04	22%
	Nandi	4	2,074	73,950,087.20	54%
	Narok	2	1,411	50,515,674.65	44%
	Nakuru	9	7,368	1,952,309,898.22	19%
	Samburu	1	204	27,885,567.13	20%
	Trans Nzoia	4	3,828	589,966,725.78	21%
	Turkana	1	588	53,776,461.35	35%
	Uasin Gishu	5	6,109	993,744,052.51	40%
	West Pokot	1	619	38,849,955.10	31%
Western	Kakamega	6	5,222	596,753,290.03	30%
	Bungoma	5	3,615	536,802,782.41	26%
	Busia	3	1,775	76,943,207.29	52%
	Vihiga	2	1,747	35,373,878.89	38%

Total by geographic distribution	**208**	**180,644**	**26,348,414,656.96**	**31%**

Source: AMFI-K

As shown in Table 12 above, **Nairobi** remained the largest market, accounting for **33 branches**, **49,503 active clients**, and an outstanding loan portfolio of **KES 10.27 billion**, equivalent to approximately **39%** of the total portfolio. The region recorded a **Portfolio at Risk (PAR >30) of 31%**, in line with the sector average, reflecting Nairobi's position as the country's principal commercial and financial centre.

The **Rift Valley** and **Central** regions also represented significant markets for participating microfinance banks. Rift Valley supported **48 branches**, **34,954 active clients**, and an outstanding portfolio of approximately **KES 4.91 billion**, while the Central region accounted for 3**2 branches**, **38,272 active clients**, and a portfolio of **KES 4.78 billion**. Together with Nairobi, these three regions accounted for more than three-quarters of the sector's outstanding loan portfolio, highlighting the concentration of lending activity in Kenya's major economic corridors.

The **Eastern**, **Coast**, **Nyanza**, and **Western** regions maintained moderate portfolio sizes, collectively serving thousands of clients through an extensive branch network. Eastern reported an outstanding portfolio of **KES 2.22 billion**, followed by the Coast region (**KES 1.49 billion**), Nyanza (**KES 1.43 billion**), and Western (**KES 1.25 billion**). These regions continue to play an important role in supporting agricultural production, trade, small businesses, and household financing.

Although the **North Eastern** region had no fully fledged branches among the participating institutions, it nonetheless served clients through alternative delivery channels, reporting **356 active clients** and an outstanding loan portfolio of approximately **KES 2.4 million**. This demonstrates the increasing use of digital and agency banking models to extend financial services into underserved and geographically remote areas.

Portfolio quality varied across counties and regions. Counties such as **Homa Bay (60%)**, **Kisii (57%)**, **Nyamira (57%)**, **Busia (52%)**, and **Nandi (54%)** recorded relatively high **PAR >30** ratios, indicating elevated credit risk and the need for strengthened recovery strategies. In contrast, counties including **Institutional markets such as Nairobi (31%)**, **Nakuru (19%)**, **Embu (18%)**, **Tharaka Nithi (16%)**, **Garissa (12%)**, and **Mandera (9%)** reported comparatively stronger portfolio performance.

Overall, the geographical distribution of branches, clients, and lending demonstrates that participating microfinance banks continue to expand access to financial services across

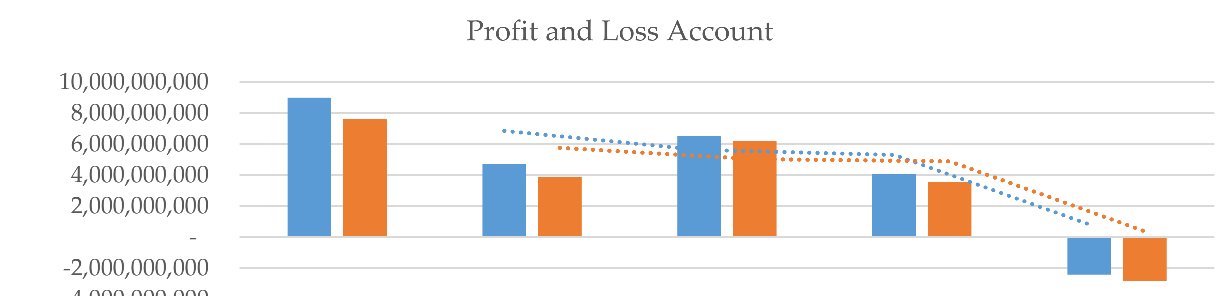
Kenya while maintaining a strong presence in key economic centres. The regional variations in portfolio quality, however, underscore the importance of adopting localized credit risk management strategies that respond to differing economic conditions, customer profiles, and sector-specific risks.

4.8.0 Financial Performance

4.8.1 Comparative Analysis of the Statement of Profit and Loss (2024–2025)

The financial performance of the nine (9) participating microfinance banks weakened during the year ended 31 December 2025, with the sector recording lower revenues and a larger net loss compared to 2024. Despite improvements in cost containment and lower funding costs, these gains were insufficient to offset the decline in operating income.

Figure 9: Comparative Statement of Profit and Loss for Participating Microfinance Banks (2024–2025)



	Financial Revenue	Financial Expense	Operating Expenses	Net Financial Income	Net Income After Tax
FY2024 (KSH)	8,999,346,397	4,710,000,771	6,547,491,082	4,066,089,976	-2,420,883,275
FY2025 (KSH)	7,624,187,005	3,889,727,033	6,194,862,218	3,570,820,187	-2,823,869,247

Source: AMFI-K

As shown in Figure 9 above, the total **financial revenue** declined by **15.3%**, from **KES 9.00 billion** in 2024 to **KES 7.62 billion** in 2025. The decline was primarily driven by an **16.8%** reduction in revenue generated from the loan portfolio, which fell from **KES 7.41 billion** to **KES 6.33 billion**. Interest income from loans declined by **17.0%**, suggesting slower credit growth, reduced loan yields, or the continued impact of elevated non-performing loans. However, **fees and commissions on the loan portfolio** increased by **11.4%**, indicating greater reliance on non-interest income from lending activities.

Income from investments also declined by **17.4%**, while **other operating revenue** decreased by **19.6%**, resulting in lower overall operating income for the sector.

On the expenditure side, **financial expenses** declined by **17.4%**, from **KES 4.71 billion** to **KES 3.89 billion**. This improvement was largely attributable to a significant reduction in **interest expense on borrowings**, which fell by **59.9%**, while interest paid on customer deposits declined by **7.7%**. Consequently, **net financial income** decreased by a relatively modest **12.2%**, from **KES 4.07 billion** in 2024 to **KES 3.57 billion** in 2025.

The sector also reported an improvement in **loan loss provisions**, which declined by **26.7%** to **KES 163.6 million**, suggesting reduced provisioning requirements during the year. In addition, **total operating expenses** reduced by **5.4%** to **KES 6.19 billion**, driven mainly by a **17.2%** decline in personnel expenses. However, administrative expenses increased by **17.8%**, partially offsetting the savings achieved in staff costs.

Despite lower operating costs, the decline in revenue resulted in a deterioration in profitability. **Net operating income** remained negative, worsening from a loss of **KES 2.48 billion** in 2024 to **KES 2.62 billion** in 2025. The sector, however, recorded a positive **net non-operating income of KES 291.5 million**, compared to a net non-operating loss of **KES 164.8 million** in the previous year, largely due to increased non-operating revenue and significantly lower non-operating expenses.

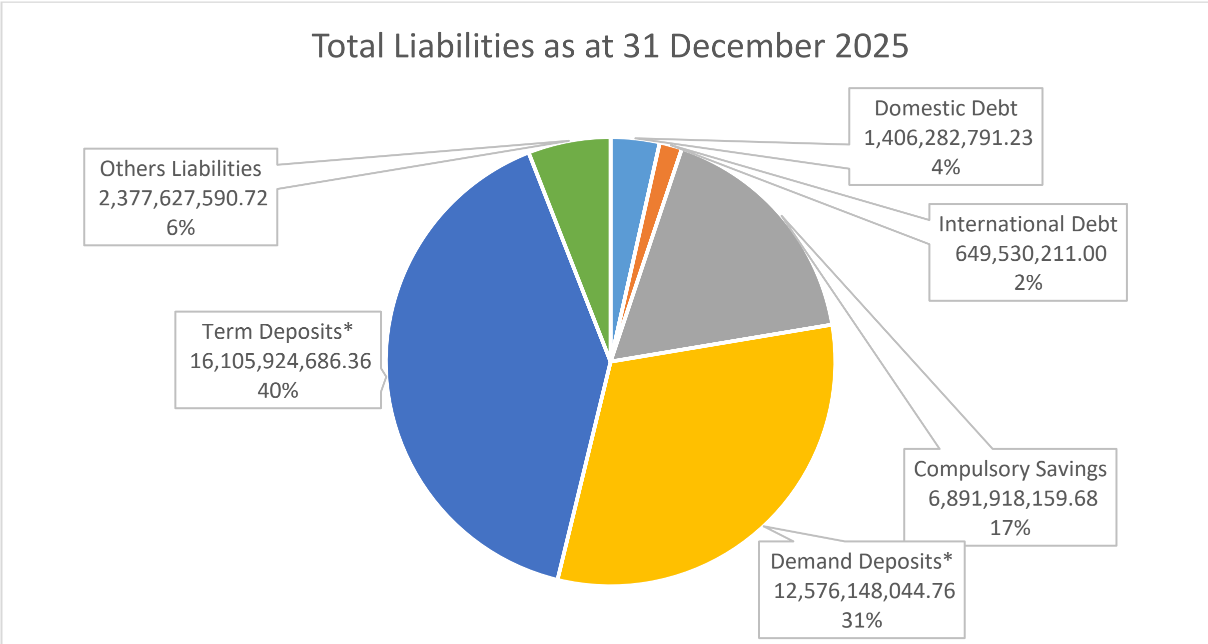
Overall, the participating microfinance banks reported a **net loss before tax of KES 2.79 billion**, compared to **KES 2.21 billion** in 2024. After accounting for taxes, the sector recorded a **net loss after tax of KES 2.82 billion**, representing a deterioration of approximately **16.6%** from the **KES 2.42 billion** loss reported in the previous year.

The results indicate that although participating microfinance banks made progress in reducing funding costs, personnel expenses, and loan loss provisions, declining lending income and continued pressure on operating performance constrained profitability. Going forward, restoring sustainable profitability will require renewed growth in high-quality lending, diversification of revenue streams, tighter cost management, and continued strengthening of credit risk management to improve portfolio quality and earnings performance.

4.8.2 Statement of Financial Position

As at **31 December 2025**, the nine (9) participating microfinance banks reported **total liabilities of KES 40.01 billion** and **total equity of KES 815.3 million**, resulting in **total equity and liabilities of KES 40.82 billion**. The balance sheet indicates that the sector continues to rely primarily on customer deposits as its principal source of funding, complemented by domestic and international borrowings.

Figure 10: Total Liabilities as at 31 December 2025



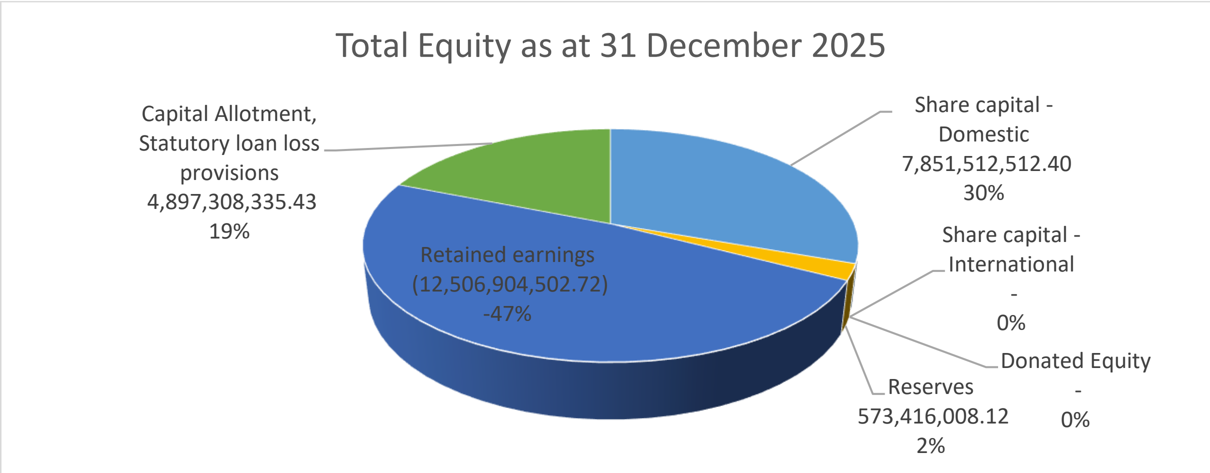
Source: AMFI-K

As shown in Figure 10 above, Customer deposits remained the largest component of liabilities. **Term deposits** amounted to **KES 16.11 billion**, followed by **demand deposits of KES 12.58 billion** and **compulsory savings of KES 6.89 billion**. Together, these customer deposits totalled **KES 35.57 billion**, accounting for approximately **88.9%** of total liabilities. This underscores the sector's strong deposit mobilization capacity and the confidence customers continue to place in microfinance banks.

Borrowed funds represented a relatively small share of the funding structure. **Domestic debt** totalled **KES 1.41 billion**, comprising **KES 618.2 million** in short-term borrowings and **KES 788.1 million** in long-term borrowings. **International debt** stood at **KES 649.5 million**, with **KES 636.3 million (98.0%)** classified as long-term financing, indicating that external borrowings are largely structured to support medium- and long-term lending activities.

The remaining **KES 2.38 billion** under liabilities comprised **lease liabilities, accruals, accounts payable, creditors, trade payables, tax payable, savings account liabilities, and other accrued obligations**. These liabilities arise from the institutions' normal operational and financing activities and represent short- and medium-term obligations that support day-to-day business operations.

Figure 11: Total Equity as at 31 December 2025



Source: AMFI-K

On the equity side, as shown in Figure 11 above, participating microfinance banks reported **domestic share capital of KES 7.85 billion**, **reserves of KES 573.4 million**, and **capital allotments together with statutory loan loss provisions totalling KES 4.90 billion**. These capital components were, however, offset by **accumulated retained losses of KES 12.51 billion**, resulting in a **net equity position of KES 815.3 million**. No international share capital or donated equity was reported by the participating institutions.

Overall, the statement of financial position demonstrates that the participating microfinance banks maintain a stable funding base anchored on customer deposits. However, the relatively low net equity position, driven by accumulated retained losses, highlights the need to restore sustained profitability and strengthen capital accumulation. Continued improvements in asset quality, operational efficiency, and earnings generation will be critical in enhancing the sector's capital base, financial resilience, and capacity to support future growth.

CHAPTER FIVE: CREDIT-ONLY MICROFINANCE INSTITUTIONS

5.1.0 Credit-Only Microfinance Institutions Profile

As at **31 December 2025**, a total of **26 Credit-Only Microfinance Institutions (COMFIs)** submitted operational and financial data to the Association of Microfinance Institutions Kenya (AMFI-K). The participating institutions represent a significant segment of Kenya's microfinance industry, providing credit services to individuals, micro, small and medium-sized enterprises (MSMEs), farmer groups, and other underserved populations that may have limited access to conventional banking services.

The reporting institutions employed a combined **7,669 staff**, of whom **4,569 (59.6%)** served as loan officers. The high proportion of loan officers within the workforce underscores the labour-intensive nature of the credit-only microfinance model, where field-based staff play a critical role in client acquisition, credit appraisal, loan monitoring, and portfolio recovery. This extensive field presence enables COMFIs to maintain close relationships with borrowers while expanding access to financial services in both urban and rural communities.

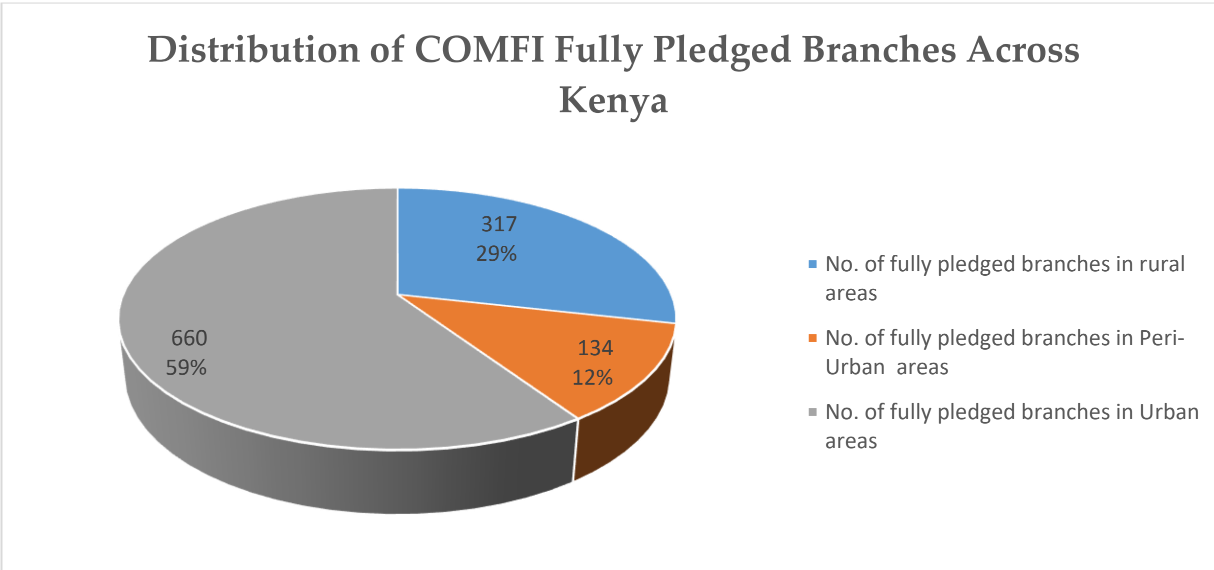
The participating COMFIs operated through an extensive physical network comprising **1,111 fully pledged branches** and **1,326 marketing and satellite offices**, representing a total of **2,437 service points** across the country. The widespread branch and outreach network demonstrates the sector's continued commitment to improving access to financial services by establishing a presence in underserved markets while maintaining proximity to clients.

Overall, the operational profile of the participating COMFIs highlights the scale and importance of the sector within Kenya's financial ecosystem. With a sizeable workforce, a strong field-based lending capacity, and an extensive service network, the institutions continue to play a vital role in advancing financial inclusion, supporting enterprise development, and providing credit to populations that are often underserved by mainstream financial institutions.

5.1.1 Total Number of COMFI Fully Pledged Branches and Marketing Offices/satellite offices

As at **31 December 2025**, the **26 participating COMFIs** operated an extensive physical network comprising **1,111 fully pledged branches** and **1,326 marketing and satellite offices**, bringing the total number of service points to **2,437**. This extensive footprint demonstrates the sector's continued commitment to expanding access to financial services across diverse geographic markets.

Figure 12: Distribution of COMFI Fully Pledged Branches Across Kenya



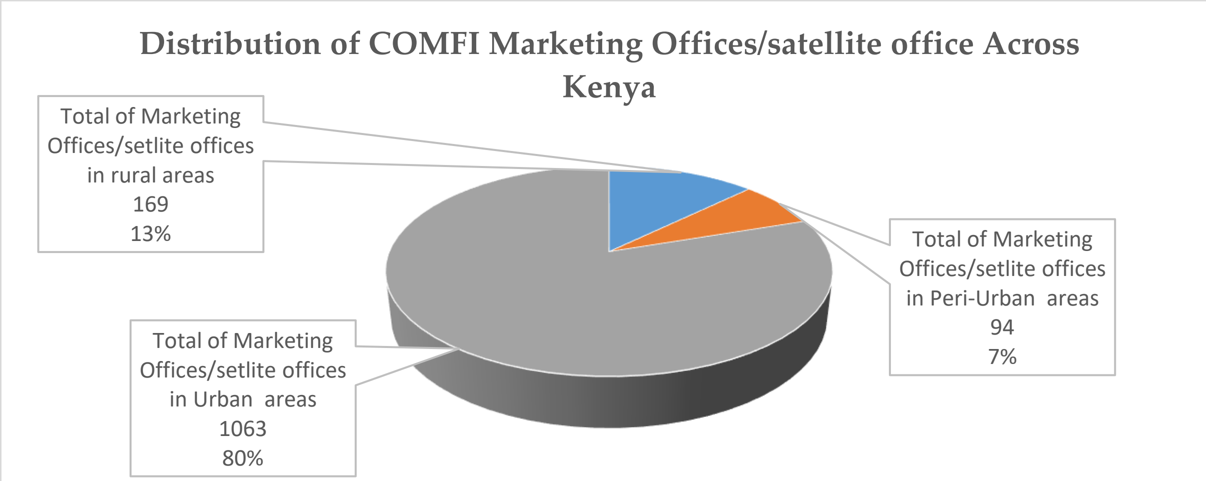
Source: AMFI-K

As shown in Figure 12 above, the distribution shows that **urban areas accounted for the majority of fully fledged branches (59%)**, reflecting the concentration of microfinance operations in densely populated and commercially active markets. **Rural areas accounted for 29%**, demonstrating a significant presence in underserved and agricultural markets, while **peri-urban areas accounted for 12%**.

Overall, the branch network indicates that participating institutions maintain a **predominantly urban footprint**, although their presence in rural areas remains substantial and supports financial inclusion beyond major urban centres

In contrast, as shown in Figure 13 below **marketing and satellite offices** were heavily concentrated in **urban areas**, where **1,063 offices (80.2%)** were located. Rural areas accounted for **169 offices (12.7%)**, while **94 offices (7.1%)** were situated in peri-urban areas. The concentration of these lower-cost service outlets in urban centres reflects the need to strengthen customer acquisition, enhance market visibility, and improve service accessibility in densely populated commercial hubs.

Figure 13: Distribution of COMFI Marketing Offices/satellite office Across Kenya

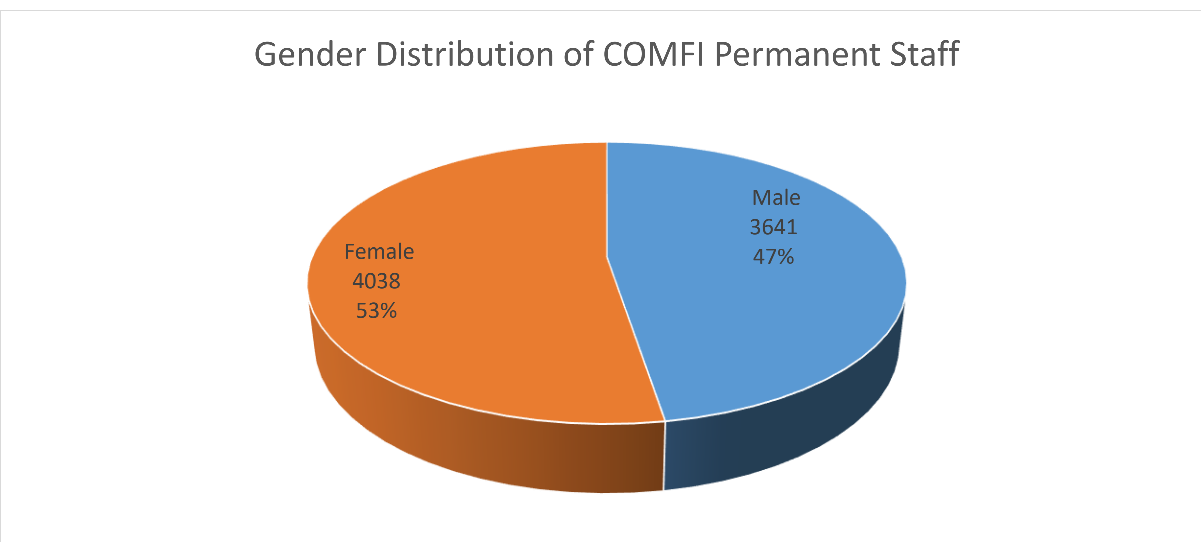


Source: AMFI-K

5.1.2 Number of COMFI Staff and Loan Officers

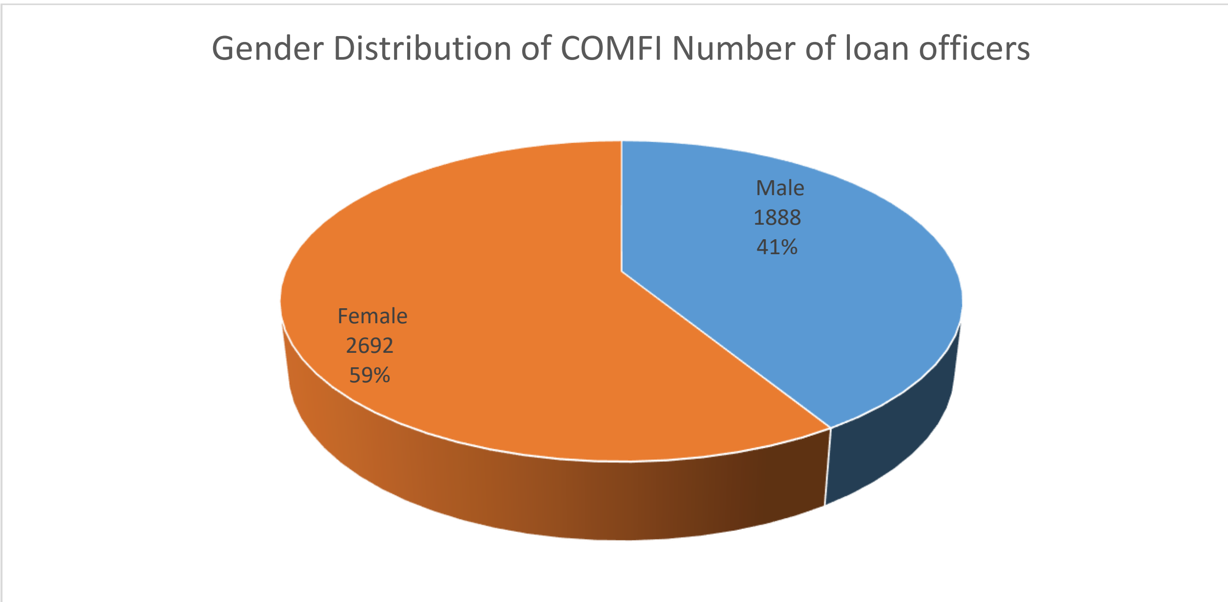
As at **31 December 2025**, the **26 participating COMFIs** employed a total of **7,669 permanent staff** and **4,959 agents and temporary staff**, totalling a combined workforce of **12,628 personnel.** The permanent staff comprised **3,641 male employees (47%)** and **4,038 female employees (53%),** as shown in Figure 14 below. The workforce composition indicates that women constituted the majority of employees, reflecting the sector's continued commitment to promoting gender diversity and inclusion within its institutions.

Figure 14: Gender Distribution of COMFI Permanent Staff



Of the total permanent workforce, **4,580 employees (60%)** served as **loan officers,** underscoring the labour-intensive nature of the credit-only microfinance business model. Female loan officers accounted for **2,692 (59%)**, while **1,888 (41%)** were male, as shown in Figure 15 below. The strong representation of women in frontline lending roles highlights their significant contribution to client acquisition, credit appraisal, portfolio management, and financial inclusion initiatives.

Figure 15: Gender Distribution of COMFI Number of loan officers

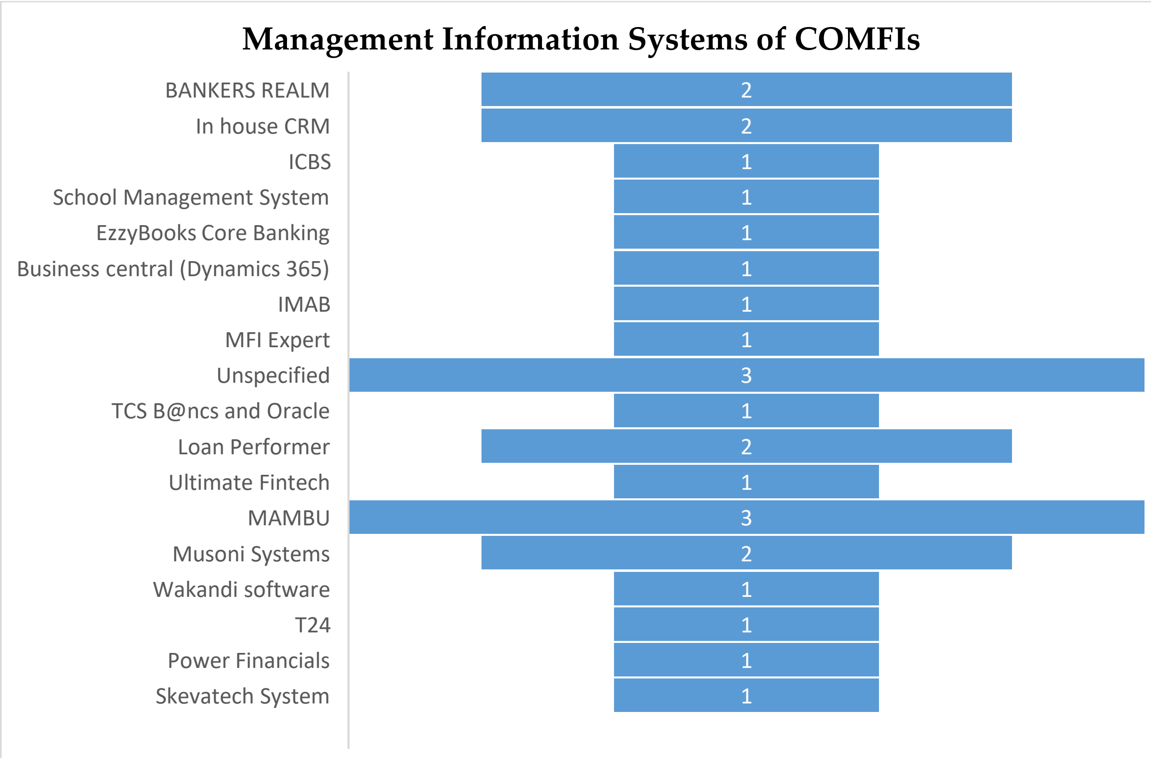


Source: AMFI-K

In addition to permanent employees, the participating COMFIs engaged **4,959 agents and temporary staff** to support customer outreach, loan origination, collections, and other operational activities. This flexible workforce complements the permanent staff by extending institutional reach, improving service delivery, and enhancing responsiveness to customer needs across diverse geographic locations.

5.1.2 Management Information Systems

Figure 16: Management Information Systems of COMFIs



Source: AMFI-K

The **26 participating Credit-Only Microfinance Institutions (COMFIs)** reported the use of a wide range of **Management Information Systems (MIS)** as shown in Figure 16 above to support their core business operations, including loan management, customer relationship management, financial reporting, and operational decision-making. The diversity of systems reflects the varying sizes, business models, and digital maturity levels of participating institutions.

The survey indicates that **Mambu** was the most widely adopted core banking system, with **three (3)** institutions reporting its use. An additional **three (3)** institutions did not specify the MIS they were using. Several other systems were reported by two institutions each, including **Bankers Realm**, **In-house CRM**, **Loan Performer**, and **Musoni Systems**, demonstrating that these platforms continue to have a notable presence within the sector. The remaining institutions each reported using a unique management information system, including **ICBS**, **School Management System**, **EzzyBooks Core Banking**, **Business Central (Dynamics 365)**, **IMAB**, **MFI Expert**, **TCS BaNCS and Oracle**,

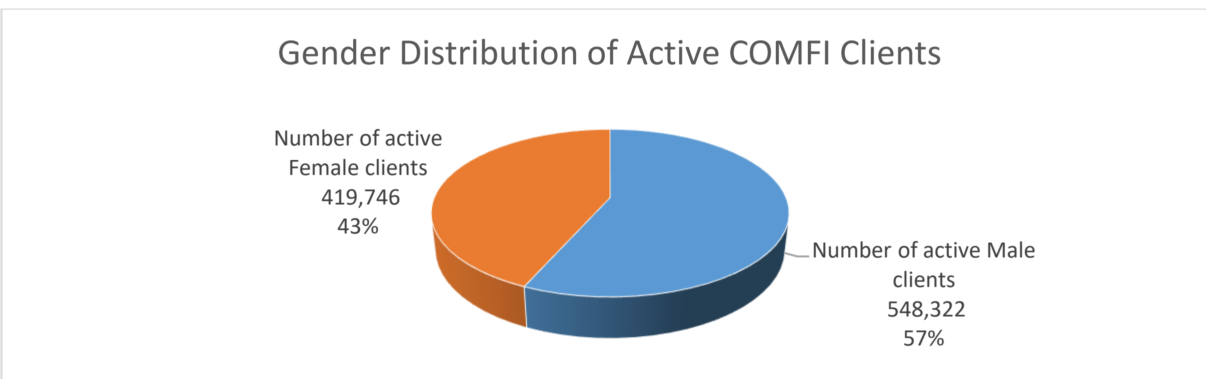
Ultimate Fintech, **Wakandi Software**, **Temenos T24**, **Power Financials**, and **Skevatech System**. This diversity highlights the absence of a dominant technology platform within the COMFI sector and reflects institutions' differing operational requirements and investment capacities.

5.2.0 Portfolio Quality and Number of Clients of Credit-Only Microfinance Institutions

As at **31 December 2025**, the **26 participating COMFIs** reported a combined **gross outstanding loan portfolio of KES 52.91 billion**, reinforcing their significant contribution to the provision of credit to individuals, micro, small and medium-sized enterprises (MSMEs), and underserved communities across Kenya.

The institutions had **778,582 active loans** serving **968,068 active clients**, illustrating the extensive outreach achieved by the COMFI sector. Of the active clients, **548,322 (57%)** were **male**, while **419,746 (43%)** were **female,** as shown in Figure 17 below. This distribution indicates broad access to financial services across both genders while highlighting opportunities to further strengthen women's participation in formal credit markets.

Figure 17: Gender Distribution of Active COMFI Clients



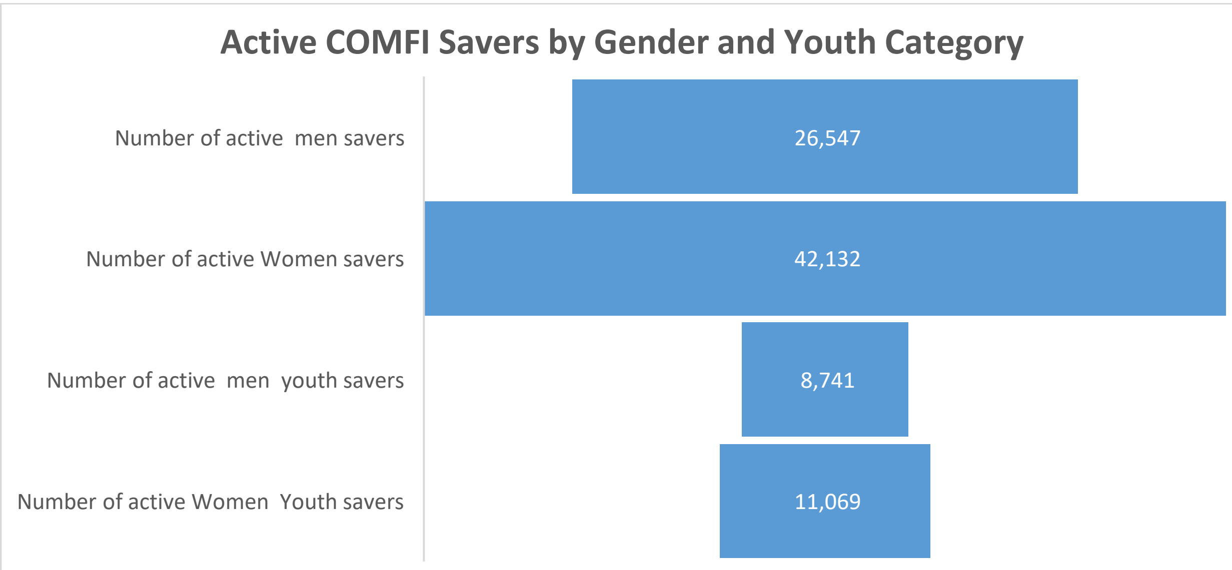
Source: AMFI-K

The participating institutions reported a **Portfolio at Risk (PAR) greater than 30 days** amounting to **KES 8.45 billion**, equivalent to approximately **16.0%** of the gross outstanding portfolio. Compared to the Microfinance Banks (MFBs), this lower PAR ratio suggests relatively stronger portfolio quality among the participating COMFIs. Nevertheless, the level of delinquent loans remains significant and underscores the need for continued investment in prudent credit appraisal, portfolio monitoring, client engagement, and recovery strategies to safeguard asset quality.

5.2.1 Active COMFI Savers

As at **31 December 2025**, only **seven (7) of the 26 participating COMFIs** reported active savers, with a combined **88,489 active savings accounts**. The remaining institutions operate strictly as credit-only providers and do not mobilize savings, in line with the current regulatory framework governing COMFIs.

Figure 18: Active COMFI Savers by Gender and Youth Category



Source: AMFI-K

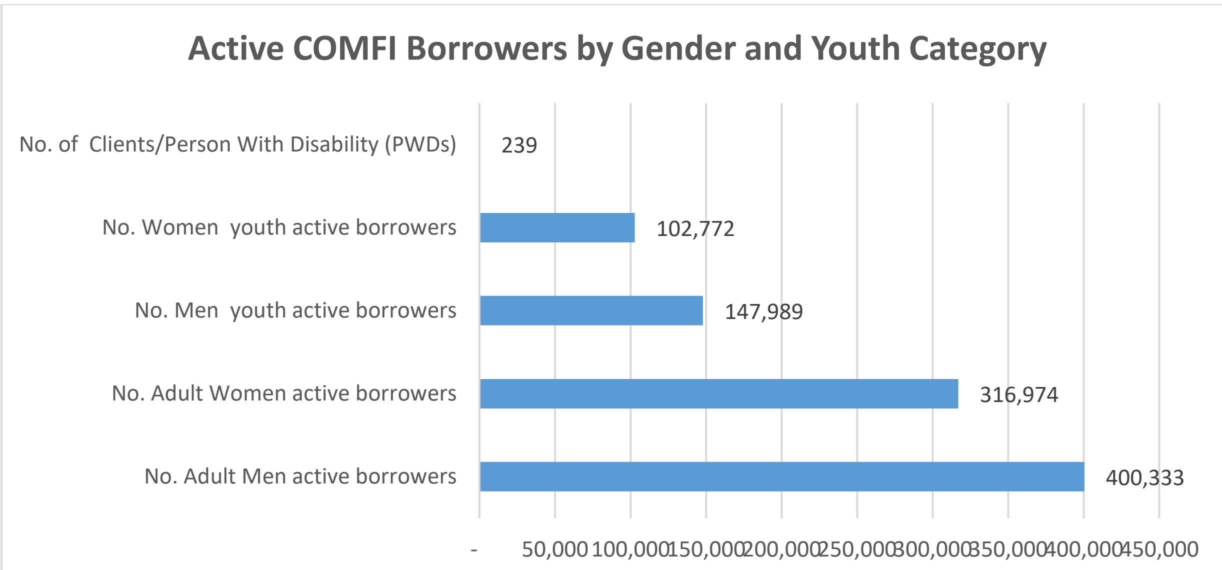
Among the reported savers as shown in Figure 18 above, **women accounted for the largest proportion**, with **42,132 active women savers**, compared to **26,547 active men savers**. Youth participation was also notable, with **11,069 active women youth savers** and **8,741 active men youth savers**, demonstrating continued engagement of young people with formal financial services where savings products remain available.

The relatively small number of institutions reporting savings reflects the ongoing transition within the sector toward a purely credit-focused business model. Institutions that continue to report savings generally maintain **legacy savings portfolios or member-based savings arrangements** established before the current regulatory requirements came into effect. As the regulatory framework continues to evolve, the core business model for COMFIs is expected to remain focused on credit provision, with savings mobilisation increasingly becoming the preserve of licensed deposit-taking institutions such as Microfinance Banks (MFBs) and SACCOs.

5.2.2 Active COMFIs Borrowers

As at **31 December 2025**, the **26 participating COMFIs** served a total of **968,068 active borrowers,** with **adults** and **youths** being **74 % and 26%** respectively, underscoring the sector's significant contribution to expanding access to credit for households, microenterprises, small businesses and youths across Kenya.

Figure 19: Active COMFI Borrowers by Gender and Youth Category



Source: AMFI-K

As shown in Figure 19 above, the borrower profile indicates that **400,333 (41%)** of active borrowers were adult **men**, while **316,974 (33%)** were adult **women**. In addition, the institutions reported **147,989(15%) active male youth borrowers** and **102,772(11%) active female youth borrowers**, highlighting the sector's important role in supporting youth entrepreneurship, employment, and financial inclusion. Collectively, youth borrowers accounted for more than **250,000 clients**, demonstrating sustained demand for credit among younger populations.

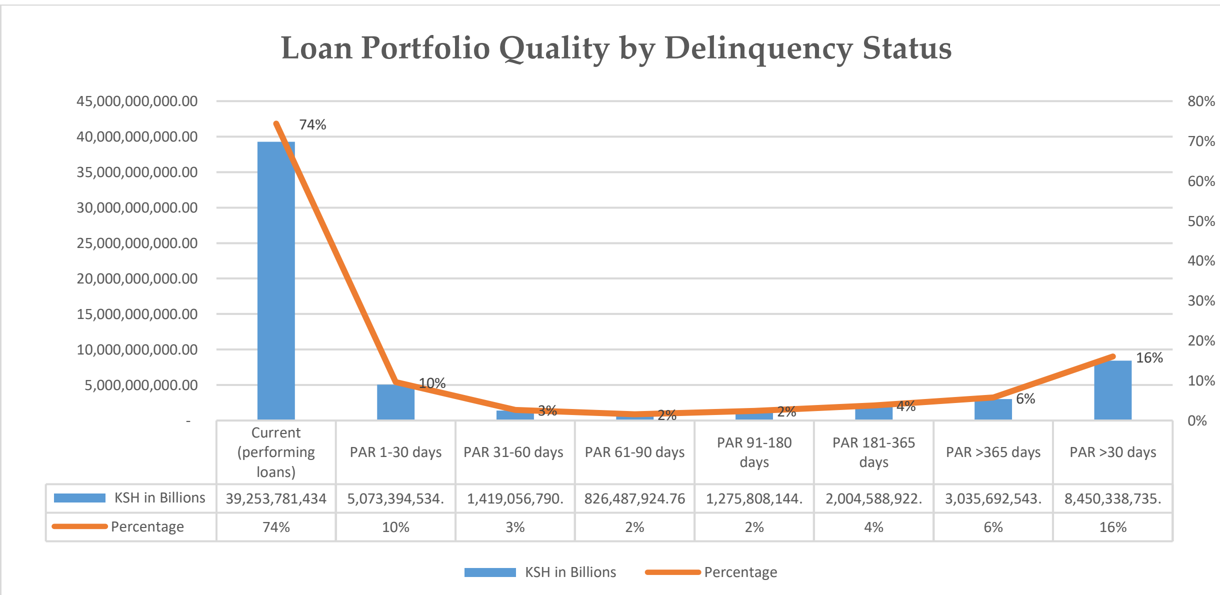
The participating institutions also reported **239 active borrowers who are Persons with Disabilities (PWDs)**. Although this represents a relatively small proportion of the overall client base, it reflects ongoing efforts by some COMFIs to promote inclusive financial services by extending credit to traditionally underserved groups. The number is also relatively small given the majority of the participating MFIs do not collect data on disability of a client.

5.3.0 Portfolio Ageing, Loan Loss Reserve and Write-offs.

5.3.1 Loan Portfolio Quality by Delinquency Status

As at **31 December 2025**, the **26 participating Credit-Only Microfinance Institutions (COMFIs)** reported a **gross outstanding loan portfolio of KES 52.91 billion**. As shown in Figure 20 below, current **(performing) loans amounted to KES 39.25 billion, representing 74% of the total portfolio**, indicating that nearly three-quarters of the portfolio remained on schedule.

Figure 20: Loan Portfolio Quality by Delinquency Status



	Current (performing loans)	PAR 1-30 days	PAR 31-60 days	PAR 61-90 days	PAR 91-180 days	PAR 181-365 days	PAR >365 days	PAR >30 days
KSH in Billions	39,253,781,434	5,073,394,534.	1,419,056,790.	826,487,924.76	1,275,808,144.	2,004,588,922.	3,035,692,543.	8,450,338,735.
Percentage	74%	10%	3%	2%	2%	4%	6%	16%

Source: AMFI-K

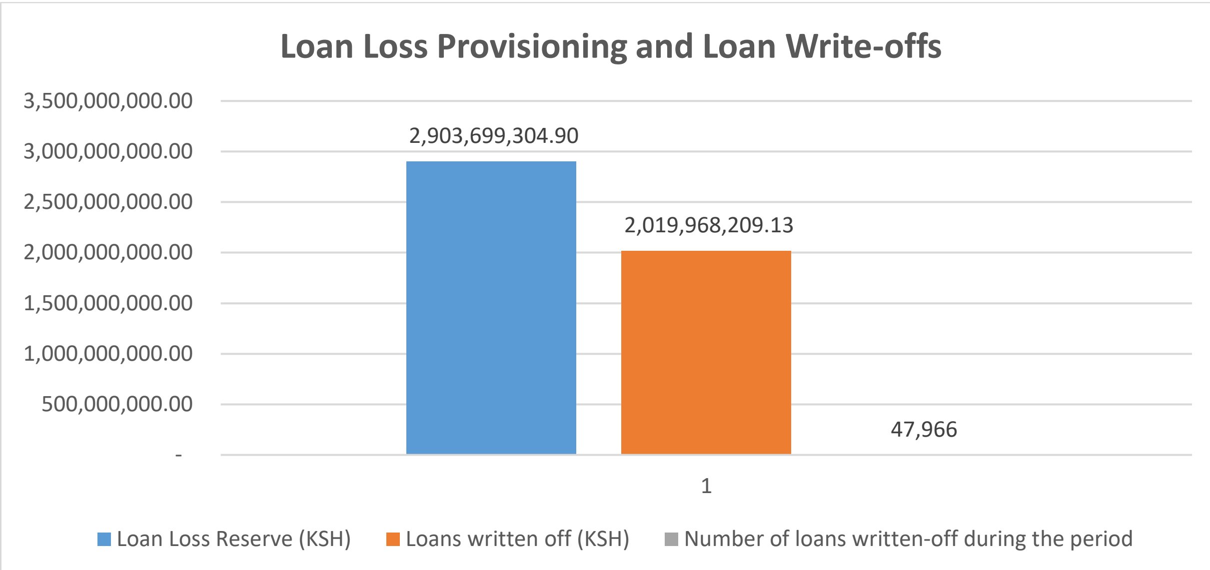
As shown in Figure 20, loans in arrears for **1–30 days** totalled **KES 5.07 billion (10%)**, representing the largest proportion of delinquent accounts. These loans remain at an early stage of delinquency and present an opportunity for timely recovery interventions before migrating into higher-risk categories.

As shown in Figure 20 above, loans overdue by **31–60 days** accounted for **KES 1.42 billion (3%)**, while those aged **61–90 days** totalled **KES 826.5 million (2%)**. Loans overdue for **91–180 days** amounted to **KES 1.28 billion (2%)**, and those aged **181–365 days** stood at **KES 2.00 billion (4%)**.

As shown in Figure 20 above, the institutions also reported **KES 3.04 billion (6%)** in loans overdue for **more than 365 days**, highlighting a significant stock of long-term non-performing assets that require intensified recovery efforts, restructuring where appropriate, or write-offs in accordance with institutional policies. Overall, the participating COMFIs recorded a **Portfolio at Risk (PAR >30 days) of KES 8.45 billion**, representing **16% of the gross outstanding portfolio.**

5.3.2 Loan Loss Provisioning and Loan Write-offs

Figure 21: Loan Loss Provisioning and Loan Write-offs



Source: AMFI-K

As at **31 December 2025**, the **26 participating COMFIs** maintained a **loan loss reserve of KES 2.90 billion**, reflecting provisions set aside to absorb potential losses arising from non-performing loans as shown in Figure 21 above. The reserve represents approximately **5.5% of the gross outstanding loan portfolio**, demonstrating the institution's commitment to prudent credit risk management and compliance with provisioning requirements.

As shown in Figure 21 above, during the reporting period, the institutions **wrote off loans amounting to KES 2.02 billion**, equivalent to approximately **3.8% of the gross outstanding portfolio**. A total of **47,966 loans** were written off after being assessed as irrecoverable in accordance with institutional credit policies and applicable accounting standards. Loan write-offs enable institutions to present a more accurate reflection of portfolio quality while allowing management to focus recovery efforts on loans with a higher probability of collection.

The difference between the **loan loss reserve (KES 2.90 billion)** and the **value of loans written off (KES 2.02 billion)** indicates that participating COMFIs continue to maintain adequate provisions against expected credit losses while retaining additional reserves to mitigate future portfolio deterioration.

5.4.0 COMFIs Loan Portfolio by Economic Sector

Table 13: COMFIs Loan Portfolio by Economic Sector

	Sector	Number OF Loans	Outstanding Loan portfolio	PAR>30 Days (%)
1	Buisness Loans	186,443	14,439,915,641.50	17%
2	Agriculture loans (crops, livestock, fishing)	111,906	5,059,785,681.40	9%
3	Housing loans	13,345	3,670,473,566.55	52%
4	Emergency loans	43,793	3,534,764,516.59	16%
5	WASH loans	2,489	56,937,999.91	6%
6	Renewable Energy /Green finance loans	4,146	109,015,389.75	32%
7	Education loans	29,646	2,784,841,351.64	16%
8	Trade Finance loans	23,327	494,630,217.72	41%
9	Check off loans	145,414	12,056,706,650.26	9%
10	Insurance Premium Financing	2,739	147,563,171.40	5%
11	Asset financing	115,006	4,594,874,417.44	12%
12	Restructured	1,087	176,918,973.65	31%

13	Manufacturing	100	118,544,844.33	63%
14	Transport & Communication	1,487	525,101,756.82	12%
15	Digital Loans/Mobile Loans	28,038	542,732,088.72	15%
16	Institutional Banking	82	23,242,489.05	7%
17	Personal Banking loans/Consumer loans	64,624	4,038,665,671.69	10%
18	Staff Loans	1,515	334,564,056.44	13%
19	Tourism and Hotels	36	13,424,561.22	34%
20	Group Financing	3,359	183,605,374.52	10%
	Total by sector	**778,582**	**52,906,308,420.61**	**16%**

Source: AMFI-K

As at **31 December 2025**, the **26 participating COMFIs** reported a **gross outstanding loan portfolio of KES 52.91 billion**, distributed across a diverse range of economic sectors as shown in Table 13 above. The portfolio reflects the sector's continued role in financing businesses, agriculture, household consumption, housing, education, and productive investments that contribute to Kenya's economic development.

Business loans constituted the largest segment of the portfolio, with **186,443 loans** valued at **KES 14.44 billion**, representing **27.3%** of the total outstanding portfolio. The segment recorded a **PAR >30 days of 17%**, slightly above the overall sector average, highlighting the importance of effective credit monitoring within the MSME sector.

Check-off loans represented the second-largest portfolio, amounting to **KES 12.06 billion (22.8%)** across **145,414 loans**. With a **PAR >30 days of only 9%**, this segment demonstrated strong portfolio performance, reflecting the relatively lower credit risk associated with salary-based lending.

The **agriculture portfolio** totalled **KES 5.06 billion (9.6%)**, supporting **111,906 loans** to clients engaged in crop production, livestock, and fisheries. Despite the sector's exposure to climatic and market risks, agriculture recorded a relatively low **PAR >30 days of 9%**, indicating sound portfolio performance among participating COMFIs. Other significant lending segments included **asset financing** (**KES 4.59 billion; 8.7%**), **personal/consumer loans** (**KES 4.04 billion; 7.6%**), **housing loans** (**KES 3.67 billion; 6.9%**), **emergency loans** (**KES 3.53 billion; 6.7%**), and **education loans** (**KES 2.78 billion; 5.3%**). Together, these sectors accounted for over one-third of the total portfolio and illustrate the diversity of financial products offered by COMFIs to meet household and enterprise financing needs.

Portfolio quality varied considerably across sectors. **Manufacturing** recorded the highest **PAR >30 days (63%)**, followed by **housing loans (52%)**, **trade finance (41%)**, **tourism and hotels (34%)**, **renewable energy/green finance (32%)**, and **restructured loans (31%)**. Although several of these portfolios are relatively small, the elevated delinquency ratios indicate heightened credit risk and underscore the need for strengthened sector-specific underwriting, monitoring, and recovery strategies. Conversely, **insurance premium financing (5%)**, **WASH loans (6%)**, **institutional lending (7%)**, **agriculture (9%)**, and **check-off loans (9%)** recorded the strongest portfolio quality, demonstrating comparatively lower default risk and more consistent repayment performance.

Overall, the sectoral distribution highlights the central role of COMFIs in supporting entrepreneurship, agriculture, household welfare, and productive investments across Kenya. While business and check-off lending continue to dominate the portfolio, the varying levels of portfolio risk across sectors emphasize the importance of differentiated credit risk management approaches, portfolio diversification, and continuous monitoring to sustain portfolio quality and institutional performance.

5.5.0 COMFIs Loan Portfolio by Delivery Method

Table 14: COMFIs Loan Portfolio by Delivery Method

Method	Number of loans	Outstanding loan portfolio	PAR>30 Days (%)
Groups	153,253	3,032,356,274.63	18%

Individual	615,598	49,577,900,217.73	16%
Mobile loans	9,631	210,901,865.79	26%
Corporates/Business	100	85,150,060.87	87%
TOTAL	**778,582**	**52,906,308,419.02**	**16%**

Source: AMFI-K

As at **31 December 2025**, the **26 participating COMFIs** reported a total of **778,582 active loans** with a combined outstanding portfolio of **KES 52.91 billion**. The institutions primarily delivered credit through **individual lending**, complemented by **group lending**, **mobile lending**, and a limited number of **corporate and institutional loans**.

Individual lending remained the dominant delivery channel, accounting for **615,598 loans (79.1%)** and an outstanding portfolio of **KES 49.58 billion**, representing **93.7%** of the total loan portfolio. The channel recorded a **PAR >30 days of 16%**, equal to the overall sector average, demonstrating that individual lending continues to be the core business model for participating COMFIs while maintaining relatively stable portfolio quality.

Group lending accounted for **153,253 loans (19.7%)**, with an outstanding portfolio of **KES 3.03 billion**, representing **5.7%** of the total portfolio. Although group loans comprised nearly one-fifth of all loans disbursed, they represented a much smaller share of portfolio value, reflecting the smaller average loan sizes typically associated with group-based lending. The channel recorded a **PAR >30 days of 18%**, marginally above the sector average.

Mobile lending remained a relatively small delivery channel, accounting for **9,631 loans (1.2%)** with an outstanding portfolio of **KES 210.9 million**, equivalent to **0.4%** of the total portfolio. Despite its limited scale, the channel recorded a comparatively higher **PAR >30 days of 26%**, indicating the need for continued refinement of digital credit underwriting, monitoring, and collection strategies.

Corporate and institutional lending represented the smallest segment, with only **100 active loans** valued at **KES 85.2 million**, accounting for **0.2%** of the outstanding portfolio. However, the channel reported a **PAR >30 days of 87%**, the highest among all delivery methods. While the portfolio is relatively small, the high delinquency ratio suggests that institutions should strengthen credit appraisal, collateral management, and monitoring of institutional borrowers.

5.6.0 Geographical Coverage of COMFIs

Table 15: Geographical Coverage of COMFIs

REGION	County	No. of fully fledged branches	Number of active clients	Outstanding loan portfolio	PAR>30 Days (%)
Central	Kiambu	66	50,474	3,022,420,266.58	24%
	Kirinyaga	7	12,591	419,180,085.96	8%
	Muranga	12	8,907	435,354,027.30	13%
	Nyandarua	7	6,910	193,961,634.00	9%
	Nyeri	13	23,763	707,859,032.90	10%
Coast	Kilifi	13	16,549	1,020,579,665.16	10%
	Kwale	6	7,253	528,315,807.92	8%
	Lamu	4	2,088	116,713,014.98	7%
	Mombasa	66	26,293	1,733,346,156.81	19%
	Taita Taveta	12	6,737	371,246,942.34	12%
	Tana River	3	1,825	142,207,567.40	6%

Eastern	Embu	27	36,069	1,097,547,237.73	11%
	Isiolo	5	4,019	211,101,887.40	10%
	Kitui	16	17,420	889,296,471.04	9%
	Machakos	22	30,739	1,575,208,267.36	16%
	Makueni	15	12,037	665,790,612.74	7%
	Marsabit	4	1,805	212,473,148.03	8%
	Meru	68	24,435	1,597,673,963.16	22%
	Tharaka Nithi	9	6,481	207,371,887.53	11%
Nairobi	Nairobi	158	192,706	13,856,129,970.24	18%
North Eastern	Wajir	1	471	94,234,455.03	17%
	Garissa	6	4,471	376,515,055.11	21%
	Mandera	1	369	109,548,127.55	19%
Nyanza	Homa Bay	15	20,096	742,687,452.07	13%
	Kisii	11	16,548	1,023,833,886.46	10%
	Kisumu	106	24,721	1,706,940,075.11	26%
	Migori	14	20,391	867,605,593.33	9%

	Nyamira	5	5,348	259,316,470.25	9%
	Siaya	8	15,112	630,388,414.58	8%
Rift Valley	Baringo	13	21,577	739,660,997.60	8%
	Bomet	22	31,838	1,069,952,011.90	7%
	Elgeyo Marakwet	11	17,111	511,208,151.46	7%
	Kajiado	33	19,846	1,719,577,231.30	20%
	Kericho	16	24,848	1,295,735,271.38	17%
	Laikipia	17	16,860	693,525,095.04	10%
	Nandi	19	23,122	1,050,528,157.45	12%
	Narok	12	11,817	880,389,949.67	14%
	Nakuru	89	40,192	2,821,417,754.74	21%
	Samburu	1	402	42,181,470.63	12%
	Trans Nzoia	17	21,190	1,000,387,106.96	9%
	Turkana	6	4,623	252,001,511.82	9%
	Uasin Gishu	97	54,828	2,723,080,574.91	16%
	West Pokot	5	6,681	255,709,954.93	6%

Western	Kakamega	17	27,617	1,188,569,223.60	21%
	Bungoma	17	23,137	905,910,326.19	10%
	Busia	11	11,478	513,326,232.25	18%
	Vihiga	8	14,276	427,950,416.19	11%
Total by geographic distribution		**1111**	**968,068**	**52,906,308,419.09**	**16%**

Source: AMFI-K

Table 15 above presents a detailed overview of the geographical distribution and operational reach of twenty-six (26) reporting COMFIs across Kenya as of 31st December 2025. It outlines the number of fully-fledged branches, active clients, outstanding loan portfolio, and portfolio at risk for more than 30 days for each county across all regions. Collectively, the 26 COMFIs operated **1,111 fully fledged branches**, serving **968,068 active clients** and managing an **outstanding loan portfolio valued at KSH52.90 billion**, with a weighted **average PAR above 30 days of 16%**

5.6.1 Regional Highlights

As shown in Table 15 above, COMFIs performed differently across the regions and counties as follows;

Nairobi

Nairobi remained the largest market, accounting for 158 branches, 192,706 active clients, and an outstanding loan portfolio of KES 13.86 billion, equivalent to approximately 26.2% of the total portfolio. The region recorded a PAR >30 days of 18%, slightly above the sector average of 16%, reflecting the higher concentration of commercial lending activities and larger loan sizes within the capital city.

Rift Valley

The Rift Valley emerged as the second-largest lending region, supported by 359 branches serving 294,935 active clients with an outstanding portfolio of approximately KES 15.06 billion, representing 28.5% of the total portfolio. Major lending hubs within the region included Nakuru (KES 2.82 billion), Uasin Gishu (KES 2.72 billion), Kajiado

(KES 1.72 billion), and Kericho (KES 1.30 billion). Portfolio quality across the region remained relatively stable, although Nakuru (21%) and Kajiado (20%) reported higher delinquency levels than the regional average.

Eastern Region

The Eastern Region accounted for 166 branches, 132,005 active clients, and an outstanding portfolio of approximately KES 6.46 billion (12.2%). Meru (KES 1.60 billion) and Machakos (KES 1.58 billion) were the largest lending markets within the region. While most counties maintained relatively healthy portfolio quality, Meru recorded a PAR >30 days of 22%, indicating the need for strengthened portfolio monitoring and recovery efforts.

Central Region

The Central Region reported 105 branches, 102,645 active clients, and an outstanding portfolio of KES 4.78 billion, representing approximately 9.0% of the sector's total loan book. Kiambu dominated the region with a portfolio of KES 3.02 billion, accounting for nearly two-thirds of the regional portfolio, while portfolio quality across the remaining counties remained relatively strong, with PAR >30 days ranging between 8% and 13%.

Nyanza Region

The Nyanza Region maintained 159 branches, serving 102,216 active clients with an outstanding portfolio of approximately KES 5.23 billion (9.9%). Kisumu recorded the largest portfolio (KES 1.71 billion) but also the highest PAR >30 days (26%) within the region. Other counties, including Kisii, Migori, Siaya, and Homa Bay, maintained comparatively stronger portfolio quality with PAR levels below the sector average.

Coast Region

The Coast Region accounted for 104 branches, 60,745 active clients, and an outstanding loan portfolio of KES 3.91 billion (7.4%). Mombasa remained the principal lending hub, contributing KES 1.73 billion or approximately 44% of the regional portfolio. Portfolio quality across most coastal counties remained relatively healthy, with PAR >30 days ranging between 6% and 19%.

Western Region

The Western Region reported 53 branches, 76,508 active clients, and an outstanding portfolio of approximately KES 3.04 billion (5.7%). Kakamega recorded the largest portfolio (KES 1.19 billion), while Busia (18%) and Kakamega (21%) registered relatively elevated portfolio risk compared to the regional average.

North Eastern Region

The North Eastern Region represented the smallest market, comprising 8 branches, 5,311 active clients, and an outstanding portfolio of approximately KES 580.3 million, representing just over 1% of the national portfolio. Although lending activity remains relatively limited in the region, participating COMFIs continue to extend financial services to underserved communities despite challenging operating environments.

5.4.2: Overall Insight

Overall, the geographic distribution as shown in Table 14 above demonstrates the extensive national outreach of participating COMFIs, with lending activities concentrated in economically vibrant regions such as Rift Valley, Nairobi, Eastern, and Central Kenya. While portfolio quality remained generally stable across most regions, counties such as Kisumu, Meru, Nakuru, Garissa, Kakamega, Kajiado, and Kiambu recorded relatively higher PAR >30 days ratios, highlighting the need for targeted credit risk management strategies tailored to local economic conditions. The broad regional presence of COMFIs continues to play a critical role in promoting financial inclusion, supporting enterprise development, and expanding access to credit across Kenya.

5.5.0 Financial Performance

5.5.1 Comparative Analysis of the Statement of Profit and Loss (2024–2025)

Table 16: Comparative Profit and Loss Statement for Participating Credit-Only Microfinance Institutions (2024–2025)

Indicator	Dec 2025 (KES)	Dec 2024 (KES)
Interest and Fees Expense on Deposits	157,455,124.12	203,606,152.37
Interest and Fees Expense on Borrowing	6,008,375,218.00	6,804,767,950.42
Other Financial Expenses	414,890,961.83	617,883,168.68
Net Financial Income	**20,003,312,141.04**	**15,501,144,479.96**
Loan Loss Provision	2,894,523,126.32	3,874,702,980.67

Operating Expenses	**15,027,052,464.08**	**14,091,071,082.44**
Personnel Expenses	6,790,075,852.53	6,064,621,933.14
Administration Expenses	7,574,575,713.15	6,924,996,439.95
Other Operating Expenses	662,400,898.39	1,101,452,709.35
Net Operating Income	**4,976,259,676.96**	**1,410,073,397.52**
Net Non-Operating Income/(Expense)	46,553,702.94	9,889,468.85
Non-Operating Revenue	73,089,559.19	36,531,305.11
Non-Operating Expenses	26,535,856.25	26,641,836.26
Net Income Before Tax	**5,022,813,379.90**	**1,299,508,837.61**
Taxes	1,419,562,108.46	-843,040,440.67
Net Income After Tax	**3,603,251,271.44**	**2,263,003,307.04**

Source: AMFI-K

As at **31 December 2025**, the financial performance of the **26 participating Credit-Only Microfinance Institutions (COMFIs)** improved significantly compared to the previous year, driven by continued growth in lending activities, improved portfolio performance, and stronger operating profitability.

As shown in Table 16 above, **financial revenue** increased from **KES 27.06 billion** in 2024 to **KES 29.99 billion** in 2025, representing a growth of **10.8%**. The increase was largely attributable to higher income from the loan portfolio, with **financial revenue from loans** rising to **KES 27.85 billion**, while **interest income** increased to **KES 24.04 billion**. Income from **fees and commissions** also improved, reflecting increased lending activity and greater utilization of financial products.

During the same period, **financial expenses** declined from **KES 7.68 billion** to **KES 7.09 billion**, primarily due to lower borrowing costs and reduced funding expenses. Consequently, **net financial income** increased substantially to **KES 20.00 billion**, demonstrating improved efficiency in the institutions' core lending operations.

The participating COMFIs also reported improved portfolio quality, as reflected by a reduction in **loan loss provisions** from **KES 3.87 billion** in 2024 to **KES 2.89 billion** in 2025. Although **operating expenses** increased modestly to **KES 15.03 billion**, the growth in operating costs was outpaced by the increase in financial income, resulting in a significant improvement in operating performance.

As a result, **net operating income** increased from **KES 1.41 billion** in 2024 to **KES 4.98 billion** in 2025. Combined with positive non-operating income, this translated into a **net income before tax of KES 5.02 billion**, compared to **KES 1.30 billion** in the previous year.

After accounting for taxes, the participating COMFIs recorded a **net profit after tax of KES 3.60 billion**, an improvement from **KES 2.26 billion** reported in 2024. The results indicate that the sector strengthened its profitability during the year through increased lending income, improved cost management, and lower credit impairment charges.

Overall, the 2025 financial results demonstrate the continued resilience of the participating COMFIs and their ability to expand lending while maintaining sound financial performance. Continued investment in operational efficiency, prudent credit risk management, and sustainable portfolio growth will be essential to maintaining profitability and supporting the sector's long-term growth.

5.6.0 Statement of Financial Position of Participating Credit-Only Microfinance Institutions as at 31 December 2025

As at **31 December 2025**, the **26 participating Credit-Only Microfinance Institutions (COMFIs)** reported **total assets financed through equity and liabilities amounting to KES 54.43 billion**. The institutions remained predominantly debt-financed, with **total liabilities of KES 38.29 billion**, representing **70.3%** of the overall funding structure, while **equity amounted to KES 16.15 billion**, accounting for the remaining **29.7%**.

Liabilities

Table 17: COMFIs Liabilities

Liability Category	Amount (KES)	Share of Total Liabilities
Domestic Debt	22,741,972,560.39	59.40%
• Short-term (<1 Year)	12,450,919,816.63	32.50%
• Long-term (>1 Year)	10,291,052,743.76	26.90%
International Debt	13,336,198,087.59	34.80%
• Short-term (<1 Year)	4,723,177,214.08	12.30%
• Long-term (>1 Year)	8,613,020,873.51	22.50%
Compulsory Savings	72,580,701.39	0.20%
Demand Deposits	57,088,873.71	0.10%
Term Deposits	73,928,484.99	0.20%

Other Liabilities*	2,006,233,637.12	5.20%
Total Liabilities	**38,288,002,345.19**	**100.00%**

Source: AMFI-K

As shown in Table 17 above, the liability structure for COMFIs was largely driven by **domestic borrowing**, which totalled **KES 22.74 billion**, representing **59.4%** of total liabilities. Of this amount, **KES 12.45 billion** comprised short-term borrowings due within one year, while **KES 10.29 billion** consisted of long-term financing. This funding mix demonstrates the continued reliance of COMFIs on domestic financial institutions and local capital providers to finance their lending operations.

International debt remained another significant source of funding, amounting to **KES 13.34 billion**, equivalent to **34.8%** of total liabilities. The majority of this financing (**KES 8.61 billion**) was long-term, providing institutions with relatively stable capital for portfolio expansion, while **KES 4.72 billion** represented short-term external borrowing.

In line with the current regulatory framework governing Credit-Only Microfinance Institutions, **customer deposits and savings accounted for only a negligible proportion of liabilities**. Compulsory savings, demand deposits, and term deposits together represented less than **1%** of total liabilities, reflecting the transition away from deposit mobilization and the sector's focus on credit provision.

Other liabilities, amounting to **KES 2.01 billion (5.2%)**, comprised operational obligations such as lease liabilities, accrued expenses, accounts payable, trade creditors, tax liabilities, and other short-term obligations arising from normal business operations.

Equity

Table 18: COMFIs Equity

Equity Category	Amount (KES)	Share of Total Equity
Share Capital – Domestic	5,095,722,265.09	**31.60%**
Share Capital – International	2,831,162,774.00	**17.50%**
Donated Equity	738,011,188.67	**4.60%**
Reserves	642,591,368.55	**4.00%**
Retained Earnings	5,231,438,574.99	**32.40%**
Other Equity**	1,606,630,956.00	**10.00%**

Total Equity	**16,145,557,127.30**	**100.00%**

Source: AMFI-K

As shown in Table 18 above, the participating COMFIs reported **total equity of KES 16.15 billion**, providing a strong capital base to support lending operations and absorb potential financial shocks.

Retained earnings represented the largest equity component at **KES 5.23 billion (32.4%)**, indicating that institutions have continued to reinvest accumulated profits to strengthen their capital positions. **Domestic share capital** followed closely at **KES 5.10 billion (31.6%)**, reflecting substantial shareholder investment within Kenya.

International share capital contributed **KES 2.83 billion (17.5%)**, highlighting continued support from international investors and development finance partners. In addition, **other equity** amounted to **KES 1.61 billion (10.0%)**, comprising capital grants, capital allocations, statutory reserves, and other capital contributions. **Donated equity (4.6%)** and **general reserves (4.0%)** further strengthened the sector's financial resilience.

Overall, the financial structure indicates that participating COMFIs continue to rely primarily on **borrowed funds to finance loan portfolio growth**, while maintaining a solid equity base that supports institutional stability. The strong level of retained earnings and shareholder capital demonstrates continued confidence in the sector, while the predominance of long-term domestic and international debt provides an important source of funding for expanding financial inclusion and access to credit across Kenya.

CHAPTER SIX: KEY FINDINGS AND STRATEGIC RECOMMENDATIONS

6.1.0 Introduction

The findings of the **Kenya Microfinance Sector Report 2026** demonstrate that Kenya's microfinance sector remains an important channel for expanding access to finance to households, MSMEs, farmers, women, youth and other underserved populations. The participating institutions reported a combined gross outstanding loan portfolio of approximately **KES 79.3 billion** and more than **1.1 million active clients** as at 31 December 2025.

However, the findings also point to important differences in institutional performance and areas requiring strategic attention. While participating Credit-Only Microfinance Institutions (COMFIs) recorded stronger financial performance and comparatively lower portfolio risk, participating Microfinance Banks (MFBs) experienced significant pressure on profitability and asset quality. Across both segments, the findings highlight the need to balance portfolio growth and financial inclusion with sound risk management, sustainable funding, operational efficiency and responsible innovation.

The following findings and recommendations provide a forward-looking interpretation of the 2025 results and identify priority actions for financial institutions, policymakers, regulators, investors, development partners and industry stakeholders.

6.2.0 Asset Quality and Credit Risk Management

6.2.1 Key Finding

Asset quality remains one of the most significant risks to the sustainability of the microfinance sector, particularly among participating MFBs.

The nine participating MFBs reported a gross outstanding portfolio of **KES 26.35 billion**, of which **KES 8.11 billion was PAR greater than 30 days, equivalent to 30.8% of the portfolio**. More significantly, loans outstanding for more than 365 days amounted to approximately **KES 5.04 billion**, **representing 19%** of the total portfolio and accounting for a substantial share of the MFBs' PAR >30 days. The institutions also reported loan write-offs of KES 561.14 million.

Portfolio risk also varies substantially by product and delivery channel. Among MFBs, restructured loans recorded PAR >30 of **62%**, trade finance 60%, business loans 39% and WASH loans 34%. Group lending recorded PAR >30 of **63%**, while partnership lending recorded 77%, although the latter represented a very small portfolio.

COMFIs demonstrated comparatively stronger portfolio quality, with PAR >30 of **16.0%**. Nevertheless, risks remain concentrated in specific sectors, including manufacturing at 63%, housing at 52%, trade finance at 41%, renewable energy/green finance at 32% and restructured loans at 31%.

6.2.2 What this means for the sector

The findings suggest that portfolio growth alone should not be the primary measure of institutional performance. Persistent arrears, particularly long-aged arrears, can erode income, increase provisioning requirements, weaken capital and ultimately constrain the ability of institutions to continue lending.

The substantial variation in portfolio quality across products, regions and delivery channels also indicates that a **one-size-fits-all credit risk approach is insufficient**. Risk management needs to reflect the characteristics of the borrower, product, sector, geography and delivery channel.

6.2.3 Recommendations

1. **Strengthen early-warning and portfolio monitoring systems** to identify deterioration before loans migrate into long-term delinquency.
2. **Introduce product- and segment-level PAR monitoring**, rather than relying only on institution-wide portfolio indicators.
3. Strengthen **cash-flow-based credit appraisal**, affordability assessments and borrower segmentation, particularly for MSME and informal-income clients.
4. Develop targeted recovery strategies for **long-aged arrears**, including differentiated collection, restructuring and recovery approaches.
5. Apply tighter credit controls to products and channels with persistently high PAR, while avoiding indiscriminate withdrawal of finance from underserved segments.
6. Strengthen **loan restructuring frameworks** so that restructuring is based on demonstrable borrower repayment capacity rather than postponement of delinquency.
7. Expand the use of portfolio stress testing and scenario analysis to assess exposure to economic, climate and sector-specific shocks.

6.3.0 Sustainable Profitability and Institutional Efficiency

6.3.1 Key Finding

The financial sustainability of the two microfinance business models is diverging significantly.

Participating MFBs experienced a deterioration in financial performance. Financial revenue declined by **15.3%**, from KES 9.00 billion in 2024 to KES 7.62 billion in 2025, while net loss after tax increased from KES 2.42 billion to **KES 2.82 billion**. The decline in loan portfolio income was a major contributor to the weaker performance.

In contrast, participating COMFIs recorded significant improvement. Financial revenue increased from **KES 27.06 billion to KES 29.99 billion**, net financial income rose to **KES 20.00 billion**, and net income after tax increased from KES 2.26 billion to **KES 3.60 billion**.

The MFB balance sheet also raises a longer-term sustainability concern. Although customer deposits remained the principal funding source, accumulated retained losses of approximately **KES 12.51 billion** resulted in a relatively low net equity position of KES 815.3 million.

6.3.2 What this means for the sector

The results demonstrate that **growth in lending does not automatically translate into sustainable profitability**. Revenue quality, portfolio performance, cost structures, funding costs and capital strength must improve together.

For MFBs in particular, restoring profitability is not only a commercial objective; it is important for maintaining adequate capital, attracting investment and preserving their capacity to mobilize deposits and provide credit.

Recommendations

1. MFBs should prioritize **return to sustainable profitability through quality portfolio growth**, rather than pursuing loan-book expansion without adequate risk-adjusted returns.
2. Institutions should strengthen **product-level profitability analysis** to identify products and channels that generate adequate returns relative to their operating and credit risks.
3. Strengthen cost management through process automation, branch optimization, productivity monitoring and rationalization of high-cost delivery models.
4. Diversify revenue streams while ensuring that fees and charges remain transparent, responsible and aligned with regulatory requirements.
5. Institutions with weak capital positions should develop clear **capital restoration and retention strategies**, including improved earnings retention and appropriate shareholder support.
6. COMFIs should avoid over-expansion based solely on their current profitability and maintain prudent growth, provisioning and capital buffers.

7. Development partners and investors should increasingly assess institutional support based on **long-term sustainability and risk-adjusted performance**, rather than portfolio growth alone.

6.4.0 Access to Affordable and Sustainable Funding

6.4.1 Key Finding

Funding structure remains a critical determinant of the ability of microfinance institutions to expand responsibly and offer affordable finance.

Participating MFBs continued to rely heavily on customer deposits, with term deposits, demand deposits and compulsory savings accounting for approximately **88.9% of total liabilities**. However, the sector's accumulated losses and low net equity position create constraints on its ability to absorb future shocks and support sustained balance-sheet growth.

COMFIs, by contrast, were predominantly debt-financed. Total liabilities amounted to **KES 38.29 billion**, or **70.3% of total assets**, with domestic debt accounting for KES 22.74 billion and international debt KES 13.34 billion. Short-term domestic and international borrowing together represented a substantial portion of the funding structure.

6.4.2 What this means for the sector

The findings demonstrate that access to funding is not simply a question of availability. **The tenor, cost, currency, predictability and structure of funding matter.** Excessive reliance on short-term borrowing can create asset-liability mismatches and constrain institutions from offering appropriately structured medium- and long-term finance.

6.4.3 Recommendations

1. Promote access to **longer-term and competitively priced wholesale funding** that matches the tenor of microfinance portfolios.
2. Expand risk-sharing mechanisms, guarantees, blended finance and catalytic capital for institutions serving higher-risk or underserved markets.
3. Encourage greater diversification of funding sources to reduce dependence on a limited number of lenders or funding instruments.
4. Development finance institutions and investors should consider **portfolio quality, governance and institutional readiness** when designing funding facilities.
5. MFBs should strengthen deposit mobilization while improving customer retention and developing products that support stable savings growth.

6. COMFIs should strengthen asset-liability management, particularly where short-term borrowing is used to finance longer-tenor loans.
7. Industry stakeholders should explore funding mechanisms specifically targeted at **agriculture, housing, WASH and green finance**, where appropriate risk-sharing structures can enable responsible expansion.

6.5.0 Digital Transformation and Responsible Innovation

6.5.1 Key Finding

Digital delivery is becoming an increasingly important component of microfinance, but technological maturity remains uneven across institutions.

Among participating MFBs, mobile lending accounted for **91,646 loans**, nearly 46% of reported loans, although the outstanding portfolio was only KES 756.8 million. Mobile lending recorded PAR >30 of 20%, below the overall MFB portfolio ratio.

The COMFI sector also uses a wide range of management information systems, with no single dominant platform. The diversity of systems reflects differences in institutional size, business models and digital maturity.

6.5.2 What this means for the sector

Digitalization provides an opportunity to reduce transaction costs, improve customer reach, strengthen monitoring and support smaller-value lending. However, fragmented systems and varying levels of digital maturity can limit data interoperability, reporting quality and operational efficiency.

Digital expansion must therefore be accompanied by **responsible lending, strong data governance, consumer protection and effective risk controls**.

6.5.3 Recommendations

1. Invest in interoperable and scalable **core banking, loan management and reporting systems**.
2. Strengthen automated early-warning, collections and portfolio monitoring capabilities.
3. Use alternative and transactional data responsibly to improve credit assessment while maintaining data protection and consumer safeguards.
4. Develop digital products around customer needs rather than technology alone, ensuring transparency of pricing, repayment terms and fees.
5. Strengthen cybersecurity, data protection, access controls and business continuity arrangements.

6. Promote sector-level learning on responsible digital lending and technology adoption.

6.6.0 Women and Youth Financial Inclusion

6.6.1 Key Finding

Women and youth remain significant users of microfinance services, but important opportunities remain to deepen and improve inclusion.

Women represented **56.9% of active MFB clients**, demonstrating the importance of MFBs in serving women.

Among COMFIs, women accounted for **43% of active clients**, while youth accounted for approximately **26% of active borrowers**, representing more than 250,000 borrowers. Female youth borrowers alone accounted for approximately 103,000 clients.

The findings also show limitations in disability-disaggregated data, with most institutions not routinely collecting information on clients with disabilities.

6.6.2 What this means for the sector

The data confirms that microfinance is an important platform for women's and youth financial inclusion. However, inclusion should extend beyond the number of clients reached to include **appropriate products, affordability, enterprise growth, savings, repeat borrowing, resilience and access to productive finance**.

6.6.3 Recommendations

1. Strengthen gender- and age-disaggregated reporting across the sector.
2. Develop products that address specific barriers faced by women and youth, including collateral constraints, irregular incomes and limited financial histories.
3. Expand **cash-flow-based and collateral-light lending models** where appropriate and supported by effective risk controls.
4. Link youth finance to enterprise development, skills, markets, mentorship and value-chain opportunities rather than credit alone.
5. Strengthen women's access to productive enterprise finance, asset finance, agriculture, housing and value-chain finance.
6. Develop measurable institutional targets for women and youth outreach while monitoring portfolio quality and outcomes.
7. Strengthen collection of disability-disaggregated data to enable more inclusive sector monitoring.

6.7.0 Agriculture, Housing, WASH and Green Finance

6.7.1 Key Finding

Strategic sectors with high development potential remain relatively small components of the overall portfolio, while some also exhibit significant credit risk.

COMFIs reported **KES 5.06 billion in agriculture lending across 111,906 loans**, with a relatively strong PAR >30 of 9%. WASH lending amounted to KES 56.9 million across 2,489 loans and recorded PAR >30 of only 6%.

Housing finance, however, requires particular attention. COMFIs reported KES 3.67 billion across 13,345 housing loans, but PAR >30 was **52%**. Renewable energy/green finance amounted to KES 109 million across 4,146 loans, with PAR >30 of 32%.

Among MFBs, agriculture lending recorded PAR >30 of 30%, housing 17%, WASH 34% and renewable energy/green finance 18%.

6.7.2 What this means for the sector

The results demonstrate both **strong demand and significant potential for specialized financial products**, but also show that scaling these sectors requires product-specific risk management.

Agriculture and WASH appear to provide promising opportunities for expansion given their relatively strong portfolio performance among COMFIs. Housing and green finance require more deliberate product design, technical support and risk mitigation.

6.7.3 Recommendations

1. Develop specialized financing models for agriculture that incorporate **seasonality, cash-flow cycles, climate risks, value-chain relationships and insurance mechanisms**.
2. Scale WASH finance through partnerships with suppliers, utilities, county governments, development partners and other ecosystem actors.
3. Expand housing microfinance using **small-ticket, incremental and repeatable loans**, rather than relying exclusively on conventional mortgage structures.
4. Strengthen housing finance through borrower education, staged disbursement, supplier verification and housing support services.
5. Develop clear green-finance eligibility criteria and product frameworks to support renewable energy, energy efficiency, water harvesting and climate-resilient investments.

6. Establish sector-specific portfolio monitoring for agriculture, housing, WASH and green finance.
7. Use guarantees, first-loss facilities and other risk-sharing instruments to support responsible expansion into markets where risk is high but development impact is significant.
8. Link specialized finance to technical assistance, market linkages and service-provider networks to improve both borrower outcomes and repayment capacity.

6.8.0 Data Quality, Standardization and Sector Reporting

6.8.1 Key Finding

Improving data quality is essential for strengthening sector decision-making, investment and policy dialogue.

The 2026 report used standardized AMFI-K reporting templates incorporating common definitions, control lines, validation checks and consistency checks. Institutions were engaged to clarify and correct submissions where required. Nevertheless, participation remained voluntary and reporting coverage differed across institutions and reporting periods. Consequently, some year-on-year comparisons could not be reliably made.

The report also highlights gaps in areas such as disability-disaggregated data, while the diversity of MIS platforms across institutions creates additional challenges for standardization and interoperability.

6.8.2 What this means for the sector

Reliable sector data is increasingly important for **regulation, investment, product development, benchmarking and resource mobilization**. Differences in definitions, reporting practices and institutional systems can reduce comparability and make it difficult to distinguish genuine changes in sector performance from changes caused by reporting coverage.

6.8.3 Recommendations

1. Institutionalize the AMFI-K **standardized sector reporting framework** and progressively increase reporting participation.
2. Maintain a common sector **data dictionary and definitions standard** for key indicators.
3. Introduce routine data-quality checks at institutional level before submission.

4. Develop a sector dashboard providing aggregated and appropriately disaggregated indicators on outreach, portfolio quality, gender, youth, geography and financial performance.
5. Strengthen reporting of inclusion indicators, including disability where institutions are able to collect such information appropriately.
6. Improve MIS interoperability and automate extraction of standardized reporting data where feasible.
7. Provide regular feedback to institutions comparing their data quality and performance indicators against sector benchmarks.
8. Maintain clear documentation of reporting coverage and methodology so that users can distinguish **sector trends from changes in participation**.
9. Continue protecting client confidentiality and ensuring that sector reporting does not expose identifiable enterprise- or borrower-level information.

6.9.0 Strengthening Institutional Resilience and Long-Term Sustainability

6.9.1 Key Finding

The sector's future resilience will depend on its ability to combine responsible growth with stronger capital, risk management, operational efficiency, innovation and institutional capacity.

The contrasting financial results between MFBs and COMFIs demonstrate that institutional resilience is influenced by the interaction of portfolio quality, funding structure, operating costs, revenue generation and capital strength.

Participating COMFIs entered 2026 with a relatively stronger equity position of **KES 16.15 billion**, equivalent to 29.7% of total financing, while MFBs reported only KES 815.3 million in net equity after accumulated retained losses.

6.9.2 What this means for the sector

Resilience should be understood as more than the ability to withstand credit losses. A resilient microfinance institution should be able to **absorb shocks, maintain liquidity, protect customers, preserve capital, adapt its business model, invest in technology and continue serving its target market during periods of stress**.

6.9.3 Recommendations

1. Strengthen institutional capital and reserves to provide greater capacity to absorb financial and portfolio shocks.

2. Establish robust **enterprise risk management frameworks** covering credit, liquidity, market, operational, technology, climate and reputational risks.
3. Strengthen liquidity and asset-liability management, particularly for institutions dependent on borrowed funds.
4. Conduct regular stress testing against deterioration in portfolio quality, funding costs, liquidity and macroeconomic conditions.
5. Invest continuously in staff capacity, leadership, governance, technology and risk-management capabilities.
6. Encourage responsible portfolio diversification across products, sectors and geographies while avoiding expansion into markets where institutions lack adequate expertise.
7. Strengthen business continuity and disaster-recovery arrangements, particularly as institutions become increasingly dependent on digital systems.
8. Promote institutional learning and peer exchange through AMFI-K, including benchmarking of operational efficiency, portfolio quality, digital maturity and financial sustainability.
9. Development partners should increasingly shift from fragmented short-term interventions toward **longer-term institutional strengthening, market infrastructure and catalytic financing mechanisms**.

6.10 Conclusion

The 2026 Kenya Microfinance Sector Report demonstrates that the industry remains a significant pillar of financial inclusion and enterprise development, with participating institutions collectively managing a portfolio of approximately **KES 79.3 billion and serving more than 1.1 million active clients**.

At the same time, the findings demonstrate that the sector is at an important point of transition. The performance of participating MFBs indicates that **asset quality, profitability and capital strength require urgent attention**, while the stronger performance of COMFIs demonstrates the potential for sustainable growth when portfolio performance, revenue generation and cost management remain aligned.

The central strategic challenge for the sector is therefore not simply to **grow the volume of credit**, but to grow in a manner that is **profitable, responsible, inclusive, resilient and sustainable**.

Achieving this will require coordinated action by financial institutions, regulators, policymakers, investors, development partners and industry associations. Financial institutions must strengthen risk management, operational efficiency, digital capabilities and institutional resilience. Investors and development partners should support longer-term and appropriately structured capital, guarantees, technical assistance and risk-sharing mechanisms. Regulators and policymakers can contribute by maintaining an enabling environment that promotes responsible innovation, consumer protection and sustainable competition.

AMFI-K has an important role to play in convening stakeholders, strengthening industry data, facilitating peer learning, supporting capacity development and advocating for an enabling policy and investment environment. Particular opportunities exist to build collective solutions around **credit risk management, digital transformation, data standardization, affordable funding, women and youth finance, housing microfinance, agriculture, WASH and green finance**.

Ultimately, the future strength of Kenya's microfinance sector will depend on its ability to combine **financial sustainability with meaningful financial inclusion**. A resilient sector should not only expand access to finance, but should do so in a manner that protects customers, supports productive economic activity, withstands shocks and remains commercially viable over the long term.

ANNEXES

1. List of Participating MFBs (2025)

No.	Microfinance Bank (MFB)	5	U & I Microfinance Bank Limited
1	Faulu Microfinance Bank Ltd	6	Caritas Microfinance Bank Limited
2	Kenya Women Microfinance Bank PLC	7	Choice Microfinance Bank Limited
3	Branch Microfinance Bank Limited	8	Muungano Microfinance Bank PLC
4	Sumac Microfinance Bank Limited	9	Salaam Microfinance Bank Limited

2. List of Participating COMFIs (2025)

No.	Institution Name	14	Modesty Microfinance
1	Baraka Credit Ltd	15	Mogo Kenya
2	Bimas Kenya Ltd	16	Momentum Credit Ltd
3	Cherehani Kenya	17	Money Worth Ltd
4	ECLOF Kenya	18	Musoni Microfinance Ltd
5	ED Partners Africa	19	My Credit Ltd
6	FinCredit Kenya Ltd	20	Neema HEEP
7	Hand in Hand Eastern Africa	21	Platinum Credit Ltd
8	Jawabu Microfinance	22	Real People Kenya Ltd
9	Jefigs Credit Ltd	23	Springboard Capital Ltd
10	Juhudi Kilimo Ltd	24	VisionFund Kenya
11	Kipepeo Microcredit Limited	25	Mwangaza Micro enterprises ltd
12	Letshego Kenya Limited	26	Premier Credit Ltd
13	Longitude Capital Ltd		