
# A RAPID REVIEW OF THE KENYA MICROFINANCE SECTOR

FIRST QUARTER 2026

AMFI-K

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## 1.INTRODUCTION

The Association of Microfinance Institutions of Kenya (AMFI-K) plays a central role in advancing financial inclusion by supporting a diverse and growing network of institutions that serve low-income households, micro, small and medium enterprises (MSMEs), and other underserved segments across the country. As the sector continues to evolve in response to changing economic conditions, regulatory developments, and emerging client needs, there is increasing demand for timely, reliable, and comprehensive data to inform decision-making and strategic planning.

As of Q1 2026, AMFI-K's membership comprises a total of 91 institutions, reflecting a broad and diverse ecosystem. This includes 3 commercial banks, 14 deposit-taking microfinance banks, and 61 digital and non-digital credit-only institutions, which form the largest segment of the membership. In addition, the network includes 5 wholesale microfinance institutions, 3 insurance companies, and 5 consultancy firms that provide technical support and capacity building services to members. These institutions operate under different regulatory frameworks, including oversight by the Central Bank of Kenya (CBK) and the Insurance Regulatory Authority (IRA), while some operate as non-regulated entities within the microfinance space.

This diverse membership structure highlights the multi-faceted nature of the microfinance sector in Kenya, encompassing both deposit-taking and credit-only institutions, as well as support service providers. It also underscores AMFI-K's role as a unifying platform that brings together various actors within the financial inclusion ecosystem to promote best practices, policy advocacy, and sector development.

This report presents an analysis of the performance and operational landscape of AMFI-K member institutions as of the end of December 2025. It draws on data submitted by 33 participating MFIs and provides insights into key areas, including sector coverage, outreach, staffing capacity, financial performance, funding structures, digitization levels, and compliance with legal obligations. The analysis aims to highlight prevailing trends, identify strengths and gaps within the sector, and provide evidence-based insights to guide stakeholders.

The Kenyan microfinance sector remains a critical driver of inclusive economic growth, particularly through its support to agriculture, trade, education, health, and other essential sectors. At the same time, the sector is undergoing notable transformation, characterized by increasing diversification into emerging sectors, adoption of digital financial services, and a growing emphasis on impact-driven financing such as climate finance and WASH initiatives.

## 2.Sector Coverage and Product Offering

AMFI-K member institutions are strongly concentrated in core sectors: Agriculture, Trade, Education, Health, and Transport, which dominate across the portfolio and reflect alignment with key economic activities.

At the same time, there is growing diversification into sectors such as manufacturing, real estate, technology, and creative industries, indicating a shift toward broader value chain financing.

Institutions are increasingly offering specialized financial products, including asset financing, housing loans, project financing, and salary-based lending, digital financing, demonstrating product innovation and responsiveness to client needs.

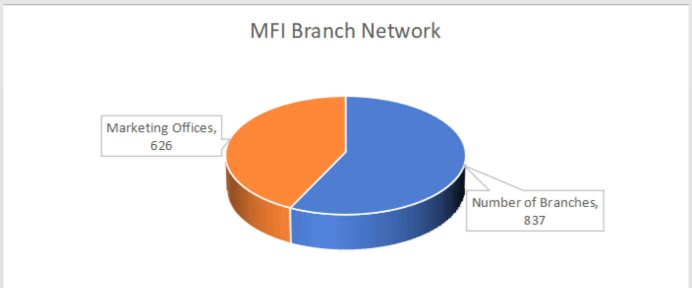
There is also a clear rise in impact-driven financing, particularly in climate finance, WASH, renewable energy, and youth-focused products, aligning with global development priorities.

While the sector shows strong growth and diversification, key gaps remain in manufacturing financing, and insurance products. These present opportunities to expand green finance, and sector-specific solutions.

Overall, the sector is stable, evolving, and well-positioned for innovation and sustainable growth.

## 3.Outreach and Physical Presence.

*Figure 1: Outreach and Physical Presence*




*Source: AMFI-K*

Figure 1 shows the branch network footprint of 33 microfinance institutions (MFIs). Collectively, these institutions operate a total of 837 branches and 626 marketing offices.

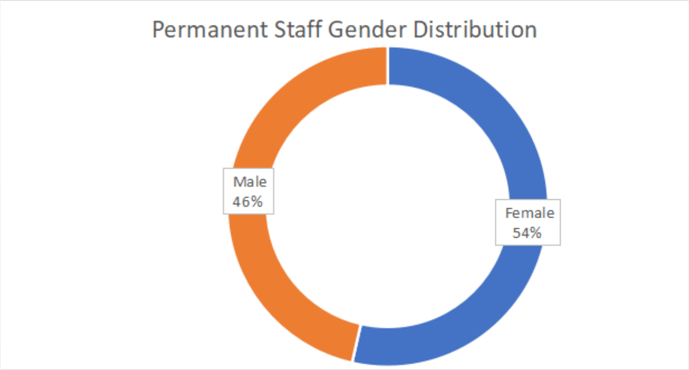
This reflects a strong and widespread physical presence, with MFIs operating across all counties in Kenya. Branches serve as key service delivery points, while marketing offices support client outreach and acquisition. Additionally, many MFIs offer tailor-made financial products designed to suit the specific economic activities within different counties, enhancing relevance and impact at the local level.

## 4.Staffing Capacity and Workforce Composition of AMFI-K Member Institutions

The staffing capacity across the participating institutions totalled 6,487 permanent staff, comprising 3,475 female and 3,012 male employees, indicating a relatively balanced gender distribution with a slight female majority.

In addition to permanent staff, the institutions engage 4,220 agents and temporary staff, significantly expanding their operational capacity and outreach. This blended workforce model highlights the sector's reliance on both formal employees and flexible staffing to enhance service delivery and client reach.

*Figure 2: Permanent Staff Gender Distribution*




*Source: AMFI-K*

Figure 2 illustrates the gender distribution of permanent staff across the institutions. It shows that female employees constitute 54% of the workforce, while male employees account for 46%.

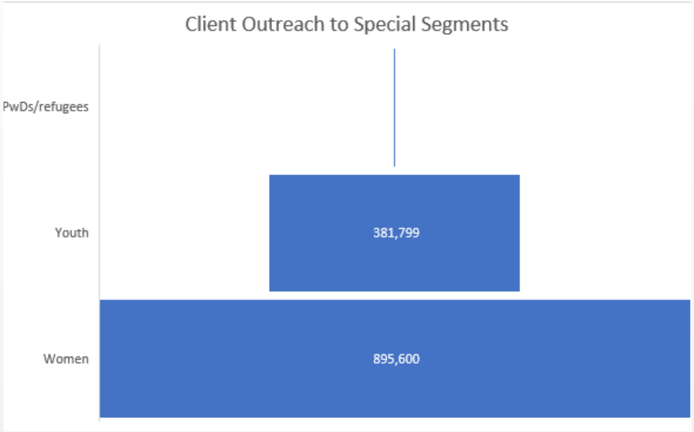
## 5.Client Outreach to Special Segments

Out of the 33 MFIs, 29 MFIs provided data on outreach to key target groups. Collectively, they serve 895,600 women, 381,799 youth, and 856 persons with disabilities (PwDs) and refugees.

This demonstrates a strong focus on women and youth, who form the majority of the client base. At the same time, outreach to PwDs and refugees, though present, remains comparatively limited, highlighting an opportunity for deeper inclusion of these vulnerable groups, as shown in the figure 3 below.

*Figure 3: Client Outreach to Special Segments*

Source: AMFI-K




## 6.FUNDING STRUCTURE

The data indicate that debt financing is the dominant source of funding across AMFI-K member institutions, complemented by equity and other funding streams.

i.Debt Financing

Debt forms the largest proportion of funding, with several institutions reporting significant borrowing from Banks and financial institutions, SACCOs and private individuals, Development partners and structured facilities

In many cases, debt accounts for 66% to over 80% of total funding, with some institutions indicating up to 98% reliance on deposits and debt-like instruments. This highlights a strong dependence on external financing to support lending operations.

ii.Equity Financing

Equity plays a supporting but comparatively smaller role, sourced mainly from Shareholders, Retained earnings and Institutional capital injections

Equity contributions vary widely but generally range between 20% and 34%, with some institutions showing lower levels. This suggests limited internal capital buffers relative to debt exposure.

iii.Other Funding Sources

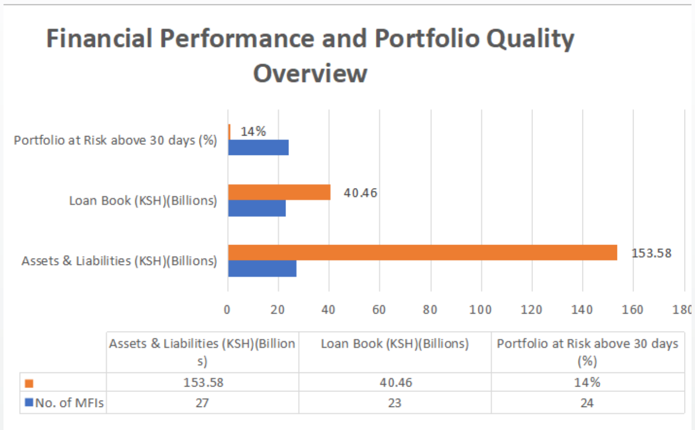
In addition to debt and equity, institutions also access Client deposits (for deposit-taking MFIs), Grants and partnerships and Savings mobilisation. These sources help diversify funding but remain secondary compared to debt financing.

## 7.Financial Performance and Portfolio Quality Overview

*Figure 4: Financial Performance and Portfolio Quality Overview*

*Source: AMFI-K*

Figure 4 presents a snapshot of key financial indicators reported by AMFI-K member institutions, based on




varying levels of data submission.

A total of 27 MFIs reported on Total Assets, with a combined asset base of KES 153.58 billion, indicating the overall size and strength of the reporing MFIs in the sector.

In terms of lending activity, 23 MFIs reported a total loan portfolio of KES 40.46 billion, reflecting the scale of credit extended to clients across different sectors.

On portfolio quality, 24 MFIs reported a Portfolio at Risk (PAR>30) of 14%, highlighting the proportion of loans overdue by more than 30 days. This suggests moderate credit risk within the sector, with room for improvement in portfolio performance and risk management.

## 8.Digitization Level of Business Processes among AMFI-K Members

The data indicates that the majority of AMFI-K member institutions operate under a hybrid digitization model, combining both digital and manual processes. A significant number of institutions report 50%–80% of their processes as digitized, reflecting steady progress toward digital transformation while still maintaining some manual operations.

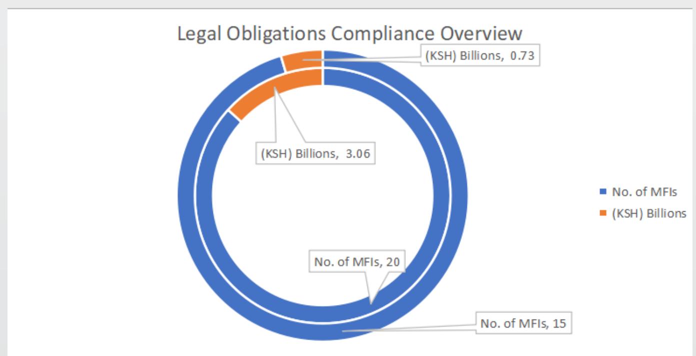
A smaller group of institutions has achieved full digitization (close to or at 100%), demonstrating advanced adoption of digital systems and automation. On the other hand, a few institutions remain at low levels of digitization (as low as 10%–30%), indicating uneven progress across the sector.

Overall, the sector is transitioning toward digital operations, with clear momentum in increasing automation and efficiency. However, the persistence of hybrid models suggests ongoing challenges such as system integration, cost of technology adoption, and capacity constraints, presenting opportunities for further digital investment and standardization.

inclusion, the relatively low levels of equity across the sector may limit the capacity of institutions to absorb financial shocks and maintain stability during periods of economic stress.

The gradual diversification of funding sources through partnerships, grants, and other alternative financing mechanisms is a positive trend, reflecting increased innovation and adaptability within the sector. However, the heavy reliance on debt underscores the need for strengthened risk management frameworks, improved capital adequacy, and more deliberate efforts to build stronger equity bases.

Looking ahead, there is a significant opportunity to enhance the sector's sustainability by expanding access to innovative financing solutions such as blended finance, credit guarantees, and impact investment vehicles. These approaches can help reduce funding risks, improve financial resilience, and support long-term growth. Overall, a balanced and diversified funding structure, anchored by stronger equity participation, will be essential for ensuring the continued stability, resilience, and developmental impact of AMFI-K member institutions.




## 9.Legal Obligations Compliance

*Figure 5: Legal Obligations Compliance Overview*

*Source: AMFI-K*

The figure presents the level of compliance with key legal obligations among AMFI-K member institutions in 2025.

A total of 20 MFIs reported paying corporate tax, amounting to approximately KES 3.06 billion, indicating a significant contribution to government revenue and a strong level of formal sector participation.

Additionally, 15 MFIs reported statutory contributions totalling KES 727.1 million, reflecting compliance with mandatory obligations such as employee-related remittances. Overall, the data demonstrates that MFIs are actively meeting their

## 10.Conclusion

In conclusion, the AMFI-K microfinance sector continues to demonstrate strong growth and outreach, largely supported by a financing structure that is predominantly debt-driven, with deposits playing an increasingly important role in enhancing liquidity and sustaining lending operations. While this model has enabled institutions to expand their portfolios and deepen financial inclusion, the relatively low levels of equity across the sector may limit the capacity of institutions to absorb financial shocks and maintain stability during periods of economic stress.

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