



KENYA BANKERS
ASSOCIATION

BANKS COMMITTED TO REDUCED LENDING RATES TO SPUR ECONOMIC GROWTH

The Kenya Bankers Association (KBA) recognizes the challenges individuals and businesses face arising from the prevailing high cost of loans, and the role that the Central Bank of Kenya plays in guiding the market on credit pricing. The recent successive cuts in the Central Bank Rate, have implications on both deposit and lending rates in the market. Banks are taking steps to lower interest rates and make borrowing more affordable.

Individual banks are issuing the requisite notices to customers indicating reductions in loan rates from December 2024 and these reductions will continue progressively in line with the evolution of monetary policy and credit risk factors.

As the business of banking involves mobilizing deposits and extending loans from the pool of deposits, we will continue to progressively reduce the loan interest rates balancing against the prolonged high cost of customers' deposits that were locked-in during a period of higher interest rates before the Central Bank of Kenya initiated interest rate cuts.

As the banking sector transitioned to risk-based credit pricing environment, each bank is mandated to assess its customers risk profiles and price their credit accordingly. This is based on the individual banks' approved base rate and valuation of the risk premium. While the base rates primarily reflect the Central Bank Rate and the cost of borrowing by the Government, the customers' risk premiums mirror the market conditions such as the level of non-performing loans and any challenges that customers face that may constrain their ability to service loans.

We acknowledge that many borrowers continue to face financial strains driven by increased cost of living and of doing business; the protracted challenge of delayed payments to businesses; and generally low business activity due to reduced consumer demand arising from reduced disposable incomes. These challenges elevate consumer risks and constrain lending at lower rates.

To unlock access to affordable credit, KBA is working closely with the Government and other stakeholders to address the broader issues that impede credit growth, including review of the risk-based pricing models, resolution of delayed payments to businesses and unlocking litigation backlog.

As the banking industry, anchored on our determination to spur economic growth and development, we remain committed to supporting our customers and continue to explore ways to create a more accessible, affordable, sustainable and supportive lending environment for customers. We aim to ensure that borrowing channels provided by banks effectively support individuals, households, and businesses to thrive for the good of the economy.

John Gachora
CHAIRMAN, Kenya Bankers Association &
Group Managing Director, NCBA