

FINANCIAL INCLUSION & BANKING WHITEPAPER

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Connecting Humans to AI

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CHAI HACKATHON

Unlocking Equitable Access to

Financial Services in Kenya

Small shops in Kenya's informal markets serve daily needs but often lack financial support. In rural villages and urban slums you will find women, youth and micro-retailers operating on cash. These tiny shops dominate retail (over 10 million of them sell about \$180 billion in goods yearly) yet they frequently face stockouts and high prices. The nearest bank is far away, and loans require paperwork and collateral that most of these customers don't have. As a result they hit steep barriers; long distances, high fees, no credit history and low financial literacy. Therefore end up relying on cash or informal savings (chamas) and loans instead of formal finance.

Systemic Barriers to Inclusion

- *Banking exclusion:* Many underserved Kenyans lack bank accounts because branches are distant and requirements (ID, collateral) block them.
- *Predatory lending:* In their place, unregulated lenders and “mobile loan” apps step in with **exorbitant interest** and hidden fees, trapping borrowers in debt cycles.
- *Low literacy & trust:* Financial products are confusing, so people often don’t understand or trust them. Past abuses by moneylenders and opaque apps have eroded trust in banks and fintech.

These barriers mean that even basic tools (savings accounts, affordable credit, insurance or budgeting help) remain out of reach for millions. Kenya’s growing mobile-money network, M-PESA and agency banking have extended reach somewhat, but gaps persist where trust and relevance are missing.

Opportunity for Innovation

You have a solid foundation to build on. Mobile money (M-PESA) is in half of every Kenyan’s pocket, and regulators are signaling support (new fintech guidelines, a national AI strategy, etc.). The goal is to **reimagine** finance *with* users, not for them. Consider these product ideas as a start:

- **Savings:** Create mobile-friendly savings platforms or digital chamas that use SMS or voice and tap community habits.
- **Lending:** Offer fair microloans using alternative data (like airtime usage or purchase history) instead of traditional collateral.
- **Insurance:** Design “bite-sized” insurance (health, crop, microbusiness) that people can pay with mobile money as needed.
- **Budgeting/Planning:** Build simple budgeting tools (apps or USSD) tailored to irregular cashflows – e.g., reminders and tips in local languages.

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