DRIVERS INFLUENCING DIGITAL CREDIT AMONG RESIDENTS OF NYERI MUNICIPALITY, KENYA

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Abstract

The purpose of the study was to establish the drivers that influence digital credit among the residents of Nyeri municipality Kenya. The study objectives were to determine how access to information influences digital credit and how ease of access to loans influences digital credit. To support the study objectives, neoclassical economics theory and behavioral economics theories were used. The target population was 46969 and the sample size comprised of 383 individuals who were 18 years of age. A pilot study was conducted in Nyahururu town where ten questionnaires were administered. Purposive sampling was utilized to identify respondents. A descriptive cross-sectional survey was undertaken. The primary data were collected using a structured questionnaire. Data were analyzed using descriptive and inferential statistics. The findings suggest that ease of access to digital credit has created flexibility in borrowing with a correlation of 0.689. This has eliminated costs such as travel and documentation. Additionally, digital credit has enabled borrowers to access credit they could not access through traditional banking with a correlation of 0.763. Respondents also noted that digital credit has streamlined their repayment discipline with a correlation of 0.653, making borrowing smoother. To improve digital credit use in Nyeri municipality, lenders should work to enhance borrower education. This will ensure that borrowers understand the costs associated with borrowing on digital platforms. Lenders should also consider providing flexible repayment options and ensuring borrowers have access to support services when needed. Further studies on digital credit in Kenya can build on this study by exploring the influence of other factors such as age, education, and income level on digital credit use. Additionally, studies can focus on the impact of digital credit on household financial stability and the broader economy.

Key Words: drivers that influence digital credit, access to information, ease of access to loans, digital credit

Introduction and Motivation

Digital borrowing is a concept that has become widely adopted by people around the world. Across the globe, around 1.7 billion people were unable to access financial services, half of that population being found in sub-Saharan Africa (Schmidt 2014). However, there has been a rise in universal finance access across the globe. For instance, between years 2014 to 2017, the number of banked roses by 515 million making those who had acquired accounts from 2011 to 2017 hit 1.2 billion. This has been attributed to acquisition of mobile phones and hence becoming virtually banked (World Bank 2018). Around the globe the number of people who had acquired bank accounts through financial institution or through mobile phone service providers had risen from 62% to 69% translating to 3.8 billion people across the globe, with developing economies rising from 54% to 63% between years 2011 to 2017. This progress in financial access has been attributed to advancement of digital technology (World Bank, 2017).

InnoHub team (2019), noted that Thai government has come up with a raft of policies that promote digital payments, in order to support the ease of doing businesses in an efficient manner. Seeman & Bharath (2014) note that Reserve Bank of India (RBI) came up with a policy that would require commercial banks in India to offer 'no frills' accounts. RBI has also extended their banking scope to rural areas while still making charges as low as possible. RBI uses a simple system that is known as general credit scheme that is used to enable people without collateral and low-income, access credit facilities. Commercial banks in India are expanding the information technology infrastructure (IT) so as to increase the scope of financial inclusion. Sengupta (2014) observes that banks adopted business correspondence model (BC) which allowed even financially illiterate people to operate bank accounts. However, according to Polgreen & Bajaj (2010) this saw many people who had borrowed money from the micro credit industry became quickly indebted. Short repayment periods and high interest rates made so many to be indebted and resulted in committing suicide. As a result, politicians incited the borrowers not to repay the banks loans, threatening the collapse of the country's largest microcredit industry.

According to Innohub (2018) fine tech entrepreneurs are leveraging on technology to bridge the gap of access to loans. This innovation would enable financial institutions assess the credit worthiness and financial history of the clients (World Bank 2018). In Kenya digital borrowing has proved to be very expensive and default cases have been on the rise. Borrowers have complained over short repayment periods and the little amount disbursed by digital credit providers (Johnen, Parlasa & Mubhoff, 2021). Kashangaki (2020) notes that the explosion of digital credit in Kenya has raised concern in financial sector development and consumer protection circles. Around 2.7 million Kenyans have been blacklisted for non-compliance (Johnen, et al, 2021). Similarly, according to Credit Reference Bureau report (2015) a hundred and fifty-thousand Kenyans had defaulted on their loan repayment. After introduction of mobile based lending application from year 2015 onwards the number of defaulters rose to 2.7 million people from five hundred and forty thousand people. This led to concerns over legitimacy of development in the financial sector

Tileke and Gibbins (2020) observes that the financial systems were working on online application for loans which would help in easing the loan application and also integrating data of customers in order to assess the credit worthiness of clients who apply for personal loans. Similarly, a study by Callaway (2021) notes that in India, the Financial Regulatory Authority has integrated data of customers with that of the banks. Disbursement of digital loans to individuals is done against individual income and credit history. The study further notes that the credit advanced to individuals take a longer period of time to repay and has lower interest rates than in sub-Saharan Africa. A

similar study by Duffy (2019) observes that in Australia the mortgage is disbursed through mobile money which is done after digital verification of one's identification, income and expense

Keffenberger and Totolo (2018) notes that digital lending would be another challenge because this kind of loan carries very high risk without proper management. These loans earn annual interest rates of more than 20% and it is unusual that with the high interest rates customers still find digital loans attractive. Kenya has identified access to finance as one of the key driving pillars towards the realisation of vision 2030. In the blue print, "Kenya Vision 2030" (2007), the government acknowledges the fact that the majority of Kenyans are comprised of youth and women. Traditionally, this populace has been excluded financially because of lack of key capital goods that would enable them participate in nation building. This group of population has been referred to as vulnerable because they do not have ownership of key economic productive components like land, capital, and entrepreneurial skills.

Further, this segment of population has not been able to get credit from the banks because they lack collateral. The cost of servicing digital loans however, has been very high for them to borrow and pay effectively. People tend to borrow so that they can spur economic development and repay back the credit borrowed. According to KNBS & Consultative Group to Assist the Poor (2019) digital credit has become a leading source of credit in Kenya, and that it is mostly used to finance working capital and day-to-day consumption needs. In Kenya and globally, traditional financial borrowing has been cheaper as compared to digital lending. Interest rates through traditional borrowing range from 9% to 16%. A study by International Trade Centre and Kenya National Chamber of Commerce and Industry (2019) shows that MSMEs traders avoided commercial bank loans despite their need for credit. Owuor (2019), Babu (2020) contend that people have been able to access digital credit to finance working capital in their businesses and therefore reduce inequality in the society.

According to Johnen, et al (2021), 2.7 million Kenyans have been blacklisted for failure to repay digital credit. Totolo (2019) note that, the rise of the digital credit market has raised concerns about the risk of excessive borrowing, 40.8% for banks and 79.4% for mobile loans. Similarly, a study by Ponce de león (2021) notes that in 2018 increase in digital borrowers into a saturated lending market led to over indebtedness, sinking borrowers into poverty. According to Johnen et al (2021) rapid diffusion of digital credit has been assumed as a way to overcome credit constraints by financially excluded individuals in the society. Suri, Bharadwaj and Jack (2019) studied the impact of digital credit on households' resilience and financial shocks while Wamalwa, Rugiri, and Lauler (2019) studied the uptake of digital credit and its impact on households' indebtedness in Kenya. Baabu (2020) investigated the effects of digital credit on poverty reduction. However, there still exist a gap on drivers that influences digital credit borrowing.

World Bank, United Nations among other international institutions have been keen on financial inclusion and alleviation of poverty. The target has been the youth, women and people with disability since they are regarded as the vulnerable in the society. In Kenya, financial inclusion has been successful since the introduction of Mpesa in 2007 and subsequent availability of credit facilities such as Mshwari through Safaricom in partnership with Commercial Bank of Africa (NCBA) in 2010. The previously unbanked have become financially included due to the mushrooming of digital credit facilities. The explosion of digital lending platforms has enabled many people to access electronic loans, without visiting banking halls. As a result, know your customer requirements such as identification cards, guarantors, pin certificates, etc. have been eliminated. According to KNBS report (2021) 14 million Kenyans have been taken to CRB due to inability to pay. The credit rates by traditional commercial bank are from 9% and 16% in

comparison to digital credit facilities which range from 72.96% to 480%. This research therefore seeks to analyse how access to information influences digital credit in Nyeri municipality and to establish how ease of access to loans influences digital credit in Nyeri municipality.

The remainder of this paper is organised as follows: Section 2 reviews prior research and develops the propositions while Section 3 outlines the research design. In Section 4, the results are presented while the summary and conclusion are presented in Section 5

Theory

Neo-Classical Economics Theory

In classical economic theory, there were two main components: the consumer and the firm. Government existed as a secondary agent, not interfering with what primary agents were engaged in. The players were assumed to be rational. The theory was advanced to be called neo-classical economics, and the proponents argued that through statistical analysis and mathematical modelling banks can generate interest rates. Interest rates distort the credit market in response to mercantile pressure that is international market, competitive pressure and specialization of labour. The government intervenes through the introduction of usury caps. Banks find it challenging to advance small quantities of loans to the poor, who usually have limited security. This is because this would not cover for the risk cost and transaction cost and this therefore leads to financial exclusion in neo-classical economics theory (Bukland, 2012). The study examines the factors that influence digital credit borrowing, while the theory explains financial exclusion as a result of mainstream banks not offering small amounts of loans.

Behaviour Economics Theory

This theory contradicts the classical economics theory in that it states that human beings are not rational. The theory explains that people are willpower bound, rationality bound and selfish bound. Will power bound is evidenced when people exhaust their credit cards and therefore acting against their own best interest. Rationality bound is evidenced when people are heuristic that is to say over confidence, framing, status quo bias. Selfish bound contends that people tend cooperate more than selfishness could predict. It is therefore clear in this theory that people choose to be excluded financially. The behaviour economics theory therefore demonstrates financial behaviour in regard to limitations in human rationality. However, proponents of this theory advocate for people to understand the structural challenges of low income as lack of proper understanding could lead to conclusions that are consistent with culture of poverty (Bukland, 2012). The study wants to establish the reasons for people strong affinity to digital loans as result of financial exclusion while the theory enumerates the economic behaviour that led to people's exclusion.

Empirical Review

Access to information and digital credit borrowing

A study by Muturi (2020) on survey conducted on HFC Kenya commercial bank on credit information sharing and its influence on customer borrowing behaviour in Kenya. The study was on digital lending and its application known as whizz. The study specifically examined how character information, demographic information, and repayment information influence borrowing behaviour. The study was conducted on 58000 customers on its borrowing platform with 397 respondents utilising descriptive research design. The study found that credit information sharing among lenders has a significant influence on customer borrowing behaviour. However, the study found that there is lack of sensitisation among the borrowers and therefore lacked the right

information when borrowing. However, the study did not look into ease of access, gender and previous loan experience as influencers to digital loan and hence the research gap.

Wamalwa et al. (2019) conducted a survey on digital credit, financial literacy and household indebtedness in Kenya. The study examined age, gender, financial literacy and level of income as the key determinants to utilisation of digital credit. The study observed that households with digital credit are 1.4 times more likely to sell household items to repay the loans compared to households without digital credit. Financial literate households are 0.219 less likely to sell their assets to repay digital credit. Therefore, the study concludes that financial literacy reduces the utilisation of digital credit. However, the study did not examine variables like previous loan experience and ease of access and therefore there exist a research gap.

A survey by Diniz and Pozzebon (2011) on triggers and barriers to financial inclusion in Brazil conclude that financial inclusivity through ICT has helped in reduction of poverty. The study found that financial inclusivity through ICT has helped in reduction of poverty. They also conclude that access to financial resources is indispensable in promotion of local development in regard to low-income persons. In order for such a process to be effective, there is need for it to be accompanied by financial education for the poor. Although the study observed that financial literacy is key to promotion of financial accessibility it did not investigate issues like gender, ease of access and previous loan experience and therefore the need for the current study.

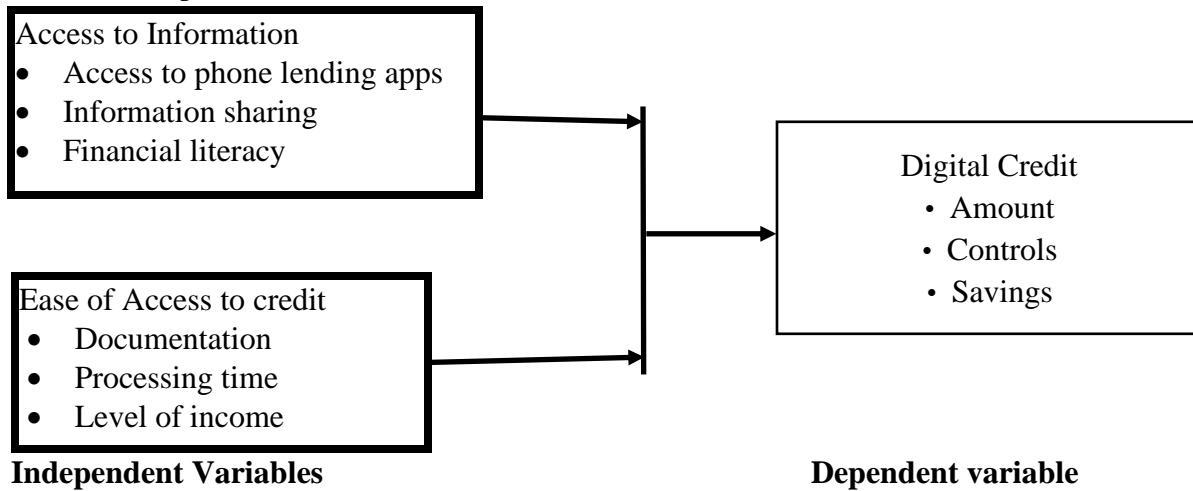**Ease of Access and Digital Credit borrowing**

Mader (2017) investigated financial inclusion, development and change in Kenya. He found that the ease of access to digital credit has led to poverty alleviation and enabled those near poverty to become more financially stronger. The study however, points out that there still more need to be done on digital credit given the high interest rates and short repayment periods. The study further notes that this has led to over indebtedness among households. However, it failed to address previous loan experience, access to information and gender and hence knowledge gap.

Minudi (2019) sort to determine factors affecting the growth of mobile phone loan uptake among small and medium traders in Nairobi central business district. The study found that ease of access to credit by SMEs in Nairobi is the main reason for the digital loan uptake. Most of them cited bureaucracy, a lot of paperwork, and collateral requirements as among the reasons that made them to keep away from banking halls. However, the study failed to look into gender, previous loan experience and access to information hence research gap.

Kibicho and Mungai (2019) conducted a study on mobile banking, financial adoption and financial credit accessibility in Wote Sub County. They examined the effect of usefulness, ease of use and risk of using mobile banking technology and financial credit accessibility. With a sample of 138, usefulness of mobile banking technology and ease of use of mobile banking technology were found to be statistically significant in access for financial credit.

Conceptual Framework

The diagram below represents the conceptual frame work, that shows how independent variables influences dependent variable

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┌─────────────────────────────────┐                    ┌─────────────────────────┐
│ Access to Information            │                    │                         │
│  • Access to phone lending apps  │─────────┐          │     Digital Credit      │
│  • Information sharing           │         └────────► │       • Amount          │
│  • Financial literacy            │         ┌────────► │       • Controls        │
└─────────────────────────────────┘         │          │       • Savings         │
                                            │          │                         │
┌─────────────────────────────────┐         │          └─────────────────────────┘
│ Ease of Access to credit         │         │
│  • Documentation                 │─────────┘
│  • Processing time               │
│  • Level of income               │
└─────────────────────────────────┘
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Independent Variables   **Dependent variable**

Research Methodology

The study was conducted using a descriptive study design. The target population covered the population of Nyeri municipality which has a population of 98908 people aged over 18 years (Kenya National Bureau of Statics, 2019). The formula for large samples was applicable in the study, and for this case Cochran 1963 was used yielding a sample size of 383.

Data was collected using structured questionnaire. A pilot study was conducted in Laikipia County, Nyahururu town, as it had similar characteristics with Nyeri. A total of 38 questionnaires were used which is 10% of sample size. Descriptive and inferential statistics were used to analyse the data collected. Descriptive statistics include measures of central tendency (such as mean, median & mode), measure of dispersion (such as range, variance & standard deviation) were assessed for each variable in the study. The study utilised regression analysis and hypothesis testing to generalise the results of the study.

Data Analysis Presentation and Discussions

The study used a sample of 383 respondents and all were issued with questionnaires. Three hundred and seven (307) usable questionnaires were received being a response rate of 80.2% as shown in Table 1. Sekaran and Bougie (2016) asserted that a response rate of 50% and above is adequate for analysis, 60% and above is good while that of 70% and above is excellent. Therefore, the responses were adequate and were used for further analysis and reporting.

Access to Information and Digital Credit Borrowing

The first objective of the study was to analyse how access to information influences digital credit in Nyeri Municipality. Respondents were asked to give their level of agreement or disagreement with statements relating to access to information. Table 2 presents a summary of the findings.

Table 2: Descriptive Statistics on Access to Information

Statement	Mean	Std. Dev.
a) Access to information have created flexibility on access to digital loans.	3.907	0.178
b) You use your mobile phone to access the information shared on whether you have adverse credit report	3.883	0.117
c) Access to information on digital loans have enhanced your decision to borrow	3.857	0.073
d) Information you get over the phone is of great assistance in access to digital credit	3.779	0.115
e) You use mobile phone app to access information on interest rates of various lending platform	3.769	0.117
Access to information on digital credit has promoted your borrowing capacity	3.75	0.061
f) Access to information on digital loans have eliminated costs such as travelling and documentation to access loans	3.743	0.065
Aggregate Score	**3.813**	**0.104**

Based on an aggregate mean score of 3.813 (SD=0.1.4), the respondents agreed on average to the statements relating to the influence of information access on digital credit in Nyeri Municipality. The findings further showed that the respondents agreed that access to information has created flexibility on access to digital loans (M= 3.907, SD= 0.178); that they use their mobile phone to access the information shared on whether they have an adverse credit report (M= 3.883, SD= 0.117); and that access to information on digital loans has enhanced their decision to borrow (M= 3.857, SD= 0.073). They were also in agreement that information they get over the phone is of great assistance in access to digital credit (M= 3.779, SD= 0.115); and that they use mobile phone app to access information on interest rates of various lending platform (M= 3.769, SD= 0.117). In addition, they agreed that access to information on digital credit has promoted their borrowing capacity (M= 3.75, SD= 0.061); and that access to information on digital loans have eliminated costs such as travelling and documentation to access loans (M= 3.743, SD= 0.065).

The study findings agree with Muturi (2020) who found that credit information sharing among lenders has a significant influence on customer borrowing behaviour. It also concurs with Wamalwa et al. (2019) who concludes that financial literacy reduces the utilisation of digital credit.

Ease of Access and Digital Credit Borrowing

The second objective of the study was to establish how ease of access to loans influences digital credit in Nyeri Municipality. Respondents were asked to give their level of agreement or disagreement with statements relating to ease of access to loans. Table 3 presents summary of the findings.

Table 3: Descriptive Statistics on Ease of Access to Loans

	Mean	Std. Dev.
a) Your phone has made you access digital loan fast enough because of processing time	3.963	0.046
c) Ease access to digital loans have created flexibility in borrowing for instance you can choose from several platforms available	3.958	0.066
b) Ease of access to digital credit have eliminated costs such as travelling documentation etc	3.832	0.138
d) Ease of access to digital credit has enhanced your borrowing capacity	3.801	0.094
e) Ease of access to digital credit have brought convenience in accessing digital credit	3.755	0.091
i) i)Digital credit has enabled you to access which you could not access through the bank because of income level	3.726	0.187
ii) **Aggregate Score**	**3.827**	**0.097**

Based on the aggregate findings (M=3.827, SD= 0.097), it is evident that the respondents agreed on average with the statements on the influence of ease of access to loans on digital credit. Specifically, the respondents agreed that their phone has made them access digital loan fast enough (M= 3.963, SD= 0.046); that ease access to digital loans have created flexibility in borrowing for instance they can choose from several platforms available (M= 3.958, SD= 0.066); and that ease of access to digital credit have eliminated costs such as travelling documentation etc. (M= 3.832, SD=0.138). They were also in agreement that ease of access to digital credit has enhanced their borrowing capacity (M= 3.801, SD= 0.094); that ease of access to digital credit has enhanced their capacity to borrow (M= 3.755, SD= 0.056); that ease of access to digital credit has enhanced convenience in accessing digital credit (M= 3.755, SD= 0.091); and that digital credit has enabled them to access which they could not access through the bank (M= 3.726, SD=0.187).

The findings agree with Mader (2017) that ease of access to digital credit has led to poverty alleviation and enabled those near poverty to become more financially stronger and that it has led to over indebtedness among households. It also concurs with Minudi (2019) that ease of access to credit by SMEs in Nairobi is the main reason for the digital loan uptake. Most of them cited bureaucracy, a lot of paperwork, and collateral requirements as among of the reasons that made them to keep away from banking halls. It also agrees with Kibicho and Mungai (2019) conclusion that usefulness of mobile banking technology, and the ease of use of mobile banking technology were statistically significant in access for financial credit.

Correlation Analysis

Pearson R correlation was used to measure strength and the direction of linear relationship between variables. A large correlation (>0.5) implies a strong relation exists between the variables. Table 4 presents correlation findings for this study variables.

Table 4: Correlation Results

		Digital Credit	Access to Information	Ease of Access to Credit
Digital Credit	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	307		
Access to Information	Pearson Correlation	.763**	1	
	Sig. (2-tailed)	.000		
	N	307	307	
Ease of Access to Credit	Pearson Correlation	.689**	.467	1
	Sig. (2-tailed)	.000	.543	
	N	307	307	307

The first independent variable, access to information, has a strong positive correlation with digital credit use (r = 0.763, p < 0.01). This finding is consistent with previous literature that has found access to information to be a critical factor in promoting financial inclusion and increasing digital financial services usage (Seyoum & Bessler, 2020). Inadequate information can be a significant barrier to accessing financial services, especially in low-income and underserved communities where information asymmetry is prevalent. This finding underscores the importance of providing accurate and timely information to potential users of digital credit to improve financial inclusion.

The second independent variable, ease of access to credit, also has a strong positive correlation with digital credit use (r = 0.689, p < 0.01). This finding is consistent with previous studies that identified access to credit as a critical factor in promoting financial inclusion (Zeller, Sharma, & Henry, 2006). The ease of access to credit may depend on the regulatory environment and market

infrastructure, including the level of competition, the existence of credit bureaus, and the strength of the legal framework (Hartarska & Nadolnyak, 2008).

Regression Analysis

Model Summary

The model summary was used to determine the variation of digital credit among the residents of Nyeri Municipality in Kenya due to changes in access to information, ease of access to credit, previous loan experience, and gender. The results were as presented in Table 5.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.872[a]	.760	.755	.56707
a. Predictors: (Constant), access to information, ease of access to credit				

The study found that the independent variables, access to information, ease of access to credit, are significantly associated with the use of digital credit in Nyeri Municipality in Kenya. The findings showed that these variables accounted for 76% of the variance in the use of digital credit among the study population, with an R-squared value of 0.760.

The high R-squared value indicates that the model with these two independent variables provides a good fit for the data and that these variables are important predictors of digital credit usage. This finding is consistent with previous research that has found that access to credit, financial literacy, and gender are critical factors in promoting financial inclusion and digital financial services usage (Seyoum & Bessler, 2020). These variables are also closely linked to the development of the financial system, which can be a powerful tool for economic growth and poverty reduction (Demirgüç-Kunt & Klapper, 2013).

However, the remaining 24% of the variance in digital credit usage suggests that other factors not considered in this study are also significant determinants of digital credit usage in Nyeri Municipality. For instance, factors such as income level, technology adoption, and digital literacy may also influence digital credit usage among the study population (Seyoum & Bessler, 2020).

Analysis of Variance

ANOVA was used to test the significance of the model at 95% confidence interval.

Table 6: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	21.424	4	5.356	16.656	.000[b]
	Residual	97.244	302	0.322		
	Total	118.668	306			
a. Dependent Variable: Digital Credit						
b. Predictors: (Constant), access to information, ease of access to credit,						

The ANOVA results indicate a highly significant relationship between the variables under investigation. The significance value of 0.000 was much lower than the pre-selected level of 0.05, indicating that the data was suitable for making conclusions about the population under investigation. The findings show that the variables being examined, are significantly associated, and that the relationship between them is unlikely to be due to chance.

Moreover, the calculated F-statistic (16.656) was greater than the critical F-value (2.402) from the F-distribution tables. This indicates that there is a significant difference between the means of the

groups being compared. The result suggests that there is a statistically significant relationship between the variables, and the model can be considered to have a good fit. This finding has important implications, as it provides support for the use of the statistical model and suggests that the data collected is useful for making inferences about the population.

Beta Coefficients

The beta coefficient reflects the strength and direction of each variable's impact on digital credit, and the significance of the coefficient reflects whether the impact is statistically significant.

Table 7: Beta Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1(Constant)	1.466	.357		4.103	.000
Access to Information	.282	.065	.115	4.388	.007
Ease of Access to Credit	.384	.099	.349	3.872	.001

a. Dependent Variable: Digital Credit

From the results in Table 6, the regression model was fitted as shown below;

$$Y = 1.466 + 0.282X_1 + 0.384X_2$$

Access to information had a positive and significant impact on digital credit (beta = 0.115, p = 0.007). This suggests that residents who had greater access to information were more likely to use digital credit. This finding is consistent with previous studies that have shown that access to information and communication technologies (ICTs) are important factors in promoting financial inclusion (Chib, Lwin, & Ang, 2017; Masiero & O'Brien, 2016). Access to information helps people to understand the benefits and risks of digital credit, which may increase their confidence and trust in using digital financial services.

Ease of access to credit also had a positive and significant impact on digital credit (beta = 0.349, p = 0.001). This finding suggests that residents who found it easier to access credit were more likely to use digital credit. This finding is consistent with previous studies that have highlighted the importance of credit access in promoting financial inclusion (World Bank, 2014). Easier access to credit reduces the transaction costs and time needed to obtain credit, which could encourage more people to use digital credit services.

Conclusions

Based on the findings of the study, it can be concluded that access to information has a positive significant impact on the uptake of digital credit in Nyeri Municipality. The respondents agreed that digital credit has provided a convenient way of accessing credit due to the ease of access to information via mobile devices. This is evidenced by the respondents' agreement with the statements regarding the availability of information on digital credit, the level of awareness of digital credit, and the influence of mobile apps and social media in the awareness of digital credit.

The results showed that the respondents agreed on average that ease of access to digital credit has had a positive influence on their borrowing. The ease of access to digital credit has created flexibility, eliminated costs, and brought convenience in accessing digital credit. It has also enabled the respondents to access credit that they could not access through the bank. The study therefore concludes that ease of access to digital credit positively and significantly influences digital credit in Nyeri Municipality.

Recommendations

To increase the uptake of digital credit in Nyeri Municipality, financial service providers should focus on creating awareness through various channels, including mobile apps, social media, and other traditional forms of advertising. Additionally, they should provide financial education programs to potential borrowers to enhance their understanding of digital credit and the risks associated with it.

Based on the findings, it is clear that ease of access to digital credit has significant benefits, including enhanced borrowing capacity, convenience, elimination of costs, and increased access to credit. To maintain these benefits, there is a need for financial institutions to continue simplifying the borrowing process for customers through digital platforms. Financial institutions should also ensure transparency in the terms and conditions of borrowing, including interest rates and repayment schedules, to enhance trust and encourage more customers to use digital credit. Furthermore, institutions can leverage alternative data sources and digital footprints to expand access to credit and enhance customer experience.

Suggestions for Further Studies

The current study focused on digital credit users in Nyeri Municipality only, and as such, it may not be representative of digital credit users in other regions in Kenya. Therefore, future studies could expand the sample to include users from other regions in Kenya to determine if the results differ based on location.

Secondly, this study only considered the influence of information access and ease of access. Future studies could investigate other factors that may influence the uptake of digital credit, such as interest rates, loan duration, and loan amounts. Additionally, future research could also explore the impact of digital credit on the financial well-being of borrowers and the long-term implications of borrowing through digital credit platforms.

Thirdly, this study focused on the experiences of individual borrowers, and did not consider the perspectives of the digital credit providers. Future studies could investigate the business models and strategies of digital credit providers, including the risks and opportunities associated with offering digital credit.

Lastly, this study used a quantitative research design, which limits the depth of understanding of borrowers' experiences with digital credit. Future studies could employ qualitative research methods, such as focus groups and in-depth interviews, to gain a deeper understanding of the lived experiences of digital credit users. This would provide a more nuanced understanding of the factors that influence the use of digital credit and inform the development of appropriate policies and regulations to protect borrowers.

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