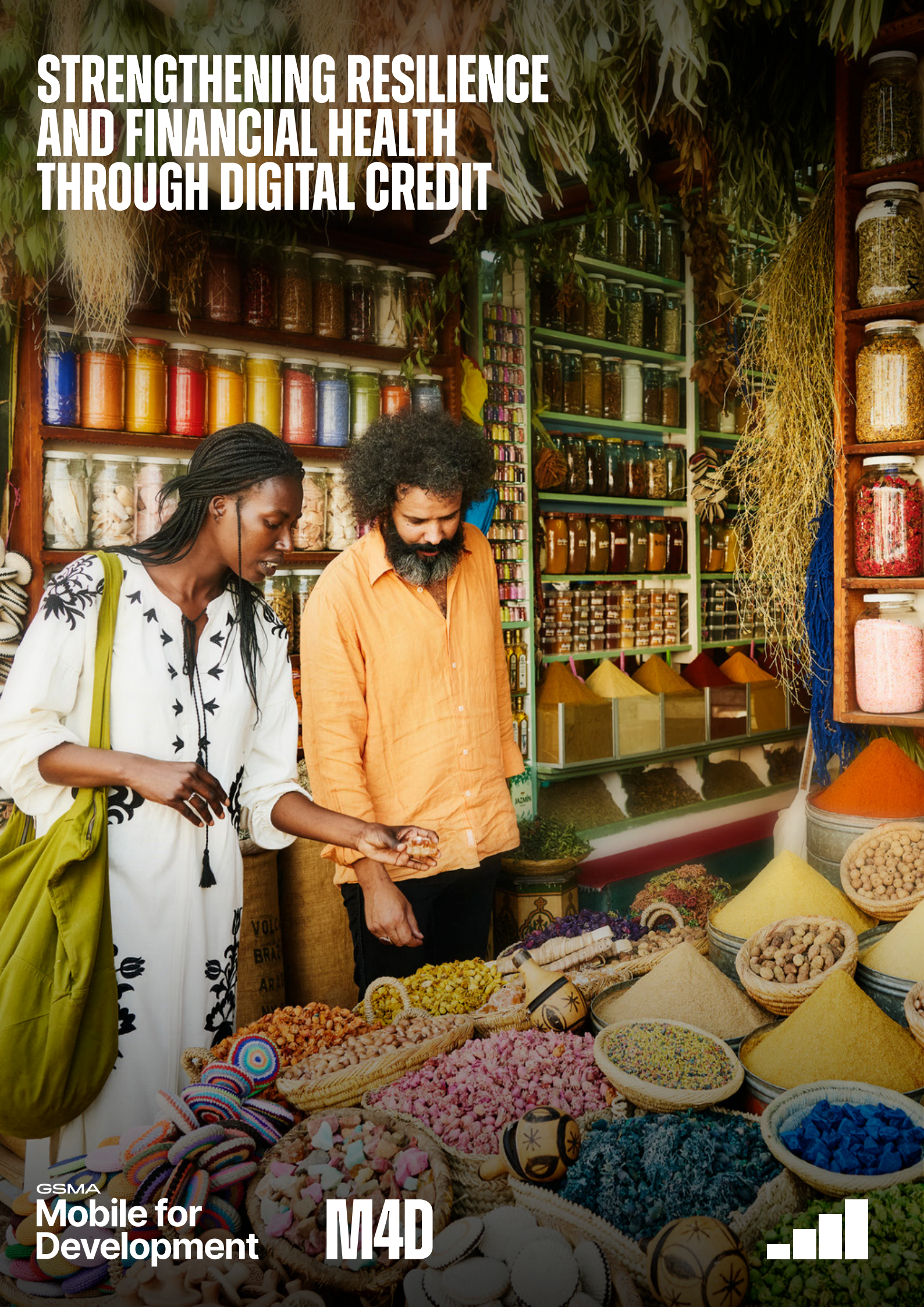


# STRENGTHENING RESILIENCE AND FINANCIAL HEALTH THROUGH DIGITAL CREDIT



GSMA  
Mobile for  
Development

M4D





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The GSMA is a global organisation unifying the mobile ecosystem to discover, develop and deliver innovation foundational to positive business environments and societal change. Our vision is to unlock the full power of connectivity so that people, industry, and society thrive.

Representing mobile operators and organisations across the mobile ecosystem and adjacent industries, the GSMA delivers for its members across three broad pillars: Connectivity for Good, Industry Services and Solutions, and Outreach.

This activity includes advancing policy, tackling today's biggest societal challenges, underpinning the technology and interoperability that make mobile work, and providing the world's largest platform to convene the mobile ecosystem at the MWC and M360 series of events.

We invite you to find out more at [gsma.com](https://www.gsma.com)

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## **GSMA Mobile Money**

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The GSMA's Mobile Money programme works to accelerate the development of the mobile money ecosystem for the underserved.

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## Introduction

As mobile money has expanded across low- and middle-income countries (LMICs), so has access to formal sources of credit via mobile money accounts. Credit is an important means of managing cash flow, smoothing consumption, dealing with unexpected shocks and enabling larger purchases or investments. Mobile-enabled credit has unlocked access for millions more adults, with easy applications, approvals in minutes and funds transferred almost instantly into a digital wallet.

Digital credit has the potential to improve resilience and financial health, giving borrowers a greater sense of well-being.<sup>1</sup> Primarily short cycle and low value, digital credit helps underserved customers solve a cash-flow problem via a formal financial service, instead of borrowing from friends and family or other informal sources. Formal borrowing also builds a credit history and financial profile, which unlock access to other financial services.

Yet, this ease of access has also increased the risk of consumer harm. Innovation in digital financial services outpaces regulation and this lag has allowed irresponsible and predatory lending platforms to proliferate. At the same time, low financial literacy has contributed to defaults, over-indebtedness and stress for some consumers, diminishing their financial health.

**As the mobile money industry matures, regulation is improving, with stronger supervisory authority over digital credit providers and a greater focus on consumer protection and data privacy.**

“Test and learn” approaches are applied in some

markets, while others mandate partnerships with traditional banks. It is crucial for financial sector authorities to strike a balance between enabling innovation for greater financial inclusion and ensuring consumer protection to support improved financial health.

The need for credit continues to outstrip provision. As mobile money transactions continue to grow, digital payments in particular, “thin file” customers are able to build a financial profile – critical data for assessing creditworthiness. Combined with advances in data analytics and AI, there is a major opportunity for mobile money providers (MMPs) to deliver tailored credit products for different customer segments, including women, micro, small and medium enterprises (MSMEs) and smallholder farmers.

Partnerships between MMPs, fintechs, banks and tech platforms are driving new innovations in MSME credit, embedded finance and buy-now-pay-later (BNPL) solutions. Backed by improved regulation, secure data sharing and instant payment systems, these new solutions can deepen consumer trust in digital credit services and build digital habits.

<sup>1</sup> For a range of evidence, see: [CEGA and IPA. \(2024\). Mobile Instant Credit: Impacts, Challenges, and Lessons for Consumer Protection.](#)



## What is digital credit?

Digital credit has three main attributes:



### Instant

credit decisions take only a few minutes or even seconds



### Automated

credit decisions are made via algorithm, not by a loan officer



### Remote

end-to-end process via a mobile device

Types of digital credit include:

- ✓ Short-cycle, low-value consumer credit
- ✓ Medium-value productive credit or cash flow loans for MSMEs
- ✓ Mobile money agent loans for set-up and/or float
- ✓ Embedded financing for BNPL offerings

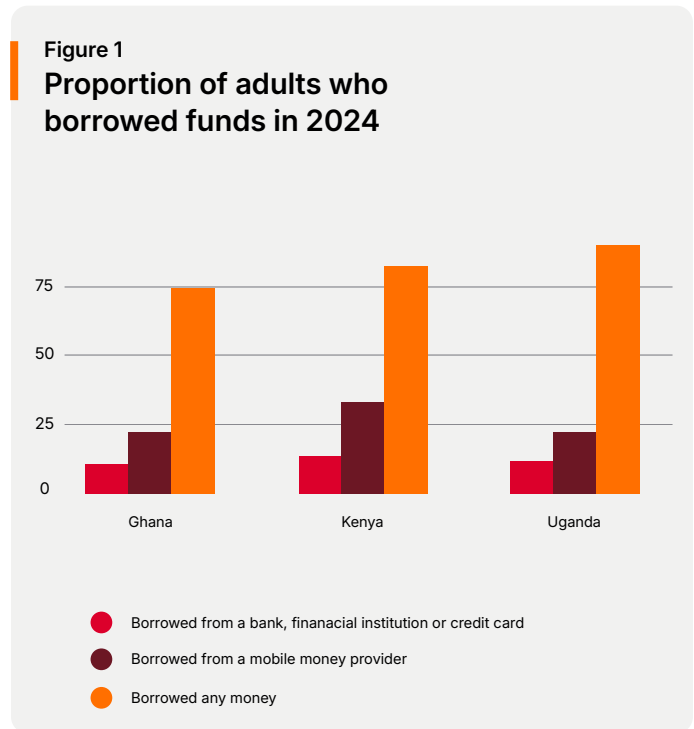
# The growth of digital credit in Sub-Saharan Africa

Uptake of digital credit has risen substantially across LMICs. According to the GSMA, 44% of MMPs offered a digital credit product in 2024, and from September 2023 to June 2024, the number of unique customers taking out a loan with an MMP increased by 50%.<sup>2</sup>

Yet, the need for credit continues to far outstrip supply. For many potential customers, borrowing from friends and family or other informal sources is less costly, but may be insufficient and introduce risks like expectations of reciprocity. The expansion of credit via MMPs, which use alternative data like mobile phone data records, top-up purchase history and mobile money transaction data to assess creditworthiness, is disrupting traditional lending models that rely on collateral. This is an important shift, opening access to credit for customers who are less likely to own assets or have a credit record, including women, youth, those living in rural areas, smallholder farmers and micro-entrepreneurs.<sup>3</sup> However, digital data does not guarantee access to credit, as credit-scoring algorithms may exclude customers that do not match a “typical” profile or have lower transaction volumes or values, such as those living in rural areas or women.

Across Sub-Saharan Africa, 70% of adults borrowed money in 2024, but only 12% used formal financial services, most of which from MMPs (7%).<sup>4</sup> This highlights the huge unmet need for affordable and responsible digital credit. Since 40% of adults own a mobile money account, MMPs in the region have a substantial opportunity to scale digital credit to their existing customers, whose transaction data providers already have access to.

In Kenya, a third of adults borrowed from an MMP in 2024 (Figure 1).<sup>5</sup>



Source: World Bank. (2025). *The Global Findex Database*.

This represents the vast majority of adults who took out a formal loan (86%).<sup>6</sup> In Uganda and Ghana, 22% of adults borrowed from an MMP, equivalent to around three-quarters of formal borrowers.<sup>7</sup> Despite greater access to formal digital credit via mobile money (and banks or other formal institutions), the vast majority of adults in these countries continue to borrow informally. Figure 1 highlights the proportion of adults in Ghana, Kenya and Uganda who borrowed money in 2024. Those borrowing informally far exceeds the proportion of adults who borrowed from formal sources. However, more adults accessed credit from an MMP than from a bank or similar financial services provider in 2024.<sup>8</sup>

<sup>2</sup> GSMA. (2025). *The State of the Industry Report on Mobile Money 2025*.

<sup>3</sup> Sirtaine, S. and Gill, I. (22 May 2025). "How digitization is disrupting collateral-based lending". World Bank Blogs.

<sup>4</sup> World Bank. (2025). *The Global Findex Database*.

<sup>5</sup> Ibid.

<sup>6</sup> World Bank. (2025). *The Global Findex Database*.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

# 2.1

## The high cost of formal digital credit

Interest rates on digital credit can be exorbitantly high. A seven-day loan advertised as costing 7–10% interest may not seem excessive, but the annualised cost of borrowing is exceptionally high (amounting to

80–100% APR excluding late fees). For low-income consumers who are borrowing to cover a shortfall or recover from a crisis, the cost of digital credit could push them into a spiral of debt.

### Box 2



### The risks of digital credit and increasing regulation

Regulation lags innovation, which creates opportunities for predatory and irresponsible digital credit providers to engage in abusive practices and harm consumers.

**Opaque or misleading terms and conditions are especially harmful for customers with low financial literacy and erodes trust in digital financial services.**

For low-income customers borrowing small amounts to address an urgent need, extra fees can cause financial stress. Without proper reporting and oversight, customers may take out multiple loans and risk over-indebtedness. Unregulated and illegal digital credit providers have also abused customer

data privacy and employed aggressive collection tactics.

In response, regulation and reporting mechanisms have been stepped up across LMICs.

For example, in 2025, **Nigeria** introduced its Digital, Electronic, Online and Non-Traditional Consumer Lending Regulations, with lenders that violate new rules facing substantial fines.<sup>9</sup>

In **Kenya**, the central bank has continued to adapt its regulations alongside provider innovations and emerging risks. These provide robust, enforceable regulation mechanisms that better protect consumers.

<sup>9</sup> Jaiyeola, T. (13 August 2025). "Digital lenders face up to ₦100m fine for unethical conduct under FCCPC new rules". *Techcabal*.

## The potential impact of digital credit

**Digital credit provides consumers with access to funds to smooth their consumption, deal with a financial shock or invest in a goal.**

For millions of consumers, the digital financial trail from their mobile money account provides a way to demonstrate creditworthiness and access formal credit for the first time. By using alternative data, digital credit providers do not need collateral or additional documentation. Credit can be assessed and scored remotely and delivered quickly, enabling underserved customers to meet their financial needs.

For women, remote access and automation can have additional benefits. Automation avoids the human biases, or potential harassment, that women often face, and adds a level of discretion and privacy that is lost when borrowing from friends and family. The ability to access credit via a mobile phone, without having to travel, saves time and money. Mobile access also benefits women with domestic and childcare responsibilities.



**Well-designed and delivered digital credit products can provide underserved customers with the tools they need to manage their finances. This should include credit-scoring algorithms that are audited for gender bias to ensure creditworthy women are not unintentionally excluded.**

**For nano-merchants, MSMEs and smallholder farmers, digital credit could unlock much-needed productive capital to grow their businesses or increase yields.**

With an estimated \$331 billion financing gap in Sub Saharan Africa, access to credit is a key barrier for micro- and small merchants.<sup>10</sup> The majority of MSMEs and smallholder farmers do not have the collateral required for traditional loans. Digital credit that leverages mobile money transactions can bridge this gap, typically providing more favourable lending terms than traditional banks. However, they also tend to have a shorter repayment cycle.

**For MSMEs, access to digital credit can provide working capital to order stock or invest in equipment or materials to power their business.**

The ability to apply for credit via a mobile phone and receive funds directly into their account means that merchants do not lose valuable working hours or potential customers from visiting a loan office in person.

As the backbone of the economy, MSMEs and smallholder farmers that grow their businesses through access to credit would benefit the wider economy. Beyond person-to-person (P2P) payments, an uptick in digital merchant payments provides the crucial data MMPs need to identify merchants and offer productive credit. However, digital credit products need to be designed with MSMEs in mind, taking into account their cash flow, seasonal incomes and repayment cycles that work.

<sup>10</sup> SME Finance Forum. (15 May 2018). "IFC, SME Finance Forum Target Solutions to Africa's \$331 Billion SME Finance Gap".

# 04

## Commercial models

While demand for digital credit is high, achieving commercial sustainability can be challenging. With high levels of non-performing loans, providers commonly base their lending models on the assumption of a 30–40% default rate.<sup>11</sup>

### Partnerships are key to successful lending models.

MMPs have the scale and customer data while banks can provide the necessary capital and legitimacy. For example, MTN partners with NCBA Group (formerly CBA) in Rwanda and with Jumo in Zambia.



<sup>11</sup> See, for example: Jaiyeola, T. (11 August 2025). "From AI to credit bureaus: How Nigerian digital lenders are tackling rising defaults". *Techcabal*.

# 4.1

## What types of digital credit are available to customers?

The following are some illustrative examples of the digital credit products available to mobile money customers. While BNPL and other embedded finance

approaches are growing rapidly, this section focuses on credit as liquidity for any purpose.



### Consumer microloans

The most widely provided type of credit is low-value, short-cycle credit (typically 7–30 days). Requested via USSD short codes or provider apps, customers can apply easily using familiar interfaces. Assessment is typically based on the customer's mobile transaction data, often with a minimum six-month customer history.

**Example** MTN Rwanda's Mokash is accessed via the MoMo app or USSD code. Existing customers can borrow up to \$340 for 30 days (facilitated by NCBA) for a 9% fee. This is added to the principal amount. If unpaid after 30 days, an additional 9% fee is added to the outstanding balance.



### Continuous overdrafts

Provided to mobile money account owners to complete a transaction even if they do not have sufficient funds, up to a certain limit. Repayment is automatically deducted when funds are deposited into the account.

**Example** Safaricom Fuliza is an overdraft available to registered and active adult M-Pesa users who have had an account for at least six months. With 9.1 million active users,<sup>12</sup> it is one of the most popular, easy-to-access loan offerings. For a 1% one-time access fee, customers can

avoid shortfalls in their M-Pesa account, free for the first three days, after which a variable daily rate is applied. Repayments are automatically deducted from deposits into the M-Pesa account. Fuliza is offered in partnership with KCB and NCBA, and regulated by the Central Bank of Kenya, with credit limits calculated based on the customer's transaction history with Safaricom. Although convenient for customers, it is expensive.

<sup>12</sup> Safaricom PLC. (2025). *Results Booklet: Unaudited accounts for the six months ended 30th September 2025*.



## Agent float loans

Designed to ensure mobile money agents can always complete a customer's transaction. These loans are typically provided for float and, in some cases, to cover agents' set-up costs.

**Example** Airtel Easy Float in Uganda is offered in partnership with FINCA Uganda and Kuunda. It allows Airtel Money agents with a consistent

transaction history to maintain liquidity with instant access to working capital. This ensures uninterrupted service for Airtel Money customers. There is typically a flat fee of \$0.08 for a 48-hour loan, after which late payment penalties apply.<sup>13</sup> Payments are automatically deducted from float top-ups and commissions.



## MSME loans

Leveraging mobile money transaction data such as cash flow and merchant payments received, MMPs can assess the creditworthiness of MSMEs.

**Example** Safaricom Taasi Till is a small digital credit loan designed for MSMEs with

a Pochi la Biashara account. Offered in partnership with Pezesha, loans have an access fee of 2.76% of the principal amount. If not repaid, a penalty of 1% is charged per day for seven days.

<sup>13</sup> KCB Bank. (n.d.). "Agent Float Loan".



## The evolution of digital credit

➤ **From stand-alone apps to embedded finance**

While these are still dominant, especially where smartphone penetration and internet use is lower, the market is shifting towards embedded finance. This embeds credit solutions, including BNPL financing, into non-finance platforms, such as e-commerce purchases, credit for small retailers via supply chain management apps, productive credit for farmers via agri apps and financing for drivers via ride-hailing apps.

➤ **From basic algorithms to AI/ML-powered underwriting**

While earlier models used airtime purchase history and mobile money transaction volumes, advances in technology like artificial intelligence (AI) and machine learning (ML) allow for more sophisticated analysis of alternative data points to predict risk and allow for more accurate and personalised credit offerings.

➤ **From low-value, short-cycle loans to productive credit**

As lending has matured and digital merchant payments have increased, lenders have access to much richer data on MSME credit profiles. Building on this data, partnerships between MNOs, fintechs and banks are enabling higher value loans and more complex financial products to be offered to MSMEs.

# 4.2

## Responsible lending principles

Digital credit providers must balance the benefits of access to finance with strong consumer protection. These responsible lending principles provide guidance for the design and delivery of digital credit services. While regulation plays a critical role, it is crucial that providers step up their actions to lend responsibly.

### **Transparency and disclosure**

Provide clear, complete and easy-to-read information to ensure informed consent.

- Display the total cost of credit on one screen in a standardised format, including all interest rates, fees and any other potential charges.
- Present terms and conditions using words that are widely understood by the target market and in a format that is readable on small digital screens.
- Disclose all information about late payment penalties and the debt recovery process before the loan is accepted.

### **Affordability and sustainability**

Tailoring credit products to the customer's profile in terms of affordability and their expected income cycle and expenses will lower the risk of debt stress or over-indebtedness.

- Implement a robust, data-driven assessment that goes beyond simple credit scoring to evaluate the customer's ability to repay the loan without compromising their essential living expenses or resorting to repeated borrowing.

- Use alternative credit scoring systems responsibly, audit algorithms to identify discrimination (for example, by gender) or irresponsible lending patterns.
- Offer flexible credit products with tailored repayment options and avoid product features that exploit behavioural biases or encourage an endless cycle of rollovers.

### **Data privacy and consent**

Ensure cybersecurity and protocols for the ethical use of customer data are in place.

- Prevent data breaches with encryption and access controls to avoid unauthorised sharing and misuse of data, such as shaming of debtors.
- Implement processes to gain customers' explicit and informed consent for the collection, processing and sharing of all personal and device data.
- Limit data requests to only what is strictly necessary for the credit assessment and service provision.
- Ensure consumers are given the right to access, correct or object to the use of their data.



## Ethical debt recovery and redress mechanisms

Debt-recovery practices must be non-abusive, respectful of human dignity and compliant.

- Strictly prohibit harassment, intimidation, shaming, defamation or any attempts to access a borrower's social contacts for collection purposes without explicit and separate legal authorisation.
- Explore fair and constructive solutions with borrowers struggling to repay, such as extended repayment plans or restructuring.

- Ensure grievance and redress mechanisms are low cost, easy to access and effective to address customer complaints.
- Ensure timely reporting to national credit bureaus in line with regulatory requirements.

### Box 4



#### Innovations in responsible digital credit

##### For example:

- Require borrowers to take a brief quiz on terms and conditions (T&Cs) before they can get their loan.
- Ask customers short precise questions to determine affordability, the purpose of the loan and repayment plan.
- Automate the recommended loan amount based on responses to these questions.

Unlike digital payments, which should be seamless, digital credit with “positive friction” benefits both consumers and providers.

- Message customers when their loan is soon to be due and remind them to fund their accounts, providing options to set aside a portion of their account balance to cover future payments, to repay early for a discount or to ignore the alert.
- Delay late-night loan requests until morning and provide options to block gambling

## Box 5



### Innovations to boost repayment rates

High levels of non-performing loans make borrowing risky for providers and expensive for customers. Finding innovative ways to increase customer repayments is crucial, especially as short-cycle, high-interest loan rates escalate over a one-year period (some in excess of 100%).

Evidence shows that offering default borrowers a structured repayment plan, which breaks down the cost into weekly instalments,

substantially improved repayment rates. Borrowers were 57% more likely to make any payments and 41% more likely to settle their debt completely compared to the comparison group.<sup>15</sup>

**Innovations like caps on fees are key to making repayments feasible for struggling customers and for building a more robust lending portfolio.**

Source: Center for Financial Inclusion <sup>14</sup>



<sup>14</sup> Center for Financial Inclusion. (February 2024). *Positive Friction for Responsible Digital Lending: A Call to Action*.

<sup>15</sup> Burlando, A. et al. (24 October 2025). "Helping Borrowers Recover from Loan Default: Evidence from Sub-Saharan Africa". Innovations for Poverty Action.

# 5

## A practical framework for sustainable growth

### **Implement progressive regulation**

- Use adaptive test-and-learn approaches to enable innovation, evolve alongside it and respond to new developments and risks.
- Apply proportionality to the product and provider.

### **Innovate for key market segments**

- Design for the specific needs of key market segments, including MSMEs and customers with low literacy.
- Use gender-intentional approaches in design and delivery.
- Take a customer-centric approach.

### **Embed consumer protection**

- Embed consumer protection in credit products and services.
- Use simple and clear language for terms and conditions.
- Include points of positive friction and embed AI chat functions to answer customer questions throughout the loan cycle.

### **Leverage digital payment data**

- Leverage data-driven approaches based on digital payments and alternative data.
- Use well-designed AI for more tailored credit products that are suitable for the customer.
- Audit algorithms for bias and unintended exclusions.

### **Partner with ecosystem players**

- Build partnerships for scale across finance, tech and data.
- Enable open APIs for embedded finance.
- Work alongside regulators and consumer bodies to ensure market compliance.

# 6

## Charting the path forward

Digital credit has emerged as a powerful force for inclusive financial services. There is a huge unmet need for financing across LMICs, and digital credit is evolving to meet it, leveraging vast amounts of customer data to deliver faster and more tailored credit products.

Commercial sustainability depends on delivering responsible, appropriately priced credit products that are designed to meet customer needs. If costs

are too high, customers are likely to borrow informally. Without reliable consumer protection, customers are likely to revert to borrowing in cash. For digital credit to scale, responsible lending principles must be fully integrated in the design and operationalisation of credit services. This will balance ease of access with appropriate friction points to enhance consumer protection, deepen trust and build lasting digital habits that improve financial health.



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