Strathmore UNIVERSITY

IMPACT OF MOBILE LOAN CREDIT DURING THE COVID-19 PANDEMIC IN KENYA

ODUOR SANDRA ODERA 100582

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the Research Project contains no material previously published or written by another person except where due reference is made in the Research Project itself.

Sandra Odera Odior ..... [*Name of Candidate*]

..... [*Signature*]

10/02/2021 ..... [*Date*]

This Research Project has been submitted for examination with my approval as the Supervisor.

Dr. Evans Otieno Omondi

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LIST OF ABBREVIATIONS

UNDP	-	United Nations Development Program
UNESCO	-	United Nations Educational Scientific and Cultural Organization
KCB	-	Kenya Commercial Bank
GPS	-	Global Positioning System
CRB	-	Credit rating Bureau
NBFI	-	Non-Bank Financial Institution
CBA	-	Central Bank of Africa
GDP	-	Gross Domestic Product
ILO	-	International Labour Organization
OECD	-	Organization of Economic Co-operation and Development

ABSTRACT

This study sought to investigate the impact of mobile loan credit during the Covid-19 Pandemic in Kenya. The specific objectives included investigating factors fuelling mobile loan uptake during the pandemic and investigating the effects of the pandemic on loan repayment. A total of 352 participants from Buruburu were randomly selected to form the sample of the study. The response rate was 100% with majority of respondents falling in the age groups of 30 and below (53.41%). A descriptive cross-sectional research design was adopted. The data was collected by using pretested, structured interview based questionnaires and analysed using SPSS version 20. The study established that employment amongst the youths is still a problem as the youths were the most borrowers with a percentage of more than 53.41%. The COVID 19 pandemic has made more Kenyans to borrow mobile loans as 42.90% of the respondents had never borrowed before the pandemic. This study recommends that the government should create more employment opportunities for the youths by investing in and promoting Jua Kali sector. This will reduce the dependence rate on mobile loans amongst the youths and negative CRB listing.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

With the advancements in technology and in particular the increasingly widespread availability and use of smartphones, financial firms have leveraged trends in mobile phone usage to harvest profitable opportunities (Ayanyemi, 2020). Among the numerous innovations in the fintech industry is the emergence of mobile loans that have been made available through credit platforms such as mobile loan apps and websites optimized for mobile devices (Ayanyemi, 2020). A mobile loan is defined as any loan someone applies for with a mobile device connected with a wireless network.

Mobile loans have a variety of advantages including ease of access to loans, fast processing of loan applications, and offer more privacy as compared to the conventional ways of accessing a loan. The most conspicuous advantage, however, is the ability of these mobile loans to be issued out without any collateral. It is a standard requirement for banks to issue out loans on collateral which makes loans unaffordable and inaccessible to many. These credit platforms offer both personal and business loans thus making it possible for businesses that would otherwise not qualify for loans from traditional financial institutions access loans to improve their fund flow or short-term investments (Ayanyemi, 2020).

1.2 Statement of the problem

Coronavirus disease (Covid-19) pandemic is reported to be the greatest global challenge since the second world war. The pandemic leaves Africa vulnerable seemingly because advanced economies are the majority of consumers of their goods and services. The Kenyan government has come up with strategies and state interventions to cushion the economy from shocks. These interventions which include tax reliefs and disbandment of funds for the elderly, orphaned, and persons with disabilities aim to propel the economy, ensure the security of jobs as well as increasing the disposable income of consumers (Gitonga, n.d.). Household and business spending is estimated to drop by about 50 % leading to a reduction of money in circulation (Sahil, 2020). In a bid to eliminate non-essential expenses, employers have laid off some of

their employees while others receive pay cuts. The informal sector, which accounts for 83.6 % of the total employment created in 2018, is likely to be the most affected (Were, 2020). The informal sector consists of casual laborers and self-employed.

Evidently, the demand for money is expected to increase as many face urgent and unprecedented financing needs due to Covid-19. Lockdowns and social distancing are the leading accelerators of the consumption of digital financial services (Allmen et al., 2020). Kenyans have poor saving habits with most living from paycheque to paycheque. Mobile lending apps provide instant loans and aids in dealing with volatile incomes and emergencies that need an immediate response. Therefore, there exists a possibility of Kenyans running to digital loans for survival during these hard times.

1.3 Objectives of the study

1.3.1 General objective

To investigate the impact of mobile loan credit during the Covid-19 Pandemic in Kenya.

1.3.2 Specific objectives

1. To investigate the factors fuelling mobile loan uptake during the Covid-19 Pandemic.
2. To investigate the effects of Covid-19 on loan repayment.
3. To investigate the relationship between the social impact of Covid-19 and factors influencing uptake of digital loans.

1. 4 Research Question.

1. What are the factors fuelling mobile loan uptake during the Covid-19 Pandemic in Kenya?
2. What are the effects of Covid-19 on repaying the mobile loans
3. What is the relationship between the social impact of Covid-19 and factors influencing uptake of digital loans

1.5 Justification of the study

COVID-19 pandemic came unexpectedly and has caught most Kenyans off-guard. The pandemic has hit hard and disrupted the lives and economies of not only Kenyans but the world

at large. The effects have left Kenyans with poor saving habits vulnerable financially with no means of additional income. Digital loans are known to offer credit without collateral hence pose as a 'way out' during difficult times.

Although research on Fintech is still at its infancy stages, there are several reports that look at how fintech evolved, its advantages over formal banking, and its effects on the banking industry. In addition, there exist studies that investigate factors influencing the adoption of mobile banking and financial services. To my knowledge, no study has attempted to investigate the relationship between Covid-19 and mobile loan credit.

1.6 Significance of the study

The study will provide results and views that will likely be of interest to several players. Exploring the impact of Covid-19 on credit may benefit banks and other financial service providers in improving their services and tailoring them to meet customer needs which will sustain and improve their client base and profitability. The study will be useful to researchers and educators as it will provide a base for further studies on mobile lending-related topics as well as add on the already existing studies and research on digital lending topics.

1.7 Limitations of the study

1. Financial constraint: Insufficient fund tends to impede the efficiency of the research in sourcing for the relevant materials, literature or information and in the process of data collection (internet, questionnaire and interview).
2. Time constraint: The researcher will simultaneously engage in this study with other academic work. This consequently will cut down on the time devoted for the research work.
3. Since it is difficult to generalize the result to the source population, this study shares the limitations of none probability sampling technique.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

With the expectation of offsetting increased consumption of financial services, the pandemic has also highlighted the unequal access to digital infrastructure and limits the growth of the smaller players in the industry (Allmen et al., 2020). Even before the pandemic, the shift towards digital financial services assisted in the advancement of financial inclusion and especially benefitted the low-income households and small firms with little to no access to traditional financial institutions. Just like the 2003 SARS pandemic which accelerated China's launch of digital payments and e-commerce, the Covid-19 pandemic is likely to follow suit. The frontiers in this shift are Africa and Asia (Allmen et al., 2020). There is, of course, variations across countries. Ghana, Kenya, and Uganda are the front runners in Africa while the Middle East and Latin America use digital services more moderately. This section extensively captures the economic and social impacts of the pandemic, provides relevant literature on factors affecting loan uptake both globally and locally, and discusses the conceptual framework that links the various study variables.

2.2 Economic impact

Since the outbreak of Covid-19, the virus has spread to over 200 countries and disrupted global economic growth trimming it by 3-6% (Allmen et al., 2020). The current levels of unemployment, which have not been seen or recorded since 1930 during the great depression and coupled with the labor deficit due to lives lost raise the risk of a global economic recession. The aftermath of this being increased poverty levels, upended lives and derailed careers. Depending on the extent to which the economy will downturn, a drop of 13% in global trade could be recorded affecting trade-dependent developing and emerging economies (Jackson et al., 2020).

2.2.1 Disruption of business

Economies of the majority of countries experienced a drop in the GDP between 0.3% and 5.8% (Allmen et al., 2020). Preliminary data indicates a fall of 5% in the U.S. GDP during quarter one of 2020 making it the largest quarterly decline in GDP since the fourth quarter of 2008 during the global financial crisis (Allmen et al., 2020). The Eurozone economy contracted by

3.8%, the largest quarterly decline since the onset of the series in 1995 (Stott, 2018). The UN Economic Commission for Africa estimates a drop of 1.4% in economic growth as a result of the coronavirus (*Articulating the Pathways of the Socio-Economic Impact of the Coronavirus (COVID-19) Pandemic on the Kenyan Economy*, 2020). Corporations are holding off on investments, laying off furloughed workers, and others filing for bankruptcy.

From the onset of the Coronavirus pandemic, there has been a loss of a third global demand for oil (Nawaz, 2020). There was uncertainty among oil traders but the initial drop in prices is due to Russia refusing to cut oil production which resulted in Saudi Arabia flooding the market with crude oil and offering extraordinary discounts to buyers (Nicola et al., 2020). Oil prices plunged from $17.85 to -$37.63 on 20th April, a drop of more than 300% (Nawaz, 2020).

It is no doubt that the tourism sector has been one of the most affected sectors by the COVID-19 pandemic. Air travel has been halted, hotels are deserted, and strict restrictions on movement imposed by almost all countries. According to the world tourism and travel council, 50 million jobs in the global travel and tourism sector may be at risk (Nicola et al., 2020). According to the Kenya Tourism Federation (KTF), some hotels on the Coast have occupancy rates below 10% which necessitates their closure, and staff are sent home on unpaid compulsory leave (*Articulating the Pathways of the Socio-Economic Impact of the Coronavirus (COVID-19) Pandemic on the Kenyan Economy*, 2020).

Small scale traders in Nairobi when interviewed by the Standard Newspaper, a major publishing brand in Kenya, indicated their frustrations. A shoe-shiner made 5 times less what he usually earns because of the imposed restrictions (*Articulating the Pathways of the Socio-Economic Impact of the Coronavirus (COVID-19) Pandemic on the Kenyan Economy*, 2020). Another trader expressed concerns after the primary school she used to supply vegetables to closed as a result of the government's mandate to close down all learning institutions to curb the spread of the virus. Measures taken by the government such as the closure of learning institutions have cut off an essential market from a specific group of traders (*Socio-Economic Impact Assessment in Tanzania*, 2020). These businesses include suppliers of stationeries, uniforms, textbooks, street vendors, kiosks, and small restaurants that earn most of their income from sales made to students.

Surveys conducted in China showed that many SMEs had enough cash to last up to five months of operation with a third indicating only up to one month (*THE SOCIAL AND ECONOMIC IMPACT OF COVID-19 IN THE ASIA-PACIFIC REGION*, 2020). A survey conducted in Turkey showed that 11% of large companies completely halted their operations with the number being 36% for small scall companies (*Survey on Impact of COVID-19 on Enterprises and Needs*, 2020). A study done in Lebanon revealed that 51% of enterprises had halted operations temporarily due to coronavirus and the associated lockdown measures, 40% of the enterprises reduced working hours, 36% reduced their workers and only 9% of the enterprises were operating as before the crisis (Kebede et al., 2020).

71% of MSMEs are in the informal sector and they employ 95% of the informal sector workforce (*UPDATE ON THE SOCIO-ECONOMIC SITUATION FOLLOWING COVID-19 OUTBREAK IN THE GAMBIA*, 2020). Most workers in this sector rely on daily wages for survival. The impact of their closures could be fatal to these individuals inducing millions into poverty and erasing the gains made in terms of entrepreneurial and private sector development.

From a different perspective, fear of catching the virus which leads to fear of association with others has driven private decision-makers to reduce labor force participation, close places of unemployment, disrupt trade, travel, and commerce by canceling scheduled commercial flights and reducing shipping and cargo services (*Articulating the Pathways of the Socio-Economic Impact of the Coronavirus (COVID-19) Pandemic on the Kenyan Economy*, 2020). Individuals have also reduced trips to the market, traveling, going out, and other social activities. Reduced demand from consumers hurts business owners and their employees.

2.2.2 Loss of wages and income

As the cases continue to grow in numbers, businesses are forced to lay off workers that were previously furloughed. At a global level, ILO (2020) expects 5 million to 25 million workers to lose their jobs with the labour income declining between U.S. $860 billion and U.S.$3.4 trillion. Over 47 million Americans filed for unemployment insurance between mid-March and late-June (Allmen et al., 2020). In Europe, over 30 million people in Germany, France, the UK, Spain, and Italy have applied for state support of their wages. ECA estimates that COVID-19 will cause a 48% decline in employment in Africa with 48% fewer people being lifted out of poverty (*Socio-Economic Impact of COVID-19 in Uganda*, 2020). The unemployment rate in Angola rose to 31.8% in the fourth quarter of 2019 which is expected to increase even further

given the current lockdown that limits informal unemployment which employs 72.6% of the population (*POTENTIAL SOCIAL ECONOMIC IMPACT OF COVID-19 PANDEMIC IN ANGOLA: A BRIEF ANALYSIS*, 2020). In Kenya, the Kenya Flower Council reported 30,000 temporary workers and 40,000 permanent workers were sent home on compulsory leave as demand for flowers in Europe which absorbs 70-75% of the exports has declined (*Articulating the Pathways of the Socio-Economic Impact of the Coronavirus (COVID-19) Pandemic on the Kenyan Economy*, 2020). The Gambia and Argentina recorded unemployment rates of 35.2% and 8.9% respectively which are expected to rise with the ongoing pandemic (Alzúa & Gosis, 2020). The Financial Times reported a fall in industrial output in China by 13.5% within the first two months of 2020 with urban employment surging to 6.2% (*THE SOCIAL AND ECONOMIC IMPACT OF COVID-19 IN THE ASIA-PACIFIC REGION*, 2020).

A survey that was carried out in Lebanon indicated that the rate of unemployment among the Lebanese citizens was 37% while that of the Syrian refugees was 52% for men and 26% for women (Kebede et al., 2020). The survey further indicated that 60% of the Syrian refugees were permanently laid off while 31% were temporarily laid off. The corresponding figures for the Lebanese citizens were 39% and 38% respectively. 94% of employed respondents from both nationalities reported large wage reduction, with 43% indicating a cut in wage and 52% indicating a reduction in working hours.

The poorest will be the hardest hit. The World Bank projects that at least 11 million people across East Africa and the Pacific will fall into poverty (*THE SOCIAL AND ECONOMIC IMPACT OF COVID-19 IN THE ASIA-PACIFIC REGION*, 2020). Informal workers fall under the "most vulnerable" bracket since they are not covered by government benefits or reached by rescue packages. This becomes a serious issue for counties with large informal sectors. The OECD forecast concludes that "scarring effects from job losses are likely to be felt particularly by younger workers and lower-skilled workers, with attendant risks of many people becoming trapped in joblessness for an extended period." (*Coronavirus: The World Economy at Risk*, 2020).

2.2.3 Impulse buying

Because a lot of people are panic-buying and stockpiling food, the food sector has been put under a lot of strain (*MPs in Plea to Government over UK's Covid-19 Stockpiling*, 2020). This includes food distribution and retailing. A result of this is the increased concern of food

products being in short supply. In the UK, panic buying has increased food in homes by 1bn (Nicola et. al, 2020). In Angola, panic buying is estimated to ignite speculation and increase inflation in essential goods (*POTENTIAL SOCIAL ECONOMIC IMPACT OF COVID-19 PANDEMIC IN ANGOLA: A BRIEF ANALYSIS*, 2020). Companies that deal in online food delivery have experienced busy schedules with massive bookings. In addition, food banks have been affected as donations have reduced drastically. There is a rising concern about the low-income earners and vulnerable groups who cannot afford to stockpile not having access to food especially when the stocks run out.

2.2.4 Increased expenditure

The COVID-19 pandemic has seen the closure of educational facilities in over 100 countries. UNESCO estimates that this closure has affected close to 900 million learners with widespread socio-economic implications (Nicola et al., 2020). Children from low-income families no longer benefit from the provision of free meals at school which now rests on the families along with other child-care costs.

When an income earner falls sick, the ratio of active members to dependents falls (*Articulating the Pathways of the Socio-Economic Impact of the Coronavirus (COVID-19) Pandemic on the Kenyan Economy*, 2020). The household experiences lost earnings, increased cost of care for the ill family member, and funeral costs upon death. A study conducted on eleven countries in Sub-Saharan Africa and South and Southeast Asia found that where the poor had no health insurance or other forms of universal health coverage, they took out loans from informal moneylenders or sold their assets (*THE SOCIAL AND ECONOMIC IMPACT OF COVID-19 IN THE ASIA-PACIFIC REGION*, 2020).

2.3 Social Impact

The COVID-19 global pandemic is not only a health crisis. It is a human, economic, and social crisis that is attacking societies at their core by causing deaths and suffering (*Everyone Included: Social Impact of COVID-19*, n.d).

2.3.1 Family dynamics

Protocols adopted as preventive measures of COVID-19 such as lockdowns have resulted in a rise in cases of domestic abuse in a physical, emotional, and sexual form. In the UK Refuge, one of the domestic abuse charities reported a 25% increase in calls made to its helpline since the onset of lockdown (Nicola et al., 2020). China has seen a tripling of the domestic violence cases, France reported an increase in domestic violence by 30%, Brazil estimates a 40-50% jump in cases and both Italy and Spain report rising numbers of cases (Campbell, 2018). Unfortunately, this trend is likely to continue being seen around the globe.

With the current closure of schools, the more vulnerable students may not return to the education system. In Kenya, Machakos County recorded up to 4000 teenage pregnancies in a four-month period with the figures for the whole country being feared to reach several thousands. During the Ebola outbreak, Sierra Leone reported an increase in adolescent pregnancies as a result of school closures (UNDP, 2015). Bandiera et al. (2019) found that among the Ebola-affected villages, girls were 10.7% more likely to become pregnant.

2.3.2 Vulnerable groups

In the face of a pandemic, persons with disabilities are doubly affected considering the simple fact of being a person with disabilities is a barrier to access economic means, the situation being worsened by the coronavirus outbreak (*UNPACKING THE POTENTIAL SOCIOECONOMIC IMPACT OF THE CORONAVIRUS PANDEMIC IN MOZAMBIQUE*, 2020). Persons with disabilities depend on the regular support of their family members who may have been affected financially by the coronavirus. Many children and adults with disabilities also rely on regular community-based support and/or therapeutic services which might become harder to access with social distancing measures.

Older persons are at a higher risk of serious infection and death from the coronavirus (*Everyone Included: Social Impact of COVID-19*, n.d.). This can be attributed to the chronic health conditions that are more prevalent in old age such as hypertension, cardiovascular disease, and diabetes. Older persons also depend on financial support from their family members who may be facing financial strains because of the impact of coronavirus.

2.3.3 Mental health

The Coronavirus pandemic is affecting the mental health of people leading to increased levels of stress, anxiety, depressive symptoms, insomnia, denial, anger, and fear globally (Torales et al., 2020). Not only that, but healthcare providers are also at risk of developing psychiatric disorders as a result of the stressful situation which has overwhelmed a lot of health systems. Previously done research revealed trends of profound psychological impact after outbreaks (Ho et al., 2020). A survey done in China during the initial outbreak of Coronavirus found that 53.8% of respondents rated the psychological impact as moderate or severe (Ho et al., 2020). The study revealed that 16.5%, 28.8%, and 8.1% reported moderate to severe depressive symptoms, anxiety, and stress levels respectively.

Those under quarantine and infected may experience shame, guilt, or stigma. Foreigners who are quarantined also face increased risk of depressive symptoms as they have no emotional support with them and deal with the uncertainty of repatriation (Ho et al., 2020).
Medical respondents such as paramedics, ambulance personnel, and medical practitioners who are at the forefront of the fight against the pandemic have also been seen to display increased stress levels, trauma, depression, and anxiety (Ho et al., 2020). This can be attributed to the fear of getting infected as a result of their higher exposure to the virus and passing it on to their loved ones.

In a study conducted in China on the impact of the pandemic on college students, 0.9% of the respondents experienced severe anxiety, 2.7% moderate anxiety, and 21.3% mild anxiety, with factors such as living in urban areas, the stability of family income, and living with parents reducing the risk of anxiety (Cao et al., 2020).

2.3.4 Substance abuse

Several studies have investigated the relationship between exposure to traumatic experiences and substance abuse. Gleser et al. (1981) found that alcohol consumption increased by 30% in a 2-year period following the 1972 flood at Buffalo Creek, West Virginia (Stewart, 1996). Similarly, following the Washington State volcano eruption of Mount Saint Helens, an increase in alcohol abuse was recorded. A sample of survivors of the 1977 Beverly Hills Supper Club fire was diagnosed with alcohol abuse.

Some of the reasons given for substance abuse especially during and for a period after a traumatic experience are as a coping mechanism, as a result of withdrawal effects which ultimately increase consumption and as an effect of prolonged symptoms of the traumatic experience affected by psychopathology and dependence on substances to deal with the trauma (Vlahov et al., 2004). Thus, this data suggests that exposure to trauma may lead to increased substance abuse. The COVID-19 pandemic is no exception. Aggregated stress levels and associated risk factors such as unemployment, reduced income, and a lack of social support brought about by social distancing precautions may lead to harmful alcohol consumption (Campbell, 2018).

2.4 Empirical framework

2.4.1 Factors influencing uptake of loans globally

Liu and Tai (2016) investigated the factors influencing the use of mobile payment services in Vietnam. The variables of the study included mobility, convenience, compatibility, knowledge of M-payment, ease to use, usefulness, risk, trust, and level of safety. The factors identified that influence the use of mobile payment services were mobility-convenience, compatibility, mobile payment knowledge, ease of use, usefulness, and trust-safe to use. All respondents indicated that risk was not a determining factor when they have the intention to use mobile payment services.

Dasgupta et al. (2011) reported that factors like Perceived Image, Perceived Value, Self-Efficacy, Perceived Credibility, and Tradition contribute towards behavioral Intentions towards mobile banking usage in addition to the traditional TAM variables like Perceived Usefulness and Perceived Ease of Use.

Ayanyemi (2020) established that perceived ease of use, perceived usefulness, perceived trust, mobile loan financial cost, and mobile loan self-efficacy predicted the acceptance of mobile loans by MSME in Lagos, Nigeria.

Chemingui and Laololua (2013) showed that customers are more inclined to use the service that matches their needs and behavior. The intention to use will also increase with the advantage

they are getting. The paper identifies that tradition has a negative and significant impact on the intention to use mobile financial services.

Wang et. al (2009) suggested that some of the reasons that could lead to P2P borrowing included students needing loans to study, people with disabilities needing loans, and entrepreneurs in developing countries needing capital for their businesses or startup funds.

Few, if any, current banking customers feel loyalty to their bank or existing lender and after the financial crisis, credit card users started looking for other alternatives mainly due to the 15%-plus interest rates that exasperated them and discovered marketplace lending (Moldow, 2014). The convenience offered by online platforms that lend credit is a major driver of consumption among British borrowers. For U.S borrowers, the relatively cheaper and more affordable rates that are offered influence the consumption of these digital loans (Moldow, 2014).

2.4.2 Factors influencing uptake of loans locally

Nyambura et al. (2013) conducted a study that investigated the factors that influence the usage of new technologies in low-income households in Kenya. The factors, all demographic, included age, gender, marital status, education level, and skills and were found to highly influence the usage of new technologies. Furthermore, she argued that access to new technologies does not lead automatically to its use and there are still other factors holding back customers from acceptance of mobile banking.

Omol et al. (2017) investigated the factors affecting the acceptance of mobile money applications among small- and medium-sized enterprises in Kenya. The variables of the study, demographic features, perceived usefulness, perceived ease of use, and perceived risk, were all found to significantly influence the decision to accept and use mobile money applications.

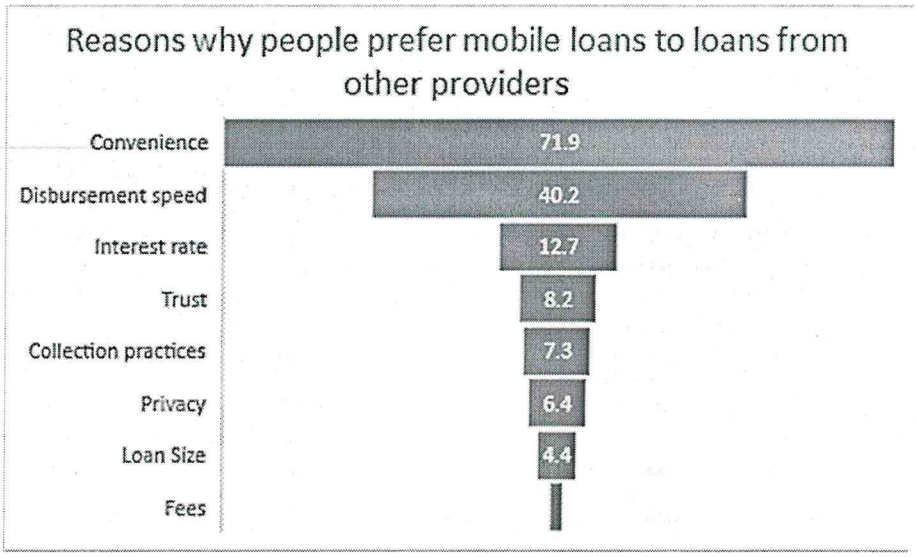
Atieno (2018) conducted s study that aimed to establish how social influence, perceived ease of use, perceived risk, and perceived usefulness affects mobile banking adoption by bank customers in Nairobi. The results showed a positive and statistically significant influence of perceived ease of use and social influence on the adoption of mobile banking. Both perceived

usefulness and perceived risk had a statistically nonsignificant influence but individually had a positive and negative effect respectively.

In a report by Gubbins and Totolo (2018), responses from a demand-side survey were analyzed and the reasons for taking mobile loans and the uses of mobile loans according to the demographic group, wealth, source of livelihood, and the providers of the most recent loans were deduced. The top three most common reasons for consuming digital loans as compared to loans from other providers were convenience (71.9%), disbursement speed (40.2%), and the Interest rate charged (12.7%). The least common reason given by respondents was for payment of fees (1.4%).

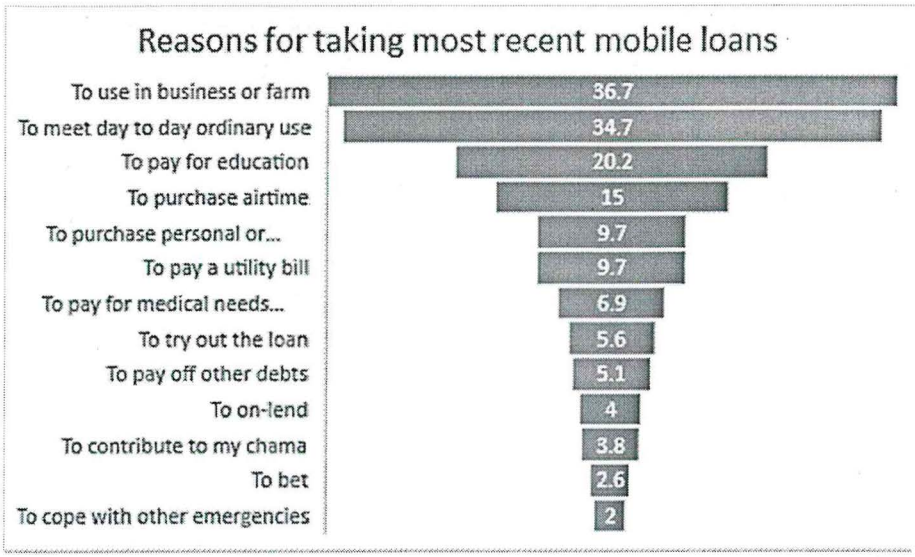
In terms of the reasons for taking the loans, 36.7% indicated for use of business or farms, 34.7% indicated for meeting daily use, and 20.2% used the loans to pay for education while only a mere 2% use the loans to cope with other emergencies. This information is represented in the graphs below.

Figure 2.1 Advantages of mobile loans



Source: Gubbins and Totolo, 2018, p.40

Figure 2.2 Reasons for taking most recent mobile loans

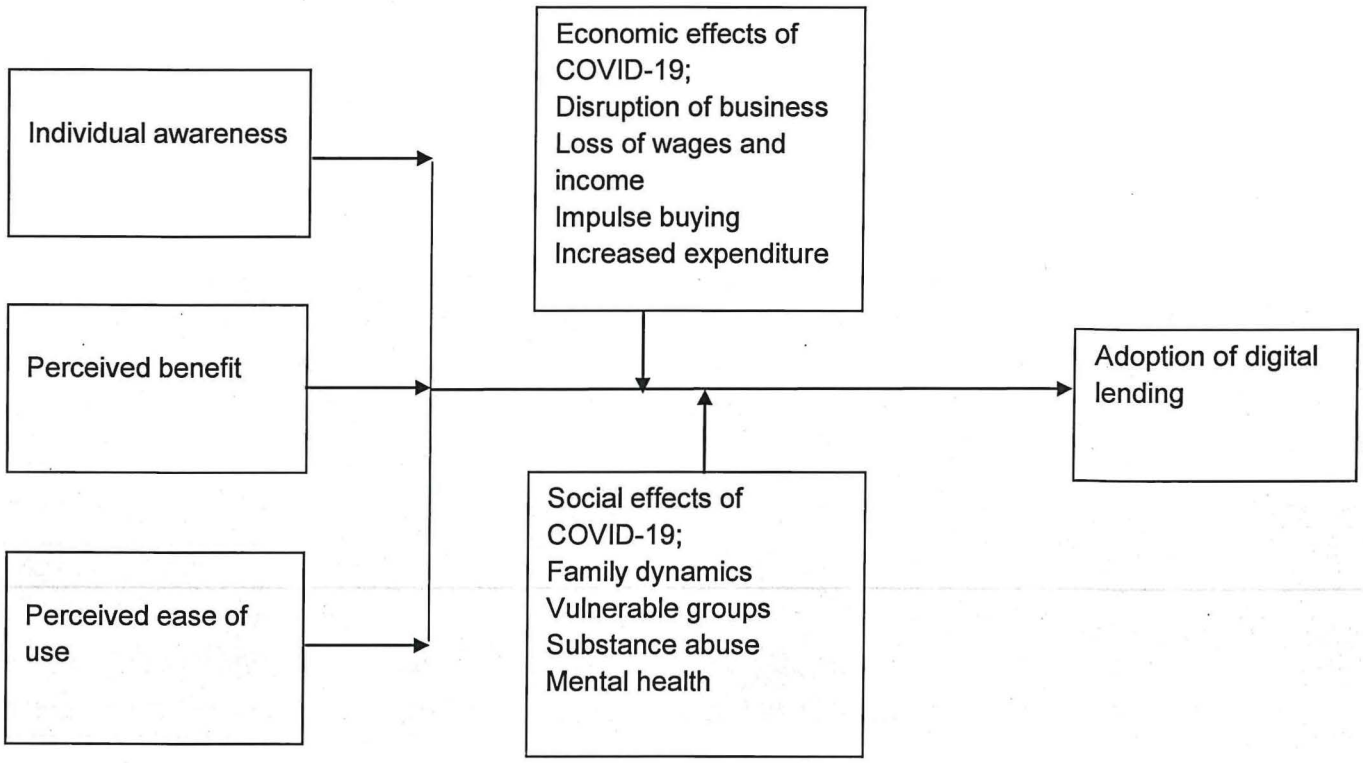


Source: Gubbins and Totolo, 2018, p.42

2.5 Conceptual framework

The conceptual framework of this study aims to assess the relationship between the economic and social effects of the Coronavirus and factors influencing the adoption of mobile financial services. These factors include individual awareness, perceived benefit, and perceived ease of use. Perceived ease of use refers to the user's ability to utilize the system without making much effort and it determines the attitude toward acceptance and adoption of new technology. Individual awareness refers to the knowledge of the existence of the system and can influence the acceptance and adoption of mobile financial services. Perceived benefit is what advantage the user gains by using the system and how compatible it is with the user's needs and has an influence on acceptance and adoption of mobile financial services.

Figure 2.3: Conceptual Framework



CHAPTER THREE

METHODOLOGY

3.1 Introduction

This section captures the research design, the area and population of the study, sampling design, and the sample size, how data will be collected, and how it will be analysed.

3.2 Research design

This study adopts a descriptive research design. A descriptive study provides a picture of a situation, person, or event or shows how things are related to each other and as it naturally occurs (Blumberg et al., 2005). According to Mugenda and Mugenda (2004), the descriptive design is a process of collecting quantitative and qualitative data in order to test hypotheses or to answer the questions of the current status of the subject under study. This research design involved gathering data that describe events and then organizes, tabulates, depicts, and describes the data. This design also helps in collecting qualitative data to provide a great depth of responses resulting in a better and elaborate understanding of the phenomenon under study.

3.3 Population and sampling

3.3.1 Population of the study

According to a report published by Gubbins (2018), over a third of the population owning mobile phones, which is approximately 7 million people, had used digital credit in 2017. These statistics serve as an indication that there exists a sizeable market for digital loan consumption in Kenya. The report identified adults in urban areas as the greatest adopters of digital credit. Nairobi has been selected for this study because about 50% of mobile phone owners have used digital credit as compared to 45% in urban areas outside Nairobi. Furthermore, Nairobi qualifies among the top three regions within the country with the highest concentration of digital credit users. This makes it an ideal sample choice. This study will be set in Buruburu.

Buruburu is found in the Eastlands part of Nairobi. Buruburu is made up of five phases identified from 1 to 5 with a total number of 4018 houses which makes up the sample frame.

3.3.2 Sample size and sampling procedure

The study will employ a simple random sampling technique of probability sampling design. This study adopts a formula by Cochran (1967) to determine the sample size.

$$n_0 = \frac{z^2 pq}{e^2}$$

Where n_0 is the sample size, z^2 is the abscissa of the normal curve that cuts off an area α at the tails, e is the desired level of precision, p is the estimated proportion of an attribute that is present in the population and q is (1-p). With a 95% confidence interval, ±5% precision, and maximum variability p=0.5 the sample size n_0=385.

Since the population is small, the sample size is adjusted using the equation

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

Where n is the sample size and N is the population size. Hence the sample size for this study will be 352. Each house will be assigned a number and 352 randomly generated numbers will be picked. 3 mobile loan firm agents from Kasway, Timiza and Ipesa were also interviewed,

3.4 Reliability and Validity

Saunders et al. (2009) defined reliability as the magnitude to which measurement of data by use of questionnaires is free from errors, consistent and produces stable results despite the test taker, administrator, or condition under which the test is administered. Internal consistency includes correlating the response to each question in the questionnaire with the others (Saunders et al., 2009). For this study, a pre-test consisting of 20 respondents will be conducted and the Cronbach's coefficient (Alpha) will be calculated using SPSS programming software

Validity refers to the magnitude to which the questions really measure the presence of the variable one aims to measure (Saunders et al., 2009). Professionals in this line of study will be consulted to assess the questions in the questionnaire for their clarity to ensure the data is valid.

A few copies of the questionnaire will also be sent out to individuals for pre-testing in order to assess how understandable the questions are.

3.5 Data collection

The study will use primary data which will be collected using questionnaires. The questions are closed-ended. The survey questionnaire consists of two parts. The first part will record the respondents' general information. The second part is further divided into 3 sections. The first and second sections will record respondents' responses towards the economic and social factors. The third section will record respondents' attitudes towards each factor using the five-point Likert scale (1 is Strongly Disagree and 5 is Strongly Agree).

3.6 Data analysis

Data was analysed using both descriptive and inferential statistics. The means and standard deviations were used to quantitatively describe the characteristics of the population and variables. Multiple linear regression analysis was used to assess the relationship between the independent variables and the dependent variable. The general model of this regression analysis took the form:

$\ddot{Y}=\alpha+\beta 1x1+\beta 2x2+\beta 3x3+\beta 4x4+\varepsilon i$

Where: $\ddot{Y}$=Dependent variable

α=Constant

$\beta 1$ - $\beta 4$=coefficient of the independent variables

X1-X4= the independent variables

εi= Error term

Data was captured on Microsoft Excel spreadsheet. It was then cleaned, coded and analyzed with Statistical Package for Social Science (SPSS). The findings were then presented in tables and charts in relation to the topic of study.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF RESULTS

4.0 Introduction

This chapter look at the results obtained from the field using the primary data collection instrument. The results are presented in tables and bar graphs according to the questions.

4.1 General information

4.1.1 Respondents gender

The findings in table 4.1 from the data obtained show that 68.18% of the respondents are male while 31.82% are female. This means that the male gender is the most affected during this pandemic period, which can be attributed to the fact that in most families, males are the breadwinners hence they are leading in taking digital loans.

Table 4.1: Respondents gender

Gender	Frequency	Percentage
Male	240	68.18%
Female	112	31.82%
Total	352	100%

4.1.2 Respondents age distribution

It was critical to know the age distribution of the respondents in order to determine the age group that uses mobile digital lending platforms mostly. The findings in table 4.2 show that majority of the respondents, 53.41%, are aged 30 years and below with those above 51 years being the least at 3.41%. This shows that the youth are the ones that are most affected during this COVID 19 pandemic period.

Table 4.2: Respondents age distribution

Age in years	Frequency	Percentage
30 and below	188	53.41%
31-39	95	26.99%
40-49	57	16.19%
50 and above	12	3.41%
Total	352	100%

4.1.3 Respondents highest level of education

The findings in table 4.3 indicate that most of the respondents, 49.15%, had reached up to tertiary college thus showing that they are well informed about mobile loaning and they are professionals in different occupations.

Table 4.3: Respondents highest education level

Highest level of education	Frequency	Percentage
Primary	47	13.35%
Secondary	103	29.26%
Tertiary College	172	49.15%
University	30	8.52%
Total	352	100%

4.2 Has the respondent used mobile money before COVID 19 pandemic?

Despite more than a half of the respondents, 57.10% having used the mobile loan before, the number gradually increased by 42.90%.

Table 4.4: Pre and post Covid-19 use of mobile loans

	Frequency	Percentage
Yes	201	57.10%
No	151	42.90%
Total	352	100%

4.2.2 Purpose of using mobile loan

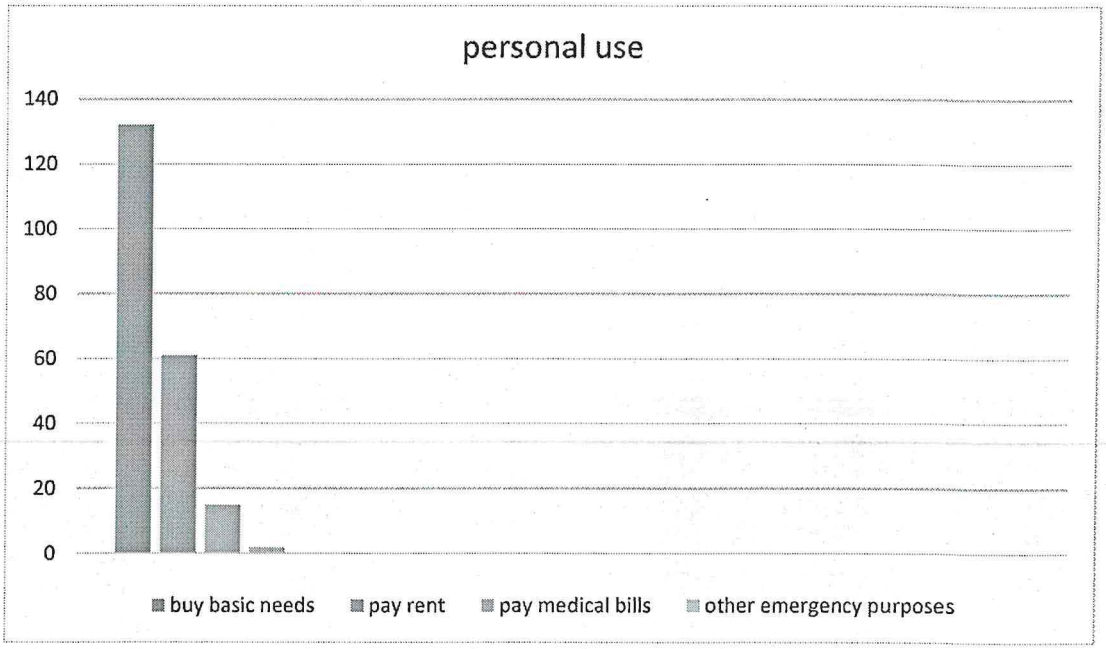
Respondents were asked to give some of the reasons they took mobile loans. Results from table 4.5 indicate that 210 respondents took mobile loan during the pandemic period for personal use such as buying food and paying bills

Table 4.5: Purpose of using mobile loan

Purpose of using mobile loan	Frequency	Percentage
To pay my workers/employees	21	5.97%
To continue running the business	121	34.38%
For personal use	210	59.66%
Total	352	100%

Figure 4.1 indicates that among the 210 respondents, 132 of them used the loan to buy basic needs, 61 of them used the mobile loan to pay rent, 15 of them used the loan to pay medical bills while 2 of the respondents used the loan for other emergency purposes.

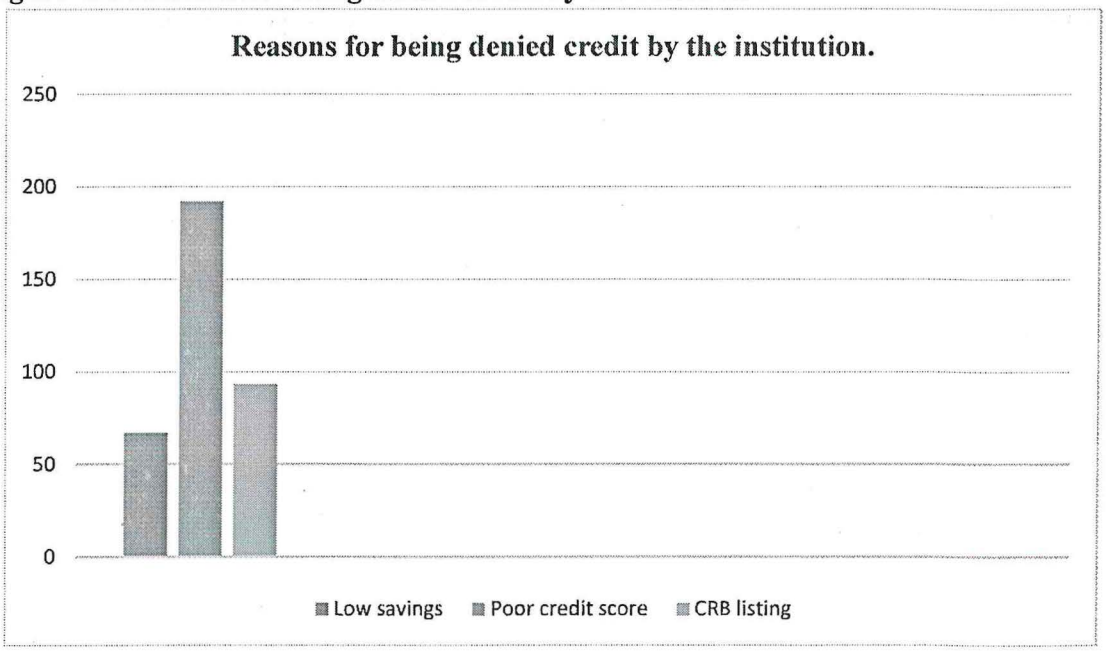
Figure 4.1: Mobile loans for personal use



4.6 Reasons for being denied credit by the institution.

From the results in figure 4.2, 192 respondents stated that they were once denied mobile loan due to poor credit score, while 67 of the respondents were once denied mobile loan due to low savings and 93 due to negative listing with CRB.

Figure 4.2: Reasons for being denied credit by the institution



4.7 Effects on the mobile loaning firms.

On interview done to the 3 mobile loan firm agents (Kasway,Timiza and Ipesa), on the repayment of the mobile loan, they both stated that most of their clients had not paid back the loan totally, some partially since the COVID 19 pandemic started. This has triggered high default rates, and this can be attributed to the reduced earnings and loss of jobs that were brought by the pandemic.

The firms' lending capacity reduced due to the unpaid loans and reduction in their income, which was brought by the COVID 19.

4.8 Correlation Analysis

Correlation analysis was conducted to test the relationship between supply flow, supply cost, sales target, cash flow, operating period, and loan repayment ability. The correlation coefficient for supply flow on loan repayment was 0.25 with p value=0.009. The value indicates the existence of strong association between business supply and its ability to repay loan. There is weak association between supply cost and loan repayment ($r=0.24$, $p=0.07$). Similarly, there is weak but significant association between sales target and loan repayment

(r=0.235, p=0.8). There is also moderate association between cash flow and loan repayment (r=0.49, p=0.41). Furthermore, there was weak association between operating period of the business and the ability of loan repayment. The below table summarizes the results.

Table 4.6: Correlation analysis

		Supplyflow	Supply Cost	Sales Target	Cash Flow	Operating Period	Loan Repayment
Supplyflow	Pearson correlation	1	0.074	-0.188	-0.3	0.261	0.25
	Sig. (2 tailed)	-	0.61	0.19	0.838	0.67	0.09
	Covariance	1.408	0.096	-0.278	-0.43	0.348	0.102
Supplycost	Pearson correlation	0.074	1	0.14	-0.131	-0.007	0.24
	Sig. (2 tailed)	0.61	-	0.333	0.366	0.963	0.07
	Covariance	0.96	1.194	0.19	-0.173	-0.008	0.027
Sales target	Pearson correlation	-0.188	-0.14	1	-0.042	0.018	0.235
	Sig. (2 tailed)	0.19	0.333	-	0.366	0.963	0.07
	Covariance	0.96	1.194	0.19	-0.173	-0.008	0.27
Cash flow	Pearson correlation	-0.38	-0.131	-0.042	1	-0.116	0.49
	Sig. (2 tailed)	0.838	0.366	0.773	-	0.42	0.041
	Covariance	0.043	0.173	-0.063	1.48	-0.159	0.002
Operating Period	Pearson correlation	0.261	-0.007	0.018	-0.116	1	0.431
	Sig. (2 tailed)	0.067	0.963	0.901	0.421	-	0.107
	Covariance	0.48	-0.008	0.025	-0.159	1.264	0.264
Loan	Pearson correlation	0.085	0.02	0.235	0.002	0.231	1
Repayment	Sig. (2 tailed)	0.559	0.87	0.1	0.991	0.107	-
	Covariance	0.102	0.027	0.298	0.002	0.264	1.04

The overall correlation between covid-19 and the ability of the business to repay loan was -.54,p< 0.05. This means that higher the spread of covid-19, the lower the ability of the

business to repay the loan. This result is shown in the following table.

Table 4.7: Loan repayment

		Loan repayment
Covid-19	Pearson correlation Sig. (2 tailed)	-.54 0.008

4.9 Regressions analysis

The study conducted a regression analysis of supply flow, supply cost, cash flow, operating period, and sales target on loan repayment ability.

4.9.1 Model Summary

Results summarized in table 4.8 indicate that in the model, 82% of the variations can be explained by the independent variables (R^2=0.82), while the remaining 18% is explained by factors beyond this study.

Table 4.8: Model Summary

				Change statistics					
Model	R	R^2	Adjusted R^2	Std. error of the estimate	R^2change	F change	df1	Df2	Sig.
1	0.901	0.812	0.791	1.022	0.812	38.89	5	45	0.008

4.9.2 Regression of Coefficient

The multiple linear regression results showed that the model, pandemic effect, was significant in predicting loan repayment, $\beta = .681$, $t(49) = 2.46$, $p < .05$. This result is shown in table 4.9.

Table 4.9: Regression of coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant 1	3.678	2.697		1.397	.175
Default risk	.681	.256	.281	2.462	.016

*Dependent variable: loan repayment

*Predictor variable: COVID-19

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter gives the summary of the research and recommendations that can be put in place to do away with the negative impacts of mobile loan credit during the Covid-19 Pandemic in Kenya

5.1 Summary of findings

There are quite a number of impacts of mobile loan credit during the Covid-19 Pandemic revealed by this research.

Employment amongst the youths is still a problem as the youths were the most borrowers with a percentage of more than 53.41%. This is despite the fact that 49.15% of the respondents had studied up to college tertiary level. This is also in line with the findings that 192 respondents stated that they were once denied mobile loan due to poor credit score, while 67 of the respondents were once denied mobile loan due to low savings and 93 due to negative listing with CRB.

The COVID 19 pandemic has made more Kenyans to borrow mobile loans as 42.90% of the respondents had never borrowed before the pandemic. This means that the pandemic has hardened the economic situation. This is in line with the finding that 59.66% of the respondents used the mobile loan for personal use and mostly to purchase basic needs.

The mobile loaning firms' profit reduced and some firms such as Lion Cash collapsed due to lack of enough funds to run their operations brought about by their clients' inability to repay back their loan. Thus, laws to facilitate smooth operation of the mobile loan firms are yet to be properly enacted.

5.2 Conclusions

This study provides novel evidence on the impact of mobile loan credit during the Covid-19 Pandemic. It is evident that mobile loaning serves as a powerful mechanism to improve the lifestyle of people. An economically meaningful effect of mobile loaning is reducing the negative impact on decreased economic activity. But the pandemic has really suppressed the activities and operation of the mobile loan lending firms.

5.3 Recommendations

The government should create more employment opportunities for the youths by investing in and promoting Jua Kali sector. This will reduce the dependence rate on mobile loans amongst the youths and negative CRB listing.

The government should reduce taxes on basic needs so as to enable its' citizens to purchase the goods cheaply hence people will minimize using the mobile loans for personal use but instead will use the loan for development projects.

The government should enact and implement clear laws on how to refund the mobile loans so as to maintain the operation of the firms. This will also encourage more investors to invest in this sector.

5.4 Room for further research

The objective of the study was to investigate the impact of mobile loan credit during the Covid-19 Pandemic in Kenya. Further study should be carried out to investigate other challenges outside the scope of this study that could be affecting delivery services in the counties in Kenya. It could also be important to find out the role of mobile loaning firms in promoting economy development.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

My name is Sandra Odera, a student at Strathmore University. I am carrying a research on "The impact of mobile loan credit during the COVID-19 pandemic in Kenya". You are kindly requested to complete this questionnaire to aid in accomplishing the study. Thank you for your cooperation and taking your time to complete the questionnaire. Please give answers in the spaces provided and by circling or ticking in the box that matches your response to the questions where applicable

PART A: GENERAL INFORMATION

1) Name of the respondent, (Optional) .....

2) What is your age bracket? (Tick as applicable)

a) Under 30 years ( ) b) 31 – 40 years ( )

c) 41 – 50 years ( ) d) Over 50 years ( )

3) What is your highest level of education qualification?

a) Post graduate level ( ) b) University ( )

c) Tertiary College ( ) d) Secondary ( )

4) Have you ever used a mobile loan during the period before Coronavirus?

a) Yes ( ) b) No ( )

PART B: STUDY VARIABLES

Section 1: Economic Variables

1.1 Disruption of Business

I have used a mobile loan:

1) To pay my workers/employees

a) Yes ( ) b) No ( )

2) To continue running the business

a) Yes ( ) b) No ( )

3) For personal use because business is low

a) Yes ( ) b) No ( )

4) For personal use because I closed my business

a) Yes ( ) b) No ( )

5) For personal use because I cannot conduct my business during lockdown

a) Yes ( ) b) No ( )

1.2 Impulse buying

I have used a mobile loan:

1) To buy in bulk before items run out of stock

a) Yes ( ) b) No ( )

2) To buy in bulk before prices increase

a) Yes ( ) b) No ( )

3) To buy in bulk and avoid going out often

a) Yes ( ) b) No ( )

4) To buy in bulk in anticipation of a lockdown

a) Yes ( ) b) No ( )

1.3 Increased expenditure

I have used a mobile loan:

1) To cater for child(ren) costs as they are out of school

a) Yes ( ) b) No ( )

2) To pay for medical bills for a family member with Corona

a) Yes ( ) b) No ( )

3) For survival because the main source of income is lost

a) Yes ( ) b) No ( )

Section 2: Social variables

2.1 Family dynamics

I have used a mobile loan:

1) To cater for medical bills due to domestic violence caused by increased stress levels

a) Yes ( ) b) No ( )

2.2 Vulnerable groups

I have used a mobile loan to take care of an old/disabled family member:

1) Because I lost all/part of my income

a) Yes ( ) b) No ( )

2) Because other family members can no longer offer financial assistance

a) Yes ( ) b) No ( )

3) Because the community/ charity programs can no longer assist

a) Yes ( ) b) No ( )

2.3 Mental health

I have used a mobile loan:

1) On activities/ things/ habits that reduce my stress levels

a) Yes ( ) b) No ( )

2) For survival after quitting/losing my job due to stress and anxiety

a) Yes ( ) b) No ( )

3) For treatment of a stress related disease acquired/worsened by the outbreak of the virus

a) Yes ( ) b) No ( )

2.4 Substance abuse

I have used mobile money to purchase drugs/ alcohol:

1) To deal with loss of a loved one from Coronavirus

a) Yes ( ) b) No ( )

2) To deal with loss of income because of the effects of Coronavirus

a) Yes ( ) b) No ( )

3) To deal with stress and anxiety caused by the lockdown and social distancing protocols

a) Yes ( ) b) No ( )

Section 3: Determinants of mobile banking adoption

Please circle one choice for each of the following statements

(1= strongly disagree, 2=disagree, 3= nor disagree nor agree, 4=agree, 5=strongly agree).

3.1 Individual awareness

I have heard about mobile loans	5	4	3	2	1
I know mobile loans exist in Kenya	5	4	3	2	1
I know what a mobile loan is all about	5	4	3	2	1
I have an idea about how to apply for a mobile loan	5	4	3	2	1

3.2 Ease of use

Applying for a loan is easy	5	4	3	2	1
Navigating through the loan System is easy and requires no formal training	5	4	3	2	1
Interacting with mobile loan service would not require a lot of effort	5	4	3	2	1

3.3 Perceived benefit

Using mobile loan would satisfy my needs	5	4	3	2	1
I find mobile loan platform a useful platform possible to obtain a loan	5	4	3	2	1
Using mobile loan would enable me to get a loan quicker	5	4	3	2	1
Using mobile loan would enable me to get a loan at a low interest rate	5	4	3	2	1