Association Overview

The Leasing Association of Kenya (LAK) is an umbrella association of asset finance and leasing practitioners in Kenya. The origin of LAK was the East, Central & Southern Africa Leasing Association which was registered in Kenya in 2003. It was an association limited by guarantee, but the name was later changed to the Leasing Association of Kenya in 2007 to better reflect the membership.

LAK's mandate is to bring together all firms and individuals engaged in leasing with the aim of developing a sustainable Leasing industry in Kenya. This mandate is achieved via the following key activities:

- Creating awareness of leasing benefits in Kenya through topical seminars, workshops, conventions, and research studies targeted at various stakeholders
- Lobbying and advocacy for regulatory reforms to improve/ increase use of leasing in the country
- Training and capacity building for lease professionals
- Self-regulation and control of ethical behavior among industry players
- Enhancing Corporate Social Responsibility as part of the association's efforts to contribute to the overall wellbeing of society beyond leasing

The Association's membership base comprises organizations from various stakeholders of the leasing market, including:

- Commercial banks
- Equipment vendors
- Independent leasing firms
- Professional firms supporting lease operations such as audit, legal, tax, insurance.

The current Directors of the Association are:

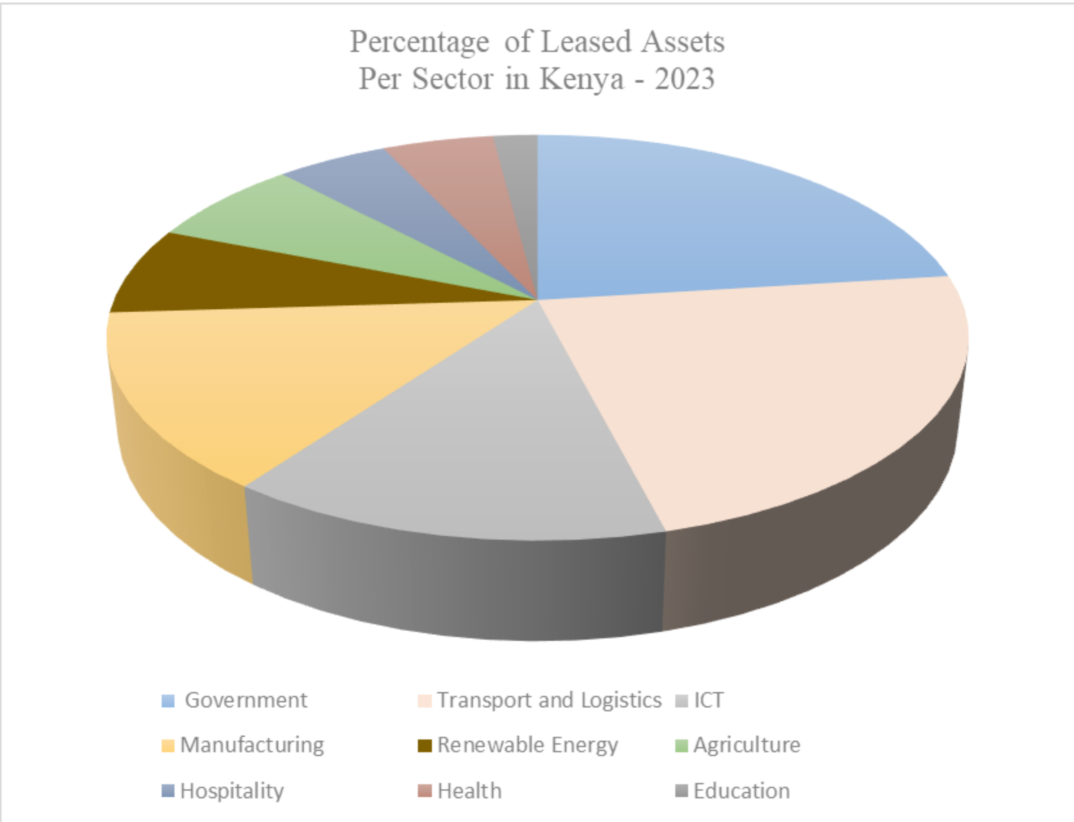
- Oscar Saina, Acting Chair
- Johan Taljaard, Treasurer
- Lucy Murage, Secretary
- Robert Nyasimi, Special Projects Director
- Lennox Mugambi, Training Director (Outgoing)
- Robert Mburu, Membership Director (Outgoing)
- Irene Karuga, Marketing Director
- Wanjohi Kangangi, Director
- Anthony Kibe, Past Chair

Market Overview

According to the Kenya National Bureau of Statistics (KNBS) Economic Survey 2024, Real Gross Domestic Product (GDP) grew by 5.6% in Kenya in 2023, compared to a growth rate of 4.9% in 2022. This is in comparison to the real GDP growth of the East Africa Community Block (EAC -5) which grew by 5% in 2023 compared to 5.2% in 2022. The growth was mainly driven by a rebound in Agricultural activities that had contracted in 2022. Agriculture contributed 21.8% to the total GDP. Some of the other key sectors that recorded significant growth were financial and insurance (10.1%), Transportation and storage (6.2%), Information and Communication (9.3%), Real Estate (7.3%) and Accommodation & Food Service Activities (33.6%).

During 2023, the Central Bank Rate (CBR) was raised to 10.5% as at June 2023 and 12.5% as at December 2023 compared to 8.75 in December 2022. This was necessitated to address inflationary pressure that was caused by depreciation of the Kenya Shilling against major currencies. This affected the average commercial banks interest rates for loans and advances. The interest rates increased to 14.63% in December 2023 from 12.67% in December 2022. This in effect increased the cost of credit to consumers and lessors who are mainly dependent on bank finance for their source of capital.

Asset Finance & Leasing Market Analysis



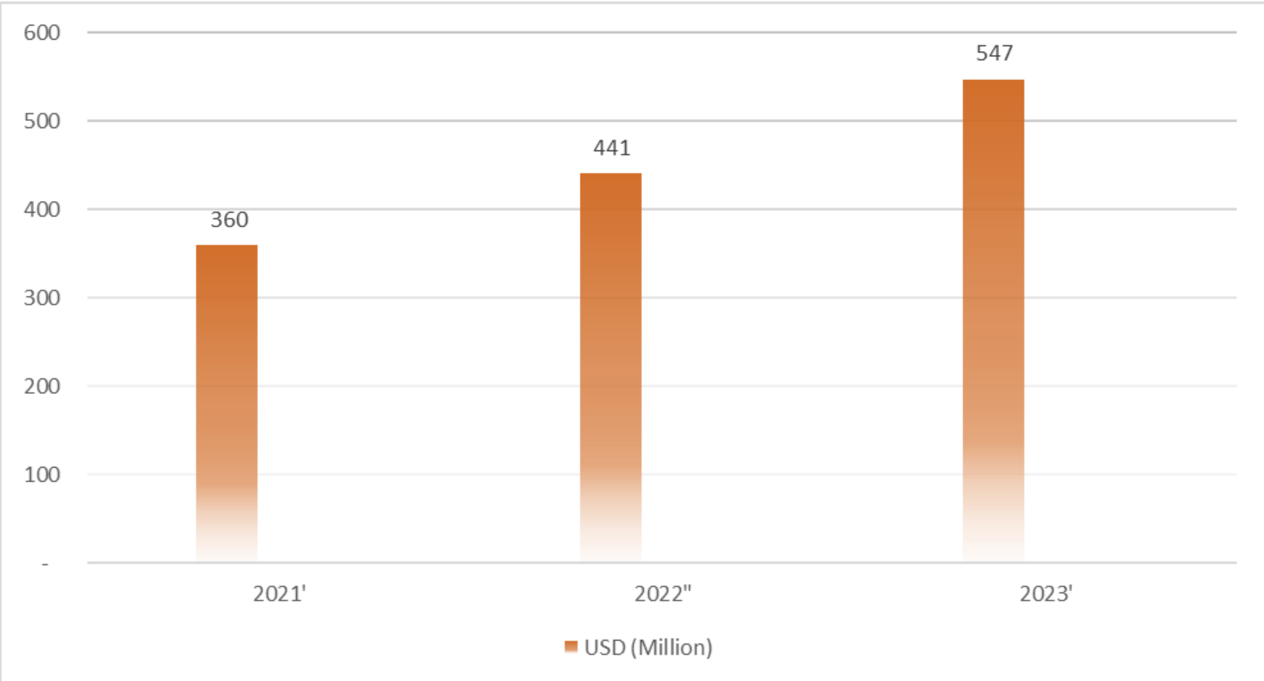
Sector	% of Leased Assets
Government	23%
Transport and Logistics	23%
ICT	14%
Manufacturing	14%
Renewable Energy	7%
Agriculture	7%
Hospitality	5%
Health	5%
Education	2%
Total	100%

The Asset Finance market in Kenya was dominated by banks and independent lessors. An industry survey conducted by the Leasing Association of Kenya (LAK) for the 2023 performance noted the total volume of business underwritten by banks and lessors in Kenya accounted for USD 547 Million. This was a 24% growth in the business volume compared to the business volume for 2022. The key highlights for the business underwritten in Kenya are below:

1. Motor assets continued to dominate the asset class accounting for over 90% of the business volume for 2022.
2. The Government of Kenya as a customer in the leasing industry held a steady position contributing 16% of the total volume of business against private sector contribution at 84%, However in the Private sector, the largest customer segment comprised Medium Enterprises classified as entities with annual turnover between USD 1 Million to USD 20 Million.
3. The total volume of business was spread among the following economic sectors; Government (20%), Transport and Logistics (23%), ICT (14%), Manufacturing (14%), Renewable Energy (7%), Agriculture (7%), Hospitality (5%), Health (5%) and Education (2%).
4. The key source of finance for the market remained bank finance for lessors and customer deposits for banks. The cost of credit therefore continued to play a significant role in driving access to finance and the overall Non-Performing Loans (NPL) Ratio. As at December 2023, the loans and advances to the financial services sector in general was 21.2% .
5. Due to higher cost of credit and reduced economic pressures, the NPL ratio in the financial services sector stood at 14.8% the highest since 2017. This consequently contributed to a decline in credit growth in the private sector which affected some of the lessors in the leasing industry.
6. Despite heightened political rhetoric in Kenya from June 2024, the asset finance market has a positive future outlook for growth due to reduction in interest rates from quarter 4 of 2024, which will impact new investments looking into 2025. In addition, with strengthening of securitization of immovable assets through the proposed amendments to Movable Properties Securities Rights Act, it is expected to impact growth of asset finance and leasing for equipment in the Kenyan market.

7. The Government of Kenya through the National Treasury and Economic Planning has developed the Government Transport Policy, 2024 to address inherent weaknesses in management of the Government fleet. To streamline the management of transport services, the Government of Kenya embarked on official motor leasing program that has run since 2014. This program is touted to have grown the leasing industry in Kenya and has allowed the Government to enjoy the unique and inherent benefits of adopting leasing in addition to other economic benefits to other stakeholders in the value chain. The program that initially started for the National Police Service has since been rolled out to other Ministries and other government agencies. This policy is expected to boost the growth of leasing, as leasing will now be adopted as a means of procurement for Government fleets.
8. Kenya has emerged as the leader in Eastern Africa's digital landscape, according to the 2023 Eastern Africa Youth Digital Readiness Index, dominating the ranks with a score of 26.75. This is driven by the significant investments made in digital infrastructure, an opportunity that further be driven through leasing as a means of supporting the infrastructure investments.
9. In recognition of the challenges and opportunities presented by climate change to the global economy, the Central Bank of Kenya (CBK) has developed Guidance on Climate-Related Risk Management for the banking sector. The aim of the Guidance is to sensitize the banking sector on mitigation of climate-related risks and harnessing of opportunities. It also offers guidance on the development and implementation of appropriate climate-related strategies and policies. This is likely to also impact the leasing sector in general as most of the capital for lessors is sourced from banks.

Market Disbursements



Data Sources:

[2024-Economic-Survey.pdf]

[State-of-the-Banking-Industry-Report-2024.pdf]

[Kenya Leads Digital Revolution, New Report Shows | CIO Africa]

Leasing Association of Kenya, Industry Statistics Survey 2023