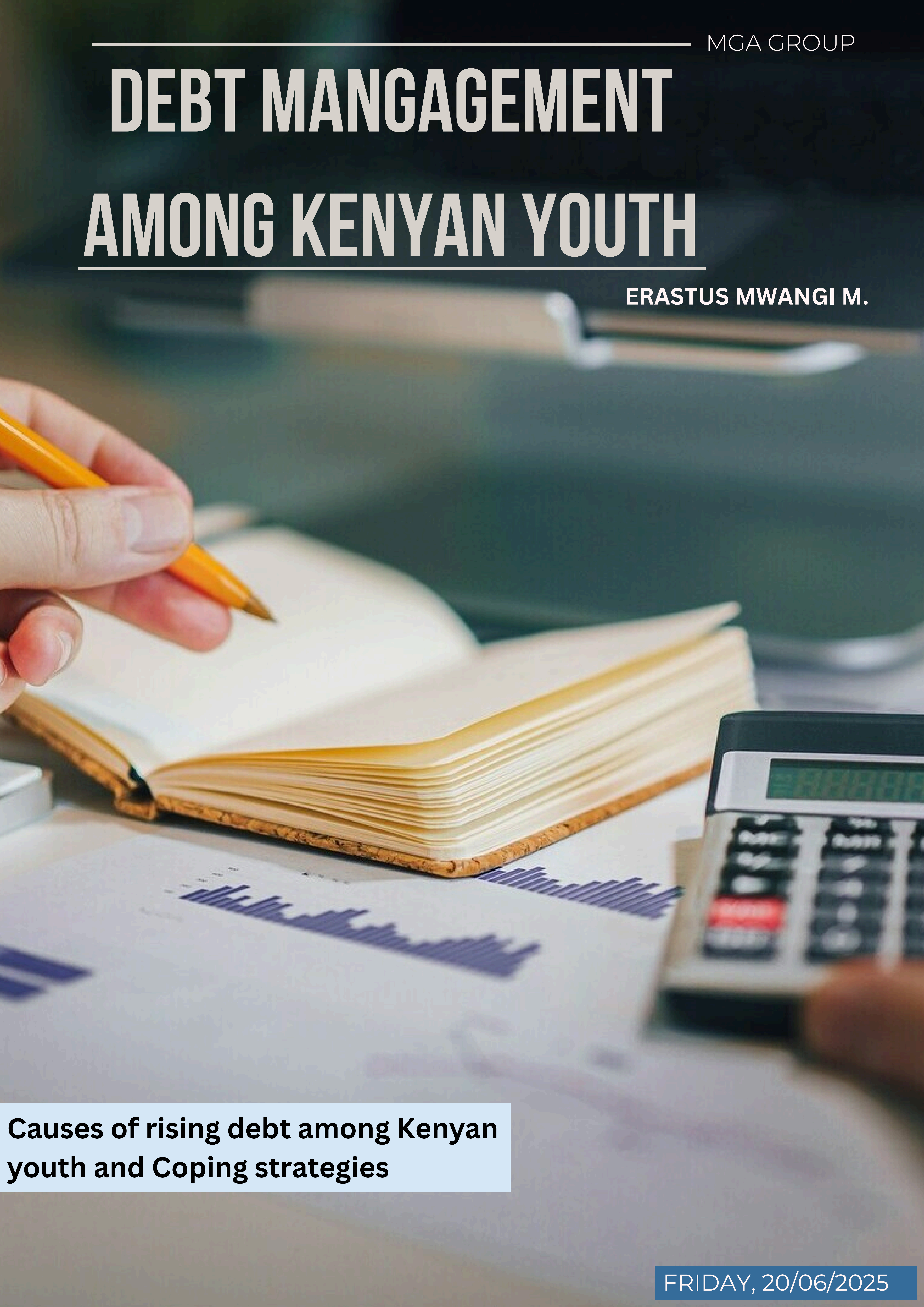

MGA GROUP

DEBT MANGAGEMENT AMONG KENYAN YOUTH

ERASTUS MWANGI M.

Causes of rising debt among Kenyan youth and Coping strategies

FRIDAY, 20/06/2025

Introduction

The issue of rising debt among Kenyan youth has become increasingly prominent, driven by a mix of economic hardship, technological convenience and social pressures. With the rapid spread of mobile lending platforms, access to credit has become easier than ever, often outpacing young people's financial understanding and earning capacity. Coupled with high unemployment rates, the soaring cost of living and limited access to formal credit systems, many youths find themselves in a cycle of borrowing to survive. This study explores the key causes behind this growing debt crisis and the various strategies young people are using to cope with its effects.

Causes of Rising Debt Among Kenyan Youth

- ***Widespread Access to Digital Loans***

Mobile lending platforms like Tala, Fuliza, and Branch offer instant, easy-to-access credit without stringent background checks. Many youths borrow impulsively or juggle multiple loans at once, leading to debt cycles and defaults.

- ***Limited Financial Literacy***

A large number of young people lack essential knowledge in personal finance—such as budgeting, credit management and understanding interest rates—making them prone to poor borrowing decisions and unsustainable debt.

- ***High Youth Unemployment and Under-employment***

With limited or irregular income from unstable jobs or unemployment, many youth are forced to borrow just to meet daily needs or fund small businesses. This is worsened by the burden of student loans, especially for those who remain jobless after graduation.

- ***Peer Influence and Lifestyle Pressures***

Social expectations, peer pressure, and social media trends encourage youth to spend beyond their means on luxury items and entertainment. Many take loans to "fit in," resulting in unnecessary debt accumulation.

- ***Rising Cost of Living***

The increasing cost of essentials—such as food, rent, transport and education—outpaces wage growth, pushing youth to rely on credit just to survive, particularly in urban areas.

- ***Barriers to Formal Credit***

Traditional financial institutions require employment proof, collateral, or high credit scores, which many youth lack. As a result, they turn to informal or mobile lenders, who often charge high interest rates and offer unfavorable terms.

- ***Inadequate Support for Youth Enterprises***

While programs like the Hustler Fund exist, many young entrepreneurs still face difficulties accessing flexible or sufficient funding due to restrictive requirements like business age or income level.

- ***Cultural and Societal Attitudes Toward Debt***

Broader cultural norms and societal perceptions about credit use and financial success may also encourage borrowing, though more research is needed in this area.

Coping Strategies Used by Kenyan Youth to Manage Debt

- ***Loan Stacking and Debt Cycling***

Some youth borrow from multiple lenders to repay existing debts, creating a cycle of borrowing that often leads to deeper financial problems and negative credit ratings.

- ***Debt Management Strategies***

Techniques include listing and prioritizing debts, communicating with lenders for repayment adjustments or consolidation, and avoiding additional borrowing. Temporarily halting investments is also used to free up cash for debt repayment.

- ***Strict Budgeting and Cost Reduction***

Many adopt tight budgets, reduce spending on both essentials and luxuries, and shift to more affordable lifestyles to manage limited resources and prioritize loan repayment.

- **Income Generation through Side Hustles and Jobs**

To supplement income, youth engage in freelance gigs, online work, or small businesses. Others actively seek employment or consider relocating for better job opportunities, including overseas programs like YESA.

- ***Financial Education and Literacy Improvement***

A growing number of individuals are seeking financial education through various online platforms, forums, and books to enhance their budgeting, saving, and borrowing skills. Additionally, some participate in training offered by institutions or government programs, including campaigns like the 'Chora Plan.

- ***Support from Social Circles***

Youth often turn to family, friends, or informal savings groups for emergency funds or support when excluded from formal financial systems or after being blacklisted.

- ***Avoidance and Evasion Tactics***

In more desperate cases, some avoid repayment by changing SIM cards, deleting apps, or using different phone numbers. However, this often leads to being listed negatively on Credit Reference Bureaus (CRBs).

- ***Emotional and Mental Health Management***

Recognizing the psychological toll of debt, some youth adopt mental wellness practices—such as mindfulness, exercise, and joining support groups. Professional counseling is sought when stress becomes overwhelming.

- ***Leveraging Institutional and Government Support***

Youth access government funds like the Youth Enterprise Development Fund and advocate for more inclusive policies, including financial products tailored to their needs and better regulation of exploitative lending.

Conclusion

Addressing youth debt in Kenya requires a combination of personal financial responsibility and systemic reforms. While many young people are taking proactive steps to manage their debt, broader efforts such as enhancing access to formal credit, improving financial literacy programs, and expanding youth employment opportunities are essential. A coordinated approach involving individuals, financial institutions, and government initiatives is crucial to breaking the cycle of debt and promoting long-term financial resilience.