



## PRESS RELEASE

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### Africa on the cusp: 23% of sub-Saharan Africa's population gets by on \$2-\$5 per day

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**Tuesday 6<sup>th</sup> September 2016, Fiji**— Africa is severely under-lent. The continent needs more credit, and it needs better credit, according to new research published today by [Financial Sector Deepening Africa \(FSD Africa\)](#). The report concludes that policymakers and donors ought to play a more active role in enabling credit markets to open up in a positive way, seizing a once-in-a-generation opportunity to leverage financial markets for upward mobility. The report is being launched at the [2016 AFI Global Policy Forum](#) in partnership with [Bankable Frontier Associates](#).

According to the report, a new class of consumers referred to as the “Cusp Group” is emerging in sub-Saharan Africa. This group accounts for 23% of sub-Saharan Africa’s population, covering a segment of active earners that straddle the formal and informal worlds and get by on \$2-\$5 per day. For this group, healthy credit markets could expand opportunity and enable upward mobility, helping to build a true middle class. However, for this to happen, credit needs to expand in healthy ways.

Commenting on the research, Juliet Munro, the Director, Inclusive Programmes at FSD Africa says: "While ‘Africa Rising’ told an optimistic story, our research is showing a more nuanced reality. What we are seeing is not an emerging middle class but rather an expanding group who are living on the “cusp” between poverty and the middle class. They have emerged from absolute poverty, but they still lack the kinds of assets, job security, purchasing power and stability we associate with middle class livelihoods. In Africa’s political and economic discourse, this ‘cusp’ group has been overlooked, drowned out by the ‘Africa Rising’ narrative."

As a strategic response to expanding healthy credit markets, FSD Africa, which exists to reduce poverty through financial sector development in sub-Saharan Africa, commissioned the research that has brought to life three very different cusper credit markets: South Africa, Ghana and Kenya.

The research reveals that, in South Africa, consumer lending to cuspers is extensive, aggressive and highly formalised. Cuspers borrow to display their wealth, while lenders compete to extend seemingly lucrative loans to cuspers whose jobs are uncertain and who have tight budgets. With bad loans mounting, lenders are forced to restructure and are stuck with overextended balance sheets. Yet, the market is not self-correcting.

Kenya reveals a different picture. The digital lending revolution there remains uncertain, with newer lending entrants offering larger starter loans, averaging around \$27 for a first-time borrower, up from \$5 on M-Shwari. Short-term loans are used by cuspers for convenience purchases and unexpected needs rather than investments. This lending revolution could unlock new value for cuspers, or it could lead Kenyan cuspers towards a “South Africa debt situation”.

In Ghana, lenders are choosing to invest in risk-free treasury bills rather than engage in much riskier consumer lending (particularly to the Cusp Group, which is made even more unstable by the country’s macro-economic situation). Cuspers are squeezed and hence borrow from a place of weakness rather than strength in order to rescue ailing businesses or avoid catastrophe rather than to finance opportunity.

Given the major shifts taking place in African economies, credit markets play an important role in shaping the destiny of cuspers. Healthy credit markets can help improve the wellbeing of cusper families in the face of economic fluctuations. It is expected that the report findings will inform regulators, donors and lenders, enabling them to take note of shifting demographics and the key importance of the Cusp Group as a market, political force, and as the future middle class.



### **About Bankable Frontier Associates**

Bankable Frontier Associates (BFA) is a global consulting firm specialising in the development of financial services for low-income people around the world. Our approach is to seek out, create and implement solutions to the challenges faced by low-income people in managing the financial matters that underpin their lives. We purposefully partner with cutting-edge financial and nonfinancial institutions that touch the lives of low-income customers. In creating solutions, we integrate our deep expertise in customer insights, business strategy, new technology and growth-enabling policy and regulation. Founded in 2006, our clients include donors, investors, financial institutions, policymakers, insurers and payment service providers. BFA has offices in Boston, New York and Nairobi. For more information, please visit: [www.bankablefrontier.com](http://www.bankablefrontier.com).

### **About FSD Africa**

FSD Africa is a non-profit company, funded by the UK's Department for International Development, which promotes financial sector development across sub-Saharan Africa. It sees itself as a catalyst for change, working with partners to build financial markets that are robust, efficient and, above all, inclusive. It uses funding, research and technical expertise to identify market failures and strengthen the capacity of its partners to improve access to financial services and drive economic growth. It believes strong and responsive financial markets will be central to Africa's emerging growth story and the prosperity of its people.

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