FINANCING THE FUTURE FROM TITLE DEEDS TO PROJECT VIABILITY

LiveBean

A call to evolve Kenya's financial sector beyond legacy, collateral-first models towards project-led foresight, cross-sector competence, and credit intelligence that is not anchored on land value.

It does not reject securitisation but argues it should be preceded by real capacity to assess economic viability, price risk intelligently, and finance sustainable, value-creating enterprises that do not come bearing title deeds.

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This piece is not a critique, but a call for strategic evolution, so Kenya's banking sector can not only lead regionally but align with the standards of the global financial ecosystem.

Banking on Collateral, Not Viability:

Urgent Need to Transition from Title Deeds to Project Economics

A recent *Business Daily* headline made it official: Equity Bank, Co-operative Bank, and NCBA now hold over KES 1.75 trillion in land and property as collateral. This is not an isolated figure, it's a mirror reflecting the prevailing mindset of Kenya's financial sector. And while it may appear to be sound risk management, it exposes a far deeper issue: a credit system built on fear, not foresight.

For all the rhetoric about supporting SMEs, catalyzing industrialisation or embracing innovation, the reality is this: much of Kenya's banking sector still operates like a white-collar pawn shop, deeply trapped in a rent-seeking model, where land, not ideas, determines who gets funded.

Let's be honest: this is not development banking. It is collateralised risk avoidance, packaged as credit expertise.

And the result is visible: the book value of collateral is rising, but so are non-performing loans, proof that asset obsession isn't translating into smarter lending.

If Kenya is to unlock real economic growth, banks must stop financing what looks safe and start understanding what creates value.

The Real Problem Lies at the Top

The core issue isn't regulation. It's the mindset of bank leadership and ownership. For decades, our banks have excelled at fee-based products, government bond arbitrage, and land valuation, but stumble when asked to evaluate a scalable agritech venture in Eldoret or a clean energy platform in Turkana.

We now have institutions that can instantly value a half-acre plot but can't build a business case for a commercially viable logistics firm or a regional agro-processing hub.

The result? Capital flows not to where it will generate the most economic value, but to where it gives the illusion of safety. It's not lending. It's white-collar loan sharking and it has been institutionalised.

And when collateral-backed projects fail (as many do), the blame is quickly placed on "macroeconomic headwinds", never on the superficial due diligence or the lack of internal credit competence. The credit models themselves are rarely, put under scrutiny.

It’s time for bank CEOs to shift focus from optics to substance, by prioritizing the development of internal teams that truly understand economic value, sector fundamentals, and project viability.

The Quiet Crisis in the Boardroom

If we are to confront this issue honestly, we must also look at the boards of our leading banks, as much of this stagnation originates from Kenya’s bank boardrooms**.**

Too many banks continue to appoint board members based on patronage, outdated credentials, or political expediency, not competence or strategic foresight. The result is boardrooms filled with well-meaning individuals adding no value and resisting change.

Very few boards include leaders who understand global capital markets, or can credibly challenge the status quo. You cannot expect to build modern financial institutions with boards that lack innovation, global perspective, or commercial depth.

Banks must radically rethink board composition, bringing in directors with:

- Global financial expertise
- Sector-specific insight (energy, logistics, technology)
- A proven track record of scaling ideas, not just governing institutions
- And most importantly, the courage to question entrenched models

Until this shift occurs, banks will remain well-governed on paper, but stagnant in practice.

The Cost of Collateral Addiction

This system continues to leave thousands of viable, cashflow-generating businesses locked out of growth, not because they are risky, but because they lack land

Meanwhile, poorly structured projects with weak fundamentals but “acceptable collateral” walk away with millions, only to end up as non-performing loans a few quarters later.

While the book value of collateral continues to rise, non-performing loans are also increasing at a disturbing rate—a clear signal that this collateral addiction is not translating into smarter lending decisions.

This isn’t just inefficient. It’s a betrayal of Kenya’s economic potential.

We cannot claim to champion transformation while using 1970s credit models in a 21st-century economy. The result is a national misallocation of capital, where the cost isn’t borne by banks alone, but by the entire country in lost jobs, stunted industrial growth, and suppressed innovation.

A Constructive Reality Check for Policymakers

To their credit, the Central Bank of Kenya and National Treasury have made meaningful strides toward financial inclusion, SME support, and innovation. The bottleneck, however, is not regulatory, it is institutional inertia within the private banking sector.

What's needed now is a coordinated push to build real project finance capacity inside banks:

- Aggressive investment in project finance skills from agriculture to infrastructure to digital enterprise.
- Short-term talent importation and global secondments, especially from institutions experienced in flow-based lending and structured finance.
- Blended finance tools and credit guarantees to underwrite viability-based lending, not just asset-backed transactions.
- Governance reforms that incentivize banks to move beyond collateral as the default risk mitigant.

These aren't policy headaches, they are investments in a more resilient, growth-oriented banking ecosystem.

Sector-Wide Discipline and Societal Responsibility with Narrative Reset

Enforce Collective Accountability on Wilful Default
As Kenya transitions to viability-based lending, the financial sector must adopt a unified stance on enforcing consequences for wilful defaulters. Regulators and bank leadership must implement consistent frameworks that discourage strategic default—through coordinated recovery mechanisms, blacklisting, and cross-institutional data sharing. This is not just about securing repayments—it's about preserving the integrity and trust essential for a functional credit market.

Reset the Social Narrative Around Default
Society must stop romanticizing financial recklessness. The glorification of wilful defaulters as 'shrewd operators' erodes the culture of honest repayment and penalizes those who act with integrity. In countries like Japan, Germany, the Nordics, and South Korea, default is met with social shame, not admiration. Kenya must cultivate a culture where responsibility and accountability—not evasion—define economic leadership.

It's Time to Build Credit Intelligence

Kenya doesn't lack entrepreneurs. It suffers from a lack of bankers and board leaders willing to back entrepreneurs who don't come bearing land titles.

If banks want to be relevant in shaping the country's economic future, they must evolve:

- From risk-averse lenders to informed risk managers
- From collateral hoarders to capital enablers
- From institutional incumbents to innovation allies
- From hoarding capital to deploying it where it creates real value

This requires courage, not just from regulators, but from CEOs, board chairs, and bank shareholders, along with socieltal reset.

In Conclusion: Grow Project Valuation Skills, Not Land Valuation

Kenyan banks must now commit to building deep credit intelligence. Invest in developing long-term, in-house capabilities. Overhauling the boards is critical, as Kenyan banks start assuming regional leadership.

Banks should still *secure and price* risk appropriately, but must prioritize project fundamentals, viability, and sector value creation over just land-based collateral. The real risk mitigant must be the rigorous understanding of economic value, not a title deed.

Because if we keep financing assets instead of analysing value and continue celebrating wilful defaulters, we won't just miss the next wave of growth; we'll be the reason it never arrives.

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