

PRESS RELEASE

CBK LICENSES THE THIRD DEPOSIT TAKING MICROFINANCE INSTITUTION (DTM) – UWEZO DTM LIMITED

The Central Bank of Kenya (CBK) has today granted a licence to Uwezo DTM Limited to carry out community deposit-taking microfinance (DTM) business. Uwezo DTM Limited becomes the first community deposit taking microfinance institution to be licensed. The Licence has been issued pursuant to Section 6(1) of the Microfinance Act, 2006 and Regulation 5(3) of the Microfinance (Deposit-Taking Microfinance Institutions) Regulations, 2008. Uwezo DTM Limited is the third DTM to be licensed after Faulu Kenya Deposit Taking Microfinance Limited, which was licensed in May 2009, and Kenya Women Finance Trust Deposit Taking Microfinance Limited, which was licensed in April 2010.

Deposit taking microfinance business in Kenya can be carried out by both nationwide and community deposit taking microfinance institutions, as indicated in the Microfinance Act 2006 and the attendant Regulations. The main distinction between the two categories is based on minimum core capital requirements and operational jurisdiction. The minimum core capital requirement for nationwide and community DTM business is KSh. 60 million and KSh. 20 million, respectively. While a nationwide DTM may establish operations in any part of the country, operations of a community DTM are restricted to specific administrative boundaries as prescribed by law. Further, community DTM business is mainly focused on a definite target market that seeks accessible and efficient financial services. In this regard, Uwezo DTM Limited will operate in Starehe Division of Nairobi City.

The establishment of community DTMs is expected to increase outreach and consequently enhance financial inclusion in the jurisdictional areas of operation. This is especially pertinent as Kenya moves to a developed governance system following the recent promulgation of the new constitution. Indeed, the licensing of DTMs has already had a significant impact in enhancing financial inclusion as is evidenced by the total value of deposits of KSh. 7.3 billion and a total loan portfolio value of KSh. 14.8 billion by the two licensed DTMs as at September 2010. Further, the two licensed DTMs have a total of thirty-four (34) branches spread through-out the country, 597,633 active deposit accounts and 510,676 loan accounts.

The Central Bank of Kenya will continue to reform policy and regulation with the aim of enhancing the level of financial inclusion in Kenya. Accordingly, the Bank is reviewing the legal and regulatory framework for DTMs to facilitate their incorporation in the recently

launched credit information sharing initiative. Credit information sharing will increase transparency amongst institutions and reduce the number of non performing loans in the sector. Further, the Bank is also reviewing the delivery channels for DTMs to enable them leverage on innovative models such as agent banking. This will reduce service delivery costs for DTMs and extend their reach to financially unserved and underserved areas.

The microfinance industry is expected to play a pivotal role in pushing forward Kenya's financial inclusion frontiers through provision of a variety of financial services. As the microfinance industry moves to new realms of increasing financial access and outreach through deposit mobilization, it is envisaged that new innovations will be introduced, leveraging on technology and a deep understanding of the niche segment targeted by DTMs.

The Central Bank of Kenya takes this opportunity once again to underscore its commitment to fostering an environment conducive for a robust, inclusive and efficient financial system. This is in tandem with Vision 2030 aspirations, which place the onus on the financial sector to mobilize savings required to underwrite wealth creation, employment creation and poverty reduction.

CENTRAL BANK OF KENYA
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