

CENTRAL BANK OF KENYA



Speech by

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at the

LAUNCH OF THE KENYA@50 GOLD COMMEMORATIVE COIN

*Kenyatta International Conference Centre, Nairobi
Monday, December 9, 2013*

His Excellency Uhuru Kenyatta, President and Commander in Chief of the Defence Forces of the Republic of Kenya;

His Excellency William Ruto, Deputy President of the Republic of Kenya;

Dr. Hassan Wario, Cabinet Secretary, Sports, Culture and Arts;

Mr. Henry Rotich, Cabinet Secretary, The National Treasury;

Cabinet Secretaries and

Principal Secretaries;

Distinguished Ladies and Gentlemen:

I wish at the outset to thank His Excellency the President for being with us this morning. The Central Bank of Kenya (CBK) is truly honoured and privileged to host His Excellency on this occasion of the launch of the Kenya@50 Gold Commemorative Coin. We are also grateful to you and the Kenya@50 Steering Committee for incorporating this launch in the calendar of events for the Kenya@50 celebrations.

Your Excellency, the commemorative coin you will be launching today is the contribution of the Central Bank to Kenya's landmark golden jubilee. The Bank has on various occasions in our country's history issued commemorative coins with some marking Kenya's 10th, 25th. and 40th independence celebrations. We therefore found it befitting to issue a Kenya@50 Gold

Commemorative Coin. The issuance of this coin will be a one-time limited edition just for Kenya's 50th birthday and will not be available for circulation.

Your Excellency

Since the Central Bank's establishment in 1966, it has walked with Kenya through the years. The Bank was set up with the core mandate of fostering price stability. This mandate has been achieved inspite of challenges that we have faced over the years such as the 1973 oil crisis, 1977 coffee boom and more recently the global financial and currency crisis of 2008 to 2011. We have continued to sharpen our monetary policy instruments and operational framework to deal with the ever emerging challenges and dynamics.

The Central Bank's core mandate has evolved from monetary policy formulation to fostering stability and solvency of the banking industry in Kenya. A recent core mandate of the Central Bank was added in 2003 to empower the Bank to oversee an effective and efficient payments and settlement system.

Your Excellency

The CBK is proud to be associated with Kenya@50 celebrations and can parade the following milestones as its contribution to Kenyans. The Bank has supported financial inclusion initiatives

to enhance access to financial services for the vast majority of Kenyans. These initiatives have been fairly successful leading to 67% of the Kenyan adult population having access to formal financial services. The level of exclusion from financial services has on the other hand declined from 39% in 2006 to 25% in 2013.

This success has been achieved through a number of specific initiatives that I will briefly highlight.

- First, the advent of mobile financial services in 2007 revolutionized access to financial services in Kenya overcoming cost and distance constraints. Kenyans have rapidly adopted mobile financial services making Kenya a global leader. On average, transactions worth over Ksh.5 billion are transacted daily on mobile phone banking platforms. The Central Bank continues to work with other public and private sector players to ensure the growth of mobile financial services while ensuring security and reliability of the services.

Your Excellency

- Second, for many years, Kenya's rural and peri-urban areas were not well served by the commercial banking sector. The Microfinance Act was therefore enacted in 2006 empowering the Central Bank to regulate and supervise Deposit Taking

Microfinance Institutions. These institutions are intended to serve the rural and peri-urban niche and particularly small and medium size enterprises. To date, the CBK has licensed 9 Deposit Taking Microfinance Institutions which have mobilised over Ksh.22 billion in deposits and lent out over Ksh.25 billion.

- Third, Your Excellency, for many years, access to credit particularly for small and medium enterprises has been hindered by the lack of physical collateral to secure loans. The CBK therefore partnered with the government and the banking sector to roll out the credit information sharing mechanism in 2010. This mechanism enables banks to share credit information on borrowers to facilitate credit risk appraisal and pricing. Borrowers are therefore able to develop information capital which they can use to secure loans without having to offer physical collateral to the banks. We have so far licensed two credit reference bureaus, while banks have accessed over three million reports from the bureaus since 2010. We are currently working with the National Treasury and market players to extend the mechanism beyond banks to other credit providers.

Your Excellency

- Fourth, one of the challenges that Kenyans have faced over the years was the long distances they have had to cover to access

banking services. Bank branches were predominantly found in urban areas with rural areas being sparsely covered. To address this constraint, the agency banking model was rolled out during His Excellency's tenure as the Minister for Finance. This model has enabled Kenyans deep in the rural areas to access banking services from their village shops. There are currently over 23,000 bank agents spread across Kenya who have transacted over 69 million transactions valued at over Ksh.367 billion since 2010.

The agency banking model has supported the expansion of Kenya's banking sector to over 21 million deposit accounts. We also note with pride that the Kenyan agency banking model has been replicated in the East African Community notably in Rwanda and Tanzania.

Your Excellency

- Finally, the Central Bank has also focused on reducing the cost of doing business. Kenya remains a cash dominant economy which has led to banks facing high costs in transporting cash across the country. To address this challenge, the Central Bank has rolled out currency centres in partnership with the banking sector outside Kenya's major cities and towns. These centres have considerably reduced the cost of cash-in-transit for banks.

In addition, to reduce the cost of doing business, CBK has worked with the banking industry to reduce the clearing period for cheques. This has been through the introduction of cheque truncation which entails a transformation from manual to electronic clearance of cheques. For many years, cheques were physically moved from across the country to Nairobi for clearing. Today, cheque images are electronically moved to facilitate cheque clearance. This initiative has seen the cheque clearance period dramatically reduced from as long as 21 days for upcountry cheques to the T+1 clearing period that we rolled out this year.

Your Excellency

The Central Bank is honoured to be associated with these initiatives aimed at taking financial services closer to Kenyans. We will redouble our efforts partnering with the Government and market players to ensure that the vast majority of Kenyans have access to affordable, secure and efficient financial services.

In conclusion, ladies and gentlemen, let me once again thank His Excellency and all our invited guests for honouring us with your presence.

Thank You