

CENTRAL BANK OF KENYA



Remarks by

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GOVERNOR
CENTRAL BANK OF KENYA**

during the

**LAUNCH OF FAMILY BANK LIMITED MOBILE BANKING
SOLUTION**

*Kenyatta International Conference Centre, Nairobi
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Mr. Wilfred Kiboro, Chairman, Board of Directors, Family Bank;

Mr. Peter Munyiri, Chief Executive Officer, Family Bank;

Board Members present;

Management and staff;

Distinguished Ladies and Gentlemen:

It is my honour and pleasure to join you this morning to formally launch the Family Bank enhanced Pesa mob! mobile banking solution. Before making my remarks, let me take this opportunity to thank the Directors and the Management of Family Bank for inviting me to make the keynote address at this auspicious event. The launch of the enhanced Pesa mob! solution is an important technological innovation that will play a critical role in driving financial inclusion. It will extend to both Family Bank customers and non customers to open virtual accounts with Family Bank and is expected to bring in a significant proportion of the unbanked population into the formal financial sector.

Ladies and Gentlemen, financial inclusion is an important aspect of Kenya's development agenda. Kenya's development blue print, Vision 2030, covering the period 2008 - 2030, envisages the financial services sector being transformed into a vibrant and globally competitive sector that will drive high levels of savings to finance the country's investment needs. The transformation entails doubling deposits mobilization from 44% to 80% of GDP and enhancing growth of savings channelled into productive investments from 14% to over 30%. This goal can be achieved by addressing the financial sector's visions objectives of enhancing financial system stability, efficiency, and expanding financial access and usage.

Under Vision 2030, there are medium term plans (MTP) set out in a series of five year plans. The first MTP was implemented between 2008 and 2012. The Second MTP (2013 to 2017) outlines the specific policies, programmes and projects that the Government intends to implement during the five year period in order to deliver accelerated and inclusive economic growth, higher living standards, increased job creation and enhanced agriculture, among others. Specifically to the financial sector, the second MTP undertakes to encourage savings mobilisation and improve resource allocation to key growth sectors.

Ladies and Gentlemen: the advent of mobile-phone financial services (MFS) in Kenya, since 2007, has played a critical role in meeting the objectives of Vision 2030, particularly enhanced access to financial services. Banks, like Family Bank, have increasingly embraced such alternative delivery channels to advance financial inclusion. As a result, the financial system is now offering an increased and more diverse range of financial services and products to more Kenyans, covering a wider geographical spread, and even going beyond Kenyan borders.

The recently released FinAccess Survey, 2013 bears witness to the gains made in enhancing the reach and coverage of financial services to Kenyans. It showed that the proportion of the adult population using formal financial services rose to 66.7% in 2013 from 27.4% in 2006. The proportion of the financially excluded on the other hand has steadily declined from 39.3% in 2006 to 25.4% in 2013. Further, the proportion of the population using informal financial services has declined from 35.2% in 2006 to 7.8% in 2013. Most telling is that the use of MFS has more than doubled from 28% in 2009

to 62% in 2013 implying a direct contribution of the increased use of MFS to the increased access to financial services.

Ladies and Gentlemen: Besides this unprecedented growth, we have witnessed increased competition and diversity in the MFS space with more telecommunication companies launching mobile money products and commercial banks increasingly partnering with telecommunication companies to offer financial services. The emergent competition has and continues to ensure cost-effective and efficient service delivery for the benefit of the majority of Kenyans and MSEs previously experiencing a dearth of financial services.

As we develop the MFS platforms, there are critical policy issues that we will continue to address regarding competition and exclusivity, interoperability and consumer protection, among others. We acknowledge that interoperability must be market driven, so that it can be most beneficial for pushing the financial inclusion frontiers forward. We will provide the necessary administrative back-up. At the same time, we encourage the practice of non-exclusivity amongst market players. We also acknowledge that consumer protection is critical in the financial inclusion equation to ensure that clients receive quality services without their consumer rights being infringed upon.

Ladies and Gentlemen: To address these policy issues:

- The Central Bank issued revised prudential guidelines which came into effect on 1st January 2013. These guidelines include new consumer protection guidelines that provide guidance on information disclosure, dispute resolution, fair treatment and customer awareness, among

others, to ensure that consumers are aware of their rights and duly protected.

- The Central Bank is also on the verge of issuing the National Payment System Regulations for the implementation of the National Payment System Act. In an effort to encourage interoperability of payment systems, we have expressly provided for participants in the payment systems to operate open systems capable of becoming interoperable with other payment systems in the country and internationally. This is intended to save on cost and duplication of systems.

In the same vein, the Central Bank has proposed in the Regulations that payment participants should share retail agents. This should however take into account establishment costs incurred by participants whose agents are to be contracted by other participants. It is envisaged that through a management body to be established under this regulatory framework, participants will agree on modalities on how to cost effectively share agents.

Ladies and Gentlemen: The development of the financial sector and enhancement of financial inclusion cannot be realized without collaborative efforts of both public and private sector players. The market participants have a critical role to develop products that are required by its segment of the market. The regulator on the other hand as a development agent will develop instruments and initiatives to help the market develop. In this regard, I acknowledge the partnership between Family Bank and its telecommunications providers for introducing innovative solutions into the financial system that has seen increased mobile phone participants. Your strategy to leverage on technology will continue to stimulate the growth of overall financial services in the industry.

The product being launched today: PesaMob will enhance financial deepening and inclusion of the unbanked and under-banked as well as provide convenience to existing customers. I am informed that the product will do this through its key mobile phone-centric characteristics which are:-

- Convenient and secure access to funds anytime through over 115 ATMs and over 1,000 agents of Family Bank.
- Ability to transfer money to M-Pesa and vice versa.
- Payment of goods and services from merchants countrywide.
- Purchase of airtime.
- Access to banking services on a 24/7 basis.

I congratulate Family Bank for the continued commitment to ensuring that financial services are available to all at an affordable cost which has a positive impact, making financial services accessible and the development of our country.

It is now my distinct honour to declare the Family Bank PesaMob! Virtual Bank officially launched.

THANK YOU