

CENTRAL BANK OF KENYA



Speech by

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at the

**BREAKFAST LAUNCH OF FAULU KENYA AS THE FIRST
LICENCED DEPOSIT-TAKING MICROFINANCE INSTITUTION IN
KENYA**

*Hotel Intercontinental, Nairobi
16th June, 2009*

The Deputy Prime Minister and Minister for Finance, Hon Uhuru Kenyatta;

The Chairman, Faulu Kenya;

The Board of Directors, Management, and Staff of Faulu Kenya DTM;

Microfinance Industry Practitioners;

Distinguished Guests;

Ladies and Gentlemen;

It is a great honour to be with you today to celebrate the achievement of Faulu Kenya Deposit Taking Microfinance Limited as the first nationwide Deposit Taking Microfinance institution in Kenya to be licensed by Central Bank under the Microfinance Act, which came into effect on 2nd May 2008.

Before I make any remarks, let me take this opportunity to congratulate and thank Faulu Kenya DTM for the patience and collaboration they accorded my staff during the licensing process and for having satisfactorily fulfilled all the licensing requirements. Let me also thank the Bank Supervision Department staff for their diligence and hard work towards the review and finalization of Faulu Kenya DTM's application, the first, by all means. This marks a beginning for the Microfinance Industry in deposit-taking which we believe will enhance access to financial services and cultivate a culture of saving. It will also give Faulu Kenya DTM an opportunity to provide to its clientele, more diverse financial solutions including deposit, lending facilities and money transfers.

Ladies and Gentlemen: It is important to note that the Central Bank has, to date, approved 26 business names, received 9 formal applications, which are at various stages of review and has now licensed one institution. We hope to license all nine applicants before the end of the year depending on their efforts and turnaround in fulfilling all the licensing requirements. This day provides an opportune moment to review the progress made towards the implementation of the Microfinance Act and specifically, provides the occasion to celebrate the

licensing of Faulu Kenya DTM limited. As you are aware, this is a major milestone towards the development of an all inclusive financial landscape in Kenya and particularly, the Microfinance Industry.

Over the last few years, Kenya's financial landscape has evolved quite considerably. This is evidenced by the ongoing review of the Banking Act, implementation of the Microfinance Act and enactment of the Sacco Societies Act to accommodate the fast changing market dynamics and best practices. These developments will create an enabling environment for these institutions to offer a wide range of financial services and products using a variety of innovative delivery channels to different segments of the population, in particular, the use of Information and Communication Technology (ICT) and ICT enabled services.

Ladies and Gentlemen: As you may be aware, we launched the FinAccess 2009 Survey results on Wednesday 10th June 2009. The findings of the survey revealed an increase of 22.6% in the number of adults that access formal financial services through banks and Postbank in 2009 compared to 18.9% in 2006, an increase of 3.7%. On the other hand, there was a notable increase of 17.9% of Kenyans that were served by Microfinance Institutions and Sacco Societies in 2009 compared to 7.5% in 2006, while the proportion of those that depended primarily on informal financial service providers such as Accumulating and Rotating Savings and Credit Associations, shopkeepers and money lenders declined from 35.2% in 2006 to 26.8% in 2009. These survey results also revealed that there was a marked increase of 67.3% in the proportion of Kenyans that accessed financial services and products using formal, semi-formal and informal financial service providers in 2009 compared to 61.6% in 2006. The results also indicated that the proportion of Kenyans that were excluded from these services reduced from 38.4% in 2006 to 32.7% in 2009. We expect this trend of expanding the access frontier to continue with the licensing of Deposit-Taking Microfinance institutions and implementation of the Sacco Societies Act as well as the introduction of Branchless Banking.

Ladies and Gentlemen: We would like to once again congratulate Faulu Kenya DTM for successfully qualifying to be licensed as a Deposit Taking Microfinance Institution. This pioneering role you have taken must shine, that is why we are here today. On its part, the Central Bank would like to assure the industry and all stakeholders of its continued support in the development of the Microfinance Industry.

With these few remarks, **Ladies and Gentlemen**, it is now my singular pleasure to invite the Deputy Prime Minister and Minister for Finance, Hon. Uhuru Kenyatta to give his Keynote Address on this special occasion of the official launch of Faulu Kenya DTM as a Deposit-Taking Microfinance Institution.

THANK YOU