

**CENTRAL BANK OF KENYA**



**KEYNOTE ADDRESS**

**BY**

**PROF. NJUGUNA NDUNG’U  
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at the

**DINNER HOSTED BY THE AFRICAN DEVELOPMENT BANK  
AND NEW FACES NEW VOICES NETWORK**

**GENDER EQUALITY AND FINANCIAL INCLUSION  
‘Being a Driver of Change to Invest Differently In Women’**

*Restaurant les Quatre Coins du Monde, Abidjan, Cote d’Ivoire  
25<sup>th</sup> May 2010*

**Dr. Donald Kaberuka, President, African Development Bank;**

**Madame Graça Machel, Founder, New Faces New Voices Network;**

**Distinguished Guests;**

**Ladies and Gentlemen:**

It is indeed an honour and privilege for me to address this gathering tonight following the fruitful discussions during the African Women's Economic Summit held in March 2010 in Nairobi, Kenya. I would like to take this opportunity to thank the African Development Bank and the New Faces New Voices Network for organizing tonight's dinner. This event provides a platform to raise awareness about commitments made at the Summit and the need to invest differently in women. It also offers us the opportunity to review the various pledges made at the summit and to recommend concrete actions for the way forward.

**Ladies and Gentlemen,** women form a big proportion of the population and command a sizeable role in our societies' socio-economic activities and are therefore important economic and social change agents. In Africa, women constitute more than half of the population and form the majority of our labor force, especially in agricultural activities and household welfare, which remain the backbone of our economies. A large number of them also run micro, small and medium enterprises (MSMEs) that constitute a significant share of economic activity in our economies. It cannot be doubted, therefore, that women play a critical role in the process of economic development in the African Continent. Despite this, women have remained largely marginalized in terms of access to, and control of resources that are crucial in wealth creation, welfare and the development process.

An example from my own country, Kenya, in terms of access to finance illustrates this clearly. Although two national financial access surveys conducted in 2006 and 2009 have shown general improvements in financial access with access to formal finance improving from 19 to 23 percent; semi-formal improving from 8 to 18 percent; informal declining from 35 to 27 percent; and the excluded falling from 38 to 33 percent; access to finance has remained worse for women with 66 percent of women

not accessing formal financial services and 33 percent being excluded altogether from any form of financial services. You will agree with me that without financial access, the poor cannot save or build their assets – we will, therefore, have no hope of eradicating poverty from the Continent.

**Ladies and Gentlemen:** The Government of Kenya has played a pivotal role in the promotion of women empowerment and gender equality. The Women Enterprise Fund, a flagship project created by the Government of Kenya in 2007, has been mandated to economically empower women by providing them access to affordable credit. Through the Fund, subsidized credit for business start-ups or expansion is provided and so are business training, market linkages and other infrastructure support to women-run businesses.

Through the revolving Fund, women have been able to access loans and venture into a variety of productive economic activities and employment, which have triggered positive multiplier effects. These businesses have created jobs for the women themselves as well as thousands of other Kenyans. Increases in their disposable incomes have translated into better nutrition for their families, better clothing, healthcare, food security and education. The Fund is also strengthening women voices and their decision-making, bargaining power in the household as well as within the community and the nation. The Women Enterprise Fund's motto that ***'if you empower a woman, you have empowered a family and a whole nation'***, captures it all.

**Ladies and Gentlemen:** Given this scenario of access to finance for women, the timing of the African Women Economic Summit was very timely. At the Summit, we sought to explore the barriers to mainstreaming women in accessing finance and decision-making in the financial sector. More importantly, we sought to identify pragmatic approaches to breaking these barriers. At the end of the Summit, various pledges were made by financial institutions, development finance institutions, network organisations and regulators. As regulators, we committed to identifying and addressing barriers to women accessing finance in the legal and regulatory framework. We would then identify innovative ways of mitigating these barriers.

I therefore wish tonight to outline the progress made by the Central Bank of Kenya (CBK) in enhancing access to finance by women since the Summit. The first landmark was on 31<sup>st</sup> March 2010 - barely two weeks after the Summit - when CBK licensed the second deposit-taking nationwide microfinance institution, Kenya Women Finance Trust Deposit Taking Microfinance Limited (KWFT). With a customer base of close to 400,000 female clients, it is safe to say that Kenya Women Finance Trust Deposit Taking Microfinance Institution is women-centric. Thus the transformation to a deposit-taking microfinance institution will enable KWFT to offer a wider range of appropriate products and services targeting low-income women entrepreneurs.

**Ladies and Gentlemen:** At the beginning of this month, the Central Bank further bridged the financial exclusion gap through the operationalization of Agent Banking Guidelines. The guidelines allow banks to extend their outreach to approximately 78 percent of the Kenyan population, majority of who are women residing in the rural areas. This will be through the use of third party agents such as retail outlets, Microfinance Institutions and Savings and Credit Cooperative Societies by banks. The Agent Banking model will enable banks extend their outreach cost effectively particularly in the rural areas. In these areas, significant transaction costs and time are incurred in accessing the nearest bank branches.

**Ladies and Gentlemen:** The Central Bank of Kenya together with sister Central Banks of the East African Community (EAC): Uganda, Tanzania, Rwanda and Burundi, on May 10<sup>th</sup> 2010, committed to conducting diagnostic surveys to clearly identify the demand and supply constraints in accessing financial services. This commitment was made during the 13<sup>th</sup> Governors' Meeting of the Monetary Affairs Committee (MAC) of the EAC. MAC is tasked with the creation of a Monetary Union for the EAC. These diagnostic studies will play a key role in providing an empirical analysis of the constraints that women face in accessing financial services. The surveys are then expected to inform the formulation of targeted policies to address the identified constraints.

**Ladies and Gentlemen:** Last week, in an affirmative move to expanding access to finance, Equity Bank, a leading Kenyan bank partnered with Safaricom, a leading Kenyan telecom operator, to provide an integrated banking and telecommunication financial services product. This product known as M-Kesho is accessible through a mobile phone alongside the internationally celebrated money transfer service, M-Pesa. M-Kesho will offer a low cost savings, micro-credit and micro-insurance product. Customers will be able to transfer amounts as little as Ksh.100 (USD 1.5) from their M-Pesa account to an Equity Bank interest earning account at no cost. Customers will also be able to complete the account opening documentation not just at Equity Bank branches but also at M-Pesa Agents spread throughout Kenya.

Innovative technological products such as M-Kesho will ultimately extend the distribution of financial services to the unbanked population who are not reached by traditional banking networks while reducing the distances travelled, the transactions cost, and improved security for both the banks and clients. At present, the Central Bank has approved 500 M-Pesa agents, which is half the total number of commercial bank branches to serve as account origination points for the product. We expect to approve over 5,000 agents by the end of July 2010. M-Kesho goes beyond urban-rural money transfer. It attracts recipients to save the funds received for intermediation. This in turn enhances a culture of saving which will promote growth and wealth creation.

Finally, the Central Bank of Kenya and the Association of Microfinance Institutions (AMFI) are looking for ways to hasten the speed of rolling out microfinance institutions. The MFIs are an important vehicle for reaching out to the rural economy where most women in Kenya are found. One bottleneck has been the branch network requirements and the investments required. The Central Bank is studying ways of overcoming these bottlenecks.

**Ladies and Gentlemen:** As I draw to a close, I urge fellow regulators and policymakers to seek to understand the barriers to accessing finance by women. It is only by understanding these barriers that effective policies can be formulated to extend financial inclusion frontiers for women. Financial institutions including banks,

Microfinance Institutions and Savings and Credit Cooperative Societies also have a critical role to play. With a critical mass of women entrepreneurs, they will find a ready market form the women fraternity.

**Ladies and Gentlemen:** As a driver of change, I would like to reiterate the commitment of the Central Bank of Kenya, as declared during the African Women's Economic Summit, to improving financial access to women and enhance their opportunities to become key actors towards change and, ultimately, the development of our economies. I look forward to fruitful deliberations tonight and wish you a pleasant stay in Abidjan.

**Thank You**