CENTRAL BANK OF KENYA

Keynote Speech by

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during the

LAUNCH OF THE FINACCESS SURVEY REPORT, 2013

Serena Hotel, Nairobi
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Hon. Henry Rotich, the Cabinet Secretary to the National Treasury;

Hon. Aden Mohamed, the Cabinet Secretary to the Ministry of Industrialization and Enterprise development;

The Chief Executive Officers of the Domestic Financial Sector Regulators;

Distinguished Ladies and Gentlemen:

It is my honour and pleasure to join you this morning to formally launch the results of our third national survey on access to financial services in Kenya. Before making my remarks, let me take this opportunity to thank all the collaborating partners under the Financial Access Partnership (FAP), FinAccess Management comprising of Central Bank of Kenya (CBK) and the Financial Sector Deepening (FSD) Kenya as well as the FinAccess Secretariat based at the Research and Policy Analysis Department of the Central Bank of Kenya for making today's launch possible. Let me also appreciate our technical partner, the Kenya National Bureau of Statistics (KNBS), for providing critical support to the initiative.

On a solemn note, we recall the loss of **Mr. Ravindra Ramrattan** of FSD Kenya, following the terrorist attack at the West Gate Mall on 21st September 2013. Ravi was a devoted member of the FinAccess Secretariat and contributed immensely to the survey. **Let us observe a minute of silence in honour of those we lost in the West Gate Mall Tragedy.**

Ladies and Gentlemen: The Government recognizes the vital role the financial system plays in the economy. In this regard 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 Vision's three core objectives, namely: enhancing financial system stability, efficiency, and expanding financial access and usage.**

- Regarding the objective of **Expanding Access to Financial Services**, which is our main theme this morning, there would be no meaningful financial sector development, if it is not accessible. There is, therefore, a case for expanding access of quality and affordable financial services and products to majority of the population. Access to finance will encourage savings and credit. This will effect savings/investments cycle, allowing for capital accumulation and asset building which enables the poor to escape poverty. Safe havens for savings by the poor reduce their vulnerability to periodic economic and social shocks. Access to finance will expand the level of participants and so lower unit costs.

Ladies and Gentlemen: Our efforts to ensure expanded financial access have been measured by three national financial access surveys for **2006**, **2009** and **2013**. These surveys have clearly demonstrated that Kenya's financial landscape has considerably changed over the period 2006-2013. The financial system is now offering a wider range of financial services and products to more Kenyans, covering a wider geographical spread, and even going beyond Kenyan borders. This has strengthened the banks and created a wider market. These developments are a testimony to the strength and vibrancy of our banking sector it has contributed to Kenya's financial development.

- **Enhancing the Efficiency** of the financial system has an immediate impact on the welfare of its customers and the wider real economy through the consequent reduction of costs of financial services. Competition is essential in ensuring that financial institutions are incentivised to invest in improving productivity, efficiency and cost effectiveness. The CBK has acted to encourage greater transparency in pricing of financial services and products to foster effective competition and delivery of services to majority of Kenyans.

- **On the Financial Stability Front,** the Government has continued to implement necessary reforms designed to strengthen the legal, regulatory and supervisory framework in to ensure stability of the financial system. Lessons from the 2008 - 2009 global financial crisis call for regulators to invest in better regulation. Better regulations is characterised by a regulatory framework with ability to:

  - readily identify weaknesses and emerging vulnerabilities;
  - analyse and price risks;
  - provide appropriate incentives (and penalties) to induce prudent behaviour in the market place; and
  - encourage innovations and develop strong institutions of the regulators and the regulated – strong institutions enforce the rules of the game and define appropriate incentives.

Ladies and Gentlemen: I am delighted to note that the FinAccess Survey, 2013 results bears witness to the above gains made in enhancing the reach and coverage of financial services to Kenyans. It shows that the proportion of the adult population using formal financial services rose to 66.7% in 2013 from 27.4% and 41.3% in 2006 and 2009, respectively. The proportion of the financially excluded on the other hand has been falling steadily from 39.3% in 2006 to 31.4% in 2009 and now stands at 25.4% of the adult population. Equally and more striking, the proportion of the population using informed financial services has declined to 7.8% from 35.2% in 2006 and 26.8% in 2009. These findings demonstrate impressive achievements and vindicate policy strategies and reforms undertaken by Government and initiatives and innovations by the financial sector players' as having helped expand financial inclusion. It is even more interesting to note from the results that many more people are now accessing and using financial services and products supplied by diverse providers. This shows that people are now moving towards using a broader portfolio of financial services and products to satisfy their needs. The use of combinations of all formal prudential, formal non-prudential, other formal and informal financial services except the excluded has been rising from 16% in 2006 to 25% in 2009 and to 29% in 2013. These patterns demonstrate that financial sector participants require choices and therefore the need to maintain diversity and encourage competition amongst providers of the different financial products in different market segments.

Ladies and Gentlemen: The survey results we are releasing today are as a result of developments in the wider economy, policy and regulatory reforms, increased competition and innovation and advances in information and communication technology. These developments have set off a dramatic shift away from the traditional delivery of financial services. In the banking industry, the introduction of Automatic Teller Machines (ATM) a few years ago already moved customers out of the physical branches. And now more than ever, access through point-of-sale (POS) devices, the internet and mostly through mobile phones platforms have accelerated and are still poised to accelerate the swing to branchless banking. We, however, still have some ground to cover in expanding access to financial services, given that about 25% of the population remains totally excluded.

Ladies and Gentlemen: The information generated by the past three FinAccess surveys will help financial service providers identify where opportunities exist. I am delighted that the sector now has such useful information resource at its disposal.

In conclusion, **Ladies and Gentlemen**, let me also observe that the FinAccess studies have been championed and driven by a partnership between public and private institutions. I commend and support such initiatives and hope that this lays the foundation for a deeper and sustained partnership between the public and private sector in tackling the challenges and taking advantage of opportunities that arise. In this regard, I thank all the institutions under the FAP that have contributed in various ways towards these FinAccess surveys, particularly the 2013 survey – notably the FSD, Kenya, Kenya National Bureau of Statistics (KNBS), Kenya Bankers Association, the research house TNS-RMS, Kenya Institute for Public Policy Research and Analysis (KIPPRA), Kenya Commercial Bank (KCB), Development Alternative International (DAI) and the CBK.

Ladies and Gentlemen: Beside the FinAccess studies that provide us all with valuable information as to where we should focus our efforts most in order to achieve our goal of providing affordable and accessible financial services and products to majority Kenyans. I wish to inform you that FAP is also working with CBK, FSD, Kenya and Bill and Melinda Gates Foundation on the spatial mapping of all financial access touch points, the findings of which will improve our understanding on how to enhance financial inclusion.

With these few remarks, **Ladies and Gentlemen**, I welcome you to this breakfast event and look forward to the Launch.

THANK YOU.