



CENTRAL BANK OF KENYA

INAUGURAL ANNUAL LECTURE ON FINANCIAL INCLUSION BY FINANCIAL SECTOR DEEPENING TRUST - KENYA, 2015

Louis Leakey Auditorium, Nairobi National Museum, Tuesday, November 17, 2015

Dr. Patrick Njoroge
Governor, Central Bank of Kenya

As Prepared for Delivery

Mr. David Ferrand, Director – FSD Kenya;

Distinguished Participants;

Ladies and Gentlemen:

I am privileged to be with you this evening for this inaugural lecture on financial inclusion convened by FSD Kenya. I would like to thank the organisers for the recognition of the role that the Central Bank of Kenya plays in enhancing financial inclusion in Kenya, and Dr. Tavneet Suri for the presentation on the evolution of mobile money in Kenya. Let me also salute FSD Kenya for 10 outstanding years of catalysing Kenya's financial inclusion drive.

Indeed, the pertinent issues discussed at this forum, including the role of mobile-phone technology in enhancing financial inclusion, are central to enhancing economic, as well as, sustainable development in Kenya.

I note that the paper presented by Dr. Suri primarily focuses on the success of M-PESA in Kenya. And we are indeed immensely proud of the successes of our maiden money transfer solution. But beyond that partnerships between mobile network operators and participants in the various sectors of the economy, particularly in the financial services sector, have developed over the past 7 years. These have contributed to the evolution of mobile money services from purely money transfer platforms, to payment systems and currently the provision of inclusive formal financial services such as credit, insurance and investment.

Ladies and Gentlemen:

Although mobile financial services have significantly contributed to financial inclusion in Kenya, Dr. Suri's paper still indicates that there are substantial gaps between access and usage of formal financial services through mobile-driven technologies. While adoption rates of mobile money services have greatly increased (at 96 percent), a substantial portion of the households surveyed still rely on informal savings mechanisms, such as mattresses – at 33 percent, with 37 percent in the rural areas and 28 percent in the urban areas. Despite the evolution of mobile financial services, only 18 percent of the households were able to access credit. The report indicates that, with the exclusion of commercial banks, of those households that had access to credit, the major credit providers were M-Shwari – 22 percent, NGOs/Community Based Organizations – 22 percent, and microfinance institutions – 17 percent. All these statistics indicate that informal financial services still play a significant role in both rural and urban households, particularly for households at the bottom of the pyramid.

It is therefore critical that the high access to mobile money services, is complimented by similar usage levels, in order to exploit the full benefits that mobile-phone related innovations present. I sincerely hope that discussions will now transition to enhancing usage of mobile financial services rather than access. To this end, encouraging interoperability and limiting agency exclusivity is critical to foster the adoption of innovative digital financial services.

Ladies and Gentlemen:

As the Central Bank, our functions are mainly confined to two key areas – Policy Development and Regulatory Oversight. The Central Bank has played, and will continue to play, a proactive role in managing the risks posed by mobile financial services, including the progressive development of legislation to regulate payment system providers and operators.

We will also continue to encourage and initiate innovations to enhance financial inclusivity. Looking forward there are two exciting mobile phone-based innovations we are working towards:

- **Treasury Mobile Direct (TMD)** – the TMD platform was successfully rolled out on November 9, 2015. This initiative, which leverages on mobile-phone technology, seeks to increase retail investors’ participation in the current primary auction process for government securities. The services that will be provided under the TMD project include information dissemination, account status inquiry, bidding for Kenya Government Securities and payment/settlement through mobile money platforms. Ultimately TMD will facilitate the growth of government securities by increasing outreach to retail investors, broadening the investor rate and increasing the national savings rate.
- **M-Akiba** – This is a critical government initiative, which seeks to increase the public’s participation in government securities for as little as Ksh.3,000 through existing mobile phone money transfer services. The first M-Akiba infrastructure bond, which seeks to mobilize Kh.5 billion will be launched shortly as necessary arrangements are in the final stages. Retail investors will be able to register, bid and pay for government securities through mobile platforms. This will provide alternative investment options to retail investors who have long been poorly remunerated especially for their deposits held by banks.

In closing let me underscore the Central Banks’ support to efforts geared towards enhancing financial inclusion through digital financial services in Kenya.

THANK YOU