



CENTRAL BANK OF KENYA

3RD NATIONAL BANKING & FINANCE CONFERENCE
KENYA INSTITUTE OF BANKERS
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Welcome Remarks by Dr. Patrick Njoroge
Governor of the Central Bank of Kenya
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As Prepared for Delivery

I am greatly honoured to be here today at this auspicious National Banking and Finance Conference. At the outset, I wish to acknowledge the presence of Mr. Henry Rotich, the Cabinet Secretary to The National Treasury. I also wish to thank the Kenya Institute of Bankers (KIB) for organizing this conference and extending an invitation to the Central Bank of Kenya (CBK).

The theme of this conference — *Financial Innovation and Inclusion through Technology* — is quite timely given the ongoing technologically-driven innovations in the Kenyan financial sector. I am pleased to note that players in the financial sector have embraced the aspirations for the sector envisaged in *Vision 2030*, Kenya's long-term development blueprint. This will ensure that the sector remains more vibrant and globally competitive going forward. While this aspiration may not be easy to realise, the achievements so far are encouraging. Allow me to mention a few of the technologically-driven innovations that mark our success thus far:

1. *Mobile Financial Services*: The introduction of mobile financial services, which allow banks to avail their services more conveniently and cost effectively, has not only revolutionised the delivery channels for financial services, but has also enhanced the satisfaction from utilising financial services.
2. *Agency Banking*: The introduction of agency banking by commercial and microfinance banks has taken banking to the public's doorstep. Banks save on costs of establishing brick and mortar branches, while the public saves on travel costs and waiting time. This has been made possible by the adoption of enabling technologies by banks and their retail agents.
3. *Credit Information Sharing*: Information asymmetry about borrowers' credit worthiness has stifled the development of the financial sector. This challenge is being addressed through the Credit Information Sharing mechanisms, introduced in May 2010. Commercial banks and microfinance banks are now able to access the credit history of borrowers on a real time basis; thus lowering search costs associated with loan appraisals.
4. *Cheque Truncation*: Clearing a cheque in Kenya now takes a day or two. Prior to the introduction of cheque truncation, customers in several parts of the country had to wait more than a week for a cheque to clear.
5. *East African Payment System*: In order to facilitate cross-border trade in the region, the East African Payment System was launched in May 2014. This facilitates faster cross-border transfers of funds in the region by businesses exploiting the expanded business opportunities.

These technologically-driven innovations have not only made Kenya an acclaimed pioneer in financial services innovations, but has also contributed to an unprecedented increase in financial inclusion. Today 4 out of 5 Kenyans live within 5 kilometers of a financial access point, which is certainly a major achievement. Nevertheless, we need to deepen these innovations and support other countries that are setting out on the same path.

For Kenya to fully reap the benefits from innovations in financial services and also guide the next generation of innovations, there is need for capacity building agencies such as KIB to develop relevant human capital in the use of emerging innovations. To this end, it is necessary to benchmark our capacity building programmes to global best practices, and also develop tailor-made programmes to ensure effective capacity building.

Before I conclude, I would like to flag another important innovation relating to how we discharge our respective responsibilities in the financial sector. With great power comes great responsibility -- the financial sector is no exception and the population expects as much. I therefore call upon players in the sector to conduct themselves in a manner befitting the trust that has been extended to them by their respective stakeholders and customers.

On our part, the CBK will endeavour to support the sector with appropriate smart regulation applied even handedly. In addition, we will support the development of the sector bearing in mind financial stability and the long-term benefits to the economy. I call upon your members and respective institutions to support responsible behaviour in the financial sector, with an eye on the long-term benefits accruing from such an approach. I very much hope that leadership by KIB can facilitate the emergence of this important innovation.

Finally, allow me once again to applaud the KIB for its contribution thus far to the development of the financial sector. You can count on the CBK's support and collaboration in charting the next growth phase of the sector.

It is now my pleasure to welcome Mr. Henry Rotich, Cabinet Secretary to The National Treasury, to make his remarks and officially open the conference.

Welcome Bwana Waziri.