



Central Bank of Kenya

National Payments Strategy 2022 - 2025

**Kenya's Payments Journey and Overview
of the Strategy**

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- Global and domestic context
- Kenya's payments journey
- Highlights of the Strategy
- Near-term priorities
- Implementation approach

Global and domestic context

2.

Drivers of change at global payments landscape

PROVIDERS

- Entry of non-Bank, BigTech
- New age technologies as the back bone of innovation in Payments (AI, Blockchain and DLT)
- Use of Big data, Digital Identity

CUSTOMERS

- Instant
- Secure
- Interoperable
- Affordable
- Privacy

REGULATION

- System resilience and security
- Standards and harmonisation
- Real-economy focus
- BigTech governance & systemic risk

3.

COVID – Disruption and impact (Globally)



16%



Global usage
of cash, 2020



41%

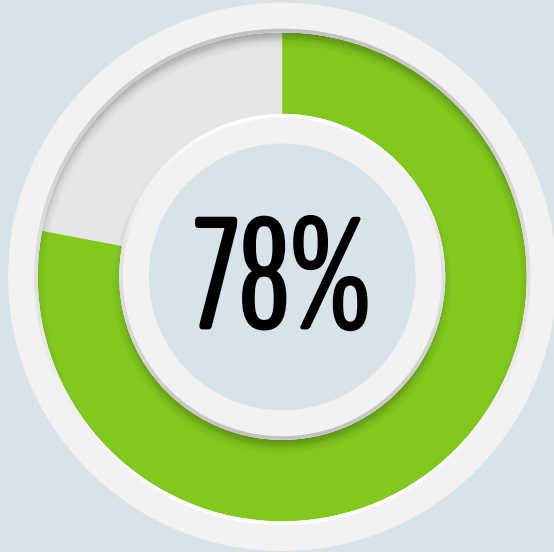


Global increase
in real-time
payments, 2020

(Source: McKinsey Global Payments Report 2021)

4.

Mobile 'rails' integrated with households and economy



Customers and small business likely to change how they do payments

(Source: Visa 2021)

Shift from in-store to online commerce – “catching up” in previous low e-commerce countries

(Source: BIS, 2021)



Kenya's payments journey

Payments journey intertwined with the history of the Kenya's currency

Modernisation kick-off 3 decades ago, e.g.,

- Automation of cash withdrawal (ATMs)
- Clearing House automation
- Large-value payments infrastructure
- Regional payments links in the EAC and COMESA
- Payments mandate, legal and regulatory reforms

Introduction of mobile money that has seen integration of mobile money across all sectors of the society.

Licensing of new Payments Service Providers (PSPs)

6.

Where has the journey led us to?

Kenya's National Payments System, December 2021

	Volume, Mn	Volume, Ksh. Bn	% Volume	% Value
TOTAL RETAIL	1,167	2,594	99.95	47.60
of which: All mobile transactions	1,152	2,208	98.69	40.52
TOTAL LARGE VALUE	0.6	2,856	0.05	52.40
GROSS TOTAL	1,167	5,450	100	100

Source: Central Bank of Kenya

7.

Measures to create a level-playing field

Card Transactions

	2010	2021	Change	"Card acceptance still remains a challenge"
Card Transactions Value, KSh. Bn	48	89	84%	
Card Transactions Volume, Mn	11	11	4%	

Cheque Transactions

	2010	2021	Change	"Declining Volume of cheques . What is the future of cheques ?"
Card Transactions Value, KSh. Bn	170	218	28%	
Card Transactions Volume, Mn	1.5	1.1	-27%	

Source: Central Bank of Kenya

8.

In perspective: Daily consolidated mobile money transactions, December 2021

Ksh. **176** Bn

Total daily non-cash payments

Source: Central Bank of Kenya

Ksh. **83** Bn

Daily average NSE Market Capitalisation, Dec. 2021

Source: Nairobi Securities Exchange

9.

Government Payments and Remittances

Ksh. **2.1** Tn

Gov't Payments at
CBK, 2021

Source: Central Bank of Kenya

U.S.\$ **3,718** Mn

Diaspora receipts, 2021

Source: Diaspora Survey, Central Bank of Kenya

10.

COVID – Impact on the Kenya's payments ecosystem

22 Mn + → 25 Mn

Feb. 2020 and Dec. 2021
Value of wallets and bank transfers (Ksh.)

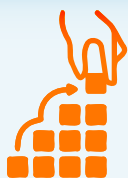
Feb. 2020 and Dec. 2021
Number of 30-day active
mobile money customers

133 Bn + → 606 Bn

Highlights of the Strategy

11.

Why a National Payments Strategy?



Build on the
foundation
over the last
two decades



To steer to
system to be **fit**
for purpose, fit
for future



Ultimately,
benefit
customers,
businesses and
the economy

**VISION**

A secure, fast, efficient and collaborative payments system that supports financial inclusion and innovations that benefit Kenyans





Trust

A system which guarantees that payments will be made and received in a **timely** and **reliable** manner.

Security



A resilient system that **safeguards all payments** and channels in an increasingly digital world.



Usefulness

A system that **meets customer needs**, especially among the financially excluded, in a cost-effective manner.

Availability of **feasible options** resulting from collaboration among different players in the payments ecosystem.

Choice



Innovation

An ecosystem that produces **customer-centric** and **value-adding solutions** which also compete on the global stage.

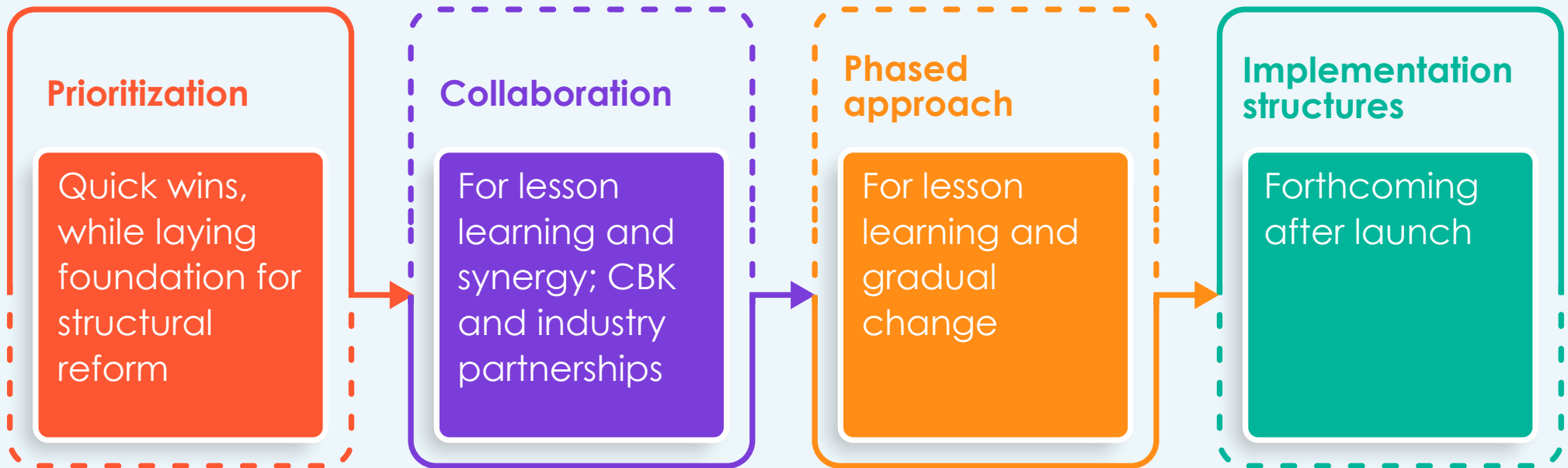
Near-term priorities

1. **Full-scale interoperability** – Building on existing collaboration, progress to national switch; “pay anyone anywhere”
2. **Review legal and regulatory framework** – to align to current , future trends
3. **Fostering customer-centric innovation** – While assessing functionality (customer focus) and mitigating risks
4. **Regional and pan-African payments integration** – Through harmonization of regulatory frameworks and infrastructure
5. **Progression towards 24/7 economy** – Anchored on enhanced capabilities of the new RTGS system
6. **Review current cheque-value threshold** – While considering the impact of a progressive reduction in the usage of cheques
7. **Exploring usefulness of new forms of digital money (CBDC)** – their risks, applicability and practical use-cases for Kenya

Implementation approach

15.

Near-term priorities (selected)



Thank You!

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