National Payments Strategy
2022 - 2025
Kenya’s Payments Journey and Overview of the Strategy

Wednesday, February 23, 2021
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1. Outline

- 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

<table>
<thead>
<tr>
<th>PROVIDERS</th>
<th>CUSTOMERS</th>
<th>REGULATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry of non-Bank, BigTech</td>
<td>Instant</td>
<td>System resilience and security</td>
</tr>
<tr>
<td>New age technologies as the back bone of innovation in Payments (AI, Blockchain and DLT)</td>
<td>Secure</td>
<td>Standards and harmonisation</td>
</tr>
<tr>
<td>Use of Big data, Digital Identity</td>
<td>Interoperable</td>
<td>Real-economy focus</td>
</tr>
<tr>
<td></td>
<td>Affordable</td>
<td>BigTech governance &amp; systemic risk</td>
</tr>
<tr>
<td></td>
<td>Privacy</td>
<td></td>
</tr>
</tbody>
</table>
3. COVID – Disruption and impact (Globally)

- Global usage of cash, 2020: 16%
- Global increase in real-time payments, 2020: 41%

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

(Source: BIS, 2021)

Customers and small business likely to change how they do payments

(Source: Visa 2021)
Kenya’s payments journey
5. 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

<table>
<thead>
<tr>
<th></th>
<th>Volume, Mn</th>
<th>Volume, Ksh. Bn</th>
<th>% Volume</th>
<th>% Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL RETAIL</strong></td>
<td>1,167</td>
<td>2,594</td>
<td>99.95</td>
<td>47.60</td>
</tr>
<tr>
<td>of which: All mobile transactions</td>
<td>1,152</td>
<td>2,208</td>
<td>98.69</td>
<td>40.52</td>
</tr>
<tr>
<td><strong>TOTAL LARGE VALUE</strong></td>
<td>0.6</td>
<td>2,856</td>
<td>0.05</td>
<td>52.40</td>
</tr>
<tr>
<td><strong>GROSS TOTAL</strong></td>
<td>1,167</td>
<td>5,450</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Central Bank of Kenya
# Measures to create a level-playing field

## Card Transactions

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2021</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card Transactions Value, KSh. Bn</td>
<td>48</td>
<td>89</td>
<td>84%</td>
</tr>
<tr>
<td>Card Transactions Volume, Mn</td>
<td>11</td>
<td>11</td>
<td>4%</td>
</tr>
</tbody>
</table>

"Card acceptance still remains a challenge"

## Cheque Transactions

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2021</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card Transactions Value, KSh. Bn</td>
<td>170</td>
<td>218</td>
<td>28%</td>
</tr>
<tr>
<td>Card Transactions Volume, Mn</td>
<td>1.5</td>
<td>1.1</td>
<td>-27%</td>
</tr>
</tbody>
</table>

"Declining Volume of cheques. What is the future of cheques?"

Source: Central Bank of Kenya
In perspective: Daily consolidated mobile money transactions, December 2021

- **Total daily non-cash payments**: Ksh.176 Bn
  - Source: Central Bank of Kenya

- **Daily average NSE Market Capitalisation, Dec. 2021**: Ksh.83 Bn
  - Source: Nairobi Securities Exchange
9. Government Payments and Remittances

Gov’t Payments at CBK, 2021
Ksh. 2.1 Tn
Source: Central Bank of Kenya

Diaspora receipts, 2021
U.S.$ 3,718 Mn
Source: Diaspora Survey, Central Bank of Kenya
COVID – Impact on the Kenya’s payments ecosystem

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

22 Mn + 25 Mn

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

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trust</strong></td>
<td>A system which guarantees that payments will be made and received in a <strong>timely</strong> and <strong>reliable</strong> manner.</td>
</tr>
<tr>
<td><strong>Usefulness</strong></td>
<td>A system that <strong>meets customer needs</strong>, especially among the financially excluded, in a <strong>cost-effective</strong> manner.</td>
</tr>
<tr>
<td><strong>Security</strong></td>
<td>A resilient system that <strong>safeguards all payments</strong> and channels in an increasingly digital world.</td>
</tr>
<tr>
<td><strong>Availability of feasible options</strong></td>
<td>Resulting from collaboration among different players in the payments ecosystem.</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>An ecosystem that produces <strong>customer-centric and value-adding solutions</strong> which also compete on the global stage.</td>
</tr>
</tbody>
</table>
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
Near-term priorities (selected)

**15.**

- **Prioritization**
  - Quick wins, while laying foundation for structural reform

- **Collaboration**
  - For lesson learning and synergy; CBK and industry partnerships

- **Phased approach**
  - For lesson learning and gradual change

- **Implementation structures**
  - Forthcoming after launch
Thank You!