



**CENTRAL BANK OF KENYA**  
**MAISHA MICROFINANCE BANK OFFICIAL LAUNCH**

*Chester House, Nairobi, Thursday, 22<sup>nd</sup> September 2016*

**Mr. Mohammed Nyaoga, Chairman of Central Bank of Kenya**

As Prepared for Delivery

**Dr. Beatrice Sabana – The Chairperson, Maisha Microfinance Bank;**

**Mr. Ireneus Gichana– The Chief Executive Officer, Maisha Microfinance Bank;**

**The Members of the Board, here present;**

**The Management;**

**Distinguished Guests;**

**Ladies and Gentlemen:**

It is an honor to have been invited to be part of this momentous occasion to mark the official launch of Maisha Microfinance Bank Limited. At the onset let me applaud the founding shareholders and Directors of Maisha for their resolute commitment to ensure that their vision eventually translated into reality.

**Ladies and Gentlemen:** The licensing of Maisha as a nationwide microfinance bank (MFB) on 21<sup>st</sup> May 2016 brings the total number of microfinance banks in Kenya to 13. Nationwide Microfinance Banks have authority to operate across the country which enhances financial services outreach to the underserved population. Maisha MFB seeks to enhance the Microfinance sector by offering comprehensive Insurance Premium Financing (IPF) products as value-add alongside other Micro Small and Medium Enterprises (MSMEs) financing products. This will help improve not only financial inclusion in Kenya but also insurance access and penetration.

**Ladies and Gentlemen:** The formalization of the microfinance industry started in 2006 with the enactment of the Microfinance Act. The Act which was operationalized in 2008 empowered the Central Bank of Kenya (CBK) to license and regulate Microfinance Banks. Since the licensing of the first MFB in May 2009, the industry has achieved remarkable growth. As at June 2016, the total branch network for Microfinance banks was 110 branches across the country and 92 marketing offices. During the same period the microfinance banks registered a growth of 8.9 per cent in total assets from Ksh. 66.1 billion in June 2015 to Ksh. 72.0 billion. The loan portfolio amounted to Ksh. 47.4 billion and deposits amounted to Ksh. 40.4 billion. The deposits therefore accounted for 85 per cent of total funding, an indication that the MFBs are able to fund a large proportion of their loan portfolio using customer deposits.

To support this growth, **ladies and gentlemen**, CBK in partnership with the industry players continues to create an enabling environment by initiating and supporting notable reforms that further mainstream the microfinance industry. For instance, in 2010, the Microfinance Act was amended to extend credit referencing and use of agents to Microfinance Banks. This was followed closely by the development of regulations and guidelines on credit referencing and agency model for Microfinance Banks in 2011. As at December 2015, three microfinance banks had contracted a total of 1,154 agents.

The scope of financial services offered by microfinance banks was further expanded in 2013. Through the amendment of the Microfinance Act, Microfinance Banks are now able to do some of the prior prohibited activities, including – issuing of third party cheques, opening of current accounts, and transaction of foreign exchange business. It is through the same amendment that the name changed from Deposit Taking Microfinance Institutions to Microfinance Banks.

**Ladies and Gentlemen:** The journey however has not been without its challenges. MFBs took some time to be viewed as deposit mobilisers given their long standing credit extension orientation. Their customers viewed them as providers of credit while commercial banks provided payments and other banking services. The slow pace of deposit mobilization saw MFBs continue to rely on expensive lines of credits from commercial banks and other financiers. But with concerted branding, marketing and expansion of distribution channels, MFBs are beginning to attract deposits. Over time scaled up deposit mobilization will reduce reliance on expensive credit lines. It is my expectation that this will in turn lead to lower interest rates and charges for MFB customers.

It is important to note, **ladies and gentlemen**, that Maisha MFB is joining the financial sector at a time when it is undergoing transformative changes which seek to enhance stability and integrity. These changes are anchored on what the CBK is referring to as the “**new normal**” whose pillars are; strong corporate governance, enhanced transparency and resilient business models. This has been informed by the fact that in today’s dynamic world only those entities with the highest levels of professionalism and ethics will be able to make great strides in growing their business.

Integrity and professionalism improves the business brand and enhances both customers’ experience and employees’ job satisfaction. These in turn lead to higher returns for the institution. We are confident that having gone through the rigorous vetting under the new normal requirements that Maisha MFB is ready to set and maintain high corporate governance standards in the financial sector. In addition, we encourage Maisha MFB and other regulated entities to keep building and enhancing their business models to ensure resilience in this dynamic financial sector environment.

In closing **ladies and gentlemen**: businesses especially MSME’s continue to decry the lack of credit to fuel their growth engines. And where credit is available, it may not be affordable to the MSMEs. Maisha therefore has an important role to play in financing the MSME’s that will power Kenya’s take off and improve the quality of lives. I want to challenge you to offer affordable financial services to your clients as this is the major hurdle faced by MSMEs in Kenya.

**It is now my distinct honour to declare Maisha Microfinance Bank officially open.**

**Thank you.**