



Central Bank of Kenya National Payments Strategy Launch

23 February 2022, Tamara Cook, FSD Kenya

I am pleased to speak about the intersection between payments and financial inclusion given FSD's journey to support more inclusive financial sector development in Kenya. Although the videos just shown of stories of Kenyans using and benefitting from payments explain it far better than I ever could. The Vision statement that the Director just presented says it already **"a secure, fast, efficient and collaborative payments system that supports financial inclusion and innovations that benefit Kenyans"** We have been honoured to be invited by CBK to walk this journey of strategy development with them. Many in this room and joining us on-line were part of the stakeholder engagement to develop the first draft and provided formal comments.

There are a plethora of words that can be used to describe global best practice payments systems and many of these rightly show up within the Strategy being launched today. But efficient, secure, robust, fast and even affordable don't add up to much unless payments systems enable everyone to access it, use it and benefit from it.

As I was thinking about what to share, I remembered a paper we published in 2009 about M-Pesa users. Curious, I glanced through it again and was reminded just how far we have come in terms of a payments system that supports financial inclusion. In 2009, there was a 15% gap between men and women in terms of usage of mobile money which has now shrunk to less than 5%.

The benefits of mobile and digital payments have been significant for women in many ways.

- From the resilient rural mother receiving support from her urban relatives
- to the Mama Mboga saving time by buying vegetables remotely from the market (or the Mama Samaki like the story we just heard in the video)
- to the Chama member not missing a payment when absent as she can send her contribution digitally
- to the newlywed able to pay the premium for medical cover for pre-natal and delivery of her first child
- to the Shosho receiving Inua Jamii social security payments after the age of 70.

That same report asked users how they thought mobile money could be improved. In other words, what innovations could benefit Kenyans? The top three suggestions are all possible and increasing in use today. More than half (54%) wanted to save and earn interest on their money. Kenya's payment system has enabled both mobile-money enabled banking with interest now used by 34% of the population according to FinAccess 2021. Agent banking and mobile banking applications have also enabled users to make digital payments into and out of interest-bearing accounts.

A quarter of users in 2009 wanted to be able to access mobile money through an ATM and almost as many wanted to transfer money between their bank account and mobile money which has been working for many years now. This desire underscores the importance of a payment system that enable seamless connections between different payment mechanisms and connections to shared physical infrastructure for moving between cash and digital value.

Finally, about a fifth of users wanted to be able to pay school fees and buy things at shops. Digital merchant payments are not only possible but have been growing rapidly with a 30% year on year increase in the first year of the COVID pandemic.

In our research, we hear this from Catherine, who sells cereals in Nairobi:

'During this COVID period when people refrained from physical contact, I decided to get a Till number. It has been very helpful because it helps me set aside money for business and not spend it on other things. ...Almost all of my customers pay via Till.... Before I took the Till number I had instances where some customers would send me money and then reverse once I left the business premise.'

Catherine is benefitting from an innovative payment system that has helped her increase her income. As we look to the future together, this National Payments Strategy can help include more Kenyans and unlock more and more innovations that

- link people to opportunities in the digital economy such as e-commerce and gig work,
- enable families to be more resilient in the face of climate change,
- provide more flexible payment options for keeping kids from being sent home from school like almost half of families in 2021 (Although interesting to hear from the video stories the need for a physical slip for paying school fees – how might the payment system provide a solution not requiring the physical slip?),
- help qualify households for affordable housing finance by incorporating digital payment data into credit scoring,
- dramatically reduce the cost of remittances, especially cross-border and within East Africa,
- and ease the flow of goods and services.

Supporting financial inclusion and innovations that benefit Kenyans is not only part of the National Payments Strategy but also a key part of the National Treasury's Digital Finance flagship policy under Kenya's third medium term plan and the Digital Economy Blueprint launched by the President in 2019 and Strategy under the leadership of the Ministry of ICT. All three of these important initiatives from the Government of Kenya are aligned under the same vision of seeing Kenya progress for the benefit of her citizens. As we turn our eyes towards the Fourth Medium-term Plan building towards Vision 2030, FSD Kenya hopes to join players across the public and private sectors to make this vision a reality.

As I close, allow me to quote CBK's recent discussion paper on Central Bank Digital Currency, "the focus of (CBDC) innovation must be on functionality and the problem it resolves for the people rather than the underlying technology." I think the same is true for payments and financial inclusion. The focus of national payments systems must be on the functionality and the problems it resolves for Kenyan women, men, youth, people with disabilities, remote populations, elderly, and the micro, small and medium enterprises that are the backbone of our economy.