

**SPEECH BY JOHN GACHORA, GROUP MANAGING DIRECTOR NCBA GROUP DURING THE  
CBK GOVERNOR'S BREAKFAST WITH CEO'S OF THE FINANCIAL SECTOR ON FINANCIAL  
INCLUSION AT THE KENYA SCHOOL OF MONETARY STUDIES ON FRIDAY 10<sup>TH</sup> MARCH 2023  
AT 9:00 AM**

- Cabinet Secretary, Ministry of Cooperative and Micro, Small and Medium Enterprise Development, Hon. Simon Chelugui
- The Governor, Central Bank of Kenya, Dr. Patrick Njoroge
- DG KNBS – Mr McDonald Obudho
- CEO FSD – Ms Tamara Cook
- Government Officials Present
- CEOs Present
- All Invited Guests

Good Morning

Thank you Wallace for those welcoming remarks.

Thank you too Tamara and MacDonald for those wonderful headline insights from the 2021 FinAccess household survey.

For those of you who have read the report and especially visited the interactive website, I am sure you appreciate how much depth and insight we can all glean on the evolution of Kenya's financial inclusion journey all the way back from the baseline survey of 2016.

I especially like the data visualization facility incorporated in this latest report that allows us to interact with the survey findings even more vividly!

It is indeed my pleasure to speak to you today on how as a sector we continue to leverage financial inclusion data for product design and market reach strategies as we all seek to impact Kenya's financial landscape for our collective welfare.

Let me make a couple of quick observations:

First. That financial inclusion is the cornerstone of not only a fair, equitable society but also a thriving economy, cannot be gainsaid.

Boosting financial inclusion and access to finance can and does make crucial contributions to economic development, enables social mobility and ensures that the largest number of people can participate fully and effectively in economic life.

Since the inception of the FinAccess surveys, we can indeed see a clear connection between Kenya's economic development outcomes and the increased levels of financial inclusion throughout the years.

Second is the fact that economic literature widely records that there exists a strong and positive correlation between financial inclusion and economic growth.

To be sure, according to the Global Findex Report 2021 by the World Bank, financial inclusion is positively associated/correlated with GDP growth, by up to 14% in developing economies.

Also, as a key pillar for social inclusion, financial inclusion is especially impactful in tackling income inequality and poverty by increasing opportunities for disadvantaged populations particularly in emerging economies.

Because of this mutuality of interests, we can all see why financial sector players have in the recent years increased interventions aimed at increasing financial inclusion.

Mobile network operators and financial institutions have successfully launched numerous services either to increase the convenience for existing customers or to reach out to new customers. Mobile money has made it much easier to receive and transfer money as well as make payments. Additionally, agency banking and cash merchants have taken the cash-in cash-out points much closer to the consumers.

Because of all these efforts, there is now increasing evidence-including in this survey-of more un-banked people moving into the formal financial grid and money initially circulating in informal systems has now found its way into formal channels.

Further, credit information sharing continues to enable financial institutions to make informed lending decisions and put in place more robust risk management frameworks.

All these product and process innovations in recent years have undoubtedly been made possible by the effective adoption and use of data such as the data insights provided by the FinAccess household surveys.

As an industry, we continue to collect and use data from our existing and potential customers to create new and innovative products and services.

### **Innovation- Technological Advancement Driving Financial Inclusion**

Our key priority remains that of ensuring that as an industry we have products and services that meet our customer's needs.

As I am sure you will appreciate, assessing and anticipating the customer needs, tastes and preferences hinges quite significantly on broad-based surveys such as this.

As already widely acknowledged, the COVID-19 pandemic leapfrogged the creation and adoption of new technologies, most notably mobile banking which support individual entrepreneurs and SMEs with their digital transformation and e-commerce journeys.

According to recent statistics Kenya registered approximately 63.5 million mobile connections as of the fourth quarter of 2021. This number corresponded to 114 percent of the country's population, indicating the individual use of multiple mobile connections.

The FinAccess surveys now provide our product and innovation teams with a good and up to date record of the extent of technological innovation, the changes in products and consumer behavior, demographic dynamics, the impact of policy changes as well as the entry of different players.

The 2021 edition of the FinAccess household survey is especially insightful because it is the first one to provide us with both national and county level data in line with the country's administrative framework of devolved government.

This will allow us as an industry to tailor-make our products and services even further and more sharply respond to consumer tastes and preferences.

As I am sure we all already know, the survey is organized around four key themes:

- Access
- Quality
- Usage
- Impact/welfare

There is no doubt that access-especially access to credit-is at the heart of all our economic strategies as a country.

Indeed, of the 5 key priority areas of the new administration, access to credit especially to the MSME economy has been identified to be key.

The survey's findings on the questions of access is therefore even more pertinent. I am looking forward to the next survey which will highlight the expected positive effects of the "Hustler Fund".

### **Access To Credit Through Growth of Mobile**

Access to credit plays a vital role in catalyzing the economy to enable inclusive growth and enhance financial health. On the other hand, access to a transaction account is considered as the first step towards financial inclusion by enabling people to make and receive payments, as well as save their money.

Formal access, largely driven by growth of mobile, has expanded to 83.7 percent in 2021 from 82.9 percent 2019.

The growth in financial inclusion has been largely on account of financial technology and innovations especially in the area of mobile money and mobile banking.

The scale and power of mobile money has enabled us to build a more inclusive financial world with millions of people participating in a more inclusive digital economy. Individuals, communities and the public, private and non-profit sectors are all reaping the socio-economic benefits of access to credit through growth of mobile penetration.

**We have also learnt from the survey that the use of banking services, including mobile banking, increased to 44.1 percent in 2021 from 40.8 percent in 2019.**

As a banker that gives me great joy that the collective efforts of the banking sector are bearing fruit to bring more citizens into the fold!

Even as we expand access to transaction products as well as credit, issues around usage, quality as well as the impact of these products should never be allowed to recede to the background at all.

These aspects of the financial inclusion agenda speak to our collective facility with the flurry of products that will continue to be developed in response to all these new tastes and preferences as revealed in the FinAccess surveys.

### **Financial Literacy in Fostering Financial Inclusion**

As we work to achieve a financially more inclusive society, deepening financial literacy is going to remain very important in achieving this.

As any product manager in financial services today will tell you, financially literate individuals are more likely to appreciate the value of financial services and hence take up more financial products.

Additionally, from an impact and welfare point of view, a more literate financial consumer is more likely to contribute more meaningfully to our country's development through the access and utilization of various financial products.

The Survey results indicate that 45 percent of respondents relied on friends and family members for financial advice compared to 43.3 percent who relied on their own knowledge. This presents an opportunity for us to introduce more financial literacy programs to educate the masses and hopefully make important contribution to the soundness and efficiency of our financial system and ultimately the overall performance of the economy.

As KBA, we are contributing to deepening financial literacy through various programs and remain committed to continuously conducting studies to examine the efficacy and impact of our programs.

More importantly, through the stewardship of the CBK Governor, we are working towards launching a countrywide financial literacy campaign that will speak to not just credit, but

also to spending and savings. It is something that must be done if financial inclusion is to have the expected impact.

Ladies and gentlemen, it is my sincere hope that we will continue to build a financially more inclusive society by developing products that meet the needs of our demographics. This survey and consequent ones and the financial inclusion data that they showcase will undoubtedly aid these product innovation and development efforts.

Thank you.