

## **REMARKS**

**by**

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GOVERNOR  
CENTRAL BANK OF KENYA**

**at the**



*Windsor Golf Hotel & Country Club, Nairobi  
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Hon. Njeru Githae, Minister for Finance;

Hon. Samuel Poghiso, Minister for Information and Communication;

Dr. Bitange Ndemo, Permanent Secretary, Ministry of Information and Communication;

Mr. Francis Wangusi, Director General, Communications Commission of Kenya;

Mr. Nicholas Ng'ang'a, Chairman, Board of Directors, Safaricom Limited;

Mr. Michael Joseph, Director Global Mobile Money, Vodafone;

Mr. Isaac Awuondo, Group Managing Director, Commercial Bank of Africa;

Mr. Bob Collymore, Chief Executive Officer, Safaricom;

Distinguished Guests;

Ladies and Gentlemen:

I am honored to have been invited to this landmark occasion, the unveiling of a product developed by the Commercial Bank of Africa (CBA) and Safaricom. The launch of M-Shwari is part of the transition in the integration of mobile phone technology and financial services platforms to the next level of financial inclusion. I congratulate CBA and Safaricom for this trend-setting innovation.

The launch of M-Shwari rides on Kenya's unprecedented rate of adoption of mobile phone money transfer services. Since the pioneering of mobile phone money transfer services in 2007 by Safaricom, the number of subscribers has reached 19.71 million as of September 2012. Similarly, the number of mobile phone money transfer agents was 67,301 as at the same date. This upward trend in mobile phone money transfers and payments has translated to an average of 1.6 million mobile phone transactions per day valued at an average of Ksh.4.3 billion per day. These are significant values with a transformational effect in the financial sector and the economy at large.

Ladies and Gentlemen: Today's launch is part of the ongoing banking sector's decisive move to leverage the mobile phone technological platform to power their banking services. Through mobile phone financial services banks are able to provide convenience and efficiency to their customers. This has contributed to the increase in the number of bank deposit and loan

accounts from 6.9 million and 1.2 million respectively in 2007 to 16.7 million and 2.1 million respectively as of September 2012. This growth has also been underpinned by continued branch expansion by banks from 740 branches in 2007 to 1,209 branches in September 2012. Further, it is worth noting that the success of the agency banking model which was introduced in May 2010 is underwritten by mobile phone technology. We thank our commercial banks for the reception and integration with the mobile phone technological platform and Kenyans for the quick adoption that has given it more credibility and allowed it to move to the next level.

Ladies and Gentlemen: Kenya's aspiration under Vision 2030 for an enhanced level of financial access has greatly benefited from the unprecedented mobile phone financial services innovations over the last 5 years. The 2009 Financial Access Survey indicated that more than 10% of the adult population had been brought into the sphere of formal financial sector through the mobile phone money transfer system. Through the ongoing 2012 Financial Access Survey, we expect to witness an increased level of formal financial services access; most of which may be attributable to mobile phone financial services innovations.

Ladies and Gentlemen: Despite the convenience and efficiencies that banks have presented to their customers by leveraging on mobile phone technology, the issue of affordability of their services still remains a major challenge. As more customers are brought to the formal financial services space, banks and other financial service providers have started to enjoy economies of scale. This should reduce unit costs drastically.

As a result, they should readily pass on the resultant benefits to their customers through lower charges. Financial inclusion is not an end in itself. It is the continued application of a variety of financial services and quality of service that matters. This can be encouraged through fair pricing of the financial products.

Leveraging on mobile phone technology to mobilize savings as well as advancing credit is a move in the right direction. It raises Kenya's innovation in financial inclusion to the next level and aids to retain its leadership in innovative instruments of financial inclusion. The lengthy and tedious credit appraisal processes will be minimized. As a result, M-Shwari will provide an opportunity for lowering the cost of credit. Use of mobile phone technology to process credit

applications provides a source of information capital to Kenyans who may not possess physical collateral such as title deeds for securing loans.

Ladies and Gentlemen: Banks should use the information capital to be generated from mobile phone transactions to the customer's benefit. Cost of credit has been cited as the main contributor to dismal growth in loan accounts over the years as compared to the growth in deposit accounts in the banking sector. Deposit accounts have increased by 142% over the last 5 years whereas loan accounts have increased by only 75%. Availability of affordable credit is indeed a key driver for Kenya's aspiration of moving towards middle-income country status by 2030. The heavy infusion of public infrastructure has created immense opportunities for investment. But if credit costs are high, these investment opportunities will not be taken up.

Ladies and Gentlemen: CBK remains committed to developing and implementing a robust regulatory framework for banks and to oversee the payment systems to ensure their effectiveness and efficiency. Key initiatives towards this end include:-

- the recently enacted National Payment Systems Act which will enhance the Central Bank's oversight of the payments system;
- continued strengthening of the banking sector's regulatory framework;
- adoption of international best practices; and
- our partnership with other players to strengthen the country's anti-money laundering and combating of financing of terrorism framework.

In conclusion, Ladies and Gentlemen, I once again congratulate CBA and Safaricom for their mutual partnership and the contribution they continue to make in the frontiers of financial inclusion. As I look forward to the success of M-Shwari, I challenge other institutions to explore and embrace similar partnerships as they position themselves in the increasingly competitive Kenyan financial sector.

Thank you.