

Njuguna Ndung'u: Innovative products in the banking industry in Kenya

Address by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the KCB Biashara Banking Launch, Nairobi, 28 June 2007.

* * *

Mrs. Susan Mudhune, Chairman of KCB Group
Directors of the Board of KCB Group,
Mr. Martin Oduor-Otieno, CEO of the KCB Group
Invited Guests
Ladies and Gentlemen:

It is indeed a great honour for me to stand here during this launch of the KCB Biashara Banking. I feel personally privileged because I am also a long time customer of this bank and one that feels proud of innovative products in the banking industry.

KCB has been a major player in the lives of Kenyans and continues to play a pivotal role in the socio-economic development of our nation. KCB as a bank symbolizes the prosperity of indigenous enterprises and its ongoing success is a major boost to our confidence in the Kenyan entrepreneurial spirit. I would like to congratulate the Board and KCB Team for the excellent performance that the bank has been reporting in recent years, a reflection that the bank continues to be a major financial market player in the country today.

Allow me also to commend the Board and KCB Team for the excellent corporate social responsibility agenda that you have been undertaking. I am informed that KCB has supported key community initiatives through donations to Operation Smile Kenya, the Kenya Red Cross Society and Ndakaini Dam Environmental Conservation Organization among other worthy causes. I urge you to continue with your sterling Corporate Citizenship efforts.

It is now clear that the SME sector is the source of livelihood for majority of Kenyans and there is need to nurture it so that it can grow into a huge sector in the Kenyan economy. It is however widely acknowledged that the sector faces constraints in accessing financial services. It is in this light, that I must commend KCB for launching the KCB Biashara Banking Product that targets this bedrock sector of the economy. I do hope that most entrepreneurs will take advantage of this product to grow their businesses to greater heights.

Ladies and Gentlemen, as I had earlier alluded, the SME sector in Kenya has been constrained in accessing credit. One of the key factors responsible for this constraint has been the lack of a "credit history" for these enterprises that can be used by banks in lending to them. The KCB on its part is therefore working hard and fast to create credit reference bureaus that will work towards improving information flow and solve the risk problems in the country.

Regulations for the licensing and oversight of the bureaus are expected to be gazetted by the Minister of Finance in the second half of this year. Credit Information Sharing when fully developed and implemented will undoubtedly go a long way in facilitating access to finance by SMEs.

Ladies and gentlemen, before I conclude, I would also perhaps warn that with the economic vibrancy around us and innovativeness of banks like KCB, there are crooks that innovate very well but negatively. These are likely to rob us this financial sector dynamism from the jaws of victory and for us to safeguard against this, we need to take several measures:

First, conduct due diligence on viable SMEs, they provide growth poles, but only if they are viable.

Second, be aware of pyramid schemes as they thrive on ignorance of the public.

Do not give them a chance – banks should close their accounts.

Third, provide more innovative products that reward depositors and savers that will ultimately raise returns to positive in real terms and squeeze the Interest Rate spread.

With these few remarks ladies and gentlemen, it is now my pleasure to officially launch the KCB Biashara Banking.

Thank you and God bless.