

Njuguna Ndung'u: The agent banking model

Remarks by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the launch of Ecobank Kenya's Rapid Transfer Product, Nairobi, 17 June 2010.

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Mr. Peter Kanyago, Chairman, Ecobank Kenya;
Mr. Anthony Okpanachi, Managing Director of Ecobank Kenya;
Board Members;
Management and staff;
Distinguished Guests;
Ladies and Gentlemen:

I am delighted to have been invited to the launch of the new Rapid Transfer Product by Ecobank. I am informed that this new product will provide Ecobank customers with a fast, convenient, reliable and secure way to transfer funds at all Ecobank branches across 27 African countries, making Ecobank a truly "Pan African Bank". Allow me at this juncture to commend the Board, Management and Staff of Ecobank Kenya for the introduction of this new product that will not only enhance customer service but also boost trade across the African continent. The launch of Rapid Transfer Product is indeed another milestone for the banking industry and demonstrates Ecobank's commitment to financial innovation.

It is noteworthy that since Ecobank Kenya's entry into the Kenyan market in June 2008, the bank has grown its branch network from 9 to the current 20 branches including the Head Office. This indeed shows the level of confidence that the Board and the Management of Ecobank have in the Kenyan Market.

Despite the various local and global turbulences experienced over the past two years, the banking sector continues to exhibit resilience and has remained strong. The impressive 2009 end year performance has been largely supported by growth in deposits, injection of capital, retention of profits and also declining costs of doing business supported by technology.

During the period ended April 2010, the sector's assets stood at Kshs.1.5 trillion, with gross loans and advances at Kshs.799.5 billion. Deposits increased to Kshs.1.1 trillion supported mainly by branch expansion, receipts from exports and remittances from abroad. At the same time, the banking sector registered a pre-tax profit of Kshs.19.5 billion, in the four months to April 2010 compared to Shs 48 billion in the twelve months of 2009. The sector is therefore likely to achieve better results this year compared to the previous year.

Despite the impressive performance by banks, customers continue to shoulder the heavy burden of high transactional costs. This historical burden has to be dislodged now. In an effort to bring down the cost of offering financial services to the Kenyan public, Central Bank together with other stakeholders have put in place a business model aimed at broadening financial inclusion to the majority of Kenyans at a lower cost – **The Agent Banking Model**. It is envisaged that this model will enable banks to leverage on additional cost effective distribution channels to offer financial services. To achieve this, the Banking Act was amended through the Finance Act, 2009, to permit banks to contract third parties to provide certain banking services on their behalf. The guidelines to facilitate the rolling out of agency model were issued by the Central bank and took effect from May this year.

Second, the cost of screening and monitoring existing and potential borrowers will decline with the introduction of Credit Reference Bureaus. This is the time to use this screening and monitoring technology to reach the SME in need of support to invest and expand. The Budget proposals in the Finance Bill 2010 have come up with a wonderful proposal on SME to enhance this.

The Monetary Policy Committee (MPC) has since September 2009 been implementing decisions aimed at signaling to the market the need to expand credit to the private sector at affordable interest rates. This has been achieved by way of lowering Central Bank Rate and Cash Ratio requirements. I am happy to note that the MPC decisions have started to bear fruit as evidenced by lowering of base rate by a number of major banks in Kenya, with the lowest base rate currently standing at 10%. We have room to do more, commensurate with returns on investment that banks screen and monitor. Finally, let me reiterate that Central Bank and indeed the Government of Kenya will continue to pursue policies that create conducive environment to allow the growth of the financial sector by encouraging the provision of banking services to majority of the unbanked Kenyan population and to support the real sector of the economy. We want to encourage Pan African Banks like Ecobank to have foot prints in Kenya to broaden the financial services platform.

With these few remarks ladies and gentlemen, it is now my honour and pleasure to declare the Rapid Money Transfer Product officially launched.

Thank you and God bless you all.