

Njuguna Ndung'u: The future of financial service delivery in Kenya

Remarks by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the opening of the 3rd AFRACA Central Banks' Forum, Kenya, 9 May 2011.

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***The Deputy Prime Minister and Minister for Finance, Honourable Uhuru Kenyatta;
The AFRACA Chairman and Deputy Governor, Central Bank of Congo;
The Secretary General, AFRACA;
Governors of Central Banks here present;
Representatives of Banks, Microfinance Institutions and other Financial Institutions;
Distinguished Guests and Participants;
Ladies and Gentlemen:***

I am delighted to be with all of you here in Mombasa to make some brief remarks at this very auspicious 3rd AFRACA Central Banks Forum. I am here to welcome the Deputy Prime Minister and Minister for Finance to officially open this forum, but before doing that, I wish to make a few remarks. On behalf of the Central Bank of Kenya which is co-hosting this Forum with AFRACA, let me extend a very warm welcome to all delegates to Kenya and in particular to Mombasa, a spectacular tourist town. It is my sincere hope that you will enjoy your stay in Kenya and will also find time during the Forum or after to sample Kenya's tourist attractions.

Ladies and Gentlemen: AFRACA organizes this bi-annual Central Banks Forum as an avenue for AFRACA member central banks and other regulatory bodies to share experiences on workable solutions towards enhanced agricultural and rural financing as well as to challenge each other on possible policy solutions to increase agricultural and rural financing. In this regard, the Forum serves to further AFRACA's vision of ***"achieving a rural Africa where people have access to sustainable financial services for economic development"***.

The theme of this Forum; ***"Financial Services for Food Security: Leveraging on Innovation"*** is quite timely and anchors well with the emerging trend whereby most of the agricultural land is being urbanized as well as the drastic climatic changes arising from global warming, which are posing a serious threat to food security for the future generations. Time to generate solutions to curtail this trend is now. But from our end, we focus on financial support investment to increase productivity in the sector.

Although Kenya's two financial access surveys conducted in 2006 and 2009 have shown general improvements in financial access with access to formal finance improving from 19 to 23 percent; to semi-formal improving from 8 to 18 percent; informal declining from 35 to 27 percent and the excluded falling from 38 to 33 percent, access to finance for rural areas is still low, with 64 percent of the rural populace not accessing formal financial services and 21 percent being excluded from any form of financial services. This is a huge drag to development that is driven by financial access. We know from established wisdom that poverty is very rural based in countries we come from. Access to finance allows the poor to escape poverty by building their assets through savings and credit.

At the Central Bank of Kenya, we remain committed to promoting innovations that will enhance financial access and inclusion for the people of Kenya. These reforms we believe will inevitably enhance access to finance in rural areas. My colleagues will be alluding to these reforms in the course of this conference.

Ladies and Gentlemen: The size of credit to the agricultural sector in Kenya by the banking sector has risen over the last five years from USD335 million (Ksh.28.1 billion) in December 2007 to USD620 million (Ksh.52.7 billion) as at February 2011. This growth is explained

partly by the outcomes of the initiatives enumerated above. The level is expected to increase once the reform initiatives take root.

To conclude my remarks, **Ladies and Gentlemen**, let me take this opportunity to reiterate the commitment of Central Bank of Kenya to contribute to the fulfillment of AFRACA's vision. It is my hope that this conference shall provide participants with key lessons on how to **achieve a rural Africa where people have access to sustainable financial services for economic development**. I also reiterate that it is only through the concerted efforts of all players, governments, development agencies, donors, regulators and service providers that we will be able to deliver on this vision.

With those few remarks, **ladies and gentlemen**, it is now my honour and pleasure to welcome the Deputy Prime Minister and Minister for Finance, Hon. Uhuru Kenyatta to deliver his keynote address and to officially open the 3rd AFRACA Central Banks Forum.

Thank you.