

Njuguna Ndung'u: Mobile and agency banking in Kenya

Address by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the Technical Cooperation among Developing Countries Programme on "Mobile and agency banking in Kenya", Kenya School of Monetary Studies, Nairobi, 6 May 2013.

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Mr. Saleh Usman Gashua, Secretary General, AFRACA;
Prof. Kinandu Muragu, Executive Director, KSMS and AFRACA's sub-regional chair for East Africa;
Facilitators;
Distinguished Guests and Participants;
Ladies and Gentlemen;

It is my pleasure to officially open this knowledge exchange programme on Mobile and Agency Banking in Kenya. On behalf of the Kenya School of Monetary Studies (KSMS), which is co-hosting this programme, let me extend a warm welcome to you all to Kenya and in particular to KSMS, a leading regional training institution in financial matters. I sincerely hope that you will enjoy Kenya's hospitality and tourist attractions during your stay in Kenya.

Ladies and Gentlemen: At the outset I would like to commend AFRACA for its continued efforts towards enhanced agricultural and rural financing environment. Forums like this allow AFRACA members not only to learn from each other's experiences but also to challenge each other on possible policy solutions to increase agricultural and rural financing.

As you may be aware, financial inclusion has lately assumed a central place in financial regulators mandates and is a public policy. The more formally financially included an economy is, the greater the likelihood of attaining financial developments and financial stability. In this regard, AFRACA's vision of *achieving a rural Africa where people have access to sustainable financial services for economic development* is very relevant to the financial inclusion objectives of AFRACA's members.

Ladies and Gentlemen: AFRACA's decision to host you for this knowledge exchange on mobile and agency banking in Kenya is a well thought out decision. This is because over the last 6 years millions of people, most of whom were financially excluded, have been brought into the formal financial sector through successful rollout of innovative mobile phone financial services products (MFS). Kenya has witnessed increased competition and diversity in the mobile phone financial services space with more mobile phone operators launching mobile money products. Financial institutions have also increasingly partnered and integrated their operating platforms with those of mobile phone financial services platform to leverage on the convenience and efficiencies they present. As a result, the unit costs for some of the financial products have been lowered significantly.

Ladies and Gentlemen: The potential of mobile phone technology to bridge the financial access barriers of distance and cost seems un-rivalled in Africa. In recognition of this, the Alliance for Financial Inclusion (AFI) brought together policymakers and regulators from 18 African countries that are AFI members to launch the African Mobile Phone Financial Services Policy Initiative (AMPI) in February 2013. The aim of AMPI is to share experiences and develop policy solutions for extending financial inclusion to the Continent's large unbanked populace through the use of Mobile phone financial services.

Ladies and Gentlemen: Allow me now to briefly share with you the Central Bank of Kenya's role in propelling financial inclusion through mobile phone financial services. Even before the enactment of the National Payment Systems Act, the Central Bank of Kenya took a proactive role in facilitating consultations on proposals by the telecommunication companies to introduce mobile phone money transfer services. The Central Bank of Kenya continuously supported the rollout of innovative products driven by mobile phone technological platforms

using a “test and learn” approach that allows innovations to take place while ensuring that **the necessary safeguards** are in place to mitigate the potential risks. This approach has allowed CBK to partner with both financial service providers and telecommunication providers as they seek to introduce innovative solutions into the market that are reliant on technology. This approach has seen an:

- a) **Increase in mobile phone participants.** Close to 20 million people are served by over 60,000 telecommunication companies agents handling over USD 54.4 million worth of Mobile phone financial service transactions per day in Kenya. These have achieved, with the stability and integrity of the financial system remaining intact.
- b) **Introduction of Agent Banking** by both banks and deposit taking microfinance institutions. The aim was to increase the level of formal financial inclusion in un-served and underserved areas. This has led to close to 17,000 approved bank agents’ facilitating over 45 million transactions valued at over Kshs 232 billion (USD 2.76 billion), mainly leveraging on mobile phone technology.
- c) **Evolution of the mobile phone money transfer system** to provide bill payments, savings/deposit mobilization, and credit application, all operated in the same platform with lower costs to the public.
- d) **Adoption of mobile phone technology** by other sub-sectors such as pensions, insurance and capital markets to provide convenience and efficiency to their clientele. The information capital built within mobile phones is an area of great interest to credit reference bureaus and the credit market in general.

Ladies and Gentlemen: The main lesson we have learnt is that financial inclusion will succeed once we understand the market segments and the delivery channels that are appropriate for those segments for financial inclusion to succeed. I would not wish to pre-empt the details of CBK’s experiences in regulation and supervision of mobile phone financial services and agency banking. My colleagues will be taking you through the detailed journey we have travelled during the day’s afternoon session.

In conclusion, **Ladies and Gentlemen**, it is worth noting that the potential to expand financial inclusion is still huge and mobile phone technologies are proving very useful in this front. At the end of this programme, I expect the unrivalled Africa’s pace of adoption of mobile phone financial services to be upheld. Finally, let me take this opportunity to reiterate the commitment of CBK to contribute to the fulfilment of AFRACA’s vision. It is my hope that this programme shall provide participants with key lessons on how to *achieve a rural Africa where people have access to affordable financial services for economic development – to allow them to escape poverty through savings and affordable credit.*

With these remarks, **Ladies and Gentlemen**, it is now my pleasure and honour to declare the 2013 Technical Cooperation among Developing Countries Programme on Mobile and Agency Banking officially opened. I wish you all fruitful deliberations.

Thank you for your attention.