

## **Njuguna Ndung’u: Growth and performance of the Kenyan banking sector**

Remarks by Prof Njuguna Ndung’u, Governor of the Central Bank of Kenya, at the Launch of Southern Credit Banking Corporation Ltd International Mastercard Debit Card, Nairobi, 10 August 2009.

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Chairman;  
Managing Director of Southern Credit Banking Corporation;  
Board Members;  
Management and Staff;  
Distinguished Guests;  
Ladies and Gentlemen:

I am delighted to be here this morning to join hands with the family of Southern Credit Banking Corporation Ltd in celebrating the launch of its MasterCard Debit Card. Allow me at the onset to appreciate the presence of the MasterCard Representative Assistant Vice President: Commerce Development, Mr. Charlton Goredema. I also wish to salute the Board, Management and Staff of Southern Credit Banking Corporation for successfully serving Kenyans in the last twenty seven years.

I am pleased to note that your bank has expanded its network from the two branches at incorporation in 1982 to nine branches countrywide and has been in the forefront of innovations in electronic payments solutions in Kenya, a position that it first achieved with their Senator Card brand. Today, the bank is becoming a market leader with the launch of the first MasterCard Debit Card in Kenya and also in the region. It is also one of the only three banks in Kenya with the Acquirer status on the MasterCard franchise. The service will enable the bank’s existing customers transact business at more outlets, at their convenience, anywhere in the world. I commend the Board for this.

Ladies and Gentlemen; This new service will provide an expansion of Kenya’s card market segment which is currently thin and requires patronizing by many of the bank customers. Similarly, the new product will go a long way in deepening the financial sector by facilitating payments.

Mr. Chairman, Let me turn to growth of the banking sector and its performance, one of the main pillars of Kenya’s economic growth.

Ladies and Gentlemen; Despite the local and global turbulences experienced over the past one year, the banking sector remained stable and exhibited resilience. The sector has continued to grow and expand both locally and regionally to new markets within the East African region and beyond. In addition, banks are posting good results for their second quarter ending June 2009. We commend the banking sector for the efforts in weathering storms of the global financial crisis and our own share of internal shocks.

Mr. Chairman; Let me at this point mention some indicators of financial sector performance for the quarter ended June 2009 to show not only its resilience but its source of strength:

- The Sector’s assets increased by 15% from Kshs.1.09 trillion in June 2008 to Kshs.1.26 trillion at the end of June 2009 as banks continued to expand their lending portfolio.
- Deposits increased from Kshs.871bn in June 2008 to Kshs.954bn mainly due to deposit mobilization and expansion of branch networks by banks.
- The Capital Adequacy Ratio stood at 19.8% above the statutory minimum of 12%. This is an indicator that the sector has a cushion against periodic shocks.

- The sector's average liquidity at end of June 2009 was 40.9% well above the statutory minimum of 20%.
- The number of people employed by the sector increased from 24,435 at the end of June 2008 to 25,766 at the end of June 2009.
- The number of branches at the end of June 2009 stood at 930 an increase of 158 branches from the corresponding period in 2008.
- The number of accounts has similarly increased to 6.7m accounts from around 4 million accounts in the same period – shows we need to do more on this count.

Ladies and Gentlemen, Our appeal to the banking sector is to put up strategies that will support and stimulate the private sector. Banks stand to benefit from a strong and vibrant private sector. The CBK has shown the industry the way by the recent successive reduction of the Central Bank Rate and Cash Reserve Ratio. It is good and encouraging for banks to post healthy profits, but also good in tandem with that to reduce the lending rates to encourage the private sector lending and financing both investments, working capital and reducing the risks of default.

I would like to reiterate once more that the Central Bank welcomes initiatives and innovations by the banking sector in coming up with new products and is committed to the creation of an enabling regulatory environment towards this end. I would therefore urge the banking sector to seek diversification of their products in light of the dynamic banking environment to leverage on their growth and earnings. Such diversification of financial services like the Debit Card we are launching today do help to reduce transactions costs. But the banks should let us know how we can help to reduce risks and costs if they are the ones sustaining higher lending rates – but also keeping deposit rates low!

Ladies and Gentlemen; It is now my honour and pleasure to declare Southern Credit Banking Corporation's MasterCard Debit Card officially launched into the Kenyan market.

Thank you.