

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

Introductory remarks by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, during the second scenario building workshop on "The future of financial service delivery in Kenya", Nairobi, 16 April 2010.

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Chief Executives of Commercial Banks here present;
Distinguished Guests;
Colleagues;
Ladies and Gentlemen;

I am honoured this morning to be addressing this distinguished gathering. Allow me therefore at the outset to thank you for accepting our invitation to attend this second scenarios building workshop on the future of financial service delivery in Kenya. I am deeply convinced that our deliberations today will go a long way in shaping the future of our financial industry as was the case with the first workshop held last year.

Ladies and Gentlemen: This year, Nairobi Scenario II Workshop comes at a time when a number of countries around the world are increasingly pursuing the development of branchless banking policy frameworks. This indicates branchless banking is receiving increasing international attention and capturing the imagination of a wide array of players and international bodies. In particular, as part of its commitment to financial inclusion, the G-20 has established the Access Through Innovation (ATI) subgroup of the Financial Inclusion Experts Group.

Ladies and Gentlemen: Kenya's financial inclusion agenda is premised on its current development blueprint, Vision 2030. Under this Vision, Kenya aspires to be a middle income country by 2030 and the financial sector is expected to mobilize substantial financial resources required to realize this Vision. In addition, savings rate are targeted to increase to 32.0 percent within the period. For this to happen, financial reach, inclusion, and deepening to increase financial instruments will need to take place. The Central Bank on its part will have to foster stability and accessibility of the Kenyan financial system. In this regard, we will continuously implement reforms to:

- Strengthen the banking sector through an enhanced legal and regulatory framework including scaling up minimum capital requirements.
- Address structural rigidities that impact adversely on the cost of financial services. Some of these we need to learn from you and then we can improve the environment for you.
- Enhance efficiency and safety of payment and settlement systems through use of innovative internet and mobile based solutions. As it were, reliable and efficient payment systems increase both the effectiveness of monetary policy and minimize payment system risks.

Ladies and Gentlemen: In order to accomplish the tenets of branchless banking across the globe, we need to unanimously come up with minimum benchmarks to guide its application and regulation. These may include: the need for creation of enabling environments for private sector initiatives to thrive; continuous private-public sector dialogue to facilitate formulation of innovative policy solutions; and balancing access with stability to safeguard integrity and stability of the financial system.

Further, today's scenario building process will benefit a lot from the lessons of the four scenarios of the Scenario Building 2020 by CGAP and DFID. These are:

- (a) Existence of untapped opportunities in the environment that can be exploited through innovation.
- (b) The fact that opportunities are available everywhere including post-conflict countries which can potentially be exploited through branchless banking.
- (c) Successful branchless banking regimes may be vulnerable to disruptions like court decisions and other underlying forces which make branch-intensive strategies unviable. However, data-enabled phones may present the best strategy to mitigate such risks.
- (d) Successful transition to a cashless society may present a big challenge to successful mobile phone money transfer service providers, regulators, and the economy.

Ladies and Gentlemen: I would like to reiterate that while the Central Bank welcomes innovative products, it evaluates all such products to ensure safety and efficiency concerns are adequately addressed. The Central Bank has the necessary capacity to properly evaluate and appraise technology driven financial services to ensure they meet international standards and provide comprehensive consumer protection.

Finally, may I assure you that the Central Bank will always strive to provide an enabling legal and regulatory framework to encourage innovations by all players in our financial sector in order to enhance access to financial services. In this regard, we will continue to work with stakeholders as we are doing today to put in place an enabling environment for business to thrive.

With these remarks, Ladies and Gentlemen, it is now my pleasant duty to declare this workshop open.