

## **Njuguna Ndung’u: The advantages of mobile phone banking services**

Remarks by Prof Njuguna Ndung’u, Governor of the Central Bank of Kenya, at the launch of the Family Bank’s mobile phone banking services, Nairobi, 3 June 2010.

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**Mr. Titus K. Muya, Chairman of the Board of Directors, Family Bank Ltd.,  
Mr. Peter Kinyanjui, Chief Executive Officer, Family Bank Ltd.,  
Board Members, Family Bank Ltd,  
Distinguished Guests,  
Ladies and Gentlemen,**

I am privileged to be here this morning on the occasion of the launch of Family Bank’s mobile phone banking services. Today marks yet another milestone on Family Bank’s growth trajectory and also another important innovation in the banking products that enlarge the range of financial services. I therefore feel honoured to have been invited to launch this product.

It would not have been possible for us to assemble here and witness the rolling out of this product into the market without the wise stewardship of the Board and Management of the bank. I therefore salute the Board, management and staff of Family Bank on the introduction of the mobile phone banking services that we shall be launching this morning.

I have been informed that these mobile banking services dubbed “PESA PAP” have been made possible through the use of the Safaricom M-Pesa Platform. On this note, I salute Safaricom for having partnered with several banks in providing innovations that will not only enhance access to financial services but also the growth of commerce in both the rural and urban markets. In his Madaraka Speech to the Nation, H.E. the President, Hon. Mwai Kibaki particularly singled out the innovation in Information Technology and the support it has provided to mobile phone money transfer services – as leading innovations in the world. The World Bank’s Doing Business Report on Access to Credit places Kenya at 4th position of 183 countries.

Allow me to mention that the PESA PAP product being rolled out today is a consolidation of three products with key distinct features as follows:

- **The M-Pesa Super-Agency** providing electronic value to Safaricom Agents countrywide will be of benefit in terms of improving M-Pesa availability in the market and ensuring M-Pesa Agents maintain optimum levels of float.
- **Bulk Value Payments** through M-Pesa will allow bulk remittance of payments including salaries and loan disbursements to employees, borrowers and agricultural farmers and the;
- **M-Pesa Paybill for the acceptance of deposits** will enable the transfer of electronic value from Safaricom’s M-Pesa money transfer platform to a customer’s bank account.

The benefits of the PESA PAP products just like other mobile products already existing in the industry cannot be gainsaid. This product is a technological solution that will provide the following key benefits:

- **Build up of savings:** With the transfer of electronic value from Safaricom’s M-Pesa money transfer platform to a customer’s bank account, a synergetic relationship is created in terms of deposit mobilization for the bank while the customers benefit in building up their savings for future investment.

- **Convenience:** Access to financial services on the mobile phone will certainly lower the cost of transfer of remittances, improving the safety and security of cash and make payments more convenient.
- **Serving the unbanked and the under-banked:** With 32 percent of Kenya's bankable population being excluded from formal and informal financial services as indicated by the National Financial Access Survey in 2009, mobile phone banking services will reduce the cost of running banking operations in order to enhance access to affordable, flexible and faster services to customers and by and large the "unbanked" population in Kenya. Part of this exclusion has been due to costs and physical distance. These twin problems have been solved by PESA PAP products.
- **Supporting Vision 2030:** The rolling out of such innovative products will bring about immense contribution in deepening the financial sector. It is through financial deepening that a majority of the Kenyan population will access financial services easily and affordably. This will increase savings and build up of assets through affordable credit, and through increased savings and investment we will walk the path determined by Vision 2030.

**Ladies and Gentlemen:** I am delighted and encouraged by the way the banking sector is embracing technology and demystifying the mobile and internet banking services from the perception that it is suited for the rich and well-educated but that the poor and the marginalized can as well be brought on board. Markets are developed by increased participation. Increased participation reduces unit costs. That is why cost of credit, via base lending rates are declining.

As I conclude my remarks, let me reiterate that the Central Bank appreciates the initiatives and innovations by the banking sector in coming up with new products targeted at niche consumers and is committed to the creation of an enabling regulatory environment. We shall, on a continuous basis, revise relevant regulations that will ensure that the dynamic banking environment is adequately served as we gather more knowledge through innovations and market demands.

**Ladies and Gentlemen: It is now my honour and privilege to launch the Family Bank "PESA PAP", I am sure the market is anxious for uptake of this product.**

Thank You.