

Njuguna Ndung’u: The role of financial education in financial sector development

Opening remarks by Prof. Njuguna Ndung’u, Governor of the Central Bank of Kenya, at the Public Service Master Trainers Workshop for Financial Education, Nairobi, 12 July 2010.

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Ms. Bilha Maina, Project Manager, Financial Education, FSD Kenya;

Facilitators;

Participants;

Ladies and Gentlemen:

I am delighted and honoured to be here today to officially open this training workshop geared towards developing master trainers in financial education in the public sector in Kenya.

To start with, let me extend my appreciation to FSD Kenya for inviting me to officially open this training workshop. I also thank Microfinance Opportunities for accepting to facilitate this valuable workshop.

Ladies and Gentlemen: This training workshop aims to achieve four goals. As participants you will:

- learn about financial education in general;
- develop skills in adult learning and facilitation;
- examine the Global Financial Education Program in detail;
- acquire the necessary tools and skills to train others, and
- equip customers with the knowledge to demand services.

These objectives revolve around the direction we want to take on financial development. I urge each one of you to go into this programme with an open mind. The perspective of this training is totally different from the academic courses we have all gone through – it is a focus on the basics, practicality and application.

Ladies and Gentlemen: Allow me now to briefly share with you, in simple terms, the role of financial education in financial sector development. As we are all aware, the global financial sector is extremely dynamic and these dynamics feed into the domestic financial sector. The innovations have covered financial products, services, processes and procedures. These innovations are only possible with continuous upscaling of the financial market players’ knowledge. Similarly, innovations arise based on market demands which are driven by the desire of customers for a safe and efficient financial sector. The financial services providers would want to see their market niche increasing but not be challenged by other competitors. But the customers must use the financial services and demand more of those services. We did not know what we had missed over the years until M-PESA came to the scene. When consumers are financially informed they are in a position to demand quality financial services at fair prices. This makes it necessary for the providers to innovate products suitable for their customers’ needs. In this regard, the demands by customers and innovations by financial sector players as a result of being empowered through financial education drive financial sector development. This scenario clearly confirms that each one of us requires financial education. All aspects of our lives entail financial decisions and limited financial knowledge is a precursor to poor savings and investment decisions.

Ladies and Gentlemen: FSD Kenya and the Central Bank of Kenya in conjunction with several other financial sector players have undertaken two financial access surveys (FinAccess) in 2006 and 2009. The surveys were aimed at establishing the level of Kenya’s

population that utilises formal financial services. The two surveys established the banked population as 19 percent in 2006, It has increased to 23 percent in 2009. I am sure with financial education and more products in the market this proportion will increase.

The FinAccess surveys have also included questions on financial literacy and use of technology in financial transactions. Following the release of the 2006 FinAccess survey results, FSD Kenya brought together several financial and education sector players to form the Financial Education Partnership (FEP) to spearhead the development of a national strategy on financial education. The efforts of the partnership are progressing well. In addition, I have been appointed as the National Champion of Financial Education in Kenya and the launch of four pilot projects to inform what modes of financial education work in Kenya are important dimensions.

Ladies and Gentlemen: The Partnership's quest to develop a national strategy for financial education in Kenya is mainly informed by the need to protect the consumers of financial services. The best way to protect consumers is to empower them with financial knowledge which they can use to demand quality services at fair prices. As the financial education strategy is being developed, the Government through the Ministries of Finance and Trade are spearheading efforts towards coming up with a comprehensive financial services consumer protection law. However, the law alone will not be enough, since for consumers to take advantage of it they must be enlightened on their rights and obligations regarding financial transactions.

Ladies and Gentlemen: Let me now share with you the aspirations of the Central Bank of Kenya (CBK) as regards financial education. Other than its participation in the partnership, the core mandates of the Bank, which are price and financial stability, demand that we explain to the public all that we do to achieve these mandates. In this regard, CBK takes up available opportunities to disseminate financial knowledge to the public. In particular, the success of the new developments in our banking sector such as mobile banking, agent banking and credit information sharing are pegged on effective awareness and sensitisation of all the players.

The Central Bank has over the past few years increased its level of interaction with the public. This has enabled us to explain our role in the economy especially the ongoing initiatives aimed at creating a more stable and efficient financial system as well as increasing the level of financial access by the Kenyan public. I encourage each one of you to visit the Central Bank's website, which has been greatly enriched to enhance dissemination of information to Kenyans.

In conclusion, **Ladies and Gentlemen**, I am informed that the participants in this workshop will be certified as master trainers in financial education. In this regard, I urge all of you to take the workshop seriously and to disseminate the knowledge gained throughout your organisations and to the public your organisations interact with. It is only through dissemination of the knowledge that you will acquire over the next one week that the financial sector and the economy as a whole will benefit.

Ladies and Gentlemen: Being cognisant of the intensive training programme ahead of you, I shall not extend my remarks any further. I therefore take this opportunity to wish all of you an enjoyable and exciting workshop.

With these few remarks, ladies and gentlemen, it is now my honour and pleasure to declare this training workshop officially opened.

Thank You and God bless you all.