

Njuguna Ndung'u: Understanding and expanding financial inclusion in Kenya

Keynote speech by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the launch of the FinAccess GIS Mapping of all Financial Access Touch Points 2014, Nairobi, 13 March 2014.

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The Chief Executive Officers of Domestic Financial Sector Regulators;

The Chief Executive Officers and Officials of Financial Services Providers;

The Principal Secretary – Ministry of Information, Communication and Technology

Deputy Governor – Dr. Haron Sirima

Representatives of Development Partners;

Distinguished Participants;

It is my honour and pleasure to join you this morning to formally launch the results of our GIS Spatial Mapping of all Financial Access Touch Points in Kenya under the auspices of the Financial Access Partnership (FAP) with Bill and Melinda Gates Foundation. This GIS Spatial Mapping of Financial Access Touch Points was supposed to provide insights in understanding the financial inclusion landscape and our quest to expand financial inclusion. As you will recall during the launch of the Third National FinAccess 2013 Survey Report of top line findings on 31st October 2013, I extended to you the invitation towards the launch we are witnessing today. I am delighted that we have kept our word.

Ladies and Gentlemen: Before making any further remarks, allow me to thank the Bill and Melinda Gates Foundation and all our collaborating partners under the Financial Access Partnership (FAP) for their tremendous contribution towards the success of this Project. At this point, I cannot forget to thank Brand Fusion Marketing International Ltd. for conducting the field work successfully despite the numerous challenges they faced and the FinAccess Management (FAM) comprising the Central Bank of Kenya (CBK), Research and Policy Analysis Department and the Financial Sector Deepening (FSD) Kenya for ensuring the project's success and making today's launch possible. Let me also appreciate our technical partner, the Kenya National Bureau of Statistics (KNBS), for providing critical support to the initiative.

Ladies and Gentlemen: During the launch of the Third National FinAccess 2013 Survey, the Government recognized the important role played by the financial system in the economy. Our Vision 2030 envisages the financial sector being transformed into an innovative, vibrant and globally competitive sector to drive high levels of savings to finance the country's investment needs. The transformation entails doubling deposits mobilization from 44% to 80% of GDP and enhancing growth of savings channelled into productive investments from 14% to over 30%. ***This goal cannot be achieved if the Vision's three core objectives, namely: Enhancing Financial System Stability, Efficiency, and Expanding Financial Inclusion are not addressed.***

- ***Without expanding inclusion to financial services,*** there is a case for expanding quality access and affordable, appropriate and sustainable financial services and products to majority of the population. This will inevitably increase their access and usage of financial markets and products that will encourage savings/investments and allow capital/asset accumulation. Safe havens for savings by the poor reduces their vulnerability to periodic economic and social shocks and enhances their productive capacity.

- **The Three National Financial Access Surveys** for **2006, 2009** and **2013** have clearly demonstrated that Kenya's financial landscape has changed considerably over the period 2006–2013. The financial system is now offering a wider range of financial services and products to more Kenyans, covering a wider geographical spread, and even going beyond its borders more than ever before. These developments are attributable to expansions in financial sector infrastructure (including innovation in products and adaptive institutional outreach) and advances in technology.

Ladies and Gentlemen: I am delighted to note that we have added the spatial mapping of financial services providers to the FinAccess Surveys by digitally mapping out all the financial access touch points in the country. This affords us more in-depth knowledge on how to address the challenges we face in expanding financial inclusion and ensure that the majority of our populace access and use affordable, appropriate and sustainable financial services. Some of the insights we have gained from the mapping exercise include:

- Kenya enjoys better financial access compared to countries in the region. The percentage of the population living within a 3km distance of a financial access touch point is 58.7% for Kenya, 44.1% for Uganda, 42.7% for Nigeria and 28.3% for Tanzania. In terms of financial access touch points per 100,000 people; Kenya has 161.7, Uganda 63.1, Tanzania 48.9 and Nigeria 11.4.
- Financial services touch points tend to be located in economically active regions of the country: more in urban than in rural areas. In these areas use of portfolios of financial services is more prevalent.
- Financial services touch points locate away from areas of high poverty levels, for instance, 69% of all financial access touch points are located in areas with the least likelihood of poverty even though only 30% of the population live in those areas.
- Kenyans have greater access to mobile phone financial services providers compared to banks. For example, Kenyans living within 3km of a mobile phone money agent is 58.6% or 23.64 million compared to only 21.2% or 8.57 million living near a bank branch.

Ladies and Gentlemen: The results we are releasing today are as a result of developments in the wider economy, infrastructural facilities, technological innovation, institutional developments, natural features, as well as financial system policy and regulatory reforms, increased competition and innovations in the financial market. These developments have set off a dramatic shift away from the traditional delivery of financial services. In the delivery of financial services, innovations using technology such as Automatic Teller Machines (ATMs), Point-of-Sale (POS) devices, the internet and mobile phone platforms and its interlinkages with financial institutions platforms have accelerated and moved us closer to branchless banking. We, however, still have some ground to cover in expanding access to financial services, given that about 25% of the population remains totally excluded.

Ladies and Gentlemen: The information generated by this spatial mapping exercise will help financial service providers identify where opportunities exist. I am delighted that the sector now has such a useful information resource at its disposal. The results from all these efforts will help the public and private sector to better understand the developments and dynamism of the broader Kenyan financial market landscape and its dynamics in order to develop appropriate policy strategies and products as well as delivery channels to targeted clientele that they have not served before.

Ladies and Gentlemen: The GIS Spatial Mapping Project brings forth more information necessary to satisfy the objectives of the Financial Access Partnership, which remain;

- (i) To provide information to policymakers about the main barriers to financial access and inclusion;

- (ii) To provide information to the private sector on market conditions and opportunities;
- (iii) To provide a solid empirical basis to track progress on financial inclusion and evaluate the effect of government, donor and industry led initiatives;
- (iv) To provide data for use in research into the impact of access to financial services and products on growth, development and poverty reduction.

In conclusion, **Ladies and Gentlemen**, let me also observe that the FinAccess studies have been championed and driven by a partnership between public and private institutions. I commend and support such initiatives and hope that this lays the foundation for a deeper and sustained partnership between the public and private sector in tackling the challenges and taking advantage of opportunities that arise. In this regard, as I have always done, I thank all the institutions under the Financial Access Partnership that have contributed in various ways towards the Spatial Mapping Project and The Bill and Melinda Gates Foundation. I urge financial services providers and the domestic sector regulators to work out modalities of collecting the spatial data of all the financial services touch points. The Research and Policy Analysis Department of the Bank will champion these efforts.

With these few remarks, **Ladies and Gentlemen, I welcome you to this breakfast event and launch the financial access web portal** and look forward to further fruitful deliberations.

Thank you.