

## **Njuguna Ndung'u: Enhancing the quality of financial inclusion in Kenya**

Remarks by Professor Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the launch of MPESA Moneygram Partnership, Nairobi, 5 November 2014.

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***Mr. Bob Collymore – CEO Safaricom;***

***Ms. Pam Patsley CEO – Moneygram International;***

***Mr. Herve Chomel – Vice President Moneygram Africa;***

***H.E. Robert Godec – US Ambassador to Kenya;***

***Dignitaries;***

***Distinguished Guests;***

***Ladies and Gentlemen:***

I am pleased to join you today on this auspicious launch of Safaricom MPesa and MoneyGram International Money Transfer Partnership. It is a great honour to be here with you this morning. I thank the CEO and Management of Safaricom for inviting me to this occasion.

***Ladies and Gentlemen:*** I recall with pleasure back in 2009 when I witnessed the first partnership in international money remittance between Safaricom and Western Union. This created a much needed avenue for the safety of remittances and efficiency through easily accessible channels. And today, we are gathered here to celebrate another milestone in the deepening of Kenya's financial sector. The partnership between Safaricom and MoneyGram International is not only an opportunity for Safaricom to satisfy the needs of its customers but also to contribute in enhancing the quality of financial inclusion. I commend the Board, Management and Staff of Safaricom and MoneyGram International for their decision to operationalise this partnership. This partnership will benefit both parties through expansion of network of outlets. As I continually to encourage and advocate, it is such partnerships that discover market opportunities and allow further competition to enlarge the space.

As everyone attending this launch is aware, Kenyans have spread their reach worldwide in both business and in practising their professions. Kenya being a small open economy, it has liberalised its markets to promote and enhance growth. These professional and business people within and outside Kenya send substantial shares of their earnings to family members back home perhaps for consumption smoothing and investment.

***Ladies and Gentlemen,*** the mobile phone financial services sector in Kenya has experienced phenomenal growth since its inception in 2007. This sector is served by over 120,000 agents handling more than 2.5 million transactions daily valued at Ksh.6.3 billion. This partnership will expand opportunities for business and increase the global outreach to more than 90 countries and interlink more than 20 million customers in those countries already served by MoneyGram International. Innovations and partnerships in the mobile phone money transfer industry, as we are seeing today, have given impetus to access to financial services to Kenyans. Besides the revolutionary impact on financial systems, mobile phone technology has also provided access to services for the previously unbanked and created thousands of job opportunities. The provision of remittance services is a potentially effective method by which service providers can attract the unbanked for sending or receiving purposes. In this regard, it is an emerging market leadership platform to be consolidated for enhanced financial inclusion.

***Distinguished Guests:*** There has been tremendous growth in international remittances in recent years, a trend that is expected to continue as the World becomes increasingly

interlinked. The World Bank estimated remittance flows to developing countries in 2013 to have amounted to USD414 billion, and projections to USD540 billion by 2016.

In Kenya, the annual remittance inflows from Kenyans in the Diaspora, officially recorded from banks' returns, rose from USD338 million in 2004 to USD1.3 billion in 2013. This is a commendable growth of more than 285%. These remittances, that are playing a vital role in supporting both consumption and investment needs of the recipients, have also become an important source of foreign exchange inflows to the country.

**Ladies and Gentlemen**, the Kenya Government recognizes the role and importance of remittances in boosting economic development. In this regard, CBK has worked closely with stakeholders in the mobile phone money transfer industry in implementing regulatory reforms aimed at guiding the market to prosperity. The National Payment System Regulations 2014 were formulated and gazetted to guide mobile phone money transfers within the country while the Money Remittance Regulations 2013 have been operationalized to introduce stand-alone money remittance providers in Kenya. Previously all international remittances were made through commercial banks platforms.

**Ladies and Gentlemen:** Despite the significant progress made in making remittance services accessible and efficient in Kenya, as in the rest of the developing world, there are still some challenges that we need to address. Chief among these are the high transaction costs, integrity of the services and need for effective competition. The practice has been to charge a fee for transfer and fix the exchange rate for the amount to be received. However, the question remains "How do we provide services for international money remittances at competitive costs?" To address this, CBK has approved partnerships between local financial institutions and international money transfer operators, the latest being between Safaricom Mpesa and MoneyGram International Money Transfer.

**Ladies and Gentlemen**, I have alluded to how sending and receiving of remittances is an important type of financial transaction to the country, for many people and their families. This fact engenders both a challenge and an opportunity. The challenge for us as regulators is to ensure that remitters can send funds to their recipients conveniently, safely, and at a reasonable cost. The opportunity, primarily for mobile phone money transfer service providers and other mainstream financial institutions, is to find ways to leverage users' need for remittance services into a broader relationship, one that will be both profitable for the service provider and will also provide remitters and their families greater financial access. This will increase the participants in the money remittance market considering costs are a major barrier to entry in any market.

Lastly, **Ladies and Gentlemen**, as we enjoy the benefits of expanding money remittance business, let us comply with the Anti-Money Laundering and Combating the Financing of Terrorism requirements. I am sure that these transactions are easy to monitor on both ends. But the benefit is to discourage those who use the wallet or hand luggage to remit – since we cannot effectively monitor such. This will facilitate lowering of the country risk that we should take advantage of in reducing costs of money transfers.

With these few remarks, Ladies and Gentlemen, it is now my distinct honour and pleasure to declare the Safaricom and Moneygram Money Transfer Partnership officially launched.

Thank you.