

Patrick Njoroge: Keynote address - Kenya Fintech Forum

Keynote address by Dr Patrick Njoroge, Governor of the Central Bank of Kenya, at the Kenya Fintech Forum, Nairobi, 23 March 2022.

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As prepared for delivery

Good Afternoon! I am pleased to join you at the Kenya FinTech Forum. Let me at the outset express my gratitude for the invite. This event builds on the longstanding relationship between Kenya and the United Kingdom that has evolved with the changing global environment. I note in particular the close collaboration in the financial sector - from commercial banks to the central bank, from enhancing the skills of staff in the sector to discussing modern-day concerns such as FinTech, climate change, and anti-money laundering. Thank you for being a true partner.

We meet at a critical juncture in the global environment beset by both tailwinds and headwinds. Let me first frame the conjuncture we are in, with three broad themes.

First, advances in digital financial services in Kenya have been underpinned by the proliferation of mobile phones, with their penetration at about 132 percent of population. The explosion of a mobile phone based financial ecosystem has seen access to financial services in Kenya increase from 26 percent of all adults in 2006, to 83 percent in 2021. This success has been underpinned by partnerships between incumbent financial institutions, telecommunication companies and FinTechs, some who are represented here today. These partnerships have blossomed in an enabling policy and regulatory framework, set out by the government, regulators, and other policy makers with the support of our development partners including the United Kingdom.

Second, the COVID-19 pandemic has been one of the most defining event in the last 100 years. It has presented both unprecedented challenges and opportunities. As for the opportunities, there has been a scale up of digitization building on the innovations and new technologies that have emerged. Digital platforms have seen the global populace through the containment measures brought on by the pandemic. The Bigtechs that were already on the ascent before the pandemic have become an even more integral part of the global economy.

Third, the pandemic has come with monumental challenges to global lives and livelihoods that have been adversely impacted. According to estimates by the World Bank, the effects of the pandemic could lead to up to 100 million people being pushed to extreme poverty by 2030, if urgent action is not taken. The global goal of shared prosperity for all by 2030, through the United Nations Sustainable Development Goals (SDGs) has suffered a body blow. Significant resources will be required to get back our citizens on the path of shared prosperity.

Against this backdrop, how do we move forward particularly as the FinTech Community? Allow me, to outline three broad themes.

First, people's needs must remain paramount. It all boils down to what problems are we solving as innovators, policy makers and governments. Technology and innovations must become the enablers to solving these problems. However, there are two broad perspectives about how to identify the problem, even though it is meeting people's needs that will determine the success or failure of a product or innovation, irrespective of the approach taken. In the first approach, an innovator could claim to know what the problem is. This is well illustrated by Steve Jobs, Apple's founder, in his famous quote; *"Some people say, "Give the customers what they want." But that's not my approach. Our job is to figure out what they're going to want before they do."* In my view, this approach works best when considering a quantum leap in innovation or a product.

The second approach is to engage the public to really understand what they need. This is important when the product or innovation will need substantial public support, there will be a significant cost to the public, or the change introduced by the product or innovation is incremental. In fact this is what informed the issuance of a ***Discussion Paper on Central Bank Digital Currency (CBDC)*** by the Central Bank of Kenya in February 2022. Any currency, including CBDC, rises or falls on public confidence.

Second, co-operation and collaboration are at the heart of thriving financial ecosystems. Synergies between regulators, policy makers, financial institutions and other actors are critical to financial services transformation. Traditional adversarial relations between regulators and the regulated, and a race-to-the-bottom by competing financial centres have no place in this new world. There is no room for zero-sum games and we must aim for win-win outcomes. This is why the symbiotic relationship between Kenya and the United Kingdom to grow our respective financial centres is particularly welcome. Together, we will go far for the benefit of our citizens.

Third, the shared prosperity of our citizenry is an imperative that we must focus on. The rapid digitalization over the last few years has created a growing digital divide, with Bigtechs reaping outsized benefits. We have seen the meteoric rise of the global fintechs including Apple, Meta (formerly Facebook), Alphabet and Amazon. Their valuations on the New York Stock Exchange have hit record highs.

FinTechs have not been left out of this race-to-the-bottom, in their focus on fund raising and valuations. But in all these, their focus has largely been on the technology and the short-term gains, and not on the needs of the very people to whom they owe their existence. As the owners of the Bigtechs and FinTechs have amassed enormous wealth, large swathes of the global population have been left behind, increasing inequalities.

Greater focus must now be put on technology and innovation that will support implementation of the SDGs particularly in health, education and other social services, which have suffered serious setbacks during the pandemic. How do we leverage the emerging technology and innovations to increase access to finance for Micro, Small and Medium Enterprises (MSMEs) that are engines of the global economy? How do we leverage FinTech to raise funding and develop solutions to mitigate and adapt to climate change?

As I draw to a close, I want to offer you a challenge. We agree on the imperative that we take a long-term societal view, that what we sow today will be reaped by

generations to come. As an example, when the transistor radio was first invented almost 70 years ago, it was considered revolutionary. At that time, the digital transformation that would unfold in later years and render the transistor radio obsolete was not foreseen. Nonetheless for decades, the transistor radio was a centre of information and entertainment, a source of joy and pride for millions of households globally. As we look to the future, particularly as innovators, what will be our transistor radio for generations to come? If you asked me what is the one innovation I would like to see in the very near term, my answer would be immediate - **a 5 dollar smart phone!** In my view, such a phone would unlock for the widest swarth of our society the benefits of the soon-to-be total coverage of mobile phone technology.

I am sure that today's event will make an important contribution as we seek to have FinTech work for and with Kenyans. I wish you fruitful deliberations and look forward to the outcomes of this Forum. And yes, promise you will get me that 5 dollar smart phone.

Thank You!