

Central Bank of Kenya

Kenya's Experience in Leveraging on Fintech to Propel Financial Inclusion

At the
Peer-Learning Webinar Series on Digital
Money/Technology in Asia and the Pacific

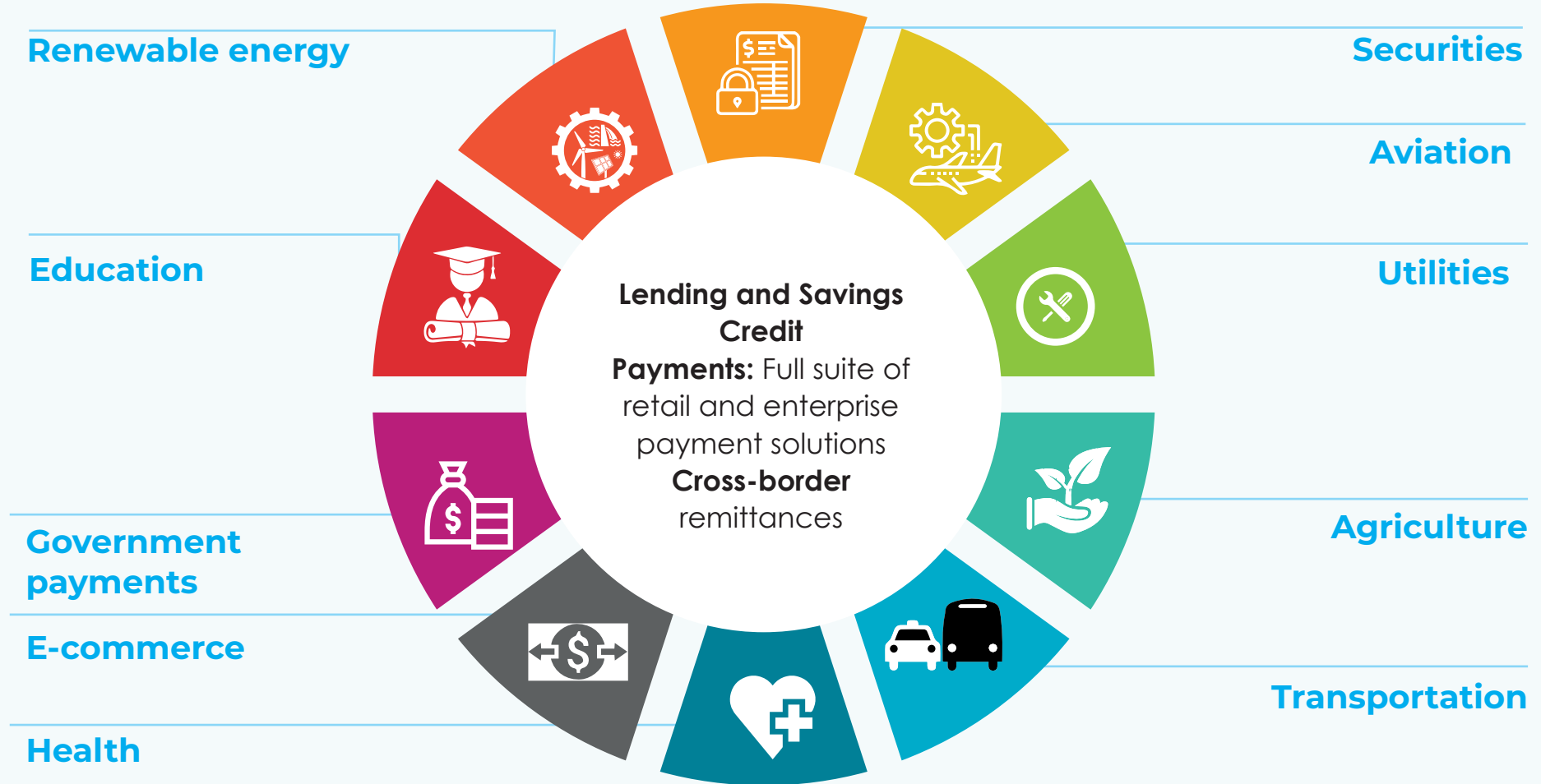
Wednesday, September 28, 2022

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1.

Kenya's Current Financial Ecosystem

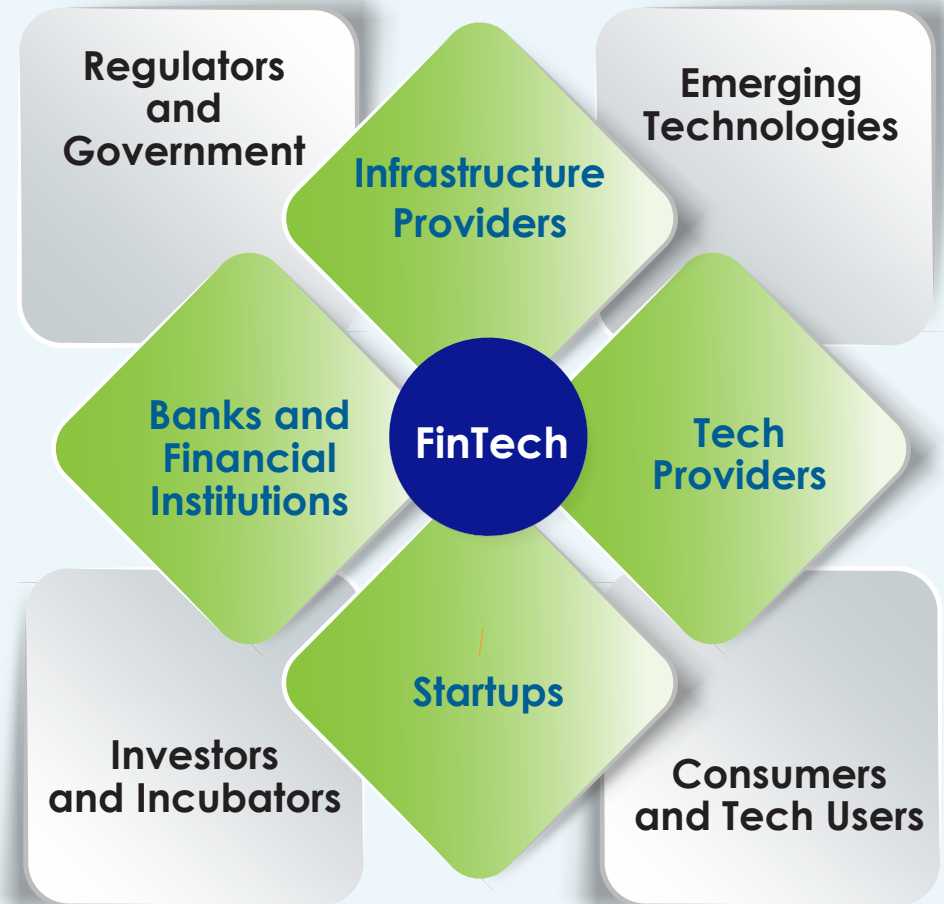


Main players in the ecosystem:

1. Financial institutions.
2. FinTechs.
3. Government.

Elements of the ecosystem:

1. A Vibrant Fintech Community.
2. Active Established Players.
3. Access to Risk Capital.
4. Political Support.
5. Innovative Regulators.
6. Access to Talent.
7. Collaboration.
8. Conducive Business Environment.



3.

Key Fintech – Financial Inclusion Initiatives

Kenya Vision 2030 - Transform Kenya into a newly industrializing, middle-income country providing a high quality of life to all its citizens by 2030 in a clean and secure environment.

Medium Term Plans I - IV – 4 year plans that operationalise Vision 2030.

Integrated Population Registration Services (IPRS) system – National Integrated Identity Management System. Transition to a single source of truth on a person's identity.

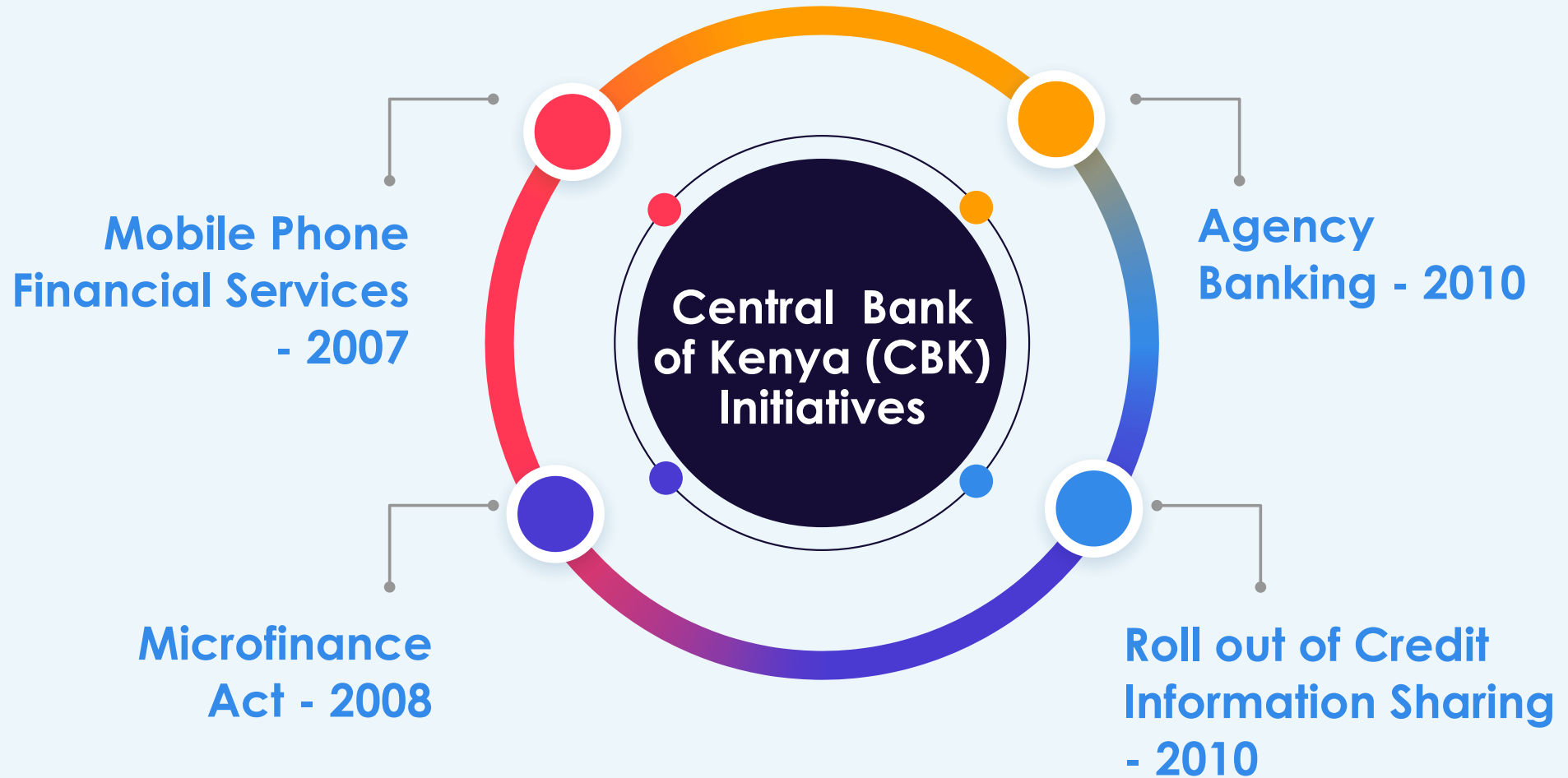
The Digital Economy Blueprint – A digitally empowered citizenry, living in a digitally enabled society.

Computer Misuse and Cybercrimes Act, 2018 – Securing Kenya's cyber resilience.

The Data Protection Act, 2019 – Safeguarding data privacy.

3.

Key Fintech – Financial Inclusion 1.0 Initiatives...



3.

Key Fintech – Financial Inclusion 2.0 to 3.0 Initiatives...

CBK Initiatives Contd...



4.

Outcomes

Financial inclusion increased from 26.7 percent in 2006, to 83.7 percent in 2021.

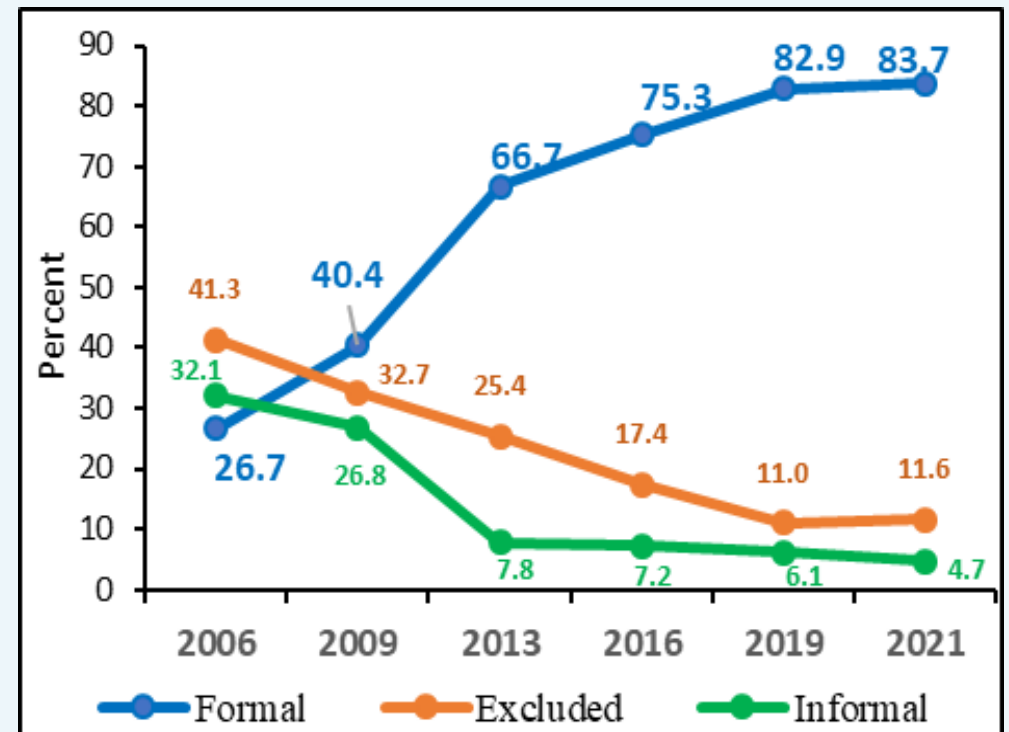


General

Population (2019) **47.6 million**
Population below 34 years **75%**
Gross domestic product **\$101 billion**

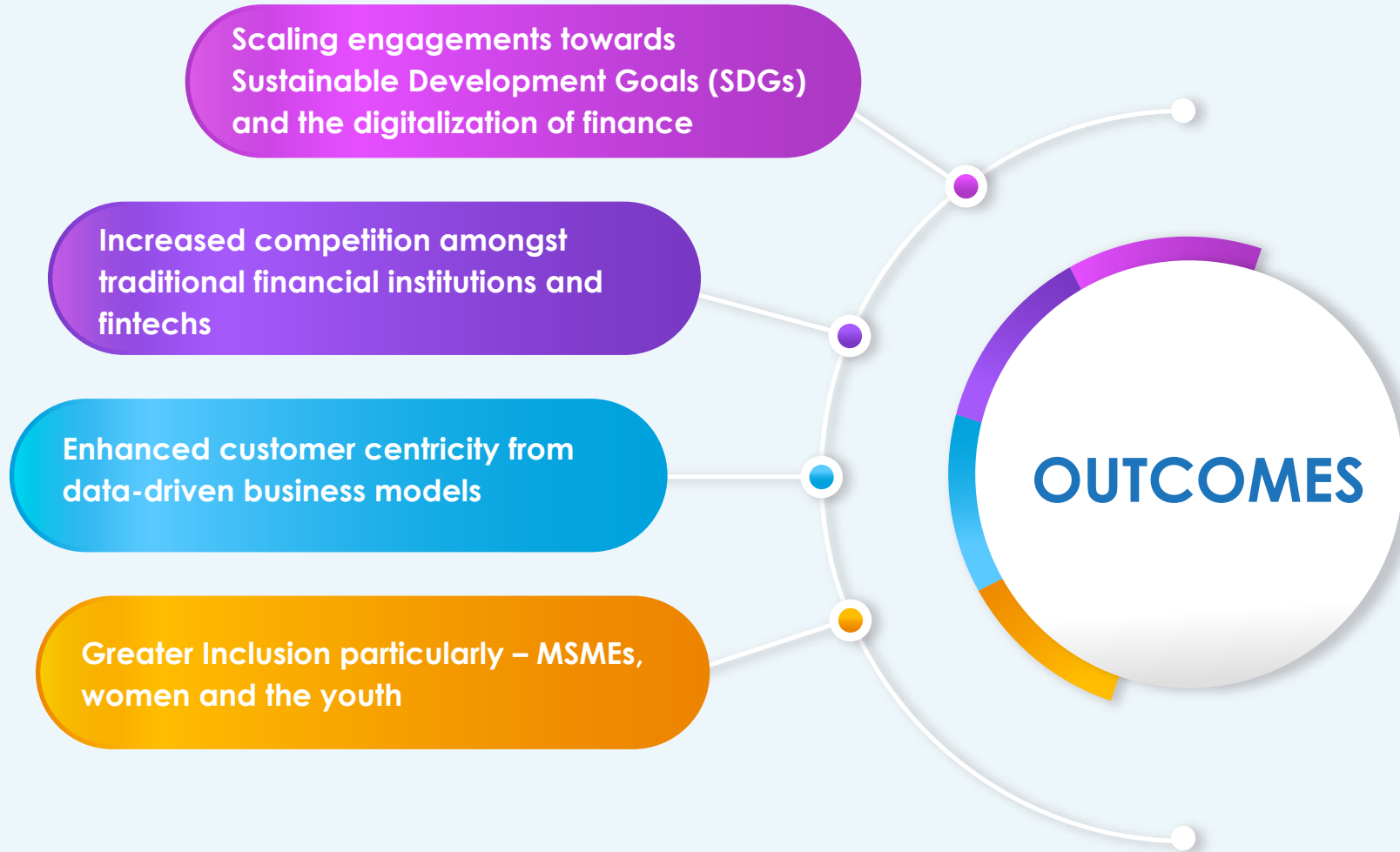
Financial inclusion

Financial access (2021) **83.7%**
Mobile money accounts **81%**
Traditional bank accounts **44%**
Mobile phone penetration **132%**



4.

Outcomes Cont'd...



Opportunities...

- Reducing costs and frictions.
- Increase efficiency.
- Competition.
- Broaden access to financial services.

Challenges...

- Systemic risks.
- Potential financial stability implications.
- Cyber risks.
- Inadequate AML/CFT frameworks.
- Data privacy and data governance.

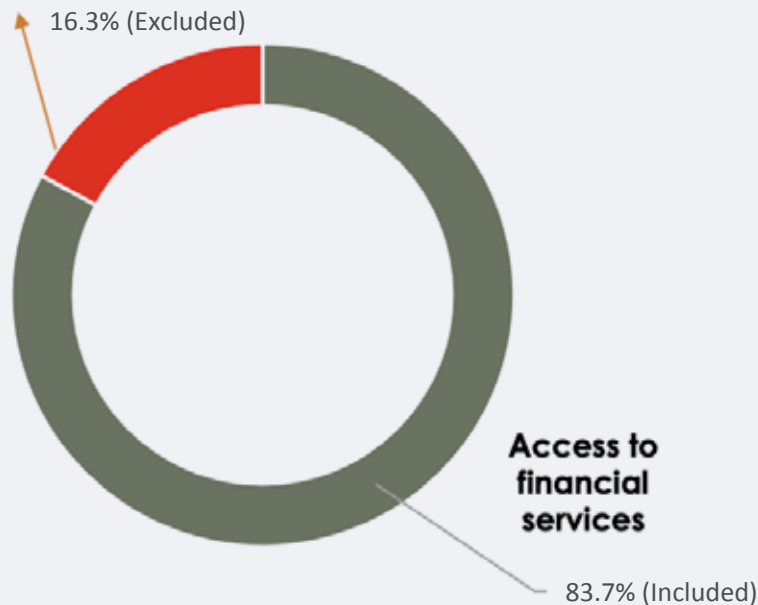


6.

Looking Ahead

More focus on Usage and Quality of financial services:

- Consumer protection.
- Reduced cost of financial services and products - including remittances.
- Interoperability.



Payments Strategy Principles

TRUST

a system which guarantees that payments will be made and received in a timely and reliable manner.

SECURITY

a resilient system that safeguards all payments and channels in an increasingly digital world.

USEFULNESS

a system that meets the payment needs of individuals, businesses and government in a cost effective manner.

CHOICE

availability of feasible options resulting from collaboration among different service providers.

INNOVATION


an ecosystem that produces value-adding solutions which also compete at the global stage.

A world-class, secure, resilient and collaborative payments system that powers Kenya's economy and its journey towards a cash-lite ecosystem.

Source: CBK NPS Strategy 2022 - 2025

7.

Lessons Learnt

- 
- People centricity** – CBK's vision is for a payments system that is *secure, efficient and widely available to and works for Kenyans.*
 - The usefulness of technology does not lie in its uniqueness, but in its ability to solve a pressing **societal problem.**
 - Consumer protection in the face of innovations must be a key focus.**
 - Country context** – one size does not fit all.

7.

Lessons Learnt Cont'd...

Regulators should clearly understand new innovations and risks therein - *Test and learn or walking alongside innovators approach.*

Collaboration with other central banks and regulators.

It is not about individual institutions but broad-based ecosystems.

Leveraging data to identify customer needs.

Activity based supervision – Focus on risks from activities – Proportionate supervision of similar activities.

8.

Linkages to CBK Publications

Finaccess Household Survey 2021: <https://www.knbs.or.ke/wp-content/uploads/2021/12/2021-Finaccess-Household-Survey-Report.pdf>

Banking Sector Innovation Survey 2021: https://www.centralbank.go.ke/uploads/banking_sector_reports/2106875691_Banking%20Sector%20Innovation%20Survey%202021.pdf

Diaspora Remittances Survey 2021: <https://www.centralbank.go.ke/wp-content/uploads/2022/01/REPORTOFTHEKENYADIASPORAREMITTANCESSURVEYDECEMBER2021.pdf>

Guidance on Climate-Related Risk Management 2021: <https://www.centralbank.go.ke/wp-content/uploads/2021/10/Guidance-on-Climate-Related-Risk-Management.pdf>

National Payments Strategy 2022 – 2025: <https://www.centralbank.go.ke/wp-content/uploads/2022/02/National-Payments-Strategy-2022-2025.pdf>

Discussion Paper on CBDC: https://www.centralbank.go.ke/uploads/discussion_papers/CentralBankDigitalCurrency.pdf

Thank You!



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