

EFINA INNOVATION FORUM: GLOBAL PERSPECTIVES ON FINANCIAL INCLUSION November 4, 2010 Lagos, Nigeria

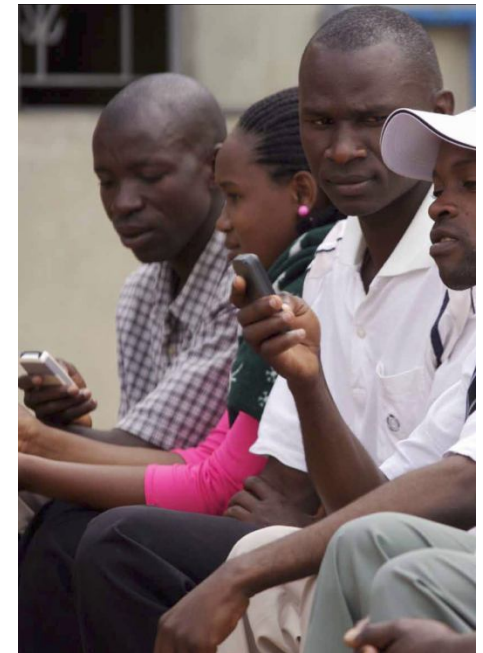
Financial Inclusion – The Kenyan Case

By

Stephen Mwaura Nduati

Head, National Payments System

Central Bank of Kenya



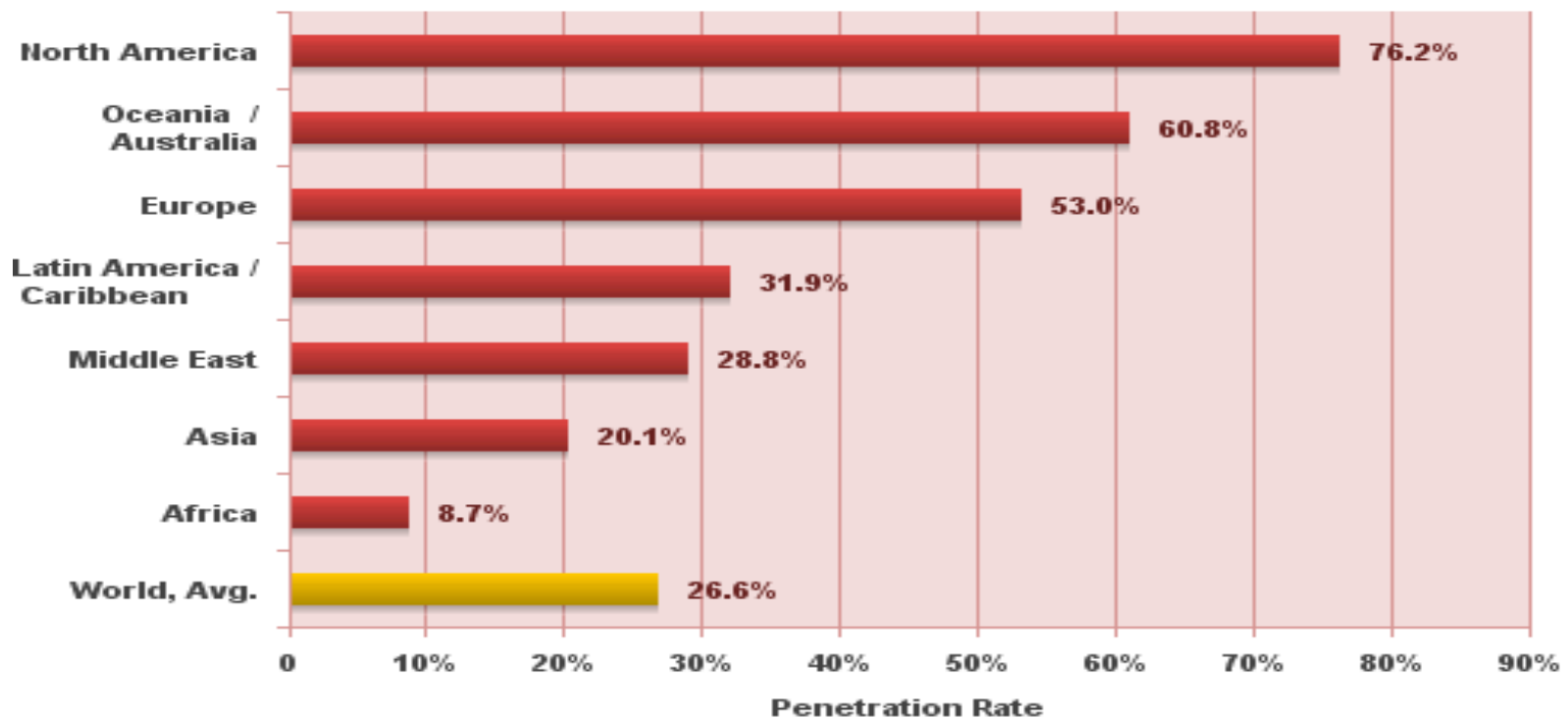
Outline

- Internet
- Internet usage in Africa
- Financial Access in Africa
- Challenges
- Mobile phone financial services
- The Case of Kenya
- Enabling Environment
- Way Forward

Internet

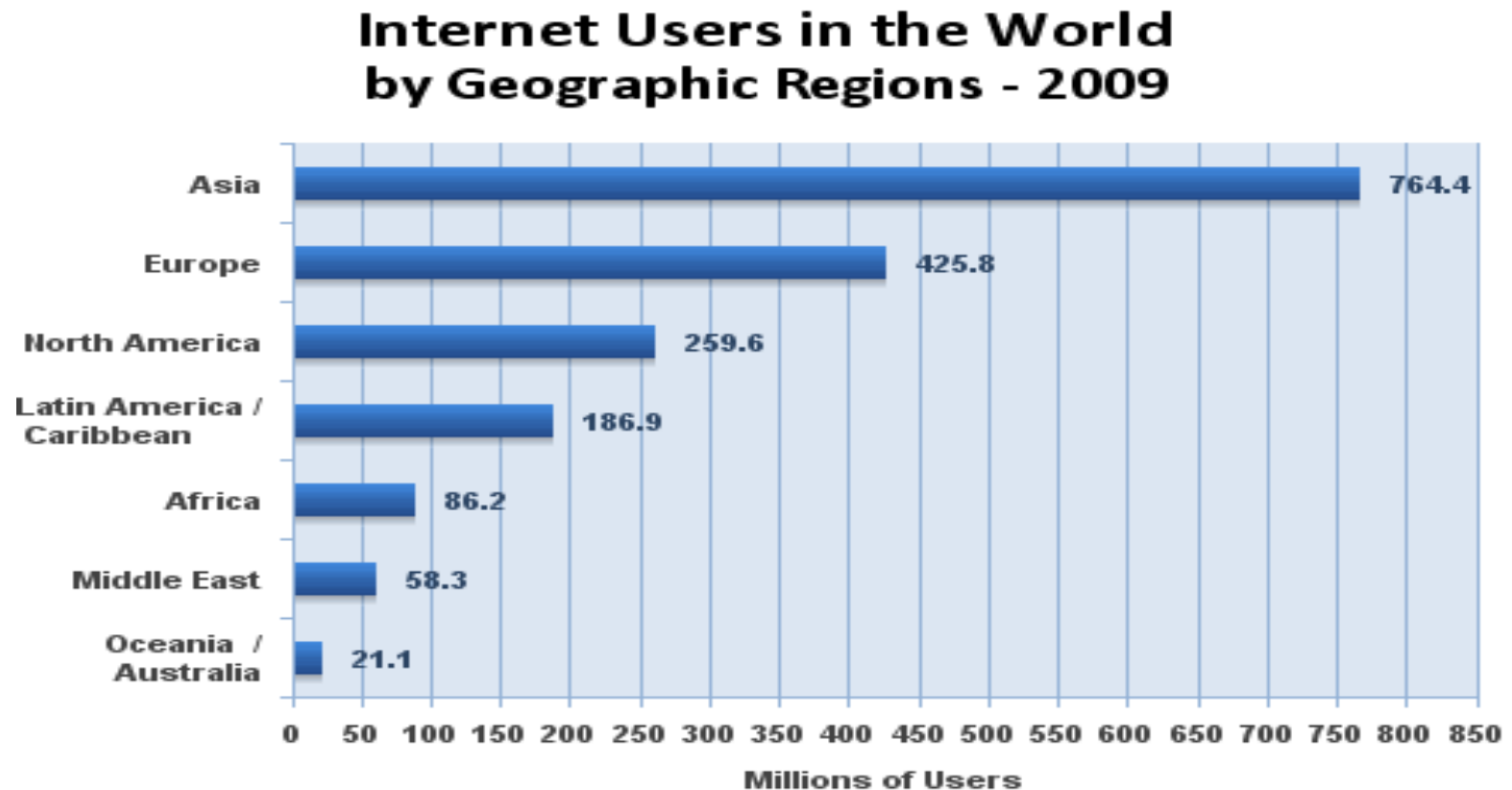
World Internet Penetration Rates

**World Internet Penetration Rates
by Geographic Regions - 2009**



Source: Internet World Stats - www.internetworldstats.com/stats.htm
Penetration Rates are based on a world population of 6,767,805,208
and 1,802,330,457 estimated Internet users for December 31, 2010.
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Internet Users in the World

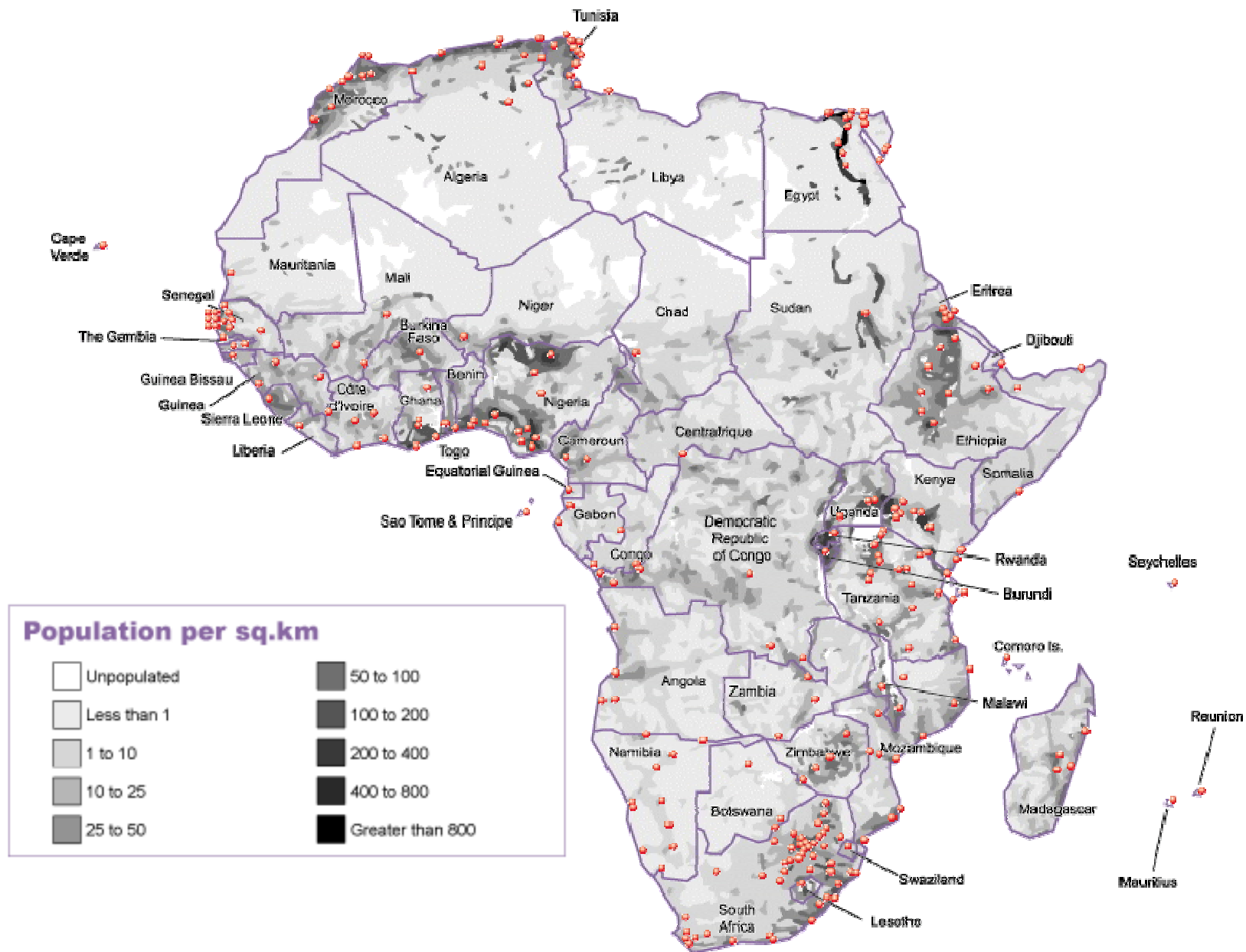


Source: Internet World Stats - www.internetworldstats.com/stats.htm
Estimated Internet users are 1,802,330,457 for December 31, 2009
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Internet usage in Africa

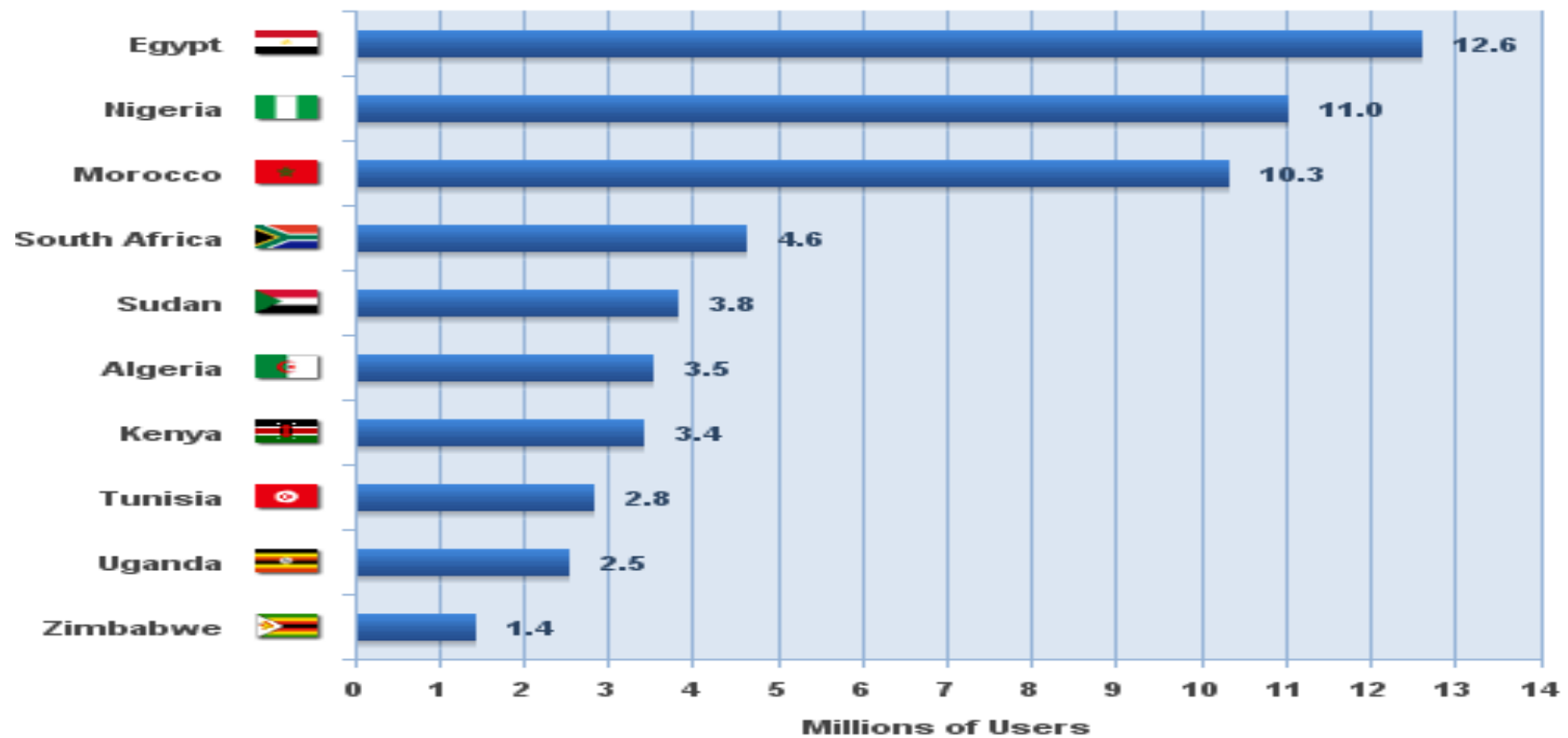


Internet Points of Presence In Africa



Top 10 Internet Usage in Africa

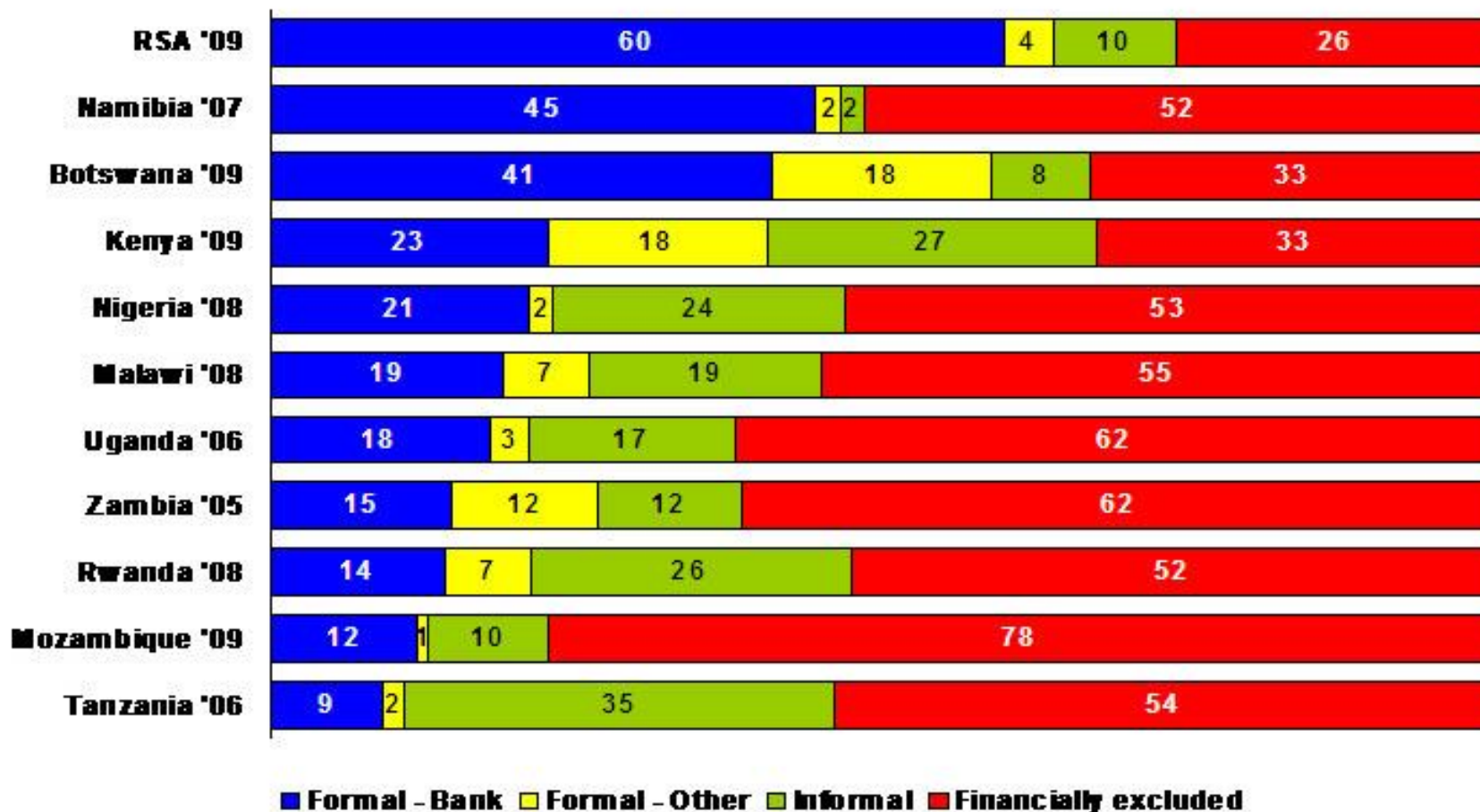
**Africa Top 10 Internet Countries
June 2009**



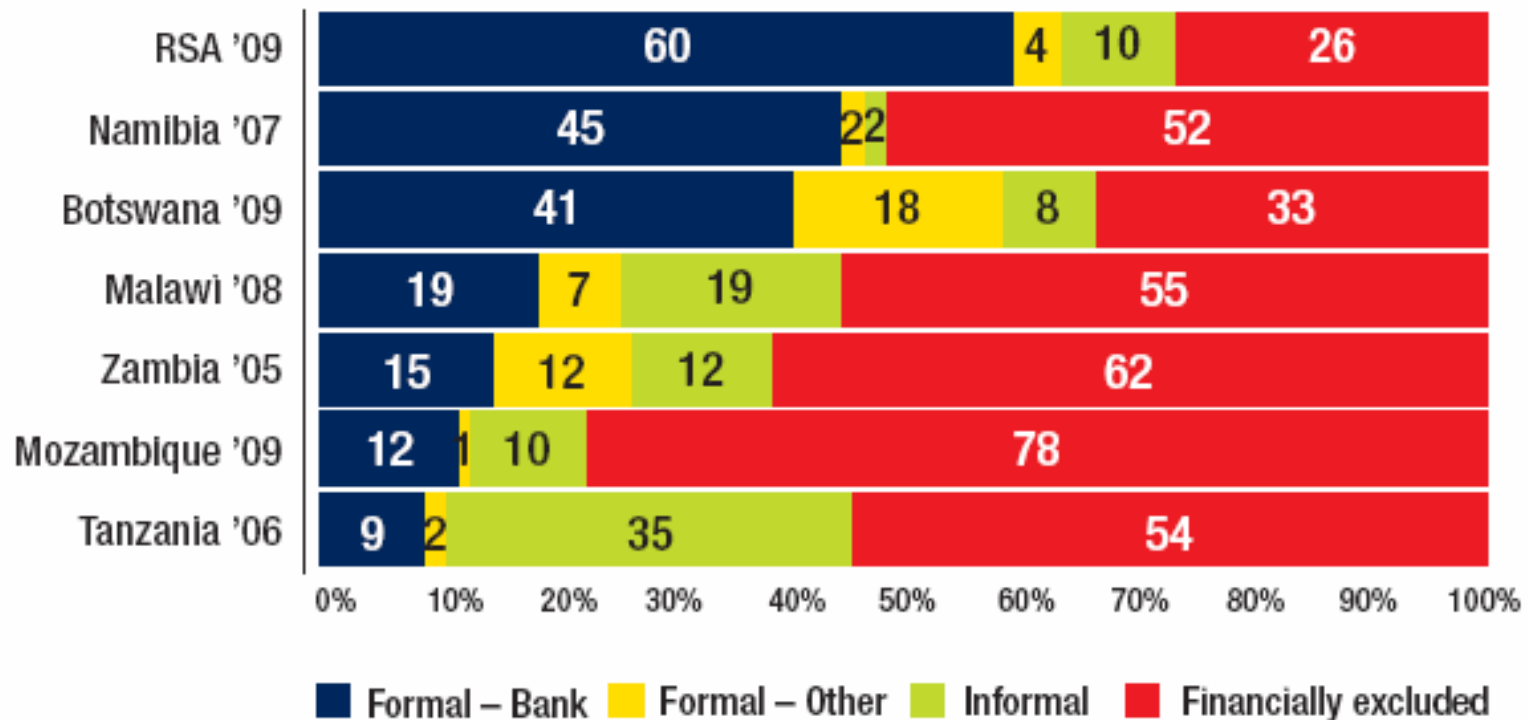
Source: Internet World Stats - www.internetworldstats.com - June 2009
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Financial access

Financial Access strands in Africa (www.finscope.co.za)



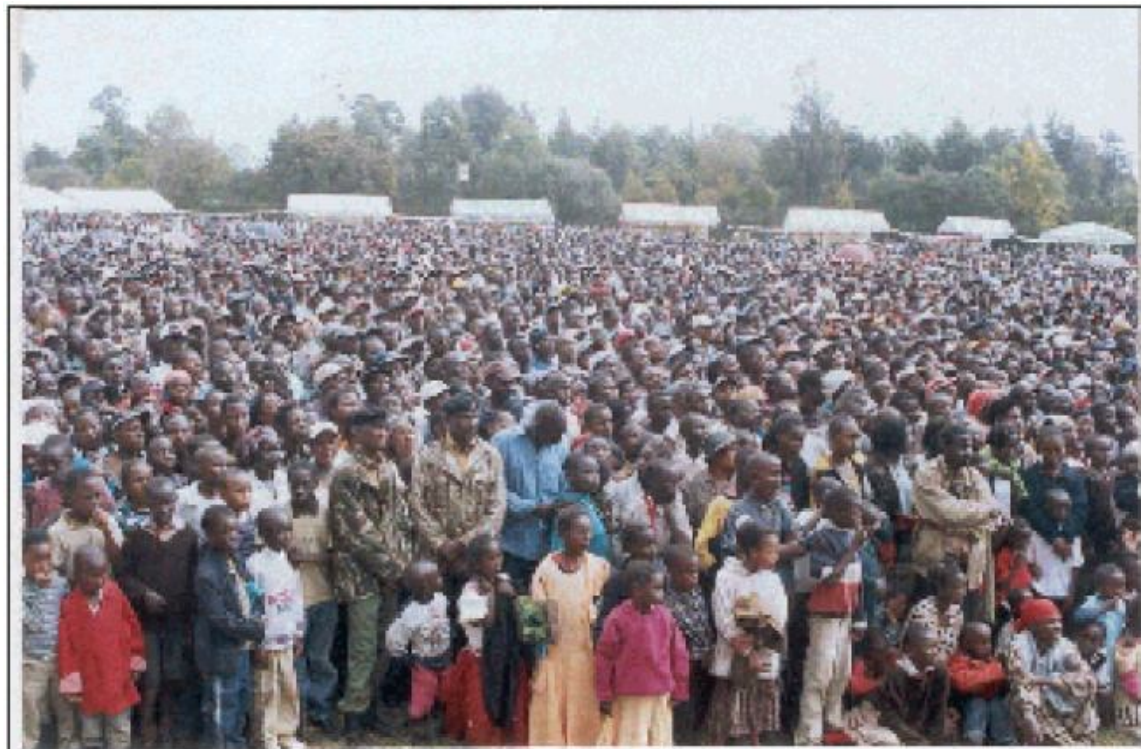
Financial access strand



Source: Finscope South Africa

Payment landscape in Africa

- African countries are generally, less developed with high unbanked populations, unemployment rates, illiteracy and poverty



Challenges

Poor infrastructure



Difficult terrain



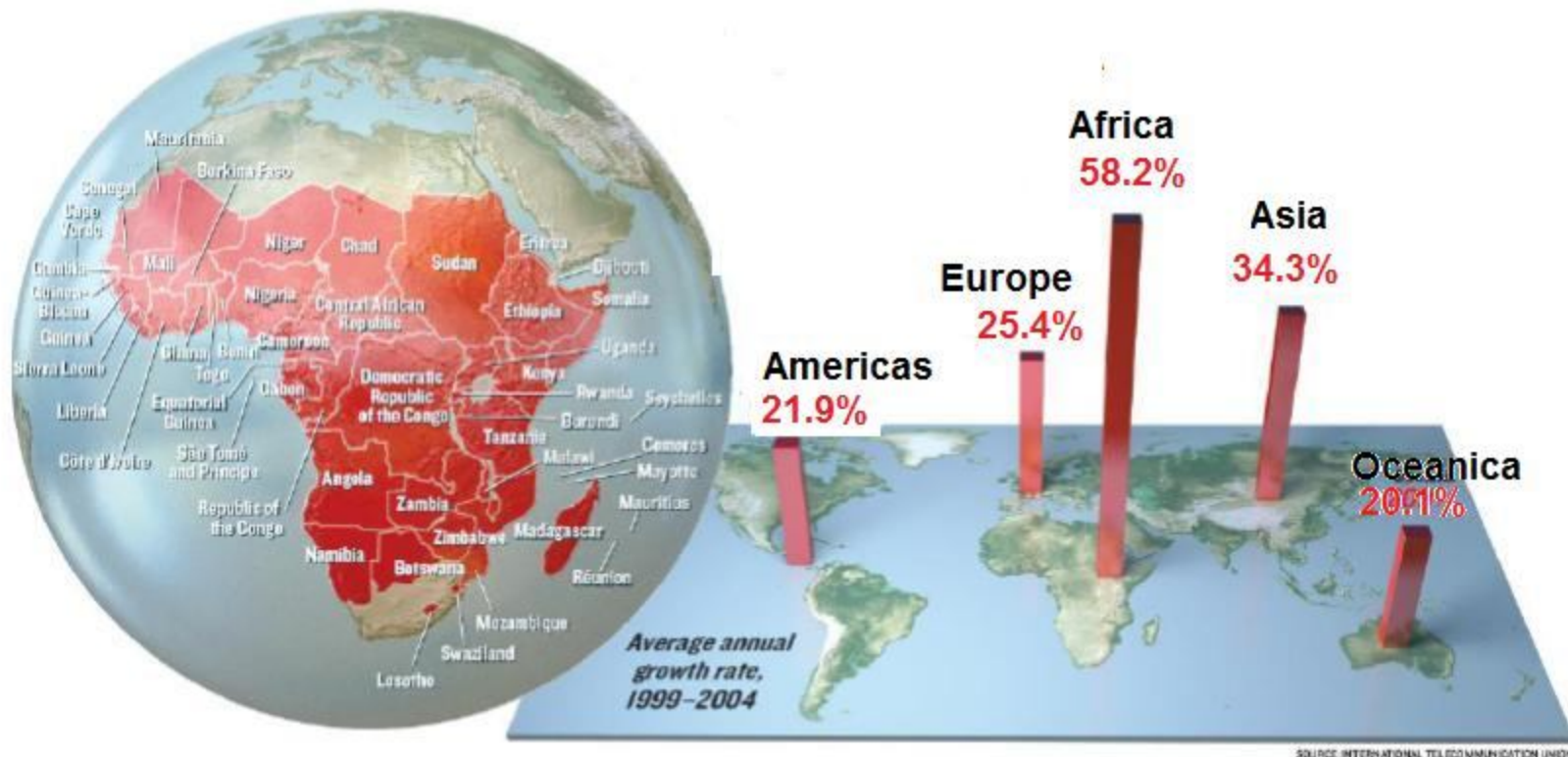
High adult illiteracy



Poverty



But Africa has the highest mobile growth rate in the world

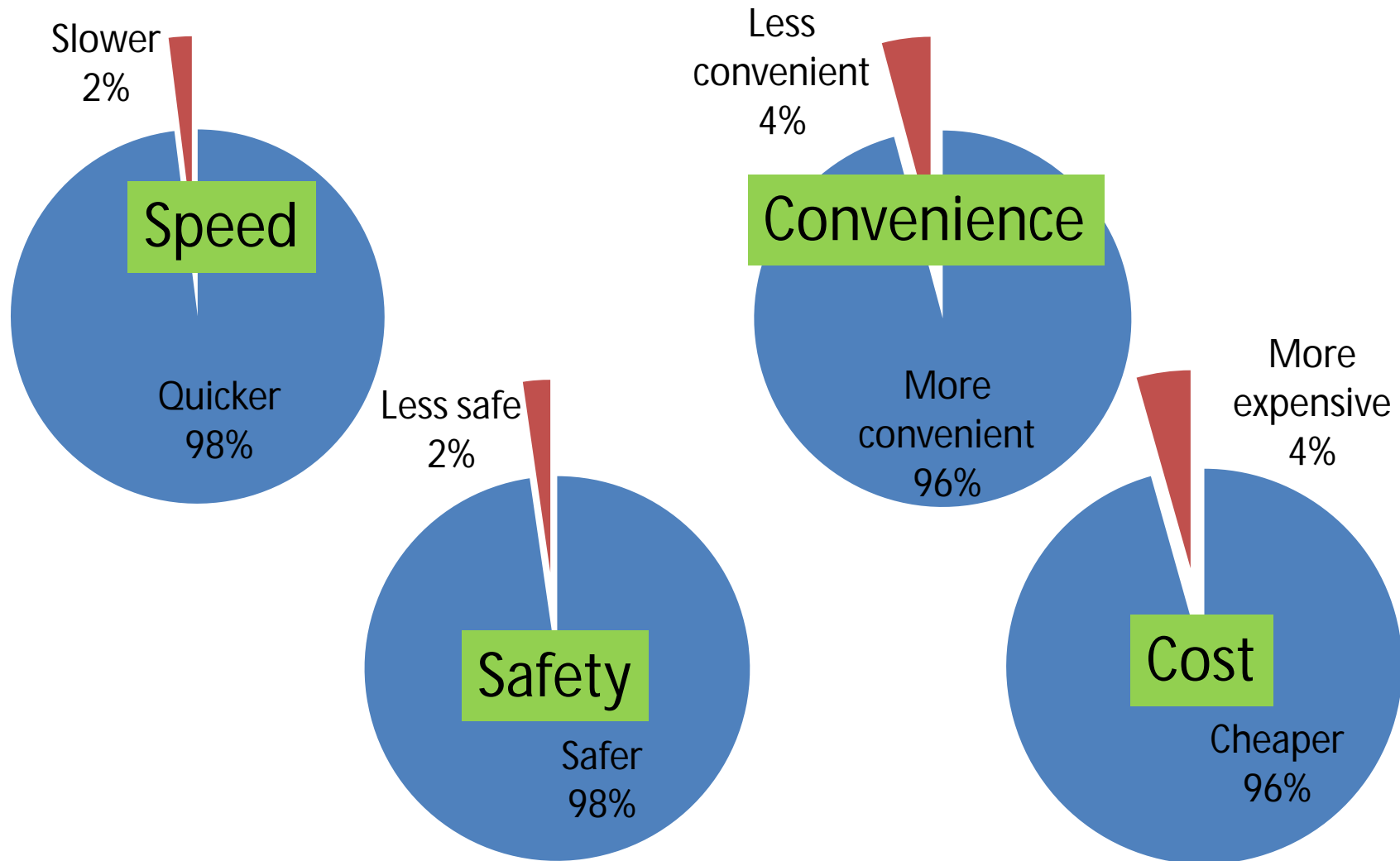


Mobile phone financial services

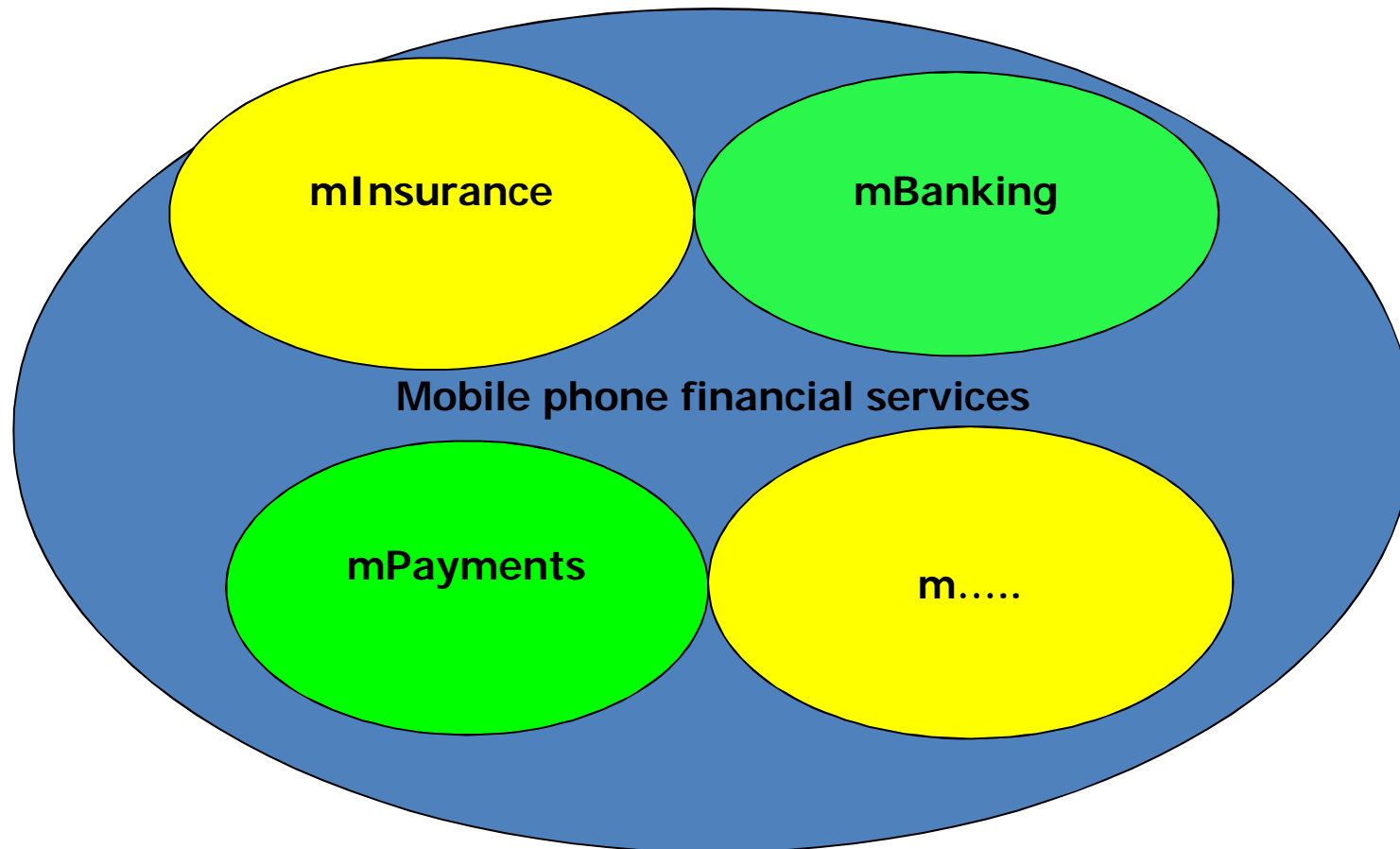
Benefits of the mobile phone

- Affordability
- Wide reach
- Use for utility payments
- User friendly
- An opportunity to marshal deposits outside the banking system

Comparing the mobile phones with alternatives



Mobile phone financial services....



Types of mobile phone financial services

ADDITIVE MOBILE PHONE MODEL

- Additive mobile phone model
 - Bank led
 - Added service to existing customers



Bank

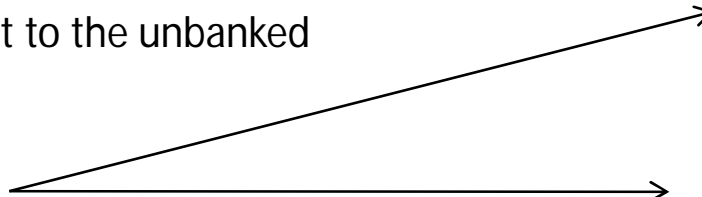


TRANSFORMATIONAL MOBILE PHONE MODEL

- Transformational
 - Non bank led
 - Introduction of new entities
 - Reaches out to the unbanked



Mobile Service provider



Mobile phone banking (M-Banking)

Additive



Bank

Access to a customers account via the mobile phone



- Balance Inquiry
- Fund Transfer
- Bills Payment
- TOP-UP / Reload phone
- Checkbook Request
- List Accounts
- Change PIN request

Mobile payments/remittances

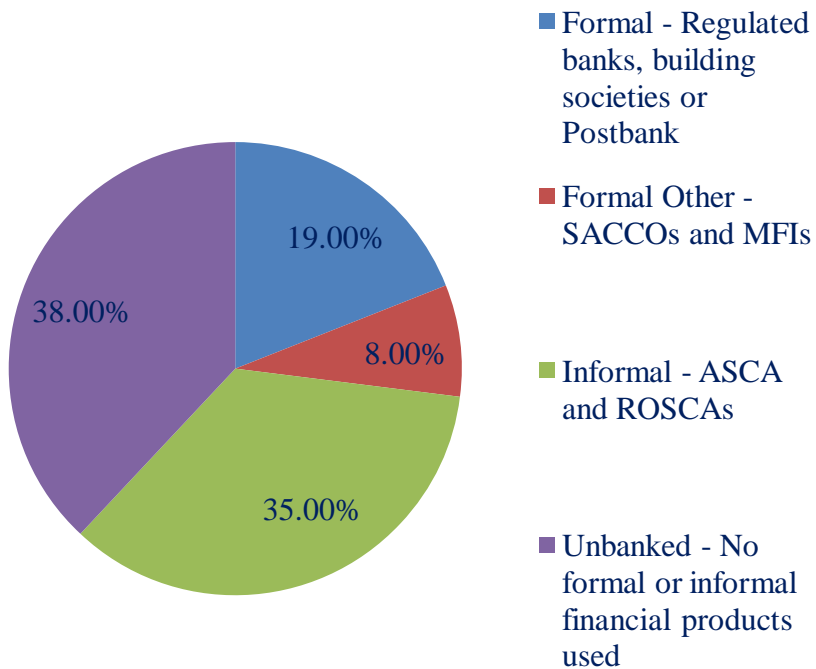
Transformational



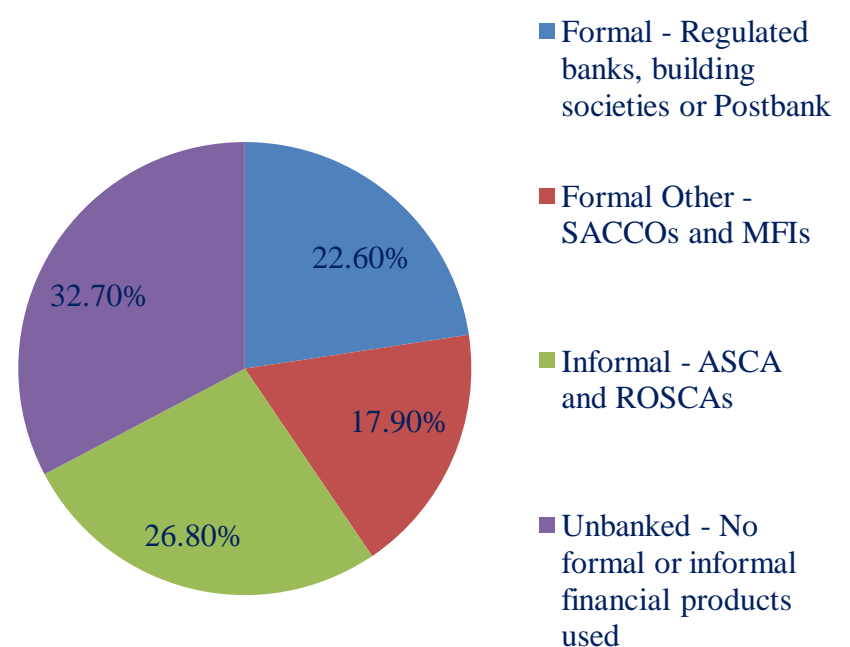
The Case of Kenya

Access To Financial Services - Kenya

2006

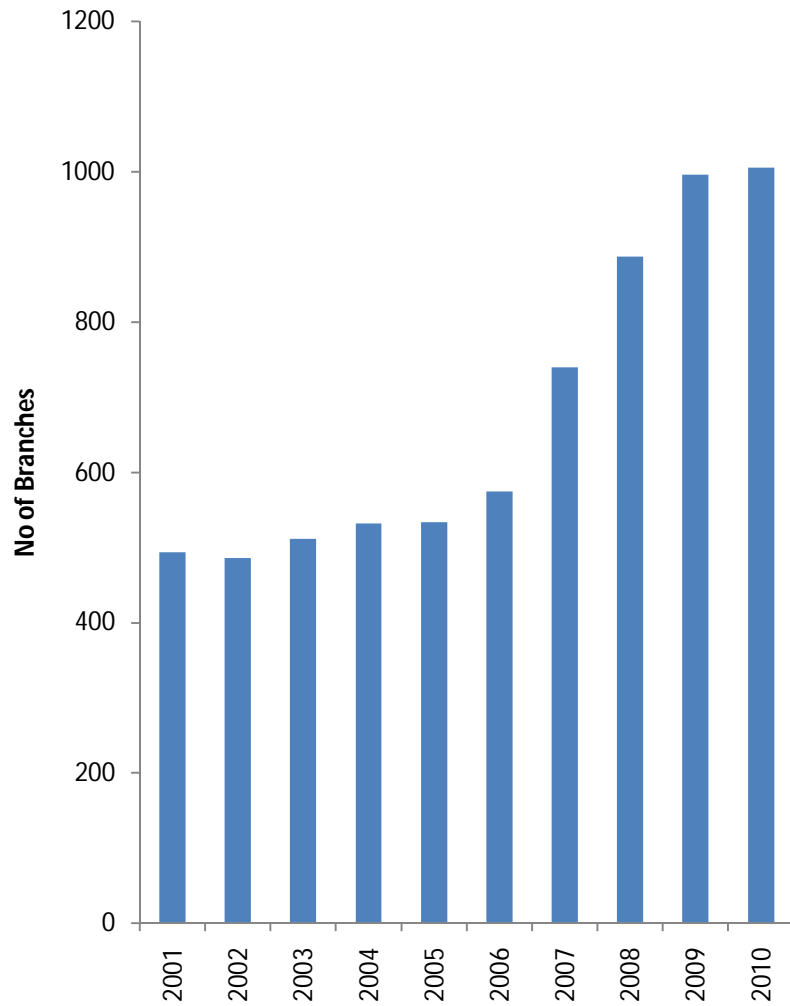


2008

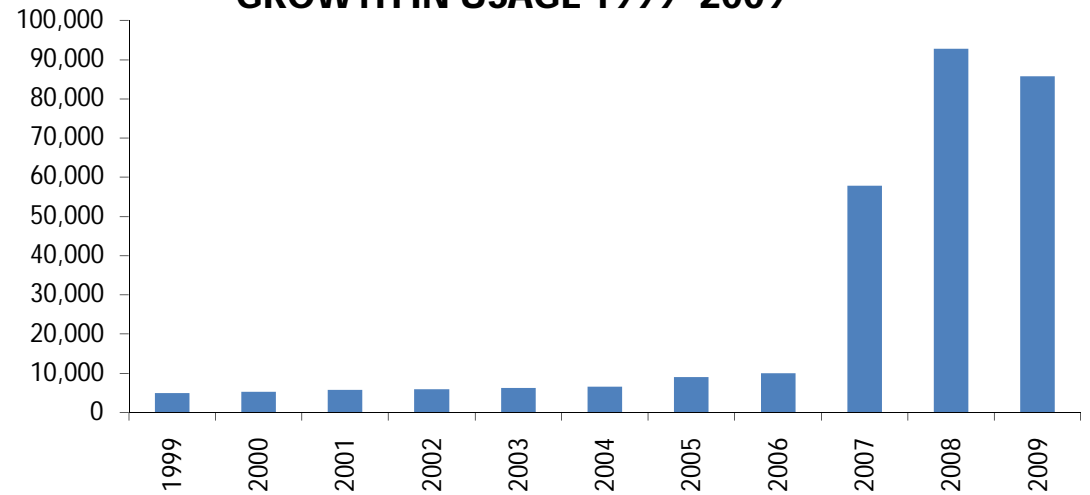


Source - National Survey on Access to Financial Services in Kenya

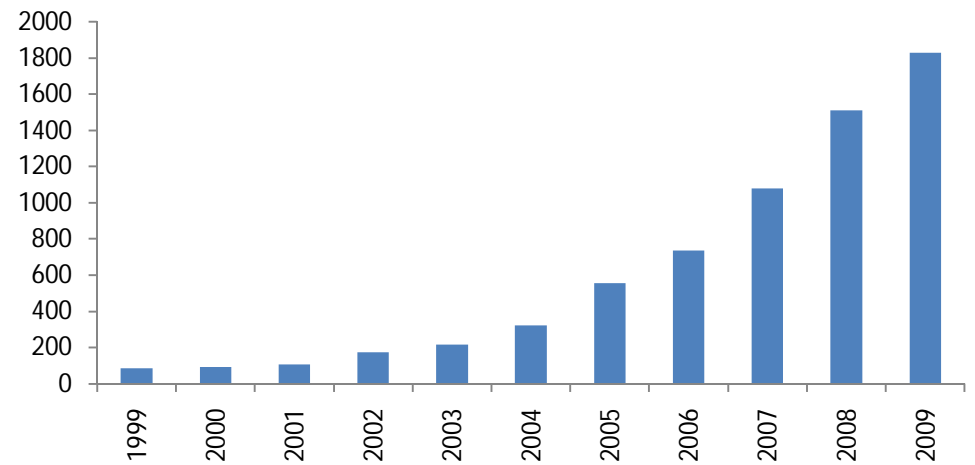
GROWTH IN BANK BRANCHES



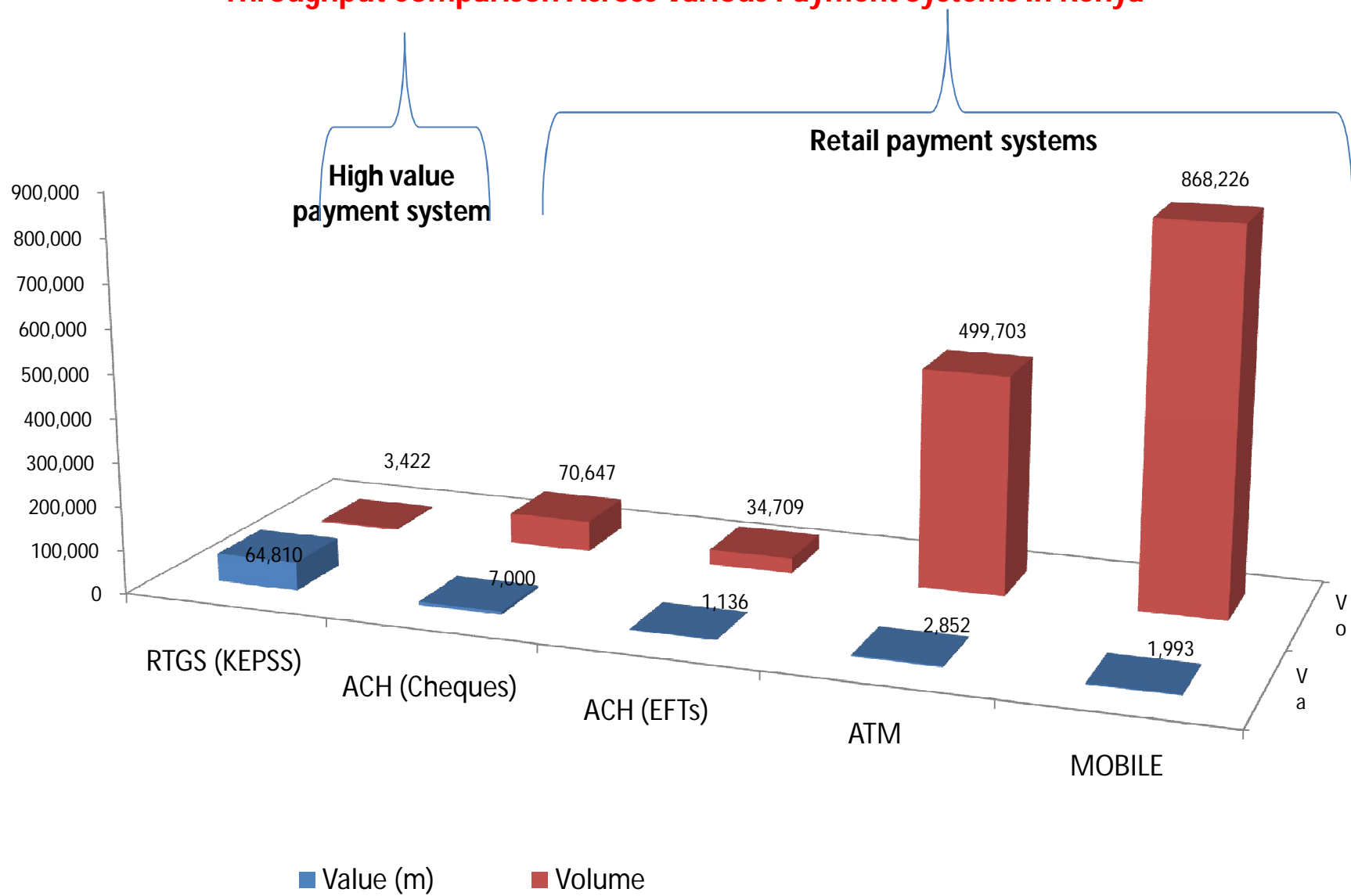
GROWTH IN USAGE 1999 -2009



Number of ATM machines



Throughput Comparison Across Various Payment Systems In Kenya



Local Money Transfer After M-pesa

Chart 9: Pre-innovative products methods of transferring

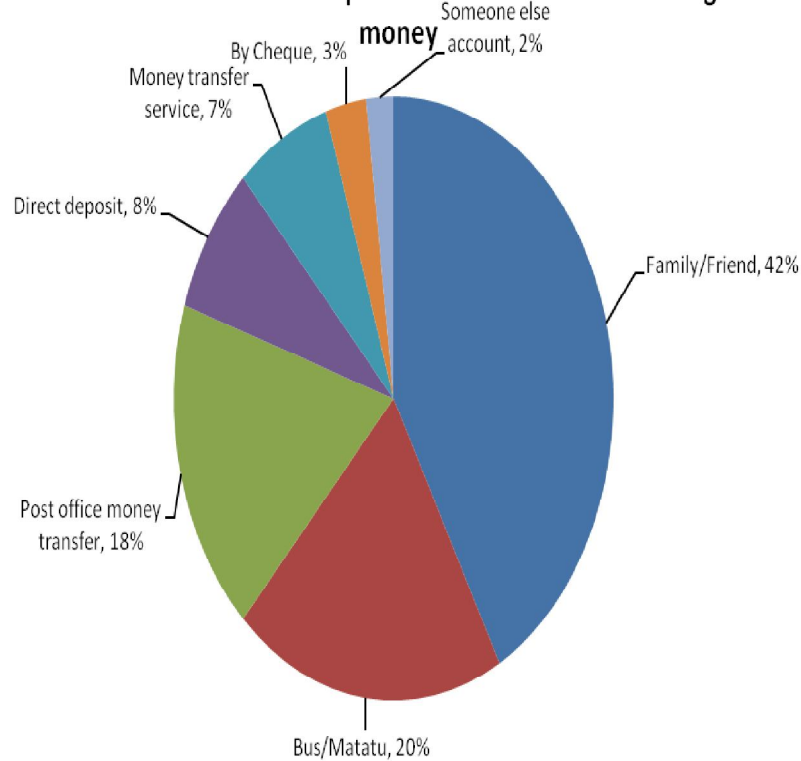
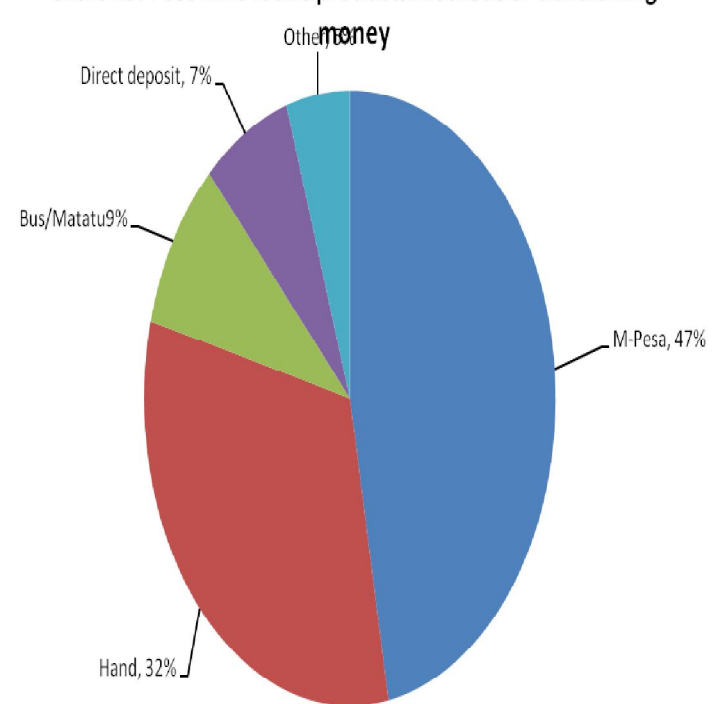


Chart 10: Post-innovative products methods of transferring

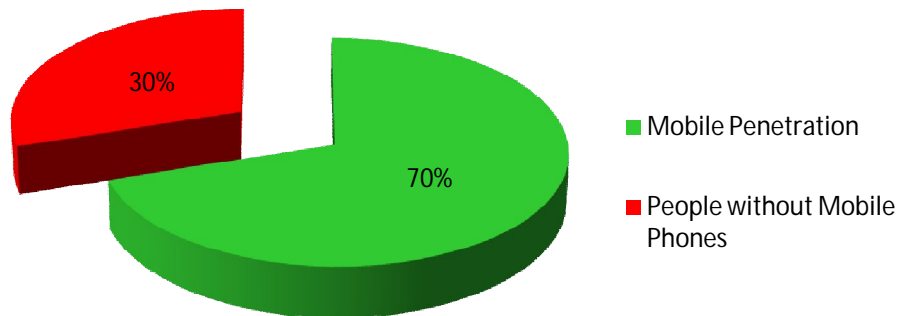


Source: FSDK presentation (2009)

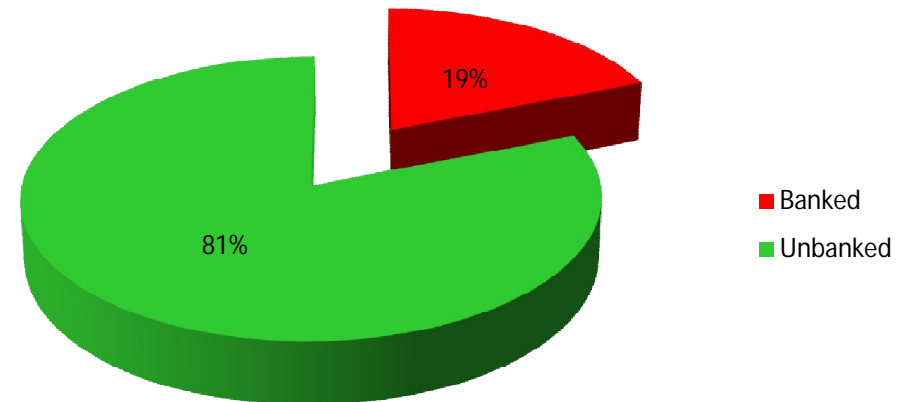
Why Mobile Money Transfer

Only 19% of Kenyans have bank accounts but many more have access to a mobile phone & the gap is widening

Addressable Mobile Market



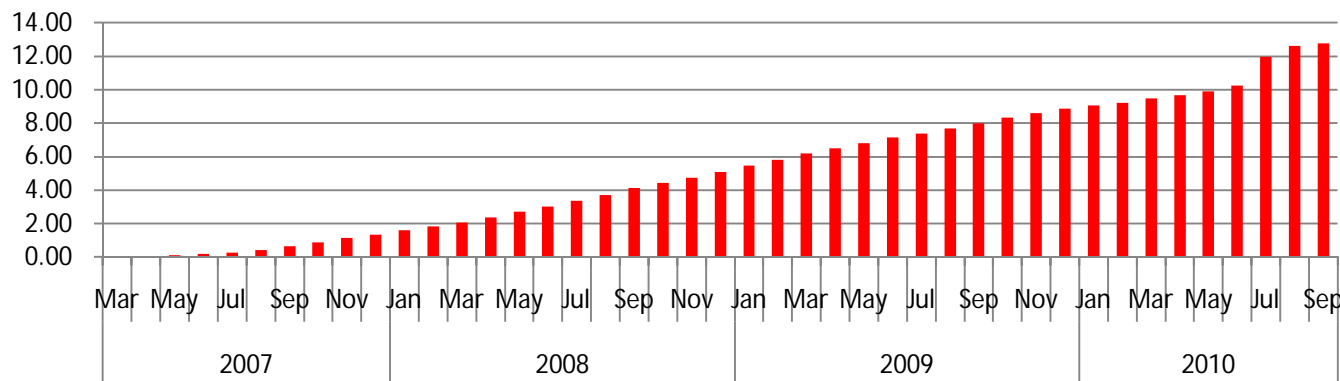
Banked Population



M-PESA: Growth

**Total Mobile Active* customers as at end of
(cumulative) million**

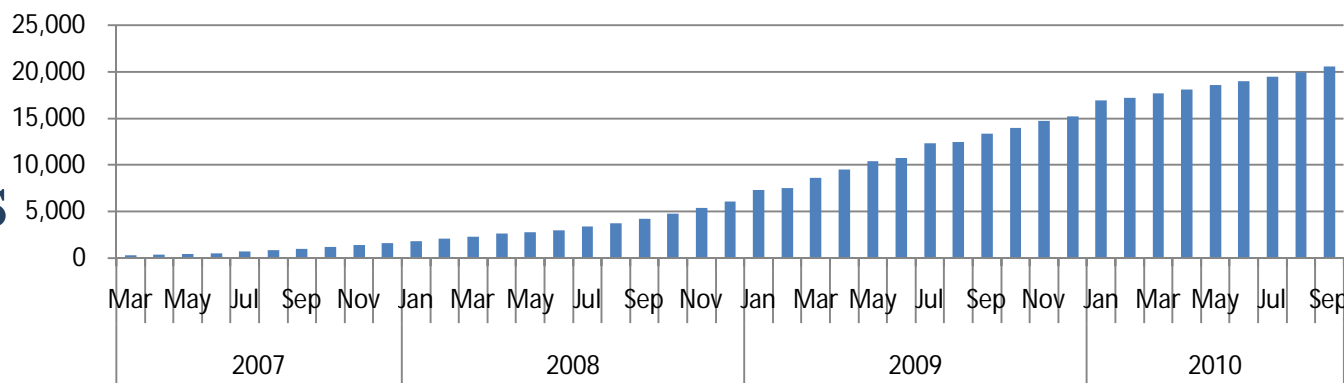
Growth of
M-Pesa
USERS
(millions)



09/2010:
More than
12.7 million
registered
M-Pesa
Users

Total number of agents (cumulative)

Growth
of
M-Pesa
AGENTS



09/2010:
More than
20,000
M-Pesa
Agents

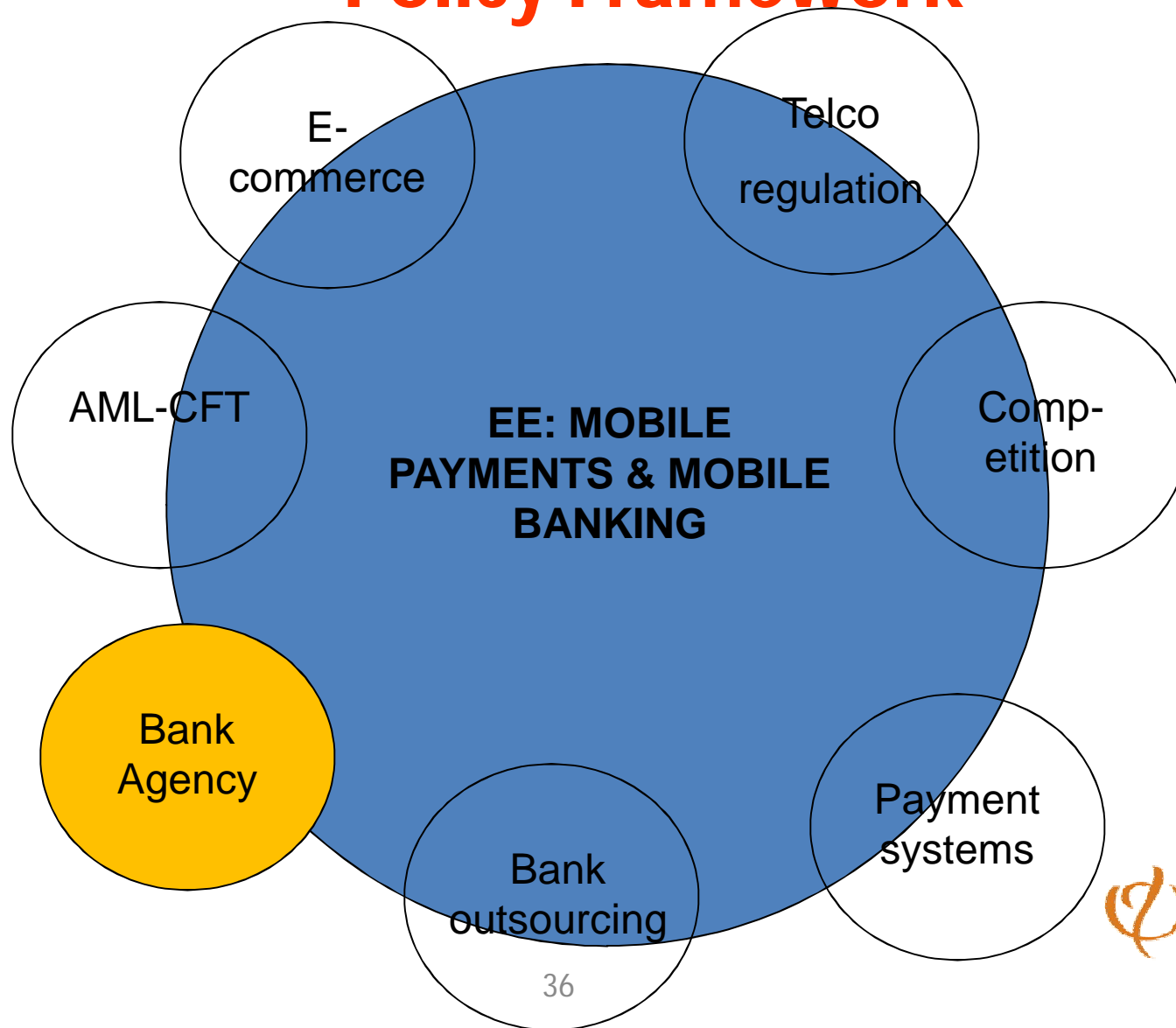
The potential for mobile phones – The case of Kenya

- 19 million own mobile phones in Kenya as at 2009
- Financial sector serves 23% of the bankable population
- Deployment of mobile money transfer services (M-Pesa) in 2007 led to 27.9 % of bankable population accessing money transfer services by 2009 and perhaps better by 2010.
- Has increased deposit accounts from 2.55million in 2005 to 12million in 2010. Transferred Ksh 68.02 billion equivalent to US\$ 841 million with 28.45 million transactions

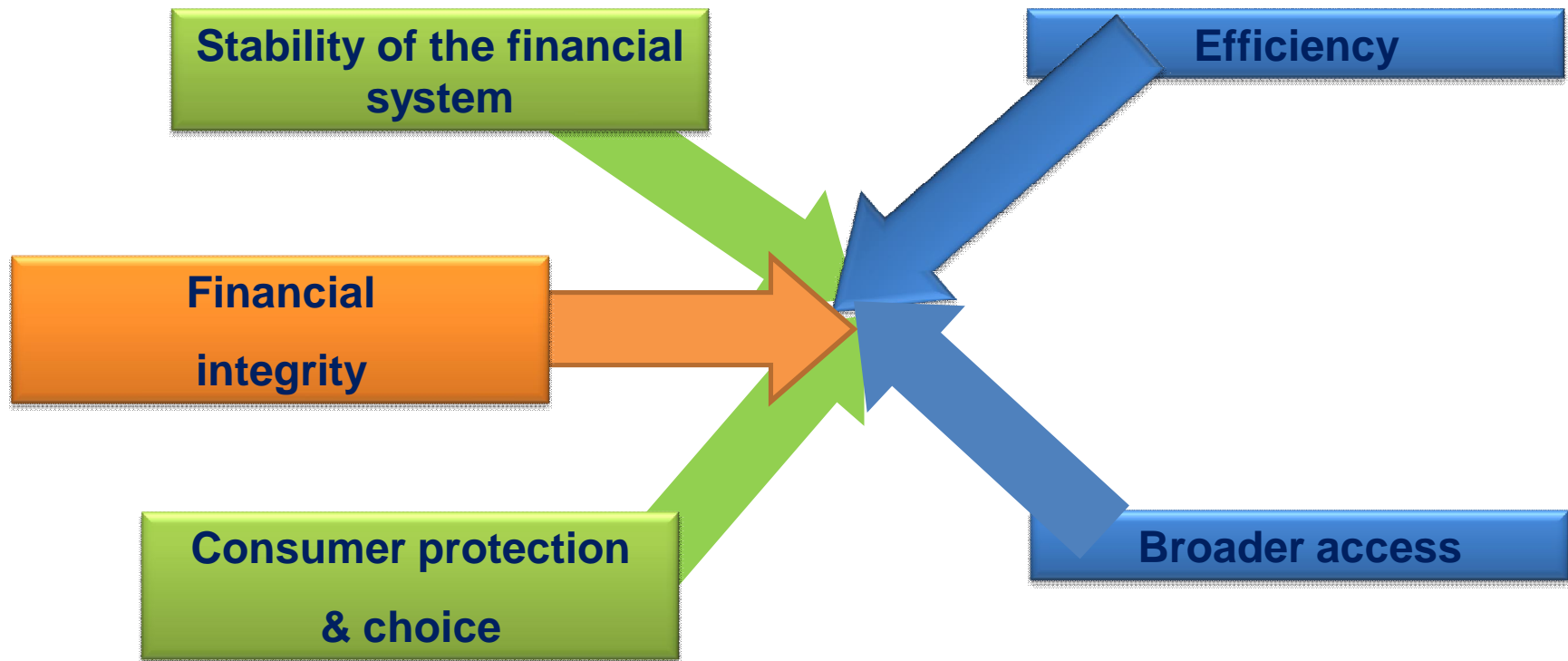
- M-Pesa remains a low value payment system: targets the bottom population
- Mkesho launched in May 2010 has enrolled over 700,000 with over USD5 million mobilised.
- Other banking products that leverage on mobile phone technology include KCB Bank Connect and Family Bank's Pesa Pap.
- Other mobile phone operators have also launched their mobile money products – Zain (Zap) and Essar (Yu Cash).
- Many service providers e.g. power and water have integrated their bill enquiries and payments to the mobile phone

Enabling Environment

Policy Framework



Enabling Environment: Policy Balance

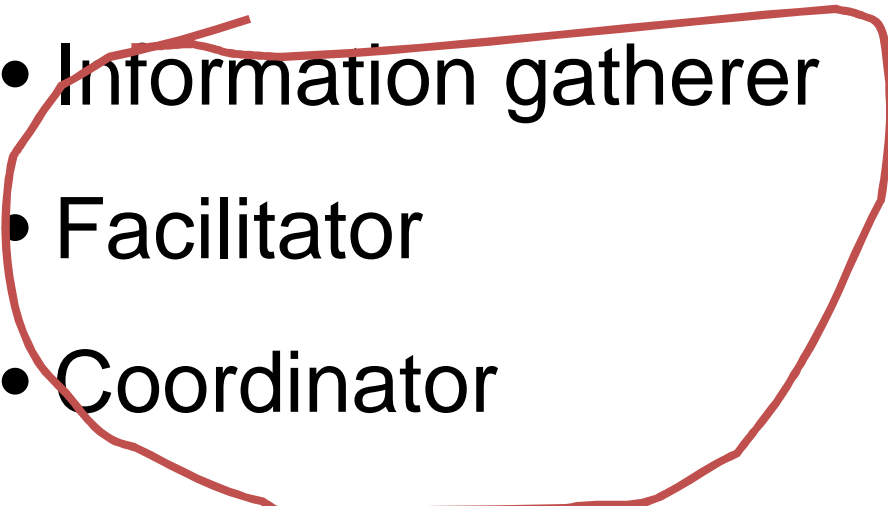


What is the role of the private sector?

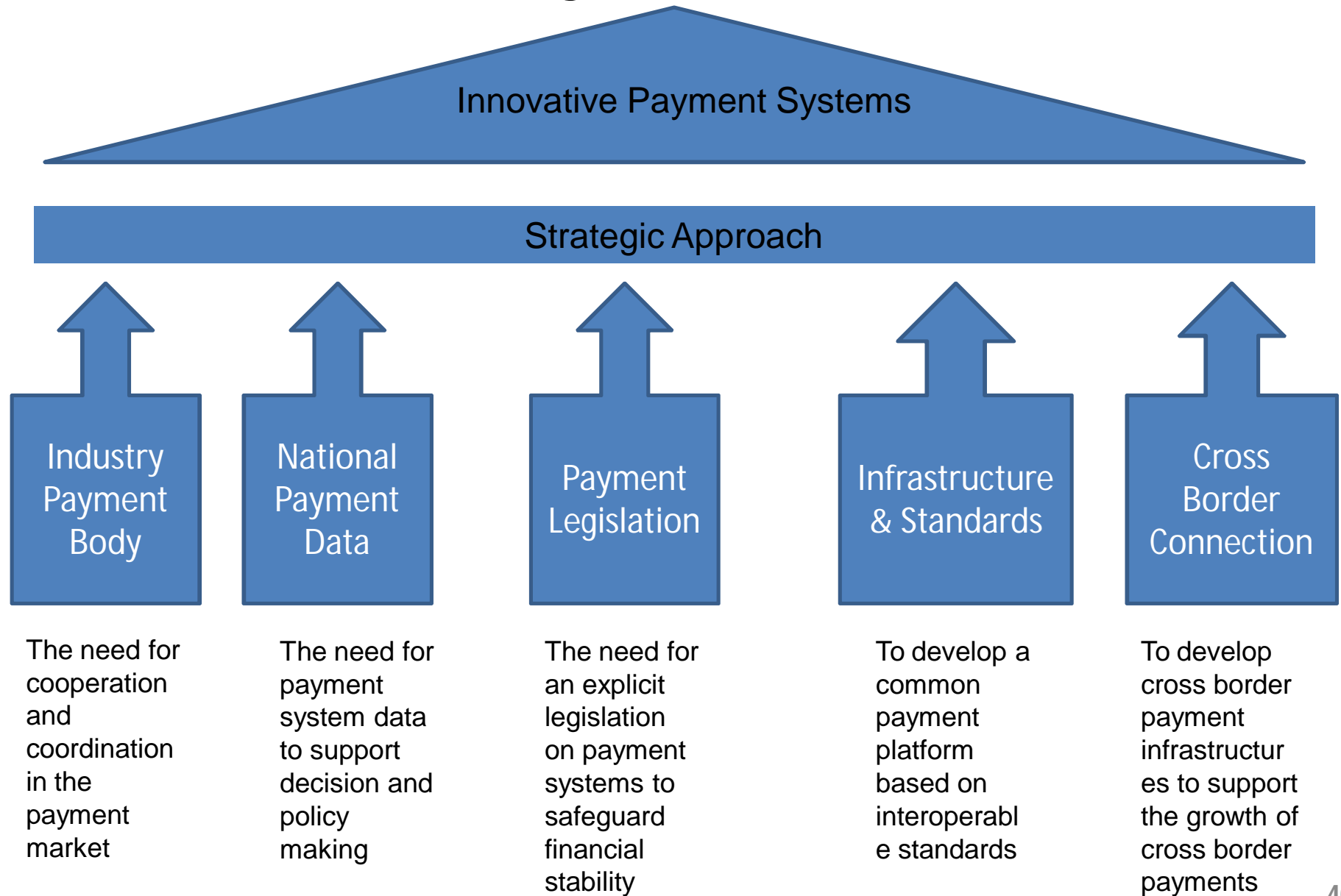
What is the role of the Government?

What is the role of the central bank?

Possible roles for policy makers

- Regulator
 - Supervisor
 - Standard setter
 - Information gatherer
 - Facilitator
 - Coordinator
- 

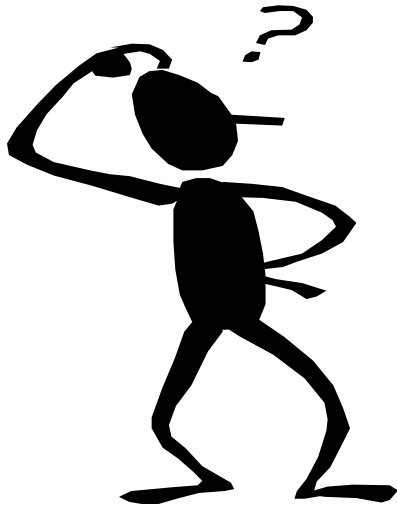
Strategic Approach



Way Forward

- Proposed enactment/amendment of relevant laws
- Encourage usage of RTGS and other e-payments to reduce risks
- Manpower development/deployment and training
- Promotion of cooperation among stakeholders through the National Payment Systems Committee
- Harmonization initiatives including MAC, COMESA & BIS.
- Sensitization of the public and banking industry
- Thorough appraisal of payment service providers applications

What is the next innovation?



Microwave Banking

???

Thank you
Questions?