CENTRAL BANK OF KENYA

Kenya Deposit Insurance Corporation Depositors Insurance Conference

Remarks by Dr. Susan Koech

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Dr. Chris Kiptoo, Principal Secretary, the National Treasury;
Mrs. Hannah Muriithi, Chairperson, Board of Directors of the Kenya Deposit Insurance Corporation (KDIC);
Board Members of KDIC herepresent;
Mrs. Hellen Chepkwony, Chief Executive Officer, KDIC;
Chief Executive Officers of Commercial Banks and Microfinance Banks here present;
Distinguished Guests;
Ladies and Gentlemen:

Good Morning! It is my honour and pleasure to be here this morning at this important conference. At the outset, I commend the Kenya Deposit Insurance Corporation (KDIC) for organizing this conference aptly themed *" Building a strong financial system through a savings culture and deposit insurance.''* Let me also thank KDIC for inviting the Central Bank of Kenya (CBK) to this conference.

Kenya's banking sector has transformed extensively since KDIC's inception in 2012. The following key indicators are indicative of this transformation.

- The asset base has grown by 218.1 percent from Ksh.2.3 trillion in December 2012, to Ksh.7.4 trillion in September 2023.
- The deposit base has increased by 221.9 percent from Ksh.1.7 trillion in December 2012, to Ksh.5.5 trillion in September 2023.

- The number of deposit accounts have increased by 295.0 percent from 15.9 million accounts in December 2012, to 62.8 million accounts in September 2023.
- The number of bank branches in Kenya have increased by 17.8 percent from 1,272 branches in December 2012, to 1,498 branches in September 2023.

On the regional front, Kenyan banks exposure to country and transfer risk has increased from their continued cross-border investments in the East African Community (EAC) region and beyond in pursuit of attractive opportunities. Kenyan banks cross-border branches in the EAC and beyond grew from 282 branches in 2012, to 552 branches in 2022. The total assets for cross-border subsidiaries increased by 726 percent from Ksh.195.6 billion in 2012, to Ksh.1,617.5 billion in 2022.

Taken together, the banking sector expansion domestically and regionally has changed and increased its risk profile. This has been amplified by the unprecedented adoption of technology and innovations and the emergence of novel risks particularly related to climate change.

Additionally, there has been a shift in the provision of financial services from being institution based to a comprehensive ecosystem. This has been informed by customer preference for a broad variety of financial services that can be accessed *anytime anywhere*. Accordingly, banks have partnered with among others fintech companies, payments service providers, insurance companies and other financial services providers.

The ongoing evolution of the banking sector calls on all safety net players in the financial sector including CBK and KDIC to up their game and align their mandates to the changing realities. Besides price stability, CBK's other core mandate is maintenance of financial stability. We are therefore closely monitoring these developments and sharpening our tools including reviews of laws, guidelines and regulations and processes and procedures. This is to ensure that CBK remains agile and responsive to the changing dynamics in the banking sector.

We will continue closely working with KDIC as it fulfils its mandate of deposit insurance, risk minimization and prompt resolution of problem banks. It is therefore my expectation that in the next two days, you shall deliberate on the following key issues among others.

- The changes in the Kenyan banking sector and their impact on the risk profiles of banks.
- Proactive crisis management and problem bank resolution.
- Impact of innovations and technology on the banking sector.
- Enhancing collaboration, co-ordination and information sharing with other financial sector regulators both domestically, regionally and internationally as our banks spread their wings across the continent.

But it is not just about risks, it is also about opportunities. Deposit insurance provides a platform to enhance access to banking services amongst the populace. It strengthens depositors confidence in the safety of their deposits.

While Kenya has made significant strides in tripling financial access amongst adults, from 26 percent in 2006, to 83 percent in 2021, much more remains to be done. A sizeable 17 percent of the Kenyan populace remains totally excluded from formal financial services.

Drilling down further into the *2021 Finaccess Household Survey* indicates that Kenya's financial inclusion success story has been underpinned by usage of mobile money at 81.4 percent. Conversely, use of banks was at 44.1 percent. There is therefore considerable scope to expand the use of banking services by Kenyans.

A critical plank of increasing access to banking services by a wider segment of Kenyans will be increasing the awareness of deposit insurance. This conference is a valuable platform that can be used to scale up the level of awareness of deposit insurance, ultimately bolstering depositor confidence. We should in turn see an increase in savings by Kenyans in banks. Savings are an important tool for households and individuals in not just enhancing their livelihoods but also in addressing day to day challenges including medical and other social needs.

But the awareness journey is a marathon, that KDIC and other stakeholders must sustain. I note the ongoing awareness campaigns by KDIC, but these need to be scaled up countrywide through different and appropriate communication channels given Kenya's diversity.

As I draw to a close, let me reassure KDIC of CBK's support as we execute our respective mandates. Ultimately, our responsibility as financial safety net players is to protect public interest. I wish you fruiful deliberations over the next two days and look forward to the outcomers of the conference.

Thank You!