Press Release

Banks Seek Affordable Loans, Deeper Innovation in New Five - Year Strategy

Nairobi, 21st August 2019: The banking industry plans to intensify efforts towards deepening financial inclusion across all segments of the economy by facilitating access to affordable banking services through enhanced technological innovation and sector-wide efficiency programs.

The Kenya Bankers Association (KBA) Strategic Plan (2019-2023), which was unveiled today, indicates that the industry will also devote more focus to advocating for vibrant and responsive policy and regulatory frameworks for financial sector sustainability. Other top pillars in the plan include enhancing the Association's members' engagement and boosting the capacity of the advocacy group's Secretariat.

In his remarks, KBA Chairman and KCB Group Managing Director Mr. Joshua Oigara expressed KBA's satisfaction for emerging as the primary voice of the financial services sector and a key facilitator of banking industry growth and development. He said the new strategic plan will ensure the Association continues to be relevant to banks and the banking public.

"We recognize as banks that our market is dynamic, and we face increased competition internally across banks and externally from new entrants such as non-bank FinTech's. Our plan is to ensure we stay connected to our customers by improving service delivery, lowering the cost of banking services and advocating for an enabling environment that promotes financial services innovation," Mr. Oigara noted.

Registered as an industry association on 16th July 1962 mainly to negotiate union contracts and, as far as possible, standardize management practices, KBA has grown into the financial services sector's leading advocacy group. Over time, its role has evolved to include promoting industry development and economic growth by engaging the National Government and sector regulators, primarily Central Bank of Kenya (CBK) and Capital Markets Authority.

In line with the Government's policy on public-private partnerships, KBA and CBK have implemented key projects such as modernization of the National Payments System through the Automated Clearing House which is owned by KBA and operated by CBK, implementing the Real Time Gross Settlement System (RTGS), and the Kenya Credit Information Sharing Initiative. Additionally, KBA and CBK partner on the Currency Centers in Meru, Nyeri, Nakuru, and Kisii, which is under construction.

Most recently, KBA further promoted industry efficiency with the introduction of East Africa's first peer-to-peer and peer-to-government instant digital payments platform, PesaLink. Since its debut in 2017, bank customers have transacted in excess of Ksh 180 billion via the PesaLink service which has interconnected 31 banks, creating a 24-7 banking ecosystem.

"We aim to consolidate gains from the previous strategic plan which saw the industry introduce the innovative PesaLink platform and the KBA Secretariat enhance its research-based advocacy agenda," said KBA Chief Executive Dr. Habil Olaka. "The key issues we engaged on in the previous planning period were very much based on adjusting to new regulations and policies. This new plan moves beyond these dynamics to get closer to our primary stakeholders, namely the banking public, through better and cheaper service delivery,'' he added.

Dr. Olaka noted that industry risks in the area of cyber risks, money laundering and related perils, as well as, macroeconomic dynamics, have led to the sector investing heavily on enterprise risk management frameworks. He said the industry will continue to focus on these areas to preserve shareholder value while delivering services to Kenyans.

Kenya's banking sector continues to grow in terms of inclusiveness and efficiency supported by legal, regulatory and supervisory reforms and initiatives. The sector's asset base grew from Ksh 3.95 trillion in June 2017 to Ksh 4.6 trillion in May 2019; liquidity ratio improved to 50.4 percent as at May 2019 from 44.7 percent in June 2017; and the deposit base expanded from Ksh 2.85 trillion in June 2017 to Ksh 3.4 trillion in May 2019.

The sector also remains well capitalized with a capital adequacy ratio of 16.5 percent, which was above the minimum prudential requirement of 14.5 percent. At the end of September 2018, the Kenyan banking sector had an aggregate balance sheet of Ksh 4.41 trillion. The balance sheet growth was a result of a gross increase in sectoral lending that increased by 1.84 percent from Ksh 2,492.69 billion in June 2018 to Ksh 2,538.68 billion in September 2018.

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