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1. The Financial Sector in Kenya has at its helm Central Bank of Kenya which exercises regulatory authority and manages the fiscal policy of the country. Its mandate also includes the supervision of commercial banks and other financial institutions. It also oversees proper functioning of the payment systems in the country. As a partner in the East African Community, together with Central Banks in the other states, it ensures harmony in legislative developments and orderly and secure modes of money transfer to sustain trade. All the three East African Countries – Kenya, Uganda and Tanzania have established Real Time Gross Settlement (RTGS) systems and currently COMESA is fast moving to establish a regional RTGS to foster trade.

2. The Financial Sector in Kenya is composed of the following:
 - a) Commercial Banks – these now stand at 43 in number. Banks have been in Kenya since the turn of the 19th Century. We have foreign banks, we have local and indigenous banks that serve a cross section of both business and niche markets. 10% of the banks control over 70% of the market share while the remainder share 30% or less. There is therefore need for consolidation and market presently demands for fewer but big and well capitalized banks.
 - b) Capital Markets Authority oversees the running of the Nairobi Stock Exchange, the developments of the bond market, the activities of the Government bonds, and the trading in stocks and shares by the stock brokers. This is a vibrant and growing sector that is involved in the sale of public enterprises to local and other investors as the Government of Kenya divests from business. The divestiture by Government has been singularly successful. Each IPO that has been concluded has been oversubscribed.

Other public companies are also listed on the Stock Exchange and have managed to raise capital for their expansion through NSE.

- c) Kenya has a well developed insurance industry though relatively small in relation to other economies. Nevertheless, it is a growing sector that meets the needs of the economy and the region.
- d) Closely associated with insurance is the Retirement Benefits Authority that has been restructured and reorganized to take care of pension funds which are a significant pot of long term funds that support the economic growth of the country.
- e) Forex Bureaux which number about 96, are mainly located in urban areas to serve travelers and visitors.

These started operating in the economy following the liberalization of the economy and the removal of exchange controls. These institutions have increased access to banking services and operate usually fairly informally and for long hours.

- f) A Savings Bank which is a wholly Government owned institution that serves the low end of the market savers. Because of its relationship with the Post Office, it has a wide outreach and network that has ensured access to banking services particularly to retirees in the rural areas as well as students whose incomes are relatively low to access formal bank institutions.
- g) Mortgage Institutions – these are home loan institutions that provide finance to home buyers on long term basis.

3. What all these institutions have that makes them function is the National Payment System that has evolved over time and is now considered worldclass.

What do we have?

- a) An automated Clearing House
- b) ATMs – these are growing rapidly in number and location – shopping malls, petrol stations, bank branches, etc. Apart from banks themselves installing other 3rd party players have entered the market.
- c) Real Time Gross Settlement system
- d) Direct Debits
- e) Credit/Debit Cards
- f) Internet banking

4. Status of Kenyan Banks:

Following from liberalization, many Kenyans entered the Sector and started their own banks. Many of them eventually closed. Other banks suffered from Non Performing Loans (NPLs). Reforms and better regulatory environment which followed has seen strong and profitable institutions that are now experiencing high competition among themselves. This has encouraged a number to venture out of the country into the region to exploit opportunities which they see. Southern Sudan, Uganda, Tanzania, Rwanda have seen banks open branches. Investment banks and stock brokers too have set up shop in their neighbouring countries.

What services are being offered?

- Current Accounts
- Savings Accounts
- Deposit Accounts
- Trade Finance - Letters of Credit (LCs)
- Forex
- Financial Advice
- Investment Advice
- Investment services – stocks and shares, bonds
- Fund management services
- Money transfer services
- Back office operations - SCB
- Credit/Debit card services
- Cross Boarder guarantee bonds (exports)
- Insurance services (goods in transit)

4. Kenya is poised to be the financial hub of the region and is at present laying fibre optic cables and upgrading ICT infrastructure. Central Bank has plans to start a Graduate School from January 2008 to train financial experts both for Kenya and the region.