CENTRAL BANK OF KENYA

Launch of Chora Plan Financial Literacy Campaign
Remarks by Dr. Kamau Thugge, CBS
Governor, Central Bank of Kenya
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Serena Hotel, Nairobi, Kenya

Mr. John Gachora, Chairman, Kenya Bankers Association (KBA)
Mr. Raymond Molenje, Acting Chief Executive Officer (CEO), KBA;
CEOs herepresent;
Distinguished Guests;
Ladies and Gentlemen:

Good Morning! I am pleased to be here at the launch of the Chora Plan Financial Literacy Campaign. Let me express my gratitude to the Kenya Bankers Association (KBA) for the invite and organizing this launch event. I note that the campaign themed *Claim Your Financial Freedom* is designed to empower individuals and businesses in the economy with knowledge and skills necessary to make informed financial decisions on banking, insurance and pension services. I am also informed that today's launch will pave the way for a month-long sensitization drive focusing on building a saving culture and financial planning. This will in turn enhance the financial health of businesses and households.

Before delving into the theme of today, let me briefly set the context in which we meet this morning. Globally, growth has continued to recover, while inflation has moderated but has continued to be sticky downward in advanced economies. This generally positive global outlook is subject to downside risks, mainly from a potential escalation of geopolitical tensions and if interest rates remain higher for longer to fight the sticky inflation rates in advanced economies.

Domestically, we have experienced relative macroeconomic stability this year with inflation oscillating at around 5.0 percent in April and May, which is the mid point target range of the Central Bank of Kenya (CBK). The foreign exchange market has also stabilized, and the shilling is one of the best (if not the best) perfoming currencies this year vis-à-vis the major currencies

On the growth front, the recently released Economic Survey 2024, shows that the Kenyan economy recorded strong growth in 2023 of 5.6 percent, driven by the rebound of the agriculture sector and robust performance of the services sector including the finance and insurance sector. While the recent flooding in parts of the country, caused considerable damage to lives and livelihoods, the economy is expected to remain strong in 2024. This will be supported by the resilient services sector, continued robust performance of agriculture and implementation of government reforms targeting priority sectors under the BETA.

Turning back to our theme for today, the finance and insurance sector continues to be one of the key services sector driving Kenya's economic growth. But much more can be done to expand the sector and further catalyse our country's growth. As you can appreciate, the finance and insurance sector is indeed the engine of the economy given its pivotal role in financing all the other sectors, and therefore, financial inclusion is critical for sustained and inclusive economic growth.

In this context, I am glad to note that access to financial services has expanded three fold from 26 percent in 2006 to 83 percent in 2021, based on the 2021 FinAccess Household Survey (the Survey). We are currently in the process of updating the FinAccess Survey and look forward to the updated results later this year.

The FinAccess Survey of 2021 revealed that while progress had been made on the financial access dimension with 83 percent of adults accessing financial services, much more remained to be done on the usage, quality and impact/welfare dimensions. This morning, I will focus on the impact/welfare component which refers to financial health. Ultimately financial services and products have to impact on the livelihoods of those using them, thus the criticality of financial health.

The 2021 Survey employed a framework of financial health constructed from a composite index of three main life goals:-

- Ability to manage day-to-day needs.
- Ability to cope with shocks.
- Ability to invest in future goals.

The aim of the Survey was to determine the outcome of financial inclusion in terms of the resilience of the Kenyan population and its potential for growth. The results of the Survey indicated that the financial health of respondents deteriorated to 17.1 percent in 2021, compared to 21.7 percent in 2019, and 39% in 2016. This implies that only 17.1 percent of the respondents could adequately and comfortably meet their day-to-day needs, cope with shocks and had the ability to invest in future goals like saving for old age. The main driver of this deterioration was the inability to cope with shocks and challenges in managing their day-to-day needs. This deterioration was amplified by the COVID-19 pandemic that was at its height in 2020/2021.

The timing of this financial literacy campaign that you are about to launch today, is therefore apt as we seek to enhance the financial health of our citizentry and businesses. Allow me therefore to highlight three broad areas that we can reflect on as we launch this campaign.

First, is **customer centricity**. I am pleased with the participation of a diverse set of financial sector players including banks, insurance companies, microfinance banks, mortgage refinance companies and payment service providers. It is imperative that the products and services we provide cater for the needs of customers. In particular, they should cater for their day-to-day needs, enable them to cope with shocks and provide them with the ability to invest in future goals. These will entail financial products and services ranging from transaction and savings accounts, micro-credit, micro-insurance to micro-pensions. My challenge therefore is to financial institutions to truly reflect on whether their products and services meet the financial health needs particularly of Kenyans at the bottom of the pyramid.

Second is **confidence** by customers in financial services. There continues to be a high number of complaints from consumers on the high cost of financial services, unsatisfactory customer services, poor customer experience and lack of transparency and disclosure. This coupled with the growing fraud incidences with increased digitalization are eroding confidence in the financial sector. It is imperative that financial service providers rationalize their costs, enhance customer service and experience and scale up transparency and dislosure of their terms and conditions. Additionally, raising awareness amongst customers on emerging forms of fraud including social engineering and identity theft is imperative.

Third is **sustainability** of initiatives such as the one we are launching this morning. Often times, campaigns such as this last for a given duration of time, and thereafter become dormant. Subsequently, the impact of such measures is not discernible in the medium to long term. I am pleased to note that today we have stakeholders from the financial services sector, consumer organizations and persons with disabilities. I trust that the partnerships forged today will lead to a more sustainable partnership beyond the one month duration of the campaign. The Central Bank would be keen to engage with the stakeholders here today on how we can create a sustainable framework to co-ordinate financial literacy efforts on an ongoing basis.

As I draw to a close, let me reiterate that this campaign is an important plank in Kenya's quest to build on the financial health of its citizentry. Let us build on this to move forward the financial inclusion frontier as a pathway to shared prosperity for all Kenyans.

Thank You!