

NAIROBI, KENYA • 8<sup>TH</sup> DECEMBER 2017

# 2017 BANKING SYMPOSIUM

Venue: The Kenya School of Monetary Studies

## Shaping Inclusive Financial Development in Kenya

What do new research findings mean for bank managers, private sector practitioners and financial sector regulators?

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## Background

There is a well-entrenched consensus, among researchers, that the financial system is centre stage for the flow of funds in the economy. The central set of institutions and markets promotes the dissemination and co-ordination of information about resource availability at every level throughout the economy, thereby enabling the efficient allocation of these resources for supporting economic growth. For most developing countries today, the banking sector is the predominant part of the financial system; for the future, the role of financial markets and other financial institutions will increase as the economy grows and as the financial systems become sophisticated.

In this context, the banking sector in Kenya is expected to play the leading role in delivering inclusive financial development and growth. For example, banking sector activities directly influence the volume and velocity of the flow of funds between households and enterprises, within the private sector. Recent research activity and discussions within policy circles and among practitioners have been preoccupied with core financial inclusion issues, including access to finance by households and companies, the use of such finance, the affordability (in terms of costs and terms and conditions) as well as the quality (e.g. short term versus long term) of financial resources provided by banks and other financial service firms (e.g. microfinance institutions), and the role of digital finance.

However, it is not altogether clear how the banking sector can deliver inclusive financial development and sustainable economic growth in Kenya and other developing economies in Africa. This question is still open to debate. The DFID-ESRC Growth Research Programme [ESRC Reference: ES/N013344/1] on “Delivering inclusive financial development and growth” looks into the critical question of ‘how?’. The research programme brings together leading researchers from Africa, UK, Netherlands, Canada and USA to address the ‘how’ of inclusive financial development and growth. Among the interesting findings of the research programme, so far, are three issues that relate directly to the banking sector in Kenya:

- The role of the interbank market is important for market-discipline and therefore has the potential for peer regulation among banks. But, there is another side of the coin.
- Banks and other financial institutions in Kenya need to look well beyond the traditional banking products (e.g. deposits and loans) in order to come up with innovative financial products which relate strongly to the new and changing needs of households and businesses
- Cross-border banking is growing stronger in Africa, shaped by Kenya in Eastern Africa, by South Africa for SADC, by Morocco for North Africa, and by Nigeria for most of the continent. These are positive signs for banking in Kenya and Africa, but some unresolved issues tend to persist.

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## The symposium: Aim and Scope

This symposium will share new insight from recent research on the banking sector in Kenya and comparative case studies on other African economies.

Also, the symposium will bring together key stakeholders who have important roles to play in shaping the banking sector in Kenya to deliver inclusive financial development. These stakeholders include bank managers, banking sector regulators, private sector practitioners and researchers.

In addition, symposium participants will also use the opportunity to shape current and future research on the banking sector in Kenya.

For example, what role does the interbank market really play? How does cross-border banking affect bank competition and bank lending, especially with respect to company access to finance? How are African indigenous banks introducing innovative banking products (e.g. weather insurance for farmers)?

Specifically, participants from the banking industry, private sector practitioners, and bank regulators will question the research findings in the light of the main pressing issues in the Kenyan banking sector today.

## Key Speakers:



Professor Victor Murinde, AXA  
Professor of Global Finance,  
SOAS University of London,  
UK



Professor Issouf Soumaré,  
Professor of Finance,  
Laval University, Quebec,  
Canada



Professor Robert Lensink,  
Professor of Finance,  
University of Groningen,  
The Netherlands

## Joint Conveners:



Research Centre for Global Finance  
DEGRP Grant REF: ES/N01334/1



School of Economics  
University of Nairobi



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**Shaping Inclusive Financial Development in Kenya**

## Morning Session

8<sup>th</sup> December 2017

Time	Event
8:00 - 8:30	Arrival and Registration
8:30 - 9:30	Welcome Remarks by the Ag. Director KSMS – <b>Joshua Kimoro</b>
	Welcome Remarks by the CEO, KBA – <b>Habil Olaka</b>
	Remarks by the Chairman of the KBA Governing Council – <b>Lamin Manjang, CEO, Standard Chartered Bank.</b>
	Key Note Speech by Governor, Central Bank of Kenya – <b>Dr. Patrick Njoroge</b>
Session One	
9:30 - 10:30	Speaker: <b>Professor Victor Murinde</b> , AXA Professor of Global Finance, SOAS University of London, UK
	<b>Paper: The peer monitoring role of the interbank market in Kenya: What does this mean for bank managers and the banking regulator?</b> (by Victor Murinde, Ye Bai, Christopher J. Green, Isaya Maana, Samuel Tiriongo, Kethi Ngoka-Kisinguh)
	Discussant: <b>Kihara Maina, CEO I&amp;M Bank</b>
10:30 - 11:00	Coffee Break and networking opportunities
Session Two	
11:00 - 12:00	Speaker: <b>Professor Issouf Soumaré</b> , Professor of Finance, Laval University, Quebec, Canada
	<b>Paper: Capital, risk and profitability of WAEMU banks: Does cross-border banking matter?</b> (By Désiré Kanga, Victor Murinde, Issouf Soumaré)
	Discussant: <b>John Gachora, Group Managing Director, NIC Bank</b>

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## Afternoon Session

8<sup>th</sup> December 2017

Time	Event
12:00 - 14:00	<b>Lunch Hour Talk and Lunch Break</b>
	Speaker: <b>Professor Victor Murinde</b>
	<b>Topic: Delivering inclusive financial development and growth in Kenya</b>
Session Three	
14:00 - 15:00	Speaker: <b>Professor Robert Lensink</b> , Professor of Finance, University of Groningen, The Netherlands
	<b>Paper: Improving trust and relaxing credit constraints to enhance uptake of weather insurance: A randomized controlled trial in Ethiopia</b> (by Temesgen Belissa, Erwin Bulte, Francesco Cecchi, Shubhashis Gangopadhy and Robert Lensink)
	Discussant: <b>Dr. Leonard Oruko</b> , Agricultural Economist (Consultant)
Panel Discussion	
15:00 - 16:30	<b>Panelists:</b> <ul style="list-style-type: none"><li>• <b>Sheila M'Mbijiwe</b>, Deputy Governor, Central Bank of Kenya</li><li>• <b>Habil Olaka</b>, CEO, Kenya Bankers Association</li><li>• <b>Luke Ombara</b>, Director, Regulatory Policy and Strategy, Capital Markets Authority</li><li>• <b>Geoffrey Odundo</b>, CEO, Nairobi Securities Exchange</li><li>• <b>Peter Muriu</b>, <b>School of Economics</b>, University of Nairobi</li></ul>
	Closing Remarks: <b>Habil Olaka</b> , CEO, Kenya Bankers Association
16:30	<b>Cocktail and networking opportunities</b> (Delegates leave at own pleasure)



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## **Speaker: Professor Victor Murinde**

### **Paper: The peer monitoring role of the interbank market in Kenya: What does this mean for bank managers and the banking regulator?**

Victor Murinde is AXA Professor of Global Finance, at the School of Finance and Management, SOAS University of London. He has contributed over 100 research papers to the financial economics literature, mainly in the areas of banking and finance, development finance, and financial markets. According to the UK Research Excellence Framework (REF2014), his research on “Shaping Bank Regulatory Reforms in Africa” was recognized for exceptional impact.

Currently, he is the Principal Investigator of a DFID-ESRC Research Grant on “Inclusive Finance” for £2.017 million (Total FEC), for 2016-2020, leading a consortium of: SOAS University of London; University of Birmingham; Columbia University; University of Sussex; University of Nottingham; ODI London; University of Groningen; Laval University; University of Ghana, Legon; & the African Economic Research Consortium (AERC). His other current roles include: Chair, Econometric Society Africa Region Standing Committee; Chair of Group C (Finance & Resource Mobilization) for the African Economic Research Consortium (AERC); Board Member of New Rules for Global Finance, a policy forum based in Washington DC; and Visiting Professor of Financial Economics at the School of Economics, University of Nairobi.

Professor Murinde is also a Co-Investigator on ESRC – NSFC Grant on “Research on China’s Financial System towards Sustainable Growth: The Role of Innovation, Diversity and Financial Regulation”, [ESRC Reference: ES/P005241/1] jointly with colleagues at SOAS University of London and Nankai University Tianjin, and Zhejiang University, Hangzhou, in China.

He was the founding Director of the African Development Institute, at the African Development Bank (2011-2014), on a three-year Leave of Absence from the University of Birmingham.

## **Speaker: Professor Robert Lensink**

### **Presentation: Improving trust and relaxing credit constraints to enhance uptake of weather insurance: A randomized controlled trial in Ethiopia**

Robert Lensink is Professor of Finance and Financial Markets within the department of Economics, Econometrics and Finance at the University of Groningen, in the Netherlands. He is also Fellow of the research institute IEEF (Institute for Economics, Econometrics and Finance) and Professor of Finance and Development at the University of Wageningen. He is also the scientific director of CIBIF. In addition, he is a resource person of the African Economic Research Consortium (AERC).

Further, he is a fellow of SOM, a member of the board of GSG (Global Studies Groningen), and member of the steering committee of NWO-WOTRO.



Prof. Victor Murinde



Prof. Robert Lensink



Prof. Issouf Soumaré

## Speakers' Bio Profiles

Professor Lensink is currently involved in the following research projects:

- WOTRO: Food & Business Global Challenges Programme, entitled Information Transparency system as a low-cost scalable solution to farmers' access to credit and services in Ghana.
- FMO: Impact evaluation of Sartawi in Bolivia
- DFID-ESRC Growth Research Programme Call 3 (2015/2016): Delivering Inclusive Financial Development and Growth
- DFID-ESRC Growth Research Programme Call 2 (2013/2014): Optimal packaging of insurance and credit for smallholders in Africa
- Financial Inclusion in Ghana (3ie project)

### Speaker: Professor Issouf Soumaré

#### Paper: Capital, risk and profitability of WAEMU banks: Does cross-border banking matter?

Issouf Soumaré is a Full Professor of Finance and Director, International Relations, and Director of the Laboratory for Financial Engineering, at Laval University, in Quebec, Canada.

Professor Issouf Soumaré is an expert in risk management and financial engineering with more than 17 years of professional experiences. He works regularly as a consultant, advising public administrations and private corporations on financial and risk management issues. He also worked for the Risk Management Unit of the African Development Bank (AfDB). Prof. Soumaré is regularly invited as keynote speaker at seminars and workshops on capacity building in financial and risk management in Canada and Africa.

Also, Professor Soumaré holds a PhD in Business Administration in Finance from the University of British Columbia in Canada, a MSc in financial engineering from Laval University in Canada, a Master degree in Statistics and Applied Economics (ISE) from ENSEA of Abidjan in Cote d'Ivoire and a Master in Applied Mathematics from the National university of Côte d'Ivoire. He also holds two professional certificates in risk management: FRM and PRM. He is fluent in both French and English.

He is a Co-Investigator in the DFID-ESRC Growth Research Programme Call 3 for: Delivering Inclusive Financial Development and Growth. In addition, he is a resource person of the African Economic Research Consortium (AERC).



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## **THEME** Shaping Inclusive Financial Development in Kenya

What do new research findings mean for bank managers, private sector practitioners and financial sector regulators?

**T**he banking industry is at the centre stage in delivering inclusive financial development and growth in Kenya. Altogether, bank managers, banking industry regulators, and the private sector, have important roles to play in shaping the banking industry to deliver this inclusive financial development and growth, hence the symposium.

The symposium will address three issues. First, the role of the interbank market in enhancing market-discipline among the banks through peer regulation. Secondly, the innovation of financial products which relate strongly to the new and

changing needs of households and businesses. Thirdly is the role of cross-border banking in financial inclusion agenda. From the three issues, the symposium intends to share new insight from recent research on the banking sector in Kenya and comparative case studies on other African economies.

Participants from the banking industry, private sector practitioners, and financial sector regulators will question the research findings in the light of the main pressing issues on delivering inclusive financial development and growth in Kenya.