



**Central Bank of Kenya**

# **Presentation on National Payment System in Kenya**

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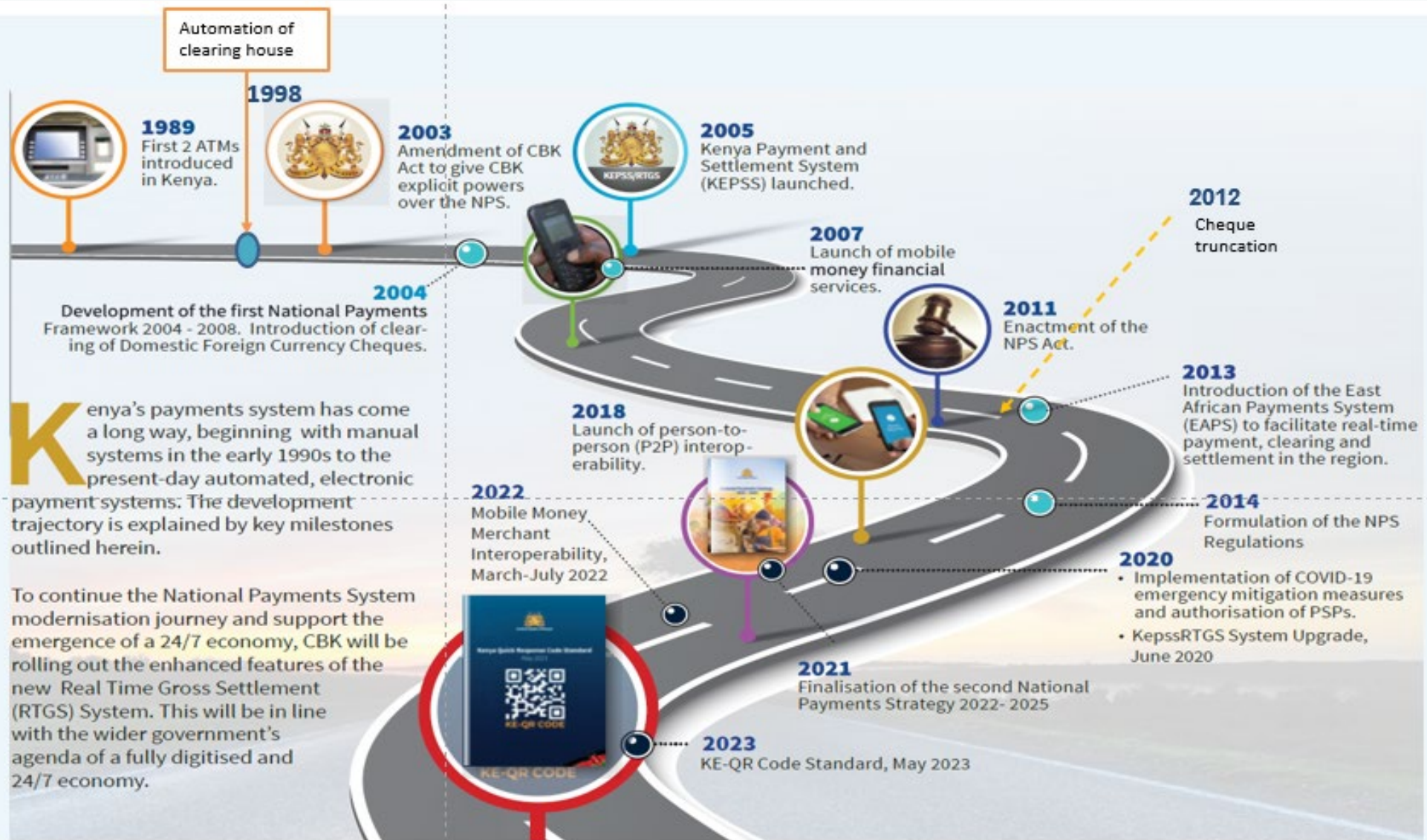
*Michael Eganza, Director Banking and Payment Systems,  
Central Bank of Kenya*

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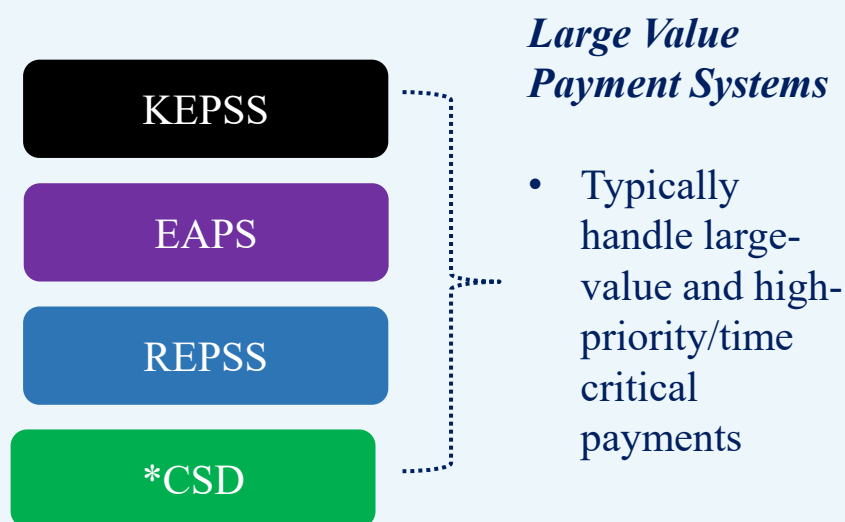
# National Payment System Evolution



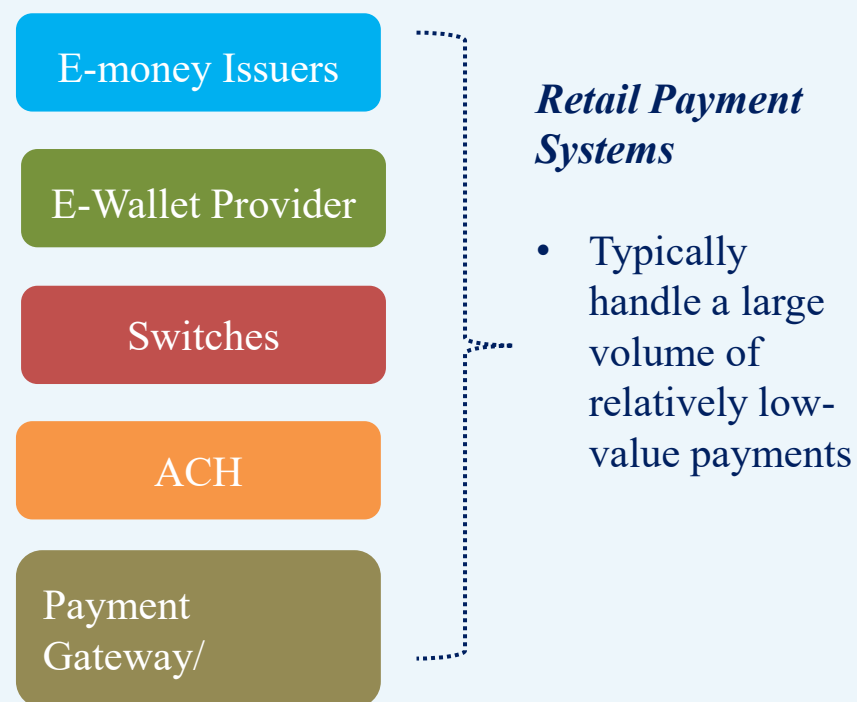
## 2.

# The National Payments System Landscape in Kenya

Has two components: Large value and Retail payments



KEPSS - Kenya Electronic Payment and Settlement System  
 EAPS - East African Payment System  
 REPSS - Regional Electronic Payment Settlement System



ACH - Automated Clearing House  
 Aggregators are also called Payment Gateways

## 3.

# Performance of National Payment System

## Kenya's National Payments System, January 2023 to December 2023

	Volume, Bn	Value, Ksh. Tn	% Volume	% Value
<b>RETAIL</b>	<b>20.30</b>	<b>33.54</b>	<b>99.96%</b>	<b>44.55%</b>
Mobile	20.15	29.13	99.22%	38.70%
Cards	0.12	0.92	0.59%	1.22%
EFTs	0.02	0.95	0.08%	1.26%
Cheques	0.01	2.54	0.07%	3.37%
<b>LARGE VALUE (RTGS)</b>	<b>0.008</b>	<b>41.7</b>	<b>0.04%</b>	<b>55.45%</b>
<b>GROSS TOTAL</b>	<b>20</b>	<b>75.3</b>	<b>100%</b>	<b>100%</b>

Source: Central Bank of Kenya



4.

## Government Payments and Remittances

Ksh. **3.40** Tn

Gov't Payments at CBK,  
2023

*(Source: Central Bank of Kenya)*

U.S.\$ **4.19** Bn

Diaspora receipts,  
2023

*(Source: Diaspora Survey, Central Bank of Kenya)*

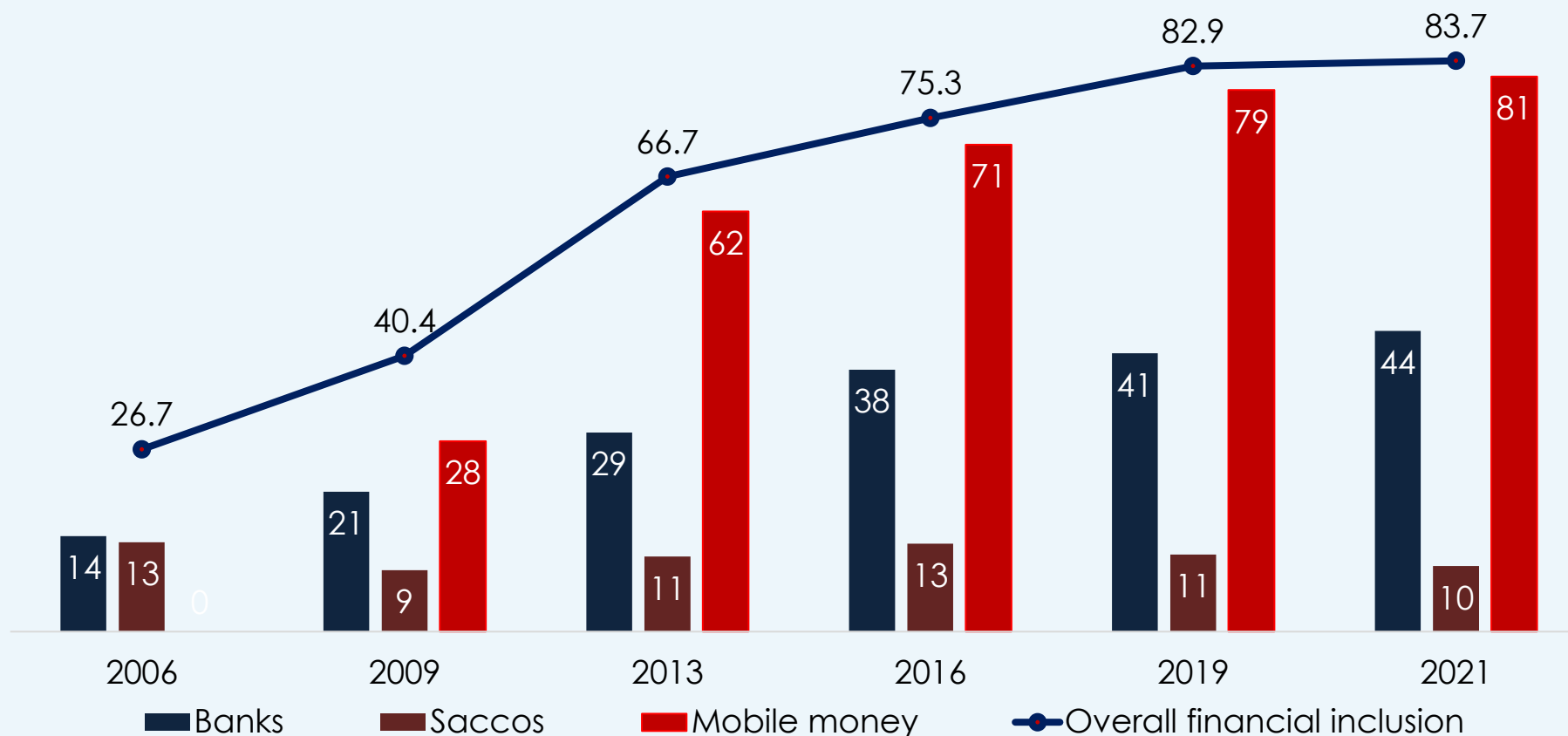


## 6.

# What we have done well (1)

Financial inclusion has been entirely driven by mobile payments

Usage and access to financial services by provider, %

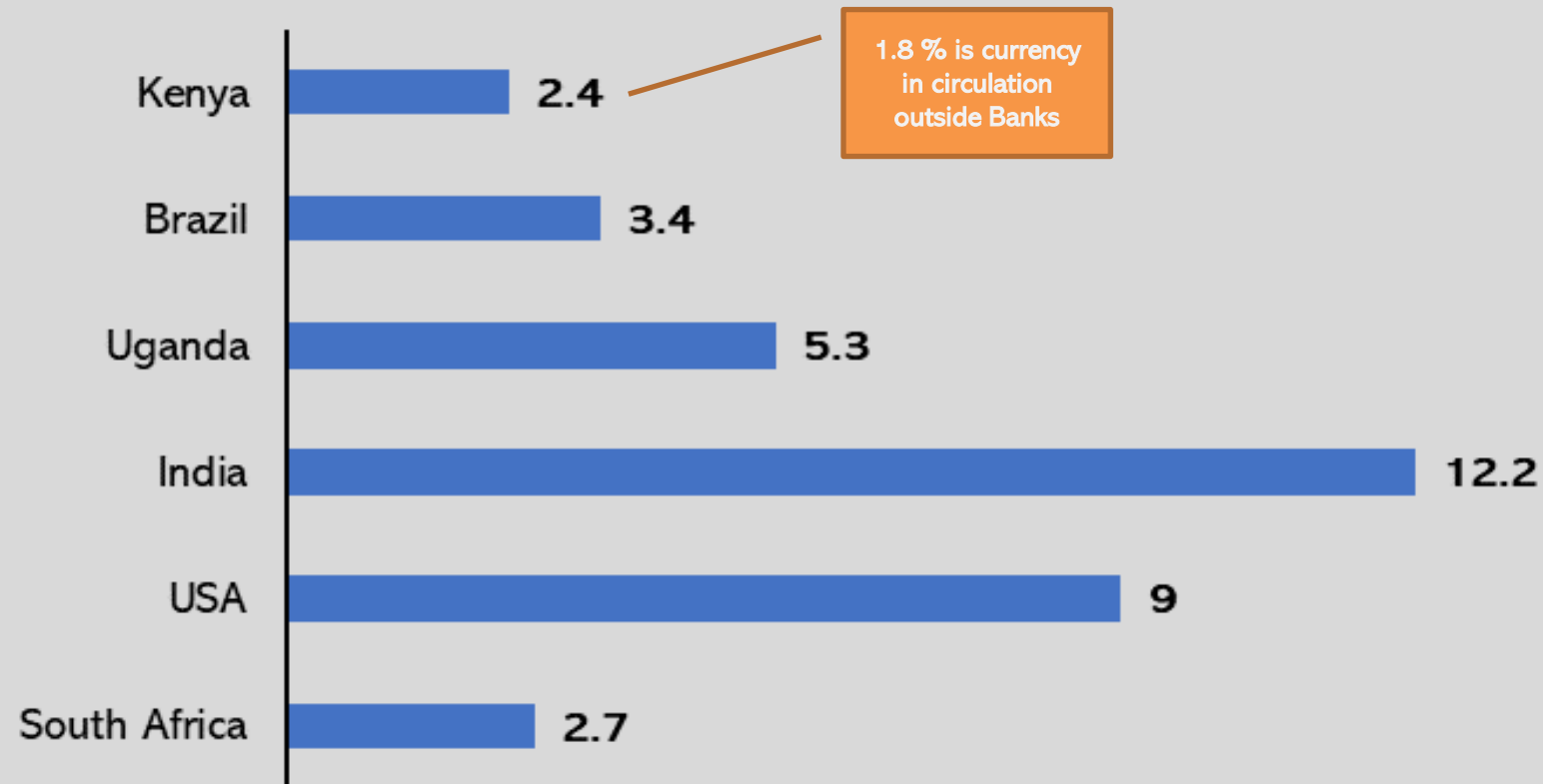


## 7.

## What we have done well (2)

Measure of the extent of how, Kenyan economy is digitized

### Currency in Circulation as a % of GDP 2022



Source: IMF statistics.



# 8.

## Challenges (1) – what we are addressing

### Limited infrastructure sharing

- Inefficient utilization of physical infrastructure (ATMs and POS devices)
- Multiple/closed systems telco, banks, non-banks



Multiple banks ATMs



Outlet recruited by different players



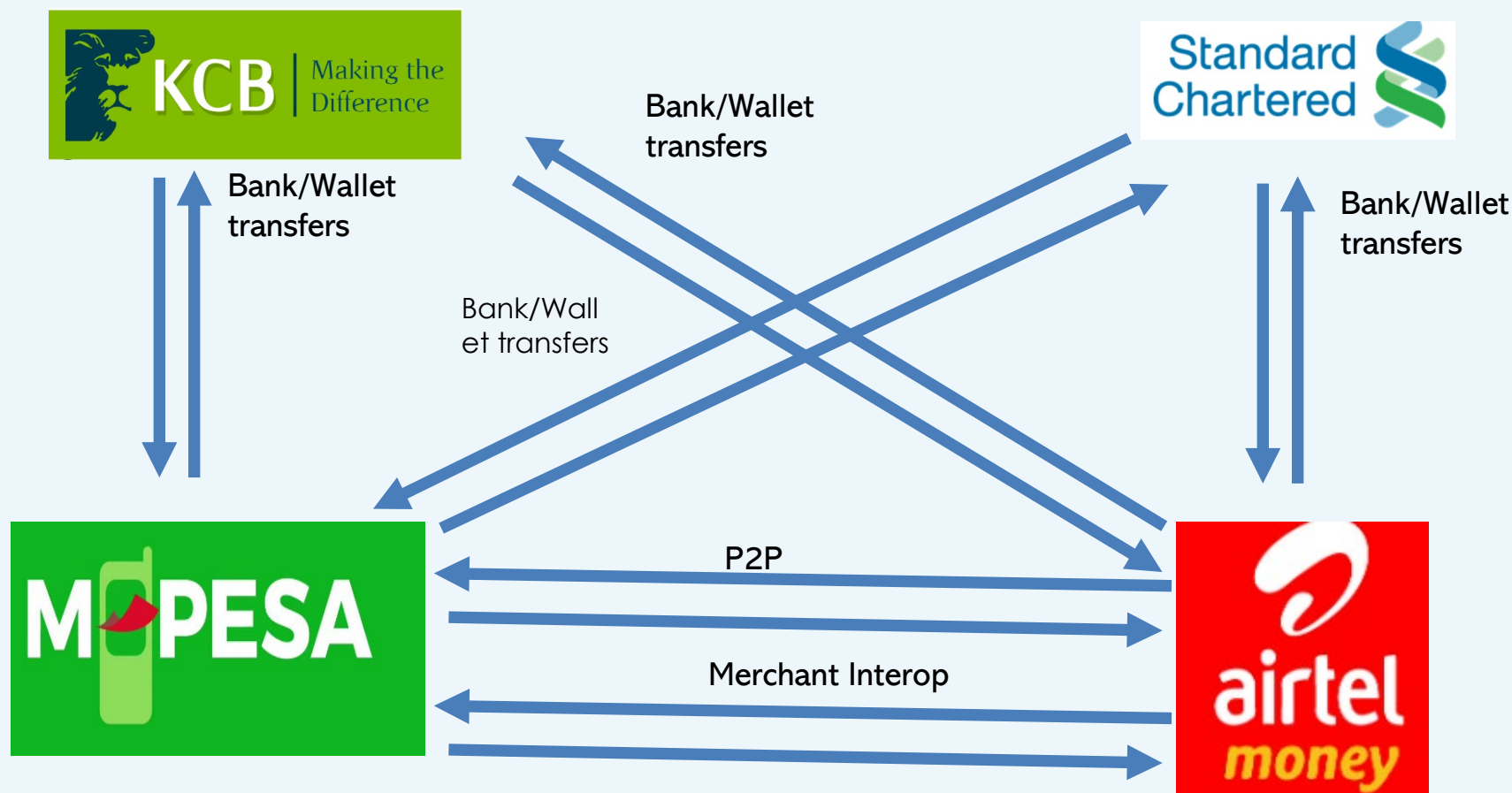
Cashier counter displaying several POS



Lack of sharing infrastructure by agents

## Limited functional interoperability

- Bilateral agreements with costly bilateral connections.
- Each bilateral arrangement requires a separate agreement, connectivity, prefunding



## High transaction costs to the end user

### Persona A



### Demographic

Occupation: Boda rider

Monthly Income: Kes 20,000

Age: 28 years

Location: Nairobi

Education: Secondary level

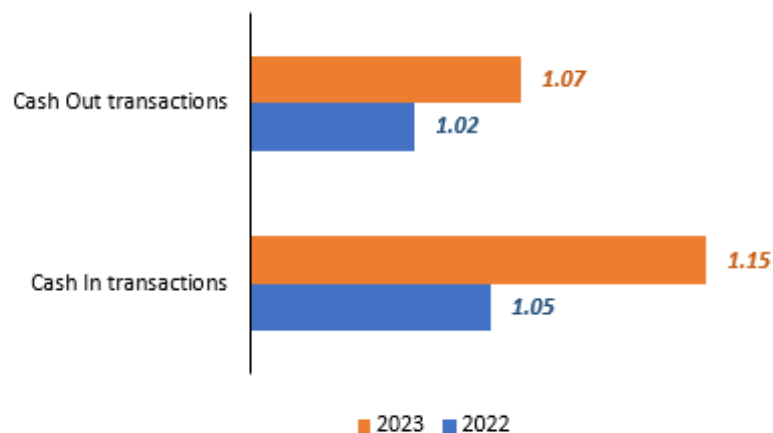
### Spending pattern

	Kes		Kes
	Cost	No of txn	Charge
KPLC	350.00	4	20.00
P2P	1,200.00	4	92.00
Food	250.00	15	105.00
Rent	3,000.00	1	53.00
Cash Withdrawal	500.00	4	116.00
NHIF	500.00	1	5.00
Fuel for boda	500.00	4	10.00
			401.00

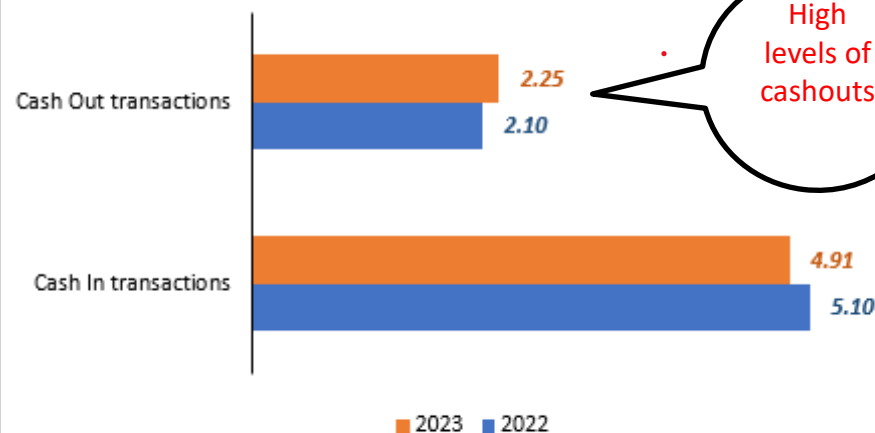
*2.5% of monthly income is consumed on transaction charges which is a significant portion.*

# Challenges (4)

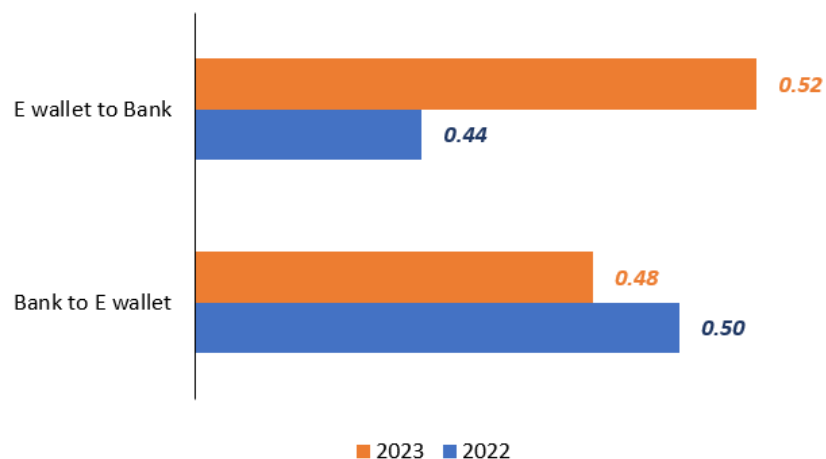
Number of transactions in Billions



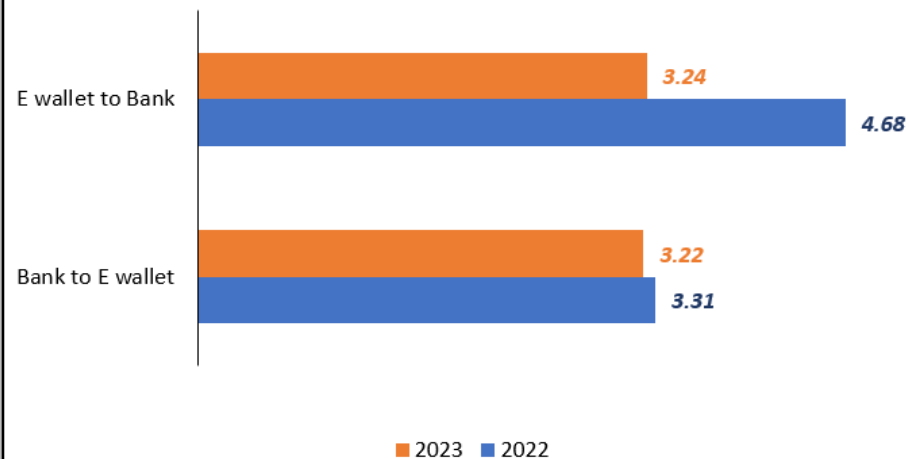
Value of transactions in Trillions



Number of transactions in Billions



Value in Trillion



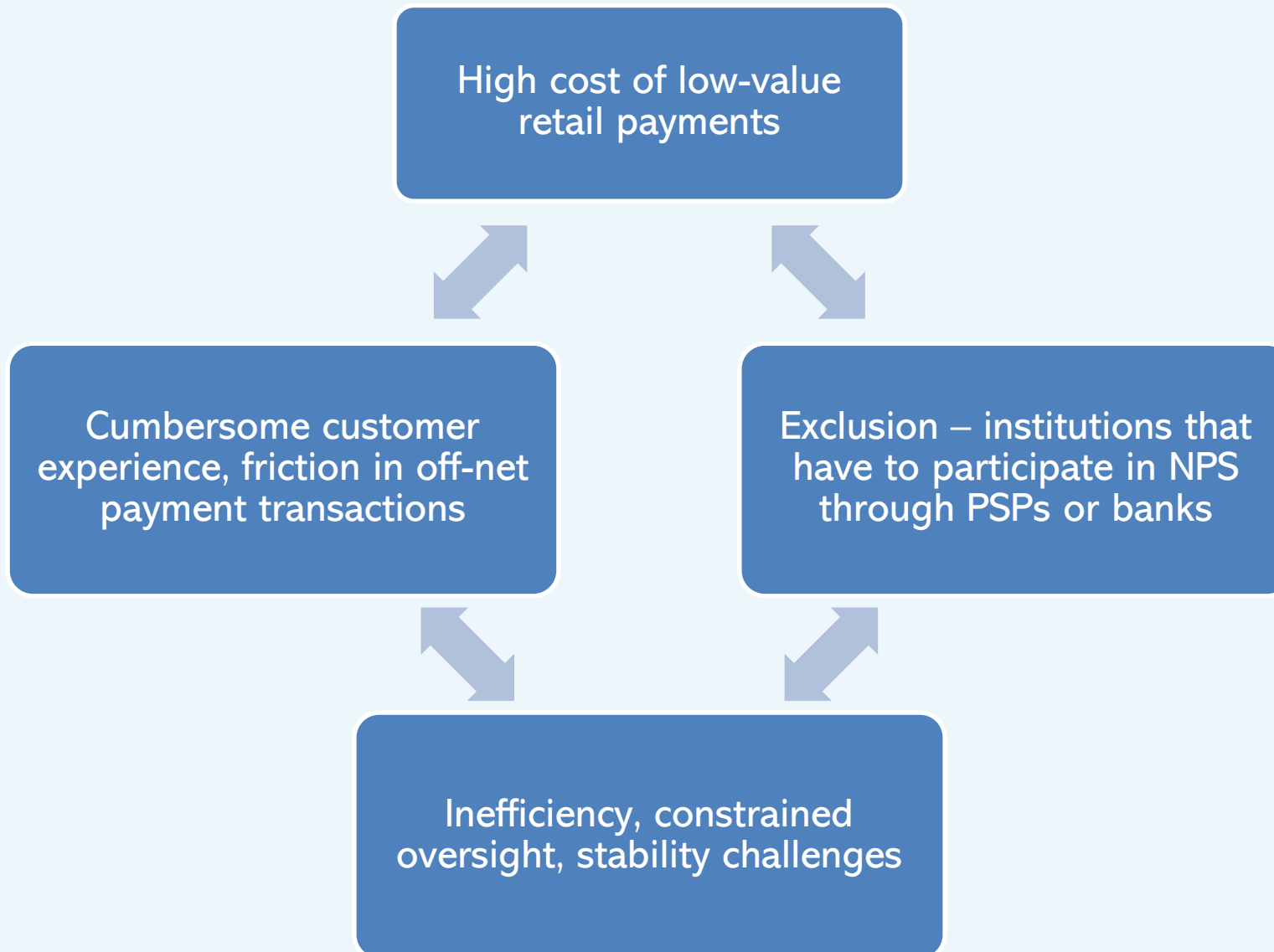
Astonishingly instant payments continue to trail slow rails and paper

### Current Usage, 2023

	Volume, Mn	Value, Ksh. Bn	Funds received
Cheques	14	2,540	T+1
EFT	17	947	T+1
Offnet Transactions (Mobile money)	934	5,862	Instant
Instant Payment System	6	827	Instant
KEPSS	8	41,743	2 hours

Astonishingly instant payments continue to trail slow rails and paper. \There is a role to be played by regulator .





## Near-term priorities *(selected)*

1. **Full-scale interoperability** – Building on existing collaboration, progress ; “*pay anyone anywhere*”
2. Review the existing **legal and regulatory framework**
3. Continue exploring the **usefulness of new forms of digital money (CBDC)** and their use cases for Kenya
4. **Regional and pan-African payments integration** – Through harmonization of regulatory frameworks and infrastructure.
5. **Progression towards 24/7 economy** – Anchored on enhanced capabilities of the new RTGS system
6. **Fostering customer-centric innovation** – While assessing applicability (customer focus) and mitigating risks

*Thank You!*

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