

# VANGUARD

ISSUE 01 2020



## Banking with COVID-19: Emerging Stronger



The COVID-19 pandemic is the most adverse economic disruption since the 2008-2009 global recession. In many countries, particularly in Europe and America, it continues to largely sustain with new cases of infection. Even with the glimmer of hope spawned by the approval of various vaccines, various sectors are yet to regain their pre-COVID-19 flourish.

Despite the economic slowdown, the Kenyan banking industry continues to navigate the health crisis, aligning products and services to the demands of the 'new normal'. Notably, the industry's pre-COVID-19 "digital readiness" has been hailed for

preventing the health crisis from degenerating into a financial crisis.

The 2020 State of the Banking Industry Report showed banks were sufficiently liquidated with strong buffers to contain the economic shock. This has been corroborated by the Central Bank of Kenya Annual Report and Financial Statements 2019/2020, which notes that the industry's core capital and total capital to total risk weighted assets ratios were 16.4 percent and 18.5 percent, respectively as at June 2020, above the statutory minimum ratios of 10.5 and 14.51 respectively.

In all, the sustainability of traditional banking models continues to be challenged in this 'new normal', presenting the question: Did COVID-19 accelerate what has always been possible?

### Appointment



Dr. Samuel Tiriongo has joined the Kenya Bankers Association as Research and Policy Director.

[Read more](#)

## TRIVIA

What is the worth of loans restructured by banks to date over COVID-19? Visit [www.vanguardnewsletter.co.ke](http://www.vanguardnewsletter.co.ke) to submit your answer.

### FEBRUARY HIGHLIGHTS

- **GOVERNING COUNCIL**
- **COMMITTEES AND SUBCOMMITTEES**  
Human Resources & Ethics | Finance & Audit | Public Relations | Legal Affairs | Compliance | IT Systems, Risk & Security | Clearing House | NPS | Credit and Islamic Advisory

### MARCH HIGHLIGHTS

- **COMMITTEES AND SUBCOMMITTEES:**  
Ops & Tech | Banks Fraud, Risk & Security | Compliance | Bank Security | IT Systems, Risk & Security | Forensics | Clearing House | Financial Markets
- **GENERAL BODY MEETING**

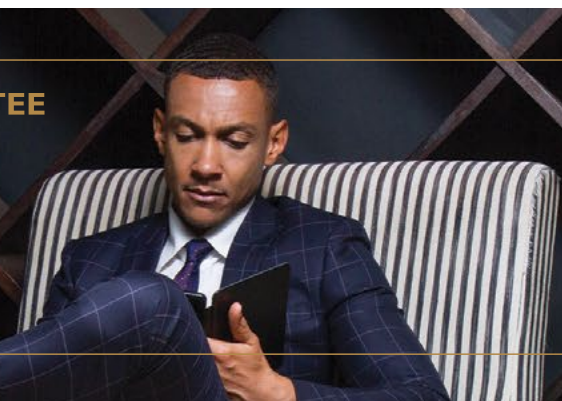
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# VANGUARD Comment

## Banking Opportunities Amidst Adversity

As the economy settles onto a recovery path, banks continue to demonstrate resilience, sustaining support to both customers and businesses. Despite the COVID-19 set-back, the industry has resiliently held firm as demonstrated by the 2020 Customer Satisfaction Survey. The survey shows that of the over 15,000 respondents, 92 percent expressed satisfaction that banks have continued to improve service standards despite the disruptive wave of the COVID-19 pandemic. It offers a new insight: that despite the overwhelming uptake of digital banking, older customers (70 years and above), still find the face-to-face service interface necessary.

### TOWARD FULL ACCESSIBILITY

For Customers With Disabilities, it is gratifying that 81 percent of the customers are largely able to use banking services independently. Meanwhile, 8 percent of the clients need support, with 11 percent occasionally requiring assistance. Respondents with Disabilities represented 3 per-cent of the total number of responses. While this is an encouraging achievement, there is more to be done based on the recommendations of the Persons With Disabilities Digital Accessibility Report, which requires banks to submit accessibility implementation timelines by March 2021.

As the first quarter of the year gets underway, 2020 suggested that the industry's longstanding focus on digital innovation forestalled a complete disruption of services in the wake of the COVID-19 pandemic. While the easing of the Government's COVID-19 containment measures is a welcome reprieve, the industry will need to continue re-aligning its operational and service models through insights gleaned from internal risk projections, as well as, shared industry-wide recommendations. On the whole, however, the COVID-19 pandemic – while challenging – has also created opportunities to explore new approaches to banking, in what will without doubt pave the way for an even stronger industry.



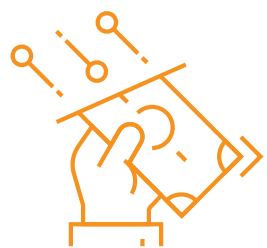
# Trending

## Cash-Lite Trends- Strategic Projections

Cashless payments have been on the rise in recent months, peaking in 2020. Besides the pandemic, the trend has been associated with increasingly changing consumer behaviors, coupled with the uptake of more online shopping and contactless payment solutions. Transactions that would ordinarily involve cash are being replaced by no-contact delivery, curbside pick-up, and online shopping.

### BIG DATA INTEGRATION

According to payment processor Square, cashless transactions almost quadrupled in less than two months after the COVID-19 pandemic – rising from 8 percent to 30 percent. The firm recognizes a business to be cashless if over 95 percent of its transactions originate from debit and credit cards. The spike in cashless transactions has, however, been projected to prompt an increase in merchant fees. So, what is the future of cashless payments?



By 2023, five countries will have launched digitization initiatives aimed at eliminating cash from circulation.

By 2024, global cash in circulation will be reduced for the first time after decades of continuous increases.



By 2024, mobile proximity payment users globally will double to nearly 2 billion, compared to less than 1 billion in 2019.

Source: BusinessWire

**CONTACT INFORMATION**  
Kenya Bankers Association

**PHONE**  
(+254-20) 222 1704 / 222 4014

**EMAIL**  
vanguard@kba.co.ke





# VANGUARD Profile UP & ABOUT



## From Street Hawker to Bank Branch Manager

*Growing up in a village in Makuyu, Charles Mwangi never imagined a career in banking. Now Ecobank's Fortis Office Park Branch Manager, Mr. Mwangi spoke to Vanguard on the challenges he encountered in his early years in banking and his future career prospects. This is an abridged version of the interview.*

### Is there something many people don't know about you?

I am born again. What I am today is a product of a journey that has taken the hand of God.

### You never dreamed of becoming a banker. What inspired you to venture into the industry?

One day, I was frustrated (after a long day spent hawking). I found myself in the streets of Nairobi, sitting in front of Standard Chartered Bank (SCB) offices. I dared to walk into SCB House and said I wanted to see the Human Resource (Manager). I met a lady, with whom I left my Curriculum Vitae. She later called to inform me there was an opportunity in sales.

### How was your first day in banking?

It is a day I will never forget... (chuckles). We (along with other newly hired sales team) were trained for a week after which our supervisor took us to Moi Avenue and asked us to visit different offices and get business for the bank. That was our introduction to work.

### What challenges do you face as a branch manager in light of the COVID-19 pandemic?

The challenge we face is that not all customers have embraced digital banking. Some customers still prefer to visit the branch to transact. We organize online meetings with the customers to train them on how they can transact from home.

### What inspires you and what advice would you give to someone aspiring to become a bank branch manager?

One thing I like about my job is solving problems; being in a position to give solutions to customers. I also learn every day because I meet customers from different industries. This helps to understand customers' lines of work, which can help in coming up with products that meet their needs. To those who want join banking: a career in banking is open to everyone. In banking, we don't look at what you studied in college because most of what you do is on-job training. Banks look for honesty, willingness to learn and serve people every day.



## Will Banks Really Need Buildings in Future?



BY  
VINCENT  
OGUTU

Will banks operate in buildings in future, or do we expect a radical downward shift in their demand for real estate? Besides the accelerating rate of technological advancement, and the increasing forcefulness of customers' demands, other trends are going to disrupt the way banks operate.

Our ecological consciousness now demands that we begin doing away with processes and modus operandi that negatively impacts our environment. Use of paper means felling trees, and creating trash, yet digitization makes all that unnecessary.

Another trend we need to keep our eyes on is our newfound love for flexi-time. Organizations had already started experimenting with this concept. COVID-19 just accelerated the process and made it compulsory, at least for now. However, companies that had already tried it out pre-COVID-19, like Yahoo!, rolled back due to disastrous results on productivity.

While some companies like Yahoo! and Bank of America reported a drop in productivity when they introduced flexi-time (leading to a roll back on the program), others reported increased productivity (BBC worldwide, AT&T, and UnitedHealth Group).

Why would flexi-time increase productivity for some organizations and reduce it for others? Flexi-time is made possible by our ability to work and collaborate on projects through online platforms. This, therefore, allows us to have extra time that we would normally lose in traffic. Instead of commuting, we now talk of tele-commuting.

On the concern that flexi-time would make employees take advantage to do non-work-related activities to the detriment of their work, we need to redefine "presence". Is presence having an employee in my sight, at the office, thus giving me the reassurance that they are at work? Or is it rather now a more pertinent question to just keep my eye on the employee's KPI's, whether I am physically seeing the employee or not?

That said, the new normal will be counterproductive if it abandons us to the distractive environment that is home. For instance, working from one's living room is definitely distracting. Various options to solve that would be to turn one's domestic staff quarters into a home office, car garages and other spaces or even better to go to a shared workspace near to one's home.

### BIG DATA INTEGRATION

According to Central Bank of Kenya data, agency banking transactions rose by 18.75 percent to Sh5.7 trillion in the year ended June 2020. From the report, contracted bank agents handled 800 million transactions, translating into Sh900 billion increase in the value of transactions compared to 2019. The trend will certainly encourage banks to explore decentralized business models.

There are so many incubators, accelerators and other organizations offering shared workspace now that it will soon be possible to find such spaces near one's home. Some of these workspaces are idyllic, with a kitchenette for preparing a snack or coffee, a garden to take a walk and refresh in, less formal rooms to take a break in or meet someone, etc. Real estate service firm JLL suggests that proptech and smart buildings can be combined to support employees' health and well-being through design efficiencies, integration of Internet of Things (IoT) and leveraging on Big Data.

So, will banks dispense with bank branches in future? While I still hold that they will largely scale down on huge buildings and numbers of branches, I am now convinced that they might seek other types of real estate, perhaps in collaboration with similar organizations that have similar needs for security of data warehousing and security, and perhaps in collaboration with owners of shared spaces.

Dr. Ogutu is the Vice Chancellor Designate, Strathmore University.

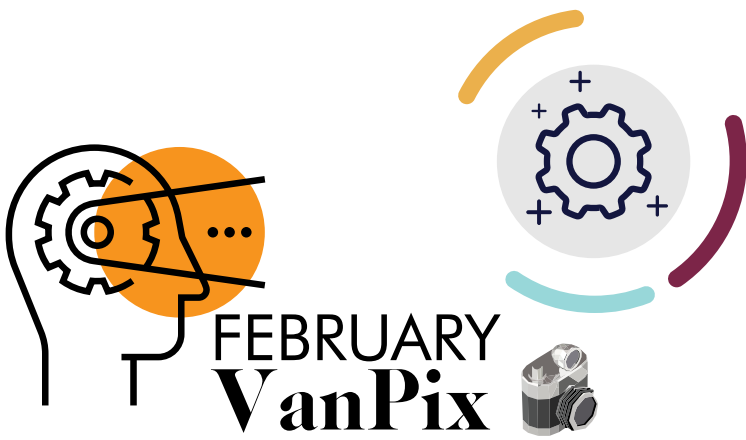
Twitter: @VinceOgutu

Watch Podcast at [www.vanguardnewsletter.co.ke/podcasts/](http://www.vanguardnewsletter.co.ke/podcasts/)

**Are you a banking industry professional who would like to share about his or her inspirational professional journey?**

Write to us: [vanguard@kba.co.ke](mailto:vanguard@kba.co.ke)





Standard Chartered Bank Client Experience Head Diane Korir receives a certificate of recognition on behalf of the bank for recognition as “Best Overall” in digital experience and customer satisfaction.



Family Bank CEO Rebecca Mbithi (second from left) with KBA CEO Dr. Habil Olaka, DTB Bank Head of Client Excellence Azra Thobani (left) and Ms. Korir during the presentation of the 2020 Banking Customer Satisfaction recognitions. The banks were ranked “Top Overall” in digital experience and customer satisfaction.



DTB Bank Contact Centre Head Sheila Bundi, Dr. Olaka and Ms. Thobani during the presentation of the bank’s recognition as the “Second Best Overall” in digital experience and customer satisfaction.



L-R: Credit Bank Marketing and Communication Manager Monica Chege, Contact Centre Head Judith Wanjala and Dr. Olaka. Credit Bank was recognized as the best tier three bank in digital experience and customer satisfaction.

KBA CEO Dr. Habil Olaka (Left) with Kenya Climate Innovation Centre CEO Mr. Edward Mungai during the signing of a Memorandum of Understanding aimed at advancing the green finance agenda in Kenya by leveraging on climate change innovations and research.

