

“My Chat with a Bank CEO”



*Dr. Nyambura Koigi, CEO Post Bank
Chat summary*

Wednesday 12th March 2014

Topic: Building youth entrepreneurs through savings and investments

Time: 10:00am-11:00am

Content

1. *Interest Rates*
2. *Youth savings and investments*
3. *Credit Reference Bureaus (CRB) Listing*
4. *Others*
5. *Unanswered questions*
6. *General Comments and feedback*

Chat Admin: Good morning all

Welcome to My Chat with a Bank CEO

Today we have Dr. Nyambura Koigi, CEO of Postbank hosting the topic: Youth Entrepreneurship through Savings and Investments

Dr Nyambura Koigi: Good morning all welcome to the CEO chat this morning...we are talking about building youth entrepreneurs through savings and investments. with the current development in the nation and indeed with the country's development blueprint vision 2030...it is important that we increase the savings to GDP ratio from 17 to 30 per cent and it is for this reason that all of us, including the youth, should be interested in increasing the savings ratio for themselves and also for national development. Therefore I'm happy to host the chat this morning to discuss how building savings can help youthful entrepreneurs in this land to invest in the various investments that they are interested in...So I welcome you to the discussion.

Interest Rates

Dannish Odongo: Welcome Dr Nyambura...a quick question. What is Post Bank doing to increase an appetite for saving in a consumption driven culture? It's clear that interest rates are discouragingly low as provided by most banks

Dr Nyambura Koigi: Thank you Dannish for starting off this discussion. indeed consumption in the recent past has increased...particularly amongst the youth...it is for this reason that banks, including postbank, have developed a savings product targeting the youth to encourage a savings culture.

Interest rates vary from time to time, depending on the development in the market...and also on the amount saved...most banks will negotiate the deposit rate depending on the amount and the term of the deposit, for example longer term deposits and higher deposits, attract higher interest rates...we've seen deposits in this market being as high as 10 per cent depending on these variables.

Geoffrey Njuguna : In relation to building youth entrepreneur, we all understand they need financial assistance from local banks, what is the KBA doing to address the issue of giving loans with low interest rates and also with no security, reason many youth are from school, they own nothing, as youth starting earning, that where the culture of saving will come from.

Dr. Nyambura Koigi: Njuguna thank you for making an important point about the need for affordable credit...funds like the uwezo fund provided by the government from public funds are literally free with a low 3 per cent administrative cost and therefore the need to build youth entrepreneurs is a collaborative effort .

Sophie Mwangi: Thanks for the forum Dr. Koigi with regards to youth entrepreneurship, it is encouraging to see big companies giving tenders to the youth, the only barrier is the capital, don't you think banks should facilitate this financing at fairer rates in order to enable the youth grow aside from employment?

Dr Nyambura Koigi: Sophie welcome...the 30 % tenders that have been reserved for youth, women and people living with disability is a beginning point and through the Uwezo fund, youth can get capital to participate in these tenders...banks also do give credit but the rates applicable are dependent on the assessment on the borrower and the perceived risks.

Youth Savings and investment

Kariuki Muriith: It is also important that the government helps the independent youth who are not in groups' access funding since projects like the uwezo funds seem to be mainly focused on groups funding. We recently saw the start of the vuka loan initiative that failed to start. What are the challenges of funding serious youth in business and not members of groups?

Dr Nyambura Koig: Hi Kariuki,

Indeed the government is recognising the need to assist all entrepreneurs...particularly the youths and that is why they have come up with the Uwezo fund... Uwezo fund is available to youths from 18 to 35 years and you recognise that these are public funds being available to youth to start business and accordingly there has to be a way of ensuring that the money is repaid and therefore the group structure acts as an alternative to collateral, to ensure that the funds are repaid.

Indeed the group structure provides the total group with cohesion and strength and helps the group members come up with different ideas on what to do...and therefore is more of a strength than a hindrance...so we encourage youth to look at forming groups to pool resources together, so that the group can invest into income generating projects/activities, than one would have done alone.

Dannish Odongo: Interesting fact. But I think we need a tailor made interest rate for the youth. Majority don't have colossal amounts to save in Fixed deposit which attracts such high interest rates as 10%.

Dr Nyambura Koigi: Dannish it is an interesting observation you make. Every product that a bank develops has its attractive features to encourage savings and one of them could be the entry point...banks do recognise that youths do not have huge amounts like you observe, so the opening account amounts are low for youth products so this is an attraction to encourage youth to saves...and as you continue to save you will build colossal amounts and will be able to negotiate a higher interest rate...so we encourage you to save...because savings isn't just about how much you have but how much you put aside from consumption.

Austine Mwinzi: Dr. Nyambura thank you for taking the time to address the issues with the youths. First and foremost, most of the youths are unemployed and a good number of them are educated through the Higher Education Loans Board, unable to repay back the loan, HELB had stated that they will blacklist all those who have not repaid back. My question is how will the affected youth be able to access banks products once they are blacklisted by the CRB?

Dr. Nyambura Koigi: Thank you Austin for your observation relating to the challenges that the youth are facing. Indeed the issue of savings can also relate to the amount that you get from HELB, savings can be from the allowances you get from your parents or guardians, so it is all a matter of not spending everything that you have. One of the important ways of developing yourself is to ensure that you meet all of your obligations...accordingly, at some point you will have to pay your obligation with HELB and this you can do by looking for opportunities for being entrepreneurial by identifying the challenges within the community and looking for a business venture that you could start.

For instance...banks are looking for agents, and the agents are looking for people to work in the agent locations...and from such opportunities, you can start building your income, and building your savings, and from there you can invest further in building your business as you meet your obligations.

JACKSON OKOTH: Hi Dr Nyambura-youth enterprises have a short shelf life and soon collapse before their maturity. How can their survival be ensured?

Dr. Nyambura Koigi: Thank you Jackson for raising the question of survival of youth enterprises.

My view is that youth are in too much of a hurry...in every enterprise the most important thing is to start small and build it over time and to have a plan that guides you in how you develop your business...most often youth think they can build their business overtime, but it requires patience, perseverance, and getting to know the market that you are in. and if you persist and look for opportunities within that market sector in the long run you will succeed.

Hillary Cheruiyot: When do Postbank start giving out credit facilities, with AAR loans which is now expensive, you have been promising to start yours as from 2011 to your loyal customers.

Dr. Nyambura Koigi: Thank you Hillary...to answer your question and not get too far off our topic today, I would say that every organisation when faced with certain challenges will look for solutions which may include entering into strategic partnerships with other institutions until the challenge is solved; and this is what we believe Postbank has done regarding the AAR credit services.

Kairuki Muriithi : The attitude I get from the youth including myself is that savings are made so as to create a good relationship & credit history with the banks so as to access funding should need be. What challenges me is whether it is better to invest savings in business in terms of liquidity or having the money in say fixed deposit accounts?

Dr. Nyambura Koigi: Kariuki this is an important issue that you raise. Going back to the purpose of savings, it is money you put aside from your income and normally you do this for a purpose. Depending on the amount you have put aside, if it is a small amount, you put it aside on a regular basis....to help you build up the capital you require for investment...accordingly you will save, perhaps put the money in a fixed deposit account, until you reach the amount you require to start your business...so to answer your question, you need to save and also invest...savings is a way to reach your target.

Alex Mutuma : Education and information are key factors in producing a future society that can help the youth be successful at achieving their financial goals. But currently youths have no or little information on how best to save. What guide can you give a starter to build up a good savings plan?

Dr. Nyambura Koigi: Thank you Alex for observing the need for financial literacy...most banks in the sector have forums for financial literacy and where they give savings tips...savings is deferred consumption and it is not dependent of how much you have...it is putting aside the little that you have for future investment...I agree with you, more needs to be done to educate the public about the importance of savings, and that is why we have this forum today through KBA.

Martin Mbae : I am in a group of 11 and we have been saving for the last one year. We have a base now. What kind of lucrative ventures can we engage in?

Dr .Nyambura Koigi: Martin Mbae congratulations to you and your group! Saving together for over one year is a commendable effort...I want to encourage your group to identify and collectively agree on which business you should invest in...for instance scan your environment for unmet need which you are interested in and have the capacity to engage in; we encourage you to develop a business plan and get advice before starting the business...it's always good to get mentorship from successful business owners within your environment and also in the business you want to invest in...We wish you all the best!

Martin Mundia : Hello Dr Nyambura, thanks for the information and I have learned a lot, as a youth who looks forward for a start up with my hard earned small savings, how can I overcome the challenges of risk since this is one of the big issue restricting them to start small with the small amounts that we have, how can we overcome this ?

Dr. Nyambura Koigi: Mundia...thanks...as you plan to start your business one is encouraged to identify all the possible risks...because risk is part of any business, even in big businesses risk is an area of concern...so I would encourage you to look at mitigating factors to the risk...and not fear the risk itself...because generally in business no risk, no gain...it is also important that when you are investing you consider doing it as a group, because as a group you will be able to discuss ideas, find opportunities, build on your strengths and therefore would be able to mitigate those risks.

Jackson Okoth - Dr Koigi, the business world is competitive and cut throat. Can youth enterprises survive, how?

Dr Nyambura Koigi: Jackson thank you...regarding the point that you raise...enterprise is not about age it is about the idea that you have and the execution of that idea...indeed many businesses that succeed in today's digital era are generated by the youth for example Seven Seas Technology here in Kenya was started by Mike Macharia when I think he was in his 30s...so like Lupita says 'your dreams are valid'.

Alex Mutuma: Thanks admin and Dr.Nyambura. We have started a group of five and have started saving so that in future to come up with a good investment. In one year we plan to have raised 300k and then borrow a loan. Is it commendable to take a loan 3 times the amount or do we need to save a little bit to allow more time for resources to be available?

Dr Nyambura Koigi: Alex Mutuma, congratulations for taking the bold step and to have a savings target of 300k in one year...the most important thing is to know what you want to do with this money before you think about borrowing...we encourage you to start small and build your business over time. By then you will have better capacity to borrow when you see the income from your business.

I encourage you to also come up with a business plan...all the best in your business venture Mutuma.

Corrinne Ngurukie: Good Morning Dr. Koigi, recently I visited a group of high school graduates from Likoni Mombasa and they were curious about how savings can help them build wealth (especially in light of many Kenyans have fallen prey to get-rich quick schemes). Any advice for them?

Dr Nyambura Koigi: Our advice is that you have to have a plan...a vision of what it is that you want to invest in. you determine how much you want to save on a regular basis... and when you have the target savings, you invest in the business...we discussed today that youth have to be patient...the get rich quick schemes may not always be the answer.

Alex Mutuma: Thanks Dr.Nyambura for your advice. One last question for starter which is a better way to go, to register a group as a holdings or a limited company?

Dr Nyambura Koigi: Mutuma because you are doing so well let me answer you before logging off.

There are various ways of registering a company...it could be sole proprietorship; a holding company; or a limited company...all of these have their own governance structures and responsibilities of the owner/s so we encourage you to talk to a lawyer to advise you on the type of company that is best suited for your business...congratulations for even thinking about this. Well done and good luck.

Credit Reference Bureaus (CRB) Listing

Khama Namai: Dr. Nyambura CRB report at present on checks on negative score and yet to experience , one rewarded credit at lower rate based on the report is your bank lookin at rewarding the 90% with good rates this also translates to reducing non-performing loans I think. What is you take?

Dr Nyambura Koigi: Austine I've seen your point about the issue of the CRB listing. Let's look at the positive side of Credit Reference Bureaus (CRB) and how they can help you build your credit rating to negotiate lower rates at the end of the day...the intention of the CRB and credit information sharing is not to black list but to develop your credit rating...in fact most borrowers are good borrowers and only less than 10 per cent default...listing is not permanent, once you clear your obligations the record reflects a better credit rating.

Others

JACKSON OKOTH: Thank you. What interventions are lined up by Posbank to support savings by the youth, create stable business enterprises and support? Enterprises are equipped through training and credit support to ensure you

JACKSON OKOTH: How is Postbank intervening to ensure youth enterprises get the necessary support?

Hillary cheruiyot: Thank you madam MD for that. However, having personal twitter handle/Facebook page you will get know more youth concerns.

Dr Nyambura Koigi: Thank you Hillary...you can follow me on the Postbank twitter handle...we are also on Facebook and the Smata product is a youth product that we have and also is on Facebook.

Chat Admin: Thank you Hillary and Jackson for your Postbank specific questions. Since this is a KBA forum we would like to focus more on industry wide issues.

Chat Admin: For interview requests to address specific Postbank related questions Dr Koigi invites you to contact the Postbank PR office at info@postbank.co.ke

Unanswered questions

JACKSON OKOTH: Dr Koigi, what is your view of bottlenecks facing youth enterprises and how they can be resolved?

PAUL MWAGO: Dr Koigi, POSTBANK used to be the bank that championed savings among Kenyans and was easy to operate and very popular with university students given that HELB disbursements were cleared by your bank. Are there Accounts that you operate that would favour me as a youth? Word on the street has it that it takes long for EFT to be cleared in your bank and that salaries are delayed. Is this true?

JACKSON OKOTH: The youth have been allowed 30 per cent government tenders while uptake of this opportunity is still low. Why is this?

General Comments and feedback

Dr Nyambura Koigi: Thank you all for the vibrant discussion today...let me wrap up the discussion on Corinne's question.

JACKSON OKOTH: It was enlightening having this discussion. Thank you again for your time.

Dr Nyambura Koigi: welcome Jackson...and thank you for your active participation in this forum.

Corrinne Ngurukie: Many thanks.

Chat Admin: Thank you Dr Nyambura Koigi for hosting this chat. We have gone over time but it has been enlightening to all.

Dr Nyambura Koigi: Thank you all...God bless.

Alex Mutuma: Dr. Nyambura thanks so much. It's been so enlightening credits to the admin

Chat Admin: Thank you all for your good questions and comments. Join us next Wednesday at 10am where Gregory Brackenridge will be hosting a discussion on Mortgages.

Chat Admin: Have a great day.