Think BUSINESS

Knowledge for a Competitive Edge

Weekly

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Contents

Manufacturing remains key to economic growth and increased employment

Between now and 2030, estimates suggest that a staggering 85 million manufacturing jobs will migrate from China which begs the question, where to? When will the global consumer markets be awash with the *"Made in Africa"* brand?

Countries in Sub-Saharan Africa have registered the highest economic growth percentages in recent years but in an unfortunate paradoxical twist of fate, the state of poverty remains unchanged signifying a lack of inclusivity in the growth. At the turn of the new millennium the continent experienced a sprout of new industries, inspired by changes that were happening globally in financial services and technology. Improvement of economic policy in the 90s was the resultant growth of the upcoming sectors .Therefore this new industries created new jobs for the 21st century African worker but these industries have created too

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Key highlights in the NSE

TOP GAINERS	PRICE(KES)	CHANGE(%)
FAHR	11.80	+9.26
FTGH	5.15	+8.42
PORT	30.00	+6.19
OCH	2.80	+5.66
HAFR	1.05	+5.00

LOSERS	PRICE(KES)	CHANGE(%)
BERG	43.00	-7.03
SASN	18.65	-6.75
CFCI	11.50	-6.50
CARB	13.00	-6.47
MSC	1.05	-4.55

INDICES & OTHER TRADING STATS	
NSE ALL SHARE INDEX	124.93
NSE 20 SHARE INDEX	2,948.75
NSE 25 SHARE INDEX	3,249.27
FTSE NSE Kenya 15 Index	148.92
FTSE NSE Kenya 25 Index	153.35
FTSE NSE Kenya Govt. Bond Index	89.81
FTSE ASEA Pan African Index	929.41
MARKET CAPITALIZATION (KES Billions)	1,811.04
TOTAL SHARE TRADED	20,295,300.00
EQUITY TURNOVER	387,093,919.00
I-REIT TURNOVER	11,800.00
TOTAL EQUITY DEALS	893.00
TOTAL I-REIT DEALS	2.00

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few good jobs falling short of the desired impact it should have on livelihoods.

Research conducted by the African Development Bank in 2012 revealed that 80 percent of Africa's workforce consists of the working poor. They are in money making positions but are earning way less than they should. This has been attributed to a low high value addition output per worker a challenge whose solution majorly lies the upsurge of the manufacturing sector.

Africa needs what David Wessel, senior economist at Hutchins Center on Fiscal and Monetary Policy describes as an 'Export push'. The 'Export push' requires a concerted effort from stakeholders to promote exporting of commodities in order to encourage growth, and high labor uptake thus creating employment. In low income countries, firms are more productive when involved in export businesses. The export push strategy is one that has been fully utilized by East Asian countries of Japan, Asia, Cambodia and Vietnam which as a result have experienced radical socioeconomic transformation and the impact is evident in the people's lives.

The standard measure for economic growth today is a rise in country's per capita income and is a process of ever increasing labor productivity. To make this process possible, are continuous structural transformations in technologies and industry and SSA lags behind because it has been unable to make the economic transformation from agriculture and mining to modern industry.

Giant emerging markets, with specific reference to China, are relocating their light manufacturing industries abroad because of rapidly rising labor costs and Africa is potentially an attractive destination for the relocation because of the abundance of young labor and strategic proximity to the large consumer base in Europe and the United States. The 'Made in Africa' initiative intends to utilize this opportunity and transform Africa into the world's next manufacturing hub, to achieve dynamic, sustainable and inclusive growth.

However, Africa must ready its business and economic environment for this kind of transformative endeavor. We will need to acquire the technological and industrial knowhow on how to produce high quality goods at a competitive price in the global market by using our abundant resources and labor.

Moreover we lack appropriate infrastructure and business environment to reduce the transaction costs therefore making it difficult to compete with international markets

Foreign aid served its purpose. However continued reliance on it without any plans of dissociation is Sub-Saharan Africa's Achilles heel and unfavorably tilts the scale of fair play which means we will always be playing catch up. Before Africa embarks on manufacturing its goods for exports, economists recommend that first the continent must display its readiness by showing ability to attract light manufacturing industries from the international market. International buyers lack confidence in the ability of their manufacturers to deliver goods on time and with the required quality consistency specified in contracts.

Governments must realize it is their responsibility to adopt active investment promotion strategies to attract existing export-oriented light manufacturing firms with the technological knowhow and confidence of international buyers in China and other emerging economies.

Government must strengthen existing industrial parks and special economic zones with adequate infrastructure and a god business environment that helps investors reduce transaction costs and are competitively placed on the global market. Ethiopia's Huajian Shoe factory in the country's industrial park and the inflow of FDI in light manufacturing into the new industrial park near Addis Ababa are practical examples that show us such an approach can work in Africa.

The 'Made in Africa' initiative is as feasible as the effort and prioritization input. We will need to provide information to prospective investors in foreign markets on the opportunity gaps that exist and how help create understanding on how they can thrive in the African environment. There is a migration of light-manufacturing enterprises from China to destinations with lower labor costs and hence Africa will need to help the export-oriented light manufacturing companies in China and other re-emerging markets find a home.

Policy makers, development agencies, business communities, and key stakeholders both regionally and globally remain critically important and need to share in the vision and approach to capture Africa's window of opportunity to industrialize. Altogether, African countries will need to identify their comparative advantages and develop their own development approach based on the individual economic strengths.

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Our major sources of revenue are from key sectors of tea, coffee, leather and apparel, and tourism all which have proven to be highly susceptible to external factors and therefore we cannot count on these platforms to hinge economic growth. With proper management and efficiency in decision making there is no justification admissible enough to explain why Africa still lags other regions in socio-economic and political development.

(L-R) Kenya Bankers Association (KBA) Vice Chairman John Gachora, Integrated Payment Services Limited Chief Executive Jennifer Theuri and KBA Chief Executive Habil Olaka review the functionality PesaLink, a digital payments platform that is expected to cut the cost of transactions and transform the way consumers interact with their banks.

Pesalink innovation affirms digital banking as lenders' core business

The Integrated Services payments limited , a 24/7 integrated payments platform referred to a s Kenya Interbank Transaction Switch (KITS) is an interbank mechanism that will enable interoperability for members of KBA that will be available across all retail payment channels: mobile, ATM, bank branches, bank agents, POS and online.

The roll out and effective implementation of this technology is aligned to a financial sector objective aimed at transitioning the country towards a cash lite economy by 2020. The digital wave is ferociously sweeping across the financial landscape and slowly curving out its place in banking history not as a supplementary financial product but as the core business.

Inspired by telecommunication giant Safaricom's phenomenal innovation Mpesa, that enabled convenient money transaction at an unprecedented scale, the banking fraternity has since incorporated digital banking as a core business line, one whose influence is growing by the day.

A relook at financial statements from most lenders in the just concluded financial year, mobile money line of business recorded more transactions than traditional banking business. Several lenders have affirmed closure of branches which translates to job cuts, 'natural attrition' as executives are calling it. For instance, Equity Bank's virtual mobile money service Equitel, as at 30th September had made over 150 million transactions during the period which was ten times more than total transactions made by the banks.

After just a year of operation Equitel had command of 15 percent of total mobile cash transfer market share both in number and value of sums transacted. Through the same platform, the lender reported to have disbursed 3.5 million loans amounting to Ksh 30 billion. On the other hand, Safaricom, transacted over Ksh 3.2 trillion over the Mpesa platform, sums that exceed last year's total national budget which stood at Ksh 2.3 trillion.

Based on the IPSL business plan, KITS will need to generate potential turnover of Ksh 1 billion in new transactions by getting customers to sign up and conduct over 400 million transactions which would equate to 30 percent market share through the KIST platform in 2016 to 2017.

The Kenya Bankers Association initiative with backing from the Central Bank of Kenya has initiated the rollout of *Pesa Link* the peer to peer lending platform to banks and their customers. The phased implementation begins with the banks that had completed the pilot exercise and have received product approvals, which include Standard Chartered, Cooperative Bank, Barclays, Commercial Bank of Africa, I&M Bank, Diamond Trust, Gulf African Bank, Guardian Bank, Victoria Commercial Bank, Credit Bank, Prime Bank and Middle East Bank.

"The investment by KBA in this product is focused on delivering an advanced solution that can handle bank customer transactions around the clock."

"The investment by KBA in this product is focused on delivering an advanced solution that can handle bank customer transactions around the clock," said Olaka.

"The system will enable users to transact as low as Sh10 to as much as Sh999,999 across the banking system. In effect, it will facilitate both large transactions, as well as such micropayments that millions of Kenyan settle in cash every day, including paying for groceries at the market, a haircut or bus fare."

During the launch, Vice Chairman KBA John Gachora stated that Pesa Link is testament the banking industry has embraced the technology revolution sweeping across the payment industry and it is a significant step towards cementing Kenya's place as the global leader in Fin tech innovations.

Founded under the Central Bank of Kenya's National Payments System (NPS) guidelines, the platform has been developed to provide interoperability and related Fintech solutions for banks. IPSL will also inform policy direction and manage the risks associated with payment systems in the market, while providing technical and related guidance to KBA member banks. *www.ipsl.co.ke.*

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