NEWS BUSINESS

INTEREST RATES

Family Bank supports push to lower cost of credit

CHARLES MGHENYI/ Family Bank says it supports efforts being made to lower the cost of credit.

This follows a bill passed in parliament on July 27 seeking to cap loan interest rates at four per cent above the Central Bank Rate.

The bill, which is now before President Uhuru Kenyatta, seeks to bring down the cost of loans.

If President Uhuru signs the bill into law, bank lending rates would be capped at 14.5 per cent based on the current CBR of 10.5 per cent.

Family Bank chair Wilfred Kiboro said on Friday evening the bank supports the push by MPs to lower rates, but will be engaging the Central Bank National Treasury on how best to implement the new regulations.

He spoke during Family Bank clients' dinner at Whitesands Hotel, Mombasa.

"We will be engaging the CBK governor and the National Treasury CS to ensure the rates come down progressively so that we do not affect the market," said Kiboro.

The Kenya Bankers Association has faulted the bill arguing capping rates will be counterproductive and lead to many people being denied loans.

The bill, sponsored by Kiambu MP Jude Njomo, pegs the minimum interest rate payable on deposits held in interest earning account at 70 per cent.

President Uhuru had in 2011 rejected a similar bill when he was the Finance minister.

The average lending rate is 18 per cent currently, as per CBK data, but some financial institutions are said to be charging as high as 24 per cent.

Nyali MP Hezron Awiti said: "The financial sector needs to be controlled because small loans, such as M-Pesa clients are charged as high as 30 per cent interest."

INSPECTION

Bamburi Cement trains masons

Bamburi Cement's health and safety manager Caroline Muriithi (right) explains to masons how cement is packaged at a recent plant visit. This is part of the cement manufacturer's ongoing programme to train masons from across the country with the aim of improving construction quality standards.

GROWTH

Mombasa port on course to achieve its vision, says MD

CHARLES MGHENYI/ The Mombasa Port expansion programme has enabled the facility to accommodate bigger vessels, the management has said.

Since 2012, the facility has been receiving some of the largest and the longest ships to have ever called in the country, enabling the port achieve its vision- becoming a world class seaport of choice.

In February this year, the port management opened the second container terminal after completion of the first phase.

On April 25, the second container terminal received its first ever ship.

The facility, which now boasts being among the top 120 container ports in the world, last year handled 1.076 million Total Equivalent Units (TEUs-unit measure for 40-foot containers).

According to Kenya Ports Authority managing director Catherine Mturi, KPA is happy that the port is now ranked 112 globally.

Last Monday, the port received the longest ever ship to call at the port of Mombasa, MV Ital Mattina.

"The second container terminal has 10 ship-to-shore cranes, a very high crane concentration on the 840 metres, to give us high productivity," Mturi said.

CBK governor Patrick Njoroge at a past press briefing on April 20/ **ENOS TECHE**

REGULATOR

CBK directs banks to cut loan rates urgently

The average lending rate was 18.2 per cent last month, compared with 15.8 per cent in July last year

REUTERS/ Kenya's commercial banks should swiftly lower their lending rates and take steps to regain the confidence of their customers, the central bank has said.

Last week, parliament passed changes to the banking law, to cap commercial interest rates at 400 basis points above the central bank's policy rate, a move opposed by the bank lobby and the central bank.

"It is urgent that commercial banks lower their interest rates in line with current market conditions and also act immediately to win back the trust of their customers," the regulator said in response to questions from Reuters.

"This will allow the other measures to bear fruit and further lower interest rates sustainably."

Businesses often complain that high commercial lending rates, which can reach 18 per cent or more, hobble corporate investment. Individuals say the high rates put home loans, for example, out of reach of many.

The average lending rate was 18.2 per cent last month, compared with 15.8 per cent in July last year, the central bank said. The central bank cut its policy rate to 10.5 per cent last month, having left it at 11.5 per cent since July 2015.

The amendment to cap rates was forwarded to President Uhuru Kenyatta who has 14 days to consider whether to sign it into law. He has promised to consult widely before making a decision.

The governor of the central bank, Patrick Njoroge, published an opinion piece last week, arguing that banks needed to lower rates but that imposing controls by law might lead to credit rationing and was not the approach.

The central bank says if banks lower rates now, they will allow other reforms aimed at lowering rates, including enhancing information-sharing on borrowers from credit reference bureaus, to take root and support lower lending rates.

(+) PARLIAMENT SEEKS CHEAP CREDIT

MPs passed a bill in parliament on July 27 seeking to cap loan interest rates at four per cent above the Central Bank Rate. The bill, sponsored by Kiambu MP Jude Njomo, pegs the minimum interest rate payable on deposits held in interest earning account at 70 per cent. The Kenya Bankers Association has opposed the move to control interest rates.

THE DATA

10.5%

The current Central Bank Rate. MPs are seeking to cap interest rates.

Parliament has passed a bill seeking to lower cost of loans by capping rates at four per cent above the prevailing Central Bank Rate.

STATUS UPGRADE

Liberty Life Assurance and Heritage Insurance Company have refurbished a library at the Kajiado Township Primary School as a contribution to growth and socio-economic development in Kenya.

The insurance firms are owned by Liberty Group.

Harvard Business Review

TIP OF THE DAY

DECLINE A MEETING INVITATION WITHOUT BURNING

There it is in your inbox: an invite to a meeting you really don't want to attend. Maybe it's shoehorned into one of the few remaining open spaces in your calendar. Or maybe it's for a time that's already booked, and now you're left to decide whom to turn down.

How do you decline an invite without burning bridges? Ask yourself: Can I recommend someone else? Invest some effort in finding the right person to attend the meeting so you don't appear to be shirking the responsibility.

Can I contribute in advance? Take a few minutes to pull together some notes and brief the chair or a suitable participant ahead of time.

Can I attend for part of the meeting? If one or more agenda items don't apply to you, ask if you can attend only the parts of the meeting that do.