

# NATIONAL ASSEMBLY

## OFFICIAL REPORT

Thursday, 10<sup>th</sup> March, 2016

The House met at 9.30 a.m.

*[The Temporary Deputy Speaker  
(Hon. Cheboi) in the Chair]*

PRAYERS

QUORUM

**The Temporary Deputy Speaker** (Hon. Cheboi): Order, Members!

It is fairly obvious that we do not have the requisite quorum. I, therefore, order that the Quorum Bell be rung for 10 minutes.

*(The Quorum Bell was rung)*

**The Temporary Deputy Speaker** (Hon. Cheboi): Hon. Members, we are still short of the requisite quorum. I, therefore, order that the Quorum Bell be rung for a further five minutes.

*(The Quorum Bell was rung)*

Hon. Members, we now have the requisite quorum and we will begin the business of the House.

BILLS

*Third Reading*

THE ASSISTED REPRODUCTIVE TECHNOLOGY BILL

**The Temporary Deputy Speaker** (Hon. Cheboi): Hon. Members, on that Bill and many others, what remains is for the Question to be put. I ask Members to remain in the Chamber so that we can have the requisite quorum like we have now.

*(Question put and agreed to)*

*(The Bill was accordingly read the Third Time and passed)*

*Third Reading*

## THE POLITICAL PARTIES (AMENDMENT) BILL

*(Question put and agreed to)*

*(The Bill was accordingly read the Third Time and passed)*

*Second Reading*

## THE ENERGY BILL

*(Hon. A.B. Duale on 9.3.2016)*

*(Resumption of Debate interrupted on 9.3.2016 - Afternoon Sitting)*

*(Question put and agreed to)*

*(The Bill was read a Second Time and committed  
to a Committee of the whole House tomorrow)*

*Second Reading*

## THE BANKING (AMENDMENT) BILL

**The Temporary Deputy Speaker** (Hon. Cheboi): Mover.

**Hon. Wandayi:** On a point of order, Hon. Temporary Deputy Speaker.

**The Temporary Deputy Speaker** (Hon. Cheboi): Hon. Wandayi, what is out of order?

**Hon. Wandayi:** Hon. Temporary Deputy Speaker, my point of order has nothing to do with the Bill that is about to be moved by my good friend, Hon. Jude Njomo.

**The Temporary Deputy Speaker** (Hon. Cheboi): What does it have to do with then?

**Hon. Wandayi:** We have a serious issue that I need your guidance on as a House. I would like to urge you to allow one or two Members to contribute to this matter before you can give guidance. As we speak, our sovereignty as a country is under attack. It is on record that the Independent Electoral and Boundaries Commission (IEBC) has called off the voter registration exercise in Migingo Island, which is part of Nyatike Constituency in Migori County. It is also on record that Ugandan security officers have arrested Kenyans---

**The Temporary Deputy Speaker** (Hon. Cheboi): Hon. Wandayi, you are now a very seasoned politician. You have been in this House for the last three-and-a-half years. That is obviously not the direction to take. You have quite a number of ways in which you can move the House to discuss any matter that is of concern.

I am sure that you, Hon. Wandayi, being an astute follower of our Standing Orders, know several ways you can move the House. Why can you not explore any means and you have the opportunity? It probably is a matter of national concern, but you can move it in the right manner. You have been heard but use the correct manner to bring it before the House and you will be heard.

Thank you, Hon. Wandayi. Proceed, Hon. Njomo.

**Hon. Njomo:** Hon. Temporary Deputy Speaker, I beg to move that the Banking (Amendment) Bill 2015 be now read a Second Time.

**The Temporary Deputy Speaker** (Hon. Cheboi): I am sure you can refer to it in your Order Paper and it will make it easier.

**Hon. Njomo:** Thank you, Hon. Temporary Deputy Speaker. I beg to move that the Banking (Amendment) Bill (National Assembly No.62 of 2015) be now read a second time.

The principal objective of this Bill is to provide a mechanism of regulating banks and other financial institutions on the interests they charge through the introduction of a cap. The Bill proposes to put a cap on the interest rate on the amount that the banks and financial institutions charge for loans and fix a minimum rate of interest that those institutions must pay for deposits received from customers. To this end, the Bill seeks to amend the Banking Act by introducing a new Section 13(A) that requires that banks or financial institutions disclose all charges they charge when they are transacting those businesses.

Many people have borrowed loans from banks and get surprised when they are asked to pay amounts which are much higher than they had anticipated because of the many hidden costs that are not disclosed during the borrowing. That has resulted into too many bad loans and many people have lost their property through auctions.

As at 2014, there was a whopping Kshs107 billion non-performing loans. I am further asking that the Banking Act to be amended and a new Section 33(b) be introduced. The section will set a maximum interest rate chargeable by credit facilities at below 4 per cent of the rates set by Central Bank of Kenya (CBK) and guarantees an interest rate of 70 per cent of the base rate on the amount that one deposits with any bank.

If this Bill is passed, it will go a long way in safeguarding loans that are taken by hardworking Kenyans. It will make sure that we have more people getting loans and using them for business. It is my considered view that any credit facility that will charge more than the recommended amount will be unfair to Kenyans and it is not going to help them. Kenyans will be unable to do any business. We know very well that any business that makes a profit of 30 per cent is termed as a good business.

Today, many financial and banking institutions are charging as much as 24 per cent. If you are making a profit of 30 per cent and 24 per cent goes to the banks, you are left with only 6 per cent. That is the amount that you will have to pay taxes, pay your people and do all the other costings. It means that our people are working for the banks. That is why in this Bill, we propose to put some penalties for those banks and other financial institutions that are not going to abide by law. This law will target the management of those financial institutions.

Our country's development is guided by Vision 2030 and its roadmap to development. That will never be attained with the current mindset of banks. Banks do not think about the people who are borrowing the money. They only think about the profits that they are going to record at the end of the year.

I have done quite a bit of research on many companies that earn over Kshs1 billion per year. I was surprised to find that, out of the 10 best performing companies in this country, seven of them are banks. I want to go through that analysis. The best performing company in the last three years has been Safaricom, which has been recording a profit of Kshs34.9 billion. It is followed by Equity Bank with a profit of Kshs18.1 billion; followed at position three by Kenya Commercial Bank at Kshs17.7 billion. Then there is Standard Chartered Bank with Kshs14.3 billion, East African Breweries Limited (EABL) with Kshs14.1 billion, Barclays Bank with Kshs12.3 billion, Co-

operative Bank with 12.3 billion, Centum Investment with Kshs8.8 billion, I&M Bank with Kshs7.7 billion and Diamond Trust Bank with Kshs7.2 billion. Those are the 10 best performing companies in the country. Seven of them are banks.

I am not against banks making profits, but what we are against as legislators are banks making so much profit, and other businesses that borrow money from banks to do business do not make any profit. In every sector of our economy, there are Savings and Credit Co-operatives (SACCOs) which help employees and people to borrow money and do business or to develop their own welfare. The SACCOs in this country have helped many Kenyans to elevate their standards of living. We know that SACCOs charge 1 per cent per month or a total of 12 per cent per year and yet, they have made profits and grown into big organisations.

We know that many buildings in Nairobi are owned by SACCOs and many investments have been done by them. They have charged 12 per cent since I was a small baby up to now and they are making profits. Banks keep changing their interest rates. Today, there are banks that are charging almost 25 per cent and they claim that if this is affected, they will not make any profits. This is not the first attempt to control bank interest rates. We know that banks have really resisted this. In the year 2000, the former Member of Parliament for Gem Constituency, Hon. Joe Donde, introduced the Central Bank of Kenya (Amendment) Bill, 2000. At that time, the interest rates spread in Kenya was among the highest in the world. The real interest rate was about 24 per cent. The state of affairs led to a situation where 36 per cent of loans were non-performing in the country in the 1990s.

Hon. Temporary Deputy Speaker, the Bill was passed by this honourable House in December 2000. But it was rejected by the then President Daniel arap Moi in January 2001. This was the first Bill to be rejected by the President. It came back to this House with a memorandum. It was debated and some amendments were done and it was passed again in August the same year - 2001. It was assented to by the President on 6<sup>th</sup> August, 2001. It became law. But there was a technicality. When they passed the amendment in August 2001, they did not change the date of the Bill from January 2001. So, the Bill was passed in August, but the Bill date was January the same year. This led to litigation. Banks went to court and after a long court battle, they won and the Bill was thrown out.

A decade later, my friend and colleague and Member of Parliament for Gem, Hon. Jakoyo Midiwo, proposed to have the same caps introduced through the Public Finance Bill. That time - and I am sure Hon. Jakoyo will tell us more about this - the Treasury opposed the law and convinced the legislators by saying, and I quote:-

“It would go against the concept of free market and that Kenya was trying to position itself as a regional financial hub and restrictive regulations on the banking sector could slow down this journey”.

We are still on that journey trying to position ourselves 20 years later. We are still moving towards being a financial hub while our people cannot survive in business. While they are borrowing money, they are getting auctioned because they cannot pay the loans. Where are our priorities? Why do we want to be seen by those outside the country as doing well; as being a good financial hub, while we cannot, as citizens of Kenya, do any sensible or profitable business because banks have made it impossible?

The Treasury had indicated that the long term solution to this problem would be an introduction of a Bill that would be known as the Central Bank of Kenya Bill. It was to be tabled

in February 2014. Around the same time, the Central Bank of Kenya made an advertisement on its website. It read:-

“A draft Bill of Central Bank of Kenya Bill, 2014 has been developed in line with Article 231 of the Constitution of Kenya. The National Treasury invites comments from the public and stakeholders to be received by 30<sup>th</sup> April 2014. The comments should include and not limited to composition, powers, functions, operations of Central Bank of Kenya relating to formulating of monetary policy, promoting price stability, issuance of currency and performance of other functions”.

That was the last time we heard of that Banking Act. It never came to this House. It was never published and nothing ever happened. It was only the Member of Parliament for Mukurweini, Hon. Kabando wa Kabando, who brought an amendment to the Central Bank Act. But his amendment was on the use of electronic means of issuance of Government securities and also for the provision of lower denominations of Government securities. It had nothing to do with the regulation or lowering of bank interest rates.

The National Treasury’s Cabinet Secretary put together a committee which came up with what is known as the Kenya Bankers Reference Rate (KBRR). That rate was supposed to guide banks on the interest rates that they were supposed to charge. Today, the KBRR rate is at 11 per cent but, as I have said before, banks are charging up to 24 per cent. The KBRR rate is just a reference. It has no legal foundation. No action can be taken. Banks do not go by those regulations. It is actually a toothless dog that is not helping our economy or helping the regulation of interest rates.

The Kenya Bankers Association (KBA) has indicated that it has the capacity and the will to regulate the rates that its members are going to charge. I was talking to one of my friends who is a senior manager with one of the banks. I would like to quote his comment. He said:-

“The Kenya Bankers Association does not have a statutory and institutional authority and ability to effectively control member banks.”

That is the position. We cannot rely on KBA to regulate interest rates. In any case, what the KBA does is to mind the interest of banks without minding the interest of the economy of the country or the welfare of its customers. It minds the business of its members and those are the banks. It would be suicidal to rely on the KBA to control the interest rates.

The Governor of the Central Bank of Kenya has been quoted saying that putting a cap on interest rates is strangling our businesses. I have great respect for that gentleman.

*(Loud consultations)*

**The Temporary Deputy Speaker** (Cheboi): Order members! The consultations are getting a little louder. Maybe, that is also good for the Mover. When you see consultations going a little higher, as a politician, I am sure you would realize that probably, Members are a bit eager to contribute and assist your debate. So, proceed as you summarize.

**Hon. Njomo:** Thank you, I am getting there. I was saying that the Governor of the Central Bank of Kenya has been quoted as saying that controlling interest rates will strangle the banking industry. I do not understand where this is coming from. I remember sometime back the fuel industry had gone amok with prices going higher and higher, despite the international price per barrel of oil going down. The corrective measure that the Government took was to give the

authority to the Energy Regulatory Commission (ERC) to regulate the maximum prices at which fuel can be sold. That has continued to happen despite the fact that oil companies put up a spirited fight against this control. It is now done, they are making profit and our oil industry is still going on as it is supposed to be. I am sure if this was not done, the price of bread today would be over Kshs500.

This is what I would like the Governor of the Central Bank of Kenya to hear. We are not the first country to put a cap on interest rates. In Africa, Zambia, the West African economic bloc and the Central Africa Economic and Monitoring Community have put a cap on interest rates. Outside Africa, Argentina, Canada and even the USA have done that. Over 50 per cent states in the USA have put a cap on interest rates. Further, the Federal Government has set up a consumer financial protection agency to make sure that its customers are not exploited.

Germany has put a cap and other six countries of the European Union have a cap on their interest rates. We will not be the first. If banks have survived in the countries I have mentioned, even in Kenya they can survive with that interest rate.

If you look at the autonomy of our economy, it is like an animal with a head, a body and a tail. When I see the head, I see the wealthy people. The body consists of people who are struggling - the middle class - while the tail consists of the low income earners. The anatomy of our economy is such that it has a small head, a slightly bigger body and a big tail. Our economy will never move. If we want to make it move, we have to change the anatomy of our animal and make sure that most people are in the body, which are the middle income earners. The major way we can do that is by making money available through affordable loans, and the banks are not providing them right now.

I call upon members to support this Bill. When they support it, they will be supporting the people who elected them. You support those who put you in this House and you also support our economy. Our economy will benefit by getting more taxes from more people. We can only do that by making more people earn better by getting loans.

With those many remarks, I beg to move. With your permission, I ask my friend, Hon. Washington Jakoyo Midiwo, to second. I know we do not agree on many political matters but on this one, we are going to agree because it affects all our people.

**The Temporary Deputy Speaker** (Hon. Cheboi): Of late, Hon. Washington has quite a number of friends. Can we have the seconder?

**Hon. Midiwo:** Hon. Temporary Deputy Speaker, I want you to protect me from the Leader of the Majority Party. I do not have a loan. I hate Kenyan banks. I hate to be exploited. I believe they are exploiters and plunderers. So, I have no reason to have a loan.

I have been on this issue for over 10 years. Let me thank Hon. Jude Njomo for listening to the cries of our people. As he has said, of the 10 most successful private companies in the country, seven of them are banks. How timely could this Bill be? Yesterday, I saw Equity Bank declaring a dividend of Kshs7.7 billion. What they did not say is that their bad debt portfolio is 34 per cent. In other words, they are paying rich people and leaving *mama mbogas* on the streets to suffer. You cannot walk into those banks and get protection even from God. That is because the "God" of the *mwananchi* is Parliament. They were given by the Constitution. *Yule Mungu mwingine ndio ametuleta hapa.*

**The Temporary Deputy Speaker** (Hon. Cheboi): I think that is a bad reference. Anyway, proceed.

**Hon. Midiwo:** Let me withdraw that. The saviour of the *mwananchi*---

**The Temporary Deputy Speaker** (Hon. Cheboi): That is better now.

**Hon. Midiwo:** I have withdrawn that. I am not like some of you. When I make a mistake, I accept. The savior the common person is looking up to, to save him or her from plundering banks, is Parliament. I have been on this issue for over 10 years and every time we come close to taming the banks, the cartels usually infiltrate Members of Parliament. Now the interests have converged. We want to see who is not on the side of Kenyans. We are not trying to punish the banks. We are only telling them to stop stealing from our people and from *mama mbogas*.

It is not possible that Barclays Bank reports losses all over the world but in Kenya it makes Kshs4 billion or Kshs5 billion as profit every quarter. It is not possible. These foreign banks take the largest share and that is what keeps them afloat in their countries. We support the local banks which play by our rules. This House has a duty and responsibility to look at what is right and help our economy work.

We are now in greater problems. You know this animal called devolution, which we all think is a very good thing. There are many Kenyans who have borrowed money to do work in those counties. They consist of the youth, women and other normal contractors. Three years later, many of them have not been paid and they took capital from the banks. The interest which the banks charge them is now more than what they borrowed. We are looking at a scenario where the centre will collapse with the side of it. What are we supposed to do? The banks know that this House has always engaged them. I plead with this House that for this Bill to help Kenyans, it must pass by next week. Let the President deal with it. Let it come for Third Reading. They have seven days to make suggestions. I have always given them time. I beg the Mover to give it time. As a very interested person, I already have my amendments ready. We are going to make it impossible for them to declare profit next year that is stolen from Kenyans. As a House, we must give Kenyans an Easter present. They are not following the laws that exist like the *In Duplum Rule* and the Donde Act, which was carefully implemented by the former Minister for Finance, Hon. David Mwiraria. This is the only country where the law says that you cannot charge interest which is greater than the loan that somebody borrowed. You get somebody borrowing Kshs1 million and the bill that is sent to them is Kshs7 million and yet, the law says otherwise. Somebody is rogue in the system. Some of us reason that we are trying to control the markets. We are only saying that it should be pegged around the Central Bank Reference Rate. Hon. Njomo said that it is now at 11 per cent. We want the Central Bank of Kenya (CBK) to reduce it. The banks should charge not more than 4 per cent on top. If it is 11 per cent, they should charge 15 per cent. If it is reduced to 8 per cent, they should charge 12 per cent. In which business do people make more than 7 or 10 per cent? Those banks are doing something bad and we should do something about it.

We will look into issues that make the banking sector not good for our business environment. I have drafted a Motion to create a team of Members of Parliament to look at this very touchy issue that Parliament has not confronted. We want to know how Dubai Bank has gone under with peoples' money. The owners of Imperial Bank, against the supervision of CBK, were running two or three parallel accounts. Why? We see what Imperial Bank has done. We know what they own in our towns. In other words, they are collecting money from the poor and investing it for themselves. Just a couple of years ago, there was the issue of Enron in the United States of America (USA). When the leader of Enron was found, he was jailed. He is in prison. Enron is not a government institution. It was a private firm but because the leader was stealing from Americans, the system jailed him and things changed. That is what we must do to those

people. We must put in place a law for that purpose. If they have read this Bill, by Wednesday next week, it will have much harsher penalties.

**The Temporary Deputy Speaker** (Hon. Cheboi): Hon. Midiwo, you should be careful with your fingers. You are saying “those people” while pointing your fingers at the other side.

**Hon. Midiwo:** Hon. Temporary Deputy Speaker, I am talking about the banks.

**The Temporary Deputy Speaker** (Hon. Cheboi): That is better.

*(Laughter)*

**Hon. Midiwo:** Hon. Temporary Deputy Speaker, we always differ on so many things but on this one, we generally agree because something must happen. We must give our people hope. The banks are not working in this country. The Government has put aside money for the society to access, particularly the Youth Enterprise Development Fund. The plunderers are telling Kenyans that they authorised payments. I saw Mr. Bruce Odhiambo telling Kenyans that he authorised payment of Kshs180 million without the board’s approval. If he did this anywhere else on earth, he would have been hanged. He is a crooked guy whom Jubilee thought could run that kind of fund. Let us help the people. Let us help them.

The Central Bank of Kenya (CBK) has refused to implement the laws in the books. The law says that no bank shall institute any charges without the authority of CBK. Those banks look at your bank statement. I stopped reading mine because if Jakoyo Midiwo is helpless, what is “Wanjiku” expected to do?

Lastly, the Governor of CBK must be put on notice that he is killing the Kenyan economy. We do not care where the Governor comes from, be it heaven or Washington DC. You cannot tell Kenyans that when you go to a bank to withdraw your money, you must say where you got that money from. That is crazy. Even in China, there is nothing like that. So many people are complaining. A gentleman I know sold a piece of land in Homa Bay two weeks ago---

**The Temporary Deputy Speaker** (Hon. Cheboi): Hon. Midiwo, you are making a very good point, but you have only 13 seconds. I will add you just one minute to second the Bill.

**Hon. Midiwo:** Thank you, Hon. Temporary Deputy Speaker. Let me save the Kenyan economy. I will never talk about “Mr. Nyangores” here. That gentleman sold a piece of land for Kshs3.6 million. The money was transferred to his account. Last week, he went to withdraw Kshs600,000. The Co-operative Bank told him that he had to explain where he got the money from. It took him two weeks to go and look for the person who gave him the money to explain where the money came from. The Governor of CBK is crazy!

*(Laughter)*

Somebody must stop him because the net effect of that is that nobody will be taking his money to banks. He is killing our economy. He must be stopped. We must do it in this law because if we do not do it, as a Member of Parliament who is perceived to be doing well, you will not even be paying your employees. I am saying that we are perceived to be doing well because I know that many people here are not doing well. However, you have a constitutional responsibility to help this country.

**The Temporary Deputy Speaker** (Hon. Cheboi): Second the Bill, please.

**Hon. Midiwo:** I second.



**Hon. Gikaria:** On a point of order, Hon. Temporary Deputy Speaker.

*(Question proposed)*

**The Temporary Deputy Speaker** (Hon. Cheboi): As the Standing Orders dictate, I will give the first shot to the Leader of the Majority Party. But before I do so, I want to hear what Hon. Gikaria has to say.

**Hon. Gikaria:** Thank you, Hon. Temporary Deputy Speaker. I agree with Hon. Jakoyo Midiwo that we need to fast-track the process of passing this Bill. Since there is not so much time, I wish to plead with you to give us at least five minutes so that each Member can have a chance to contribute. I understand that the Leader of the Majority Party has a provision of more minutes than we have.

**The Temporary Deputy Speaker** (Hon. Cheboi): That is fine, Member for Nakuru Town East. You are perfectly in order. You have put it at the beginning of the debate. You are within the Standing Orders. It is up to hon. Members to make a decision. I have already given the Floor to Leader of Majority Party, who will have his time. However, the rest of the membership will make their decision.

Hon. Members, the Member for Nakuru Town East has suggested that we give each Member an opportunity to contribute for five minutes instead of 10 minutes. Therefore, I will put the Question.

*(Question, that debating time for each Member be reduced to five minutes, put and agreed)*

Leader of the Majority Party, you will have your 10 minutes and the rest will have five minutes.

**Hon. A.B. Duale:** Thank you, Hon. Temporary Deputy Speaker. I really wanted this House to have more time to ventilate on this Bill. This is a matter which has a history dating back to the year 2000.

As I support the Banking (Amendment) Bill 2015, I would like to declare that, personally, I have no loans with any bank. But my family businesses have loans. Let us call a spade a spade and rise to the occasion. The matter before us is serious. The banks in this country make billions of shillings of profit before tax. For example, in 2013, Kenya Commercial Bank (KCB) made Kshs17.7 billion profit, while Standard Chartered Bank made Kshs14.3 billion profit. Barclays Bank of Kenya made a profit of Kshs12.3 billion in 2014, while Centum Investments Limited made Kshs8.8 billion. In the same year, I&M Bank made Kshs7.7 billion profit while the National Industrial Credit Bank (NIC) made a profit of 4.2 billion.

As the Leader of the Majority Party, I would like to say that this is one of the things that we promised the people of Kenya. The last regime and the current regime did it. Every government promises to do something to cap the interest rates. It was in our manifesto and in the Manifesto of Coalition for Reforms and Democracy (CORD). CORD had a Manifesto, but they did not form the Government. Our Chair is telling me that they had a manifesto, but implementing it is a problem. Our manifestos were very similar. The differences were very few. This Bill is amending the Banking Act. The Member for Kiambu will introduce a new Section 35B in which he will set the maximum interest rate chargeable by a credit facility at below 4 per

cent of the best rates set by the CBK. The CBK lending rate has been reducing at a fast rate. It is currently at 8 per cent. You have seen the media and the political class, including the Deputy President, asking why the interest rates are not coming down.

Hon. Temporary Deputy Speaker, when the crude oil prices across the world come down, it is, at least, reflected with a reduction of fuel prices. So, why is it that when the Central Bank of Kenya (CBK) rates reduce, they do not translate into the reduction of interest rates by banks? On this one, we are ready to go the full hog. We are even ready to raise the two-thirds majority. Let me give you an example. Governors are giving our people a lot of fictitious contracts - the middle class youth and women who borrow money from the banks. The county governments delay in paying them. Their houses and vehicles are auctioned daily. There are people in my constituency whose properties have been auctioned just because they borrowed Kshs5million or Kshs10 million to do a contract for the county government, and they have had their payments delayed. So, banks charge three times the principal sum they borrowed. In the end, as the economy is growing, Kenyans become poor because of interest rates. Let us call a spade a spade. Kenya is not moving because of high interest rates.

I have many friends who are Chief Executive Officers (CEOs) of top banks and some are my relatives. Currently in Kenya, Barclays Bank Plc, which is the major shareholder in Barclays Africa, is trying to leave this Continent. The reason is that they are not making profits. How do they make their money? Through interest rates! So, it is the only sector in our country which has colluded and formed the Kenya Bankers Association (KBA), which is a cartel led by Hassan, a good friend of mine. Last year, we told him to come and talk to the people and appear before the Departmental Committee on Finance, Planning and Trade. I am told the current Governor of CBK is a Catholic. A Catholic of one small corner--- I know Catholics such as Hon. Chris Wamalwa and the Majority Whip.

**Hon. (Ms.) Kiptui:** On a point of order.

**The Temporary Deputy Speaker** (Hon. Cheboi): What is it Hon. Member for Baringo?

**Hon. (Ms.) Kiptui:** Is it in order for the Hon. Leader for the Majority Party to refer to somebody's religious background? That is a personal issue, unless he proves to us that the religion is interfering with his work.

**The Temporary Deputy Speaker** (Hon. Cheboi): Well. I would not have a problem with reference to his religion. The issue is that "corner" he is referring to. Let us leave that direction. He is a member of *Opus Dei*. Let us not delve into that.

**Hon. A. B. Duale:** He is a Catholic the way I am a Muslim. He is a Catholic of another sect.

*(Hon. (Ms.) Kiptui interjected)*

**Hon. A. B. Duale:** If you allow me, I am not in a Baringo public rally. I am in the House. That sect within the Catholic faith is very rigid. That cannot be transferred to the running of the CBK. The CBK has to be run according to the Central Bank of Kenya Act. So, the stakeholders must be given a chance to contribute to this Bill. The KBA must come in. We must curb high interest rates if we want to save our people.

We passed the Anti-Terrorism Bill which guides us on how to trace money from proceeds of terrorism. This House passed the Anti-Money Laundering Bill in order to deal with those who are involved in laundering of money. It has passed the Proceeds of Crime Money Bill and the

Assets Recovery Bill. We have a Governor of CBK who wakes up one morning and sends a memo to all the banks which says:-

“Any Kenyan who wants to deposit Kshs500,000 must fill a form.”

It is as if he is appearing before the Director of Public Prosecutions (DPP) or the Director of Criminal Investigation Department (CID). Any Kenyan who wants to withdraw Kshs1million must also fill another form as if he wants to get a certificate of good conduct.

All those ladies who are doing small businesses in Gikomba Market are no longer banking their money. It is being kept at home because they want to use the same money to buy products the following day. The law is very clear. If you suspect any individual or any business entity is involved in money laundering, terrorism financing, getting proceeds in crime money, or tax evasion, the law is clear. However, telling a *mama mboga* who is involved in business daily and wants to keep her money with the Kenya Women Finance Trust (KWFT), “Before you deposit or withdraw Kshs500,000, go and sit somewhere - as if you are in the District Criminal Investigation Officer’s headquarters or the DPP’s Office - and fill a form before transacting,” is wrong! That is ridiculous! Parliament must rise to the occasion. If it is regulations, the CBK can send regulations. The Act says it is the CS for Finance and National Treasury to provide regulations to this House. Once I table those regulations, they are sent to the Committee on Delegated Legislation.

You cannot wake up one morning and be told, for example, that if I am going to do a fundraising in Hon. Chris Wamalwa’s constituency and I am withdrawing Kshs500,000, I have to explain the details of where the *Harambee* is and answer questions such as: Who is Chris Wamalwa? What are the names of the project and church holding the fundraising? That is not even possible in North Korea, China or the old communist countries. We are telling our brother that he is a very good Catholic. We respect him for his professionalism, but he will run the CBK the way the law says.

Finally, I know that banks will come and talk to you Members. This is not a small matter. Let us stand together and ensure that the interest rates are reduced. We are not interfering with the framework of a liberalised economy by curbing interest rates. We are not affecting the fiscal framework of a liberalised economy like Kenya. We are only saying the principal sum you borrow and the interest rates you are charged must be proportionate and must be known. There is no way the principal sum that you borrow is lower 10 times the interest rates.

Many Kenyans die because of interest rates. Their properties are auctioned. That is why people who are doing very well in this country are lawyers and auctioneers. In fact, if you are a lawyer for one of the biggest banks in this country, you do not need clients because your work is to chase the people who have not paid their interest rates. We must make sure that what the former Member of Parliament, Joe Donde, did in 2000 in this august House is implemented to save the people we represent.

Thank you, Hon. Temporary Deputy Speaker. I beg to support.

**The Temporary Deputy Speaker** (Hon. Cheboi): Let us have the Member for Seme.

**Hon. (Prof.) Nyikal:** Thank you, Hon. Temporary Deputy Speaker, for giving me a chance to contribute to this Bill. I rise to support this Bill because this House must protect Kenyans from exploitation by banks. The objective of banking system is to create a savings platform for individuals, banks and the nation, which can be ploughed back into business. Their second objective is to promote business and facilitate growth and development by making

savings available to those who want to venture into business so that they can create employment for people.

If interest on the savings of the same people is very high that they cannot make any profits, then obviously this does not serve the country. In this country, we are struggling to create employment for the youth. We are trying to help the youth set up small business and banks have a crucial role in making this happen. That can only happen if interest rates are regulated and maintained at a level that entrepreneurs can make some money.

If generation of profits becomes the main goal for banks, then we are lost. That is exploitation of people and it cannot be. If you have interest rates of 20 per cent and above, as other Members have indicated, which business will you run to make 50 or 30 per cent profit so that 20 per cent goes to the bank? It is not possible.

Banks are killing businesses in this country. If some of these foreign banks were to have interest rates of 6 per cent in the countries where they are domiciled, it would be declared an emergency and something would be done. But they happily collect 20 per cent and more here. If you have a country where the only successful businesses are banks, then something is obviously wrong. We cannot run an economy whose sole purpose is to serve banks and make their profits huge.

Any small activity in the banks is charged. So, it is not only interest that is the source of their profit. I have never understood – I am not a banker – why you pay for depositing money in a bank account. If you ask whether your salary has been deposited, they charge you. Anything you do in the bank is charged. In fact, the only thing banks do not charge for is the air you breathe. I am very worried that very soon banks are going to charge for even the air we breathe while in the banking halls. If banks are looking at business people as a source of profit for them and not as partners in business, then the whole system is madness and cannot help us.

There have been many attempts at regulating interest rates. The Donde Bill has been referred to. Hon. Midiwo and Hon. Kabando wa Kabando have also tried. We know there is a big lobby led by the Kenya Bankers Association (KBA). The KBA, like any other association, cannot pretend that it can regulate its own business and profits, because the sole objective of the KBA is the interest of the banks. Asking the KBA to regulate interest rate is like asking hyenas to guard sheep. It will not happen. So, we must support Kenyans. This House must rise and support this Bill. The CBK Governor must come to the aid of Kenyans and protect them against exploitation by the banking system.

With those remarks, Hon. Temporary Deputy Speaker, I support.

**The Temporary Deputy Speaker** (Hon. Cheboi): Let us have Hon. Korei ole Lemein.

**Hon. ole Lemein:** Thank you, Hon. Temporary Deputy Speaker. I rise to support this Bill. I thank my brother, Hon. Njomo for coming up with this Bill. The banking industry will try as much as possible to fight this Bill left, right and centre. As much as the banks like to say that Kenya is a free-market economy, where the law of demand and supply takes its course, the Kenyan people will never be the equilibrium for that law.

As it has been said by earlier speakers, CBK has maintained its lending rate at 8 per cent. As the CBK reduces its rate, commercial banks keep increasing their rates. This is robbery. In as much as the banks are old and are doing well, their annual declaration of dividends is abnormal. Cooperatives charge members 1 per cent interest per month, which is 12 per cent per annum, and they still make profit. You can imagine the number of clientele the cooperative movement has.

This is the time that as a House we should cap the interest rate so that we save Kenyans. The ordinary Kenyan has suffered. So many people are suffering because they are unable to pay their loans and the banks are auctioning their property. These people are miserable. These people are looking up to this House to save them.

I also want to comment on the issue of the maximum amount one can transact. Why would you tell a pastoralist, who does not know how to read and write, to declare why he is depositing Kshs1 million or Kshs2 million in a bank? Why would you frustrate that person if he has sold his livestock and wants to deposit that money in his account? The moment CBK insists on that, then a majority of Kenyans will go back to what the Indians used to do in the 19th Century; that is maintaining mattress accounts. This will deeply hurt the economy of this country. It is good to fast-track this Bill so that we save the people of Kenya.

Hon. Temporary Deputy Speaker, I support.

**The Temporary Deputy Speaker** (Hon. Cheboi): Let us have the Member for Kiminini.

**Hon. Wakhungu:** Thank you, Hon. Temporary Deputy Speaker. At the outset, I rise to support this Bill. I thank Hon. “Judy” Njomo---

**Hon. Sakaja:** It is “Jude” and not “Judy”!

**Hon. Wakhungu:** Hon. Jude Njomo---

**The Temporary Deputy Speaker** (Hon. Cheboi): Now, if you---

**Hon. Wakhungu:** No, Hon. Temporary Deputy Speaker. Hon. Sakaja does not know that Hon. Njomo was my student at university. His name is Jude. It depends on your pronunciation. He was a good student and, indeed, he is doing a good work. I thank him for bringing this Bill.

What has been going on in the banking industry is like robbery with violence.

**The Temporary Deputy Speaker** (Hon. Cheboi): If that was, indeed, true Hon. Wamalwa, then obviously looks must be deceiving. Proceed, anyway.

**Hon. Wakhungu:** On that note, Hon. Temporary Deputy Speaker, the education system has been liberalised. Of course, he is older than me, but we have evening programmes. Even you can go back to school. I have been teaching people who are agemates of my grandfather. It has nothing to do with age because we have a liberalised education system. For those looking for degrees, we have evening programmes. The issue of the banking industry in this country is very alarming. The banking industry is very critical for the success of any economy. The Central Bank of Kenya (CBK) is the regulator of the industry. It is, indeed, very painful as I speak right now because the CBK’s lending rate right now is 8 per cent. If you go to commercial banks, you will find that they are charging 20 to 24 per cent. It is the responsibility of the CBK to supervise and ensure that whatever commercial banks are charging is within the framework. I want to call upon the CBK to pull up its socks. More importantly, the Governor of the CBK is a leader and everything stops at him. He has to wake up. I do not want to go into issues of region because I know he is capable. Mine is to request him to supervise these banks because they are robbing Kenyans.

Hon. Sakaja, I want you to listen. Jubilee has borrowed too much from the Manifesto of CORD. If you look at that Manifesto, you will find that Jubilee just duplicated; it was cut and paste. Our first manifesto was on jobs.

**Hon. Sakaja:** On a point of order.

**The Temporary Deputy Speaker** (Hon. Cheboi): Now, you have mentioned Hon. Sakaja. Let us hear what he has to say.

**Hon. Sakaja:** On a point of order, Hon. Temporary Deputy Speaker. I am sure that when my good friend, Hon. Chris Wamalwa went to school he knew that the student who was always number one could never copy from the one who was the last in class. Can he substantiate the allegation that Jubilee which had a winning formula could copy anything from the Manifesto of CORD, despite the fact that they lost? We launched our manifesto way before CORD launched theirs if at all they ever did.

**The Temporary Deputy Speaker** (Hon. Cheboi): That now becomes a point of argument. I do not want us to go that direction. You have your three minutes to go on.

**Hon. Wakhungu:** Thank you, Hon. Temporary Deputy Speaker. The first party manifesto for CORD was on jobs.

**The Temporary Deputy Speaker** (Hon. Cheboi): Do not go that way. let us forget about the manifestos now.

**Hon. Wakhungu:** I am extending my argument. When it comes to jobs you can only create them when there is a conducive business environment. You do not have to go for formal jobs. If at all the banks are going to lend money to the youth, to start businesses in that process they are going to employ other people, hence create jobs. We are told that the Kenya Revenue Authority (KRA) is doing badly in tax collection. Why? This is because the business environment is not conducive. I am a leader and you should add me more time.

**The Temporary Deputy Speaker** (Hon. Cheboi): Proceed. You have one minute to go.

**Hon. Wakhungu:** Many businesses are collapsing and making losses and as such they cannot pay taxes. It is important that the cost of capital be reduced so that it can make sense when it comes to doing business. I want to congratulate Joe Donde on the Bill he brought to the Floor of this House sometime back. We must follow suit so that whatever Hon. Njomo has proposed, moves with speed. I want to request His Excellency the President though I know he has businesses in the banking sector that if this Bill is passed, he should assent to it with speed so that Kenyans can benefit from the low rate of cost of capital. We are not going anywhere if the cost of capital is going to be maintained at such a high rate. Lawyers and debt collectors are the only ones who are making money right now because that is where money is.

**The Temporary Deputy Speaker** (Hon. Cheboi): Your time is over. Let us have the Member for Kibwezi West.

**Hon. Musimba:** Thank you, Hon. Temporary Deputy Speaker for this opportunity. At the outset, I want to support my colleague, Hon. Jude Jomo. *Mhe*. you have done a very courageous thing.

I want to speak from the side because I am an interested party in the banking industry. Many things which the CBK is doing are actually disheartening the population. The factors of production are mainly land, capital and labour. We start negating the capital portion by telling the Kenyan populace that they have to go and answer punitive questions when drawing their own money. Surely, the people who bank are not those who have committed robbery with violence. We are sending the major gains we have made from 2000 when people were largely keeping their money in their houses, down the drain.

We are banking more and bringing more people to inclusion. Banks as institutions that are entrepreneurial in nature are taking advantage of this to make money. By making it impossible to bank and making people to keep large cash reserves within their houses, we are, indeed, going to increase incidences of robbery. People cannot even say what they were robbed because they were keeping a lot of money in their houses. We are going to herald the growth of

shylocks within the industry because alternative banking systems which are punitive are going to come up. There will also be rise of gangs.

The CBK and specifically the Governor has to pull up his socks. By interfering with people's ways of getting money, you are killing the Kenyan economy and the populace. We are an entrepreneurial country and law abiding citizens who love their country. We wake up every day for the greater service and growth of this economy. We must castigate in uncertain terms the actions of the CBK by trying to clamp this down.

When it comes to interest rates more specifically, we cannot have mixed signals. People go to the Treasury Bill market in week one and buy instrumentations for the next 180 or 365 days and the rate is pegged at say, 18 per cent. They commit their money and two weeks later new instrumentations are issued, at say a rate of 4 per cent. Surely they have locked away funding which they have to pay the depositors. You cannot turn around miraculously and say the rate has gone down. If they are mitigating they should see how to bring average costing and settle with the people who have given them money.

An initiative like M-Akiba, was supposed to be launched but until today there is a presidential directive for it to be delayed until citizens loan money directly to the Government. So, the lending from financial institutions to the Government decreases. One can lend money and know they can get 8 per cent interest directly from the Government, via a mobile phone and actualise the benefits of these percentages. Otherwise, when one takes money to big commercial banks they say the deposit is only going to make one per cent interest. When one borrows against it, the difference is almost 6 to 7 per cent. This does not make sense.

We must bring sanity once and for all to the banking sector to propel our economy. Otherwise, we are grinding to a halt day by day the incentives for the Kenyan populace to actualise. This is the reality of devolution which gives great opportunity for the cogwheels that drive this economy. If we get each and every county moving then we are getting Kenya moving faster.

In closing, we must see these rates coming down and a direct engagement between the populace in terms of capital. Mortgage rates have to come down. We should start having 40 years mortgages being given directly by the National Social Security Fund (NSSF). This will ensure that the pressure on the populace is removed in order to move the economy forward.

Thank you, Hon. Temporary Deputy Speaker.

**The Temporary Deputy Speaker** (Hon. Cheboi): Very well, let us have hon. Waititu.

**Hon. Ferdinand Waititu:** Thank you, Hon. Temporary Deputy Speaker. I rise to support this Bill. First, I want to thank the Mover, Hon. Jude Njomo. It is in public domain that Kenyans are being exploited by banks. All of us in this House, from both sides are in agreement that we need to do something so that interest rates can be controlled. Before, the petroleum industry was exploiting Kenyans by increasing pump prices any day they thought it necessary. But when the Energy Regulatory Commission (ERC) started regulating the pump prices, it has succeeded in controlling prices of petroleum. Petroleum companies have become used and are no longer complaining. When it started they were up in arms against the introduction of the controls. We know very well that if the same happens to the banks they will become used. After some time, they will just make the normal profits any industry is supposed to make. Right now, all banks are making exorbitant profits by exploiting Kenyans. When any Kenyan takes a loan, he or she usually has a budget on how to repay it. However, people get surprised to see the bank statement with a figure that they do not expect and this destabilises their financial arrangement.

A few months ago when interest rates had gone out of control in the country, many people lost their property. In one of my bank statements, I saw a figure of over Kshs100, 000. I did not know where it had come from. Many Kenyans do not understand the financial systems in the country and they need to be saved by this Parliament. As far as I am concerned, there is no offence in controlling something that everybody believes is not going in the right direction. Banks in this country have become like a cartel operating interest rates.

Initially, when the Government formed banks like the Kenya Commercial Bank (KCB), the Cooperative Bank of Kenya and the National Bank of Kenya, it thought that they were going to act as some sort of control in ensuring that Kenyans are not exploited. The same banks have started operating like other commercial banks that make profits while exploiting Kenyans. Nobody has any faith in the way banks operate in this country. We know very well that they will start campaigning against this Bill. Some of them will go to any lengths to ensure that this Bill is not signed.

Both the Government and the Opposition agree that we need to do something. We need to control the interest rates in the country so that our youth and any Kenyan can take a loan. As it is right now, taking a loan from some banks is a big mistake. We have seen properties being sold. We want to make sure that the expectation of Kenyans when taking loans in the banks is not met by surprises.

I support this Bill and thank the Mover.

**The Temporary Deputy Speaker** (Hon. Cheboi): Let us have Hon. Oburu Odinga.

**Hon. (Dr.) Oginga:** Thank you, Hon. Temporary Deputy Speaker. I take this opportunity to support this Bill.

I was a Member of Parliament when the Donde Bill was introduced and when Hon. Midiwo attempted to introduce a Bill with regard to the same, I was an Assistant Minister for Finance. When the Bill came to the Floor of the House, I opposed it because we were giving banks a chance for self-regulation. The self-regulation we have been giving the banks has failed completely. Banks have refused to behave like those in the developed world.

In Britain and Europe, banks usually adjust their rates according to their central bank rates as required by self-regulation discipline. Kenya is the only country where even when the economy of the country is nose-diving and growing negatively, banks are making wind-fall profits because they have a way of exploiting depositors. The gap between the deposit rate and the lending rate is very wide and it is not found in many countries in the world.

The International Monetary Fund (IMF) and other international organisations or multinational organisations have told us that if we control interest rates then we are reintroducing price controls. Money is a special commodity. We are just making regulations if we introduce controls or curb interest rates. Regulations cannot be limited to industries which have failed to comply with the principles of self-regulation.

If we adjust interest rates, we will eventually have to adjust the exchange rate. This is because exchange rates are somehow linked to interest rates. There are many examples of countries that are already adjusting and controlling exchange rates. There is no crime in this Parliament eventually introducing exchange rate. However, right now, we are discussing banks, particularly multinational banks that have been misbehaving, not only in the interest rates but also in the spread to allow ordinary Kenyan access to cheap credit. When these big banks are given funds to manage, they make it very difficult for an ordinary Kenyan to manage them. However, when we leave it to our own people to manage them like in the case of the Youth



Fund, there is still mismanagement. Formal banks misbehave more than the funds being created. They do not make it easy. They set interest rates very high. Our people who do not even have securities do not get an opportunity to access credit. There is no country which can grow without access to credit. No country can also grow without its people, the business community and even the farming community having access to cheap and accessible credit.

The banks have asked for this through their own actions. When this Parliament acts, it should do so resolutely. We urge the Government, which has been reluctant because of some pressures here and there, to support the curbing of interest rates. I hope this time round His Excellency the President, who was my boss when I was at the Treasury, is going to sign this Bill into law.

**The Temporary Deputy Speaker** (Hon. Cheboi): Let us have the Member for Mbeere North.

**Hon. Njagagua:** Thank you, Hon. Temporary Deputy Speaker, for giving me this chance to contribute to this Bill. At the outset, I wish to thank Hon. Jude Njomo for coming up with this well-thought amendment. This Bill has come about because of the wrong conduct of banks. On one hand, they are willing to charge investors or depositors high interest rates. At the moment, it stands at 24 per cent per annum. On the other hand, they are not willing to give us value for our money. Once you put your money in a fixed deposit, which they normally call deposit savings for the living debt, you get it at 4 per cent per annum. There is no correlation between what you get when they charge you in terms of the money that you are saving and what they charge you in terms of the money they are lending you. This is an opportune moment that we, as Parliament and the people's representatives, should speak and say that it is high time we curbed interest rates that banks are charging Kenyans. They are taking us back to the old days of the KANU era when interest rates shot to as high as 29 or 30 per cent. Over the years, many people have lost their property and prime land when banks execute the securities that have been given to them.

Hon. Temporary Deputy Speaker, like somebody had earlier on mentioned, people who benefit in all these matters are the shylocks because they get cheaper money as it were but at the other end, auctioneers come for your property. It is only the auctioneers that benefit.

I believe you were in this Parliament when we passed the Donde Bill which came up with the *In duplum Rule* that once you get a loan of Kshs6 million, you cannot pay more than Kshs12 million. The banks are negating that rule that was passed by this House and they are charging interest upon interest and late penalties. These are hidden charges on the monies that Kenyans borrow. It is good that the Mover had thought of a criminal element to this Act such that if you overcharge and do not state those hidden interests, then you are liable for a fine of Kshs1million.

The management of the CBK must pull up its socks because its supervisory role is wanting. In a span of two years or thereabouts in the last quarter of last year, a number of banks went down. They are Imperial Bank and Dubai Bank. Kenyans have lost the money they kept in those banks. Kenyans have entrusted their monies to these lending and financial institutions but at the end of the day, they walk out from these banks crying because they have gone under. This is because the supervisory role of the CBK is wanting. The supervisory role is a challenge in situations where banks have two banking systems. Some banks do banking without reflecting the same in their computers but when they collapse, you will have people saying that they had some money in the bank while the account was reflecting this kind of money. Their supervisory role is also wanting especially when banks are declaring their interests. They declare padded or highly

inflated interests and are not willing to give their shareholders bonuses commensurate to the money they saved.

I support this Bill. I pray that once it goes for assent, it does not come back with memoranda to defeat the purpose for which it is passed.

**The Temporary Deputy Speaker** (Hon. Cheboi): The Member for Kwanza, you have the Floor.

**Hon. F. K. Wanyonyi:** Thank you, Hon. Temporary Deputy Speaker for the opportunity. I would like to tell Hon. Jude that this Bill is the best thing he has done for this House. This is because we have had problems with banks. Banks are reaping where they have not sown. Recently, I overdrew my account by about Kshs500,000 and I have paid through my nose. I could not believe the interest that was charged. I paid over 35 per cent. I paid and closed the account. This is because it was just unreasonable and I could not even talk to the bank officials.

The CBK must take responsibility. We are trying to stimulate the economy. As it is now, we do not have money for the Constituencies Development Fund (CDF) because the KRA cannot collect enough money because there is no business. Other Government agencies are not getting money because the KRA is not collecting enough money since the economy does not produce enough money for taxation. We should stimulate the economy so that Government projects, including the CDF are financed.

The principal objective of this Bill is to regulate interest rates charged by banks. Since they cannot do self control and self regulation like what the oil industry has done in the past, we should urge the President that once this Bill gets to him for assent, he should sign it like yesterday so that we can have discipline in the banking sector so that citizens enjoy its fruits.

I would like to ask Kenyans to bank with their Savings and Credit Cooperatives (SACCOs). In a SACCO, you can always talk to the manager who can give you the money you want at very lower rates. The banks cannot listen to you. I have had cases in my constituency where two schools bought buses through a bank, and these buses have been towed four times because they could not pay the interest. On checking, I realised they had paid almost twice the amount they had borrowed to buy the buses. This means that banks are reaping where they have not sown.

Therefore, I want to thank Hon. Jude for coming up with this Bill. I hope we will pass this Bill so that it can regulate banks.

With those few remarks, I beg to support.

**The Temporary Deputy Speaker** (Hon. Cheboi): The Members who will be speaking in a row are Hon. Robert Mbui, Hon. David Gikaria, Hon. Manoti and Hon. Sakaja.

**Hon. Mbui:** Thank you, Hon. Temporary Deputy Speaker. Do we speak together or one after the other?

**The Temporary Deputy Speaker** (Hon. Cheboi): You have a choice. Can I give somebody else to contribute as you prepare?

**Hon. Mbui:** No, Hon. Temporary Deputy Speaker. I am a true believer in capitalism and of course, free trade. I do not support the Government interfering with private enterprise particularly setting prices for individual businesses. Sometimes we have national interest and this Bill is based on that fact. Sometimes the national good must be considered above individual interests. Our national interest is to grow the economy. If we allow banks to operate the way they are doing, then our economy cannot grow as fast as we would expect because the number of people who can access funds will be reduced. We will also be unable to reduce poverty.

However, when I look at it and find that there is deceit in the way that business is being conducted, then it propels me to support my colleague. I had already told him that I will oppose this Bill but I have been compelled by the speakers that have spoken before that it is important to support it because it is for the good of our people.

Kenya has a bad reputation out there. If you go to the East African Community (EAC), you will find that we are considered as the “man eat man society” because of excessive corruption. We have theft all over including stealing of examinations of primary school children. We should be careful with the image that we project to the rest of the world. If certain regulations have been imposed on banks in other countries, then we are just part of a global economy. If the United States of America (USA), Germany and countries in Europe are doing it, then we should borrow a leaf from those that have done it before us so that we do not stumble and fall.

When we borrow, we notice that there is a lot of fine print in the borrowing documents and this is because there are many charges that are not being disclosed to the borrowers. As we pass this legislation, we should compel the banks to clearly indicate charges that people will be expected to pay.

As a capitalist, I believe in affordable loans to grow our economy, fair and good trade practices and not excessive interest rates where banks are making super profits. I was shocked when my colleague said that out of the top 10 performing business, seven of them are banks. If it is fair trade practice, there are very many businesses and industries in this country. Why would the banks be the only ones making super profits and yet we know that many people have had their properties auctioned by the same banks? Time has come when we must rally together and support citizens of this country.

I have some concerns. First, this has been done in the past. The Donde Bill was brought to this House and other Bills similar to this have come to this House. The banking industry is big business and they are going to attempt to fight back. When the Donde Bill came the first time, I understand that the courts started supporting the banks against the citizens. So, we are asking that the courts do not get involved in legislation. Let them allow us to do our work and keep off because we need to ensure that we do our work without interference from other quarters.

The other thing we note is that former President Moi did not assent to the Donde Bill the first time. We also want to urge our President that when this Bill passes, he kindly assents to it because it is important for the growth of the economy. He promised double digit growth in these five years.

The other issue is that the National Treasury lobbied when Hon. Midiwo brought his Bill which was similar to this one before the House. That means that money changed hands. It is important that we legislate with our minds and hearts and not with our stomachs. It is important because I know it is likely that the banks will come here and try to influence us. We have seen it happen in Machakos---

**The Temporary Deputy Speaker** (Hon. Cheboi): Your time is over. Let us have the Member for Nakuru Town East.

**Hon. Gikaria:** Thank you, Hon. Temporary Deputy Speaker. I want to thank Hon. Jude. Yesterday, he was whipping Members to come and support this Bill. I even told him that he did not need to do that because of the importance of this Bill.

We have been reading about these issues of trying to have a cap on interest rates charged by banks. It is in the interest of all Kenyans. Every Government, including Jubilee, has promised that it

is going to stop borrowing from local banks so that money can be available to local citizens for them to do business but unfortunately, most of the time it does not happen for one reason or the other. The amendment of the Act it will go a long way in assisting Kenyans.

I remember one day within the constituency when we were campaigning, I found four gentlemen who were seated in a hotel and I paid their Bill. I was going to see some women group who had gathered to do a small fund raiser only for us to realise when I went to the women that those four gentlemen and a lady were waiting to be paid some money. This woman had only borrowed Kshs30,000 and they were charging over Kshs700,000. They were contributing money to go and pay that loan. How I wish that I had not bought that lunch. It was so painful to see this woman who had given her title deed to a small plot as collateral. She had only a week to clear otherwise they were going to sell it.

As it has been said earlier, banks have been making huge profits at the expense of *mwananchi*. Most of these people borrow money to do some small businesses. I understand that even the young people in the country who try to go to the banks to get money cannot get it because of the stringent conditions set by banks. We can now help young people to do business without necessarily having to pay dearly for what they have borrowed.

What the Governor of the CBK is trying to impose has been said here and it is true. If, indeed, a Governor will go out there and start giving instructions without following due process and particularly getting some of the approvals from Parliament, he would be doing injustice to this country. Most of the people will not take their money to the bank. They will decide to keep their money. If, indeed, you are asked to go home and explain where you got your money from and they can clearly see that maybe it was a contract that you were doing and you were paid that money--- When you are going to withdraw, again, you have to explain where you are taking your money. This is an issue that needs to be looked into. Soon we will be asking the same question through the Departmental Committee on Finance, Planning and Trade. The Governor will be summoned by the Committee to explain this issue.

As it has been said, sometime back there was a Bill which was supposed to curtail some issues to do with the tobacco industry. It was unfortunate that some Members of Parliament were taken to Mombasa and when they came back, they killed the Bill. This time round we, as Members of Parliament, should stand our ground and assist Kenyans. This should not be through Government manifestoes and promises that it will bring down interest rates, but by passing this Bill so that a common *mwananchi* can walk into a bank and get a loan with a very low interest rate.

With those few remarks, I support.

**The Temporary Deputy Speaker** (Hon. Cheboi): Let us have the Member for Bobasi. I see that he has also placed an intervention.

**Hon. Manoti:** Thank you, Hon. Temporary Deputy Speaker for the opportunity to contribute to this very important Bill. From the start, I support it because it touches on the common man who wants to grow. I also thank the Mover of this Bill for bringing it to this House at the right time. Commercial banks have declared economic war against the citizens of Kenya. The base lending rate which has been given by the CBK is 8 per cent. These banks have gone ahead to charge as high as 24 per cent. At times, you find commercial bank officials going round persuading people to take loans from banks. They cheat their customers that they will give loans at low interest rates of 12 per cent. Within a short time, in most cases, they triple the interest rates. This has become very difficult for any business entity to service these loans.

Parliament, as the mouthpiece of the common man, should be very candid and ask the Governor of the CBK should come out clean. As we all know, when the inspection unit of the CBK visits commercial banks, they normally know the interest rates charged by commercial banks but they have never punished those commercial banks. If you want to know that commercial banks are making a lot of money in form of interests, see how many branches they are opening everywhere. They have branches all over the country. They are now competing to collect as much money as possible from the common man. If we want this country to grow economically, we have to give everybody equal opportunity to invest in the right business.

Hon. Temporary Deputy Speaker, money given by banks is depositors' money. In most cases it is not their money. If depositors are lucky enough, they get 1 or 2 per cent from their deposits but the banks charge triple. As the National Assembly of Kenya, we hope that the President will assent to this Bill once we pass it. That way we will assist business people, be they small or big. If business people will not do business, we will not create employment. It is high time to make sure that most of the commercial banks which are foreign do not exploit our people. We must also make sure that our local commercial banks do not follow suit and charge high interest like foreign banks.

With those few remarks, I support.

**The Temporary Deputy Speaker** (Hon. Cheboi): Very well. Before I give Hon. Sakaja a chance I want to recognise the presence of students from Mua Hills Girls High School from Machakos Town Constituency, Machakos County.

*(Applause)*

**Hon. Sakaja:** Thank you very much, Hon. Temporary Deputy Speaker. First, I join you in welcoming the students from Machakos.

Secondly, I would like to congratulate Hon. Jude Njomo who today has been christened "Judy". I do not know why but that might just be his new nickname for bringing this piece of legislation to the House.

There are four indicators of an economy that is thriving. You look at the rate of inflation, the country's exchange rate, the rate of GDP growth and the interest rate. Those indicators tell you how well the economy of a country is performing. As you are all aware, we have been trying to push for financial inclusion of most unbanked Kenyans and also to provide opportunities for young people just as these young girls who will soon be finishing school and would like to get into business. You know very well that I championed the 30 per cent procurement opportunities for young Kenyans, women and persons with disability which provides opportunities worth Kshs330 billion a year to these young people to do business. But many of them are not able to access these opportunities for one simple reason; they cannot simply afford the rate of interest in the banks for them to borrow money to do their businesses.

Earlier on, I heard the Leader of the Majority Party say that he has no loan. There is no way in today's world if you are in business you can be wealthy if you do not borrow. Every Kenyan you know who is doing business and is making money has to borrow.

We have seen that when it comes---

*[The Temporary Deputy Speaker  
(Hon. Cheboi) left the Chair]*

*[The Temporary Deputy Speaker  
(Hon. (Ms.) Mbalu) took the Chair]*

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Hon. Member, you should notice the change of Chair.

**Hon. Sakaja:** Much obliged. Today, there has been a mix of “Jude” and “Judy”, “Mr. Speaker”. “Madam Speaker”, that is well noted. I would not like to cast any doubts on the gender of the Temporary Deputy Speaker.

As I was saying, when it comes to seeking depositors, many of these banks compete. You will see one being set up here and another there. They compete when it comes to seeking depositors. But when it comes to setting interest rates, they collude and set interest rates that are way above the base lending rate and the Kenya Bank Reference Rate (KBRR) that has been set by the CBK.

Many people doing business today in Kenya in a world that is driven - it is a global economy powered by information - by data are not just competing with businesses in Kenya. They are competing against businesses around the world. I think that it is poetic that this is being discussed; the Governor of New Zealand Reserve Bank, Graeme Wheeler has cut the interest rates in New Zealand to 2.25 per cent. How do you expect a business in Kenya to compete with that business in New Zealand? Or, how do you expect an investor from there to come and set up shop here?

As much as I support this, we must put a ceiling. I will, of course, propose an amendment later because the ceiling should not be on the CBK rate. It should be on the KBRR. I will explain. The KBRR is set every two months by the CBK taking into account all these other factors, taking the average CBK rate and an average two month weighted moving average of the Treasury Bill rate which takes into account all those economic factors. Above the KBRR, the banks should only be allowed to charge a certain percentage and that is 4 per cent. This is the best thing we can do for our country this time. We want small businesses to grow. We also want to increase opportunities for the youth, women and for everybody in the financial sector.

Finally, Hon. Temporary Deputy Speaker, if you give me 30 seconds, I would like to point out that part of the problem we have in this country is that the Government, many of our Ministries and agencies, bank with commercial banks instead---

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Your time is over. However, I will just give you one minute.

**Hon. Sakaja:** Thank you very much. You are very gracious Hon. Temporary Deputy Speaker and I also acknowledge it. If the Government was to consolidate its banking interests into a development bank, where it can actually compete with these other banks - the Government as it is today, takes its money and gives it to Ministries. Ministries put money in commercial banks and the Government goes back and borrows its own money, therefore, distorting the economy. Those two things must be addressed. This House must summon the courage to deal with it despite whatever interest is in it. Let us not be naïve. Commercial banks exist for commercial purposes.

With that, I emphatically support this proposal and Bill. We will see it through the end. Thank you very much and thank you for your consideration.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Well spoken. Hon. Members, I have 14 requests in number. The first one to get the Floor is nominated Member Sunjeev Birdi.

**Hon. (Ms.) Sunjeev:** Thank you, Hon. Temporary Speaker, for giving me this opportunity to support this Bill that has been presented by the Member who calls himself the servant of the people of Kiambu, Hon. Jude Njomo. Supporters of this Bill are well known. It is a no brainer to support this Bill. If you look at the history as has been stated by many Members of Parliament, you will find that for a long time this Bill has been making its way to the Floor of this House but has not succeeded.

*(Hon. Sitati consulted loudly)*

Please protect me, Hon. Temporary Deputy Speaker. There are loud voices and they are confusing my thought process.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Order, Hon. Wanyama! We appreciate your mood today but can you please allow the contributor, Hon. Sanjeev to make her contribution.

**Hon. (Ms.) Sanjeev:** Thank you, Hon. Temporary Deputy Speaker. As I was saying, supporting this Bill is a no brainer because the justification is very simple. If we give our economy a very good tool of being able to borrow money at a low rate, then the average Kenyan will be able to afford to borrow a loan for his business and development.

After research, I found out that banks are against this Bill so that they can keep on making profits and have a stronger Kenyan Shilling. The reason we have a weak Kenyan Shilling is because we do not export as much as we import. As an economy, when we import more, the value of our shilling depreciates in the international market. Therefore, the banking industry argues that having a higher interest rate is actually giving the Kenyan Shilling a better value in the international market. However, you could argue that why do we, as an economy, not increase our exports? Improving our manufacturing and exporting sector, which gives us more jobs and brings more value to the shilling is in line with Vision 2030. To me, that makes more sense.

One of the major points in this Bill is the disclosure of all the charges, terms and conditions. This is very important. There is a common saying that a buyer must beware. However, many Kenyans get swayed because they are under pressure to get money to do their daily businesses. So, they do not read the small print and in the end they get stranded. This is the reason we have a high rate of debt collection. People who have taken loans have to sell their assets and get into deeper depression and poverty which is not good for them.

One thing I would like to amend in this Bill is on the offences committed by banks and financial institutions. The Bill says that the offenders should be fined not less than Kshs1 million or be jailed for a term of one year, or both. I think that this offence should be chargeable for a fine of not less than Kshs10 million. Banks make enough money and so they should be charged exorbitant amount like a penalty of Kshs10 million and not Kshs1 million. I will propose this amendment and I hope it will see the light of day.

I can see my time is up. I urge the House to join hands and pass this Bill so that Kenyans can reap the benefits of low interest rates. If we do that, we will move to economic and social prosperity.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): I give the Floor to the Member for Alego Usonga.

**Hon. G.W. Omondi:** Thank you, Hon. Temporary Deputy Speaker. I know that once this Bill is passed in this House, His Excellency the President is going to be visited by very many people with complaints. The IMF and the World Bank (WB) are going to come in. Let me make a differentiation. What Hon. Jude Njomo's Bill intends to do is not to control interest but rather interest regulation. This should be acceptable because if one bothers to read what happened in the United States of America in 2008, he or she will find out that the reason why they had the banking crisis is because they had very minor regulation. Banks left on their own will do all sorts of things. That is why when President Obama ascended to power, he strengthened the regulations, including interest regulation. We also have to do it. Many people have said that interest regulation or control, as they mistake it, will stifle the economy and make it not to grow.

Again, nowhere in the world do we have the so called perfect competition. It is always a mix of government and the private sector. In this case, the government steps in when something is going to hurt the citizens. In this particular case, the high interest rates hurt the citizens and it is important that the Government steps in and regulates it but not to control it.

The question as to whether the Government should come in or not should be pegged on three points. One, is the banking industry in this country free? Is it big enough? Is there free entry and exit? The answer is "No". There are few players and, therefore, they are able to sit down and form a cartel and hurt the people by raising interest rates.

Secondly, are our people knowledgeable on what is happening in the banking industry? Can they differentiate between who is charging more and who is charging less? The other day, the banks were being forced by the CBK to tell citizens how much they are charging. This is information that when a borrower or a consumer is armed with, he or she will be able to differentiate and go to the banks that charge lower. This is not possible in our country.

Another reason why interest rate should be regulated is that the Government has good intentions to create jobs and better the welfare of our youth. However, because of these high interest rates, jobs are not being created. The youth are not accessing cheap funds that they can plough into business that they get through procurement. For these reasons, it is important that the interest rates are regulated as proposed by Hon. Jude Njomo. We appeal to our President not to listen to the world players who are going to say that the Kenyan economy is going to be stifled if interest rates are capped. Let him look at what is best for Kenyans.

With those few remarks, I support.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Hon. Members, please join me in welcoming Mr. Peter Mang'ala, a resident of Kibwezi East Constituency, who is here to represent the people of Kibwezi on a petition. You are welcome.

I give the Floor to the Member for North Imenti.

**Hon. Dawood:** Thank you, Hon. Temporary Deputy Speaker. At the outset, I congratulate Hon. Jude Njomo. Sometimes, he has been called "Judy". I do not know if he needs to change his name. This issue of interest rates is very pertinent in this country.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Order, Hon. Member! We have to respect the name. The Member is called "Jude" and not "Judy".

**Hon. Dawood:** I understand, Hon. Temporary Deputy Speaker. It is not me. Many speakers have pronounced it wrongly. Maybe it is a slip of the tongue or it is a different name which nobody knows about.

While supporting this Bill, I want to say that it is very important for this country to come to this point of controlling interest rates. As a Departmental Committee on Finance, Planning and



Trade, we had a meeting last year with the IMF Chief Executive Officer (CEO), Christine Lagarde. At that time, I asked her the same question but they were not willing to answer. They said that we should leave the interest rates to be determined by the market. However, when the market is lopsided, we need to get hold of it and set it the way we want it to go. Press reports have shown that many people take loans. Yesterday's newspaper carried a story of a person who took a loan of Kshs5 million about 30 years ago. After 30 years, that loan of Kshs5 million has increased to Kshs150 million. If that is not exploitation of the highest order, what is it? We cannot have banks running over the depositors. We need to have a system where we can know what interests our deposits earn and at what interest rates they charge on loans. The blame should not just go to the banks. The problem is at the Central Bank of Kenya (CBK), which is supposed to inspect the financial institutions. When commercial banks run short of money and the CBK offers them money at very high rates, obviously, the commercial banks will lend that money to borrowers at higher interest rates. They will not lend the borrowers the money the loans they require.

About 10 to 15 years back when the Goldenberg scandal was unearthed, Treasury Bill rates went up to about 70 per cent. When that happened, no bank wanted to lend money to private businesses because it did not make sense to do so unless somebody was taking the money to do some illegal business. Nowhere in the world can you make profit margins of more than 70 per cent.

This Bill has come at the right time and I am sure the House will pass it. I hope that once we pass it, it will not go to the house on the hill and get rejected like what normally happens, and then we get a memorandum requesting us to cancel whatever we will have passed. We need to think about this soberly because banks are making abnormal profits. Profits are not bad, but we need responsible banking. In Germany at the moment, there are negative interest rates. People are paying banks to keep their money. In Kenya, we do not have mortgages. Only 25,000 people have applied for mortgages whereas there is a potential of having over 4 million applicants. With the high interest rate, we are not putting people on the ladder of acquiring housing.

With those few remarks, I support the Bill. I would like the President to stand with the poor entrepreneurs and business people in Kenya.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Member for Maragwa, Hon. Peter Mwangi.

**Hon. Mwangi:** Thank you, Hon. Temporary Deputy Speaker. I take this chance to thank Hon. Jude Njomo for coming up with this Bill to control the interest rates being levied by commercial banks. Although our economy is a free market, we cannot inhibit the economy of this country from growing the way it should. More than 60 per cent of our population are youth and women. This House passed a Bill which set aside 30 per cent of all Government tenders for that group. However, youth and women cannot do any business today because they do not have capital. Once they borrow money from banks, they cannot pay because Government institutions take so long to pay suppliers such that by the end of the day, they make losses.

I take this chance to urge the President to agree with this House. I was in this House in 2000, when Hon. Donde came up with a Bill to control interest rates. Many years down the line, we are still saying that we want to control bank interest rates. This shows we have seen the reason for controlling bank interest rates. This country should develop to the desired standards.

It is the will of all of us to create wealth for this nation, so that we can alleviate poverty. Kenyans have entrepreneurial skills and are innovative. They can repay bank loans if there is a

conducive environment to do business. We can create more jobs for this nation. We can make our economy grow more. The biggest problem is our banks, which have always been trying “to eat the grass eaters” just like the way Hon. Koigi wa Wamwere once said in this House. The meat eaters are not allowing the grass eaters to grow. It is now time for the meat eaters to allow the grass eaters to grow and develop this nation. As it was said, we make a body with three parts, namely, the head, the body and the tail. The most important part of the body is the middle centre, which can develop this country. It must therefore, be given a conducive environment to develop.

At the same time, I would like to urge the CBK Governor to appreciate that we do not have time to fill up forms when depositing money in our bank accounts. Our people do businesses. Some people make more than Kshs5 million daily. Do I have to fill forms every time I deposit Kshs1million in my bank account to say where I got it from? There are many ways of verifying how one has made the money. Even Members of Parliament sometimes carry more than Kshs1 million over the weekend when they attend *Harambees*. Why should you make people to keep answering questions which have no value? The CBK Governor should understand the economy of this country. We are beyond the 19<sup>th</sup> Century. He should understand the people and create a better environment for doing business in this country.

With those few remarks, I support the Bill.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Hon. Members, we are reminded that there was a Communication from the Speaker to the effect that you will not be able to participate in the proceedings of this House if you do not have your request card. Please, ensure that you get your cards. That is how you can catch the Speaker’s eye. I must appreciate the few of us who have made effort to get their cards even though some of them are faulty.

Let us listen to the Member for Igembe Central.

**Hon. Kubai Iringo:** Thank you, Hon. Temporary Deputy Speaker, for giving me this opportunity to contribute to this Bill.

Let me take the opportunity to congratulate the Member for bringing this Bill. When the Bill was brought earlier, it did not see the light of the day. I pray that this House agrees with me and many others who have spoken in the same language. It is high time we changed the banking trends in this country. We should try to save our young entrepreneurs and other businessmen from the onslaught of commercial banks. We should also caution banks that it does not look very healthy when they make billions of shillings in profit as businesses that are purported to give them business close down or record losses.

The Kenya Bankers’ Association comes up with tariffs and agrees to roll them out slowly. It becomes very difficult for one to move from one bank to another to get better service because bankers in this country operate like a cartel that chooses a certain path and sticks to it. It is time we, as legislators, tamed them and requested the CBK to become a real regulator of the banking sector and not just a regulator on paper.

We are not only talking of interest rates, but there are other charges. When a customer goes to borrow money from a bank, an agreement is drawn in a language that very few people can understand. You cannot understand the agreement unless you have done some commerce.

The layman just signs because at that point he is desperate for that money, but there are so many other underlying factors. I thank Hon. Jude, who has said that they should disclose all other charges which they might be charging in the course of servicing loans. At the end of the day, you are told that your interest rate is 20 per cent and you sign the document. However, you find that there are so many other charges and nobody is ready to explain them to you clearly and

how they come about. So, they need to disclose all the charges and put it in a language that is understandable to all borrowers.

Our banks think that they are making money, but they are chasing away investors from this country. Many people are shy to borrow because they do not know how they are going to repay the loans. Some people have been paying loans for the last 20 years and they might never finish them because of high interest rates. At the end of the day, the principal amount remains stagnant until it becomes a court case. People's properties are sold. Some die of high blood pressure or other ailments because of the strain on their businesses or families. High interest rates have brought about the mushrooming of shylocks and pyramid schemes that exploit our people because banks have become too hot to approach. The people go for the softer ones and end up being defrauded.

The idea of cautioning banks is not to micromanage them, but they have to be tamed to attract investors into our country. Those who borrow to invest will get returns, so that small businesses and industries can grow. As banks grow, they should be growing with their customers and not their customers dying and they are left afloat.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Let us have the Member for Mandera West, Hon. Mohamed Maalim.

**Hon. (Eng.) Mahamud:** Thank you, Hon. Temporary Deputy Speaker. Let me join my colleagues in congratulating Hon. Jude Njomo for bringing this Bill. In Kenya, the only enterprises that are making profits are banks. Year in, year out, banks declare huge profits and the rest of Kenyans are very poor. There is something wrong. Banks normally compete for customers, but when it comes to interest rates, they collude and ensure that interest rates are not controlled. If anybody wants to propose any change, they oppose it like what happened to the Donde Bill in 2000. Although the law was enacted, it cannot be implemented because of the numerous litigations that were put up by the banks. That is why nothing is happening.

For Kenya to develop, people must borrow from banks, so that they can develop and get involved in meaningful business. However, if interest rates are high, it is difficult for people to borrow money. Our Government also borrows from commercial banks and this creates a lot of demand for money. That is why interest rates are high. It is high time the Government stopped borrowing from commercial banks. In fact, the Government needs to cooperate with banks, so that funds like the Youth Enterprise Development Fund and the Uwezo Fund are channeled through banks and people can borrow from there instead of institutions using that money. The Government should limit its borrowing from pension funds like the National Social Security Fund (NSSF) instead of borrowing from commercial banks. Our interest rates and mortgage prices are very high. Paying back is a problem and that is why we have a lot of bad loans and people's properties are auctioned.

Apart from Safaricom, the people who make profits in this country are banks. Where do they get their money from? It is money of the people who are very poor. It is important that the Central Bank of Kenya (CBK) reins in these banks so that we have rates that are affordable to Kenyans. Our interest rates are almost the highest in the world. In many economies, interest rates are just one digit. Ours is very high and we as Parliamentarians and people's representatives must take the lead. In the last Parliament when Hon. Jakoyo Midiwo brought this Bill and an amendment similar to what Hon. Njomo is bringing, it was defeated because banks interfered with us. Members of Parliament shouted going left and right and that Bill just went underground.

As leaders, we must come out and stand by the people, so that whatever law is brought by our colleagues here is supported to safeguard the interests of our people.

Every year, banks report huge profits. Barclays Bank is relocating on claims that it is not making profits. In 2014, it made a profit of Kshs12.3billion before tax while Equity Bank made a profit of Kshs 18.1 billion. All this is money from the people. Everything to do with banks today is the charged. The other thing is the regulation by the CBK that whenever you make transactions in banks, you must explain.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Your time is over. We have five minutes by resolution of the House. It is now my pleasure to give the Floor to Hon. Jimmy Angwenyi, a senior Member of Parliament. You are blessed with height and voice. Please, use the Dispatch Box and you have five minutes.

**Hon. Angwenyi:** Thank you, Hon. Temporary Deputy Speaker for giving me a chance to contribute to this very important Bill. This Bill is important but we need to analyse it fully. What will be the consequences of this Bill being passed and implemented?

We are a liberalised market. Do we want to go back to the controlled market situation that we have experienced before? If we curb the interest rates, these are some of the consequences that will arise. One, we will create a fertile ground for shylocks to make money. Two, it will demand of us to make a law to implement exchange controls such that if you are travelling to Tanzania, Uganda or Europe, you will have to seek approval of CBK for you to access foreign exchange to travel. Three, some of the financial service providers in this country will have to relocate. On this, we can take the example of countries which have moved from Third World to First World. They have liberalised their financial markets fully. For example, Singapore, Malaysia and Brazil whose interest rates are not controlled and their financial services contribute enormously to their Gross Domestic Products (GDPs). The other example is Dubai which now makes from its financial services more money than the national Budget of Kenya.

I know we have a problem, but this is a problem we wanted to address two years ago when we allowed the Government to borrow from the external market instead of the domestic market. This was meant to allow funds to be available for SMEs and individual customers to develop their businesses. But we have not followed up. What was the impact of external borrowing at that time? Was our objective achieved? There is a problem because the Government borrows so much from the local market to the extent that there are no funds available for banks to lend cheaply to other small customers. Japan has a negative interest rate not because there are caps, but because they have too much money. Even if you want to deposit money in a bank in Japan, you pay interest to the bank. It is not because they have interest rate caps, but because their market is well regulated to the extent that there are funds available for anybody who wants to do business.

If we established partnerships between the Government and banks, funds such as Uwezo Fund, Youth Enterprise Development Fund and the Women Enterprise Fund could be given to specific banks working with the Government. That can reduce interest rates that our people pay. We will also recover money which has been advanced to our small-scale enterprises. The worst thing if we were subjected to exchange control is that we would not be able to move forward. Even Members of Parliament who make trips abroad would not make those trips without the approval of the CBK.

With those few remarks, I beg to oppose.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Hon. Rachel Amolo, the Member for Kakamega County.

**Hon. (Ms.) Amolo:** Thank you, Hon. Temporary Deputy Speaker. I stand to support this Bill brought by Hon. Jude Njomo. It has become a very costly business venture for ordinary Kenyan to continue banking. Kenyans who have taken mortgages are unable to repay the loans because interest rates keep going up. There are also many indirect costs. Sometimes you are not even given indication of who to address these issues to or somebody who can take you through what is happening and for how long it is going to take place. Many times you go to the bank and you are given a huge document in small prints which you are supposed to read in a very short time and then you are shown where to sign. The issue of repaying mortgage is affecting many Kenyans. At the end of it, those houses are repossessed by the same banks. People end up losing their lives or their savings and investments just because the rise in interest rates is not communicated to the *mwananchi* in good time, so that they can opt not to take mortgages any more.

The other thing is that banks make huge amounts of profits, but we do not get the services that we require because bank employees are very demotivated. They have no time to even explain to the customers what is happening. Yes, banks make huge amounts of profit, but the same banks' employees are not motivated. They are not paid well based on the huge profits. It means that the employees will not give information to Kenyans who seek services in the banks. So, banks should look at how they are taking care of Kenyans who work for them.

The other issue is about empowering the youth and women in this country. Every day, we sing about empowering women and the youth, but where are we sending them? Somebody has a contract or tender, but when they go to the banks, they cannot afford to take a loan because of the interest rates. Banks have to look at how to empower Kenyans, so that we can do business and build our economy.

Today, in Kakamega County, there is plenty of food, but there is no money in circulation. The two kilogramme maize flour is still going at Kshs60 and yet the *mwananchi* cannot afford to buy it because there is no money in circulation. Kenyans are not taking money to banks. Instead, they believe in putting money somewhere in the house. This is a big risk in terms of doing business and building our economy.

It is very important for us to cap interest rates. I have heard other Members opposing this Bill, but capping interest rates will be very important. Let there be clear rules that we can all follow and build our economy. Take for example the petroleum industry. We know that every 14<sup>th</sup> day of the month, the Energy Regulatory Commission (ERC) announces fuel prices, so that we are prepared. We should have a regulatory commission to look at interest rates in this country, so that at any given time, we know when interest rates will go down.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Hon. Grace Kiptui, the Member for Baringo.

**Hon. (Ms.) Kiptui:** Thank you, Hon. Temporary Deputy Speaker, for this opportunity. I stand to support the Motion by Hon. Jude.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Hon. Grace Kiptui, this is a Bill and not a Motion. Remember, Members, we are debating the Banking (Amendment) Bill (National Assembly Bill No.62 of 2015) by Hon. Jude Njomo. I hear his constituents call him Hon. Good Njomo.

**Hon. (Ms.) Kiptui:** Thank you, so much for that correction, Hon. Temporary Deputy Speaker. I stand to support the Bill for the following reasons. We work so hard as a nation and as leaders to improve the economy of our people and all the money is kept in banks. Having high interest rates is counterproductive to an extent that the middle-income earners, the people whom we rely on to push this economy ahead, are not making money. This month, the women of Kenya and the world over are celebrating the International Women's Day, whose theme is about gender parity. We can never dream of attaining gender parity in a situation where most women like *mama mboga* are struggling to do business. Many Government organisations lend money to women, but when they make profits from their businesses, they take it to banks. They are awarded tenders and yet when they go to the bank to borrow, the interest rates so high. Again, it is counter-productive.

As much as we are hoping that in the near future we will achieve gender parity, I do not think we are going to get it. For example, I have a friend who borrowed money from a bank to build a road after being awarded a tender under the 30 per cent preferential tender rule that favours women, youth and persons with disability. It was when President Obama was coming to Kenya and she was told to do the road quickly, so that by the time Obama came, it would be ready. She was promised to be paid immediately. You can imagine up to now, she has not been paid. There is a lot of delay. We encourage women to take Government contracts, but at the end of it, they suffer so much. The bank from which she borrowed the money is on her neck. Her machines are about to be auctioned because of that delay not forgetting the stress she is suffering with her family.

It is important that we put a capping or regulate this. We should not leave it to banks because they are in business. As long as they are making profits, they do not sympathise with the customers. In any case, they say that they have not broken the law. We usually come to this House to make laws. When we find that a law is oppressing the common *mwananchi*, it is our duty, as leaders, to bring it down. My rallying call to His Excellency the President is that he becomes one among many who will have sympathy for the common *mwananchi* and assent to this Bill. He should not reject it because by rejecting it, we will not be doing much to encourage our people to go into business.

The issue of money being kept under the mattress is very risky. We will be going into campaigns and when in the field, we will need some money which might not be accessible. One will have to go to the bank to explain where the money has come from as if it is stolen. One is treated like a thief who is already condemned before being heard.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): This is very wrong. Hon. Member for Kajiado Central, Hon. Memusi Elijah.

**Hon. Memusi:** Thank you, very much Hon. Temporary Deputy Speaker for giving me this opportunity to add to the voices of my colleagues in support of the Bill. I would like to congratulate my colleague, Hon. Jude Njomo, for bringing the Bill.

Kenyans have suffered in the hands of banks. High interest rates in this country have curtailed growth. Kenyans are hard working people, but they have nowhere to take their energies in terms of starting businesses. For this country to move forward and to curb the issue of unemployment among our youth, interest rates must come down. This is a country of immense opportunities. There are a lot of business opportunities. Foreign investors come to invest money that they obtain cheaply from outside and take advantage of these opportunities.

The Government's effort to avail cheap money to the youth and women has not been successful. The way forward is for this House to pass this Bill in order to make credit accessible to our people. The main role of the Government is to create an enabling environment for its citizens to work, provide security for businesses and not to give handouts. This is one way this Government can make an impact and leave a legacy. If we pass this Bill, all Kenyans will enjoy the benefits of accessing cheap credit. The other day, we saw the CBK publishing the most expensive banks in terms of credit and the cheapest. The most expensive bank among them was K-Rep Bank with an interest rate of 25 per cent. I do not know of any business in this country that can give you a return of 25 per cent. That is very high.

I have a lot of respect for Barclays Bank because I am a banker and I worked there, but the strategy it employed when it was enjoying monopoly in the country was making it very expensive for Kenyans to operate bank accounts. That strategy did not work well for them. Equity Bank came and targeted mass market. It made it cheap for Kenyans to bank and they succeeded. Banks can still make money if they target everybody. If everybody can access money to work for them, this country will move forward.

I rise to support this Bill and urge the Members to support it and make this country a country where anybody who has an idea or wants to work can access money.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): The Member for Muhoroni, Hon. Onyango Oyoo.

**Hon. Oyoo:** Thank you, very much, Hon. Temporary Deputy Speaker. I am happy that after a long wait in the queue, I am able to speak to this important Bill. From the outset, I want to take the opportunity to thank my good friend, the Member for Kiambaa, the most highly priced constituency for the Bill. The owner of this seat currently is a practical person because he is talking from experience. He inherited a very expensive constituency and he did not pay the price tag that his predecessors had paid. Therefore, this may have informed his interest in making sure that bank interest rates are lowered and are affordable to the citizens of this country.

This Bill intends to enhance business capacity of Kenyans. It is one that people who mean business and serious colleagues with the interest of their constituents at heart will not go against. I am only sorry that we are speaking to a Bill that had come to this House and was passed. What is the indecision? The problem with this Bill is that it is likely to transgress, speak ill or cut across the interest of some top leaders in this country. I remember when the retired President Moi was supposed to assent to it and for reasons many people do not know, he was not able to put pen to paper on it. People thought it was because of interference from external and internal forces. Truthfully, most of our leaders are businessmen. When you bring the interest rates down and they are bankers, it is going to interfere with their business interests. As much as some of the President's advisers could be bankers, we plead with them in the interest of the public majority, this Bill is coming at a very good time when the economy is not performing very well. Kenyans cannot get employment because the economy is not performing well. Life has become unbearable such that we are now encouraging young Kenyans to go into entrepreneurship. You cannot do business without access to a bank loan. Access to a bank loan would mean you are ready to afford the cutthroat interest rate that is charged today.

Our rulers must be very sensible. Those who were in positions of responsibility when Kenya attained Independence were serious nationalists. That is why President Jomo Kenyatta found it wise to buy the National and Grindlays Bank that later came to be the Kenya Commercial Bank (KCB). He later acquired other banks that now form the National Bank of

Kenya. Because of craving for wealth, those who were given responsibilities to run these banks made them fully-fledged commercial banks. The purpose of acquiring these banks was to give foreign banks competition. If KCB had been properly run, with the consideration of people's interests at heart, they would have brought the interest rates down, so that many customers who were going to Barclays Bank would have flocked to KCB. But over time, the chief executives of KCB also found it appropriate to follow the trend of Barclays Bank and Standard Chartered Bank. This has not given Kenyans breathing space.

I appeal to my colleagues to pass this Bill. I also appeal to the rulers sitting in the house on the hill to ensure that they put ink to paper on this Bill, so that Kenyans can have a regulated banking industry. Interest rates should be lowered, so that business can be done. Nobody can do business at 25 per cent interest, unless some people will be allowed to engage in heroin business because that is the only business that can give you 50 per cent of your proceeds or more and then you can service your loans. Currently, we have a gagging order from the CBK. If you are a holder of an account from a prestigious bank, you must have received advice that CBK now puts a cap on your deposit.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Your time is over. Let us have the Member for Baringo South, Hon. Grace Kipchoim. You are next on my request list.

**Hon. (Ms.) Kipchoim:** Thank you, Hon. Temporary Deputy Speaker for giving me this golden opportunity. I first want to thank my good friend, Hon. Jude Njomo, the Member for Kiambaa, for doing this noble thing on behalf of Kenyans.

Kenyans are going through hard times especially when it comes to finances.

*(Loud consultations)*

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Hon. Member for Muhoroni, we listened to you while you made a very good contribution. Please, allow other Members to be heard in silence.

**Hon. (Ms.) Kipchoim:** Thank you, Hon. Temporary Deputy Speaker for protecting me from the good Member for Muhoroni.

In our constituencies, women and youth are going through difficult times when it comes to getting loans from banks. The banks have made it impossible for them to get any money. With the high interest rates that they are charged, they are unable to do any business especially in the rural areas.

The rate at which banks are charging is expensive and too high for the people. We now have the rainy season and farmers want to prepare their farms. They cannot do anything because they rely on loans from SACCOs, Equity Bank and the Kenya Women Finance Trust (KWFT). Women are already losing their chicken and *sufurias* because of problems from banks. The noble thing that this House can do is protect our people from exploitation from banks. If we stop these banks from levying high interest rates on farmers and loanees, we will help the farmers who are the backbone of the society. We rely on small businesses to support the economy of this country.

I support the Bill.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Representative of the people of Shinyalu Constituency, Hon. Silverse Anami.

**Hon. Member:** He is not in.



**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Then his chance is gone. Member for Marakwet East, Hon. David Kangogo.

**Hon. Bowen:** Thank you, Hon. Temporary Deputy Speaker. I stand to support this Bill. Hon. Jude Njomo is a Member of Kiambu Constituency not Kiambaa.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): He is the Hon. Member representing the people of Kiambu not Kiambaa.

**Hon. Bowen:** I heard two Members refer to him as Member for Kiambaa.

Hon. Temporary Deputy Speaker, regulating interest rates is important for the small business community in our country. Many people have suffered and have even had their property sold because of the high interest rates. Suppliers have gone to banks with Local Service Order (LSO) and Local Purchase Order (LPO) to get financing facilities. After giving out collateral, you borrow the loan at an interest rate of 10 per cent, but after 10 days, it shoots to 25 per cent. The collateral given to the bank might be your land, cow or sheep. An increase of 15 per cent is a lot. You have an LPO or LSO from the Government, which takes a whole year to pay you. The interest rate goes up and the only cow or sheep you have is taken by the bank to sell because you cannot service the loan. We have a role as Members of Parliament to make laws which manage businesses or create a conducive environment for investors in Kenya.

I would like to thank the Member for coming up with this Bill. Recently, the CBK published interest rates charged by the various banks in the country. It was surprising to see banks that were charging up to 28 per cent. This is very serious.

Recently, the CBK came up with a new regulation that you cannot withdraw or deposit Kshs1million without an explanation. Again, there is a new regulation from the CBK that if you are withdrawing or depositing Kshs1million, you have to explain where you got it from and how you want to spend it. That is a very unnecessary regulation. Even if it is meant to curb money laundering, it should not be that case. I am a farmer. I have so many cows on my farm. When I sell 50 cows, I can get Kshs1 million. Do you want me to tell you that I sold my cows and I want to spend some of the money on schools fees for my children? That is unnecessary. We have an institution called the Banking Fraud Unit. What is their work? The work is to investigate where this money is coming from and where it is going.

Apart from that, we have seen foreigners obtaining money from countries that charge low interest rates and coming to Kenya. They invest at 25 per cent and make money. Kenyans are exploited. If we pass this Bill, it is going to help many Kenyans especially business persons. It is going to help the youth and women in the rural areas to access cheap credit.

I support.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): The representative of the people of Rangwe, Hon. George Ogalo.

**Hon. Ogalo:** Thank you, Hon. Temporary Deputy Speaker. I want to refer to what Hon. Jude Njomo said when he was moving this Bill. If you have an economy in which 70 per cent of the top earning firms are banks, you have a shark economy. The banks just shift money from a depositor to a borrower. How can they make more money than the people who produce? These are people who farm, manufacture and offer services.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Are you objecting or you are trying to inform him?

**Hon. Ogalo.** I am just referring to his remarks. I totally agree with Hon. Jude Njomo. If we have an economy where banks are in a hurry to lower the interest rate they pay on depositors' funds

and are in a hurry to raise the interest rates they charge on loans, then we have an economy being sabotaged.

I hear bankers argue that the reason we have high interest rates in Kenya and not in developed countries is that the rate of default or the risk in loaning money in Kenya is higher. I wonder whether it is high interest rates which cause default or the culture of Kenyans to default. Who would fail to pay a loan at an interest rate of 3 per cent? I heard the Hon. Commissioner indicating here that in Japan, there is negative interest rate. What stops a Kenyan bank from going to borrow that negative interest rate loan to come and lend Kenyans at five per cent? If you want to support the economy, banks should go out of their way to facilitate trade and commerce by offering cheap loans to spur growth.

The biggest impediment of business and entrepreneurship in Kenya is the high interest rate and the high tax that we pay. Which business will make more than 30 per cent return on investment? You borrow money to trade, make 30 per cent and the bank claims 24 per cent. What is the business of being in that business? Are you in the business of making money for the bank or you are in the business of growing your own portfolio?

Hon. Jude Njomo should even go further. I would advise that we tighten the decision-making on the base lending rate because we can be sabotaged again after passing this Bill. The CBK can decide to sabotage lawmakers by putting a base lending rate that still makes interest rates be out of reach of Kenyans. In supporting this Bill, we should go further. In fact, Jude Njomo, as the Mover, could even bring further amendment to tighten the decision-making around it. The CBK should set the base lending rate that is commensurate to the economy. You cannot tell me that when the Government borrows money through bonds at 21 per cent, banks are at 29 per cent. When they come back to 9 per cent, the banks refuse to come down with them and stay at 18 per cent. Why? The banks are in the business of crippling Kenyan businesses. I support this Bill now and when it comes for the Third Reading.

I support.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Thank you, Hon. Member, for your further amendments. I know the Mover is in the House and I am sure they will be considered in the process of lawmaking.

Hon. Member for Mukurweini, Kabando wa Kabando.

**Hon. Kabando wa Kabando:** Thank you, Hon. Temporary Deputy Speaker. This matter of controlling interest rates has occupied successive Parliaments. As I rise to laud Hon. Jude Njomo for initiating this Bill and the ones of previous speakers, variously, it will help to spur business enterprises, trade and commerce.

I rise at this very early stage to sound my scepticism as to whether there will be an endorsement. Being a free economy does not mean letting the country go the shylocks way because of closing in on the commercial and financial sectors. Nevertheless, it is also a fact that we have let the banking sector run amok in many instances. Who does not remember that just the other day before the indigenous banks were revived under the NARC administration in around 2003, 2004 and 2005, we went begging and kneeling to even open accounts?

Personally, I remember leaving this country for only two-and-a-half years to study outside and leaving a multinational bank here in Nairobi with my Kshs14,000. When I returned, I could only access below Kshs5,000, meaning that I was punished for leaving this international bank with my Kshs14,000. It earned nothing. We are being punished. We should not forget that 10 years ago, we were being punished for keeping money in commercial banks in this country.

Thanks to Hon. Mwai Kibaki and his nascent administration then in 2003, banks started walking to barber shops. They started talking to hawkers and went to villages. Now, if you go to every village in Kenya, you will find an agent of a bank. Therefore, we have liberalised the banking sector in a very big way.

I remember I brought an amendment here which was seconded by the Member of Balambala, Aden Abdikadir, to amend the CBK law in order to allow for lower denominated transactions in Treasury Bills. I remember, Hon. Temporary Deputy Speaker, you were on the Chair that day. You lauded the contributors of that Motion and said that they had researched very well. Indeed, we had, as a team. That amendment was rejected by the President on the promise that within a few weeks in July 2015, an M-Akiba would be launched. It is now almost a year and we only had merry go rounds around the Treasury and the State Law Office.

This country needs to be liberated from mandarins and sharks who are suffocating the bureaucracy and who are also sabotaging legislative initiatives. That said, I have even spoken to the President about this and I even posted about this particular matter last Wednesday, but one. Subsequently, I spoke to the Executive including the CEO of the country that we need to have bold initiatives. Today, as a Member of Parliament, even though I am very sceptical as to whether this law will be assented to, and although we also need to promote a free economy, free enterprise and competition, we do not want to close, so that people go to sharks and shylocks to start lending them because they have been closed from the formal financial sector. At the same time, we need to appreciate that banks are selling people's properties. I have been speaking to various senior people in this country in the banking sector and banks are selling properties because people are unable to service their loans. Therefore, actions need to be taken.

Last but not least, the greatest interest rates in this country are on corruption. We are being escapist and trying to go soft. We are now turning our institutions into a shame because it is very expensive to do business and even procurement in Government departments. This is because of a few people who are exploiting the bureaucracy and suffocating the entrepreneurship capacities of the indigenous communities in Kenya.

I carefully and cautiously support this amendment, but with timidity because I am very pessimistic.

**Hon. F.K. Wanyonyi:** On a point of clarification.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): He has already finished his contribution. Let me hear the Member for Kwanza. Is it a point of order or a point of information? It is a point of clarification. Although he has already finished his contribution, let me hear what you want to say.

**Hon. F.K. Wanyonyi:** Hon. Temporary Deputy Speaker, I want my good brother to explain to this House if we are debating this Bill in vain given the fact that he has said it is going to be blocked at one stage. Can he clarify that point because then we are wasting our time?

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Hon. Member, you do not need to clarify. You have already finished your contribution. You cannot debate twice. Hon. Members, please, follow your rules and procedures. Your time is over. Your intervention should have come when the Member was debating. Of course, the Mover of the Bill is here to listen. We are going on with the Second Reading. The Committee Stage is there for us. We do not debate in vain. We are here as law makers to make laws and represent our people.

I give the Floor to the Member for Nambale, Hon. Sakwa Bunyasi. Hon. Members, there was a Communication by the substantive Speaker to the effect of making sure that you have your cards. Otherwise, you may not be able to contribute.

**Hon. Bunyasi:** Thank you, Hon. Temporary Deputy Speaker. I woke up on the wrong side of the bed and forgot my wallet at home with the card in it.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): You woke up from the wrong side of your bed.

**Hon. Bunyasi:** Yes, I left my wallet on the other side.

This is an extremely important Bill that raises very important issues. However, I think it is not providing the correct solution to the problem. From the outset, I do not support the amendment in this form, but I will say positive things that I know the Bill has helped to raise.

First, it is raising focus on the fact that there is difficulty in accessing credit. There are issues of affordability of credit. The growth sectors are going to be starved of the capital they need to grow. Therefore, our objective to create employment may not be realised because nobody is paying sufficient attention to this. It is important for the Executive and for the banking sector to know this.

The second part that is very important in this Bill is that it is telling the banking sector that Kenyans are extremely frustrated by the fact that the banks seem to be only interested in profit maximisation and that they may not be worrying about the development objective. This Bill is extremely important for that second objective. I hope the banking sector will pay due attention to this.

Thirdly, it is also telling the Government that it is not putting enough instruments in place that will target the growth sectors that we are talking about. There were days when we had a large number of special purpose vehicles and special purpose loans that would be targeted to the Small and Medium Enterprises. These have now vanished. They should be brought back. They have their own baggage that they bring along that distorts the market a bit, but we still need to be serious about this.

Fourthly, there are countries that have used this kind of a project extensively in the phase in which they were struggling to become relatively competitive. A country like India, for example, has significant controls that are targeted to the performance of the Rio sectors. These are sectors of the economy that produce goods and services. There are implications for these kinds of amendments. One of the implications is that when you tighten, and the Members have mentioned issues of shylocks, the space for banks in lending the shilling, they will lend in other currencies. It will begin to flow over into the FOREX exchange markets. There are major implications there. We should not necessarily shy away, but we should be conscious that the implications are far reaching and will need to be considered. That may be one reason why my colleague from Mukurweini is concerned about the ultimate possibility that we may not get an assent on this Bill. But that is not the issue because we do not worry and anticipate what the Presidential decision will be.

We should also look at the way commercial banks have behaved over the years. We have talked about the larger international banks cutting out the small savers and borrowers. In any economy, there are usually more savers than borrowers. So that even access to safe savings through institutions was not available to these banks. I want to mention without any fear of contradiction that it was the entry of the Equity Bank that pushed these banks back on the street and the villages that the Member was talking about, to reach out to the section that they thought

was unbanked. Grameen Bank has demonstrated they can make huge profits even by reaching these people. The lower savers that we think are going to be cut out may have even bigger problem of access to safe savings and affordable credit.

In conclusion, let us remember that for as long as we have issues in our land markets, for example, where we cannot rely on the Land Registry and where many borrowers who can go to the bank had refused to pay their loans, we are raising transactions costs and making it difficult for banks to lower the interest rate that we are talking about. We have to deal with those attendant markets and collateral market that will help create confidence for these key institutions to service the industry.

I reluctantly will not go along with this Bill because I feel there are issues which need to be sorted out. I hope the message is across to the Government and the banking sector that they should deal with the issues that are outstanding, so that we can reach the people.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Member for Nyandarua.

**Hon. (Ms.) Muhia:** Thank you very much, Hon. Temporary Deputy Speaker. It would have been a toll order for me to have this Bill without commenting because as a banker by profession, I have so much to say although the time is limited.

I aggressively support this Bill unlike my colleague from Mukurweini because it is so obvious ours is a developing country. With no job opportunities, our youths or affirmative persons groups have remained very desperate. The only alternative they have is to start businesses yet the banking sector has made it impossible to give an enabling business environment.

The defaulters' rate has increased. You will realise that most people who appear at the Credit Reference Bureau (CRB), are our youths. This is a bombshell in waiting. Graduates lack jobs, they get loans which they are unable to replay because of unrealistic interest rates and they end up in the CRB list. They get jobs in the Government or in any Ministry and when they want to clear their names, it is not possible. They get very frustrated. I tend to think that this could also result to our youths turning to radicalisation that causes insecurity.

It cannot go unnoticed that families have suffered. Domestic violence has increased in our society today. This is as a result of a wife getting a loan, failing to replay and bank goes for whatever the family has. Husband gets angry that there is domestic violence. On the other hand, the husband gets a loan, he is unable to replay and as a result, the family losses its property. This has increased cases of domestic family. We all know that businesses have suffered particularly the middlemen.

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Hon. Wanjiku Muhia, you have a balance of three minutes and you will have first priority to debate in the next sitting at the most appropriate time as placed by the House Business Committee.

## ADJOURNMENT

**The Temporary Deputy Speaker** (Hon. (Ms.) Mbalu): Hon. Members, it is time to interrupt the business of the day. The time being 1.00 p.m, this House stands adjourned until this afternoon at 2.30 p.m.

The House rose at 1.00 p.m.

