

Strategic Plan for Family Bank Limited, Kenya

Prof. Peter Kamau

Family Bank Limited, Kenya

Corresponding author's e-mail: jharper@edithcowanjournals.org

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ABSTRACT

Purpose: Family Bank Limited, established in 1984 as Family Finance Building Society, has evolved into a leading bank serving the mass market in Kenya. It caters to diverse clientele including SMEs, artisans, farmers, educators, government employees, NGOs, and private organizations. With over 1.8 million customers, the bank focuses on technology-driven savings options and affordable loans for various needs, from working capital to education and medical expenses.

Findings: Family Bank's journey began with a single branch, but it has now expanded to 92 branches across the country. The bank's commitment to innovation is evident in its introduction of paperless banking using smart-card technology, allowing deposits without paperwork. It also pioneered offering loans for purposes like school fees and food expenses. The bank's financial success is reflected in its consistent profitability and growth. In 2013, it achieved a significant milestone by surpassing the one-billion-shilling mark in pre-tax profit. This growth has been driven by lending, deposit expansion, and an increasing customer base. One of Family Bank's strengths lies in its strategic partnerships, which have enabled it to tap into diverse sectors of the economy. It partners with organizations like water.org to provide financial solutions for water service providers and supports the health sector through partnerships with medical associations. However, like all institutions, Family Bank faces challenges. The COVID-19 pandemic has brought about unprecedented economic disruptions globally. Despite this, the bank has demonstrated resilience and adaptability. It waived charges for balance inquiries and money transfers, offered loan relief, and extended its digital services to ensure safe and convenient transactions.

Family Bank's strategy for the future revolves around sustainability, responsible banking, and contributing to Kenya's economic development. It has set ambitious goals to enhance customer-centric services, invest in people and technology, achieve operational excellence, and drive a differentiated customer experience. Through these efforts, the bank aims to continue its positive impact on people's lives and contribute to the nation's growth.

Contribution to policy and practice: Family Bank Limited has evolved from its inception to become a significant player in Kenya's banking sector. Its focus on innovation, customer-centric services, and strategic partnerships has enabled it to thrive even in challenging times. With a clear vision, mission, and commitment to sustainability, the bank is well-positioned to contribute to both its customers and the nation's development in the years ahead.

Introduction

Family Bank Limited Description

Family bank was founded in 1984 as Family Finance Building Society with the aim of meeting the requirements of the progressive banks' mass market. This market category consists thousands of SMEs, Jua Kali craftsmen, tea, coffee, dairy, grain, fish and sugar farms, school teachers, junior government employees, parastatal NGOs and even private organisms¹. To date, the bank has over 1.8M customers which makes it one of the largest banks serving the mass market in all parts of the country. Family bank is the financial intermediary, providing superior technology-driven savings facilities as well as affordable loans of all sizes for all kinds of needs, from working capital to school, medical fees and even food. Before the bank started this, no mainstream bank would have thought of giving a loan for school fees or food. Family Bank is well-capitalized, profitable, liquid and financially sound. As the bank grows, it intends to invite more members of the public to become shareholders².

In May 2007, Family Bank became a fully operating commercial institution under the Companies Act 2015. The Entity is also regularly reviewed through CAMEL evaluations that check Capital adequacy, Asset quality, Management, Earnings, and Liquidity and is supervised by the Central Bank of Kenya. The bank is a member of the Deposit Protection Fund (DPF), which assures that deposits are safe for borrowers. In 1985, the Bank expanded from just one branch and now has a national network of 92 branches. Kenya Bank was the first to offer paperless banking with smart-card technology that allowed for consumer deposits without having to complete a deposit or withdrawals.

In 2013 – the Bank hit the one Billion Shilling mark for the first time– more than doubling its pre-tax profit by 108 per cent growth to 1.78b (Family Bank Limited, Kenya, 2013). In 2015, the Bank raked in Ksh 2.9 b up from Ksh 2.62 b over a similar period in 2014 buoyed by increased lending, aggressive deposits growth and growth in the customer base (Family Bank Limited, Kenya, 2016). The Bank has significantly expanded its balance sheet over the past few years with the loan book, assets showing a tremendous growth trajectory. The bank has over 1.7M customers with a growing balance sheet and deposit base (Family Bank Limited, Kenya, 2019).

The Bank has received numerous awards including the Fastest Growing Bank based on Financials in 2015, Best Bank in Micro-Finance, 1st Runner-up in the Think Business Magazine Awards in 2013 & 2014 and recognized as the Best Farmers Bank in Kiambu and Laikipia counties. The bank emerged as the 2nd best financial services provider in Kitui County during the Kitui Agricultural Trade Fair. The bank was also recognized by VISA International for having the ‘Best VISA Marketing/VISA Brand Awareness’ Campaign with the catchy tagline – “The way to pay every day” – for its EMV Visa Card (Family Bank Limited, Kenya, 2019).

The bank is leveraging on the successful adoption of the universal banking model. The model aims at gradually positioning the Bank as a one-stop-shop providing retail & consumer products, SME,

¹Family Bank Limited, Kenya. (2019, October 16). *Company Profile*. <https://familybank.co.ke/company-profile/>

²Family Bank Limited, Kenya. (2019, October 16). *Company Profile*. <https://familybank.co.ke/company-profile/>

agribusiness, corporate banking and Trade Finance and insurance products. The bank is also leveraging the devolved system to romp in more customers. The expansion is in line with the county banking roadmap aimed at optimizing the devolved governance structure³.

Mission, Vision, Core Values and Company's Tagline

Vision

To be the financial institution that leads to the positive transformation of people's lives in Africa.

Mission

Family Bank positively transform people's lives by providing quality financial services through innovative, efficient and reputable practices

Purpose

To enable people, create and sustain wealth through access to flexible, affordable financial services.

Core Values

- i. Winning Together – Within ourselves and with our customers, we work together and we win together
- ii. Self-Belief – in ourselves and our customers' ability to change the world
- iii. Transparency – our customers will trust and reward us for it
- iv. Humility – it's not about us, it's about our customers

Company's Tagline

Family Bank's positioning is best captured in its tagline and expresses the promise to its customers in the simplest way

Strategic/Company analysis (SWOT Analysis)

Strengths

Growing the Bank's Outreach

The Bank continues to strengthen its universal banking business model in line with its five-year growth strategy, aimed at propelling us into a Tier 1 bank in the next few years. This will be attained through a well-coordinated effort of expansion and continued operational efficiency.

³Family Bank Limited, Kenya. (2019, October 16). *Company Profile*. <https://familybank.co.ke/company-profile/>

Financial Innovations and Digitization

To increase the quality of its goods and reduce operating costs, the bank has invested primarily in financial development which makes use of technology as a competitive instrument to strengthen its ability to offer services and products effectively. The Bank, which is currently fitted with 146 ATMs and is also a part of the 1150 and the 65 ATM system of Kentswitch and PesaPoint. The Bank has started to extend its Pesa Pap agents and customer automation systems to enable consumers to access its services 24/7 in an effort to offer outstanding customer support over and above regular work hours. The number of transactions for your company has grown enormously (Family Bank Limited, Kenya, 2019).

Agency banking continues highest of the bank's agenda as a core driver of client numbers and increasing non-funded revenue paths. Presently, the bank has 2178 participating Agents in the industry servicing clients. With more than 3000 agents, the Bank projects closing the year. The main advantage of alternative business channels, especially for their clients, is their cost efficiency, increased access, longer access time and convenience. The bank remains dedicated to these cooperation projects in order to sustainably develop its commercial lines and further strengthen its Universal banking model (Family Bank Limited, Kenya, 2019).

PesaPap wallet as a virtual account was introduced to allow customers to access full banking services on their mobile phone. With the new PesaPap wallet, one can save, take a mobile loan, pay bills, purchase airtime and transfer funds. Besides, the bank introduced a salary advance feature on their mobile application, PesaPap, to enable salaried customers to access salary advance facility through their mobile phones fast, hassle-free and without rigorous documentation.

Independence of the External (*PriceWaterhouseCoopers*) and internal Auditors

according to the Central Bank of Kenya legal standards, the Board of Audit Committee composed only of non-executive Board members who are separate from the day-to-day control of the activities of the Company. The Committee oversees the organization's professional and ethical practices as well as the implementation of ethical principles and requirements, such as the efficiency of processes to process and report grievances, and the evaluation of all associated transactions within the bank. The Committee shall review and authorize, at the start of each year, the risk based annual report for the Internal Audit. Besides, the Committee frequently hold sessions with PriceWaterhouseCoopers (PWC) to receive the auditor's Statutory Audit Plan as well as the independent report with regards to assurance on the Group's financial statements.

Weaknesses

Hugh Risk Appetite

The bank's Risk Appetite Policy, approved by the Board of Directors, sets out specific constraints that define the aggregate level of risk that the Company is willing to accept. The Company's risk appetite seeks to balance the various needs, expectations, risk and reward perspectives and investment horizons of key stakeholders. In particular, its risk appetite supports the pursuit of shareholder value while ensuring that all the stakeholders' interests are looked after.

However, assurance is guaranteed via the risk department, internal audit, compliance and enforcement teams, external audits and Central Bank Audit, Capital Markets Authority and Nairobi Securities Exchange reviews. Likewise, given the COVID-19 prevalence, the bank invested in the identification of high-risk business units which include: Cash Unit, Security (Guards in branches, ATMs and Head Office), Teller, Customer Service Staff, Relationship Managers/Officers and DMAs and ensuring they are well kitted to avoid infections.

Opportunities

Digitization of operations

Cashless payment has significantly been an opportunity for the bank to maintain its profitability amidst COVID-19. The bank has, therefore, encouraged the use of technological alternatives through the use of electronic approvals (such as PesaPap wallet) and avoidance of physical meetings and printed documents.

Branch Expansion and Alternative Business Channels (ABC)

The Bank rolled out 9 additional branches to its network in the year 2014 to close with 80 branches. Besides, the bank is expanding to the counties that it has not yet represented to position its business in the devolved government structures and simultaneously broaden its customer base (Family Bank Limited, Kenya, 2014).

Competent Staff and Consistent Training

The success of the Bank is made possible through 1200 staff and a management team committed to taking the bank to Tier 1. The organizational structure in 2019 was reviewed to ensure it supported its strategy and also created a clear career path for the staff across the bank. At the Executive committee level, the bank made certain changes and created new roles such as Public sector, Institutions, Transactional Banking, Digital Financial Services as a standalone function and also introduced a Customer Experience function for the Bank. This served to give the bank strategic focus on these critical areas, as a result, the bank has reaped the benefits and seen its customers appreciate the output.

Employment Performance-based promotions

The Board approved a competitive bonus programme which rewards the staff for meeting and exceeding their Key Performance Indicators for the year. This motivated the teams to meet and almost double the performance targets for the year. Across the Group in 2019, the bank had 321 staff of different grades promoted after demonstrating its capacity to handle greater responsibility and the desire to drive the Group's strategy.

Talent Management and Diversity

Staffs are the bank's greatest asset and key stakeholder. The Bank has employed a total of 1,153 employees, 52 per cent male and 48 per cent female. 380 employees are below 30 years. 656 employees are between 31-40 years with only 110 employees are above 41 years and has 21 interns. The Board of Directors comprises seven (7) directors of which two (2) are female. The Banks senior management comprises eight (12) of which two (2) are female. Remuneration is

based on performance except for new hires whose salary depends on their entry grade. The Bank runs a comprehensive training scheme with three (3) days as the average number of training days per employee. Further, Occupational Safety and Health Audits (OSHA) are conducted annually at all facilities and reports filed with relevant authorities. Recommendations are acted on through a continuous improvement process

Corporate Banking, Institutional Banking and Strategic Partnerships

In 2014, Family Bank entered into a partnership with Stima Sacco Society and Kingdom Sacco to act as their agent whereby customers can deposit and withdraw cash through the bank's branches. Also, they can clear their cheques through the Bank further enhancing this relationship (Family Bank Limited, Kenya, 2014).

The Bank continued to optimize strategic partnerships to support its business growth. Corporate banking and Institutional business have gained momentum and in the last couple of years, the bank has been able to bag a sizeable number of large corporate clients across the entire country. The Bank continues to focus on all the key sectors of the economy as detailed in vision 2030 and build more strategic partnerships.

By 2019, the bank had partnered with MajiPlus–water.org, a global player in the water sector to provide a tailor-made financial solution dubbed MajiPlus that seeks to provide flexible financial solutions to individuals, microbusinesses, SMEs and Water Service Providers (WSPs) such as county water companies and Water, Sanitation and Hygiene (WASH) service providers. The Bank has further enhanced its business relationships with the Government and quasi-government organizations as well as driven a full-blown marketing strategy for the County Governments. To provide and optimize on the Visa platform and open the bank to transactions on any Visa-branded pay points the bank partnered with the Paynet Group (Family Bank Limited, Kenya, 2019).

Family Bank Business Club – Business Club continues to empower SME customers for growth through its annual business mentorship trips. In June 2019, Business Club organized its annual business exposure trip to Greece, Italy and France and also organized various business seminars. Kenya Medical Association (KMA) Symposium Partnership – Investment in the health sector is critical towards the attainment of universal healthcare. In July 2019, the bank participated in the KMA Symposium that brought together over 200 doctors running healthcare businesses and other health entrepreneurs in the health industry. The bank had a speaking opportunity where the bank offered its health sector proposition and how the bank can support investments and expansion of the sector through access to capital (Family Bank Limited, Kenya, 2019).

Threats

The COVID-19 pandemic

The COVID-19 pandemic poses a major threat to the Bank, country, and the world at large. It carries a threat of a worldwide economic decline with the International Monetary Fund revising its global growth projections to below the 2.9 per cent achieved in 2019 from an initial projection of 3.3 per cent to -3.0 per cent. Cautiously, the IMF also projects that if the pandemic fades in the second half of 2020 and if policy actions taken around the world are effective in preventing

widespread bankruptcies, extended job losses, and system-wide financial strains, global growth in 2021 could rebound to 5.8%. In Kenya, the bank anticipates that the actions taken by the Government to contain the spread of COVID-19 and to save lives will result in disruptions of economic activities in its region and will have a far-reaching impact on private sector performance and the social well-being of its people.

Strategy Environmental analysis

The bank continues to sensitize its customers through educational campaigns through SMS, in-branch and on social media on staying safe and how to transact safely on its digital platforms. Its digital banking continues to be an efficient engine for all of its customers' transactions. The bank waived all charges for balance inquiries and money transfers between account and mobile money wallets. It also provided relief and extension on personal and SME loans at During this pandemic, the Bank offered relief and extension of loans to customers at no extra cost to cushion its customers from the adverse effects of this pandemic. During the Pandemic, Family Bank has restructured loans worth Kshs. 15Billion. It has also waived all charges for balance inquiries and money transfers between account and mobile money wallets at no cost of extension or restructuring to its customers.

The bank also recognizes that the COVID-19 pandemic has resulted in difficult operating environments. As a result, as part of the bank's strategy to build a sustainable business, the Bank continues to work with the County Governments to assist vulnerable groups affected by the pandemic. So far, the bank has contributed KES 12.55 Million as in-kind support in the form of ICU beds, ventilators, personal protective equipment, face masks, foodstuffs, among others.

To ensure sustainable business operations, during the covid-19 pandemic, the bank has put in place a robust business continuity plan (BCP) aimed at driving operational efficiency and sustaining both staff and customers' health and safety across its branches.

Strategy Formulation to guide the organization

Goals and Objectives

As a key player within the industry, Family Bank has a sustainability objective that revolves around three key pillars:

- **Building a sustainable banking business**

This is in line with the UN Sustainable Development Goals (SDGs) and the UNEP Finance Initiative (whose principles are for Responsible Banking 2018) which drive ambition and challenge banks to continuously increase their contribution towards a sustainable future, creating value for both society and shareholders, and helpbanks build trust with investors, customers, employees and society.

Therefore, the bank is keen on delivering on its brand promise of *with you for life* as it is captured/embedded in the bank's core values centered around transparency, humility, winning together and self-belief; to build a firm fit for the 21st Century. Sustainability rides along the

pride of the bank relying on its customer-tailored products which drive efficiency. In addition, the new and improved online and mobile banking system is an assurance to the bank of a good and sustainable customer base. The bank also believes in empowering the MSMEs, to aid in poverty eradication and create more jobs for the customer base.

- **Contributing positively to Kenya's economy**

This is the bank's corporate call to national duty and it is keen to honour and fulfil this promise to the nation. A complete journey for the customer lifecycle requires a committed banking partner. The bank seeks to be among the committed entities to help ride along the Government's Big 4 Agenda.

- **Investing in the community**

The bank likewise, prides in empowering the community in which operate. They do so by empowering families and the core unit of any society, through sustainable community investment programs that resonate with them. This is achieved and guided by the following key objectives:

- Education
- Nurturing sports talent
- Water and Sanitation
- Afforestation to combat climate change

2020-2024 Action plan

The bank launched a 2020 – 2024 plan dubbed *take-off* that is aligned to 13 of the 17 United Nations Sustainable Development Goals (SDG). The year 2020 marked the first year of the implementation of the strategic plan which is anchored on the following three drivers:

- i. Creation of a customer-centric Bank driven by unique customer profiling and an unmatched value offering that goes beyond banking services;
- ii. Unmatched capability in people, technology and infrastructure through building a high-performance customer-oriented culture and creating an agile rationalized structure anchored on the right skills and capabilities;

- iii. Achieve operational excellence by improving systems reliability, increasing internal efficiencies, speed of service and offering customized solutions to tap into the ecosystem and the value chain.
- iv. Drawing from the challenges of COVI-19, the bank remains focused on driving a differentiated customer experience driven by a deeper understanding of its customers, continuous innovation driven by its customer needs, automation and digitization of its processes and building a differentiated employee experience with high performance and customer-oriented culture anchored on simplicity, responsiveness, personalized service and accessibility of its solutions.

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