

LEADERSHIP: FINANCE



Branches of Equity Bank are in small towns throughout Kenya such as Naivasha, above, and below, in larger population centers including Nakuru. Photos SJ Dodgson.



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Equity Bank's James Mwangi

Equity Bank began in 1984 as the Equity Building Society. The Building Society was started by Mr Peter Munga in Kiriaini, as small town in Muranga District in Central Province of Kenya. Mr Munga remains the Chairman of the Board of Equity Bank. The Equity Building Society was first established and registered on 10 Oct 1984 under the Building Societies Act (Chapter 489 of the Laws of Kenya). In 31 Dec 2004, following the enabling statutory changes made in the Building Societies Act, EBS transferred its business, assets and liabilities to Equity Bank Ltd.

The Equity Bank is the largest and the most rapidly growing retail bank in Kenya. In 2007 the Bank entered the Ugandan market by acquiring 100% share capital of Uganda Microfinance Limited - the leading microfinance company in Uganda.

The CEO of Equity Bank, James Mwangi BComm, CPA, has worked in Equity Bank since 1994. In July 2007 Mr Mwangi was awarded an Honorary Doctorate in Business Administration by the Kenya Methodist University for "his visionary leadership that transformed Equity Bank from a technically insolvent institution to become one of the leading banks in Kenya, which has made banking affordable and accessible to ordinary Kenyans," according to Equity Bank (<http://www.equitybank.co.ke>), which also reports he was awarded a doctorate in humane letters from Kenyatta University (2007) and entrepreneurship from JKUAT University (2008).

Since taking over as CEO for Equity Bank in 2004, Mr Mwangi transformed the Building Society into the largest publicly traded microfinance bank in Africa. Mr Mwangi converted it into a fully regulated commercial bank with 36% of all bank accounts in Kenya. Mr Mwangi's leadership of Equity Bank is a case study for Stanford University business school (next page).

Mr Mwangi is a strong advocate of a savings culture for wealth creation in Kenyans. Equity Bank gives access to banking services to over 1.4 million Kenyans through free access and a shift from the traditional security-based lending to ability-to-pay basis thus making banking affordable and accessible to ordinary Kenyans.

Equity Bank has impacted the Kenyan economy by empowering its ordinary citizens by:

- Introducing mobile banking services to rural communities lacking access to banking services.
- Lowering banking services costs by making modern banking technology like SMS Banking and ATMs, accessible to the rural communities.
- Enhancing financial literacy for rural communities.



Reception for Kenyan President Kibaki in New York City, 24 Sep 2008. Top: Equity Bank CEO James Mwangi; middle: from left, Dr Macharia Waruingi, Kevin Kihara, Mr Mwangi; bottom: press surround President Kibaki.

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Equity Bank had a tent at a Kenyan Diaspora 2008 July 4th weekend 3-day celebration organized by Sasa Mercy, shown in the picture above speaking at the July 4th event and right, with Mr James Mwangi at the reception for the president of Kenya.

-Setting up branches in urban and rural areas previously considered not viable because of security concerns and being dominantly habited by low-income sectors.

The 2007-8 profits were triple the 2006-7 profits: Kshs.3.087 billion up from Kshs.1.037 billion. Total assets grew 143% to Kshs.72.5 billion from Kshs.29.9 billion. Total deposit accounts were 2,456,982, which were over 45% of all deposits accounts in the Kenyan banking industry. Loan accounts numbered 510,768. Bank liquidity was a strong 56% while the core capital to total deposits ratio was 33% against a minimum legal requirement of 8%. On Nairobi Stock Exchange it is ranked the biggest bank in Kenya by market capitalization. The price of a single share closed at Kshs.186.40 on 17 Oct 2008.

By Anthony Ndekere BComm, CPA

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Case Study of an African Bank Come to Life at Stanford Business School

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STANFORD GRADUATE SCHOOL OF BUSINESS — Among the many CEOs who have been invited to speak at the Stanford Graduate School of Business, one thing made James Mwangi different: The students, or at least most first-year MBAs, were expected to be familiar with his story.

Mwangi, who is the head of Equity Bank of Kenya, is the central figure in a major microfinance success case—one that the new MBA students have been studying and discussing in the classroom.

Mwangi's relationship with the Stanford Business School began in March, when Professor Garth Saloner led a student trip to Nairobi to study small nongovernmental organizations and microfinance institutions. The team had not heard of Mwangi or Equity Bank.

"Equity Bank wasn't even on our screen," Saloner said, but "people kept mentioning Equity Bank." With the help of a Business School alumna:

James Mwangi
Equity Bank of Kenya