

Up to 24 banks in Kenya could be forced to shut down if a proposed law to raise capital requirements becomes a reality, the Kenya Bankers Association (KBA) has warned.

The Business Laws Amendment Bill seeks to gradually increase the minimum core capital for banks from the current 1 billion Kenyan shillings (\$7.6 million) to 10 billion shillings (\$76 million) by 2027.

Representatives from the KBA told a parliamentary committee that the new law could threaten jobs of more than 7,000 employees. These banks, they said, contribute 13% of the total loans issued to the private sector. They cautioned that the move could severely impact small and medium-sized enterprises (SMEs), which rely heavily on access to credit from smaller banks.

Critics have argued that banks in Kenya have already reduced lending to the private sector, opting instead to invest in government bonds, which offer a safer return. However, the KBA emphasized the potential risks of this policy, warning that it could trigger a wave of consolidations, with smaller banks forced to either merge with larger institutions or exit the market altogether.

If passed, the law could reshape Kenya's banking sector, reducing competition and potentially limiting financial options for SMEs, which play a crucial role in the country's economy.