

Financial Service Regulation and Financial Inclusion in Uganda

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The surveys were carried out in 2006, 2009 and 2013 by Finscope to correlate whether the improved regulatory environment for financial services had a corresponding effect on increased demand, access to financial services and products in Uganda or not. The indicators of financial inclusion in 2013 survey included (i) access to formal and informal financial services and products (ii) savings and investment, (iii) credit and borrowing, (iv) remittances and money transfer and (v) insurance and financial literacy. In 2013, the survey results indicated that 54% (compared to 28% in 2009) of the Ugandan adult population (those 16 years and above) had access to bank and non-bank financial service institutions. An increase in the use of formal non-bank financial services such as insurance and mobile money services were responsible for enhanced access to financial services in Uganda. For instance, the use of formal non-bank services increased from 20% in 2009 to 52% in 2013 and this trend has been in ascendance. There was an uptake in financial inclusion in Uganda from 70% in 2009 to 85% by 2013 with 20% of the adult population (3.4 million adults) having access and use of formal regulated financial intermediation services. Approximately 34% of the population had access to non-bank formal services as opposed to formal banks. In this same vein, it was found that 5.1 million adults, (which constituted 31% of the adult population in Uganda) preferred to use only formal financial institutions as opposed to the informal financial products and services.

The improvement in regulation of financial service markets notwithstanding, there are still barriers to access of financial services and products due to a poor network and interoperability of mobile money services especially in rural areas of Uganda. Uganda recorded improved bank networking in 2014 compared to most of its African counterparts such as Tanzania, Zambia and others. The distribution of commercial bank branches in Uganda is roughly 3 commercial bank branches per 1,000km² and about three branches for every 100,000 adults according to the survey conducted in 2013. Additionally 5 ATMs were accessible within an area of 1,000 km² per 100,000 adults. According to the Global Findex database as at 2014 approximately 28% of Ugandan adult population held bank accounts or similar accounts at other formal financial service institutions. The World Bank's Development Indicator Database in 2014 indicated that on average 52 out of 100 people in Uganda had access to a mobile phones whereas 58% owned their own mobile phones. This figure is corroborated by UCC report on access and Usage of mobile phones by Ugandan population in 2014. The National IT report 2017/2018 that surveyed government ministries, departments, agencies, local government and household put the percentage of mobile phone usage higher at 71%. Thus, Uganda has a high level of mobile money usage demographically

compared to her neighbouring countries with exception of only Kenya. According to Global Findex 35% of adults in Uganda owned a mobile money account.

The GSMA's Mobile Money for the Unbanked Deployment Tracker, revealed that there were six active mobile money operators in Uganda as of June 2016. MTN is Uganda's largest mobile service provider accounting for not less than 86% of the total mobile money accounts in the country. Airtel Money/Warid Pesa on the other hand provides for 30% of the active mobile money accounts in Uganda. In 2013, there were around 286 registered mobile money outlets per 100, 000 adults and 268 registered agent outlets per 1,000 square kilometres.

However, the deepening of financial service offerings remains limited largely due to lack of sufficient credit or e-float to agents particularly those operating in the rural areas of Uganda. As a result, this limits options available to Uganda's adult population other than to use counter transactions and not electronic services and products. There are glaring signs that these challenges will eventually be overcome given that more than 60 % of Uganda's population is a young and technology savvy to readily embrace innovative and technological changes. Poverty remains a barrier to deepening mobile money service markets given that in 2014, less than 50 percent of adults population in Uganda had adequate identification documents such as passports, birth certificates personal ID etc., to enable them operate a mobile money account. The Registration of Persons Act 2015 was passed and it requires every Ugandan citizen to register births, deaths and obtain a national identity. This led to the creation of National Identification Registration Agency (NIRA). Besides the fact that the biometrics generated on individual ID applicants by NIRA can be accessed to facilitate the fight against crimes, they can also enhance commercial purposes such as being accessed by banks to authenticate data on individual Bank Account applicants. The engendered data can be accessed to enhance financial markets regulation such as mobile money services and products. While I applaud NIRA for the job well done in registering majority of Ugandans to ensure they now have IDs, it needs to work with other agencies such as UCC to sort out data sourcing complexities.

Mobile Money Services

The Ministry of Finance, Uganda Communications Commission (UCC), Bank of Uganda (BoU) and the Uganda Revenue Authority (URA) are the key players in Uganda's financial sector. In 2011, the Government of Uganda committed to the Maya Declaration through its Central Bank and has since created a joint working group on Mobile Money financial services between BoU and the UCC. The joint working group developed the Mobile Money Guidelines (available at <http://ucc.co.ug/files/downloads/Mobile-Money-Guidelines-2013>). Mobile money services are provided by mobile network operators that work in partnership with licenced financial institutions. The Financial Institutions Act, 2016 offers clarity to all

stakeholders on their duties and responsibilities not least to promote financial inclusion, increase competition, set out the approval procedure for parties seeking to provides for mobile money service and consumer protection. It also recognizes the role of the Uganda Communications Commission (UCC) as the licensing and supervisory authority for mobile network operators (MNOs) and to ensure that telecommunications networks that mobile money platforms use are robust and effective. The mobile money service providers like MTN, Airtel and many others are responsible for selecting, training, overseeing maintenance of the cash and e-float, ensure that the agents comply with stipulated mobile money guidelines.

Framework of dealing with customers Queries

The Financial Consumer Protection Guidelines require the mobile money service provider to resolve alleged complaints within two weeks. The mobile service provider includes a list of queries lodged and responses given every six months to the BoU. The regulation has a provision that requires all mobile money account holders to be furnished with a copy of the agency agreement between the agent and the mobile money provider. Commercial banks, credit institutions and micro-deposit taking institutions are now required to issue a Key Facts Document (KFD) with detailed information to clients about the financial products and services on offer. The BoU has the mandate to issue licences to mobile money service providers, commercial and other financial institutions in the regulated sector. The only institutions that are permitted to provide retail payment under the Financial Institutions Act in Uganda are those that are regulated under it.

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