



Remarks

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Deputy Governor

Launch of NSSF Smart Card

Kampala Serena

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Mr Richard Byarugaba, Managing Director - NSSF
Mr Fabian Kasi, Managing Director – Centenary Bank
Ms Corine Mbiaketcha – Head, Visa East Africa
Executives from the partner institutions
Distinguished guests
Ladies and gentlemen

Good morning to you all.

Let me thank the Managing Director of the National Social Security Fund for inviting me and for the opportunity to address you this morning. I am pleased to speak about the adoption of cashless e-payments because the Bank of Uganda is promoting the transition from a cash to a “cash-lite” and ultimately a cashless economy.

As we adapt to living with Covid-19, it is vital to look forward to a cashless future as the country aspires to completely monetize the economy. The most efficient way to bring all Ugandans into the money economy lies in democratizing access to e-payments. Amidst all the havoc and heartache brought to the world by the Covid-19 pandemic, it also accelerated the adoption of electronic payments and digital financial services.

Survival and thriving amidst the pandemic containment measures necessitated reliance on virtual and remote service delivery. Electronic payment options such as mobile banking, internet banking, contactless payments by card or mobile phones picked up significantly.

In the past one-year, mobile money transaction values increased by 33.7% from a monthly average of UGX 9.5 trillion posted in the quarter ended March 2021 to UGX 12.7 trillion in March 2022. Year on year, the transaction values rose by 46% to UGX 145.6 trillion in the twelve months ending March 2022.

Similarly, internet banking and mobile banking transfers have posted significant growth of 82% and 146% respectively between March 2021 and March 2022. Regarding the card transactions, the number of active debit cards increased by 12.4% from 2.59m in March 2021 to 2.91m in

March 2022. Debit card transaction volumes increased by 28.01% from 4.4 million transactions in March 2021 to 5.68 million in March 2022, while credit card transaction volumes increased by 62% from 142,350 to 230,910 transactions over the same period. This is quite commendable but there is still a lot of room for more growth.

I applaud the NSSF for being among the institutions that have adopted digital payment channels as demonstrated by the recent rollout of the mid-term access payments most of which were processed digitally. Well done to you MD, and your partners.

Am glad that the fund has continued championing digital payments as evidenced by today's launch of the “**NSSF Smart card**” a three-in-one card program designed to increase efficiency, manage risk and create new opportunities for its members to participate in the digital economy.

This initiative is in line with the National Development Plan III for which increased access to financial services and the related infrastructure are priorities. It is also aligned with the financial sector e-payments strategy under which the Bank of Uganda and the financial sector aim to reduce the use of cash in the economy, which is currently estimated at approximately 70 – 80%.

The Bank of Uganda is committed to creating an enabling environment for partnerships and product innovations such as this one to prosper. In addition, the implementation of the National Payment Systems Act will support financial innovations as it established the regulatory sandbox through which financial innovations can be tested under the oversight of the central bank. We hope that this and other ongoing policy interventions will support the growth of digital financial services.

Whereas notable growth trends have been registered in digital financial services, numerous challenges remain. For example, the limited interoperability for card payments has kept transaction fees high, resulting in low usage at ATM/POS terminals across the country. Other factors that inhibit usage include cyber security threats and related online fraud.

This and the tedious customer redress mechanisms such as complicated refund processes are major barriers to the adoption of digital payments. I, therefore, urge you to shore up your cybersecurity defences and to ensure that robust customer redress mechanisms are implemented. According to a study by FireEye, the median time it takes to detect a cyber-intrusion is 78 days. Therefore, robust risk management and sound corporate governance must be an integral part of the implementation initiatives for this wonderful partnership.

As a regulator, I must add that the safe and efficient functioning of payment systems and instruments is a key component of financial stability. We shall therefore continue to execute our oversight mandate to ensure the proper functioning of the payment systems and related payment infrastructure including the partnerships such as the one being launched today. That said, I do not doubt that the “**NSSF Smart card**” has come at the right time because the initiative will leverage technology to improve efficiency and customer experience. This should make saving a way of life for Ugandans thus improving their wellbeing.

At this point, I wish to share some of the key findings of savings from the recently published BOU Financial Capability Survey. The results show that 74.2% of the adults understand what saving is and that 57.6% of the adults had saved in the last 12 months. In addition, the highest proportion of savers are in the age bracket of 25 - 54 years and 43.9% of them save for consumption.

These findings reflect the way of life for the masses and we have an obligation as financial sector stakeholders to support the ongoing social-economic transformation initiatives being championed by Government. For example, the 43.9% who save to consume should be supported to save not only for consumption but also for investment. I urge you to position these new products and services in such a way that they can support the population to move from mere consumption to engaging in productive economic activity.

The survey also found that the most preferred saving mechanism is Village Savings and Loan Associations (VSLAs) at 43.9% and savings boxes at 42.3%, which for sure are not safe havens for anyone's savings.

Ladies and gentlemen, there is a need to channel savings to the formal financial sector and the digital platforms offer an efficient and cost-effective way of savings mobilization. By reducing transaction costs, digital platforms provide access to services for an increasing customer base. This supports demand and contributes to economic growth. Remarkably, digital platforms are supporting the transition from informal to formal economy (Hunter, Johnson and Smit, 2019) including formal financial inclusion.

I believe that the “**NSSF Smart Card**” will support the ongoing initiatives to promote financial inclusion, especially for the bottom of the pyramid savers. It is also worth noting that the card will contribute to the depth of financial markets given that it facilitates integration between pensions, banking and payments. I challenge the Fund to continue innovating so as to expand the coverage of social security in line with the recent amendment of the NSSF Act.

Ladies and gentlemen, full financial inclusion and empowerment of our people will take the concerted efforts of all stakeholders and partners. Within our mandate, the BoU is pursuing several initiatives under the National Financial Inclusion Strategy, including:

- a) Amendments to the agent banking regulations to promote access to banking services at an affordable cost, especially in rural areas.
- b) Promoting infrastructure development and interoperability through the establishment of a National Switch to support affordable retail payments.
- c) Ensuring effective implementation of the National Payment Systems Act 2020 including promotion of innovations through the regulatory sandbox.
- d) Scaling up financial literacy and digital financial literacy across the country.
- e) Strengthening constructive collaboration with key stakeholders including FinTechs, supervised financial institutions, Government, and development partners.

Let me conclude by once again applauding NSSF, Centenary Bank and Visa for this great partnership, which will aid the growth of digital financial services. You can count on the Bank of Uganda for the provision of all the support that may be expected of a central bank.

I thank you for listening to me.