



BANK OF UGANDA

Financial Inclusion NEWSLETTER

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BoU & Mountains of the Moon University in a Joint Financial Literacy Program

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The training which targeted 30 participants from the University, was funded by BoU with staff financial literacy trainers as the main facilitators.

The Head of Banking and Finance Department, Dr Ronald Aliija noted the financial literacy training of trainers' program was aimed

at equipping the teaching staff with more knowledge and skills to manage money matters well by guiding the community to make informed financial decisions.

"With strong financial knowledge and decision-making approaches, people are helped to make informed choices for their individual financial decisions", said Dr Aliija.

The five-day intensive training covered the core modules of financial literacy including Personal Financial Management, Savings, Loans Management, Investments, Insurance, Planning for Old Age or Retirement, and Digital



Bank of Uganda Financial Literacy trainers with participants from Mountains of the Moon University in Fort Portal tourism city

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Payment Systems Oversight and Policy report

THE DIAMOND

Financial Literacy Tip of the month

"Too many people spend money they earn to buy things they don't want, to impress people that they don't like." – Will Rogers

Financial Services.

Upon completion of the training program, the 30 participants were awarded with certificates of participation, recognizing

them as financial literacy trainers by Bank of Uganda.

The Bank of Uganda continues to provide financial literacy training of trainers (FL-

ToT) program to different communities across the country and has so far empowered 2,497 trainers in Uganda since 2013.



A cross-section of activities during the Financial literacy training in Fort Portal at Mountains of the Moon University





Payment Systems Oversight and Policy - Quarterly Report, September 2024

Bank of Uganda’s oversight mandate is drawn from the National Payment Systems (NPS) Act, 2020 which came into force in September 2020. Implementation of the Act is guided by the NPS General Regulations, NPS Sandbox Regulations, NPS Agent Regulations, NPS Consumer Protection Regulations and NPS (amendment) Regulations. Section 4 of the NPS Act specifically mandates BOU to:

- 1) Regulate and supervise the payment service providers and payment system operators.
- 2) Monitor cross border payments.
- 3) Provide settlement services.
- 4) Coordinate payment system activities with relevant stakeholders
- 5) Issue directives/guidelines to regulate payment system operations.
- 6) Approve rules & arrangements for payment systems.
- 7) Administer the Act

The oversight of payment and settlement systems is also guided by the Oversight Framework which lays out Bank of Uganda’s approach to regulatory oversight for payment

systems and payment service providers, including the oversight objectives, scope of the oversight activity and the methodology. In accordance with the Bank for International Settlements Committee of Payment and Settlement Systems - International Organization of Securities commissions (CPSS-IOSCO) Principles for Financial Markets Infrastructure and the Bank for International Settlements General Principles for Cooperative Oversight on Transparency, Bank of Uganda put the Oversight Framework in the public domain. The framework lays out BOU’s.

The oversight activity extends to the systems provided by the BOU and those provided by private sector entities. The infrastructure run by Bank of Uganda includes the Uganda National Interbank Settlement System (UNISS)/Real Time Gross Settlement System (RTGS), the Automated Clearing House System (ACH) and the Central Securities Depository (CSD). The private sector players on the other hand include:

- a) **Payment System Operator (PSOs)** – These are institutions that operate payment infrastructure and related

technology used to transfer monetary value, including integrators and aggregators who facilitate bulk payments, clearing and settlement systems. PSOs include Agent Banking Company, Interswitch East Africa, Pegasus Technologies among others.

- b) **Payment Service Provider (PSPs)** – These are institutions that enable cash deposits or withdrawals, execution of payment transactions, issuance & acquisition of payment instructions & any other services incidental to the transfer of funds. For example, electronic money issuers or mobile money service providers.
- c) **Issuers of Payment Instruments (IPI)** - These are devices/procedures by which payment instructions are issued. e.g physical and virtual payment cards.

As at September 30, 2024 thirty eight (38) entities had been licensed under the NPS Act, 2020 including Stanbic Bank and Post Bank as e-money issuers (see table 1 below).

Key statistical trends for the quarter ended September 30, 2024.

Sector developments reflected an increase in transaction activity across most retail and whole sale payment platforms. This was largely attributed to increased public adoption of e-payments.

1. UNISS/RTGS

Transaction activity on the UNISS increased notably, posting 23.8% growth in volume from 1.8 million transactions reported in the year ended September 2023 to 2.2 million transactions in the year ended September 2024. Similarly, the quarter-on-quarter comparison reflected a 10.4% increment in transaction volume from 0.56 million in June 2024 to 0.62 million in September 2024.

The transaction values rose by 14.3% from UGX 733 trillion for the year ended September 2023 to UGX 838 trillion in the year to September 2024. On a quarterly basis, values declined by 7.5% from UGX 224.4 trillion in June 2024 to UGX 207.6 trillion in September 2024.

2. Automated Clearing House (ACH)

Cheque transaction values declined by 8.2% from UGX 5.2 trillion in the year to September 2023 to UGX 4.7 trillion in the year to September 2024. Correspondingly, the volume decreased by 9% from 1.1 million to 1 million during the same period. On a quarterly basis, a marginal decrease of 0.9% in value was registered between the three months ending June 2024 and the three months ending September 2024 while the volume slightly decreased by 1.4 %.

The reduction in use of cheques is consistent with the policy measure of capping interbank cheques which took effect on January 15, 2022 in support of electronic payments. NPSD continues to monitor this trend and is exploring the possibility of a further cap for interbank cheques.

The EFTs posted a 6.1% increment in transaction value from UGX 579 trillion in the preceding year to UGX 614 trillion in the twelve months ending September 2024. Similarly, the volume marginally increased by 2% from 1.1million to 13.4 million over the same period. Quarterly comparison indicated that EFT values declined by 6.4% from UGX 16.4 trillion in June to UGX 15.3 trillion in September, similarly transaction volume decreased by 8.3% from 3.5 million to 3.2 million.

Overall, the cheques accounted for only 74% of the transaction volume and 7.1% of the transaction values in the quarter under review compared to 79% and 8.4% respectively in September 2023. This decline in use reflects increased public adoption of EFTs and other digital payment channels.

3. Shared Agent Banking Platform

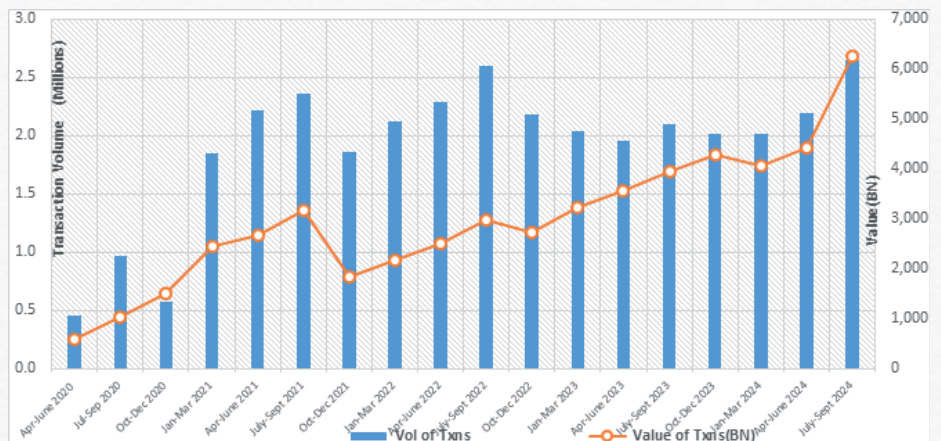
The Agent Banking Platform is a shared system used by the banks to offer interoperable agent banking services. As at September 30, 2024 a total of 23 financial

institutions (22 commercial banks and 1 Microfinance Deposit-taking Institution) had signed up to the shared platform.

There was a significant of increment of 40.8% in transaction values from UGX 13.5 trillion in the year ending September 2023 to UGX 19 trillion in the year ending September 2024. Similarly, the transaction volumes increased by 74% from 8.3 million transactions to 8.9 million transactions over the same period. The increase in values compared to volume is attributed to the increased use of the agent banking platform for high-value payments like float purchases by mobile money agents.

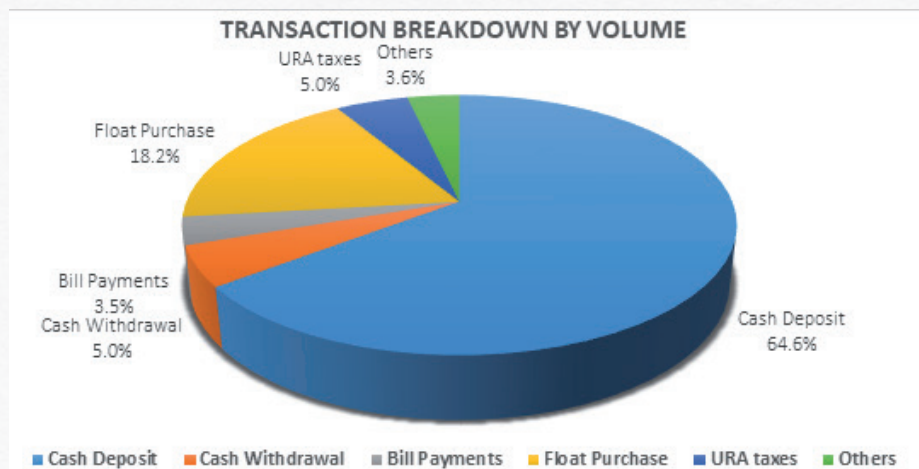
Quarter-to-quarter trends also reflected a significant upturn in the value of transactions which rose by 42% from UGX 4.4 trillion to an all-time high of UGX 6.3 trillion while the average transaction value increased from UGX 1.5 million in the year to September 2023 to UGX 2.4 million in the period ending September 2024. Details of the transaction volume and value on the shared agent banking platform are illustrated in chart 1.

Chart 1: Volume and Value of Transactions on the shared agent platform



Source: Bank of Uganda

Chart 2: Agent banking transaction breakdown by volume



Source: Bank of Uganda

The number of agents on the shared network increased by 38.5% from 11,040 in September 2023 to 15,288 in September 2024 attributed to Centenary Bank, KCB Bank Uganda, and Post Bank. However, the active agent ratio dropped from 73% to 58% on account of the fact that the newly added agents have an option of serving customers directly using the POS gadgets provided by their recruiting banks as opposed to the shared infrastructure.

The transaction breakdown by volume indicates that at 64.6%, the majority of the transactions were cash deposits, followed by float purchases at 18.2%, taxes and withdrawals at 5% each, bill payments at 3.5%, and other transactions at 3.6%. The shared agent banking platform remains a key deposit mobilisation avenue, especially in underserved areas.

Analysis of the transactions by value indicates that at 64.2%, cash deposits constitute the bulk of the transaction value. This is followed by float purchase at 27% indicating that agent banking plays a crucial role in the management of mobile money agent liquidity which is a key success factor for the mobile money business.

4. Other Payment System Operators

The Payment System Operators (PSOs) supports integration and aggregation services for bill payments, bulk payments, inbound remittances and general funds transfers in the retail payments space. A summary of the business activity for the main PSOs is highlighted in table 1.

There was a notable upsurge of 68%

in transaction volumes from 137 million in the year ended September 2023 to an all-time high of 230 million in the year ended September 2024. Similarly, transaction values increased significantly by 46% from UGX 29.6 trillion to UGX 43.3 trillion over the same period. The growth is in line with the increased number of licensed players and reflects increased use of digital payments and the related funds transfer interlinkages across the financial sector agents.

Compared to the previous quarter, the number of transactions increased by 12.2% from 59 million to 66.2 million transactions while the value rose by 23% from UGX 10.9 trillion to 13.4 trillion.



Table 1: Payment System Operators

Payment System Operator	Jan - Mar 2022	April - June 2022	July - Sept 2022	Oct - Dec 2022	Jan - Mar 2023	April - June 2023	July - Sept 2023	Oct - Dec 2023	Jan - Mar 2024	April - June 2024	Jul - Sept 2024
Number of PSOs	7	7	8	9	14	15	16	16	18	19	21
Number of institutions supported by PSO	140	534	685	693	925	998	3,770	3,996	9,595	9,949	10,571
Volume of transactions (MN)	15.1	24	26.5	27	29.6	37.3	43.1	47.4	57.3	59	66.2
Value of transactions (BN)	4,196.5	5,154.7	7,621.6	5,683.3	7,532.6	7,485.8	8,983	9,126	9,918	10,882	13,372.7

Source: Bank of Uganda

5. Electronic Money Service Providers

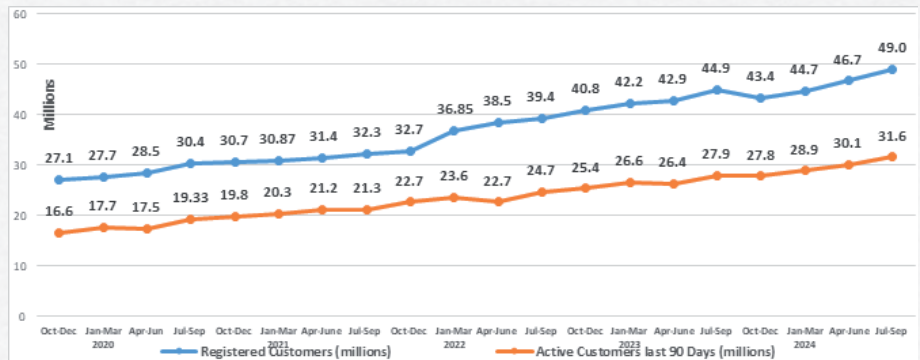
As at September 30, 2024 the electronic money service providers had enlisted the services of 883,343 agents representing a considerable increase of 33.5% compared to 661,477 agents reported in September 2023. Compared to June 2024, an increase of 14 % was noted in the agent numbers. MTN and Airtel dominated the agents network accounting for 93.7% of the total i.e. (MTN – 43.4% and Airtel – 50.2% as detailed in Table 2 below.

Further disaggregation indicates a trend of moderate decline in male dominance at both agent and customer level on an annual basis. As at the reporting date, the males accounted for 57.1% and 50.4% of the agents and customers respectively compared to 64% and 58% in the quarter ended September 2023 as detailed in Table 2.

Electronic Money Customer Accounts

As at reporting date, the cumulative number of registered customers stood at 49 million in September 2024 reflecting a 9% increase from 44.9 million in September 2023. The active customers (who transacted at least once in the preceding three months) increased from 27.9 million to 31.6 million over the same period.

Chart 3: Cumulative Number of Electronic Money Customer Accounts



Source: Bank of Uganda



Dr. Tumubweine Twinemanzi
Executive Director, National Payment Systems Directorate

The analysis further shows that as at the end of September 2024, the 31.6 million active e-money accounts were held by a total of 23.4 million unique National Identification Number (NIN) holders, representing approximately 95% of the adult population and 47.5% of the total population in Uganda.

Transaction values and volumes

Electronic money transaction values increased significantly by 72.3% during the year from UGX 167 trillion in the twelve months ending September 2023 to UGX 268.7 trillion in the year to September 2024. Similarly, the volumes increased by 21.8% from 6 billion transactions to 7.3 billion during the same period.

On a quarterly basis, the transaction volume rose by 6.2% to close at UGX 1.97 billion transactions in the three months to September 2024 compared to UGX 1.85 billion in the quarter ending June 2024. On the other hand, transaction values increased by 14.5% from UGX 67.4 trillion to UGX 77.2 trillion during the same period.

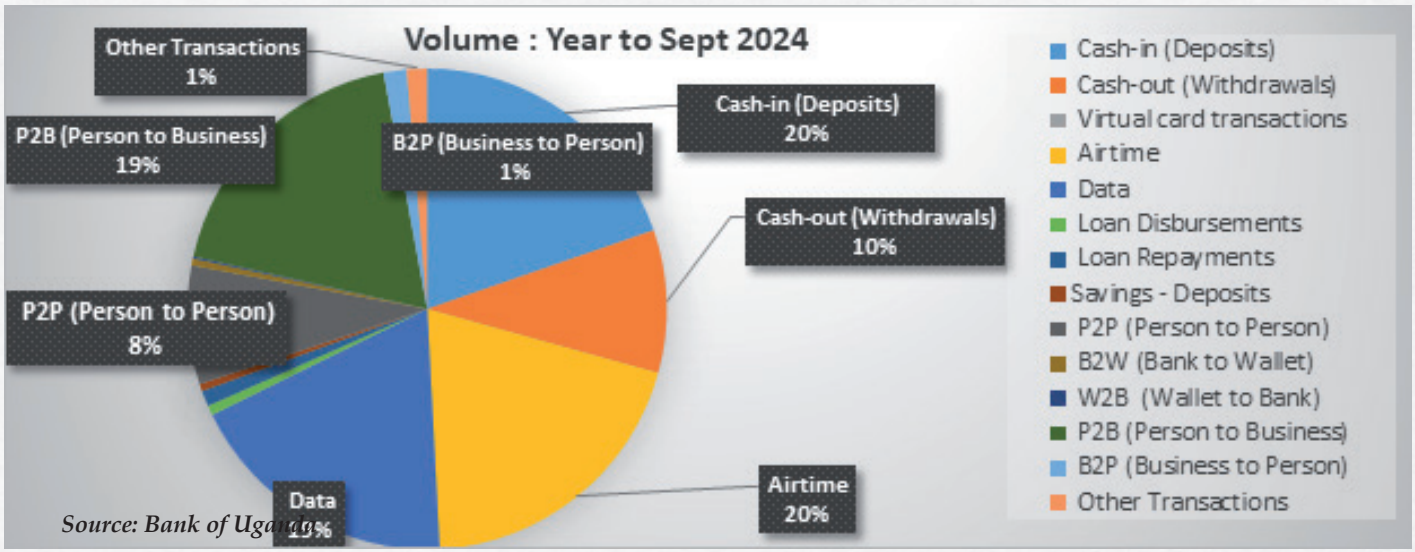
Regarding the transaction values for

Table 2: Electronic Money Agents and Customers by Gender

Agents	Sep-23		Dec-23		Mar-24		Jun-24		Sep-24	
	No of Agents	Percentage	No of Agents	Percentage	No of Agents	Percentage	No of Agents	Percentage	No of Agents	Percentage
Female	143,563	22%	166,030	24%	192,840	26.0%	212,738	27.4%	281,718	31.9%
Male	422,377	64%	433,676	62%	453,149	61.1%	472,660	61.0%	504,791	57.1%
Artificial persons	95,537	14%	97,631	14%	95,469	12.9%	89,896	11.6%	96,834	11.0%
Total No. of Agents	661,477	100%	697,337	100%	741,458	100%	775,294	100%	883,343	100%
Registered customers	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Female	18,568,098	41%	18,650,763	43%	20,482,193	45.8%	22,205,988	47.6%	24,217,565	49.5%
Male	25,955,314	58%	24,345,887	56%	24,041,184	53.8%	24,421,525	52.3%	24,694,957	50.4%
Artificial persons	418,003	1%	412,841	1%	191,785	0.4%	56,309	0.1%	55,833	0.1%
Total No Registered customers	44,941,415	100%	43,409,491	100%	44,715,162	100%	46,683,822	100%	48,968,355	100%

Source: Bank of Uganda

Chart 4: Breakdown of Electronic Money transactions by Volume



the year ending September 2024, the bulk of the transactions consisted of Airtime (20%), Cash-in (20%), Data (19%) Person to Business (19%) and cash out (10%).

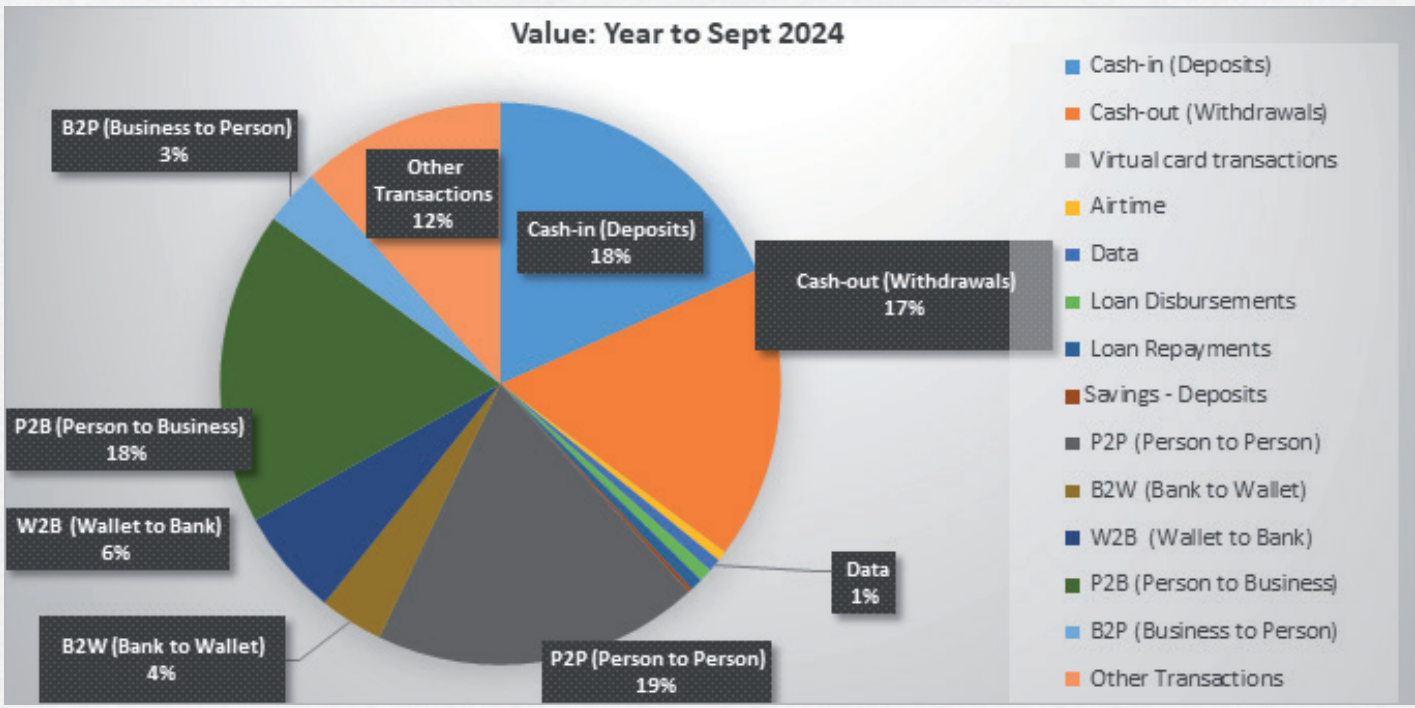
Further analysis of the transactions for the twelve months ending September 2024 showed that 1.44 billion deposit transactions were

conducted, with a total value of UGX 49.1 trillion. On the other hand, 704.7 million withdrawals were conducted at a total value of UGX 45 trillion. This implied that approximately 8.2% of the deposits amounting to UGX 4 trillion were retained in the financial system compared to 7.6% of the deposits amounting to UGX 3.6 trillion in the previous quarter.

Merchant Acquisition

The licensed entities have continued to recruit merchants who have contributed to the increase in P2B transactions. The players have also continued to introduce new e-money use cases and payment solutions which seem to be driving the uptake. The PSPs are devoting

Chart 5: Breakdown of Electronic Money Transactions by value



resources into merchant acquisition to promote digital payments at retail shops, fuel stations, supermarkets, and departmental stores.

Loans, Insurance and Savings Products

The volume and value of loan disbursements significantly increased by 65.7% and 84.2% respectively from 30 million loan transactions (valued at UGX 1.1 trillion) reported in the twelve months ending September 2023 to 49.6 million transactions (valued at UGX 2 trillion) in the twelve months ending September 2024. Similarly, loan repayments significantly increased by 88.5% and 73.7% in volume and value respectively from 40.8 million transactions worth UGX 1.1 trillion to 77.1 million transactions worth UGX 1.9 trillion.

In comparison to the previous quarter, the volume and value of loan disbursements increased by 45.3% and 23.4% respectively from 13.3 million transactions valued at UGX 537.5 billion to 19.4 million transactions valued at UGX 663.6 billion.

During the quarter ended September

2024, the volume of savings transactions increased by 14.7% from 11.1 million in June 2024 to 12.7 million in September 2024 while the value recorded a 10.9% increment from UGX 190 billion to UGX 210 billion over the same period.

The volume of insurance transactions (premium payments) dropped by 32.5% from 27,205 to 18,376 transactions while the value fell by 82.6% from UGX 339.1 million to UGX 59 million between June 2024 and September 2024.

Payment Cards

The number of active debit cards marginally decreased by 3% from 3.5 million cards reported in September 2023 to 3.4 million cards in September 2024 while the number of active credit cards slightly

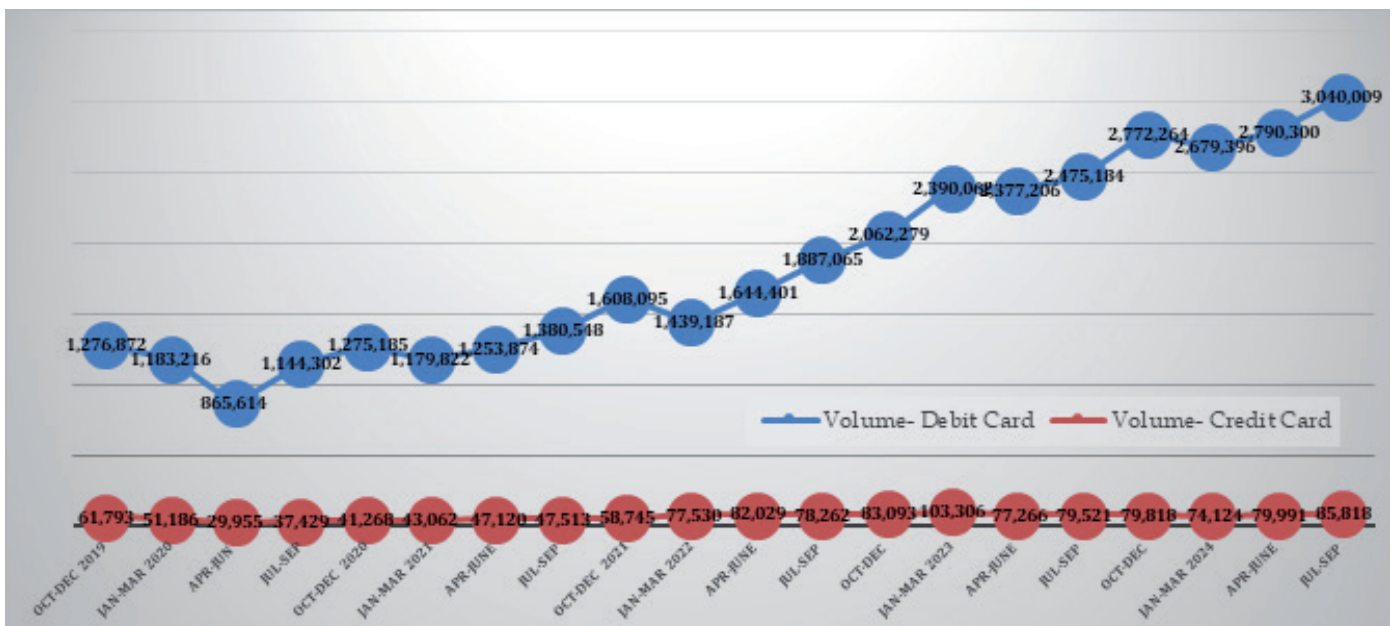
decreased by 2.2% from 9,971 to 9,779 over the same period.

Debit card transaction volumes posted a significant increase of 20.3% from 9.4 million transactions in the year ending September 2023 to 11.2 million in the year ending September 2024. On a quarterly basis, transaction volumes for debit cards increased by 9% from 2.8 million to 3 million. Similarly, the debit card transaction values increased notably by 23.6% from UGX 1.9 trillion in year ending September 2023 to UGX 2.3 trillion in the year ending September 2024. On a quarterly basis, debit card values posted a 12% increment closing at UGX 628.7 billion September 2024 up from UGX 561.5 billion in June 2024.

Credit card transaction volumes decreased by 6.5% from 0.34 million in the period ending September 2023 to 0.32 million in the year to September 2024. On the other hand, quarterly comparison indicates an increment of 7.3% from 79,991 in June 2024 to 85,818 in September 2024. The transaction values marginally increased by 1.7% from UGX 117.5 billion in the twelve months ending September 2023

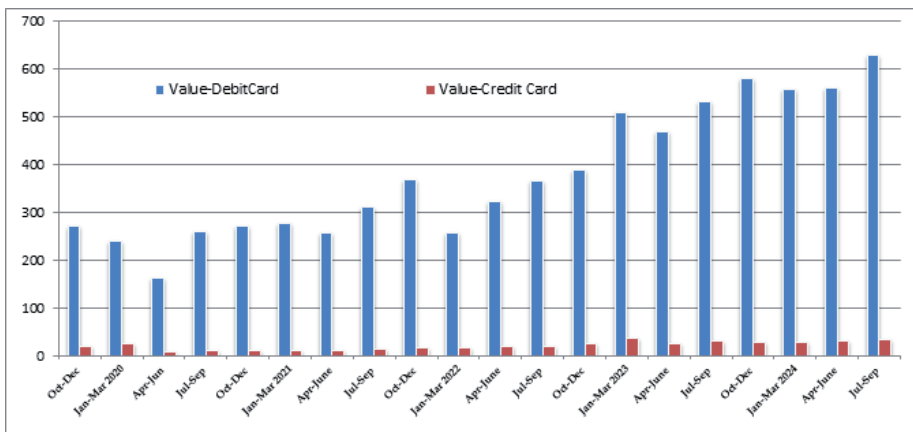


Chart 6: Volume of Debit and Credit Card transactions



Source: Bank of Uganda

Chart 6: Volume of Debit and Credit Card transactions



Source: Bank of Uganda

to UGX 119.5 billion in the year to September 2024 while the quarter on quarter values increased by 10.1 % from UGX 30.9 billion to UGX 34.1 billion.

Point of Sale (POS) transactions

The POS transaction volumes increased by 13.5% from 6.6 million in the year ending September 2023 to 7.1 million in the year ending September 2024. Similarly, the transaction values increased by 8.8% from UGX 1.15 trillion to UGX 1.3 trillion over the same period.

Quarter-on-quarter analysis of the transaction volumes indicates a

marginal increase of 4.2% from 1.8 million in September 2023 to 1.87 million in September 2024 while the transaction values increased by 10.5% from UGX 327.6 billion to UGX 362 billion over the same period. The largely positive trends (see chart 19 and 20 below) suggest increased adoption of point-of-sale transactions.

Internet Banking

The number of active users on Internet Banking decreased by 28% from 1.28 million in September 2023 to 0.92 million in September 2024. Similarly, the transaction volumes decreased by 32.6% from 12.4

million transactions to 8.3 million transactions over the same period. Correspondingly, transaction values decreased by 10.4% from UGX 122.2 trillion to UGX 109.5 trillion.

Mobile Banking

The number of active users on mobile banking decreased by 5% from 1.9 million users in September 2023 to 2 million users in September 2024 indicating increased adoption of the mobile payment channels. The transaction volume increased by 6.4% from 26.7 million transactions in the year ending September 2023 to 28.4 million transactions in the year to September 2024 indicating increased usage of digital banking channels. Similarly, the transaction values notably increased by 28.5% from UGX 9.7 trillion to UGX 12.5 trillion.

Financial Position

As at September 30, 2024, the sector held UGX 2.89 trillion in total assets and UGX 292.5 billion in capital compared to an asset base of UGX 2.9 trillion in total assets and UGX 279 billion at the end of June 2024. The sector reported profit after tax of UGX 140 billion was reported for the

Chart 8: POS values

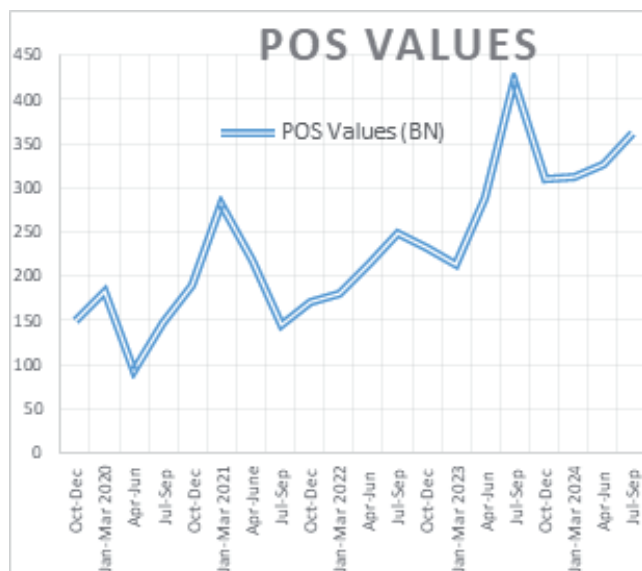
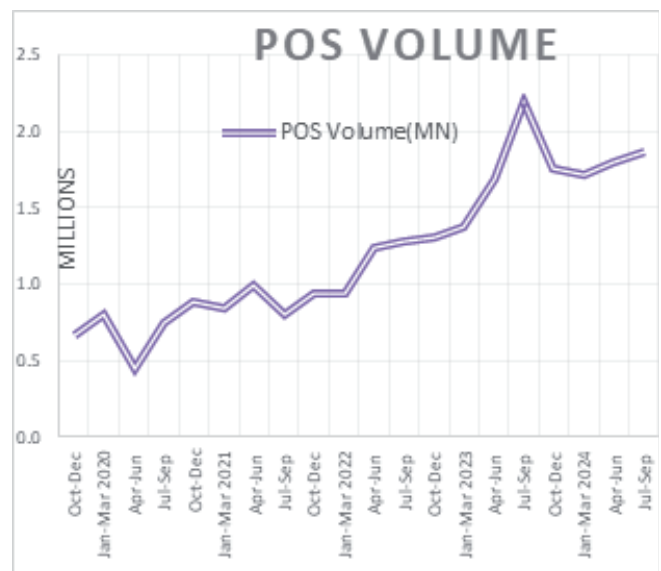


Chart 9: POS Volumes



quarter under review compared to UGX 134.6 billion posted in the quarter ending June 2024.

Customer Complaints

During the quarter, a total of 137,965 complaints were received, out of which

72% were resolved. This is as compared to 127,422 complaints in the previous quarter out of which 96% had been resolved by June 2024.

As illustrated in the Table 3 below, the number of unresolved complaints declined for the fourth consecutive period.

Table 3: Report on Customer Complaints

COMPLAINTS	Jan - Mar 2023	April - June 2023	July - Sept 2023	Oct - Dec 2023	Jan- Mar 2024	April-June 2024	Jul-Sep 2024
Complaints received	110,707	86,654	118,938	132,687	136,152	127,422	137,965
Complaints resolved	99,292	83,406	111,322	122,643	129,528	123,089	99,212
Complaints Unresolved (As at end of Quarter)	1,037	259	3,684	2,805	1,760	1,362	9,026

Source: Bank of Uganda

Other Payment Systems

Regional Payment Systems

The Common Market for Eastern and Southern Africa Regional Payment and Settlement System (REPSS) is a clearing platform that facilitates cross-border payments within the COMESA region using the SWIFT network and settles transactions denominated in either US Dollars or Euros. As at June 30, 2024, nine countries were live on REPSS namely: Democratic Republic of Congo, Egypt, Kenya, Mauritius, Malawi, Rwanda, Swaziland, Uganda and Zambia.

Whereas the usage of REPSS was stable on an annual basis, the transaction value remained low compared to other systems. The transaction volume on REPSS marginally increased by 2% from 888 transactions in the year ending September 2024 to 905 transactions in the twelve months ending September 2024 while the transaction values slightly increased by 1.2% from USD 44.3 million to USD 43.7 million over the same period.

East African Payment System

East African Payment System (EAPS) is a

system that links existing RTGS systems of the participating Central Banks under the East African Community (EAC). The system facilitates cross border payments in the currencies of the participating EAC member states. Currently, Uganda, Kenya, Tanzania and Rwanda are connected to the EAPS.

The statistics show a 56% increase in inbound EAPS transaction values from UGX 0.86 trillion posted in the year ending September 2023 to UGX 1.3 trillion in the year to September 2024. KES rose by 94%, the TZS surged by 622%, RWF rose by 47% and UGX dropped by 29%. In terms of value, KES and UGX dominated the inflows at 76% (UGX 1.01 trillion) and 17% (UGX 224.1 billion) respectively.

Regarding the outbound transaction values, an overall year on year increment of 53.2% was noted from UGX 870.2 billion to UGX 1.3 trillion with the KES increasing by 85%, RWF and TZS rising by 39% and 561% respectively while UGX decreased by 27%. In terms of value, KES and UGX dominated the outflows at 76% (UGX 1.02 trillion) and 17% (UGX 221.4 billion) respectively. Kenya remained Uganda’s main trading partner on EAPS during the period under review.

