Financial Inclusion in Uganda

Strengthening Financial Inclusion is one of the initiatives in Bank of Uganda’s Strategic Plan 2012 to 2017. Bank of Uganda has started implementing various initiatives to improve financial inclusion in Uganda as a response to financial innovations, gaps in financial education, financial consumer protection issues, opportunities in the context of financial innovations, financial deepening issues as well as issues of access and quality of financial services.

On the supply side, despite the growth of the financial sector over the last decade, access to formal financial services still remains relatively limited. This is particularly the case in rural areas, where a significant proportion of services are delivered by informal or semi-formal providers, with limited linkages to the formal financial sector. In recent years, technological innovation has begun to provide unprecedented opportunities to rapidly and sustainably advance financial inclusion. Enabling regulatory solutions are necessary to ensure that innovations can thrive in a sustainable and safe manner.

On the demand side, where people lack the skills or the information to make informed financial decisions, those people are prevented from unlocking their full economic potential and are much more vulnerable to financial shocks. This also prevents growth in the financial markets as (potential) consumers do not take up financial products or are more likely to default on their loans.

These challenges require well-balanced and targeted responses. Without stifling innovation, Bank of Uganda aims to provide appropriate responses to these challenges - by creating an enabling environment as well as guidance and support to stakeholders engaged in the financial sector, so that financial inclusion activities can thrive.

To this end, Bank of Uganda has established the Financial Inclusion Project under the leadership of Supervision Function.

Bank of Uganda is a member of the Alliance for Financial Inclusion and a signatory to the Maya Declaration.
Some Figures on Financial Inclusion in Uganda

Table 1: Financial Services Usage

<table>
<thead>
<tr>
<th>Financial Services Usage by Location</th>
<th>2006 (%)</th>
<th>2009 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Informal</td>
<td>29</td>
<td>43</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Services Usage by Location</th>
<th>2006 (%)</th>
<th>2009 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban-formal</td>
<td>35</td>
<td>47</td>
</tr>
<tr>
<td>Urban-informal</td>
<td>13</td>
<td>25</td>
</tr>
<tr>
<td>Rural-formal</td>
<td>17</td>
<td>22</td>
</tr>
<tr>
<td>Rural-informal</td>
<td>18</td>
<td>47</td>
</tr>
</tbody>
</table>

| Banked | 18 | 22 |
| Urban | 30 | 38 |
| Rural | 14 | 15 |

1/Percentage of the population aged 18 and above

Table 2: Financial Services Penetration

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Access Points</th>
<th>Access Points per 10,000 adults(National)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Branches</td>
<td>ATMs</td>
</tr>
<tr>
<td>2008</td>
<td>402</td>
<td>405</td>
</tr>
<tr>
<td>2009</td>
<td>485</td>
<td>536</td>
</tr>
<tr>
<td>2010</td>
<td>497</td>
<td>628</td>
</tr>
<tr>
<td>2011</td>
<td>597</td>
<td>663</td>
</tr>
<tr>
<td>2012</td>
<td>631</td>
<td>748</td>
</tr>
</tbody>
</table>

2/Bank of Uganda Supervised Financial Institutions
The BOU Financial Inclusion Project

The overall objective of the **Financial Inclusion Project** is to increase access to financial services and empower the users of financial services to make rational decisions in their personal finances so as to contribute to economic growth. The project will run for an initial period of three (3) years 2012-2015.

The project is built upon four pillars:

- **Pillar 1: Financial Literacy**
- **Pillar 2: Financial Consumer Protection**
- **Pillar 3: Financial Innovations**
- **Pillar 4: Financial Services Data and Measurement**

Each project pillar has a designated Sub-Committee which handles the direct implementation of the planned activities. The Sub-Committees are drawn from relevant Functions and Departments across BOU and from GIZ.

The activities of the Sub-Committees are overseen by the Financial Inclusion Apex Committee which is charged with leading the BOU’s efforts on financial inclusion, providing effective governance and coordination for the Financial Inclusion Project within BOU, monitoring progress and reporting to BOU Senior Management.

Bank of Uganda has taken a national approach in the implementation of the Financial Inclusion Project, recognising the efforts of the range of organizations - in the private and public sector,
Government and development partners - who have been involved in promoting financial inclusion in Uganda over many years. The Financial Inclusion Project aims to build on these efforts - in collaboration with a broad range of stakeholders, as well as seeking to facilitate the engagement of additional players - to advance the overall goal of financial inclusion.
Financial Literacy (Pillar 1)

Financial literacy has been recognised as a critical factor in improving the quality of life and enhancing financial inclusion in Uganda. One of the most important roles of Bank of Uganda is to ensure consumers make informed financial and economic decisions that ultimately drive economic growth.

In this regard, Bank of Uganda has spearheaded the development and implementation of a Strategy for Financial Literacy in Uganda. The rationale behind the Strategy has been to:

- provide focus, drive and momentum
- encourage the development of high quality resources
- encourage the use of simple, clear and compelling messages
- reduce the risk of duplication and unintended gaps
- enable partners to learn from each other
- encourage the active participation of a wider range of stakeholders

During this process, the Bank of Uganda has engaged more than 150 stakeholders - including government bodies, banks, media, consumer organizations, private sector associations and NGOs. This structured consultative process aimed to mobilize the expertise and resources of a broad range of organizations, developing a strategy founded on the principles of cost-effectiveness, cooperation, sustainability and feasibility.

The development of the Strategy has been supported by the German Development Cooperation through GIZ and guided by a high-level Financial Literacy Advisory Group comprised of influential decision makers drawn from the public, private and NGO sectors.

The process culminated in the launch of the Strategy on Friday 16th August, 2013, by the Minister of Finance, Planning and Economic Development, Hon. Maria Kiwanuka. The Financial Literacy Website (www.simplifymoney.co.ug) was also launched at this event.

Strategy for Financial Literacy in Uganda

The Strategy for Financial Literacy in Uganda recommends priority activities through five major channels, or “strands”: 
• **Financial Education in Schools**: Incorporation of FL into the secondary school curriculum as part of the overall reform of the curriculum, as well as into the primary school curriculum through the development of supplementary materials and teachers’ trainings; extension of extra-curricular FL activities.

• **Financial Literacy for the Youth**: Incorporation of FL into university exit courses and training of community FL mentors who incorporate FL into the activities of already existing youth clubs and associations.

• **Financial Literacy and Rural Outreach**: Provision of FL trainings to rural communities, capitalizing on existing trainings and trainers. Dissemination of FL messages via a variety of community channels, such as community radios, community parliaments, and many more.

• **Financial Literacy in Workplaces, Clubs & Associations**: Improving FL at formal workplaces through presentations and trainings, as well as presentations being held to informal workers through their associations.

• **Use of Media for Financial Literacy**: Development of a lively and vibrant website dedicated to FL; engagement of newspapers and magazines and radio to increase their FL content, as well as the use of social media.

**Core Messages**

The financial literacy core messages are a set of simple, tried and tested messages, responding specifically to what someone needs to know to manage his/her personal finances effectively. The concept behind the development of the core messages is that hearing the same, or a very similar, message three times will always have more effect than hearing three different messages once. The core messages were developed in consultation with a broad range of organisations and cover the following areas:

- Personal Financial Management
- Savings
- Loans
- Investments
- Insurance
- Planning for Old Age
- Making Payments
- Financial Services Providers
All stakeholders are encouraged to make use of the core messages. This will help to ensure that the messages used in financial literacy programmes are tried and tested. It will also help to ensure that people receive similar, and consistent, messages from a variety of sources.

The core messages are also available in local languages and can be accessed via the Financial Literacy Website.

**Engagement in Financial Literacy Activities in Uganda**

If you are interested in financial literacy and wish to receive further information on the Strategy and/or contribute to its implementation, please contact us via financialliteracy@bou.or.ug.
The Financial Consumer Protection Guidelines (FCPGs) were issued by Bank of Uganda in June 2011 to all supervised financial institutions (SFIs; commercial banks, credit institutions and microfinance deposit-taking institutions). The Guidelines have the following objectives:

- To promote fair and equitable financial services practices by setting minimum standards for financial services providers in dealing with consumers.
- To increase transparency in order to inform and empower consumers of financial services.
- To foster confidence in the financial services sector.
- To provide efficient and effective mechanisms for handling consumer complaints relating to the provision of financial products and services.

Following the issuing of the Guidelines, the Bank of Uganda, in partnership with SFIs and consumer organisations, has embarked upon a three-pronged approach to achieving these objectives:

1) Raising the awareness of consumers.
2) Strengthening Bank of Uganda’s supervisory techniques to ensure compliance by the SFIs.
3) Working with SFIs to ensure there is a clear understanding of what is required under the FCPGs.

Key elements under this pillar include:

- Development of Key Facts Documents for savings and loans products
- Delivery of training for SFIs on the implementation of the FCPGs.
- Strengthening of complaints handling procedures.
- Development of a communications strategy for SFIs, clients and the wider public to raise awareness of the FCPGs (“Know your Rights”).
- Strengthening of BOU supervision of compliance with the financial consumer protection requirements.
- Harmonisation of financial consumer protection requirements across the broader financial sector.

If you wish to provide feedback on the BOU Financial Consumer Protection Guidelines, please contact us via fcp@bou.or.ug.
Financial Innovations (Pillar 3)

Alongside its core role to protect the safety and stability of the financial sector, BOU aims to promote financial innovations through enabling regulation. The objective is to enable financial services providers to take advantage of new technologies to increase access to financial services, while at the same time protecting consumers. The priority strands under the Financial Innovations Pillar are currently mobile money and agent banking, although other financial innovations will be considered as they arise.

In the area of financial innovations, BOU interacts closely with external partners such as the Ministry of Finance, Planning and Economic Development and the Uganda Communications Commission (UCC), financial institutions, mobile network operators and other relevant actors from the public and the private sector.

Key elements under this pillar include:

- Development of Mobile Money Guidelines to provide greater clarity to stakeholders on the provision of mobile money services.
- Preparation of Agent Banking Regulations
- Provision of inputs into the relevant legislation and regulation as regards the long-term development of mobile money and agent banking
- Development and implementation of a holistic supervisory approach for financial innovations

BOU Mobile Money Guidelines

The Bank of Uganda Mobile Money Guidelines came into effect on 1st October, 2013. The Guidelines have the following objectives:

a) To provide clarity on mobile money services to customers, mobile money service providers, licensed institutions, mobile money agents and other parties involved in the provision of mobile money services in Uganda;

b) To outline the approval procedure for parties seeking to engage in the provision of mobile money services;

c) To stipulate roles and responsibilities of parties engaged in the provision and usage of mobile money services;
d) To foster consumer protection for mobile money customers including a mechanism for handling complaints relating to the provision of mobile money services and further the interests of customers in mobile money services;

e) To enhance competition in the provision of mobile money services and related markets;

and

f) To promote financial inclusion.
Financial Services Data & Measurement (Pillar 4)

Bank of Uganda aims to enhance the framework for financial services data and measurement and provide a mechanism for monitoring and measuring financial inclusion indicators in Uganda.

Under this pillar, BOU partners with institutions such as the Uganda Bureau of Statistics, the Uganda Cooperative Savings and Credit Union, the Insurance Regulatory Authority and the Association of Microfinance Institutions in Uganda. It also collaborates with relevant Government Ministries and Departments, supervised financial institutions, the UK Department for International Development (DFID), GIZ, the Alliance for Financial Inclusion and the Bill and Melinda Gates Foundation.

Key elements under this pillar include:

- Formulation of a contextually relevant definition of financial inclusion and identification of key indicators to develop a financial inclusion data set.
- Collection, compilation and dissemination of financial inclusion indicators relating to access, usage and quality on a regular basis.
- Establishment of internal and external coordination structures with relevant partners/stakeholders.

If you require any more statistics relating to financial inclusion, please contact us via statistics_dissemination@bou.or.ug.