



# **BANK OF UGANDA**

## **Mobile Money in Uganda**

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# Outline of Presentation

- Introduction
- BOU Mobile Money Guidelines
- Customer Usage and Uptake of Mobile Money Services
- Economic Impact of Mobile Money
- Social Impact of Mobile Money
- Conclusion



# Introduction

- Mobile money services were first introduced in March 2009; currently there are seven mobile money schemes in Uganda.
- The main regulatory concern for the Bank of Uganda (BOU) has been to ensure the safety of customers' electronic value which they purchase, with cash, from mobile money agents.
- The BOU has only approved mobile money operations when this is done in partnership with a Supervised Financial Institution (SFI).
- Mobile Money Service Providers (MMSP) are required to hold, in an escrow account in their partner SFI, the equivalent of all the mobile money that has been issued to their customers and agents.
- MMSPs, which are not regulated financial institutions cannot intermediate nor use the funds that have been mobilised through the sale of mobile money.



# Introduction

- At the start, similar to other jurisdictions, the main services offered were funds transfers from person-to-person and storage of electronic value, but these have since evolved to include other services.
- The BOU issued mobile money guidelines in 2013.
- The guidelines provide clarity on the roles and responsibilities of:
  - MMSPs, customers, SFI, mobile money agents and other parties involved in the provision of mobile money services in Uganda; they also stipulate the approved procedures, foster consumer protection; enhance competition and promote financial inclusion.



# Introduction

## *Number of registered customers and Volume and Value of Mobile Money Transactions in Uganda (2009-2014)*

	2009	2010	2011	2012	2013	2014	2015
Registered customers (millions)	0.6	1.7	2.9	8.9	14.0	18.5	21.1
Number of transactions ( millions )	3	29	88	242	400	496	693
Value of transactions (billions SHS)	133	963	3,752	11,663	18,982	24,050	32,506

- As can be seen in the table above, the growth in mobile money services has been phenomenal.
- The number of registered mobile money customers exceeds half the population of Uganda.
- According to a 2013 FINSCOPE survey Uganda's population with access to formal financial services increased from 28 percent in 2009 to 54 percent in 2013 and that a significant part of this increase is attributed to increased access to mobile money services.



# Introduction

## *Current Mobile Money Services being offered in Uganda*

Product/Service	Status
Domestic Transfers/Remittances P2P	Live
Merchant Payments – enabling SMEs and Corporates to receive payments P2B	Live
Statutory payments (Taxes) P2G	Live
Bulk Payments: Salaries, wages B2P e.g. Sugar, Tea and Construction firms	Live
Micro Loans and Savings	Pilot
Group wallets for SACCOs and VSLA	Pilot
Cross border	Live
Mobile banking; transfers from bank account to M-wallet	Live
Government payments (Social Benefits) G2P	Live



# Regulatory Concerns/MM Risks

- Protection of customers' funds in the mobile money platform
- Addressing Anti Money Laundering concerns and Countering of Financing of Terrorism
- Ensuring that all transactions carried out on the mobile money platform are traceable and accounts held at the banks are fully auditable – Breaking down the Escrow account balances.
- Replication of Data held by the Mobile Money service providers at the Licensed Financial Institution
- Data Back-up Arrangements and Business Continuity
- Liquidity Concerns, Service Interruptions, Complaints Handling, Non-Exclusivity, Interoperability



# BOU Mobile Money Guidelines, 2013

- In view of the above MM Risks, the Guidelines provide the regulatory framework for mobile money in Uganda.
- The Guidelines were developed in consultation with the Uganda Communications Commission (UCC), the private sector and other relevant stakeholders.
- A draft was circulated to stakeholders in June 2013.
- Comments were incorporated/discussed during a stakeholder workshop in September, 2013. The Guidelines were issued on October 01, 2013.
- All stakeholders are expected to comply with the Guidelines.





# Objectives and Application of the Mobile Money Guidelines

- Provide clarity to stakeholders
- Outline approval procedures
- Stipulate roles and responsibilities
- Foster consumer protection
- Enhance competition
- Promote financial inclusion

The Guidelines apply to:

- a) all mobile money service providers;
- b) all Bank of Uganda licensed institutions partnering with mobile money service providers;
- c) all mobile money agents; and
- d) mobile money customers.



# Approval to Provide MM Services and Roles and Responsibilities

- Specific requirements for any person providing or intending to provide mobile money services
- Specific areas will be reviewed by BOU before issuing a 'no-objection' (e.g. details of agreement between MM service providers and financial institutions, risk management proposals)
- The Agreements between the providers and LI/ Agents Should not have Exclusivity Clauses.

**The MM Guidelines specifically stipulate the roles of the following stakeholders:**

- *Bank of Uganda*
- *Uganda Communication Commission*
- *Mobile money service providers*
- *Partnering financial institutions*
- *Mobile money agents*
- *Customers*



# Interoperability, System Standards , Competition & AML/CFT

- Providers to utilize systems capable of becoming interoperable.
- Adequate systems standards should be met in platform stability, business continuity, security and to combat fraud and theft.
- Providers not to engage in anti-competitive practices.

## Anti-Money Laundering & Counter Terrorist-Financing

The provider to:

- Perform customer due diligence – register customers and retain copies of identification documents
- Set limits on transaction value, volume and frequency
- Have in place measures to prevent money laundering and terrorist financing (mobile money platform to have in-built mechanisms to identify suspicious transactions)



# Consumer Protection & Supervision

- Provisions of the Bank of Uganda Financial Consumer Protection Guidelines, 2011, to apply.
- Guidelines include specific provisions on:
  - Reliability
  - Fairness
  - Transparency
  - Data Protection
  - Complaints Handling and Consumer Recourse

BOU shall have powers to supervise the mobile money service

- Mobile money service providers and partnering financial institutions to provide periodic reports (in standardized format)
- The mobile money service provider to submit annual audited financial statements to BOU
- Financial institutions and mobile money service providers to maintain accurate and complete records of mobile money for a period of at least ten years
- BOU shall have the powers to issue directives, suspend the approval and impose other appropriate conditions



# Implementation

- In implementing the Guidelines, BOU has carried out several public awareness campaigns including New Paper Inserts, Radio talk shows
- BOU has strengthened supervision procedures and monitors the implementation of the Guidelines.
- Compliance Matrix issued to LI and Partnering MM Service Providers.



# Customer Usage and Uptake of MM Services

- Demand for advanced financial services: 64% of Ugandans save money, 33% borrow and 35% invest – most using informal instruments
- Latent demand for insurance products: 53% of Ugandans have an emergency fund, 39% have a financial plan in case of financial shock. Yet only 3% have insurance
- High rates of P2P activities: 29% of adults receive remittances. P2P transfers are the key driver of mobile money.
- Youths are ready to be mobile money change agents: Ugandan youth (15- 34 years) are more likely to have better education and be advanced users of mobile money
- Agricultural value chains create a space for DFS promotion



Source: *Intermedia 2014*



# Customer Usage and Uptake of MM Services

Ugandans open mobile money (MM) accounts for person-to-person transfers; P2Ps are a top use along with deposits, withdrawals and airtime top-ups

Rank	Top reasons for starting to use an MM account (percentage of active account holders n=855)	%	Rank	Top uses for MM accounts (percentage of active account holders n=855)	%
①	I had to receive money from another person	52	①	Withdraw money	96
②	I had to send money to another person	20	②	Deposit money	78
③	I wanted to start saving money with an m-money account	6	③	Receive money from other people for regular support/allowances, or emergencies	55
④	I wanted a safe place to keep/store our money	5	④	Buy airtime top-ups	53
⑤	Most of my friends/family members are already using the services	3	⑤	Send money to other people for regular support/allowances, or emergencies	44
⑥	Somebody/another person requested that I sign up for an account	3	⑥	Receive money from other people for other reasons or no particular reason	40

*Question allowed for multiple responses*

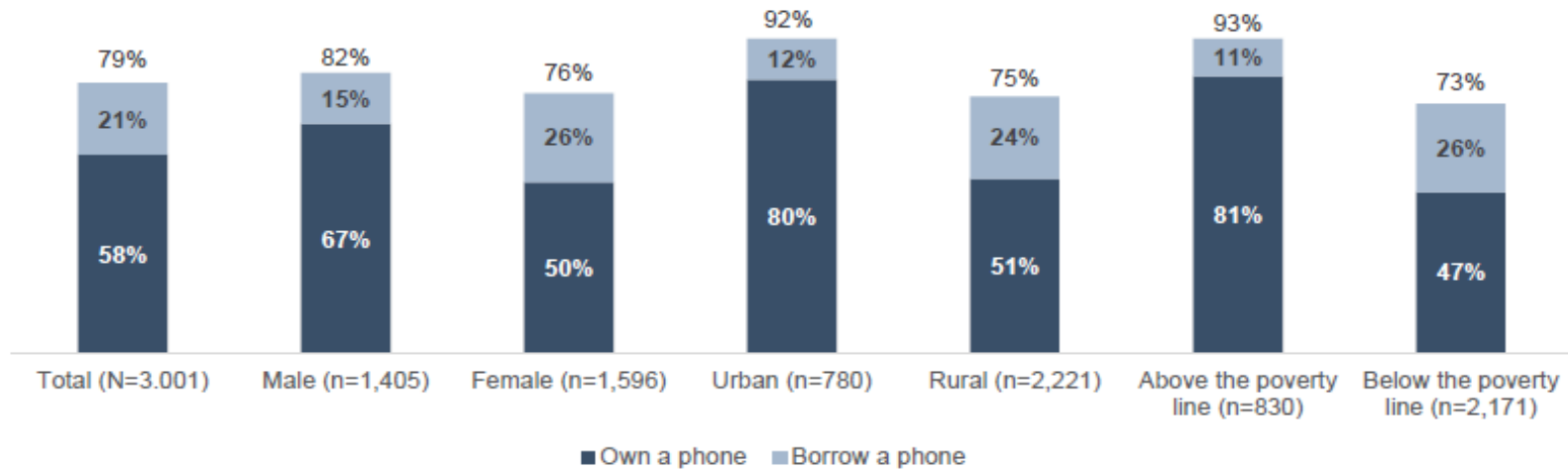
*Source: InterMedia Uganda FII Tracker survey (N=3,001, 15+), June-July 2014.*



# Customer Usage and Uptake of MM Services

Most use a mobile phone, even though some have to borrow a phone. Women, the poor and rural residents lag in usage overall, as well as ownership

**Mobile phone ownership and access by demographic group**  
(Shown: Percentage of each demographic group who owns a mobile phone)



Source: InterMedia Uganda FII Tracker surveys Wave 2 (N=3,001, 15+) June-July, 2014.



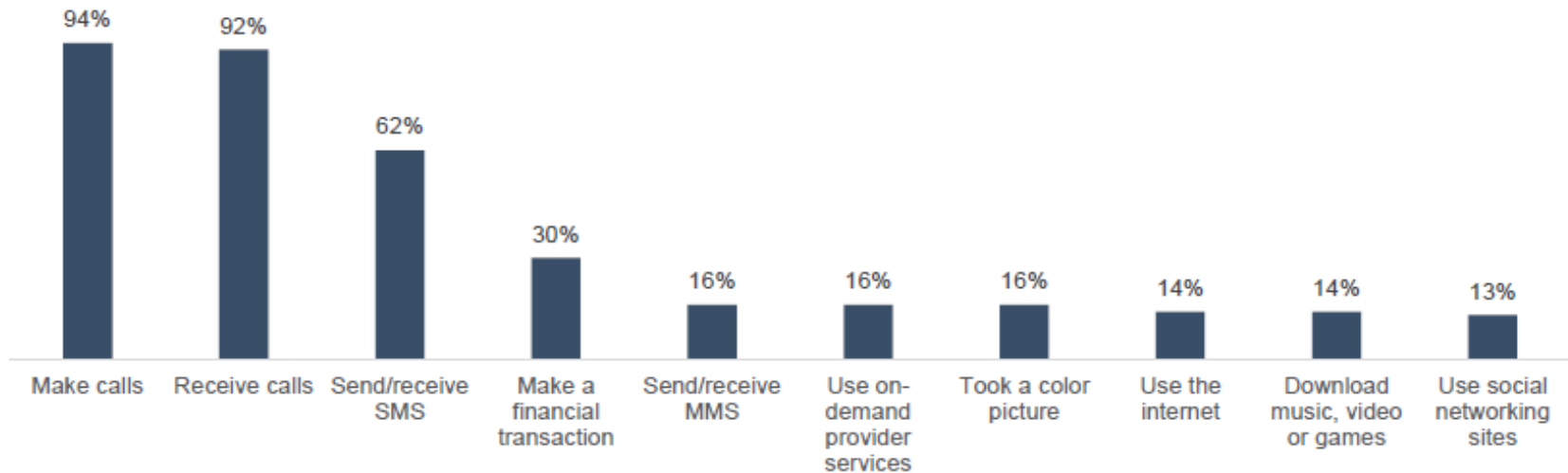


# Customer Usage and Uptake of MM Services

After calls and SMS, financial transactions are the leading type of mobile phone use

## Mobile phone uses

(Shown: Percentage of Ugandan adults with access to mobile phones who ever performed a given activity, n=2,322)



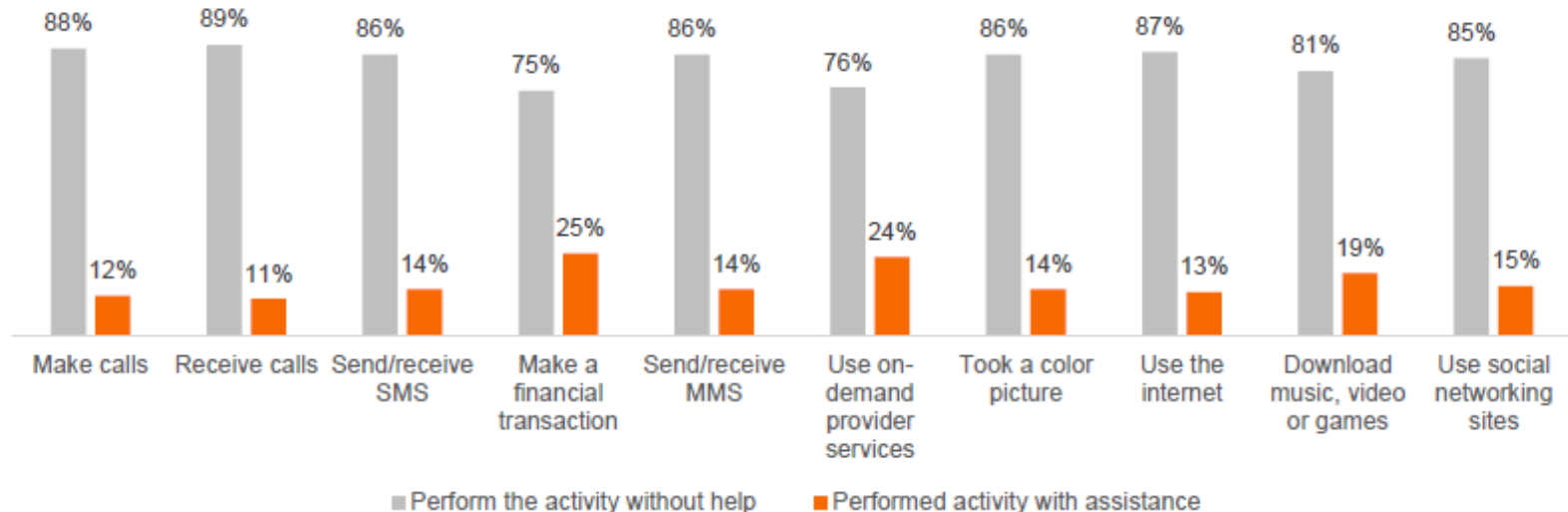
Source: InterMedia Uganda FII Tracker surveys Wave 2 (N=3,001, 15+) June-July, 2014.



# Customer Usage and Uptake of MM Services

The majority of mobile phone users do not require assistance; even for such complex activities as on-demand services and financial transactions

**Mobile phone uses with and without assistance**  
(Shown: Percentage of those who ever performed a specific activity)



Source: InterMedia Uganda FII Tracker surveys Wave 2 (N=3,001, 15+) June-July, 2014.

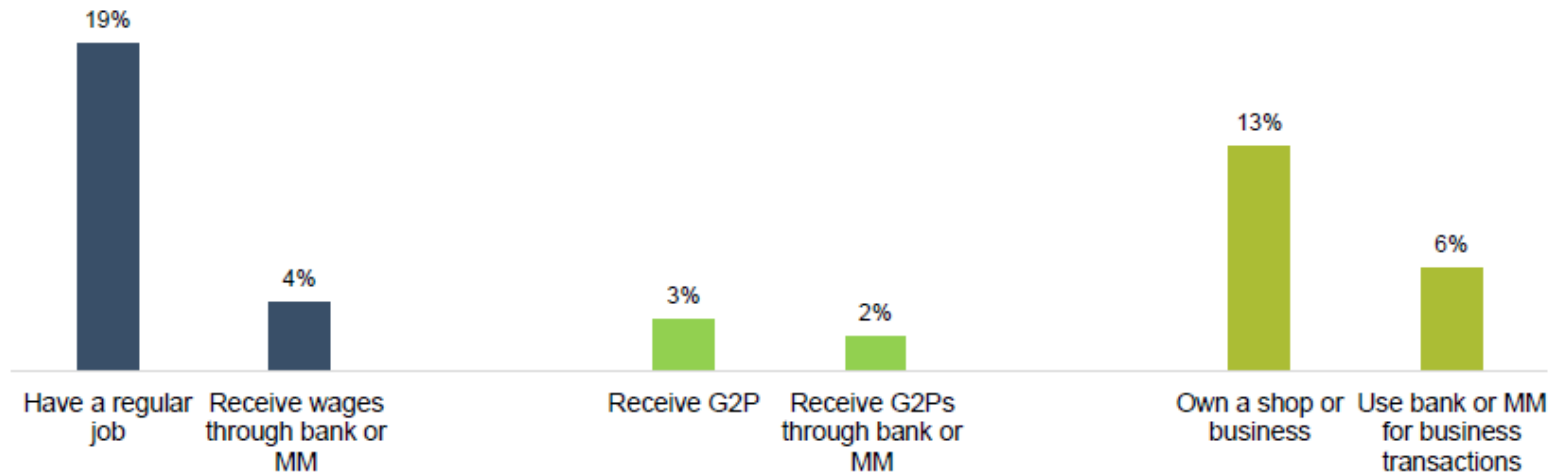


# Customer Usage and Uptake of MM Services

Ugandans are still relying heavily on cash; less than half of wages and business payments are disbursed through mobile money (MM) or banks

## Adults receiving payments vs. adults receiving payments via their digital accounts

(Shown: All adults, N=3,001)



Source: InterMedia Uganda FII Tracker surveys Wave 2 (N=3,001, 15+) June-July, 2014.

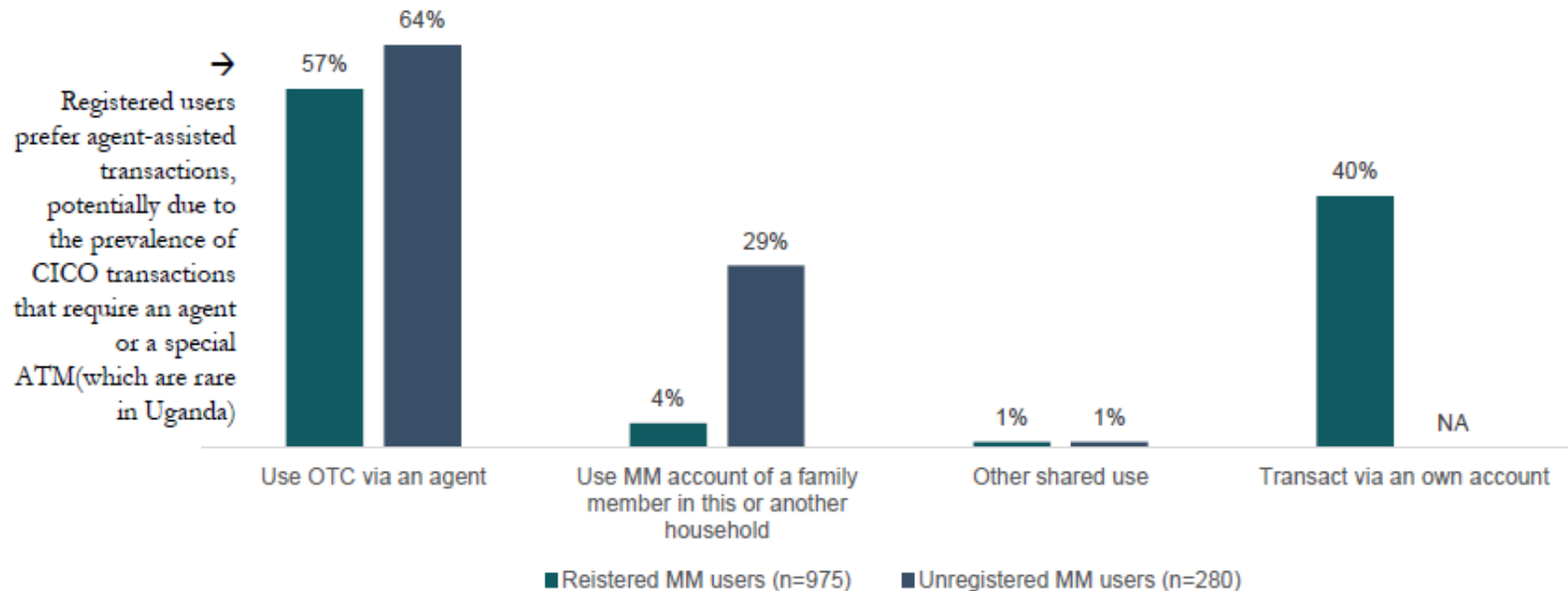


# Customer Usage and Uptake of MM Services

Consumers prefer agent-assisted mobile money transactions regardless whether users have their own account or not

## Preferred way to use mobile money services

(Percentage of registered and unregistered users who chose each method)



Source: InterMedia Uganda FII Tracker surveys Wave 2 (N=3,001, 15+) June-July, 2014.



# Economic Impact of Mobile Money

*Specifically mobile money has the following economic impact;*

- **Consumption Certainty**
- The ability to execute instantaneous P2P transfers, compared to the alternatives of transporting money in person or using a bus driver increases one's purchasing power, implying that they have the capacity to consume immediately- this has a multiplier effect and positively impacts on output.
- **Increased employment opportunities**
- Employment to thousands of individuals directly as;
  - Agents carrying out cash-in cash-out, *currently over 100k agents*
  - Customer service representatives
  - Bank staff
  - MMSP staff
- A World Bank study finds a 1 percent increase in financial inclusion corresponds to a 0.51 percent increase in business creation, and a 15 percent inclusion increase leads to employment growth of 1 percent



# Economic Impact of Mobile Money

## • Growth in Tax Revenue

- Using mobile money instead of cash or cheque for P2G and B2G makes it simple, easy and quick for a taxpayer to settle their obligations. Voluntary compliance is sometimes hindered by cost and difficulty of being compliant.
- The ease, convenience, ubiquity of the service and speed of the mobile transactions increases tax revenue.
- Such a service launched in Uganda was projected to at least collect an additional USD 25 million in taxes every month. Currently a new partnership has been launched and the results are yet to be seen.
- **Improving efficiency**
- The adoption of mobile money services has decreased administrative costs for companies.
  - Many firms, such as utility companies, spent significant time and money on the administration and processing of paper bills. Incorporating electronic receipts and reporting has reduced costs and improved speed and accuracy, reducing erroneous charges for arrears, for example.
- In addition, mobile money has increased transaction speeds and reduced outstanding credit times, minimizing how long it takes to collect and inquire after payments.
  - The power company UMEME, reported a 99.1% revenue collection rate in 2014 compared to 94% in 2012, the increased revenue collection rate was partly attributable to increase in mobile money payments



# Social Impact of Mobile Money

- **Support families to keep children in school, especially the most vulnerable**
- Mobile money can help keep children in school through better money management. A husband working in the city can electronically transfer money home to his wife in the village, who can then pay school fees for the child.
- School fees can be securely and conveniently paid using mobile money. Funds can be stored in the mobile wallet, and small, frequent transactions made out, reducing the cash flow burden on the family.
- **Improve access to healthcare**
- With mobile money, the poor have a simple and safe way to save money for future health care costs.
  - *Specific products can be designed for this purpose, for instance, a service that enables pregnant women to make small mobile payments to a health service provider, to meet expected costs related to childbirth.*
- **Provision of social benefits**
- The Senior Citizens Grants deliver UGX 25,000 (approximately US\$8) (2013 value) monthly to senior citizens (people of age 60 years and above). The Vulnerable Family Grants on the other hand pay out UGX25, 000 monthly to vulnerable households with low labour capacity and high dependency. As at February 2014, the Programme reached 113,000 beneficiaries, with over UGX 32 billion disbursed. All these grants are being made through use of mobile money.



# Conclusion

- The delivery of affordable financial services to a population using mobile money is associated with the attainment of a nation's crucial economic and social goals.
- Providing financial services draws credit into the banking system, leading eventually to GDP growth. It increases the creation of capital, leading to an increase of free enterprise.
- And it develops the depth of a nation's private sector, which in turn builds new jobs.
- These financial developments reduce a nation's overall income inequality, increase income growth among the lowest paid quintile of the population, and accelerates poverty alleviation.





# Conclusion

- However some challenges such as;
  - fraud,
  - network/connectivity problems,
  - limited interoperability and
  - services for people with special needs
  - Interest on escrow account- who should benefit and how should it be shared out
  - How to deal with unclaimed balances/ dormant accounts
  - Deposit protection for balances on the mobile wallet
- Among others still exist.
- It will require the collective effort of regulators, government and the private sector to deal with these challenges in order to fully appreciate the full economic and social impact of mobile money.



*Thank you for your  
attention!*