

By Benon Ojiambo

**F**red Gusino, a 30-year-old resident of Nawuwongo in Kampala lives over 200km away from his parents in Masinya sub-county, Busia district.

A few years ago, Gusino would seal money in an envelope, take it to bus operators, who would deliver it to his parents. Or he would wait for anyone going to the village and give it to them for delivery.

This, he says, could take time before the money was delivered to his parents and it involved risks such as losing the money to untrustworthy people.

However, the introduction of mobile money by MTN Uganda in March 2009, was a game changer. It ushered in convenience to the many users in Gusino's shoes with people to take care of, but live in distant places.

"I can now send money to my parents or anybody else instantly and conveniently," says Gusino.

Internationally, mobile money was pioneered in Kenya with the launch of M-Pesa by Safaricom, the country's largest mobile network operator in 2007. This was a ground-breaking activity that the rest of the world followed.

After two years, one of Uganda's mobile network operators, MTN Uganda, introduced mobile money to the market. This set the pace for the mobile money revolution that has swept the Ugandan economy and taken it by storm.

Telecom companies offering mobile money services have since grown to about five.

The value of mobile money transactions has exponentially grown from about sh490m in 2009 to about sh32.5 trillion by the end of December 2015, according to the Bank of Uganda (BOU).

The number of registered mobile money customers has tremendously increased from about 10,000 in 2009 to about 19.5 million as of 2015, according to the Uganda Communications Commission (UCC) statistics.

Of these, MTN Uganda boasts of over seven million mobile money users, representing about 70% of its total subscriber base.

"MTN mobile money has contributed to the creation of jobs in the country, with more than 67,000 agents and 300 merchants currently transacting across the country. It employs, directly and indirectly, an estimated 205,000 people along the mobile money value chain, especially the youth," said Phrase Lubega, MTN Uganda's general manager for mobile financial services.

The value chain includes making electricity, water, pay-TV payments and tax remittances through the mobile money service.

# When MTN broke ground in mobile money business



A mobile money operator serving customers at an MTN booth in Kampala

**THROUGH THE MOKASH SCHEME MTN IS HELPING REGISTERED USERS TO SAVE AS LITTLE AS SH50 ON THEIR PHONES, WHILE EARNING AN INTEREST OF UP TO 5%**

unprecedented number of people," Christine Alupo, BOU's director of communications told *New Vision* recently.

"Since its inception, the service has evolved from just a money transfer product. Ugandans can today use the service to shop (physically and online), deposit and withdraw cash from banks, it is being used to facilitate international remittances to its users in Uganda," Lubega added.

However, Alupo says the service has been embraced due to the strict regulatory framework that has ensured that the proliferation of mobile money services is not a threat to systemic stability, depositors' funds are safe and overall, the process is orderly.

In 2012, Louis Kasekende, the Central Bank's deputy governor, predicted how mobile money shall evolve banking in the country.

"Commercial banks will partner with mobile phone companies to allow the banks' customers to use their mobile phones to access various types of services from the bank, ranging from monitoring of customer account balances to effecting transfers to other banks," he said.

## Pioneers mobile loans

As mobile money services continue to shape the country's financial sector, more innovations are being made in the financial sector, MTN made a major milestone in introducing financial services to an even wider section of Ugandans (especially the unbanked).

This is through the introduction of MoKash, a micro-savings and loans product that allows registered users to save as little as sh50 on their phones, while earning

an interest of up to 5%, as well as borrowing as much as sh1m using their phones, in partnership with the Commercial Bank of Africa. "This is to further extend MTN Uganda's growing mobile money service offering and consolidate its mobile money market share leadership, in line with the company's objective of driving

true financial inclusion for all people and communities across the country," Lubega said.

According to Lubega, the innovation is in line with the Government's efforts to improve access to financial services for all Ugandans across the country.

"To date, we have over 950,000 customers who have activated MoKash with deposits now in excess of sh2.3b and we are on track to reach our three months target of a million customers," he also stated.

## Challenges

The FDIP report calls for further strengthening of the financial sector to mitigate the risks of fraud and promote consumer confidence, while accessing the services as well as developing a comprehensive and formal regulatory framework for mobile money.

Lubega alludes to that saying like any other business, the service has had its share of challenges with the major one being fraud in both the agent and customer spaces, as they are both duped and cheated of their earnings by

"It is a global reality that fraudsters exist and they try to take advantage of any loopholes in systems," Alupo said.

"There has also been a huge infrastructure challenge in the delivery of the service especially in the hard to reach areas. This in a way has slowed down the growth of financial inclusion in these areas," Lubega also said.

Nonetheless, being a technology-based service, Lubega says there has been a lot of effort to make the product user-friendly, but there is still a huge challenge delivering the product to the bottom of the pyramid customers who have difficulty using interfaces such as the USSD that is used to deliver the service.

These include, but are not limited to sensitising its customers and agents, who have (sometimes) been victims of fraud through bogus promotions and mobile money PIN theft and continuously engaging customers on the benefits of cashless transactions.

However, Alupo said there are steps being taken by the finance ministry and BOU to strengthen the infrastructure for financial transactions such as the treasury single account, as well as procedural rigour intended to protect the integrity of government transactions. She noted that financial institutions are required to invest in systems that are capable of fraud detection and interception.






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