

BY JOHN ODYEK

It is 10 years since mobile money was introduced into Uganda. It was easy to borrow a leaf from neighbouring Kenya that had advanced in mobile money services.

The growth in mobile money services has been phenomenal. It has deepened financial inclusion, incurring lower transaction costs, improving rural access to financial services and integrating greater customer convenience.

According to Bank of Uganda (BOU) the mobile money balance on customer accounts increased from sh418.9b in September 2017 to sh495.9 in June 2018. The number of mobile money subscription by September 2017 was recorded at 23,726,352 while in June 2018 it was recorded at 22,733,823.

The apparent decline in numbers followed deactivation of some unregistered numbers from the network. The value of mobile money transactions shows a growth from sh16.7 trillion in September 2017 to sh19.3 trillion in June 2018.

Schemes in Uganda

Mobile money services were first introduced in March 2009. From then it took off at great speed. Currently there are seven mobile money schemes in Uganda. These include MTN, Airtel, Uganda Telecom, Africell, M-cash, PayWay and Eeezy Money.

Mobile money services are regulated through a shared responsibility that is governed by Bank of Uganda and Uganda Communication Commission (UCC).

Regulation

Godfrey Mutabazi, the UCC Executive Director, recently asked telecommunication operators to improve transparency of mobile money platforms that generate the statements to reflect transaction details like date, time, and location and also ensure that their systems cannot be easily manipulated by their staff.

The Central Bank has the sole responsibility of regulating financial services but financial services offered by telecoms have remained largely unregulated given that they are offered by non-financial institutions.

A Uganda Finscope survey for 2018 indicates a sharp increase in the number of Ugandans who use financial services. The total value of mobile money transactions grew from \$9.7b (sh36b) in June 2016 to \$16.3b (sh60b) in June 2017, according to Bank of Uganda. MTN and Airtel have become the main players in the mobile money sector.

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. BOU has

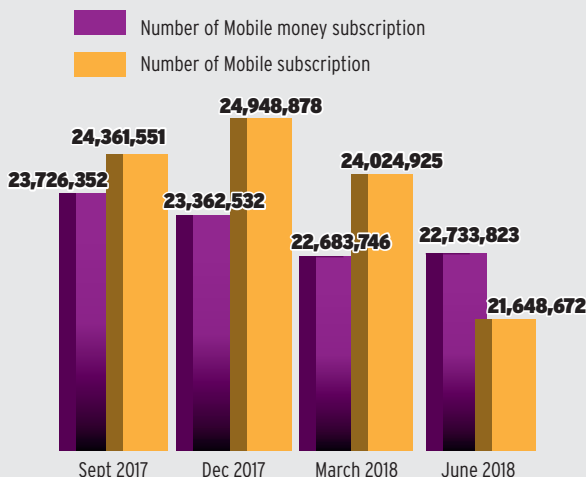
Ten years of mobile money

Mobile money transactions (Uganda shillings)

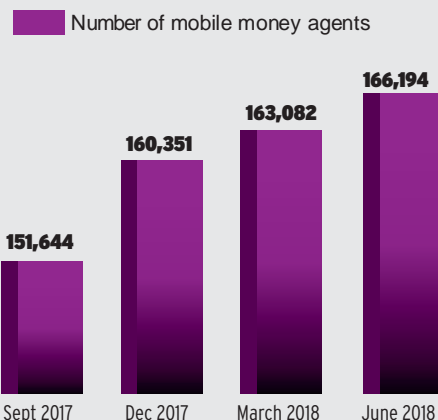
| | SEPT 2017 | DEC 2017 | MARCH 2018 | JUNE 2018 |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| Number of Transactions | 305,757,311 | 340,591,373 | 340,783,906 | 358,272,314 |
| Value of Transactions | 16,748,857,697,159 | 18,136,115,656,548 | 18,848,872,284,952 | 19,347,889,204,239 |
| Balance on customer accounts | 418,978,104,604 | 511,885,255,712 | 455,966,442,347 | 495,977,449,459 |

GRAPHICS BY BRIAN SSEKAMMATE

Mobile Money subscription vs mobile subscription



Mobile money agents



GUIDELINES ISSUED

BOU issued mobile money guidelines in 2013. The Guidelines were developed in consultation with UCC, the private sector and other relevant stakeholders.

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.

been approving mobile money operations when this is done in partnership with a Supervised Financial Institution (SFI).

Mobile Money Service Providers (MMSPs) 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.

At the start, similar to Kenya, 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.

BOU executive director for supervision, Tumubweine Twinemanzi, said they are developing new laws to regulate non-financial institutions providing payment systems in the financial sector.

"There is going to be a definition and separation of roles so that telecoms operating in mobile

money register subsidiaries that separately deal in mobile money for easier supervision and regulation," Twinemanzi explained.

Impact

A World Bank study finds a 1% increase in financial inclusion corresponds to a 0.51% increase in business creation, and a 15% inclusion increase leads to employment growth of 1%.

Using mobile money instead of cash makes it easy and quick for a taxpayer to settle their obligations. Voluntary compliance to pay

tax is sometimes hindered by cost such as transport, time and various difficulties of being compliant. The ease, convenience of the service and speed of the mobile transactions increases tax revenue.

The adoption of mobile money services has decreased administrative costs for companies. Utility companies such as water, power 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.

The power company UMEME has reported an increase in revenue collection rates.

Mobile money has a big social impact. For instance families are able to keep children in school through easy fees payment and time saved to queue fee payments in banks.

With mobile money, the low income earners have a simple and safe way to save money for future health care costs.

Two companies that have been licensed by the Uganda Retirement Benefits Authority (URBRA) to provide pension services to the informal sector are using mobile money to collect contributions.

Statistics from BOU indicate that the percentage of the adult population with access to formal financial services has more than doubled since 2006. This is attributed to formal no-banking services, dominated by mobile money.

2009 The year mobile money services were introduced in Uganda

sh60b Total value of mobile money transactions 2017

2013 The year UCC introduced issued mobile money guidelines