

INSIDE: Microfinance and SACCOs boosting
Uganda's saving and investment culture

The Microfinance journal

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ONE-ON-ONE

Uganda Microfinance Regulatory Authority's perspective of the Microfinance Sector

*With the Executive Director of UMRA
Ms. Edith Namugga Tusubira*

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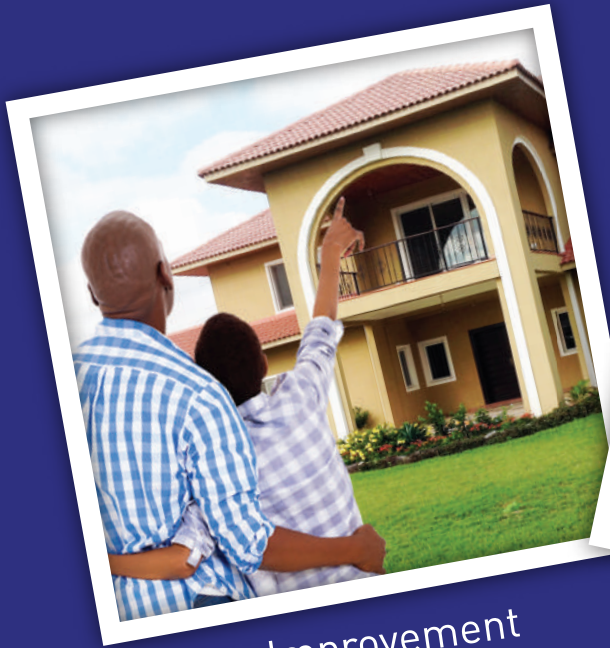


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INTERVIEW

Put priority on saving & investment - Hon. Haruna K. Kasolo

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Publisher's Note

To our esteemed readers...

The publication is a magnificent blend of its kind in Uganda that is to be published quarterly, it will explore, analyze and prescribe the effects of microfinance developments in Uganda and across the globe.

The product will assist in streamlining the fraternity as a financial subsector, the publishers Morgan international Limited also have invested their expertise, a solid commitment to professional and comprehensive service delivery hitherto.

It's to our pleasure to convey our heartfelt gratitude to the stakeholders in the Microfinance fraternity in Uganda most especially, The Uganda Microfinance Regulatory Authority (UMRA), the Minister of State for Microfinance, Profira Uganda, the MDI managers, the money lending Institutions, the advertisers and to all those whose efforts have contributed to the success of this national source of microfinance related information.

The supplementary humble request is extended to our esteemed readers, to take beneficial use of this stunning success as a means of keeping abreast with all frameworks concerning microfinance progress in Uganda and across the globe.

Wishing you an interesting journey as you explore Uganda's first ever Microfinance Journal.

For and on behalf of the Editorial and sales team of Morgan International Uganda Limited

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Put priority on saving & investment

The Minister of State for finance Honorable Haruna Kyeyune Kasolo, was approached by The Microfinance Journal's reporter to give the overview and dynamics regarding the Microfinance fraternity in Uganda, below are the excerpts:

QN: How is the current overview of the sector dynamics and outlook?

ANS: We have progressed as the Microfinance industry because we now have regulations which are helping us undo some of the challenges we were facing. When we started out for instance we had no regulations and Bank of Uganda was only mandated to regulate up to Tier 3 financial institutions so those in Tier 4 were not regulated. As a result, some lenders in this institutions took advantage and swindled clients.

Because of the risks facing poor borrowers and depositors in Tier 4, we have worked to create a legal frame work which will effectively govern the spectrum of Tier 4 financial institutions with the objective of protecting the hard earned savings of the

poor, limiting predatory practices and building confidence in the system to promote financial inclusion.

So the Uganda Microfinance Regulatory Authority (UMRA) was formed as a result to regulate and supervise Tier 4 financial institutions and money lenders

We have also established bodies like AMFIU where by all small institutions under Tier 4 come together so as to have a collective voice to bargain for their common concerns.

Additionally, PROFIRA a programme that has deepened financial inclusion in rural areas was formed in order to strengthen and increase access to financial services the same rural areas. The Ministry of Finance Planning and Economic Development (MoFPED) commissioned the body to extend financial inclusion in rural areas.

QN: What is PROFIRA's focus?

ANS: The project focuses on increasing access to sustainable financial services to the rural poor through promoting savings and credit cooperative organizations (SACCOs).

It's a Government supported project that targets development of community based financial services through ensuring sound policy formulation and implementation.



The programme has boosted the industry because people are now literate and understand the importance of paying back loans in addition to developing a savings culture.

PROFIRA has brought so many other players on board like some districts that do not have banking services. These districts have managed to form SACCOs, start saving and borrowing to promote financial inclusion due to PROFIRA.

QN: How are challenges like expensive credit and financial illiteracy the sector faces being solved.

ANS: Majority of Ugandans that is 68% percent are under microfinance institutions however traditional banks also give out expensive loans due to the monopoly they have in the market. So by the time this money reaches the Ugandan borrowing from microfinance institutions, the interest is very high.

There has been a need to avail cheaper credit to the microfinance institutions and to this purpose The Microfinance Support Centre which is fully owned

We have also established bodies like AMFIU where by all small institutions under Tier 4 come together so as to have a collective voice to bargain for their common concerns.

by Government was formed to provide cheaper credit to SACCOs so that they in turn can offer cheap and affordable credit to its members.

All Ugandans are potential wealth creators but there is need to facilitate more financial literacy, mobilization and capacity building.

PROFIRA has done a lot so far although there is need to do even more. People think they are poor due to Governance but it's because they fail to plan. For example, people take

short term loans to invest in long term projects. The other problem is lack of productivity. Several youths today are nothing doors which hinders their development.

What is your message to the different players in the sector?

First of all, Ugandans should prioritize savings. African are basically poor planners and poor savers in general. If you do not save and put investment first, then forget about money.

It is very important not to take a loan you are not prepared for. Doing a proper business selection and saving up to at least 40% of your initial venture capital is ideal. Interest yourself in record keeping and if you have to make sacrifices, so be it, be disciplined. Do not eat seed and if you borrow ensure to pay back.

Lenders on the other hand should ensure to help their clients in business selection and offering consultancy accordingly. They should ensure their borrowers develop and place experts to offer advice as often as possible.

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Uganda Microfinance Regulatory Authority's perspective of the Microfinance Sector

The Microfinance Journal's one on one with the Executive Director of UMRA Ms. Edith Namugga Tusubira



QN: Who is Edith Namugga Tusubira

ANS: I formerly worked as Country Manager Uganda for Oikocredit, an international financial investment organization where I was at the helm of all country operations and initiatives for over 13 years. Currently I'm now the Executive Director (ED) at Uganda Microfinance Regulatory Authority (UMRA) an institution I joined as the first ED for the authority that regulates Tier 4 Microfinance institutions and Money Lenders.

QN: What are the Authority's milestones so far and what is the regulatory framework like now?

ANS: UMRA seeks to promote a sound and sustainable non-bank institution's sector and credit co-operatives, village saving and loan associations, non-deposit taking microfinance institutions and moneylenders to enhance financial inclusion and stability.

We are still in the formative stages of this new regulatory institution a fairly new regulatory environment. I call it new because Uganda needed to regulate microfinance institutions like yesterday. UMRA existed for roughly two years so a lot is still being prepared in order to come out with a well regulated and supervised sector.

The microfinance institutions have been lacking proper regulation and direction on a greater part as most Ugandans operate under microfinance sector controlling small holder funds.

Currently 80% Ugandans operate under microfinance and so many are unbanked and don't even have

bank accounts. Majority fall under Savings and Credit Cooperatives –SACCOs, Non-deposit taking microfinance institutions, Self-Help groups and Community based microfinance institutions. So Government saw it wise to start regulating this sector.

Right now the Tier 4 is implementing lending and savings under SACCO system and non-deposit taking institutions as per tier 4 Micro Finance Institutions (MFIs) and money lenders Act. 2016.

Money lending business which has also benefited to cover the gap left out by mainstream banks will also be supervised under Tier 4.

We are looking creating standards as we curb unlawful lending habits. For instance money lenders should not take national IDs, borrowers' passports, and ATM cards in form of security. If the law gets rightly implemented all players will have layers have confidence in the Uganda's financial system.

QN: Challenges UMRA is facing so far?

ANS: You know there has not been regulation in this sector and because we are at formative stage there is lack of a clear map and understanding of where all our potential clients are located, the kind of additional services and criteria they follow as they offer different products, so we plan to create a platform that will have common standards for every industry player where we shall have sanity, and under UMRA as a place to report and resolve issues.



Currently 80% Ugandans operate under microfinance and so many are unbanked and don't even have bank accounts.

QN: You have investment clubs which are high end, village savings loan associations, moneylenders and SACCOs, isn't this too much UMRA?

ANS: This actually is one of our challenges for which we are finding solutions as we implement the law. We started with Non deposit taking MFIs and Money lenders, we are going to start SACCOs soon as the reg-

ulations are released. UMRA license shall be given to only those willing to comply with the relevant laws and regulations. In future if not regulated the financial institution stands a risk.

QN: There was a deadline for licensing when the Authority had just started operations, what happened?

ANS: We extended the deadlines for some time to encourage many come on board and we are still open as we have not yet set a determinant date on when to close out. However, UMRA licence remains priority for all who seeks to operate legally.

QN: How many microfinance institutions have come on board so far?

ANS: Well, we have over 500 institutions and money lenders are about 300 of the number. And like I mentioned, we are in the formative stage but we have clear rules the must be adhered to I order to comply.

INTERVIEW

QN: Have you decided on the interest rate yet?

ANS: For the interest rate the Minister is supposed to help us come up with one but since we are in the formative stage, the interest rate caps are still on hold.

QN: Do you have a corporate desk where some issues can be resolved between players in the sector?

ANS: Oh yes! We have a corporate desk where those that feel unfairly treated can come and seek solutions as long as the agreement between the lender and the borrower is well documented.

cooperatives so that if people want to find information about them it's easier to get it from them.

The Association of Micro Finance Institutions (AMFIU), Uganda Co-operative and Savings Credit Union (UCSCU) and Uganda Money Lenders Association (UMOLA) for money lenders are some other avenues we reach out to because they have some statistics on the industry that we need to reach out in a proper and holistic way.

We still have money lenders that are not yet under any association let

people working for UMRA in about 2 to 3 years ahead.

We are also in the process of consolidating the process flow through a robust Management Information Systems (MIS) so that we have a platform that can manage all the information about the institutions with more accuracy and easy usability. We also envision curtailing fraud in the sector, by using a system that identifies clients with a number which is well known and where the various financial systems can track transactions connected with UMRA as a regulator.

There will be no informal contracts; all contracts shall be in writing, allowing the financial sector to manage information in a better way but also helping to ensure it is well connected and regulated. And of course we are looking forward to expand to other premises.

QN: Do you have any educational qualifiers or a timeframe for taking part in the sector?

ANS: We don't have a benchmark on educational standards as the organizations have differing capacities. However, we are still trying to find out how to harmonize the sector on standards. And of course MFIs mostly cover rural areas which automatically mean you will be interfacing with the uneducated people as well.

QN: Last remarks

ANS: We are still rolling out for licensing and we are calling out sector players as long as you belong to SACCOs and other micro finance institutions to come and be licensed as the law will soon catch up with those that will have missed out.

On the other hand, we appreciate the public especially for those complying and hope to cooperate even more.

The microfinance institutions have been lacking proper regulation and direction as most Ugandans operate under microfinance sector controlling small holder funds.

alone getting license but for sensitization of money lenders, working with UMOLA to reach out the members is ideal.

QN: UMRA's future plans?

ANS: We are looking for partnerships to get as much information as we can and also partners in form of financing our activities. We are also working on staffing to continuously build UMRA capacity.

Our plan is to have about 80 to 100

Although what is more important is the institutions being under us so that we have clear guidelines for them but any corporate individuals with grudges can still come to UMRA for inquiry and get solutions according to the law.

QN: How far with sensitization to get these players on board?

ANS: We are creating different levers of sensitization platforms under different apexes like Uganda Cooperative Alliance (UCA) for





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Making the policy framework that works for the microfinance sector

It is widely accepted that the establishment of an enabling environment by government has played an important role for the development of a healthy national microfinance industry.

However, cases like the Mubende coffee plantation and the bitter taste of eviction from *DWTV* documentary show the power of corporations and the weakness in states in emphasizing the need for investment related legal frameworks that clarify the role and responsibilities of both states and investors.

This further shows the need for the State to set a stage for debunking the influence gaps in the investment related legal frameworks that can pose great challenges in states economic agendas.

Implications of gaps in investment related legal frameworks including investment codes, bilateral treaties (BITS) and other investor state contracts like public private partnerships on people's rights, state's sovereignty and behavior of investors can be taunting if not checked.

Like in other countries where microfinance emerged robustly, macroeconomic stability and serious financial sector reforms set the stage. In addition, with microfinance becoming a constituent part of the financial sector and emerging as an instrument of poverty reduction, the GoU has over the past years developed a special interest and expertise in it.

After the end of nearly two decades of civil strife, an Economic Recovery



Cathy Mbabazi,
Executive Director, RICA
Microfinance Limited

Programme (ERP) was launched in 1987 with support from the International Monetary Fund (IMF) and the World Bank.

Since that time government has pursued structural adjustment policies and succeeded in stabilizing the macroeconomy and fostering growth. Inflation has been reduced to single digit levels since 1990 and average growth rates have been around 6% per annum.

Since 1993, when the Financial Sector Reform Programme was launched, the government has promoted a more market-oriented financial sector approach, deregulated interest rates and liberalized the exchange rate in 1994.

Moreover, the privatization of state controlled banks was initiated, although not very successfully. The economic strategies of government for poverty

alleviation are laid down in the Poverty Eradication Action Plan (PEAP) and the Plan for Modernization of Agriculture (PMA).

Both policy documents identify efforts to increase the ability of the poor to raise their incomes – either by increasing their productivity or by entering new productive activities – as important strategies to improve the quality of life of the poor.

Moreover, both policy documents identify microfinance as an important instrument to alleviate poverty. The government also acknowledges that the role of the government in microfinance is limited to the provision of the appropriate legal and policy environment and capacity building.

Within the government, the Private Sector Development/Capacity Building (PSD/CB) policy unit in the Ministry of Finance handles microfinance issues. As one of its activities, the policy unit is in the process of establishing a comprehensive microfinance database that should promote coordination, monitoring and evaluation in the industry.

Representing government, the head of the PSD/CB policy unit hosts and chairs the Microfinance Forum, the most important coordination mechanism in the industry. Moreover, the PSD/CB policy unit has been involved in the process of developing a regulatory framework,



which will be discussed below.

In general, the Ministry of Finance, has been supportive of the microfinance industry, accessible to the needs and ideas of its stakeholders, and has tried to engage in a constructive dialogue on relevant issues.

The government's commitment to microfinance has probably been linked to the crisis of the traditional financial sector and with microfinance at least partly filling the gap left by the closure of formal banks.

However, other ministries have been less accessible to good microfinance practice and continue to support grant based programs.

Although the microfinance industry

is committed to educate the public and government about its practices, there has recently been some disquiet over the interest rates and recovery methodologies used by some MFIs.

Newspapers have published articles about exploitative microfinance providers and parliamentarians have repeatedly accused MFIs of usury.

While these incidents may partly be due to ignorance regarding microfinance best practices, individual MPs also seem to engage deliberately in MFI-bashing campaigns, expecting to gain some popularity out of it.

The regulation and supervision of microfinance activities has been one of the most debated topics in the Ugandan microfinance industry over the past

years. The Financial Institution Statute (1993) in its current form does not cover the provision of microfinance services directly, leaving most microfinance operators in a regulation-free state.

While discussions about a rating system have only now been taken up again, ensuing events resulted in the development of legislation for the regulation and supervision of microfinance activities. The legislation is still in draft form, but has already been agreed on by Cabinet and will soon be presented to the parliament.

The development of a regulatory framework has been a relatively consultative effort, with a number of practitioners and donors eager to support the initiative from the beginning. Over the past years, the German agency GTZ

has provided technical assistance in the area of regulation and supervision to the central bank.

The principles of the framework have been discussed in various meetings and all stakeholders had ample opportunity to comment. However, most practitioners feel that the process has become less consultative over the past year.

At least in part, this may be due to the authorities' understandable qualms about negotiating regulations with those who are to be regulated.

Policy papers, like the BoU policy document on Microfinance Regulation of last year, remained silent on some key issues, triggering fears among providers that the regulation may contain provisions that could be harmful to them.

The proposed microfinance regulation views microfinance as a line of business, which can be done by organization licensed as a microfinance provider.

The Bill will cater for the specific requirements of Microfinance Deposit-taking Institutions (MDIs) and will most probably follow the approach of risk-based supervision, i.e. concentrate on institutional aspects such as quality of corporate governance and management, business policies and procedures, effectiveness of internal controls, and the adequacy of the MIS.

Quantitative analysis for instance financial ratios, will still play a role but will be understood as complementary within the framework of risk based supervision.

The proposed regulatory framework will only provide for those MFIs with a track record and those which reach at least financial self-sufficiency meet stringent governance, portfolio quality and capital adequacy requirements.



The proposed regulatory framework will only provide for those MFIs with a track record and those which reach at least financial self-sufficiency meet stringent governance, portfolio quality and capital adequacy requirements.

Microfinance providers that do not mobilize and intermediate deposits will not be affected by the Bill. As already mentioned above, there is concern in the Ugandan microfinance community that the regulation may be too strict in some areas and damage the industry.

For example, if prudential licensing requirements for community-based MFIs provide for a minimum number of members that is very low, this could put out of business many organizations that offer savings services in places where no one else is likely to provide them.

Another concern is that the minimum capital requirements might be too high for some emerging MFIs, which could endanger their survival. Savings-oriented initiatives, like MicroSave Africa, argue that it should be left primarily to the savers where and how to save, as no system of supervision will secure savings deposits.

Alternatives suggested for supervising MFIs that accept deposits include a savings guarantee foundation to which MFIs subscribe, a rating agency that grades and certifies MFIs, a market-driven savings deposit insurance scheme, etc.

On the whole, the regulators face the difficult task of finding a balance between protecting deposits and securing the health of the financial system on the one hand, and providing a framework that does not restrict the expansion and development of the Ugandan microfinance industry.

There is considerable doubt about the capacity of the Bank of Uganda to take on the additional responsibility of supervising deposit-taking MFIs.

The striking number of recent bank failures suggests that the BoU does not have what it takes to fulfill its role of supervising and regulating the financial sector.

Whether the government will succeed in strengthening and expanding the central bank's supervisory capacities remains to be seen.

Microfinance can cause Urbanization sustainability

The National Population and Housing Census 2014 Main Report released in 2016 indicate that the number of urban centres has increased from 67 in 1991 to 259 as of March 2016.

Correspondingly, the human population in the urban centres over the same period has increased from 1.6 million in 1999; 2.9 million in 2002 and 7.4 in 2016. This progressive urbanization reflects the rooting and development of microfinance institutions in the country.

Uganda Bureau of Statistics defines urbanization as the increase in the proportion of the population living in urban areas as attributed to the creation of new administrative units among other reasons like access to finance by microfinance institutions in Africa.

Amelia Kyambade, the Minister of Trade and Cooperatives intimated that government has provided funds under the Project for Financial Inclusion in Rural Areas (PROFIRA) to support 500 SACCOs making possible for every sub county to a SACCO.

"This has greatly supported operation and financial sustainability of registered SACCOs and Trade Ministry continues to register cooperatives; currently Uganda has 18,262 cooperatives with majority being SACCOs which stand at 8.314", she added.

These SACCOs are said to have about 550,000 active clients saving over Shs 65 billion which shows governments efforts to reach all the grass root clients that are usually neglected by conventional banking



Microfinance has greatly contributed to the improvement of urban centres

institutions in the rural areas.

"Every time a Microfinance centre is established in an area, the population increases which subsequently affect urbanization and social infrastructure development." Kyambade said.

Makerere University's Development Studies lecturer, Ellia Nyanja Musoke attributes the development of urban centres to high population growth.

"Microfinance offers real economic opportunities to people who would otherwise destined to subsist without hope of economic advancement."

Musoke further noted that many of the loans got from microfinance institutions have been correctly put to use to better economic standards of customers.

Microfinance institutions in an area bring and advantage of technolog-

ical advancements as a result of an increase in population growth, investment by international corporations as there will be need to speed up communication and dissemination of services, this will attract communication telecom companies like MTN and Airtel setting up shops," he said.

Experts say that urbanization acceleration by Microfinance institutions comes with many benefits for individuals, families and companies with better access to public health services, access to goods and services, productivity and allowing solving of many social problems in the society.

Better possibilities like jobs that boost the economy, better sanitary services like clean water, transportation and waste management in addition to allowing social and cultural integration at a level not available to the extended populations in rural areas are availed.

Microfinance and SACCOs boosting Uganda's saving and investment culture

Undoubtedly, the Microfinance sector has cultivated a culture of saving especially among the marginalized and unbanked individuals in the rural and urban areas.

Cathy Mbabazi, the Director of RICA Microfinance, narrates that the level of savings and investments through SACCOs is still low and needs to be improved.

Mbabazi believes that the Micro financing has played a significant role in helping the financially growing persons to increase their income especially vendors, small holder farmers and peasants with no creditworthiness that can assist them acquire loans in conventional banking institutions.

Micro finance proponents say banks target corporate individuals who have their moneys paid by their companies through banking institutions so creditworthiness is guaranteed.

"Through village banking and solidarity groups where the players speak the same language, have common concerns and mostly at similar levels of development, it is definitely easier to move people into collective and individual saving which can be

invested to their standards of living," she said.

FinScope Uganda 2018 report indicates that 46% of women and 35 % men are financially excluded with the Uganda Investment Authority (UIA) putting the number of people employed in the Micro, Small and Medium Size Enterprises (MSMEs) at over 2.5 million.

This accounts for approximately 90% of the entire private sector, generating over 80% of manufactured output that contributes 20% of the Gross Domestic Product (GDP).

Haruna Kyeyune Kasolo State Minister for Finance, in charge of Microfinance explained that it is important not to take a loan you are not prepared for; doing a proper business selection and saving up to at least 40% of your initial venture capital is ideal", he said.

Kasolo noted that borrowers should interest themselves in record keeping and if you have to make sacri-

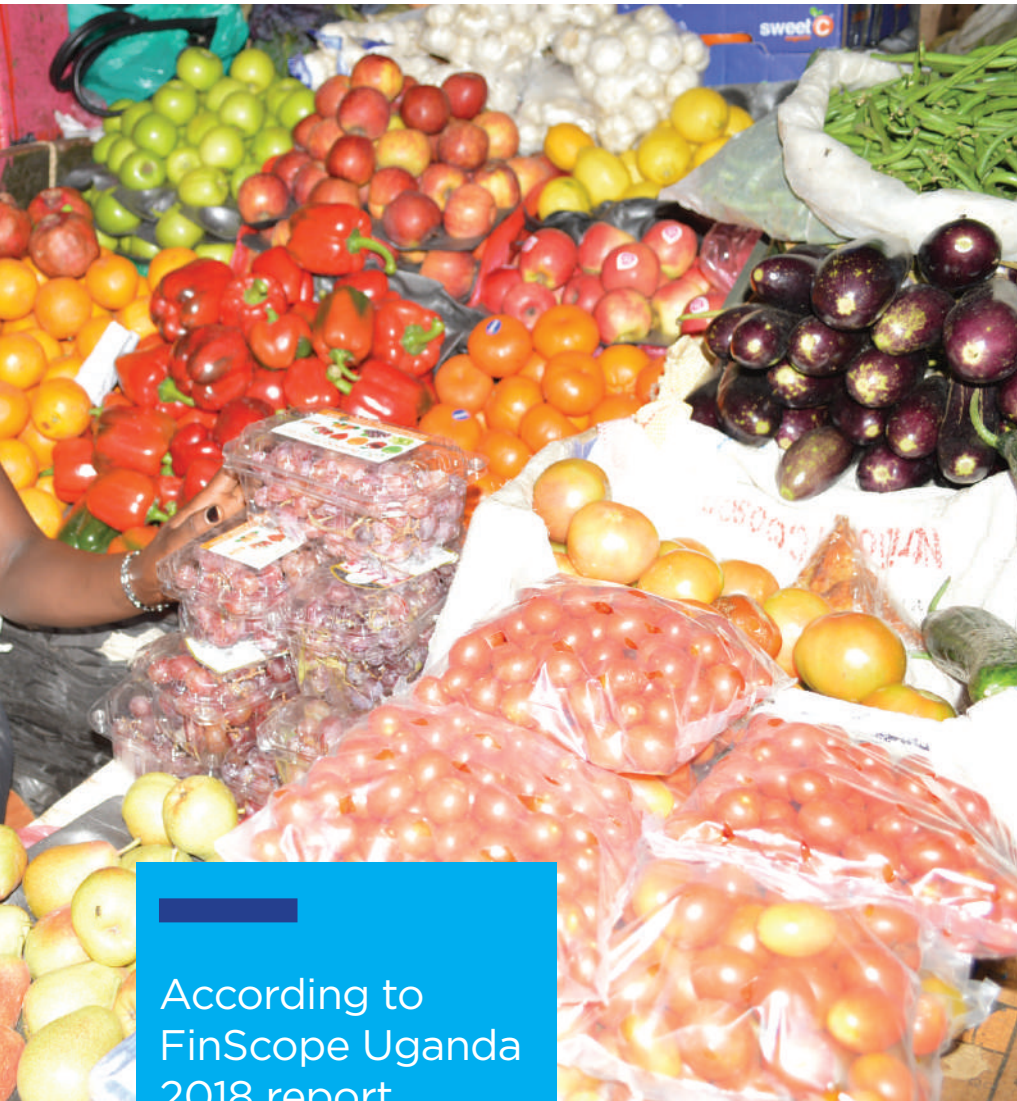


fices, so be it, be disciplined. Do not eat seed and if you borrow ensure to pay back.

"First of all, Ugandans should prioritize savings. Africans are basically poor planners and savers in general. If you do not save and put investment first, then forget about making money", Kasolo added.

On lenders, Kasolo reiterated that they should help their clients in business selection and offering consultancy accordingly.

"They should ensure their borrowers develop and place experts to



According to
FinScope Uganda
2018 report,
46% of women
and 35 % men
are financially
excluded

offer advice as often as possible” he noted

Perhaps the greatest contribution of microfinance is that it empowers low income owners, giving them both the increased confidence and financial means to play a larger role in controlling their own destinies.

Instead of waiting for government

to develop institutions to improve their lives for them, the beneficiaries of microfinance can actually improve their own lives by giving them a chance to move out of the vicious cycle of poverty along a path they create for themselves.

Michael Senkubuge, a senior banking officer at Bank of Uganda microfinance noted that Microfinance has become the much better favored intervention among international development agencies.

“It is the provision of savings and credit services to the poor and is designed to fight poverty by strength-

ening the economic position of people at or below the poverty line. Microfinance is the chance the poor never had,” he said.

Senkubuge added; “The advent and apparent success of MFIs is without doubt a challenge to the credibility of established commercial banks as providers of financial services for low income earners.”

MFIs lend against alternative forms of conventional and unconventional securities which have proven around the world to be extremely effective credit guarantees.

In Uganda, Microfinance services are provided from formal institutions, semiformal institutions and informal sources like Self Help Groups (SHG) with social collateral as the most used security to acquire financial services.

FINCA International, one of the most active micro-finance institutions in Uganda, village banking groups consisting of about 25-30 individuals guarantee each other’s and run a democratic organization.

Meetings are highly participatory; members elect their own bylaws, keep their record books, manage funds and are carefully responsible for loan supervision including enforcing penalties for non-compliance.

Accordingly, adoption of a financial system development approach is the key to achieving sustainable results and to maximizing development impact.

This approach should emphasize enabling policy, environment, financial infrastructure and developing of financial intermediaries that are committed to achieving financial viability and sustainability within a reasonable timeline.

aBi impacting the agribusiness sector through expanding access to financial services

aBi

The Agricultural Business Initiative (aBi) is a social enterprise with the overall vision to contribute to 'a competitive and sustainable agriculture and agribusiness sector in Uganda in support of equitable wealth creation in Uganda'.



Pride Microfinance Ltd (MDI) Pader Branch built with support from aBi to increase access to financial services as part of aBi's expansion of branches and branchless delivery mechanisms intervention

aBi consists of two Companies Limited by Guarantee, aBi Development Ltd (formerly the aBi Trust) and aBi Finance Ltd. The main focus of aBi Development is to increase agricultural production and value addition by extending matching grants and business development services (BDS) to agri-

businesses, farmer organisations and intermediaries. The grants and BDS enhance planning and management, production and businesses infrastructure, and upstream and downstream market linkages of producers and agribusinesses. On the other hand, aBi Finance expands access to business

finance for agricultural producers and agribusinesses by offering to Financial Institutions (FIs), financial incentives and infrastructure that make lending to the agricultural sector more attractive and less risky.

aBi was established in 2010 by the

Government of Denmark and the Government of Uganda to propel agribusiness development in Uganda by a local entity set up to exist in perpetuity, at scale and more reliably and efficiently than can be realised by traditional development programmes.

One of the critical areas through which aBi is ensuring sustainability of the agribusiness sector, is by supporting financial institutions particularly commercial banks, credit institutions, microfinance institutions and SACCOs across the country, to expand access to financial services for agribusiness actors mainly through, expansion of branches and branchless delivery mechanisms and improvement of financial service delivery, financier skills and products for financing agribusiness. Some of the interventions include:

- 1).** Improving of operational efficiency through supporting acquisition of new MIS' & Core Banking Systems as well as MIS Upgrades to; integrate mobile banking, digital loan applications, interconnect branches, collate reports for easy tracking and monitoring of loan performance, and tracking audit trails
- 2).** Increasing demand for / uptake of SACCO products and services through supporting; developing of new loan and savings products along the different agricultural value chain stages, and refining existing ones to suit clients' needs.
- 3).** Enhancing clients' understanding of financial and investment matters as well as SACCOs' products and services through support to Financial Literacy trainings for clients, and

promotional activities, to increase awareness of transparent usage of financial opportunities that exist.

- 4).** Enhancing capacity of SACCO staff in delivering and managing agricultural loans through supporting staff trainings in agricultural lending best practices, agricultural risk management marketing and others.
- 5).** Increasing outreach through supporting construction of new branches and integration of digital financial delivery mechanisms.
- 6).** Increasing access to finance for vulnerable groups through supporting the development of financial products and services geared towards promoting financial inclusion for refugees, women and youth

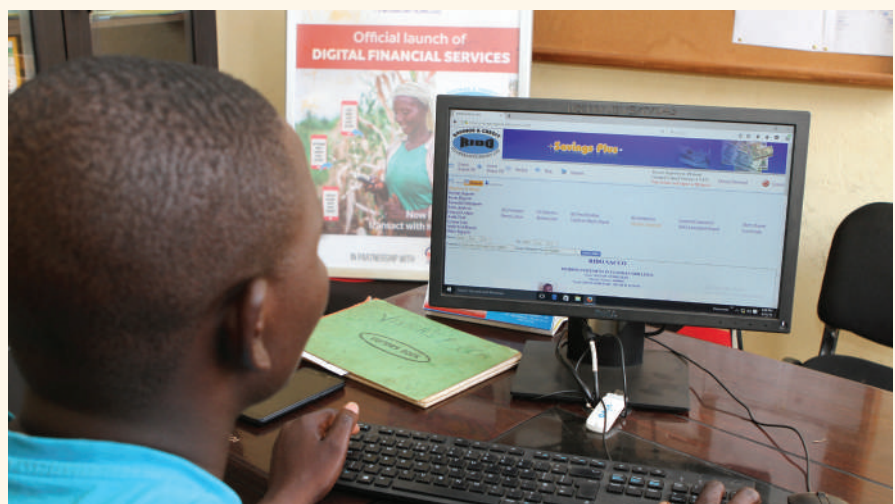
Success Story

aBi's support to lower tier SACCOs through the apex model:

Uganda Central Co-operative Financial Services (UCCFS), under the aBi-supported project 'Digital Financing for Cooperatives (DIFICO)', has so far trained and connected 235 SACCO branches to Savings Plus Management Information Software (MIS), which helps the member SACCOs improve their reporting efficiencies and transparency.

Under this same project, UCCFS also launched M-SACCO, which is a mobile banking platform for SACCOs to which 127 SACCOs have been connected so far and are now able to provide mobile banking services to their clients, hence deepening financial inclusion as demonstrated by the new savings volumes attained in 2018 (UGX 3.1bn against a target of UGX 1.2bn).

Below is an update of DIFICO project which is being implemented by UCCFS with support from aBi.



A staff of a beneficiary SACCO of the Digital Financing for Cooperatives (DIFICO) project using the Savings Plus Management Information Software.

Digital Financing through Cooperatives:

The partnership between aBi and the Uganda Central Cooperative Financial Services (UCCFS) began in 2013 with the **Financial Empowerment through Savings and Credit Cooperatives** (FESCO) Project, which provided support to both UCCFS and 25 SACCOs in a bid to build their capacities.

The FESCO Project was implemented between 2013-2014 and it was followed with another 2-year project called the **Capacity Building Initiative** (CBI), which worked to strengthen the capacity of UCCFS and 125 member cooperatives (SACCOs) to provide efficient and sustainable financial services.

In 2017, aBi partnered with UCCFS to implement the **Digital Financing through Cooperatives** (DIFICO) Project, which aimed at addressing several challenges:

- a).** difficulties in reaching out to remote rural-based clients in an efficient and low cost manner;
- b).** the lack of secure, low cost and reliable means of capturing transactional data;
- c).** difficulty in transferring funds efficiently and accessing more convenient banking services, including faster processing of loans and farmers' access to savings in cooperatives/SACCOs; and
- d).** the lack of a reliable ICT platform that links the supervising (apex) body – UCCFS – with its members.

These and other challenges were to be resolved by enhancing digital fi-



UCCFS agent trains farmers on the use of the M-SACCO platform in Igayaza, Kakumiro District

nancing and expanding the delivery of basic financial services to the financially excluded using innovative technologies like mobile phone-enabled solutions and digital payment platforms through SACCOs.

A number of interventions have been made including:

- a).** conducting regional sensitization meetings;
- b).** conducting a baseline survey;
- c).** setting up a data centre that is linking all participating cooperatives to UCCFS; and
- d).** conducting customized training with participating SACCOs.

The Project has also provided logistical support, including computers, printers and solar power systems, as well as software (Savings Plus). Over 126 SACCOs are now connected to the Savings Plus core banking software and in 2018 experienced notable improvements in the major

Project KPIs. 3,015 staff members from the connected SACCOs have been trained in MIS and are now able to use Savings Plus.

Reporting and monitoring have both greatly improved at the SACCO level. By the end of 2018, more than 30 SACCOs had begun transacting with the mobile banking platform M-SACCO on both MTN and Airtel, and 50 SACCOs already had MTN and Airtel IDs ready for transactions.

UCCFS has started earning a commission from M-SACCO transactions amounting to an average of UGX 600,000 per month. UCCFS is now setting up a secondary server and dashboard to continue the close monitoring of SACCO transactions, providing all necessary feedback instantly for decision making as well as ensuring the safety of members' data.

Microfinance Incubator Agriculture Enterprise Centre opens for the oil region

Stanbic Bank Uganda has opened an Agriculture Enterprise Centre in Hoima. This is in a bid to expand the reach of its business incubator programme and impact on Small and Medium Enterprise (SME) growth across the country.

The Centre, which has been launched in partnership with Tullow Uganda Operations Pty Ltd, will focus on strengthening farmers' capacity in the districts of the Albertine region in targeting agriculture opportunities in the Oil & Gas Sector and regional markets.

Speaking during the launch ceremony in Hoima on Tuesday, Stanbic Bank's Head of Enterprise Development Tony Otoa said that they had so far invested over Shs 500 million in setting up and operationalizing the Centre. The basic goal is to extend business incubation training countrywide.

"The Centre will help to deal with agribusiness enterprises challenges in the Albertine region. Agriculture is the backbone of Uganda's economy. We have partnered with Tullow Uganda to amplify our SME training programme in the Albertine region," he said.

He said, "Tullow on behalf of the Joint Venture Partners Total Exploration and Production Uganda and CNOOC Uganda Limited and in collaboration with Self Help Africa, the Petroleum Authority of Uganda and Ministry of Agriculture, Animal Industry and Fisheries undertook an Agriculture Development Program



Sharon Kakai,
WMC Africa

pilot study in the districts of Hoima, Kikuube, Buliisa and Nwoya. A number of interventions were developed to address challenges identified. We are partnering with them to intervene in the area of developing farmer capacity."

Stanbic Bank Chief Executive Patrick Mweheire said, "Stanbic Bank has pledged to support the SME sector growth and the transforming lives of the various stakeholders in this sector. As such, the bank has been running a business incubator programme that is purposed to support and nurture SMEs in order for them to develop and grow by bridging the identified gaps, in partnership and with the support of various stakeholders."

Mweheire said, "As part of our commitment to growing SMEs in Uganda,



particularly in the agriculture value chain, we have taken the business incubator programme to the regions, starting with the agriculture centre in Hoima. We shall also launch other regional business incubator centres in Gulu, Mbale, and Mbarara this year."

Tullow Uganda Managing Director Jimmy Mugerwa said, "Seventy five percent of the population's livelihoods depend on agriculture. If revenues from oil and gas are invested in Uganda's agri-processing, the country can transform its agricultural production capacity. The development and production phases of the project will create more direct employment and more jobs outside the boundary of the project. We will need welders, logistics people, caterers, service providers and more."

Accelerator vs. Incubator: Which Is Right for You?

Most startups could benefit from being in an incubator, but fewer are a fit for an accelerator.

Often entrepreneurs entering the startup arena are exposed to a completely new business vernacular. Unless these brave souls peddling their new ideas have a background in finance, they find themselves lost in conversations with people throwing around terms like angel investor, crowd funding, seed funding, Venture Capital (VC), and the list continues to grow daily. Another misconception from early entrepreneurs is the use of accelerator and incubator interchangeably as synonyms, which is understandable but incorrect.

Sure, both programs provide guidance to startups, as well as advance their business models and strategies, and the main goal is to groom the startup to become valuable in the eyes of investors. However, key differences exist between accelerators and incubators. When examining the selection and investment process, the differentiation between the two becomes more apparent.

Purpose

Incubators support startups entering the beginning stages of building their company. The startups possess an idea to bring to the marketplace, but no business model and direction to transition from innovative idea to reality.

Accelerators advance the growth of existing companies with an idea and business model in place. These programs build upon the startups' foundations to catapult them forward



Hubert Zajicek,
CEO and co-founder of
Health Wildcatters

to investors and key influencers.

Duration

Incubators operate on an open-ended timeline. They focus more on the longevity of a startup and are less concerned with how quickly the company grows. It is not uncommon for incubators to mentor startups for more than a year and a half.

Accelerators operate on a set timeframe, which usually lasts three to four months. During this period, startups build out their business with the support of mentors and capital provided by the accelerator. At the end of the program, startups receive the opportunity to pitch their businesses to investors.



Application process

Incubators invest time and resources into advancing local startups; they are generally tasked with creating jobs or finding ways to license intellectual property. Startups are a conduit to accomplish both. Incubators have less pressure to deliver startups that can grow fast, as fostering and supporting local startups is part of their charter. Therefore, even a slow growing or less scalable business constitutes a good incubator candidate.

Accelerators use a more traditional and formal model for entry into their program. Participants must apply for a select number of slots in the program. These programs are extremely

competitive as the accelerator must select the top startups from across the country, which are scalable, investable and have to show an ability to grow rapidly within months.

Environment

Both incubators and accelerators offer an environment of collaboration and mentorship. This enables the startups to share a space, as well as have access to a multitude of resources and peer feedback. Both also provide mentorship from seasoned entrepreneurs and business experts.

Investment capital

Incubators do not traditionally provide capital to startups and are often

funded by universities or economic development organizations. They also don't usually take an equity stake in the companies they support.

Accelerators do invest a specific amount of capital in startups in exchange for a predetermined percentage of equity. Due to this investment, the accelerators bear a greater responsibility in the success of the startup.

When deciding which program is right for their startup, entrepreneurs should look for the right fit. Most startups could benefit from being in an incubator, but fewer are a fit for an accelerator.

Incubators tend to take on startups which are still in formation, may not necessarily require investment capital and tend to be part of the local startup community already. The timeline to commercialization may be longer, or they are so early that some of the basics have not been addressed yet.

Accelerators have national calls to apply and pick from among hundreds of pre-vetted applicants. These startups must be able to demonstrate they are investible and rapidly scalable businesses willing to relocate to the town where the accelerator is housed for at least the duration of the program. The accelerator fund will be the startup's first outside investor in most cases. While both programs provide significant benefits to startups, they are not to be considered one in the same. Through careful self-reflection, entrepreneurs will be able to determine which is the right fit for their business at that moment. ♥

Hubert Zajicek is CEO and co-founder of Health Wildcatters, a nationally ranked healthcare seed fund and accelerator in Dallas, Texas. Dr. Zajicek is an active speaker and thought leader on healthcare innovation, startups, entrepreneurship and financing.

About Business incubators

What it is: Business incubators are organizations geared toward speeding up the growth and success of startup and early stage companies. They're often a good path to capital from angel investors, state governments, economic-development coalitions and other investors.

How it works: Incubators vary in their strategies. Some are located in an actual physical space meant to foster networking among entrepreneurs and their coaches. Others operate on a virtual basis.

Incubators sometimes call themselves accelerators instead, often when they're geared toward jump-starting businesses that are more developed.

Many have potential capital to invest, or links to potential funding sources. There's access to services such as accountants and lawyers -- not to mention invaluable coaching and networking connections through the staff and other entrepreneurs at the incubator.

Upside: Your business not only gets access to a potential buffet of capital choices, but also a host of intangible benefits including mentorship, expertise and networking.

Downside: The very benefits that can make incubators so useful -- constant mentorship and networking with entrepreneurs -- can damage your focus during crucial early stages.

Think hard about whether your business is at a stage where it could benefit from an incubator. And don't move in to the first one you come across, either. Shop around and find the one with the services that are the best fit.



Stanbic Bank steering Uganda forward through SME development

Uganda needs one million new jobs every year to keep everyone employed and productive. This can only be achieved if every Uganda plays a part by improving their productivity of their Small and Medium Enterprise (SME).



Tony Otoa,
Head- Enterprise Development



Patrick Mweheire,
Chief Executive, Stanbic Bank



Eva Ssewagudde
Program Manager, Business Incubator

Stanbic Bank is keen to support and drive economic growth in Uganda and has established a Business Incubator to enable SME's overcome some of their challenges.

Wayne Cook, Stanbic's head of business banking points out that Uganda's future and growth depends on the level of involvement of small and medium enterprises in the economy. Small and medium enterprises employ over 2.5 million Ugandans and make up 90% of

the country's private sector, according to the World Bank.

These businesses are the engine of growth for the economic development, innovation, wealth creation of Uganda. They are spread across all sectors with 49% in the service sector, 33% in the commerce and trade, 10% in manufacturing and 8% in other fields.

Over 2.5 million people are employed in this sector, where they account for

approximately 90% of the entire private sector, generating over 80% of manufacturing output contributing 20% of Uganda's gross domestic product (GDP).

Stanbic Bank is a member of Standard Bank Group, which operates in 18 countries across the continent and is Africa's largest banking group ranked by assets and earnings. The group has been in business for 150 years.

Stanbic Bank Moving Forward™



The Business INCUBATOR

The Stanbic Bank SME Business Incubator Programme

The Stanbic Bank business incubator is running capacity building and entrepreneurship development programs for SME's. Through the programme, the Bank supports and nurtures SMEs to prepare for and harness business and growth opportunities.

The Stanbic Bank business incubator provides an enabling environment for entrepreneurs in small and medium size enterprises through business development Services, training and follow-up support interventions, networking events, focus group discussions and access to subject matter experts.

The programme also offers mentoring and coaching of entrepreneurs after formal training

Provide avenues for accessing markets and sourcing of funds.

Stanbic Bank holds 40,000 SME accounts the second largest number of any commercial bank in the country.

The bank provides these SME businesses with loans, overdrafts and credit facilities

“Statistics from the past graduates demonstrate real productivity and revenue gains made by businesses that have completed the incubator training.”

ities that help them purchase goods for sale, trade and grow their businesses. In a typical year the bank supports the SME sector with about sh400b in revolving credit.

Speaking during a graduation ceremony in Kampala,

Stanbic Bank Uganda Head of Enterprise Development Tony Otoa said: “We have continued to register an increase in number of entrepreneurs and SMEs taking advantage of this programme. The entrepreneurs have gone through

different training sessions ranging from contracting, risk and insurance, Bid Management, Procurement and Negotiation, Quality Management, Procurement and Negotiation, Branding and Image Building among others.”

“Statistics from the past graduates demonstrate real productivity and revenue gains made by businesses that have completed the incubator training. 62% of companies showed positive growth through expansion into new markets and have taken on new employees. This demonstrates the continued growth we hope to for SMEs across the country,” he added.

Stanbic Bank Uganda Chief Executive Patrick Mweheire reiterated that SMEs are the key engine of growth for Uganda's economy with an employment capacity of over 2.5 million people, significantly higher than the corporate private sector at approximately 800,000.

“You simply cannot grow Uganda without growing the SMEs. Which is why we established a Business Incubator that provides capacity development programmes for entrepreneurs in SME's. It

Stanbic Bank Moving Forward™



trains and provides them with soft and hard skills necessary to improve their business operations and compete more effectively in the market place. It also deliberately prepares them to leverage the upcoming opportunities in Uganda's emerging Oil and Gas sector," he said.

Adding, "Over the last 18 months, the incubator has run three successful cohorts and a total of 1,062 entrepreneurs from 300 SME's have been successfully trained and graduated from the incubator. I am happy to report that in the next few weeks, we shall be launching regional incubator centres in Mbarara, Mbale and Gulu in order to avail similar training and development opportunities to SME's upcountry.

We do this at absolutely no cost to the

SME's and more importantly – you do not have to be a Stanbic client to apply and participate."

He encouraged the businesses not to relax but to strive hard. "Following this training session, our biggest hope is that the practical skills you have attained will do the same to boost your business growth, make it more effective and competitive in the market."

"As you move forward in your growth journey, I encourage you to focus on

Stanbic bank signed an 100,000 Euros, about Shs 400m partnership with GIZ employment and skills for Eastern Africa programme to improve the incubation programmes national reach.

continuously raising the bar in your business and supporting each other through collective sector based mentorship. There are a number of specific sector issues that can only be overcome by working and sharing collectively," he concluded.

Stanbic bank signed an 100,000 Euros, about Shs 400m partnership with GIZ employment and skills for Eastern Africa programme to improve the incubation programmes national reach.

	No of SMEs	Total number of entrepreneurs
Cohort 1	34 SME companies	94 Individuals
Cohort 2	119 SME companies	420 Individuals
Cohort 3	122 SME companies	548 Individuals
Total	275 SME companies	1062 Individuals

Stanbic Bank Moving Forward™



The Business
INCUBATOR



Stanbic Bank Moving Forward™

TECHNOLOGY

in **Microfinance** breeding results

Decades of experiences have demonstrated that the low income earners are not only creative with micro loans but also willing to repay. However, even with the present growth of the Microfinance space, just a fraction of clients has access to micro financial services mainly due to inaccessibility of these customers as a result of insufficient physical and information technology infrastructure.

Nevertheless, with aggressive measures to boost financial inclusion like Agent banking, more technological advancements, the sector is taking an upturn.

Rashmi Pillai, a digital financial services specialist at CGAP in Uganda said financial inclusion should allow people to access a spectrum of affordable and relevant products from savings and credit to insurance and pension.

Mobile money operators have leveraged this technology and digitally included millions

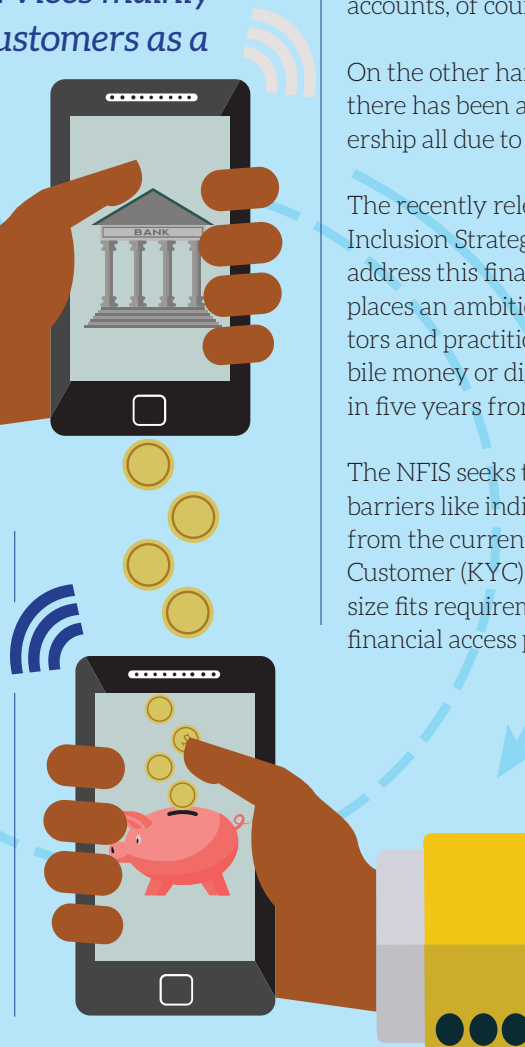
of adults. Compared to 11% of adults who had who had digital accounts with the banks and 6% with no non-banking institutions, 40% of the adult population had registered mobile money accounts in 2016.

By far mobile money has been the single largest contributor to the financial inclusion drive in Uganda. In 2009, only 21% adults had bank accounts, of course most of them inactive.

On the other hand, between 2009 and 2016 there has been a 91% growth in account ownership all due to mobile money.

The recently released National Financial Inclusion Strategy (NFIS) 2017-2022 aims to address this financial adoption challenge. It places an ambitious target before the regulators and practitioners achieve 60% active mobile money or digital account usage in adults in five years from the current 32%.

The NFIS seeks to address the obvious barriers like individual handset ownership from the current 55%, changing Know Your Customer (KYC) requirements from a one size fits requirement increasing the density of financial access points from over 540 agents





per 100000 adults to 590 agents and more.

Mobile money aside, a wide range of technologies are now available to help microfinance providers improve efficiency track transactions more accurately and increase transparency while increasing customer reach.

The challenge however these institutions face is the struggle to choose the right technologies to get the most from their investments. In Uganda there are several technologies used by the micro financial institutions; Information Systems (IS) which help MFIs to track, analyze and report on their operations.

Small MFIs may manage with manual

ledgers or spreadsheets but eventually depending on size, MFIs need custom built software to track financial transactions and create reports for management, donors plus regulators.

IS technology can also include hand-held computers that record client information, scoring techniques that predict customer behavior and connectivity technologies that transmit data among staff and institutional branches.

Delivery Technologies

Large MFIs and Banks sometimes use nontraditional delivery technologies like ATMs, Point of Sale networks (POS) which are used in retail markets and use bank debit and credit cards to facilitate electronic payments and

By far mobile money has been the single largest contributor to the financial inclusion drive in Uganda.

transactions and mobile phone banking among others.

These technologies provide convenience to clients as they allow payments, transfers, cash withdrawals and other cash deposits outside branch premises.



ICT leverage to boost MFIs and SACCOS

Leveraging effective ICT, appropriate applications and individually tailored solutions can create opportunities and play a significant role to address a number of goals in the development agenda.

Tumubweine Twinemanzi, the Executive Director of the Bank Supervision Directorate of the Bank of Uganda, Microfinance loans tends to have high interest rates because the institutions want to recover the high costs of loan administration.

“However, Information, Communication Technologies can cause MFIs to lower the rates and offer more

affordable and flexible loan products to customers if well utilized,” Twine-manzi noted.

Usually, to protect data, equipment and processing time, institutions restrict access to certain data and applications from manipulations and contamination. Accordingly, they employ recovery which is the need for a plan to maintain computer

operations and information should a bug occur.

The information systems market develops rapidly particularly with the new e-business technologies due to IT Research and Development (R&D) which makes to necessary to continuously test applications and hardware to assist with planning and decision making.

Information, Communication and Technology R&D includes identifying and testing new technologies for business purposes and evaluating proposals for new Information Systems Initiatives.

Fortunately, the education sector has realized the usefulness of effective ICT training and has placed more emphasis on training scholars in the use of IT through formal classes and technology based self-training programs for users and ensuring hands on computer proficiency to meet corporate requirements.

Today hardly can any corporate firm manage without IS which is education aimed at senior levels in the firms designed to generate value from use of IT. Information Systems (IS) have a wide range of benefits to be gained by microfinance institutions.

One, IS makes it possible for MFIs to manage information with high accuracy. MFIs collect more information quickly, reliably and neatly than manual systems. Adding to facilitating ease and speed of information flow, IS improve significantly communication both within and outside the institutions.

The enhanced ability to collect, organize and analyze information helps them to better understand their customers, costs and available options to enhance better decision making about the institutions strategy, goals and objectives, monitor and test priorities and also learn from the methodologies and techniques being applied by the institutions to make better adjustments.

The efficiencies gained from better information management and redesign of products and services can free up resources for the MFIs

to invest elsewhere. The efficiency benefits can be passed to clients through lower prices as transaction costs are reduced thus increasing traction and facilitate opening of new branches for greater outreach.

It is without doubt that IS improve staff productivity through improved systems, credit scoring, handheld computers and other technologies what enable them to serve more clients. The quality of supervision and support provided to the staff make it possible for the institutions to achieve greater economies of scale. By removing physical asset barriers to growth with technology, MFIs can create alternative delivery channels or delivery mechanisms to make it possible to reach more clients without having to rely solely on the brick and mortar structures

By increasing access point options for clients like PoS, ATM and internet kiosks among others, MFIs can increase client traffic. Actually technology has helped find practical solutions to making partnerships work through facilitating integration. MFIs can even borrow or rent out others infrastructure and be able to further lower operational costs.

The efficiencies gained from better information management and redesign of products and services can free up resources for the MFIs to invest elsewhere.

In a nut shell, proper application of mainstream IT solutions can increase confidence in partners' ability to share information, lend credibility to the quality of data that will be shared, convey an image of organization, sophistication and a cutting edge approach to operations and generate partners' confidence in the ability to manage risks.

In Uganda there is still a problem with infrastructure to create branchless banks. But with government plans to set up e-government information structure, microfinance institutions stand to benefit from the same. This means there is need for top management of MFIs to align their business strategies with IT Strategies if they are to benefit from the infrastructure government plans to avail.

These technologies will allow loan officers to serve their customers more efficiently reducing paper work, increasing access to information and simplify computations while in the field. In this case internet connectivity is the only resource needed to open a branch, installation of hardware and other software is not needed; new products can be added without difficulty in system adjustments, portfolio, accounting and client information is readily available internal and external use improving transparency of the industry and local banks will feel comfortable funding MFIs since reporting is transparent and readily available.

So with use of ICT by MFIs at different levels for financial service provision, communication services, data processing and report generation activities have been eased in addition to increasing deposits, improving customer convenience and attracting more rural clients.

Microfinance revolution:

Agency Banking transforming the Microfinance sector

Several opportunities like Agent and Mobile banking have been developed for businesses; of late these services are creating favorable environment and increasing financial inclusion.

Players in the industry say that the total number of Microfinance clientele has been increasing although the number of branches has not.

This is attributed to Agency banking; therefore Agency Banking is now considered as an opportunity for the banking sector to link more people in more areas in tandem with the financial inclusion agenda.

According to Mr. Patrick Mweheire, CEO Stanbic Bank, growing the number of branches in the country has been the way to try and reach new customers however, because of high costs involved in setting and running the branches, access to these financial services low because of the costs of putting up branches.

The estimated cost of starting a branch of about five employees is about Shs 300 million inclusive of about Shs 60 million monthly according to the banker.

“For a larger branch, it can cost between Shs 500 to Shs 900 million with operation costs of about Shs 200 million. The costs on banks are



Patrick Mweheire The Chief Executive Officer Stanbic Bank

normally on staff salaries, utilities, rent, security and cleaning services plus air-conditioning among others,” Mweheire said.

With the Agent, Mweheire said the costs drop significantly because the startup capital of an Agent is approximately Shs 3 million.

One of the challenges the telecom sector faced while rolling out Mobile



Money was exclusive agreements where an Agent would sign with a specific company.

In the regulations, Bank of Uganda (BoU) states that there is no exclusive agreement between the Agent and the Commercial banks and these institutions are also not allowed to enter into exclusive agreements with the agents meaning an agent can serve more than one financial institution.

Through the Uganda Bankers Association, a body that brings many banks together, agents are allowed the opportunity to serve several banks

which gives them a chance to earn more commissions.

The regulations require banks to train their agents on anti-money laundering and combating of financial terrorism as provided for under the Anti-Money Laundering Act, 2013 and the Anti-Terrorism Act, 2002, and set limits for the purpose which

One of the challenges the telecom sector faced while rolling out Mobile Money was exclusive agreements where an Agent would sign with a specific company.

the central bank has the power to revise.

Additionally, the agreement requires setting out the anti-money laundering and counter-financing of terrorism arrangements to report suspicious transactions to the financial institution.

Microfinance Institutions (MFIs) are responsible for training, marketing, ensuring the network is available and providing gadgets for use making the variance in the cost significant, saving the bank a significant amount of money.

The working assumption is that with lower costs of operation for MFIs, more people will be able to access financial services.

To become an Agent of a banking institution, the prospect must have an operating business for at least a year and should have held a bank account for the last consecutive six months.

The particular financial service to be offered by the agent must be specific in the agreement because these will vary depending on the sophistication and the capacity of the agent. For example, an established supermarket could offer different services from a shop.

Temporary structures like Mobile Money kiosks the regulator emphasizes are not eligible meaning there are costs to be incurred by the agents.

In order to transact, agents are required to buy float which according to GSMA is the balance e-money or physical cash in the bank an agent has immediate access over in order to serve a client demands to purchase in or out electronic money. This is how mobile money agents also operate.



Microfinance in **Agribusiness** *Testimonies*



Taking advantage of Pride Microfinance Uganda credit facility to grow business: Mujuni

Mujuni * not real names* is a local entrepreneur based in Kyengera suburb in Kampala who obtained his very first loan of Shs 75 Million from Pride Microfinance early last.

He explained that used the loan to boost his poultry venture where he supplies about 20 tonnes of chicken feeds per week to poultry keepers.

A year later, Mujuni requested an additional loan of Shs 65 Million from Pride Microfinance used the money to fence the farm and ventured into poultry farming.

"My company is called Kyengera Poultry & Animal Feeds earns me an average of Shs 100 million monthly and it employs nine staff," he said.

With the financial support from Pride Microfinance, Mujuni confessed that the loans greatly increased his income enabling him

build a second home for his family.

"Am grateful to Pride Microfinance Uganda for the services and their mode of business; I particularly applaud the institutions turn around and repayment period. To me these are ideal for entrepreneurs and any business."

Farming business doubles and got better

Harriet Nabirye a rice farmer from Buwenge, Jinja district joined Pride Microfinance

Without doubt, small holder farmers are critical to developing economies across the globe, yet many remain marginalized and face barriers to improving their livelihoods.



through the Buwenge Branch in 201, she said initially, owned 5 acres of land but with the Shs 10 Million Loan Pride Microfinance granted her she was able to double her acreage to 10.

Subsequently Nabirye graduated to bigger business loans as the business expanded; she is currently servicing her fourth loan cycle of Shs 50 Million and the size of the farm has increased to 60 acres with an estimated yield of over 120 tonnes of rice per season worth about Shs 100 Million.

“I often package my produce in 25kg, 50kg and 100kg respectively and the business owns store at Buwenge Teacher’s College where I store my excess rice,” she said.

Nabirye added; “I am sincerely grateful to Pride Microfinance for the extended financial services through the agricultural loans which have reasonable grace periods. It’s with these loans that I have been able to make a decent living for my family and myself.”

MasterCard: turning smallholdings into big businesses

Unlike other farmers, Peter Mukasa, a 61-year-old small holder farmer has become a technology evangelist applying the best and most relevant technologies to improve his yields and those of the other farmers in the County of Serinnya Bella Kitofaali Village in the District of Masaka.

For Mukasa, though farming has always been a labour intensive exercise with impact of elements, unexpected market changes and variable running costs, he now uses technology to cultivate about 11 acres.

“We must embrace new technologies because we are living in a global market; Technology empowers Africa’s people and markets”, said Mukasa, a professional teacher.

Instead of spending all his time laboring on the farm, Mukasa spends more time on the internet learning to improve his farming methods, following market trends and communicating with his fellow farmers on the network.

Mukasa whose digital approach is paying dividends, depends on MasterCard’s Farmer Network (MFN) platform; a solution purpose built

by the MasterCard Lab for financial inclusion in Nairobi, and now being rolled out in East Africa and India.

MFN digitizes marketplaces, payments, workflows, farmer financial histories and increases farmer linkages to markets and formal financial services. The platform helps farmer produce organizations to support and communicate with farmers and enables buyers to easily order, collect and pay farmers.

The system supports farmer profiling and enables financial service providers to process payments and issue credit and other services.

“As a community facilitator who moves around the community talking about new technologies to farmers, I am an active member of MFN and demonstrate benefits in my own business”, said Mukasa.

Through the platform, the cost of doing business, labour is reduced and enables timely payments as well as increasing transparency and confidence around pricing.

“MFN is demonstrating to the farming community that agriculture is like any other business, and that technology is key to improving operations and profits”, Mukasa reiterated.

Without doubt, small holder farmers are critical to developing economies across the globe, yet many remain marginalized and face barriers to improving their livelihoods.

MFN has turned this challenge into a simple, standard interface for farmers and buyers that facilitates greater efficiency in the entire agriculture value chain empowering small holder farmers to operate like first world business.



Microfinance associations, their role in the financial sector

After 20 years of Association of Microfinance Institutions Uganda (AMIFU)'s existence with notable achievement, people continue to ask what the role and significance of Microfinance associations within the financial sector

It is important to reiterate what Microfinance Associations are many; people use Associations and Microfinance networks interchangeably.

The achievements of MFAs especially in Uganda where we are taking careful strides to improve the environment of the financial sector are easily noticeable in many sectoral

areas like the SMEs and agriculture community.

MFAs are seen as a useful tool in eradicating poverty through provision of access to financial services to the majority of populations currently under served or ignored by the conventional financial sector players.

Due to the rapid growth of the microfinance sector and the effects on the social economic well-being of the urban rural poor, there is a general agreement that the industry needs stronger sustainable MFIs with wider deeper outreach.

Also, the attendant challenges that come with the sectors rapid growth require an enabling legal environment, adoption of best practices



Updating of the Microfinance Outreach Map is the second component where AMFIU works in collaboration with Micro and Small Enterprise Policy Unit of the Ministry of Finance Planning and Economic Development to collect data and statistics on microfinance outreach.

especially digital ones, and informed clientele. This means MFIs acting individually many not practically face the industry challenges as some of them require strong elements of public goods.

MFAs generally emerge to fill the gap in financial sector by providing a platform for lateral learning, shared lessons, promoting performance standards, collective bargaining and collaboration on a wide range of industry related issues.

AMFIU was founded in 1996 for the same reasons when a group of MFIs realized that they would improve their performance and face many challenges posed by the macro, social and economic environment if they leveraged their efforts by interacting among themselves.

Within the financial sector, MFAs play roles which are dictated upon by their stated objectives, stages of growth and country specific macro-economic and regulatory environments.

In Uganda, the government has been active and supportive to the microfinance industry there by creating an enabling environment for MFIs and other stakeholders to operate.

AMFIU on the other hand identified as its major objectives are lobbying and advocacy, information collection and dissemination plus capacity building and performance monitoring. These objectives basically define the role it should play in the financial sector.

The body acts on building consensus on politics, legal structures and regulatory frameworks. AMFIU played a leading role in organizing and coordinating the discussions and thematic debates that resulted into

the enactment of the first microfinance law in Uganda, The Microfinance Deposit-Taking Institutions (MDI) Act 2003.

On planning and implementation of national microfinance strategies, AMFIU has a good working relationship with the government of Uganda and has been selected as the implementing partner for three components of governments "strategic plan for extending the outreach and capacity of sustainable microfinance in Uganda".

The components include performance monitoring of tier IV MFIs, where AMFIU had to develop and circulate a standardized performance, the performance monitoring system (PMS) a database to which the monitory data are fed and consolidated.

Updating of the Microfinance Outreach Map is the second component where AMFIU works in collaboration with Micro and Small Enterprise Policy Unit (MSEPU) of the Ministry of Finance Planning and Economic Development (MoFPED) to collect data and statistics on microfinance outreach.

AMFIU's activities under the third component of District Microfinance Committees and Kick off Workshops include the establishment of District Microfinance Committees, recruiting and training extension workers and the establishment of monitoring system.

AMFIU carries out other activities targeted at developing the microfinance industry like Microfinance Best Practices Workshop/Training, education programs, researches on topical microfinance issues and regular information dissemination through journals (The Microfinance Journal) and thematic debates.

Borrow from a licensed Microfinance institution - UMRA

Uganda Microfinance Regulatory Authority (UMRA) has urged Ugandans to borrow money from licensed and regulated microfinance institutions.



Bindhe Edward,

Communication Officer,
Uganda Microfinance
Regulatory Authority (UMRA)

Edward Bindhe, UMRA's Communication Officer, said it is risky to borrow money from unlicensed moneylenders.

He observed that there are many licensed money lenders and non deposit taking microfinance institutions around the country that the public to exploit.

"Look at those licenced; remember all licensed institutions are given a licence which is always displayed. Before you borrow, make sure you have seen a valid licence in the offices of the institution from where you

seek to borrow," Bindhe said.

UMRA expects all licenced institutions to comply with the tier 4 Microfinance institutions and Money lenders Act, 2016 and the regulations.

Their compliance means borrowers will have trust in the microfinance sector and this will promote financial inclusion.

According to Bindhe, UMRA has also extended an olive branch to those who are yet to get licences to do so to avoid being caught off guard.

"The Authority intends to roll out enforcement and the repercussions are always grave. Remember, if you are found operating money lending business without license, it is illegal," he said.

UMRA was established under section 6 of the Tier 4 Microfinance Institutions and Money Lenders Act, 2016. It came into effect on 5th July 2016 and commenced operations on July 1st 2017 with the mandate of regulating, licensing and supervising tier 4 Microfinance Institutions and Money Lenders.

Apart from SACCOS and Self-Helps

groups whose Regulations and Operation Guidelines have not been gazetted respectively, the Authority is effectively licensing Money lenders and Non Deposit Taking Microfinance Institutions in Uganda.

Bindhe explained that the licensing process for Money lenders and Non Deposit taking Microfinance Institutions started last year immediately after gazetting regulations in March. The license is valid for one calendar year starting from January 1 to December 31.

In 2018, UMRA licensed 230 licenses. This number has more than tripled this year where more than 800 licenses have been issued.

Majority of all these have had their licenses renewed. Currently, over 500 institutions have been licenced and more than 180 others approved to get licenses.

With new institutions applying for licenses daily, the Authority will see a number of institutions licensed this calendar year more than double.

Although seem to be going well, UMRA has realized that there are unauthorized institutions are impersonating UMRA and are issuing out licences and some unlicenced money lenders are operating.

How to detect a licensed institution

A licensed Money lender or Non deposit taking microfinance institution is one that has fulfilled all the requirements needed to transact money lending business.

After satisfying the Authority with all the requirements, they are now issued with a licence. UMRA license



is displayed in a conspicuous place within the office for everyone to see.

Requirements for money lenders and non-deposit taking MFIs

The requirements include; (a) Certificate of Incorporation **certified copy** (b) Forms of particulars of directors and company Secretary (c) Registered address **certified copy** (d) National Identity Cards for all the directors and company secretary (e) Certificates of good conduct for all the directors (f) Proof of payment of fees for application of the license. (g) A copy of the interest rates according to the categories of loans products offered. (h) Memorandum and articles of association.

Take note that the enactment of the Tier 4 Microfinance Institutions and Money lenders Act, 2016 repealed the 1952 Money Lenders Act which authorized Magistrates Courts to issue Money Lending licenses.

According to the official, UMRA has not delegated its mandate to any third parties permitting them to issue licenses to tier 4 Microfinance

Apart from SACCOS and Self-Helps groups whose Regulations and Operation Guidelines have not been gazetted respectively, the UMRA is licensing Money lenders and Non Deposit Taking Microfinance Institutions in Uganda.

Institutions and Money Lenders who fall within its jurisdiction.

“In the same spirit, we have also received reports that a group of unscrupulous people are illegally carrying out operations against Money Lenders who are purportedly operating without licenses,” he said.

The laws state that if one is found carrying out money lending without a license, you are liable, on conviction, to a fine of two hundred currency points or four hundred

currency points. One currency point is an equivalent of 20,000.

Regarding collateral for money advanced. (1) A money lender shall not demand or accept the following as collateral for any money advanced to a borrower as a loan— (a) A national identity card, pass port, warrant card, or other document establishing the identity or nationality of the holder; (b) bank savings, ATM cards and security codes for the ATM cards or deposit account books; or (c) an instrument of transfer of any property or assets signed prior to the disbursement of the loan.

(2) Where it is proved to the satisfaction of court that a transaction for money lending is disguised as a sale or transfer of property, the court may; (a) Nullify the transaction; (b) Order the borrower to refund the money borrowed without interest; (c) Revoke the license; or (d) Make other such orders as it may deem fit.

(3) A money lender shall not dispose of any collateral given by a debtor as a sale, pledge or collateral for the loan advanced to him, unless 60 days have passed since a written demand notice has been issued to the debtor requiring him or her to pay any outstanding monies on the money advanced.

(4) A money lender may dispose of the collateral given by the debtor by way of public auction or private treaty without recourse to a court of law.

Bindhe said UMRA has received complaints that some money lenders are violating this key regulation; UMRA is following up all these complaints.

Cooperatives, Microfinance growth in Uganda

Uganda's Microfinance phenomenon dates back to the year 1913 according to cooperatives historian Fred Ahimbisibwe. Ahimbisibwe said Cooperatives can be traced to present day Mubende District in 1913 where four farmers decided to market their crops collectively and what came to be known as "Kinakulya Growers".

This was a response as a result of unfavorable terms of trade the Asian traders imposed on peasants through organized local middlemen and thus monopolized both the export and domestic markets.

In 1920, five groups of farmers in Mengo met in Kampala and formed "Buganda Growers Association" with a supreme goal of controlling the domestic and export marketing of their members' produce. Counterparts in other parts of the country soon caught the vision and acted accordingly hence the birth of a Cooperatives Movement to fight the exploitative forces of the colonial players and alien commercial interests.

According to semuwembafiles.wordpress.com, "Development of the Cooperatives Movement in Uganda", subsequently the Colonial Governments the Cooperative Society Act, 1952 provided a frame work for rapid economic development."

It also sought to eliminate discriminatory price policies and offered private Africans access to coffee processing.

By the end of 1959, all the 273 existing groups had registered as cooperative societies.

At the end of 1961, there were 21 registered cooperatives including Uganda Cooperative Alliance and 1,662 prima-

ry cooperatives with a membership of 252,378. The enactment of the coffee industry ordinance in 1952 provided for the operation of six coffee curing works by cooperatives.

Bugisu Cooperative Union was formed in 1954 to take over the entire coffee crop in the area. By the end of 1956, cooperatives controlled two coffee curing works and ten ginneries.

By end of 1960, the total tonnage of crops handled by the cooperative movement had raised to 89302 tonnes from 14,300 tons in 1951; the cooperative turnover was nearly 9 million pounds per annum.

Hon. Amelia Kyambadde, the minister for trade and cooperatives flanked by the The Speaker of parliament Hon. Rebecca Kadaga during the AGOA cooperative based Project Conference



Therefore, between 1952 and 1962, the cooperatives membership increased to eight fold and the tonnage of crops to six fold and the cooperative District Union acquired considerable importance. The expectations from 1986 to the early 1990's were heightened as the NRM government was supportive in amending the 1970 cooperative society Act to restore considerable autonomy to the cooperative movement through the 1991 cooperative society statute.

However, the adoption and rigorous implementation of Structural Adjustments programme (SAP) Policies caught cooperatives on a wrong foot. As early stated, cooperatives had been for all intents and purposes like government parastatals.

For much of their earlier they depended on the government marketing boards for crops and marketing finance and therefore, had no experience in negotiating loans with commercial banks and yet they were heavily indebted, lacked entrepreneurial and managerial, visionary and committed leadership.

These handicaps made it impossible for cooperatives to seize opportunities that the liberalization policies offered.

Skilled multinationals and shrewd private business people eroded the cooperatives' market share in virtually every area of their operation.

Increasingly however, it is being realized that a revitalized cooperative movement could hold keys to problems of sustainable, people centered and equitable development. Most cooperatives had an agriculture background and the advantage to the small holder farmers included their crops were of good quality hence competitive on the world market.

The transport costs, bulk and fair-

priced purchases of farm inputs were shared as they engendered unity and enhanced organization skills and were an information channel between government and the farmers.

Hadijah Nakakande, Public Relations Officer at NAADs, said the cooperatives have the potential to increase production, productivity and value addition and thus critical to drive the country into a middle income economy.

Increasingly however, it is being realized that a revitalized cooperative movement could hold keys to problems of sustainable, people centered and equitable development.

For this to happen, Nakakande observed that Cooperatives should be in charge of the entire value chain from production to marketing.

"Cooperative education enhancement is critical to enabling the Cooperatives' culture, values and strengthening capacity of cooperatives movement", she said.

Nakakande also noted that the political climate of the time determines the success of the cooperatives.

"Government's commitment to revitalizing cooperatives requires that government policies and interventions

leverage the cooperatives in all development programmes, she explained.

Amelia Kyambade, the Minister of Trade and Cooperatives, explained that government has provided processing and value addition facilities under the rural industrialization strategy has overtime promised to compensate cooperatives for the loses.

"For instance, in the FY 2018/19, Busoga Growers Cooperative Union was compensated with Shs 2billion bringing the total of compensations to Shs 15.1billion," she said.

Other cooperative unions compensated she added include Banyankole Kweterana Cooperative Union, Lango Cooperative Union and East Acholi Cooperative Union among other and verification of claims is ongoing so all can be fully settled.

The Cooperative Societies Act Amendment Bill before Parliament for tabling aims to consolidate and strengthen the regulation and supervision of all types of cooperative societies.

The amendments will see improvement in safety and soundness of savings and credit cooperatives and streamlining the management of cooperative societies with designated term limits for the leadership in all Cooperative societies among other.

"Government has provided funds under Project for Financial Inclusion in Rural Areas (PROFIRA) to support 500 SACCOs making possible for every Sub County to have a SACCO. This has greatly supported operation and financial sustainability of registered SACCOs," Kyambadde explained.

According to Kyambadde, her Ministry continues to register cooperatives with the number currently at 18,262 with majority being SACCOs at 8,314.



Insurance

as a Microfinance Product

In 2017, President Yoweri Museveni assented to the Insurance Act No.6 of 2017. The Minister of Finance Planning and Economic Development thereafter issued a statutory instrument commencing the Insurance Act, 2017, effective 30th March 2018.

This was major milestone given that the review and overhaul of the Insurance Act is one of the strategies aimed at increasing Uganda's insurance penetration levels. The new insurance law also addresses the Financial Action Task Force (FATF) requirements on anti-money laundering and combating financing of terrorism, harmonization of insurance laws with other East African Community countries, introduces best insurance supervision practices like Risk Based Supervision and it complies with the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS).

In Uganda, Alhaj Kadunnabbi Lubega, the Chief Executive Officer at Insurance Regulatory Authority (IRA) observed that insurance adoption is still less than 1% standing at about 0.81% and this has been due to low demand resulting from low levels of disposable income, somewhat negative attitude towards insurance, low positive press publicity, lack of general insurance knowledge by some members of the

general public, cultural and religious beliefs, among others.

Microinsurance, however, has played a significant role in bridging the gap that existed in the insurance space, for starters, Micro-insurance refers to insurance designed to protect low-income people against specific perils in exchange for low premiums.

Micro-insurance products aim at protecting people from the risks most commonly faced by poor people. Premiums tend to be low yet proportionate to the likelihood and cost of the risk involved. Accordingly, Uganda Microfinance Regulatory Authority encourages Ugandans to borrow money from licensed and regulated microfinance institutions.

Edith Namugga Tusubira, UMRA's Executive Director, says "We have effectively assumed licensing Money lenders and Non Deposit Taking Microfinance Institutions in Uganda for some time now and many have come on board with exception of some player who we wish join soon."

Tusubira said UMRA is asking borrowers to get money from those institutions that have been licensed.

Micro-insurance can be delivered through a variety of channels, including small, community-based organizations, credit unions and other microfinance institutions, utility companies, schools, churches, retail stores, and many others. Providers can range from small informal schemes to large, global insurance companies.

Microinsurance if well supported can play a great role in poverty reduction. Low income earners live and work in risky environments, are vulnerable to illness, accidental death and disability, loss of property due to theft or fire, agricultural losses, and natural and man-made disasters which is a strong reason Microinsurance mass adoption.

Not only can exposure to these risks result in substantial financial losses, but vulnerable households suffer from the ongoing uncertainty about whether and when a loss might occur. Low income earners are less likely to

take advantage of income-generating opportunities that might reduce poverty because of this perpetual apprehension.

Although there is little evidence-based knowledge of the impact of insurance on poverty reduction, microinsurance can help reduce the vulnerability that poor households face and as a consequence, enable the poor to improve their lives.

One of the greatest challenges for Micro-insurance is delivery to clients; There are four main methods for offering microinsurance: partner-agent model, community-based model, full-service model, and provider-driven model. There are also a number of hybrid models. Each of these models has its own advantages and disadvantages. With partner-agent model, the MFI acts as the agent, marketing and selling the product to its existing clientele through a distribution network it has already established for its other financial services.

The insurance provider acts as the partner, providing actuarial, financial, and claims-processing expertise, and the capital required for initial investments and reserves as required by law.

For community-based/mutual model, the policyholders or clients are in charge, managing and owning the operations, and working with external healthcare providers to offer services.

This model is advantageous for its ability to design and market products more easily and effectively, yet is disadvantaged by its small size and scope of operations.

The full service model puts the MFI providing insurance services in charge of everything; both the design and delivery of products to the clients, sales, services and claims assessment.



Micro-insurance products aim at protecting people from the risks most commonly faced by poor people. Premiums tend to be low yet proportionate to the likelihood and cost of the risk involved.

The MFI works with external healthcare providers to provide the services. The insurers (MFIs) are wholly responsible for all insurance-related costs and losses, but they also retain all profits.

This model has the advantage of offering MFIs full control, yet the disadvantage of higher risks and an eventual lack of insurance technical knowledge.

Under the provider-driven model, the service provider and insurer are the same. Similar to the full-service model, the insurer is responsible for all operations, delivery, design, and service. There is an advantage once more in the amount of control retained, yet disadvantage in the limitations on products and services.

Types of microinsurance products are offered

Credit life insurance is the most common and ensures the “debt dies with the debtor.” It is actually used to protect lenders, not the families, from the death of their clients and is often offered directly by MFIs

Term life or personal accident insurance is often offered alongside credit life insurance to cover the family if a borrower dies with savings life insurance is often used to stimulate savings.

Health insurance is probably the product in greatest demand among Low income earners and low-income households; however, it is also the most complex risk to cover due to higher information asymmetries between the insurer and insured.

Property insurance is nearly always linked to a loan and may help a borrower continue repaying his or her loan only if something happens to the property (usually livestock). In some cases, replacement of the property is also covered. Endowment policies combine long-term savings and insurance with emergency loans against the savings balance. In this case, the premium payments accumulate value.

Agricultural insurance is particularly tricky, and little evidence exists of viable programs. The problem is that insured farmers are less likely to pursue sound practices and therefore are more likely to lose their crops. It is difficult to calculate the probability of loss because so many factors can influence crop yields. At the same time, premiums that farmers can afford are not usually sufficient to cover claims and administrative costs. Recent innovations that link insurance to rainfall and other weather conditions are promising, because they may be more measurable, objective, and viable.



Frequently Asked Questions (FAQs)

Know your industry

There are a lot of questions from the public in regards to the operations of Uganda Microfinance Regulatory Authority (UMRA), the Microfinance Journal's reporter caught up with one of the officials of UMRA to expound on the insights of some of the Frequently asked question from the community, excerpts

How long does it take to have a licence?

The Act provides for 90 days after receiving the application. In case additional information is required for by the Authority, the 90 days will be counted from the day the additional information is submitted.

How is UMRA going to regulate money lenders in rural areas given its thin staff?

UMRA is working closely with the Associations and Unions of Money Lenders like (UMOLA), an umbrella body for the money lenders in Uganda to ease the enforcement of policies, programmes and legislation tools in the sector

The fact that the law requires the Authority to gazette all tier 4 Microfinance institutions in at least a newspaper of wide circulation in the country, this will scare way a number of illegal and unregulated money lenders from illegally transacting.

Is every money lender supposed to set own interest rate?

The tier 4 was purposely established to protect customers from the exorbitant interest rates set by the money lenders as well as their illegal modes of transacting businesses.

Currently the money lenders set their own interest rates until the minister empowered through the Tier 4 Microfinance Institutions and Money Lenders Act 2016 under section 90 (1) to prescribe the maximum rate which a money lender is to charge.

Can an individual start own company and secure a license to transact money lending business?

Any individual can secure a money lenders license from UMRA provided they register the company with the Uganda Registration Services Bureau under the Companies' act 2012.

How can one acquire a money lending license from UMRA?

- Provide UMRA with the following documents;
- A certificate of incorporation
- Forms of particulars of directors and the secretary
- Particulars of the address
- Copies of the National Identification Card for directors and the secretary plus
- Evidence of payment of the fees prescribed in schedule 1 to these regulations.

What is the difference between UMRA and the Microfinance Support Centre Limited?

UMRA is an Authority established under section 6 of the tier 4 Microfinance Institution and Money Lenders Act, 2016 with the key purpose of regulation, supervision and licensing the all Tier 4 Microfinance Institutions and money lenders in the country to ensure financial health, sustainability and financial discipline in the industry.

How are these money lenders operating now?

The money lenders are currently operating illegally unless they are licensed under the Tier 4 Microfinance Institution and Money Lending Act 2016

- Money lenders are currently setting their own interest rates which are exorbitant
- Money lenders apply rudimentary means of collecting debt where confiscation of client property commonly occurs

- Mislead clients through signing wrong agreements for instance signing sale agreements instead of a loan agreement

What happened to the old money lenders Act?

The old money lenders Act was repealed and replaced by The Tier 4 Microfinance Institution and Money Lenders Act 2016

Why was Uganda Microfinance Institutions Regulatory Authority (UMRA) established?

1. Promoting legitimacy and building the confidence of members, customers and investors in the Microfinance facilitating the microfinance industry to [promote social and economic development.
2. Establishing prudential standards for the microfinance institutions in order to safeguard the deposits of members prevent financial system instability of the funds of depositors.
3. Applying non prudential standards to tier 4 microfinance institutions by-
 - Defining source of capital
 - Establishing default protection mechanisms
 - Enforcing mechanisms with generally accepted accounting standards
 - Instituting mechanisms for the prevention of fraud and financial crimes and
 - Providing a frame work for the management and control of money lending.



Talk to Us!

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