



Remarks by
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Governor, Bank of Uganda

*Financial Sector Deepening Uganda
Breakfast Discussion on
"Redefining Financial Inclusion"*

Kampala Serena Hotel

Wednesday, July 10, 2019

The Permanent Secretary/Secretary to Treasury, Ministry of Finance, Planning & Economic Development
Mrs Gertrude Wamala Karugaba - Board Chair, Financial Sector Deepening Uganda (FSDU)
Ms Rashmi Pillai - Executive Director, FSDU
Members of the Board, Management, and Staff of FSDU
Distinguished Development Partners
Chief Executives of Financial Institutions
All Stakeholders in the Financial Inclusion Fraternity
Distinguished Invited Guests
Ladies and Gentlemen.

Good morning to you all.

“Not everything that can be counted counts, and not everything that counts can be counted” is one of those numerous quotes that are attributed to Albert Einstein.

Accordingly, financial inclusion statistics count most when they reflect the unlocking of economic potential through harnessing national resources, most especially through job creation; thereby reducing poverty and fostering prosperity for all.

Today's theme - *How do we push the boundaries of mainstream financial inclusion definitions to include serving the needs of the real economy* - reveals the desire of Financial Sector Deeping Uganda, to interrogate the supply side indicators of financial inclusion to see if what they reveal indeed counts towards improving the livelihoods of our people.

Does the information content of the indicators covered in the FinScope Surveys suffice to account for financial inclusion amidst the prevalence of poverty and joblessness? Could the impact of the investments that have been made towards financial inclusion be both tangible and intangible?

This breakfast discussion is most timely because much effort has been spent on financial inclusion to date, yet about 68 percent of Uganda's population remains engaged in subsistence agriculture.

Indeed, much ground has been covered as revealed in the latest FinScope Survey results, but a lot remains to be done so as to unleash the full potential of finance to spur economic growth and development.

Yet, we must acknowledge the unprecedented impact of the supply side of financial inclusion to date as a foundation for future initiatives on the demand side. The introduction of mobile money services in Uganda during March 2009 revolutionised the formal financial services sector.

After several years of stagnation in the uptake of formal financial services, mobile money pushed formal usage from 28 percent in 2009ⁱ to 58 percent in 2018ⁱⁱ. Mobile money and other supply-side technological developments have redefined financial inclusion through reduction of transaction costs, counterparty risk, and information asymmetryⁱⁱⁱ.

However, the technology-driven financial infrastructure of today and tomorrow will count fully when it is made accessible to consumers with knowledge, skills, and confidence to constructively engage with the financial system.

And at the risk of stating the obvious, I must say that regulators favour empowered financial consumers who contribute to financial stability through effective management of personal financial risk. Indeed, the Bank of Uganda (BoU) in partnership with the Ministry of Finance Planning and Economic Development as well as friendly donors are championing effective financial inclusion through a multipronged approach that

prioritises financial literacy among other initiatives that are elaborated in the National Financial Inclusion Strategy.

The BoU also has a duty to ensure that the regulated financial institutions fruitfully balance risk mitigation and innovation, by championing smart regulation while supporting financial sector deepening. It is in this vein that we championed the amendment of the Financial Institutions Act to support agency banking, bancassurance, and Islamic finance, which are expected to enhance financial intermediation and extend access to financial services in a rationalised manner.

A particular challenge that remains for all the stakeholders in fostering financial inclusion is the derisking of the agricultural sector, which employs the majority of our people.

I look forward to working you all in making finance count for the many, not the few, as we tailor financial inclusion to serving the people in the different layers that they belong to.

Hearty thanks to the FSDU team for the boldness of your vision of moving financial inclusion in Uganda from the *status quo* to its next evolution focusing on the demand side of the equation. I hope that the next evolution of financial inclusion will make it truly count in the transformation of the livelihoods of our people.

Thank you for listening to me.

ⁱ FinScope 2009

ⁱⁱ FinScope 2018

ⁱⁱⁱ Ndulu Benno (February 20, 2019). Role of Financial Innovations and Inclusion in scaling up growth in Uganda. 26th JMML