

Emmanuel Tumusiime-Mutebile: Promoting financial independence in Uganda

Speech by Mr Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, at the official opening of Uganda Finance Trust Ltd. Head Office at Katwe and unveiling of a new corporate identity, Katwe, 30 January 2008.

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The Chairman and Board of Directors Uganda Finance Trust MDI Ltd,
The Management and staff of Uganda Finance Trust MDI Ltd,
Invited Guests,

Ladies and Gentlemen

I would like to thank Uganda Finance Trust for inviting me to this auspicious occasion of launching the new head office, and main branch, and the unveiling of the new corporate identity of Uganda Finance Trust Ltd. I congratulate the Board, Management, and Staff of Uganda Finance Trust on these achievements.

Today's event is truly significant in the history of Uganda Finance Trust as an institution and as a strong player in the microfinance industry. Having been the pioneer microfinance institution which was started by a group of professional women in 1984, Uganda Finance Trust is living up to its mission of "**Promoting Financial Independence**" by providing unique financial services to low income people in Uganda hence empowering them to be independent financially.

The then Uganda Women Finance Trust, started as an NGO in 1984 offering microfinance business to its customers when the savings capacity of the poor was still doubted. Of course in some other developing countries, it had already been proved that the poor can save and invest. Uganda Women Finance Trust focused mainly on low income households and the small scale entrepreneurs, who were least likely to receive the attention of formal financial service providers. When it became clear that the poor, even in Uganda can save, more microfinance institutions emerged, but Uganda Women Finance Trust remained outstanding for its focus on reaching poor women, both in the rural and urban areas. The Uganda Women Finance Trust opened a number of branches countrywide, gaining national recognition as well as outreach and experience.

In October 2004, Uganda Women Finance Trust was transformed from an NGO limited by guarantee, to Uganda Finance Trust (MDI) Limited, a company limited by shares. Then the Company obtained a licence as a Microfinance Deposit-taking Institution in October 2005 and it became the fourth licensed MDI in the country. This not only led to Uganda Finance Trust redesigning its operations but also it set the stage for the Company to pursue financial sustainability.

I am glad that the achievements so far made by Uganda Finance Trust Ltd have enabled the Company to continue to serve its original targeted clients. Today, Uganda Finance Trust operates 21 branches across the country and serves close to seventeen thousand clients (17,000), with an outstanding loan portfolio of Shs 14.9 billion and a customer deposit base of Shs 7.8 billion. However, I am made to understand that a large portion of the loan portfolio of Uganda Finance trust is still funded by long-term borrowing at market interest rates. This is costly. I would, therefore, encourage Uganda Finance Trust to endeavour to get access to relatively cheap funds through rigorous mobilisation of deposits so that the institution can ensure substantial reduction in product pricing and thereby continue with increasing outreach and market visibility.

The occasion we are celebrating today is a clear testimony that the institution has now embarked on another phase signified by its "coming closer to its target clients" and "unveiling

of new corporate identity". I believe the timing is right, particularly in the face of increased competition both from bigger and smaller institutions that are also aiming at the same clients. The appropriate positioning of the institution's corporate identity as well as its policies, procedures and practices, is critical. The challenge of attracting new clients and depositors, as well as retaining the existing ones will definitely increase.

With reference to risk assessment evaluations which Bank of Uganda applies in examining financial institutions, I note, that Microfinance Deposit-taking Institutions (MDIs) are particularly exposed to governance risk, credit risk, liquidity risk, operational risk, interest rate risk and reputation risk. On the other hand, I also note that the Institutions have in general experienced stable growth in capitalisation, asset quality, management, liquidity and profitability. With particular reference to Uganda Finance trust, I am glad to note that the institution's overall performance as at end December 2007, was satisfactory under the CAMELS rating system. The risk management framework was adequate, signifying the fact that the institution has put in place adequate systems to identify, measure, monitor and control risk inherent in its operations. The challenge for the Board and management of Uganda Finance Trust is to meet regulatory requirements on an on-going basis through good corporate governance and ensuring continuous observance of adequate risk management practices.

On its part, Bank of Uganda will continue to ensure macroeconomic stability and to provide adequate regulatory environment for the financial sector. The supervisory and regulatory capacity of Bank of Uganda is strong. The risk based supervision methodology that is applied in the examination of financial institutions, enables us to identify the warning signs in the supervised institutions well in advance and to take appropriate corrective actions. We shall also continue to work closely with Government Ministries and agencies to ensure that operations of other microfinance institutions are properly conducted. The proposals for streamlining policy on regulation and supervision of the different forms of microfinance institutions have already been undertaken by Government.

You will note that of recent, Bank of Uganda has made public statements in the print media warning that the operations of unlicensed deposit taking business in Uganda constitutes an offence punishable under the provisions of the Financial Institutions Act 2004 and under the Microfinance Deposit-taking Institutions Act 2003. I, therefore, strongly advise the general public not to risk losing money deposited or placed in unregulated institutions. In addition, Bank of Uganda will continue dialogue with the Commissioner for Cooperative Development/Registrar for Cooperative Societies, and other stakeholders in the microfinance industry to ensure that the microfinance industry is governed in accordance with the relevant regulatory requirements.

The Association of Micro Finance Institutions in Uganda (AMFIU) has also published lists of Micro finance institutions and SACCOS affiliated to it in the news papers. The list for registered Cooperative Societies can be obtained from the Registrar of Cooperative Societies/ Commissioner of Cooperative Development in the, Ministry of Trade, Tourism and Industry. I urge the public to take note of these developments.

Finally, it is now my privilege and honour to declare the **new Uganda Finance Trust Ltd Head Office and Main Branch** open and I, also, hereby unveil the new **Corporate Identity**.

I thank you for your attention.