

## **Emmanuel Tumusiime-Mutebile: Providing better access to banking in Uganda**

Speech by Mr Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, at the official opening of Imperial Bank Uganda Limited, Acacia Mall Branch, Kampala, 10 March 2014.

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The Shareholders of Imperial Bank Uganda Limited

Members of the Board of Directors;

Senior Management and staff;

Distinguished Customers;

Invited Guests;

Ladies and Gentlemen.

I am greatly honoured to be invited as chief guest at this official opening of a new branch of Imperial Bank at Acacia Mall. Let me begin by congratulating the Directors and the Management of Imperial Bank for the progress they have made in expanding the bank's foot print in the Ugandan banking market. This is the fifth branch that the bank has opened since it began its operations in Uganda three years ago. It will provide better access to premier banking services for the bank's customers in this vibrant business location in the city.

Uganda currently has 25 commercial banks in operation, compared to only 15 at the end of 2007. In the last six years, 12 new banks have entered the market in Uganda, of which Imperial Bank is one of the most recent. It is pertinent to ask what benefits has the almost doubling of the number of commercial banks operating in Uganda delivered to bank customers in this country. I would like to spend a few minutes addressing this question.

For many years, during the colonial period and in the three decades after independence, our banking markets were dominated by a relatively small number of banks, mostly foreign or publicly owned. Competition was not very vigorous and access to banking services was very limited for the majority of the Ugandan population. This began to change in the 1990s, with new privately owned banks entering the market. Since the mid 2000s, new entry into the banking market has gathered pace, comprising for the most part banks which are subsidiaries of African banks, especially banks from Nigeria and Kenya. Imperial Bank is part of this trend; its parent bank is Kenyan.

The new entry into our banking market has spurred a dramatic expansion of the physical presence of banks in Uganda. The number of commercial bank branches has expanded from 194 in 2007 to the current level of 544. The 12 new entrants to our market in the last six years contributed 152 of these new branches. The expansion of banking has also brought many new customers into the banking system. In 2007 there were 2.2 million bank accounts held in commercial banks. This number has now risen to 5.5 million.

But perhaps what is more important than the increase in the number of branches or bank accounts is the fact that many of the new entrants into the banking market, all owned by the private sector and predominantly from other African countries, are bringing unique attributes to banking in Uganda. In particular, they are able to draw upon expertise in serving the specific needs of businesses and households which has been gained in the markets of their parent banks, particularly with regard to new products or innovative ways of delivering services to customers. For example, Imperial Bank offers banking products such as structured warehouse financing, supply chain financing and asset financing to a wide range of its clients in the Small and Medium Size Enterprise and Mid-Corporate segments of the business sector.

Competition within the banking market takes many different forms. If new banks are to expand their market share, they must be able to carve out a viable niche in the market and offer their customers financial products and services which cannot be obtained from their competitors. New entrants must grow in order to survive in the banking market, because there are important economies of scale to be realised in banking. With the implementation of the common market in the East African Community, competition will intensify and efficiency and quality of service will be paramount for success in the market place. To survive, banks will have to find ways of reducing their costs and passing these reductions onto their customers and seek to develop innovative quality products for the market.

With these remarks, I once again thank the Shareholders, the Board of Directors and Management of Imperial Bank for demonstrating their commitment to serve the people of Uganda through the expansion of the branch network. This will also contribute to advancing the Bank of Uganda's financial inclusion agenda, which involves spreading access to formal financial services to those sections of the population which currently lack access.

It is now my honor and great pleasure to declare the Imperial Bank's Acacia Mall Kampala Branch officially inaugurated.

Thank you for listening.