Louis Kasekende: Improving financial literacy in Uganda

Remarks by Dr Louis Kasekende, Deputy Governor of the Bank of Uganda, at the Financial Literacy Information Sharing Group (FLISG) Meeting, 9 December 2015.

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Governor emeritus, Leo Kibirango,

Dr. Dirk Steinwand, Head of Agriculture and Rural Finance Programme at GIZ (Germany International Cooperation),

Members of the Financial Literacy Information Sharing Group (FLISG);

Mr. Fagil Mandy,

Management and Staff of the Bank of Uganda present;

Distinguished Guests;

Ladies and Gentlemen.

I welcome you all to the annual Financial Literacy Information Sharing Group meeting.

I thank you all for the work that you have accomplished in the last twelve months, to enhance the knowledge, attitudes, and skills of Ugandans in as far as access and use of financial products and services is concerned.

In a special way, I recognize the contribution of our colleagues and partners from the Germany International Cooperation towards the financial inclusion programmes and, more broadly financial markets development in Uganda.

Bank of Uganda, as an institution that took the lead in the development and implementation of the Strategy for Financial Literacy in Uganda, is proud of the achievements we have jointly achieved in the last one year. Nonetheless, there is still a lot that needs to be done and let me highlight just a few of the challenges for your contemplation.

First; we need to ask ourselves why the "*loan sharks*" popularly known as "*money lenders"* sustain their business in this country charging very high interest rates, inspite of the many financial institutions including SACCOS that are charging relatively lower interest rates. I presume that part of the answer lies in an information-asymmetry problem that needs to be addressed.

Second; as part of our financial literacy drive and initiative, we have witnessed many savings and investment groups / clubs formed. The task now is to enhance our tactics in delivering financial literacy messages to facilitate the graduation of these largely informal savings and investment groupings into formal establishments with linkages to the productive / real sector of the economy. How can financial literacy support these entities to maintain the crucially important element of mutual trust among members, adopt proper management and accounting procedures, appropriate corporate governance practices, and avoid the pitfalls that fell to similar institutions in the past?

Third; beyond any regulatory constraints that might exist, how can we adapt financial literacy messages to improve on the access of our Small Medium Enterprises (SMEs) to capital markets to catch up with the relatively good performance of other EAC partner states? For instance in the 2015/2016 Global Competitiveness Report of the World Economic Forum[1], Uganda ranked third in the EAC region behind Kenya and Rwanda in as far as "financing

[1] http://reports.weforum.org/global-competitiveness-report-2015–2016/competitiveness-rankings/#indicatorId=GCI.B.08.

through the local equity market" was concerned. In other words, Uganda lags behind two of our EAC partners in using the capital markets to raise funds to finance our businesses.

Similarly, it is also worth asking, how we can use financial literacy to increase the participation of Ugandans both at individual and SME institutional level in the existing financial instruments like Treasury bills and bonds. The statistics show that the "others category" in which SMEs and individuals are classified contributed only 9.9 percent[2] of investments in Uganda government securities at face value as at June 2015. This is in contrast to a share of 44.5 percent, 34.3 percent, and 11.3 percent of commercial banks, pension & provident funds, and offshore players, respectively. These statistics underscore the need to enhance the financial literacy messaging so as to encourage people to utilise the financial investment opportunities available to them and make the most optimal decisions using the available information.

Fourth, many Ugandans have embraced the mobile money revolution, with the number of mobile money registered users rising from 17.9 million in September 2014 to 19.8 million in September 2015, while bank accounts have remained relatively stable at 5 million. Our challenge therefore regards the use of financial literacy messages and the design of appropriate products and services by the financial institutions to support the transformation of these mobile money accounts into accounts within the formal banking industry.

Responding to the above challenges requires, in part, the dissemination of consistent and quality-assured messages, encompassing both financial and economic education. Our flagship program, the Training of Trainers (ToT) remains the major way through which individuals who would like to train the population in financial literacy are prepared and certified. Over the years, we have trained a critical mass of people who can extend financial consumer education to a sizeable proportion of the Ugandan population, using the curriculum that was agreed upon and can still be accessed from the "*Simplify Money Magnify Life*" website and the Trainers Manual. Going forward, we may need to adapt the programme to further strengthen quality assurance, respond to the challenges, and safeguard against any "mis-education" of consumers.

I urge members to continue using the website and Trainers Manual as the primary source of information in their training. It is important that our starting point in educating consumers is the same. When in doubt, please always refer to the Financial Literacy Strategy that was launched in August 2013 by the Honorable Minister of Finance, Planning and Economic Development (MoFPED).

On our part, we reiterate our commitment both in terms of financial and human resources to further bolster the financial and economic education agenda in Uganda. We are also working closely with the requisite Ministries, Departments and Agencies of Government to ensure that the diversity and quality of institutions providing financial services expands, and that they are well regulated. To that end, I trust that once the amendments to the Financial Institutions Act and the regulations for the Tier-four institutions that are being considered are passed into law, we shall have more Ugandans served and probably more efficiently.

As I conclude my remarks, I once again thank the members present here today for the tremendous work thus far. However, we must not rest on our laurels as a lot remains to be done.

I thank you all and wish you good deliberations in the meeting.

It is now my pleasure to declare the Financial Literacy Information Sharing Group (FLISG) meeting open.

[2] Bank of Uganda Statistics Department.