

# **BANK OF UGANDA**



## **Opening Remarks**

**by**

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**at the  
4<sup>th</sup> Annual Bankers' Conference 2021  
on the theme:**

**“Bend but Don't Break: How Players in the Financial Services Sector  
can thrive in the Era of the 4th Industrial Revolution”**

**Kampala**

**27 July 2021**

Government Officials, here present;

Our Keynote Speaker, the distinguished Governor of the Central Bank of Kenya and Chairperson of the East African Community Monetary Affairs Committee, Dr. Patrick Njoroge;

The Leadership of Uganda Bankers Association and Chief Executives of Supervised Financial Institutions;

Distinguished guests;

Ladies and gentlemen.

Good morning to you all.

First, I want to thank the Leadership of Uganda Bankers Association (UBA) for inviting me to address and open this now very important Annual Event in the Ugandan Banker's Calendar - the Annual Bankers' Conference. It is indeed my pleasure and honour to give a few remarks at the 4<sup>th</sup> Annual Bankers Conference 2021. The theme of the conference: *"Bend but not Break: How the Financial Sector Can Thrive in the Era of the 4<sup>th</sup> Industrial Revolution"* could have not come at a better time than now.

Distinguished participants, you are all aware that recourse to technological innovations worldwide has been critical in navigating through the hurdles conditioned on the financial sector by the Covid-19 pandemic. Financial institutions have had to re-engineer their business models and adopt new and more efficient business operational frameworks in order to ensure not only the seamless accessibility of financial services, but also their continued sustainability.

The 4<sup>th</sup> Industrial Revolution (4IR) is set to fundamentally alter the financial sector landscape and we do not yet know just how far these technological innovations will unfold. The changing financial ecosystem has however introduced both opportunities and risks. In particular, the digital revolution has offered opportunities for financial inclusion and for the provision of a wider suite of financial products and services, regardless of income and location. In Africa and the East African Community (EAC), while we still lag behind in the utilization of financial technology (Fintech), the phenomenal growth in mobile money services has been critical in increasing the financial services outreach, which is crucial for poverty eradication and inclusive economic growth.

The digital revolution has also led to a dramatic reduction in the operational costs and improved efficiency in the provision and delivery of financial services. In addition, customers are able to transact and interact in a flexible, seamless and in a real-time manner. At the same time, it has improved the financial service providers understanding of customer behavior and needs, allowing for personalization of financial services.

It is, therefore, my sincere hope that after the recovery of the initial sunk capital costs in the form of investments in technological innovations, these developments will translate into a reduction in the cost of financial services, which although declining have remained relatively high.

Notwithstanding the aforementioned benefits, there are also challenges that the financial industry has to contend with. First, the digital transformation may polarize the market by excluding those segments with low levels of digital and financial literacy. Non-equitable access to technology-enabled user devices may also increase the already significant digital divide. In addition, access to efficient, reliable and secure infrastructure may itself be a constraint to seamless consumption of financial services.

Secondly, the growing use of technology to capture, store and analyze data, consistent with the 4IR, increases the risk of data misuse and privacy violations. In addition, an increasing reliance on technology solutions and third party service providers increases operational risks, including cyber-security and Money Laundering risks

Thirdly, the pace and dynamism of fintechs presents regulatory challenges. The fundamental question for any regulator is: How do we encourage financial innovation without compromising the safety of consumers in the marketplace? With the majority of the providers for these technologies not domiciled in the domestic jurisdiction, there are issues relating to enforcement of domestic regulatory frameworks.

The key questions for policy makers is, therefore, how to position their economies to benefit from the 4IR while managing the challenges that it presents. An integral strategy should answer the following questions:

- (i) Given the labour market dynamics, how should the education program be structured in order to fix the labour-skill mismatch while ensuring that technology supplements instead of replacing labour, which is in abundance?

- (ii) What are the strategies necessary for the provision of an affordable, secure, reliable and efficient infrastructure?
- (iii) What governance, regulatory and cybersecurity framework is necessary for the adoption of the 4IR technologies?

In Uganda, a number of initiatives are being implemented to provide an enabling and regulatory environment for digital transformation, including fintechs. The National Payments Act and implementing Regulations which, provides a regulatory environment for payments services, have been enacted. In addition, Government set up the National Taskforce on the 4IR, which has formulated a draft strategy on Policy interventions on 4IR, which if adopted will guide the implementation of various 4IR related technologies. I hope discussions from this conference will provide a useful input to our on-going efforts to reap the benefits of the 4IR, while managing the associated risks.

Before I conclude, allow me to welcome our keynote speaker, the distinguished Governor of the Central Bank of Kenya and Chairperson of the East African Community Monetary Affairs Committee, Dr. Patrick Njoroge. I am confident that the conference will benefit immensely from his vast knowledge and astute articulation of 4IR. On

behalf of the Banking fraternity in Uganda, I most sincerely thank him for accepting our invitation.

With these few remarks, I wish you fruitful deliberations.

Thank you for listening to me.