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FINANCIAL SERVICES MAGAZINE

JULY 2019 / ISSUE 007, FREE COPY

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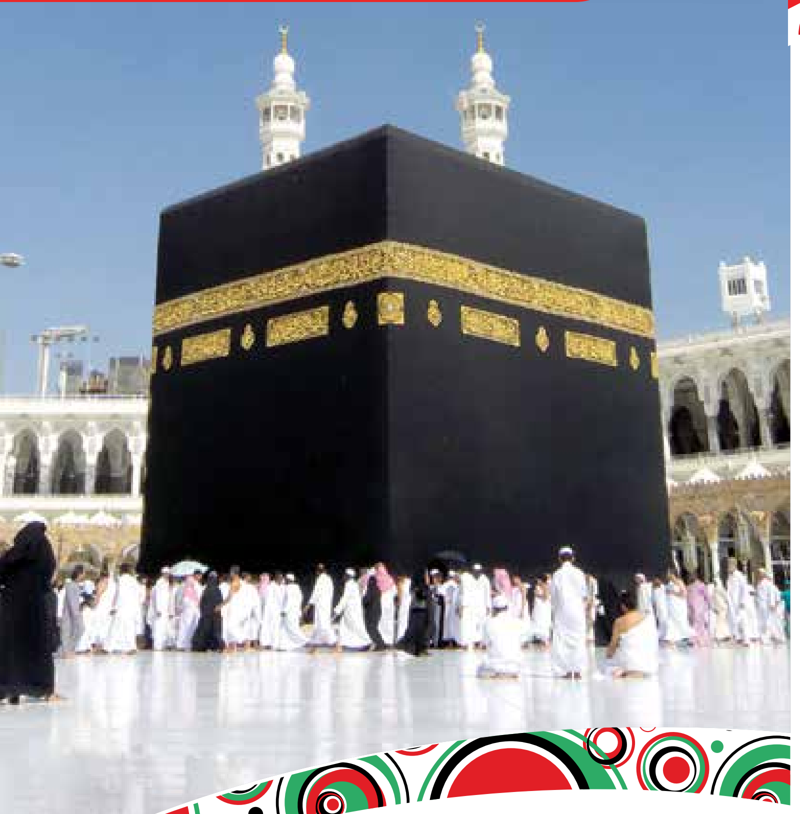
Let's make your Hijja/Umrah possible



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Foreward

Dear esteemed readers, I welcome you to the seventh Edition of The Financial Services Magazine.

This edition kicks off with an article on aagricultural credit financing for small scale farmers and is thus a continuation of the on going discussion (which was also the theme of this year's Annual Banking Conference) of the broader subject of derisking agriculture and the provision of finance to the agricultural sector.

This issue however also covers other topical themes in the industry such as block chain technology, microfinancing,bancassurance, Agricultural Financing and Islamic banking. Last but not least, the reader is offered an overview of new programs on offer at the Institute and notable upcomimg events including the 19th East African Banking School and World Conference of Banking Institutes.

I invite you to read this Edition of the Financial Services Magazine and share in the rewarding experience it presents.

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CHIEF EXECUTIVE OFFICER

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Managing Perceptions of Blockchain Technology

Noah Baalessanvu

What is Blockchain

For anyone following the news in the past couple of years, the topic of bitcoin, cryptocurrencies have made headlines. However what hasn't been very clearly explained is the technology behind them - Bitcoin. The most common definition of blockchain is: "blockchain is a distributed, decentralized, public ledger."However this doesn't do justice to the understanding of the implications of the potential blockchain has in society today.

At its most basic level, blockchain is literally just a chain of blocks, but not in the traditional sense of those words. When we refer to "block" and "chain" in this context, we are actually talking about digital information (the "block") stored in a public database (the "chain").
"Blocks" on the blockchain are made up of digital pieces of information. Specifically, they have three parts:

1. Blocks store information about transactions like the date, time, and shilling amount of your most recent purchase from Jumia, for example

2. Blocks store information about who is participating in transactions. Using the same example; A block for your purchase from Jumia would record your name along with the Jumia registered entity that is receiving your payment. Instead of using your actual name, your purchase is recorded without any identifying information using a unique "digital signature," sort of like a username.

3. Blocks store information that distinguishes them from other blocks. Much like you and I have names to distinguish us from one another, each block stores a unique code called a "hash" that allows us to tell it apart from every other block. Let's say you made your purchase on jumia, but while it's in transit, you decide to make another purchase. Even though the details of your new transaction would look nearly identical to your earlier purchase, we can still tell the blocks apart because of their unique codes.

When a block stores new data it is added to the blockchain. Blockchain, as its name suggests, consists of multiple blocks linked together. In order for a block to be added to the blockchain, however, four things must happen:

How blockchains work

1. **A transaction must occur.** Taking the same Jumia purchase example, you must proceed to complete the transactions by making a payment.

2. **That transaction must be verified.** After making that purchase, your transaction must be verified. With other public records of information, like the MTN Mobile Money registration information and account information with Jumia. With blockchain, however, that job is left up to a network of computers. These networks often consist of thousands of computers spread across the globe. When you make your purchase from Jumia, that network of computers rushes to check that your transaction happened in the way you said it did. That is, they confirm the details of the purchase, including the transaction's time, shilling amount, and participants.

3. **That transaction must be stored in a block.** After your transaction has been verified as accurate, it gets the green light. The transaction's dollar amount, your digital signature, and Amazon's digital signature are all stored in a block. There, the transaction will likely join hundreds, or thousands, of others like it.

4. **That block must be given a hash.** Once all of a block's transactions have been verified, it must be given a unique, identifying code called a hash. The block is also given the hash of the most recent block added to the blockchain. Once hashed, the block can be added to the blockchain.

When that new block is added to the blockchain, it becomes publicly available for anyone to view — even you. If you take a look at Bitcoin's blockchain, you will see that you have access to transaction data, along with information about when ("Time"), where ("Height"), and by who ("Relayed By") the block was added to the blockchain.

Is Blockchain Private?

A question I get asked quite often is if the blockchain is public, what about privacy? Anyone can view the contents of the blockchain, but users can also opt to connect their computers to the blockchain network. In doing so, their computer receives a copy of the blockchain that is updated automatically whenever a new block is added, sort of like a Facebook News Feed that gives a live update whenever a new status is posted.

Each computer in the blockchain network has its own copy of the blockchain, which means that there are thousands, or in the case of Bitcoin, millions of copies of the same blockchain. Although each copy of the blockchain is identical, spreading that information across a network of computers makes the information more difficult to manipulate. With blockchain, there isn't a single, definitive account of events that can be manipulated. Instead, a hacker would need to manipulate every copy of the blockchain on the network.
Looking over the Bitcoin blockchain, however, you will notice that you do not have access to identifying information about the users making transactions. Although transactions on the blockchain are not completely anonymous, personal information about users is limited to their digital signature or username.

Is Blockchain Secure?

Blockchain technology accounts for the issues of security and trust in several ways. First, new blocks are always stored linearly and chronologically. That is, they are always added to the "end" of the blockchain. If you take a look at Bitcoin's blockchain, you'll see that each block has a position on the chain, called a "height." As of July 2019, the block's height had topped 585,900.

After a block has been added to the end of the blockchain, it is very difficult to go back and alter the contents of the block. That's because each block contains its own hash, along with the hash of the block before it. Hash codes are created by a mathematic function that turns digital information into a string of numbers and letters. If that information is edited in any way, the hash code changes as well.

Can I trust a blockchain?

To address the issue of trust, blockchain networks implement tests (or exams) for computers that want to join and add blocks to the chain. The tests, called "consensus models," and they require users to "prove" themselves before they can participate in a blockchain network. One of the most common examples employed by Bitcoin is called "proof of work."

In the proof of work system, computers must "prove" that they have done "work" by solving a complex computational math problem. If a computer solves one of these problems, they become eligible to add a block to the blockchain. But the process of adding blocks to the blockchain, what the cryptocurrency world calls "mining," is not easy. In fact,the chances of solving one of these problems on the Bitcoin network were about 1 in 9,064,159,826,491in July 2019. To solve complex math problems at those odds, computers must run programs that cost them significant amounts of power and energy (read: money).

Blockchain vs. Bitcoin

The goal of blockchain is to allow digital information to be recorded and distributed, but not edited. That concept can be difficult to wrap our heads around without seeing the technology in action, so let's take a look at how the earliest application of blockchain technology actually works.

Blockchain technology was first outlined in 1991 by Stuart Haber and W. Scott Stornetta, two researchers who wanted to implement a system where document timestamps could not be tampered with. But it wasn't until almost two decades later, with the launch of Bitcoin in January 2009, that blockchain had its first real-world application.

Blockchain's Practical Application

Blocks on the blockchain store data about monetary transactions—as we have seen,But it turns out that blockchain is actually a very reliable way of storing data about other types of transactions, as well. In fact, blockchain technology can be used to store data about property exchanges, stops in a supply chain, and even votes for a candidate.

The consulting firm Deloitte recently surveyed 1,000 companies across seven countries about integrating blockchain into their business operations. Their survey found that 34% already had a blockchain system in production today, while another 41% expected to deploy a blockchain application within the next 12 months. In addition, nearly 40% of the surveyed companies reported they would invest $5 million or more in blockchain in the coming year. Here are some of the most popular applications of blockchain being explored today.

Financial Services

Perhaps no industry stands to benefit from integrating blockchain into its business operations more than banking. Financial institutions only operate during business hours, five days a week. That means if you try to deposit a check on Friday at 6 p.m., you likely will have to wait until Monday morning to see that money hit your account. Even if you do make your deposit during business hours, the transaction can still take 1-3 days to verify due to the sheer volume of transactions that banks need to settle. Blockchain, on the other hand, never sleeps.

By integrating blockchain into banks, consumers can see their transactions processed in as little as 10 minutes, basically the time it takes to add a block to the blockchain, regardless of the time or day of the week. With blockchain, banks also have the opportunity to exchange funds between institutions more quickly and securely. In the stock trading business, for example, the settlement and clearing process can take up to three days (or longer, if banks are trading internationally), meaning that the money and shares are frozen for that time.

Cryptocurrency

Blockchain forms the bedrock for cryptocurrencies like Bitcoin. As we explored earlier, currencies like the Uganda Shilling are regulated and verified by a central authority,

usually a bank or government. Under the central authority system, a user's data and currency are technically at the whim of their bank. If a user's bank collapses as we have witnessed in the region, the value of their currency may be at risk.

By spreading its operations across a network of computers, blockchain allows Bitcoin and other cryptocurrencies to operate without the need for a central authority or middlemen. This not only reduces risk but also eliminates many of the processing and transaction fees. It also gives those in countries with unstable currencies a more stable currency with more applications and a wider network of individuals and institutions they can do business with, both domestically and internationally (at least, this is the goal.)

More recently we have seen the rise of "stable coins" and/ or"digital fiat currencies" that are designed and behave like typical cryptocurrencies however they are backed by regulated entities and tethered to existing fiat currencies. This has come about because of the realization by banks and governments that the inherent benefits of cryptocurrencies can also be applied to traditional fiat thus allowing them to evolve.

Healthcare Uses

One of the biggest challenges in healthcare is the portability of patient records. As an industry there are a large number of players from hospitals to pharmaceutical companies to insurance companies who all need access to an individual's personal health records. Sharing this data securely has been an expensive challenge. Health care providers can leverage blockchain to securely store their patients' medical records. When a medical record is generated and signed, it can be written into the blockchain, which provides patients with the proof and confidence that the record cannot be changed. These personal health records could be encoded and stored on the blockchain with a private key, so that they are only accessible by certain individuals, thereby ensuring privacy

Land Registry & Real Estate

Anyone who has ever spent time in any land's office know that the process of recording property rights or performing land transactions is both burdensome and inefficient. Today, a physical deed must be delivered to a government employee at the registry, where is it manually entered into the county's central database and public index. In the case of a property dispute, claims to the property must be reconciled with the public index.

This process is not just costly and time-consuming—it is also riddled with human error, corruption and fraud, where each inaccuracy makes tracking property ownership less efficient. Blockchain has the potential to eliminate the need for scanning documents and tracking down physical files in a local recording office. If property ownership is stored and verified on the blockchain, owners can trust that their deed is accurate and permanent.

Smart Contracts

A smart contract is a computer code that can be built into the blockchain to facilitate, verify, or negotiate a contract agreement. Smart contracts operate under a set of conditions that users agree to. When those conditions are met, the terms of the agreement are automatically carried out.

Supply Chain Use

Suppliers can use blockchain to record the origins of materials that they have purchased. This would allow companies to verify the authenticity of their products, along with health and ethics labels like "Organic," "Local," and "Fair Trade."

This same principle can also be used to combat counterfeit medical drugs, in a country like Uganda which imports a significant percentage of its medical drugs, counterfeit medicine is a big problem. Deploying blockchain in this industry will enable drug tracking to happen right from factory to the time its dispensed at a pharmacy making it near impossible for counterfeit drugs to enter the market.

Advantages and Disadvantages of Blockchain

For all its complexity, blockchain's potential as a decentralized form of record-keeping is almost without limit. From greater user privacy and heightened security to lower processing fees and fewer errors, blockchain technology may very well see applications beyond those outlined above.Here are the main selling points of blockchain for businesses on the market;

1. **Accuracy**- Transactions on the blockchain network are approved by a network of thousands or millions of computers. This removes almost all human involvement in the verification process, resulting in less human error and a more accurate record of information. Even if a computer on the network were to make a computational mistake, the error would only be made

to one copy of the blockchain. In order for that error to spread to the rest of the blockchain, it would need to be made by at least 51% of the network's computers — a near impossibility.

2. **Cost - Typically,** consumers pay a bank to verify a transaction, a notary to sign a document or a lawyer to enforce a contract. Blockchain eliminates the need for third-party verification and, with it, their associated costs. Business owners incur a small fee whenever they accept payments using credit cards, for example, because banks have to process those transactions. Cryptocurrencies, on the other hand, does not have a central authority and has virtually no transaction fees.

3. **Decentralization** - Blockchain does not store any of its information in a central location. Instead, the blockchain is copied and spread across a network of computers. Whenever a new block is added to the blockchain, every computer on the network updates its blockchain to reflect the change. By spreading that information across a network, rather than storing it in one central database, blockchain becomes more difficult to tamper with. If a copy of the blockchain fell into the hands of a hacker, only a single copy of the information, rather than the entire network, would be compromised.

4. **Efficient**- Transactions placed through a blockchain can be completed in about ten minutes or less and can be considered secure almost immediately. This is particularly useful for cross-border trades, which usually take much longer because of time-zone issues and the fact that all parties must confirm payment processing.

5. **Privacy**- Many blockchain networks operate as public databases, meaning that anyone with an internet connection can view a list of the network's transaction history. Although users can access details about transactions, they cannot access identifying information about the users making those transactions. It is a common misperception that blockchain networks like bitcoin are anonymous, when in fact they are only confidential.

6. **Secure**- Once a transaction is recorded, its authenticity must be verified by the blockchain network. Thousands or even millions of computers on the blockchain rush to confirm that the details of the purchase are correct. This feature makes it extremely difficult for information on the blockchain to be changed without notice.

7. **Transparency** - Even though personal information on the blockchain is kept private, the technology itself is almost always open source. That means that users on the blockchain network can inspect the code and suggest modifications as they see fit, so long as they have a majority of the network's computational power backing them. Keeping data on the blockchain open source also makes tampering with data that much more

Disadvantages of Blockchain

While there are significant upsides to the blockchain, there are also significant challenges to its adoption. The roadblocks to the application of blockchain technology today are not just technical. The real challenges are political and regulatory, for the most part, to say nothing of the thousands of hours (read: money) of custom software design and back-end programming required to integrate blockchain to current business networks. Here are some of the challenges standing in the way of widespread blockchain adoption.

1. **Technology Cost** - Because blockchain is still a young technology, there are few developers that can build and maintain blockchains, this means that the cost of developers is very high. This will improve over time as the technology become more main stream.

2. **Inefficiency–**the current state of some blockchains make them inefficient when it comes to high speed transactions. Even though the total settlement is much faster things like transaction speed are still inefficient.

3. *Illegal Activity* - While confidentiality on the blockchain network protects users from hacks and preserves privacy, it may also allow for illegal trading and activity on the blockchain network. Like any new technology blockchain and cryptocurrencies are susceptible to fraud and abuse. This is however being address with better security measures and tighter controls on KYC and AML

4. Regulation - Several central banks have launched investigations into digital currencies. According to a February 2015 Bank of England research report, "Further research would also be required to devise a system which could utilize distributed ledger technology without compromising a central bank's ability to control its currency and secure the system against systemic attack." Because it's a new technology with vast implications there is still unclear regulation as to where it lies.

What's Next for Blockchain?

With many practical applications for the technology already being implemented and explored, blockchain is finally making a name for itself, in no small part because of bitcoin and cryptocurrency. As a buzzword on the tongue of many people, blockchain stands to make business and government operations more accurate, efficient, and secure.

As we prepare to head into the third decade of blockchain, it's no longer a question of "if" legacy companies will catch on to the technology — it's a question of "when."

The Writer is a Founder & Head of Strategy and Partnerships at CryptoSavannah

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SMF EA Ltd is owned by Stromme Microfinance AS in Norway, Stromme Foundation Regional Office in East Africa, Solidarite Internationale pour le Development et l'Investissement (SIDI) in France and Catholic Organisation for Relief and Development Aid (CORDAID) in Netherlands.
The operations of SMF EA Ltd cover the countries of Uganda, Kenya and Tanzania.

Vision: A world Free from Poverty.

Mission:To be a leading, locally based wholesale finance company that provides sustainable, market responsive financial solutions and technical assistance to organizations in the Eastern Africa region. We enhance access to financial solutions to low income people to grow their businesses, create new jobs and improve their livelihoods.

Philosophy: Financial services for the poor.

Core Values

Dignity: We believe in all people realizing their rights, respect and healthy self-esteem.
Justice: We strive for social rights of individuals and communities and access to resources.
Solidarity: We empathetically identify ourselves with the plight of the marginalised and discriminated group

Target market and Strategic partners.

SMF EA Ltd.'s focus is on Small and Emerging partner institutions in the categories of: Microfinance institutions, (MFIs), SACCOs, Small and Medium Enterprises (in Agriculture, Housing and Social Enterprises) and Producer Organisations (POs).

Financial products:

Institutional development loans
We extend loans to potential and existing partners for purposes of procurement of vital assets which involve large outflows of financial resources without stretching the finances that would otherwise have been used to finance their loan portfolios.

Institutional housing microfinance loans
We support our partners to access funding with specific focus on incremental housing purposes. This enables partner clients to access funding for decent housing in a phased approach.

Institutional business loans
Our partners are supported to access funding that enables them to boost their lending operations targeting the enterprising poor people in the East African region.

Institutional agricultural loan
This is aimed at improving livelihoods of smallholder farmers. We reach out to them through partnering with Microfinance insititutions (MFIs), SACCOs, Agricultural SMEs and Producer Organisations (POs).

Non-Financial products include:

Capacity building services

- We offer innovative technical assistance to strengthen our partner institutions. Our areas of focus include but not limited to: Corporate governance, attachment for mentoring and coaching, Social performance management, product review and development, Trainings, etc.

Figure on left: Farmer's garden Supported through a partner microfinance institution, on the right, A producer organisation (Rugendabra cooperative farming society) located in Kasese was supported by SMF EA Ltd to acquire a truck.

- We support network institutions in the region including Association of Microfinance Institutions of Uganda (AMFIU), Association of Microfinance Institutions of Kenya (AMFI-K) and Tanzania Association Microfinance institutions (TAMFI). This is all intended to ensure Microfinance best practices, support their lobby activities, encourage creativity

Strategic Alliances: SMF EA Ltd collaborates with other wholesale lenders and development organisations in all countries of operation to ensure coordinated support to the microfinance industry with reduced risk.

Islamic Banking Roll Out In Uganda

Islamic banking was previously catering for a small market of Muslims who wanted to avoid interest-based banking. Recently, it has gained a sizeable market share by transcending religious beliefs to gain ground with non-Muslim investors who are keen on ethical investing.

Islamic banking gained prominence during the 2007/8 global financial crisis. This is due to its strong Islamic economics backbone which ensures that all human endeavors (including banking) are value-loaded and are within the Islamic worldview, which does not only prohibit interest but also consider other concepts such as; problem of the consumer and the firm, market structure, and economic development.

What makes these concepts unique is that they are profoundly connected to life after death, which has the ultimate and eternal significance according to Islam. This motivates financiers to be more proactive and creative to enhance value-addition when providing financing.

Islamic banking has universal applicability as it plays a complementary role to conventional banking system. Countries that have embraced Islamic banking over the last 50 years have found it robust and viable in fostering socio-economic justice, cooperation among economic agents, and equitable distribution of resources.

What is Islamic Banking?

Despite its name, Islamic banking is not a religious product. It is rather banking products and services developed to meet the requirements of people in a way that does not contradict Shari'ah principles such as interest, speculation, gambling, excessive uncertainty, and dealing in harmful products. Just like other divine arrangements, Islam strongly prohibits such unethical behaviour.

Islamic banking adopts Shari'ah law only to the extent of commercial transactions but it does not extend to other domain of Islamic religious affairs. Therefore, Islamic banking serves people of all religious denominations without discrimination.

Is Islamic Banking meant only for Muslims?

The broad message of Shari'ah is meant for both Muslims and non-Muslims. This is truer especially in universal ethical conducts such as honesty, justice and fairness, which form an essential part of Islamic banking.

Islamic banking complements conventional banking in areas where the latter has failed to deliver. This is evident with major international banks that have adopted either windows or subsidiaries for Islamic banking such as HSBC, JP Morgan, Lloyds TSB, ANZ Grindlays, Citi Group, West Bromwich Building Society, and Yorkshire Bank among others.

All this development is not because Muslims are pushing it. It is because it makes sense to investors and to a segment of population that is keen for Shari'ah compliance in commercial transactions. This is why most international financial centres, the UK in particular, are striving to become global gateway for Islamic finance without religious prejudice.

Crisis in the Interest-based Banking System

All divine arrangements forbid interest because it develops a culture of selfishness and exploitation of the hard earnings of the borrower.As Islam prohibits interest through stages in the Quranic verses; 30:39, 4:160-161, 3:130, 2:275-279 respectively, Christianity forbids interest in several verses including; Leviticus: 35-38, Exodus: 22:27,Ezekiel 18:8a, and Deuteronomy: 19-20.

Besides, even economists have no common framework for interest as Gottfried Haberlerstressed in 1939; "The theory of interest has for a long time been a weak spot in the science of economics, and the explanation and determination of the interest rate still gives rise to more disagreement among economists than any other branch of general economic theory".

The interest-based systemperpetuates injustice when the financier/lender is guaranteed a positive return (interest) without sharing in risk, or bearing liability, or devoting effort in an undertaking of the entrepreneur/borrower.

Who will benefit from Islamic banking?

i) Financial products consumers in form of greater supply of risk-based capital.
ii) Community through economic growth with real movement of assets and economic activities in trade, industry, commerce, and agriculture.
iii) The poor who have vibrant business ideas but do not have collateral.
iv) A segment of population who have been financially excluded due to fear of the great sin of interest (riba).
v) Financial institutions through mobilizing a large pool of resources on Profit-and-Loss-Sharing schemes.
vi) Government through program funding without having to incur huge fees and capital costs.

Progress of Islamic Banking in Uganda

The government of Uganda has been flexible to respond to new ideas and innovation by introducing Islamic banking. This makes Uganda well placed to take advantage of the new global trends in the financial sector.

It is true for regulators to take a gradual process in the establishment of Islamic Banking and more specifically the popular Shari'ah Governance approach, due to the enormous challenges among others, the perception towards Shari'ah and Islam as a religion.

The government of Uganda has provided a leveled ground and legal infrastructure to implement Islamic banking by amending the Financial Institutions Act and gazetting the Financial Institutions (Islamic Banking) Regulations, 2018.

Islamic Banking System is already operational in Ugandaas the Central Bank is currently vetting three Islamic banking applications including two foreign and one local bank who are have applied to start offering Islamic banking in Uganda, according to Bank of Uganda.

Responses to Some Misconceptions about Islamic Banking in Uganda

i) That the financial Institutions (Amendment) Bill 2015 was hurriedly passed by Parliament on January 6, 2016 without the usual public input and scrutiny that Bills are normally subjected to.

Response: The process of amending the Financial Institutions Act (2004), was initiated by Bank of Uganda in 2010. It went through the usual procedures from the relevant Ministry to the cabinet (between 2010 and 2015), before the Bill was presented to Parliament by the Ministry of Finance on 13thAugust 2015 for the first reading.

Following Parliamentary rules of procedure, the Bill was then sent to the sessional committee on Finance, Planning and economic development for further scrutiny and inclusion of public and stakeholders' views. After more than four months, the Bill was brought back to Parliament for a second reading on 24thDecember 2015.

Finally, the Bill was presented on the floor of Parliament for the 3rd time on 6thJanuary 2016 and it was duly passed. In

brief, the journey to amend the Financial Institutions Act took at least six (6) years (from 2010 to 2015) which provided ample time to all interested parties and stakeholders to present their views to the sessional committee of Parliament when the Bill was still before that committee.

ii) *That the introduction of Islamic banking tantamount to a blanket legalization and domestication of Shari'ah law not only in the finance sector but in all aspects of our national life.*

Response: This is merely over imaginationas the Financial Institutions (Amendment) Act 2016 is simply a law that has functional relevance in the financial sector only and which does not stretch to "all aspects of our national life".

iii) *That Islamic Banking enactment into Uganda's legal framework andappointment of a Shari'ah Advisory Board at the Bank of Uganda tantamount to adoption of a state religion, which violates article 7 of the constitution.*

Response: Numerous non-Muslim countries have opened up to Islamic Banking without adopting Islam as their state religion. These include; Britain, USA, Canada, Australia, Singapore, Italy, Germany, Switzerland, Japan, Kenya, and South Africa. Therefore, Uganda will not be the exception.
Sir Eddie George, former Governor of the Bank of England, gave a proper account of this matter in September 1995 during the Islamic Foundation conference;
"When I looked into it a bit more, it seemed to me that in fact many of the financial products commonly used in this country already had some, at least, of the characteristics consistent with the teachings of the Qura'n: if only we could come to a better and more precise understanding of the Islamic financial products being talked about at that time… Indeed, it seems to me also that as a matter of general principle, a wide range of financial products would benefit the whole of our community, and that Islamic products could prove to be attractive beyond the purely Muslim sects".

iv) *That the introduction of Islamic Banking opens the door for religious tension, conflict and disharmony and will inevitably destabilize the nation and that Shari'ah Law has been used by all Islamic countries to persecute and destroy Christianity.*

Response: There is no single country in the world, where Islamic finance has been a source of "religious tension, conflict and disharmony". To the contrary, Islamic finance has been appreciated and welcomed by all well-meaning leaders and societies. A classic example is the case of the Vatican's approval of Islamic finance, as reported from Pope Benedict IVX recommending Islamic finance as a solution to the global economic crisis, he said:
"The ethical principles on which Islamic finance is based may bring banks closer to their clients and to the true spirit which should mark every financial service".
Thus, Islamic banking will only create harmony and expand economic opportunities for all Ugandans. This is because it has been proven by the most reputable economic and financial experts including the World Bank, to be a reliable system of financing development worldwide.

The Writer works as Manager - Islamic Banking at Tropical Bank

Mr. Elly K. Mukasa, Executive Director Metropol Uganda

TELL ME ABOUT METROPOL CRB.

Metropol Credit Reference Bureau was licensed by BOU in 2015 and started operations then. Since our entry in the market, we have created an immediate impact by reducing the cost of bureau services, enhancing the data quality, a better service dispensation to bureau services consumers with especially fast turnaround time for disputes resolution and introducing new value added solutions that enhance sound credit decision making and improve efficiency.

YOU RECENTLY LAUNCHED A NEW PLATFORM CALLED CRYSTOBOL. WHAT IS IT ALL ABOUT?

Crystobol is a platform that enables borrowers to have control of their credit information byhaving direct access to Bureau products conveniently at their disposal via their mobile phones.Customers can gain access to the service by dialing ***243#** and following the message prompts. A customer needs to key in their Financial Card number in order to proceed and register on Crystobol. Once registration is done, one is entitled to a FREE credit report. We are cognizant of the fact that there is little awareness, that the law requires us to issue a free credit report once every year to every borrower. This Crystobol service is a convenient tool we have innovated to enable us deliver this much needed awareness as part of our mandate. I therefore encourage every borrower to register on Crystobol in order to conveniently keep track of their credit information regularly without any location boundaries.

YOU EARLIER SAID THAT METROPOL HAS VALUE ADDED SOLUTIONS THAT PROMOTE EFFICIENCY IN CREDIT OPERATIONS. WHAT ARE THEY?

We have quite a number, but some of them include: Credit Applications Monitoring reports, Credit Scoring capabilities (the Metro Score), Mobile Lending Solutions, and Bureau Scrubs for both Identity and credit information as well as System Integration capabilities to link the Core CRB System with Bank systems for seamless CRB services. Not to sound too technical, but generally speaking, a good credit score can empower a borrower to access credit on fairly better terms.

ANY LAST WORD TO THE READER?

At Metropol Credit Reference Bureau, we would like to encourage all borrowers to register on our Crystobol platform to enable them take charge of their credit worthiness by arming themselves with credit information that will enable them have a high bargaining power when negotiating credit terms. Also, we would like to thank our Regulator and government for allowing this mechanism, to empower Ugandans with an opportunity to attain full financial inclusion. A population that has access to credit has enhanced purchasing power and this inevitably will lead to economic growth.

Faith Ekudu

Bancasurrance In Year One: Status and Lessons

Stanbic Bank Uganda Ltd - In October 2017, received its license from the Insurance Regulatory Authority of Uganda (IRA) to operate as a Bancassurance Agent thusbecoming the first bank through which insurance products could be distributed. Since then, and at January 1st 2019, customers can enjoy both banking and insurance services at 17 banks.

The decision to enable banks become distribution channels primarily took 3 key elementsinto consideration - it had to appeal to the customer, it had to make business sense for both the banker and the insurer and the appropriate regulatory environment had to be put in place to make this a reality.

From a customer stand point, having single point access to both banking and insurance services presents a win-win situation especially as it plays into one of the biggest selling points which is the convenience of having these services under one roof.

From a business stand point, given the success of bancassurance in other markets particularly in Asia, the merging of these services was seen as a lucrative avenue for the increased penetration of insurance as well as an alternative revenue generation avenue for the banks.

From a regulatory standpoint, insurance regulation allowed for the possibility of allowing for distribution through non-traditional channels such as banks but it was not until 2016 when the Financial Institutions Amendment Bill 2016was passed that the possibility of bancassurance become a reality in Uganda. Consequently, the Insurance (Bancassurance) Regulations, 2017 were passed and are currently in use.

Given that we are a little over a year into Bancassurance operations, it would be important to take stock of the developments within this space, the impact so far and what possible steps will be necessary going forward. We will therefore primarily look at Bancassurance in the context of this channels impact on performance, skilling, product development and innovation and regulation.

Overall industry performance 2018

The IRA, in a press statement issued in May 2019, indicated that overall, in the year 2018, the Gross Written Premium (GWP) income increased by 17.51% from UShs 728.4 Billion (728,430,974,041) in 2017 to UShs 856billion (855,973,178,219) in 2018. In terms of growth, Non-Life GWP income grew by 12.36% from UShs 507.2bn in 2017 to UShs 570bn in 2018; Life GWP income increased by 28.69% from UShs 168bn in 2017 to UShs 216.9bn in 2018, while Health Membership Organisation's (HMOs) GWP increased by 31.25% from UShs 52.7bn in 2017 to UShs 69.1bn in 2018.

In terms of market share, non-life insurance constituted 66.59% compared to 70.01% in 2017; life premiums accounted for 25.34% compared to 22.86% in 2017; while HMOs constituted 8.07% compared to 7.13% in 2017.
Of the industry production, GWP income collected through the brokerage distribution channel was UShs 280bn (est.) compared to UShs233.3bn in 2017 and brokers accounted for 32.7% of the insurance industry premium compared to 32% in 2017.

Bancassurance performance Vs Industry performance

It is commendable that in its first year, total business generated through this channel amounted to Ush 26bn- representing 3% of overall production. Of this, UShs. 19.6bn was in respect of life insurance business while UShs. 6.3bn was in respect of non-life insurance business.

Given that on average, Life Insurance grows at 25%, the performance of Life insurance under bancassurance lends further affirmation of this trend and our expectations for further and continued growth of Life insurance in the future.

Total Industry GWP 2018 (Non-Life and Life Insurance only)	**2018 Bancassurance GWP (Provisional)**	**Bancassurance contribution to the overall GWP production 2018**
786,840,778,454	26,054,046,577	3%
Total Non-Life GWP 2018	Bancassurance Non-Life GWP (Provisional)	Bancassurance contribution to the overall NON-LIFE GWP production
569,965,099,454	6,356,726,586	1%
Total Life GWP 2018	Bancassurance Life GWP (Provisional)	Bancassurance contribution to the overall LIFE GWP production
216,875,679,000	19,697,319,991	9%

*Source: IRA Press statement and provisional information provided directly to UIA

Performance by Line

On average, over the past 5 years, the biggest premium contributors to Non-Life Insurance are Motor, Fire, Personal Accident, Medical and Misc. In comparing this experience with bancassurance production, the largest contributors largely remain the same except for the Marine/Aviation/GIT whose contribution was much higher through this channel. It would be important to monitor this over the next few years to determine if this is a one-off or a consistent line to watch under this channel.

With respect to Life Insurance, the biggest contributors are Group Life, Individual Life and DAP. The same is seen through this channel with the majority being the Group business and individual term life.

Non-Life Insurance	Premium		Life Insurance	Premium
Fire	2.4BN		Individual term life	2.3BN
Theft & Burglary	21.5M		Endowments	761M
Personal Accident	32.9M		Whole Life	-
Workers compensation (WC)	26.2M		Individual Medical	-
Liability (Public+ Employers)	1.5M		Unit - linked/Savings plans. Annuities	7.9M
Marine/Aviation/ Goods In transit (GIT)	143M		Croup term (Group life/ Group last expense)	5BN
Engineering	15M		Group Medical	81.4M
Motor	2BN		Group credit life	11.5BN
Bonds	12.3M		**TOTAL 2018**	**19.6BN**
Medical	173M			
Crops & Livestock	26.7M			
Misc.	1BN			
TOTAL 2018	**6.3BN**			

Source: IRA and Direct Bank submissions to UIA

Claims payment

The core role of the insurer is to settle genuine claims when they do arise. With this in mind, in 2018, the industry as a whole paid overUsh248 in claims. Of this Ush 3,039,648,587 was paid in claims generated through this channel with the majority of these being Life Insurance claims.

Gross Claims paid	Ush	Total Claims paid (Bancassurance)
Non-Life	507,325,196	3,039,648,587
Life	2,532,323,391	

Market Share Analysis

1. ***Market Share by Gross Written Premiums (includes both Non-Life and Life insurance premiums) written by banks***

Based on submissions to the IRA, the top five banks based on GWP are Stanbic (44.78%), Barclays Bank (23.93%), DFCU (9.10%), Standard Chartered Bank (4%) and Orient Bank.

1	Stanbic Bank	11,659,874,610	44.78%
2	Barclays Bank	6,230,792,625	23.93%
3	DFCU	2,368,434,000	9.10%
4	Standard Chartered bank Limited	1,041,718,693	4.00%
5	Orient Bank	909,832,535	3.49%
6	Diamond Trust Bank	747,380,971	2.87%

7	Bank of Africa	716,120,242	2.75%
8	Housing Finance Bank	713,465,313	2.74%
9	NC Bank	684,558,509	2.63%
10	Exim Bank	344,549,112	1.32%
11	Finance Trust	248,451,001	0.95%
12	KCB Bank	205,440,302	0.79%
13	United Bank of Africa	85,268,883	0.33%
14	Opportunity Bank	83,752,240	0.32%
15	Tropical bank*		
16	Post Bank Uganda*		
	Total	26,039,639,036	

Source: IRA

NB: *Did not submit returns as at release in May 2019

2. ***Market Share by Line- Non-Life Insurance***
In terms of line performance, the top 5 banks were Stanbic Bank, Barclays, DFCU, NC Bank and Orient Bank.

No	Company	Gross Premium	% Share
1	Stanbic Bank	1,768,184,030	27.88%
2	Barclays Bank	1,091,732,604	17.21%
3	DFCU	877,234,000	13.83%
4	NC Bank	564,299,516	8.90%
5	Orient Bank	473,708,075	7.47%
6	Bank of Africa	389,924,840	6.15%
7	Exim Bank	275,466,293	4.34%
8	Housing Finance Bank	238,939,911	3.77%
9	Finance Trust	212,567,671	3.35%
10	KCB Bank	174,893,178	2.76%
11	Diamond Trust Bank	129,852,291	2.05%
12	Opportunity Bank	83,752,240	1.32%
13	United Bank of Africa	61,794,394	0.97%
14	Standard Chartered bank Limited	-	
15	Tropical bank*	-	
16	Post Bank Uganda*	-	
	Total	6,342,349,042	100%

Source: IRA
NB: *Did not submit returns as at release in May 2019

3. Market Share by Line- Life Insurance

The top 5 banks in the Life Insurance business space are Stanbic, Barclays Bank, DFCU and Standard Chartered Bank.

No	Company	Gross Premium	% Share
1	Stanbic Bank	9,891,690,580	50.22%
2	Barclays Bank	5,139,060,021	26.09%
3	DFCU	1,491,200,000	7.57%
4	Standard Chartered bank Limited	1,041,718,693	5.29%
5	Diamond Trust Bank	617,528,680	3.14%
6	Housing Finance Bank	474,525,402	2.41%
7	Orient Bank	436,124,460	2.21%
8	Bank of Africa	326,195,402	1.66%
9	NC Bank	120,258,993	0.61%
10	Exim Bank	69,082,819	0.35%
11	Finance Trust	35,883,330	0.18%
12	KCB Bank	30,547,124	0.16%
13	United Bank of Africa	23,474,489	0.12%
14	Opportunity Bank	-	
15	Tropical bank*	-	
16	Post Bank Uganda*	-	
	Total	19,697,289,993	100%

Source: IRA

NB: *Did not submit returns as at release in May 2019

Skilling requirements

In an effort to ensure that clients have the correct information in order for them to make informed purchase decisions, the IRA, through the Insurance (Bancassurance) Regulations, 2017 provided that the bank officers dealing with insurance are professionally qualified to do so. These officers either fall in the category of Principal Officer or Specified Person(s) and are the only persons authorized to deal with insurance matters in and for the bank.

As a result of this regulation, we have seen an increase in the number of those seeking insurance qualifications particularly from the banking sector increase over the past year. We have also seen improved program offerings from the Insurance Institute of Uganda- which is the only institution mandated to train and qualify insurance professionals in Uganda. Whereas the option to acquire a Certificate of Proficiency (COP) over two semesters is available, the option to get certified through a specialized program in two weeks is now available at the Institute. This allows for quicker turnaround time for qualification and for banks to have resource available to sell these products and also allows the Institute to innovate and change programs in line with the particular needs of the banks. The COP is the minimum qualification for specified officers.

Product development and presentation

Generally speaking, insurance products fall into 13 broad categories whichcan then be customized to meet particular client needs. Given the amount of information and interaction between the bank and the client, it is expected that these products will be further customized to meet the bank clients' needs and fit those profiles.

As a result, whereas most banks are selling the traditional insurance products as is, a few are taking the information that they have about their clients and tailoring these products to match their clients' life styles and needs. DFCU has, for example, taken to embedding insurance within its bank offerings through products like the Dembe account. Customers who have a Dembe account automatically enjoy a Hospital cash benefit of Ushs 20,000 for each day of hospitalization, up to 70 days in a calendar year. The customer should have been hospitalized at least 2 nights.

We expect that as demand grows, more tailor made products will be developed especially given the wealth of information banks have and their frequent engagements with their clients.

Key lessons and possible solutions going forward

Pricing and options to finance insurance premium: We still face the challenge of the general public not appreciating the value of insurance in offering protection and compensation when the risks they insure against occur. One of the key points of opposition to purchase remains the cost of insurance. This coupled with the fact that the new Insurance Act 2017 requires the upfront payment of premiums in order for the client to enjoy insurance services has created the opportunity for the uptake of Insurance Premium Financing (IPF) which is available through a number of banks. Insurance Premium Financing (IPF) is a loan facility designed to finance payment of insurance premium due to an insurance company from the customer.

Discussions are ongoing to ensure that clients can benefit from this option across all banks at favourable rates.

Understanding and appreciation of insurance: Whereas the level of literacy with respect to insurance services has increasingly improved, most members of the public have only interacted with it (within the banking space) to the extent of credit life insurance- where as the result of taking a loan, they now enjoy insurance services. In order to improve the understanding and appreciation, more emphasis is being placed on education within this channel so that the adoption of these services can go beyond the credit life option and clients can consume the other products available on the market.

Product development and innovation: while there are some banks innovating in the way the products are designed and developed, the number needs to be improved/increased upon to ensure that this channel attracts new clientele and remains an attractive option to their clients as a whole. Further and more refined client profiling needs to be executed to attract the interest and buy in from clients and to ultimately entrench this channel further.

Improved skilling for the bank staff: As insurance is not the core business of the banks, the skill requirement measures and methodologies need to be refined/simplified to ensure that misspelling is avoided while not drawing on the exhaustible resources of banks.

Simplifying product information: In order to combat the views that insurance is complicated and difficult to understand, messaging on products should be further simplified and presented in different local languages to make insurance a more attractive option.

Piggy backing off other bank distribution channels in order to increase interest in insurance and make these services more readily available. By using the banks websites and other social media channels, the bank can take advantage of their captive audiences to raise awareness about the benefits of insurance while also making their insurance products available to their various clients.

Review of bancassurance regulations: These current regulations were passed in September 2017 and have as yet not been reviewed. Given that a little more than a year and a half has passed with the regulations being put into practice, it would be a good time to review in the face of reality and have these re-aligned, if need be.

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Ocungirwoth Patrice

Agricultural Financing to Smallholder farmers

A "smallholder farmer is insinuated to mean a peasant struggling to eke a living through some rudimentary system of production, on a very small piece of land (less than 2 acres) in some familiar countryside village.Smallholder farmers are small-scale farmers, pastoralists, and forest keepers, fishers owning small-based plots of land on which they grow subsistence crops and grow one or two cash crops while keeping a few livestock. Smallholders are characterized by family-focused motives such as favouring the stability of the farm household system, using mainly family labour for production and using part of the produce for family consumption.

Majority of food producers in Uganda are smallholder farmers who lack access to financial services, farming inputs (including improved seeds and fertilizers), agricultural training and fair crop markets to optimize their productivity and increase their earnings. Low crop yields keep farmers' incomes small, preventing them from providing collateral to a financial institution so they can receive a loan, purchase inputs and transition from subsistence farming to economically and commercially active farming. Without financial access and sufficient yearly earnings, many farmers also lose up to between 40-60 percent of their annual potential income because they must gain quick access to cash to afford household expenses all year. In the time leading up to harvest, farmers often experience a "hungry season" in which they struggle to pay for family necessities including food.
Smallholders have volatile incomes and urgent expenses (need to resolve the conflict between irregular incomes, regular expenses). To make ends meet until their crops are ready to be sold, many farmers are forced to borrow from unregulated moneylenders at exorbitant interest rates or sell their future harvest early at a reduced rate to receive the cash they need to buy clothes, feed their children and survive.

Challenges faced by smallholders

To fully embrace the smallholder farmers in any financing programme, it is imperative that the financiers thoroughly understand the impediments to their progress. Africa's and Uganda's smallholder farmers face many challenges preventing them from scaling up their participation in markets, including insecure rights to land and natural resources, lack of access to quality inputs and financial services, inadequate support from research and extension services, and high transaction costs caused by poor rural infrastructure.

Smallholders have little say in policy decisions that impact on their lives, or in the design of research agendas. In addition, domestic and international markets for agricultural produce are changing rapidly and dramatically, with smaller producers finding it increasingly hard to participate in these markets. At the farm gate, there is very weak price transmission that cannot stimulate further investments in agricultural production. Challenges are even greater for women farmers, who constitute the majority of farmers in Africa. International efforts to support smallholder farmers tend to follow a conventional approach to boosting agricultural productivity, with much of the emphasis on commercializing agriculture using modern inputs and encouraging integration of smallholders into agricultural value chains, particularly those producing for export markets. However, evidence suggests that only a small group of wealthier and better-connected smallholders are currently likely to be able to benefit from opportunities created in this way. For the majority of small-scale farmers, and particularly those that are more marginalized, including women farmers, different forms of support are needed to facilitate their greater participation in markets as a means of increasing

food security at the national and household level.

The ever changing urbanization trend facilitating emigration in Uganda while providing opportunities for market expansion for agricultural produce also precipitates land use change from agriculture to housing and construction. Kampala has become a conurbation of growing metropolis of Entebbe, Wakiso, Mukono and parts of Mpigi resulting into further reduction of arable land due to the expansive needs of cities and urban infrastructure and facilities. The story is not any different in all the major towns and cities in Uganda where the urban council boundaries are ever being extended. An increase in productivity for a smallholder farmer will lean more on intensifying production as opposed to extensive farming.

Access to Finance

After years of under-investment agriculture is back in the spotlight, with much of the focus on increasing output from smallholder farmers. The percentage of smallholders with access to finance is equally difficult to quantify. Limited access to financial services remains a huge challenge in Uganda. However, given that the use of financial services goes beyond physical infrastructure to issues such as costs of services, there is little knowledge of how individuals/households would respond to increased access to financial institutions. One standing point though is the effect of distance on the demand for financial services. Long distances are held as a key constraint to the limited use of financial services in Uganda. Furthermore, high cost of operations—serving a geographically dispersed population, is a major cause of the limited outreach of financial providers in Uganda. Promising approaches to expanding smallholder lending, such as value chain finance, are reaching fewer than 10 percent of smallholders, primarily those in well-established value chains dedicated to higher value cash crops such as coffee, bananas, sugars, tea. In Uganda, a number of established commercial banks have shied away from financing smallholder farmers. The evidence of microfinance institution (MFI) involvement in financing commercial and semi-commercial smallholders remains anecdotal and lacks specifics on what makes MFI lending to these segments feasible, and what restricts their reach and effectiveness.

Microfinance worldwide is widely known for the incredible speed with which it has scaled to reach hundreds of millions of people, and the positive effect it has had in reducing poverty.However, what many people do not know is that most of these microfinance institutions are located in urban and suburban areas, and they largely target the urban and suburban poor, yet the majority of the smallholder farmers are located in rural countryside where arable land is available. As a result, the largest group of poor people in the world - smallholder farmers are largely financially excluded.

Smallholder farmers represent two tremendous opportunities: a market opportunity for any financial institution looking to grow their client base, and an impact opportunity for all financial institutions that have a social mission. Despite this huge potential, the proportion of financing to the sector especially smallholder farmers is worryingly very small. In Uganda, the proportion of total lending to the agricultural sector by all regulated financial institutions is just about 12%, However this is mainly to the tail end of the agricultural value chains (processors, exporters, distributors and assets) and not in production where the majority of smallholders lie. Perceived risk and lack of expertise are the most significant reasons why some banks and microfinance institutions have not yet started offering agriculture finance products. Compared to urban lending, which microfinance institutions are familiar with and have developed expertise in, rural lending feels quite risky. Most banks and microfinance institutions do not have internal expertise on agriculture, and are unsure how to structure loan products that would both meet the needs of farmers and mitigate the risk they take on by lending to them.

Further, operating in rural areas poses infrastructural and logistical challenges. Margins will be lower than when serving urban clients, and financial institutions will have to build either physical (branches and lending offices plus motorcycles for movements) or human infrastructure (agricultural credit officers) to reach remote rural areas. This poses an additional cost that financial institutions are reluctant to take. Currently, significant distances between bank branches represent a major barrier to rural financial inclusion. Government's emphasis on industrialization through very visible activities on infrastructure development (road and railway), power and energy (dams construction and oil and gas developments), service sector anchorage (telecommunications), leisure and hospitality (tourism and hotels) with the hope of multiplier effects trickling down to the agricultural sector only means financial institutions will be inclined to invest where more resources are expected. And according to Bank of Uganda (BoU), only 16 regulated financial institutions in Uganda participate in the Agricultural Credit facility (ACF) scheme out of the over 33 regulated institutions .

The case for smallholder farmers

Farmers comprise the largest and poorest group at the bottom of the pyramid, so financial tools for farmers have very high impact potential. Sustained growth in the agriculture sector has proven 2 to 4 times more effective at reducing poverty and improving livelihoods than growth in other sectors. The uniform profession of farmers also means that providing financial services to farmers is a highly replicable business.

There is a small but growing movement of financial institutions that have figured out how to overcome these challenges and lend to smallholder farmers. Institutions like Opportunity Bank, Vision Fund, Microensure, as well as One Acre Fund, all offer products to smallholder farmers that successfully address their financial needs. Through these institutions and other leaning points, it can be safely said that in an unorganized sector in the agricultural production sphere like it is in Uganda, financial institutions lending to the sector must devise means that take into account their (FI's) structures, product offerings and processes in order to succeed.

Lending to smallholders can be most effective when financial Institutions lend agricultural inputs seeds, agrochemicals and fertilizer instead of cash. Providing assets to farmers ensures that the loan is utilized for the intended purpose. The financial institutions alsoneed to offer a completely flexible repayment schedule to accommodate the irregular cash flow of most smallholder farmers. Further to this, pairing loans with agriculture trainings, so that farmers can maximize the income impact of the inputs increases chances of repayment. Digitizing lending to smallholders comes with the burden of high costs because rural areas technology literacy is low. Therefore scaling digital product offering can take a long time and at a very high cost. Further, digitizing agricultural lending to smallholders faces the challenges of costs (upgrades, server maintenance , bandwidth license) , uncertain regulatory electronic financial transaction landscape in the country, high turnover of clients (leaders becoming leavers). Adoption of and attraction to any digital platform for agricultural lending will only be successful if the smallholders perceive them as useful, convenient, transparent or trustworthy.

Financing Approaches for Smallholders.

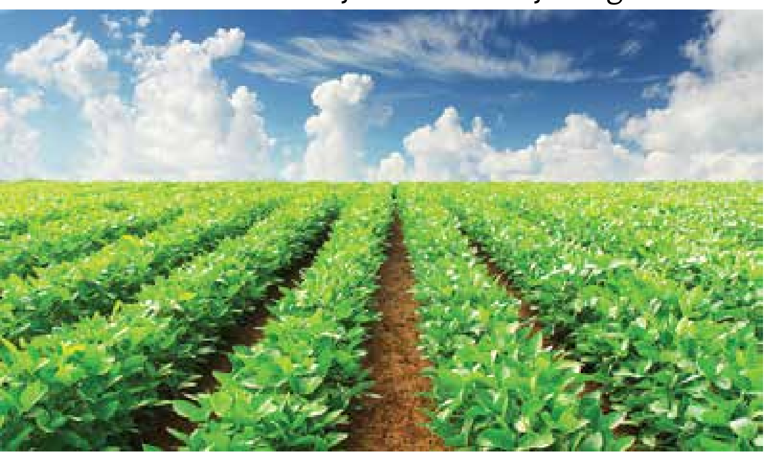
According to Joan Robinson's 1952 dictum "where enterprise leads, finance follows", this view re-echoes the influential grounding that economic development should create demand for particular types of financial products to fit the fast developing enterprises amongst which are agricultural enterprises. In Uganda, most of the agricultural enterprises upcoming are by smallholder farmers in their struggle to transform from domestic producers to commercial producers and this is highly supported by the national agenda articulated through the development vision 2040. The big question that still needs to be answered however is how relevant the financial marketsare ready to support Ugandan smallholder farmers.

It can be safely noted that the Ugandan financial market is yet to be fully developed and thus agricultural financing inform of credit can be obtained majorly from informal sources and to a very small extent from formal sources. The informal sources of credit include: friends, relatives and SACCOs, moneylenders and formal sources include all financial institutions registered and recognized legally in Uganda.

Informal sourcing is highly convenient to smallholder farmers because of the sources' ability to address capital emergency, avail small capital amounts and their less restrictive procedures "less paper work and less signatures". Agriculture, especially small holder farming is highly informal, which makes them have limited access to organized capital and credit markets. Further to this, smallholder farmers are unanimous in their perception of being cheated by the other actors along the value chains, especially the middle men.

Formal financial market players operating in Uganda, in their struggle to comply, maintain and deliver risk managed services, also need to be relevant to the nature and practices of smallholder' farmers in Uganda. Simply implying that financial players need to develop financial products that can support smallholder farmers. An effective lending programme for smallholders depends largely on motivation of the beneficiary, a variable that can be hard to control. The small holder farmers are also not a homogenous population and may need a suite of products to serve their different needs while reducing costs and complexity in the long run.This is possible and equally profitable for formal financial players, because the informal financial players have been able to provide savings, credit and insurance to smallholder farmers at a small-scale though with lots of challenges which can be examined and transformed into opportunities by the formal financial players.

How to convince the financial players to get interested in smallholder farmers is the other fold of the argument. Financial players call them investors need to be sure that they are taking optimal decisions as they invest in this highly risky sector and thus need relevant systems that can support their ability to understand the nature of smallholder farmers in order to manage moral hazard and adverse selection issues. The greatest challenge of smallholder farmers in Uganda is their nature that is highly inconsistent, because of their bias to seasons, weather and location; these make finance advancement, recovery and repayments very difficult. Therefore with development of relevant systems like information systems that can track farmer performance, farmer location, usage of finance, and farmer' capital capability, financial players can be attracted to invest in smallholder farmers since they have sufficient information. These systems after development opt to be prototyped, evaluated and strategically profiled in a means that investors can be attracted to utilize them.It should however be noted that becausefinancial system is closely integrated with



financial confidence, this entails that any contagion inthe market would almost simultaneously erode market confidence and could in turn culminate inan overall collapse of the agricultural lending activity.

Principles of Financing Small Holders

1. Analysis at the level of the agricultural household. This entails developing technical expertise among the lending institutions to assess agricultural enterprises especially production loans
2. Loan repayments not linked to loan use
3. Loan security requirements should be considered as secondary. Cash flow is king.
4. Graduation principle of providing incremental amounts as the farmers develops more capacity to produce and handle expansion.
5. Credit monitoring is imperative as it makes the client know that the financier is interested in repayment
6. Taking advantage of closed agricultural value chains
7. Good product placements. FIs have "their" products already packaged with their intrinsic features and not flexible to adjust to the needs of the clients. The different demands form different agricultural enterprises means that products should be flexible enough to meet these different features
8. Adopting mobile/phone transactions or loan repayments to reduce on transactional costs.
9. Reducing costs and complexity in the long run through:- crop and household profiling of smallholders, land mapping and use of risk scoring tool; leveraging on existing structures of smallholders to negate the effects of increasing transactional costs to both the FIs and the borrower due to the spatial nature of farming communities.

The Writer works as an Agricultural Finance Expert at IPC Consult and Associate Trainer at The Uganda Institute of Banking and Financial Services

Economic Dualism of Microfinance and Traditional Banking

Robert Ntalaka

Financial services are predominantly offered by commercial banks and microfinance institutions through the world. Unlike the microfinance institutions that started in mid 1970s, banks have been around for many more years and continue to extend loans to customers and protect depositors' money. Banks were started with a sole purpose of providing loans and earning interest income from those loans. These basic principles still drive the operations of traditional banking.

In Uganda, the financial sector comprises of commercial banks, credit institutions, micro-deposit taking institutions (MDIs), and more than 2000 Tier 4 Microfinance Institutions including savings and credit cooperatives (SACCOs), which offer a variety of financial products and services in both the rural and urban areas.

The history and development of the financial sector in Uganda has seen politics playing a role. Different governments since independence have implemented political decisions, macroeconomic policies and strategies that either strengthened or weakened the financial sector.

Historically, commercial banking operations commenced in 1906 in Uganda when the National and Grindlays Bank of Calcutta, India opened a branch in Entebbe. Subsequently, seven commercial banks (6 foreign based) set up shop, prior to the establishment of Bank of Uganda (BoU) in 1966.

The years immediately after independence were years of relative economic stability and the financial sector grew fairly fast. The then government started the first indigenous bank - Uganda Commercial Bank (UCB) through an Act of Parliament in 1965, after the conversion of the then Uganda Credit and Savings bank that had been established in 1950. UCB was able to widen access to financial services to Ugandans with it's over 50 branches across the country. It's important to note that prior to the enactment of Financial Institutions Statute (FIA) 1993, licensing of financial institutions was done by the Ministry of Finance and BoU played an advisory role. However, it supervised, monitored and controlled the banking industry.

In addition to UCB, there were other development banks and building societies that were set up during this period. These included Uganda Development Bank (UDB) and the East African Development Bank (EADB) set up in 1967. These banks were not under the supervisory ambit of the BoU. There were other financial institutions like building societies that mushroomed over that period which however swindled people's money yet they were also not under BoU's supervision. After several false starts, a Building Societies Bill was eventually presented to Parliament and passed in 1992 (giving the Finance minister powers to control these institutions) but people had already lost money. This dented public confidence in the sector

At the time, the peoples's bank, the cooperative movement was strong and many SACCOs provided financial services in rural areas. However due to the prevailing economic environment, by 1991, the financial sector was generally week due to weak management and lack of skilled man-power in the country amongst other factors. The indigenous banks that had been licensed by the Minister of Finance included: Teefe (1990), Greenland bank (1991) Sembule Investment Bank (1991), later suffered problems. The banking law (as it were called then) set relatively low entry requirements for indigenous institutions with respect to capitalization, reporting, management of liquid assets, and governance competences, thus making it easy for new entrants. This led to a sudden upsurge in the number of banking and credit institutions, which resulted into some institutional failures. Moreover, the people's bank- UCB was by 1992 also facing problems and had registered losses, resulting in closure of some of its branches in the rural areas. UCB's poor performance was attributed to political interference, general economic situation, lack of money market and people's loss of confidence in financial documents like cheques, bank drafts and consequently resulting into the usage of cash. Many clients lost their money and with that, confidence in the banking sector. According to the FinScope 2018 survey findings, only

3% of the borrowers borrow from bank and 11% save in commercial banks. The FinScope 2018 also indicated that 76% of adults reside in rural areas.

The microfinance industry in Uganda was as a result of the general dynamics of the country's economy, which left rural and other low income people lacking financial services. The economic breakdown of the 1970s and 1980s caused many banks to close upcountry branches, and community based financial institutions like SACCOs, also closed down. This was exacerbated by the massive failures of four banks in 1998, including the Cooperative Bank which then had the second largest branch network and agency arrangements for its microfinance sub-branches.

In their bid to alleviate poverty through a social agenda, a number of NGOs started developing some form of micro credit as departments to help in filling the void left behind by the bank failures.

Microfinance versus traditional banking

Despite many positive developments in the financial sector, some remote rural areas where commercial banks are not keen to establish, socially orientated microfinance institutions remain the main providers of financial services. However, over the years there has been notable change in the banks' attitude, ascribable to the pressure of special circumstances. Competition is driving banks to establish branches or agents in most of the districts and MDIs and other MFIs to move deeper into less urban locations.

No collateral group lending

The two financial institutions have different procedures when it comes to asking for collateral security for loans from their clients. Whereas traditional bank lending require the borrower to provide collateral while applying for a loan, MFIs are socially oriented and focus on lending to unbanked low-income families. Microfinance institutions are less rigid in their operations, for example, they may not demand for physical collateral against loans but rather rely on group trust or previous savings to extend credit. For instance, a 10-person group of community members may borrow individual loans and guarantee each others'. Thus, they're effectively borrowing the loans together since if one person cannot pay back his or her loan, the others have to pay it back or they all risk defaulting and never borrowing from the MFI again. This makes it easier for the rural population who may not have collateral to obtain loans and make investments.

The benefits of this model are social pressure and communal assistance, but it has been phasing out because in many cases the operating costs associated with its implementation make it less profitable than individual loans. This is unlike the traditional commercial banks, which tend to concentrate in the major cities and follow rigid rules in their operations.

Target clients and market

Rural clients are considered high-risk and costly customers to be served by the commercial banks mainly because they don't have reliable sources of incomes to save in order to open and maintain a bank account. This makes them unsuitable for the commercial banks. The clients are also discouraged by the high transaction costs – transport to bank, service fees, time it takes to draw money from the formal institution. On the side of banks, the problem is worsened by poor infrastructure, the assumed low demand for financial services, and insecurity. As such, there is a notable absence of commercial banks in the rural areas. In Uganda, a wide range of microfinance institutions (MFIs), self-help savings and credit associations are emerging to respond to this huge gap in the market. These institutions provide individuals with direct financial assistance, particularly credit and savings avenues on a regular basis.

Service Delivery

Traditionally, most of the services provided by commercial banks are bank door services, which mean the clients have to go to the banks to access financial services. Most of the services provided by microfinance institutions are door step services, which mean the staffs of the MFIs deliver their financial services at client's door step. However, using digital solutions to deliver financial services among both banks and microfinance institutions is changing the face how the financial institutions offer services. As a result, a growing number of markets are becoming extremely competitive and clients have an ever-widening choice of financial service providers to choose from.

In the case of Uganda, the major sources of credit as indicated in the FinScope 2018 in the rural areas are relatives and friends, self-help savings and credit associations, non-governmental organizations and cooperatives. These have always been the target markets for microfinance institutions, however with the current innovations in the sector, we may see a change in this position and co-existence of both microfinance and traditional banking in the rural areas as both sector try to attract more clients.

The writer is the Information and Marketing Manager at the Association of Microfinance Institutions in Uganda (AMFIU)

Financial Inclusion and Wealth Creation: Where is the Missing Link?

Joseph Sanjula Lutwama

Over the last decade Financial Inclusion has been a key policy discussions. Financial inclusion is a broader term that covers three aspects of one's interaction with financial services; access, usage, quality and affordability. Financial services should not only be accessible to a majority of Ugandans but those who access these services should use them frequently. Furthermore, the quality of these financial services speaks to the value they add to the overall welfare of the consumer. These financial services should make one's life better rather than worse off. Lastly, all these qualities will amount to nothing if the consumer cannot afford the financial services.

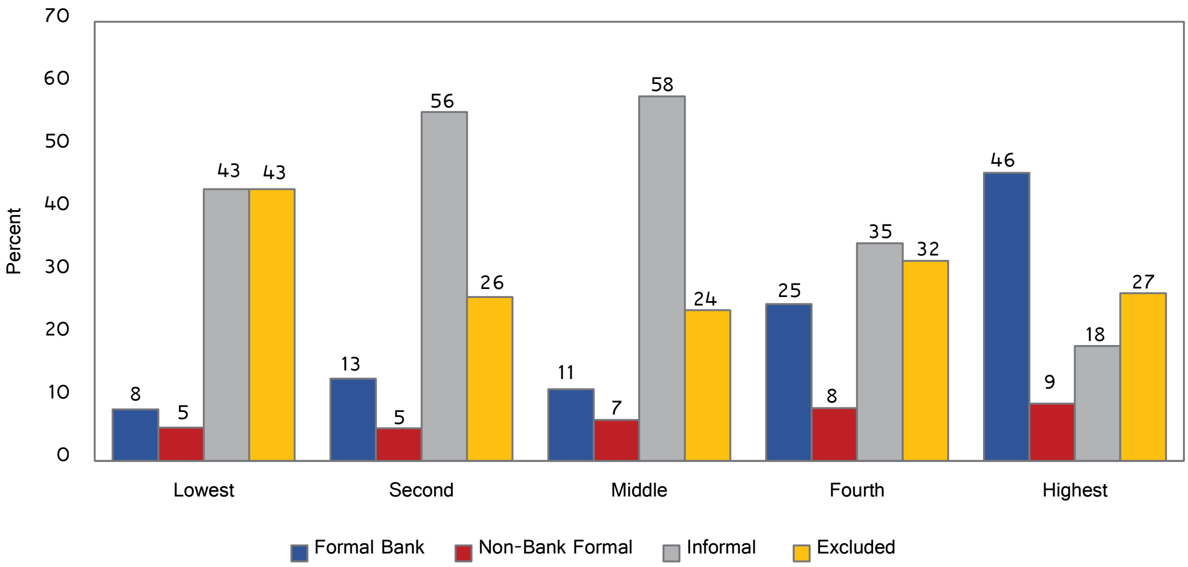
Financial inclusion has been projected as one of the paths out of poverty for many poor Ugandans However for one to get out of the poverty trap, they need to have accumulated sufficient wealth to mitigate against being pushed back into poverty after one bad life incident like an accident or drought. Wealth is the accumulation of assets that create value overtime . Wealth is more than the money one has in the bank or they are keeping under their pillow. But it is the assets that money purchases. Therefore, until the farmer can buy inputs and seeds and hires labour to grow five acres of coffee and ultimately harvests 10 tonnes of coffee beans, they have not created wealth. Wealth in this case is the cultivated farm and the tonnes of coffee beans harvested from the farm.

It therefore takes money to be able to create wealth; which can be accessed through savings and credit from a financial institution. One then can argue that an increase in the levels of financial inclusion should result into increased wealth creation. However, this is not necessarily the case because formal financial institutions exist to provide services for those who already have money and assets. A bank cannot advance credit unless one has sufficient regular cashflows to service the loan and collateral with sufficient value to cover the size of the loan.

The cashflows can only come from a regular income stream and to have collateral one needs to have accumulated some wealth. Even in the case of savings, one has to have sufficient savings for them to be in position to accumulate wealth because the interest rates on savings are less than 3 percent per annum.

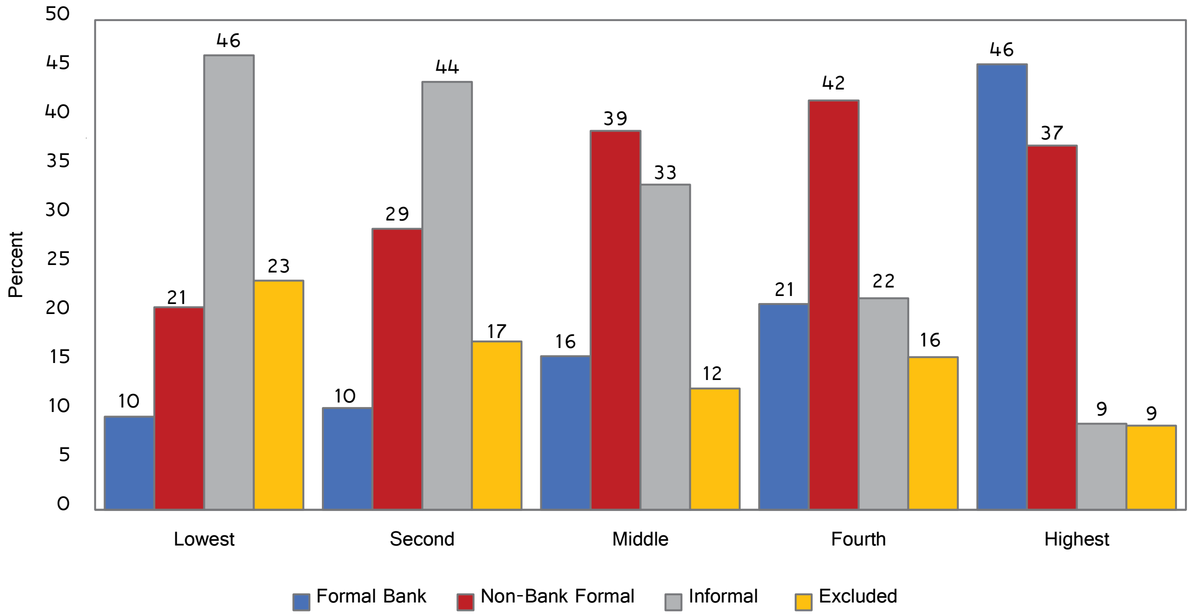
Figures 1 and 2 clearly show that the higher one progresses along the wealth quantiles the higher their chances of accessing formal financial services. The two figures show a remarkable increase in access to non-bank formal financial services which is on account of the introduction of mobile money services in Uganda in 2009.

Figure 1: Financial Inclusion Across the different Wealth Quantiles-Finscope 2009



Source: Finscope 2009

Figure 2: Financial Inclusion Across the different Wealth Quartiles-Finscope 2013

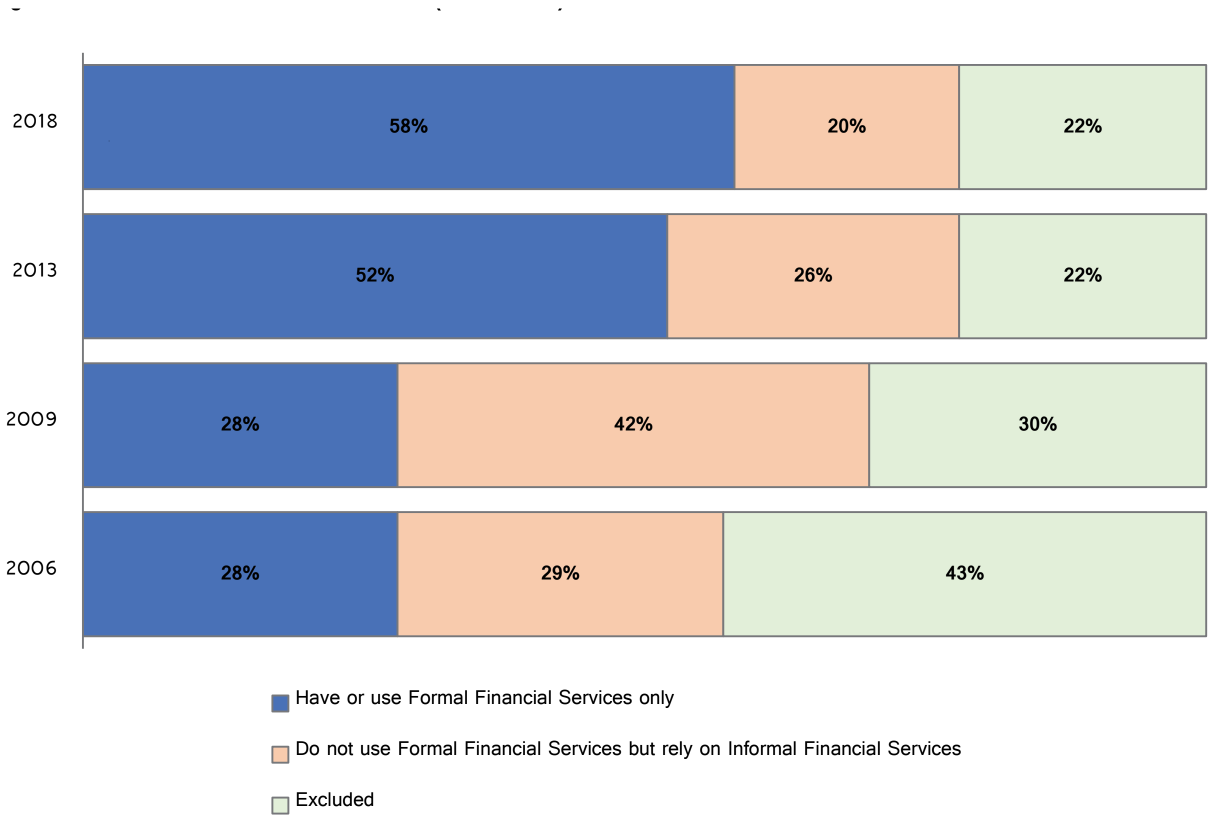


Source: Finscope 2013

What is extremely striking when we compare the financial inclusion across the different wealth quantiles in 2009 and 2013 is formal banking penetration stayed the same among the highest wealth quantile while it reduced for all the other wealth quantiles with the exception of the lowest wealth quantile.We can therefore say that four out of every ten adults in the highest wealth quantile continued to access credit, and other types of more advanced formal financial services which allowed them to accumulate more wealth – potentially widening the gap between the quantiles.

Financial Inclusion and Wealth Creation
Findings from the Finscope surveys carried out across the years from 2006 to 2018 show that there has been remarkable progress in financial inclusion from less than30% adult Ugandans accessing formal financial services in 2006 to over 50% Ugandans accessing formal financial services in 2018 (See figure 3).

Figure 3: Trends in Financial Inclusion (2006-2018)

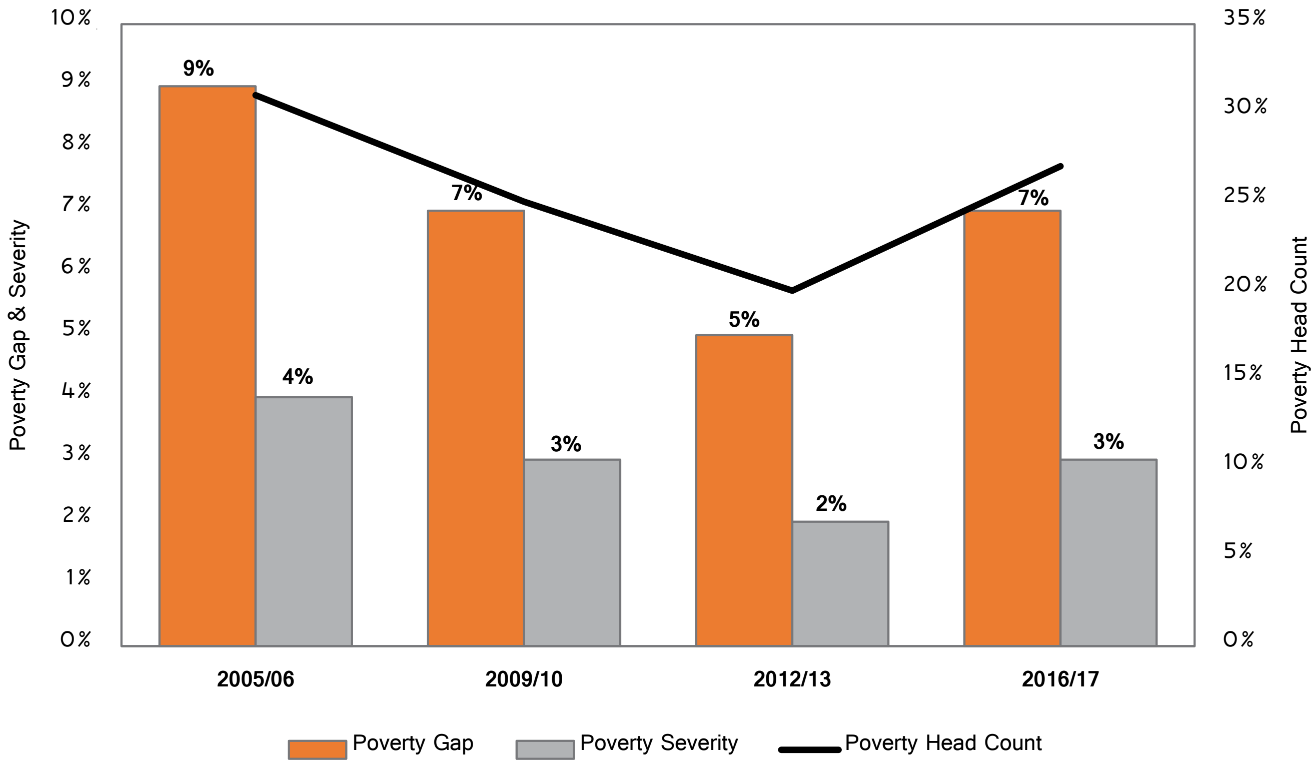


Source: Finscope Surveys 2006-2013

The progress in financial inclusion has been driven by the expansion of mobile money. Initially mobile money was limited to payment services, but financial institutions are increasingly leveraging mobile money to provide financial services beyond payments. There is currently more than one financial service provider offering digital savings and credit. Digital savings and credit are easily accessible as one does not need to walk into a bank branch to open up a savings account or later on take out credit. All this is done on their mobile phone in just under five minutes.

Since the first digital savings and credit product was launched in Uganda, more than 4 million Ugandans have signed up for this service, more than Ushs 150 billion has been disbursed in digital credit and the savings deposit exceed Ushs 6 billion .

Despite the progress in financial inclusion (figure 3), poverty levels have not declined in tandem as projected, but instead they grew between 2012-2017(figure 4). This is a clear indication that the gains in financial inclusion are not translating into the capacity to create wealth. The masses are not accumulating assets



Source: National Household Surveys (2006/7-2016/17)

The Missing Link?

It is clear from the Finscope and National Household surveys that financial inclusion and wealth creation are mutually inclusive. One cannot happen independent of the other. One needs a certain level of wealth to be financially included and they cannot accumulate more wealth without financial inclusion. In an economy like Uganda where a majority of Ugandans have low levels of incomes which are inconsistent and seasonal income, it is harder to park money aside or invest in medium to longer-term wealth creation.

Therefore, if financial inclusion is to facilitate accumulation of wealth among the Ugandan population, the masses need to first be supported to generate wealth sufficient to get them included. This is not only a responsibility of government through its employment creation policies and programs but the financial sector also needs to think and invest in the population through medium to longer term models that help them, and the sector create wealth for their customers. Increasingly we are seeing banks that are setting up business incubators to build the capacity of their potential customers to become more productive and competitive to be in a better position to access their financial products. This is a step in the right direction.

Joseph Sanjula Lutwama is the Head of Business Environment at Financial Sector Deepening Uganda.

The pioneer

"I am the first client of BRAC's microfinance programme in Uganda. I went from a stay-home mother of eight children to a businesswoman. I have a canteen in a local university, have bought land and built rental units. I assumed full responsibility of the family when my husband became ill. I won the Citi Outstanding Micro-entrepreneurship award in 2010. The women in my community come to me to seek business advice. I feel fulfilled knowing that I am contributing towards Socio-economic transformation in my community."

Naigaga Ruth Wamuro

We have been here for more than a decade, providing access to finance for people living in rural and low-income communities of uganda. We have transformed into a tier 2 bank. We are BRAC Uganda Bank Ltd. Now you can do more

BRAC Uganda Bank Ltd
P.O. Box 6582 Kampala
Plot 201, Mengo, Kabuusu Rd, Rubaga

Tel (General): 0200 900 720
Toll Free: 0800 399 999
0800 399 990

customerservice.bracugandabankltd@brac.net
bracugandabankltd@brac.net

brac | Uganda Bank Ltd
Now you can do more

Mr. Jimmy Onesmus Adiga, Chief Executive Officer, Brac Uganda Bank Ltd

Tell us about the Transformation of BRAC Microfinance to BRAC Uganda Bank Ltd.

BRAC Started its operations in Uganda in 2006 as a Social Services provider but later in 2008 introduced microfinance to provide credit facilities. After about 5 years of operation, the clients asked for other financial services other than credit, such as savings, micro insurance and Money transfers services .In preparation to provide what the clients had asked for, In 2013 the Board of Directors of BRAC International (The parent company) recommended recruitment of a Chief Executive Officer and Chief Finance Officer to undertake transformation into a deposit taking institution and research was undertaken to hear from clients, stakeholder and the general public. The research was majorly focused on what was needed to make BRAC Microfinance a better brand to associate with in terms of Service delivery; from this research a conclusion was drawn that BRAC Microfinance transforms into a Micro Deposit Taking Institution (MDI).

In 2015, a CEO and CFO were recruited and a comparison between whether to become an MDI or a fully-fledged Credit Institution was undertaken and due to the unique model of BRAC, a conclusion was made and BRAC Microfinance started on the transformation process into a Credit Institution (Tier II) Bank.

What are some of the challenges you would highlight in this Transformation Process?

Indeed the transformation process has been an exciting and challenging journey .The major challenge has been people skilling since most of the staff had microfinance skills with limited skills in mainstream traditional banking. A skills audit was carried out and the Human Resource department aligned the staff in different departments according to their skills and capabilities to ensure efficiency and productivity. Some staff were head hunted and different roles occupied in the bank.

What is your new Business model as a Bank?

The business model is not changing; however we shall diversify and introduce other competitive services and products to serve our already existing clients and new ones. We remain serving the active rural poor. The fact that 86% of the lending is done through groups, this will be maintained in our next 5 years strategic plan as the core constituting up to 80% of the business as we graduate the members from group loans to individual loans. All in all we remain focused on the active poor in rural and peri urban areas focusing on women and youth that will enable us fulfill our vision and mission. We shall maintain 32 branches (hubs) country wide and 131 contacts centers while operating a hub and spoke model.

What does your becoming a Bank mean for the Financial Sector in Uganda?

BRAC Microfinance becoming a fully-fledged Bank means a lot to the Banking industry. We have transformed with over 230,000 clients and thereby moving these 230,000 clients from a microfinance setting into the formal financial sector thereby driving financial inclusion as a key driver to the National financial inclusion strategy. We will continue to drive inclusion since our focus is majorly on the rural active poor clients not served by other financial institutions.

Any last word to the reader?

I urge the entire public to be part of the BRAC Family, we cover 12 countries in the world; the largest being Bangladesh, Uganda second. With our own coverage of 163 service points (Branches and Satellite points).I encourage other Institutions to partner with us as agents to enhance the financial inclusion agenda. We have trained and qualified staff in these branches, good security, sufficient liquidity and branded premises that can drive this agenda successfully.

Success Story of Former UIBFS Student

Tony Opio

1.Give us a brief background about your self

I am Opio Tonny Leo, aged 30 years and born from Lira district found in Northern Uganda. I hold a Certified Professional Banker's level of education and a grade III Teacher's certification from Kyambogo University. Currently working with Bank of Baroda (u) Limited.

2.Describe your experience at UIBFS and why you would recommend someone to study there.

It was actually an environment full of hard work and determination from both the teaching and non-teaching stuff, had lots of face to face interactions with my lecturers from time to time in cases where I feel I didn't grasp properly during the time of lectures. What beats me up was how I would easily approach my lecturers during anytime of the day and a positive feedback they would give me from time to time which is very rare in other institutions of higher learning in this country.

The library was yet another place to visit since it was Easy for me to access it, stored with all kind of books required for my study course, it was a plenty of time to enjoy. It's an institution where I would really recommend for anyone to join due to the structure of tuition and their ways of administration favors all students. It also has well qualified and experienced lecturers.

3.How did your UIBFS study experience prepare you for this career?

My study experience was characterized with a lot of knowledge since I was already in the system. It made it easier for me to exercise my duty at my workstation since I was putting in to practice what I was acquiring from the institution, it actually exposed me to banking terminologies and I gained confidence in interacting with my fellow bankers and clients in the field of work.

The course units which cuts across all walks of life, management, Information technology, marketing, trade finance etc. it actually helped me to relate the theoretical studies to my real life experience whenever I interact with people around me, I wish all bankers would do at least do a course unit from this institution because it makes everything in banking too easy to perform.

4. What do you think are the secrets behind getting where you have got to in terms of your career?

It takes ones heart to decide and take a step in life, it was a decision that came with a lot of determination and the zeal to success in life, a work plan is anothe-r secret I used to get me in to this level, I would strive to achieve what I planned which wasn't too easy but I had to work it out since I knew with hard work my future will change.

5. What is the best career decision you have ever made/ what is the worst, if any?

Joining banking was the best career decision I have ever made, the beauty here is you are exposed to people of different categories, experience in managing different situations, the risk involved which helps one to develop strategies to problem solving.

I can't really say it was a worst decision I made when I joined teaching and tried class work for a period of a year, is was as good as banking but the motivation from the management I work under made it seems to me like teaching was the worst decision I ever made although it build me to where I am today because of the confidence I build from time to time in different schools.

6. What do you love about your job/career?

The exposure and experience I have gained from my career is something that I wouldn't have gone through in life without this job. I interact with different categories of people and the knowledge acquired from time to time, learning almost on a daily basis makes me feel I am in the right place.

7. When do/did you consider yourself a success?

It was when I sat for an internal promotion exercise at my work place being backed with the qualification from the Uganda institute of bankers that I successfully went through, this was where I consider myself a success because I saw this coming and I prepared myself for it both in mind and academically. My four years at the UIBFS was not a waste of time. It has made me a successful person in life.

8.What would be your best career advice?

One should learn to follow their subconscious mind because what is reflected there will never let you down, taking advice from true friends will always lead to a success, I am where I am now because of a friend who advised me to join The Uganda Institute of Banking and Financial Services and he remains my role model up to now. Avoid taking a career because your friend, brother, sister or any relative is in the same lane, we are gifted differently and one has to discover the talent within themselves for a successful career, the love towards a career and self-discovery is the best way to a success in our career. Simply because Jane has joined banking let me also join banking won't lead you anyway. Wishing you all the best in your career growth.

9. What occupies you during your free time?

I love sports a lot and is a part of my life.

The Uganda Institute of Banking and Financial Services (UIBFS) holds its 2019 Annual General Meeting

The Central Bank Governor, Prof. Emmanuel Tumusiime Mutebile has assured bankers that the sector is sound. In spite of the unfolding events surrounding Bank of Uganda (BoU), the governor has sent out "a vote of confidence" to its licensees' about the smooth operations within the banking industry. "The sector in which you operate and which we oversee is safe and sound," he said in a speech delivered by Mr. Solomon Oketcho, the Executive Director Administration Bank of Uganda during the Uganda Institute of Banking and Financial Services Annual General Meeting held recently.

He urged the Institute to respond to the forces of technology and economic disruption that are changing the financial sector through digitization and challenged the Institute to strike a balance between traditional banking and finance courses plus those that are necessary to prepare the banking sector for innovations such as Artificial Intelligence. He further advised banks to retool to harness data analytics such as block chain, cashless money, automation and all the potential benefits of fin-tech as the financial sector evolves.

Mr. Julius Kakeeto, the Institute's Council President and Chief Executive Officer Orient Bank, urged bankers to acquire skills while appreciating new ways of doing business. The meeting reappointed on the board, Mr. Katamba (CEO, Dfcu Bank) as the representative of the banks, Mr. Joram Kahenano, representative of fellows and honorary fellows, Ms.Veronica Namagembe as the Micro Deposit taking Institutions (MDIs) representative and Mr. Elliot Mwebya representing the Central Bank among others.

The Chief Guest Mr. Solomon Oketcho (ED Administration BOU) delivering his speech during the 2019 AGM

L-R (Front) UIBFS Deputy Board Chair Mr. Joram Kahenano, Council President Mr. Julius Kakeeto,
Chief Guest,UIBFS Board Chair Mr. Mathias Katamba and The Institute CEO, Mr. AnthonyMulindwa
L-R(Back) Board Members, Mr. Clement Dodoo, Mr. Wilbrod Owor and BOU Governor Emeritus
Mr. Leo Kibirango

UIBFS Members and Invited guests

2019 Annual General Meeting Pictorial



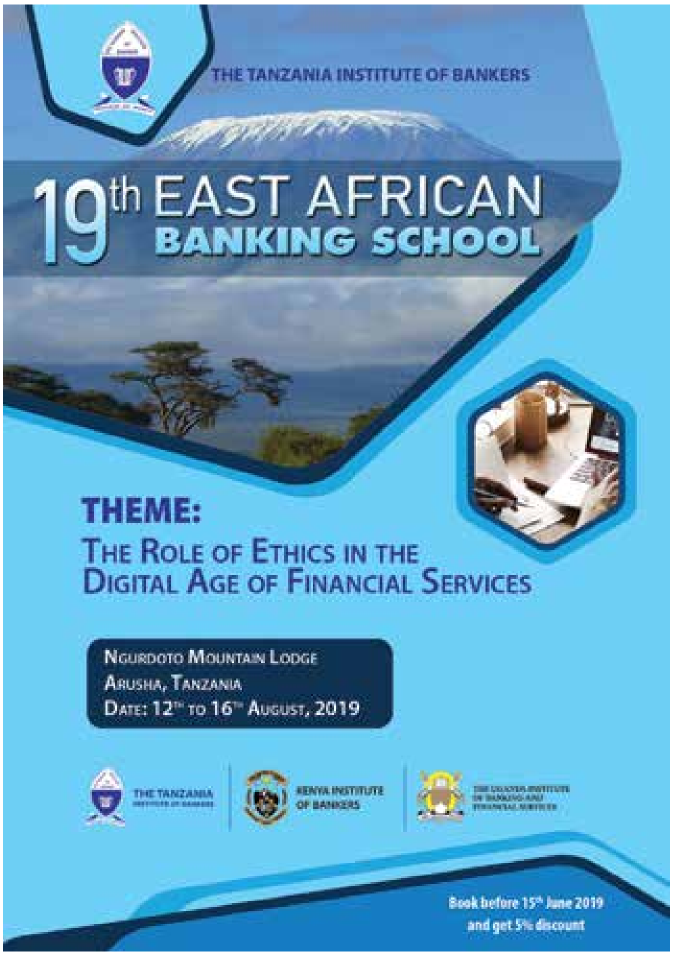




19th East African Banking School (EABS), 12 -16 AUGUST 2019, ARUSHA- TANZANIA

Now in its 19th edition, the East African Banking School (EABS) is a regional conference, knowledge and interactive forum jointly organized by the Banking Institutes of Tanzania, Kenya, and Uganda. At the East African Banking School, participants engage on key issues facing the financial services industry, regionally and globally, largely through discussion of researched papers presented by financial sector practitioners and subject matter specialists. The School presents a unique opportunity for learning, networking, exchange of ideas and a fair amount of fun that shall include an excursion to a national park in Arusha.
The 2019 edition of the School shall be held in Arusha, Tanzania at the Ngurdoto Mountain Lodge (http://www.thengurdotomountainlodge.com/) on dates 12th – 16th August under the theme "The Role of Ethics in the Digital Age of Financial Services". The fee per Participant is USD 800

You are invited you to join the financial services fraternity by attending this august chool and / or nominating delegates from your Institution.



THE 23RD WORLD CONFERENCE OF BANKING INSTITUTES, 16 -17TH SEPTEMBER 2019, LONDON, UK

Now in its 23rd edition, the World Conference of Banking Institutes (WCBI) is a global knowledge and interactive forum for the international financial services community that brings together perspectives from across the world on the forces shaping the future of the financial services sector. The 2019 WCBI shall be hosted by the London Institute of Banking & Finance under the theme "Growth and Sustainability in an Age of Disruption"
Below are some conference briefs:

- Conference dates: 16th -17th September 2019
- Venue : Guildhall Gresham Street, London, City of EC2V 7HH

Fee per participant, booking and other details are available on: http://www.wcbi2019.com

ISO 9001:2008 CERTIFIED

THE UGANDA INSTITUTE OF BANKING AND FINANCIAL SERVICES

Raising Professional Standards in Uganda's Banking and Financial Services Industry

PROFESSIONAL AND ACADEMIC PROGRAMS OFFERINGS

1. CHARTERED BANKER PROGRAM

The Chartered Banker program is leads to the award of the Chartered Banker qualification of the Uganda Institute of banking & Financial Services.

About the Chartered Banker Program:

- A premier Professional Qualification for bankers around the world
- A traditional gateway for professional recognition as Associate or Fellow
- Initially developed to provide the fundamentals of banking and largely unchanged over the last 25 years
- Has recently undergone significant review to bring it in line with contemporary developments and standards

What is New?

- New content e.g. Digital banking, Risk & Compliance, Islamic Finance, Agent banking etc…
- Combines global standards and local content
- Multi-Level structure & entry routes
- Greater Practical content – Project and case study approach embedded at all levels
- Extensive CPD structure
- Strong emphasis on ethics
- Futuristic – treatment of emerging issues
- Exemptions and credit transfer mechanism

Structure of the Chartered Banker Program

- Three stage progressive structure: Professional, executive and chartered (planned to be linked to an MBA)
- Leads to award of Chartered Banker
- Varied entry requirements depending on students' background
- Three year duration, broken into two semesters per level

Why the Chartered Banker qualification?

- Enhance competence and competiveness
- Professional Recognition
- Mobility/cross border recognition
- Affordability

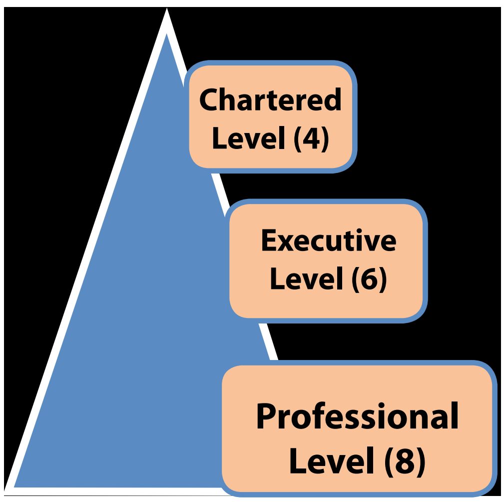
Entry Routes/Requirements

(i) First Route

- Bachelor's Degree in relevant disciplines (Eligible for exemptions)
- Professional qualifications (CPA, ACCA, CIMA, CIPS, CPB) - (Eligible for exemptions)
- Master's degree (Eligible for exemptions) and :

(ii) Second Route

- Diploma - (No exemptions)
- U.A.C.E with 2 Principal Passes (No exemptions)



INSTITUTIONAL HIGHLIGHTS

What will I study?

LEVEL 1 – PROFESSIONAL BANKER

Semester 1:

1. Financial Systems &Regulatory Frameworks
2. Banking Professional Ethics
3. Law Relating to Financial Services
4. Banking Operations

Semester 2

1. Financial Reporting & Analysis
2. Marketing of Financial Services
3. Economics of Banking
4. Human Resources Management

LEVEL 2 – EXECUTIVE BANKER

Semester 1:

1. Corporate & Retail Lending
2. Bank Management and Financial Analysis
3. International Banking & Trade Finance

Semester 2

1. Risk & Compliance
2. Customer Relationship Management
3. Agency & Digital banking

LEVEL 3 – CHARTERED BANKER

Compulsory Papers

Semester 1

1. Contemporary Issues in Banking
2. Corporate Governance & Strategy

Elective Papers (Any two)

Semester 2

1. Lending Specialisation
2. Commercial & Investment Banking
3. Risk and Compliance

Study Methodologies

(i) Evening Classes - The evening classes are conducted from 6.00pm to 9.00pm

(ii) E-Learning -

What is the pass mark in the examination?

The pass mark in each paper shall be 50%.

When do studies begin for level 1 (Professional Banker)?

The semester begins on 22nd July to 2nd November 2019 and January to May 2020 semester begins on 27th January 2020 to 2nd May 2020

When are the examinations held?

Examinations are held in the first two weeks of May and November each year.

TUITION FEES PER SEMESTER

(Tuition & Examination fees 2019) per module/Subject

	Courses	Tuition Evening	Tuition ELearning	Examination	Exemption
1.	Level 1: - Professional Banker	350,000	250,000	85,000	300,000
2.	Level 2: - Executive Banker	500,000	400,000	120,000	-
3.	Level 3: - Chartered Banker	800,000	700,000	300,000	-

Please note:

- Fees are charged per module/subject. Each Semester, 4 modules are conducted in the Evening Study classes. You can take a minimum of 1 module per semester up to a maximum of 4 modules/subjects per semester.
- Exemption/Credit Transfer cases shall be handled on a case by case basis upon presentation of relevant qualifications.

Functional Fees

(i)	Identity Card	10,000
(ii)	Membership fee	65,000
(iii)	Technology fee	45,000
(iv)	NCHE fee	20,000
(v)	Internship (Level 1)	200,000
(vi)	Application Fee	20,000
	Total	**360,000**

2. CERTIFIED CREDIT MANAGEMENT PROGRAM

The Certified Credit Management program leads to the award of the Certified Credit Manager qualification of the Uganda Institute of Banking & Financial Services. The Certified Credit Management, formerly the Certificate in Credit Management has been revised to twelve (12) subjects/papers.

OBJECTIVES

- To equip graduates with the most current knowledge, skills, values and practices in Credit management;
- To prepare graduates with career progression into the workforce;
- To equip graduates with analytical skills/logical exposition; conceptual grasp; problem solving and case analysis in all issues related to Credit Management.

ENTRY REQUIREMENTS

An applicant should possess one of the following:-

(i) A university degree with at least two years of Credit related work experience in a financial Institution

(ii) Recognised professional qualification like CPA, ACCA or equivalent

(iii) Certified Professional Banker (Diploma in Banking)

WHAT WILL I STUDY?

Semester 1:

1. Fundamentals of Credit Analysis
2. Credit Procedures
3. Credit Products
4. Credit Evaluation Standard
5. Credit Administration & Policy
6. Risk Analysis & Management in Lending

Semester 2:

1. Marketing & Mobilisation of Credit Business
2. Security Analysis for Credit
3. Legal Aspects of Credit
4. Quantitative & Qualitative Analysis
5. Ethics in Credit Functions
6. Business Project Work

Duration: Nine Months

STUDY METHODOLOGY

- Evening Classes
  The evening classes are conducted from 6.00pm to 9.00pm
- E-Learning

WHAT IS THE PASS MARK IN THE EXAMINATION?

The pass mark in each paper shall be 60%.

WHEN DO STUDIES BEGIN?

The semester begins on 22nd July to 2nd November 2019 and January to May 2020 semester begins on 27th January 2020 to 2nd May 2020

WHEN ARE THE EXAMINATIONS HELD?

Examinations are held in the first two weeks of May and November each year.

TUITION FEES PER SEMESTER

1. Tuition fees per semester is UGX 1,250,000/= (Evening); UGX 1,000,000/= (E-learning)

2. Functional Fees

(i)	**Identity Card**	**10,000**
(ii)	**Membership fee**	**65,000**
(iii)	**Technology fee**	**80,000**
(iv)	**NCHE fee**	**20,000**
(v)	**Examination fees**	**200,000**
(vi)	**Project Supervision**	**500,000**
(vii)	**Application Fee**	**20,000**

Please note:

- *Exemption/Credit Transfer cases shall be handled on a case by case basis upon presentation of relevant qualifications.*

3. DIPLOMA IN MICROFINANCE

This leads to the award of a Diploma in Microfinance of the Uganda Institute of Banking and Financial Services it's the basic qualification for the majority of career Microfinance practitioners.

OBJECTIVE:

To create a pool of professionals, with appropriate skills to effectively manage the challenges of growth in the microfinance industry

(a) Entry Requirements:

Either:

(i) Uganda Advanced Certificate of Education (UACE) with 2 Principal passes and 1 subsidiary pass obtained at the same sitting or equivalent

Or

(ii) Banking Certificate

(iii) Any other recognised professional qualification like CPA, ACCA or equivalent.

(b) What will I study?

For the award of the Diploma in Microfinance one must pass the 16 papers listed below, including the internship/ Business Project:-

- Management Information System
- Risk Management in Microfinance
- Financial Resource Mobilisation and Management
- Human Resource Management
- Marketing in Microfinance
- Business Environment for Microfinance
- Management and Organization in Microfinance
- Accounting and Financial Management
- Legal Framework of Microfinance Business
- Entrepreneurship and Investment
- Product Design & Development
- Rural & Agricultural Value Chain Financing
- Monitoring and Evaluation for Microfinanc
- Credit Administration in Microfinance
- History and Trends in Microfinance
- Student' Project/ Internship

Duration: *2 Years*

(c) Study Methodology: E-learning

(d) What is the pass mark in the examination?
The pass mark in each paper shall be 50%.

(e) When do studies begin?
The semester begins on 22nd July to 2nd November 2019 and January to May 2020 semester begins on 27th January 2020 to 2nd May 2020.

(f) When are the examinations held?
Examinations are held in the first two weeks of May and November each year.

(g) Fees per semester

(i) Tuition

Courses	**E-learning**
Tuition and Examination fees per semester (4 modules)	660,000

(ii) Functional Fees

(i)	**Identity Card**	**10,000**
(ii)	**Membership fee**	**65,000**
(iii)	**Technology fee**	**45,000**
(iv)	**NCHE fee**	**20,000**
(v)	**Internship**	**200,000**
(vi)	**Application Fee**	**20,000**

ACADEMIC GRADUATE PROGRAMS

ISO 9001:2008 CERTIFIED

4. ADMISSION TO THE POST GRADUATE DIPLOMA IN AGRICULTURAL RISK MANAGEMENT AND FINANCE (DAF-ARF)

The Uganda Institute of Banking and Financial Services is a professional body offering Banking and Microfinance training.

The Registrar hereby invites applications for admission to the Post Graduate Diploma in Agricultural Risk Management and Finance Programme for the academic year 2019. This is a nine (9) month course done in partnership and awarded by the Mountains of the Moon University (MMU).

Mode of delivery

The programme is to be delivered through an evening study mode. Lectures will be held from Monday to Friday from 6.00 pm to 9.00 pm

Target group

Senior staff in Agriculture financing and lending in Commercial banks, Credit Institutions, MDIs, Microfinance Institutions, SACCOs, Ministry of Agriculture, Animal Industry and fisheries personnel, Ministry of Finance Planning & Economic Development personnel, consultants, researchers, NGO staff such as Grants Officers, program managers/Officers and as well as fresh graduates wishing to acquire a postgraduate qualification for a career in financial services.

Course Content

- Agricultural Risk I
- Agricultural Value-Chain Analysis
- Agricultural Credit Analysis
- Agricultural-Finance Partnership Management
- Business Economics
- Introduction to Financial Sector Development
- Agricultural-Business Internship
- Decision Analysis for Agribusiness
- Project planning and investment analysis
- Agribusiness Production Management
- Strategic Management for Agribusiness
- Financial Management for Agribusiness
- Agricultural Risk II
- Financial Sector Internship

Admission requirements

Applicants to the Post Graduate Diploma in Agricultural Risk Management and Finance must meet the minimum requirements for admission to the programme as set by National Council for higher Education. Specifically, applicants should possess the following requirements:

(i) At least second class degree from a recognized University OR
(ii) A holder a recognized professional qualification in Accounting, Diploma in banking/Certified Professional Banker

Tuition fees

Ugandan: UGX 2,460,000 (Entire Programme)
International students: UGX 3,460,000

Functional Fees

(i) Identity Card	10,000
(ii) Membership fee	65,000
(iii) Examination fee	200,000
(iv) Technology fee	45,000
(v) NCHE fee	20,000
(vi) Internship/Project	400,000
(vii) Administration fee	200,000
Total functional fees	**940,000**

Bank Drafts should be made in favour of **"The Uganda Institute of Banking and Financial Services"**

Application Procedure:

1. Hard copies of application forms can be obtained from the Institute upon payment of an application fee of. UGX 50,000/= (Ugandan applicants) or UGX 100,000 (international Applicants).
2. The completed application forms together with certified copies of academic certificates and transcripts, and two (2) letters of references should be submitted to the Institute by **21st January 2019.**

Semester Start dates

Weekend intake class Commences on 24th August 2019

Detailed information about the above programmes can be obtained from:
The Registrar's Department
The Uganda Institute of Banking & Financial Services
Plot 10 Buganda Road
P.O. Box 4986 Kampala
Tel:0414-236849 OR Gen. Line 0414-233628 E-mail: uibinformation@uib.or.ug

SHORT COMPUTER AND IT-RELATED COURSES

The Institute runs four separate sessions for short courses in the department of Information Technologyand Computer-Based courses that allows you the flexibility to attend at your convenience. We train in small groups to meet the needs of individual participants and use a variety of learning methods to stimulate interest and meet different learning styles. We also offer a free follow-up service by email or phone to all trainees.

- **Study Sessions:**
  1) Morning (9:30 AM – 1:00 PM)
  2) Afternoon (2:00 PM – 5:30 PM)
  3) Evening (6:00 PM – 9:30 PM)
  4) Weekend (Saturdays 9:30 AM – 4:30 PM).

- **Duration:-Between** 2 – 4 weeks, though extensions can be granted based on individual reasons
- Enrolments: - We have no fixed intakes for short-courses. You can enroll anytime of the week and begin at the earliest convenience after agreeing on the timetable with the trainer.

	Course	Applications
1)	Computer Applications	MS Office 2013 Applications, Online essentials
2)	Computerized Accounting	Tally ERP 9.2 and QuickBooks 2018
3)	Data Entry & Statistical Analysis for Research	Epi Data, Epi Info, Stata, Minitab, SPSS, Excel
4)	Inventory Management for small Business	Tally ERP and QuickBooks
5)	Qualitative Data Analysis	NvivoandAtlas.ti
6)	Data Mining and Business intelligence	Power BI, Tableau, SQL Server, Epi-Info and Excel Services in SharePoint Server 2013.
7)	Big Data Analytics	R Studio, Python, Anaconda Navigator
8)	Econometrics	Stata and E-Views
9)	Digital Marketing and Cooperate Communications	digital marketing software, website development Video Marketing, Social Media Channels, Social Media Strategy, Email Marketing, Mobile Marketing, Writing for Digital
10)	Advanced Databases	MySQL, SQL Server 2016, MS Access, MS Excel, Epi Info
11)	Data Entry and Electronic Records Management	Epi data, CS Pro, Epi Info, SQL, Nitro PDF Editor and Open Data Kit (ODK for Android mobile devices).
12)	Intermediate Excel	MS Excel 2013
13)	Advanced Excel	MS Excel 2013
14)	Microsoft Office Project	MS Project 2013

Upcoming Training Programs:

The Institute continuously develop and refine our courses basing on the impact of various factors influencing the market growth and driversin all sectors.The demand of Data Scientist is increasing and will continue to increase in the future. Data Science is predicted to grow over the next decade.

According to U.S Bureau of Labor Statistics, Python R skills continues to be the tool of choice among data analysts and data scientists. Among Business Intelligence tools, Tableau skills continue to be most in demand, followed by Microsoft Power BI andQlikview. Among Big data tools, Hadoop skills are most in demand, followed by Spark.

The Institute therefore is in the processes of introducing Big Data science Courses in response to the current industry trends and industry scenario of Data Science. We also plan to enter into partnership with Bangalore based IT-Grad to offer certification training in data science.

CORPORATE MEMBERS' DIRECTORY

ABC Capital Bank ltd.	4 Pilkington Rd P.O. Box 21091 K'la	Tel: 041 4345200 /0414345203 Website: www.abccapitalbank.co.ug	Mr. Jesse Timbwa	Ag. Chief Executive Officer
Bank of Africa	45 Jinja Road PO. Box 2750 Kampala	Tel 041 4230436 / 4302001 Website: www.boauganda.com	Mr. Arthur Isiko	Managing Director
Bank of Baroda (U) Ltd.	18 Kampala Road P O Box 7197 Kampala	Tel: 041 4232783, 4233783 Website: www.bankofbaroda.ug	Mr. Ashwini Kumar	Managing Director
Bank of India (U) Ltd.	37 Jinja Road Kampala Uganda	Tel: 04 14 341880 / 031 3400400 E-m: BOI.ugancla@bankofindia.co in	Mr. Ajay Kumar Panth	Chief Executive Officer
Bank of Uganda	37/43 Kampala Road P.O.Box 7120 Kampala	Tel: 041 4258441/3 041 4283723 /4344549 Website: www.bou.or.ug	Prof E.Tumusiime Mutebile FUIB (Hon) Dr. Louis Kasekende, FUIB (Hon)	Governor Deputy Governor
Barclays Bank (U) Ltd.	Barclays House, Plot 2 Hannington PO Box 2971 Kampala	Tel: 0312218383/393 Website: www.barclays.co.ug	Mr. Nazim Mahmood	Ag. Managing Director
Cairo International Bank Ltd	Greenland Tower, 30 K'la Rd P O Box 7052 Kampala	Tel: 041 4345533 / 4230141 Website: cairointernationalbank.co.ug	Mr. Mourad Mahmoud Eissa	Managing Director
Centenary Bank Ltd.	Mapeera House. 44/46 K'la Rd P.O.Box 1892 Kampala	Tel: 0414 340298/ 4251276 Website: www.centenarybank.co.ug	Mr Fabian Kasi	Managing Director
Citibank Uganda Limited	4 Teman Avenue P.O.Box 7505	Tel: 0312 305567 / 0414 305500 Website: www.citigroup.com	Mrs. Sarah Arapta Wojega	Managing Director
Commercial Bank of Africa (U) Ltd.	Twed Towers 10 Kafu Road Nakasero P 0. Box 74827, Kampala	Tel: +256417335700 / 312188400 Website: www.cbagroup.corn	Mr. Anthony Ndegwa	Managing Director
DFCU Bank	Impala House 22 Kyadondo Road P.O. Box 70 Kampala	Tel: 0312300200/041435100 Website: www.dfcugroup.com	Mr. Mathias Katamba	Managing Director
Diamond Trust Bank (U) Ltd	Diamond Trust Building P.O.Box 7155 Kampala	Tel: 0314 387100/100/101/105 Website:www.diamodtrust-bank.com	Mr. Varghese Thambi	Chief Executive Officer
East African Development Bank	EADS Building, 4 Nile Avenue P.O. Box 7128 Kampala	Tel: 0417112900 / 312 300000 Website: www.eadb.org	Ms Vivienne Yeda	Director General
Ecobank Uganda	Parliamentary Avenue. Kampala	Tel: 0414233179 / 0417700100 Website: www.ecobank.com	Mr Clement Dodoo	Managing Director
Equity Bank	390 Mutesa I Katwe P.O. Box 10184 K'la	Tel: 0312 262437 / 6 Website: www.equitybank.co.ug	Mr. Samuel Kirubi	Managing Director
Exim Bank (U)I Lid.	6Hannington Rd P.O.Box 36206 K'la	Tel 0312320400/9 E-m: inloug@embank-ug.com	Mr. Jawaid Ali	Managing Director
Finance Trust Bank	121 &115, Block 6 Katwe Kampala (U)	Tel: 0414255147/6 Website: www.financetrust.co.ug	Ms. Annette Nakawunde M.	Managing Director
GT Bank Uganda Lid.	Plot 56 Kira Road P O Box 7323 Kampala	Tel: 4233837/0414237284 Website:www.gtbank.co.ug	Mr.Lekan Sanusi	Managing Director
Housing Finance Bank	4 Wampewo Avenue P.O. Box 1539 Kampala	Tel: 0414 259651/2 Website: www.housingfinance.co.ug	Mr. Michael Mugabi	Ag. Managing Director
KCB Uganda Lid.	Kampala Road P O Box 7399 K'la	Tel: 0417118200/ 229 / 268 0417118200 Website:www.kcbbankgroup.com	Mr. Edgar Byamah	Ag. Managing Director
Mercantile Credit Bank Ltd.	8 Old Port Bell Road P.O. 620, Kampala	Tel: 0414235967 Website: www.mcb.co.ug	Mr. Paul Senyomo	Managing Director
NC Bank (U) Ltd	Rwenzoni Towers. 416 Nakasero Rd P O Box 28707 Kl'a	Tel 0312388100/417337000/105 Website: www.orientbank.com	Mr. Sam Ntulume	Chief Executive Officer
Orient Bank Limited	Orient Plaza P.O.Box 3072 Kampala	Tel: 0417719259/2014236012/15 / 0414 236066 Website: www.orient-bank.com	Mr. Julius Kakeeto	Managing Director
Stanbic Bank Uganda Ltd	Crested Towers PO Box 7131 Kampala	Tel: 0312224400/1031224500 Website: www.stanbicbank.co.ug	Mr. Patrick Mweheire	Managing Director
Standard Chartered Bank (U) Ltd.	5 Speke Road P O Box 7111 Kampala	Tel: 0414 341623 0414 258211/2, 0312 294202 Website: www.sc.com/ug	Mr. Albert Saltson	Managing Director
Tropical Bank Limited	27 Kampala Road PO.Box 9485 Kampala	Tel 0414 313154, 0414·313100 Webste trobank.com	Mr. Dennis Mugagga Kakeeto	Ag. Managing Director
Uganda Development Bank	Ruth Towers P O Box 7210 Kampala	Tel: 041 435551/570 Website: www.udbl.co.ug	Mrs. Patricia Adongo Ojangole	Managing Director
United Bank For Africa	22 Jinja Road	Tel: 0417715100/0417715101/2 Website:www.ubagroup.com	Mr. Johnson Agoreyo	Managing Director
Post Bank Uganda	4/6 Nkrumah Road P.O. Box 7189 Kampala	Tel: 414 230049 / 4258551/3 Website: www.postbank.co.ug	Mr. Edwin Keronga	Ag. Managing Director
Finca Uganda	11 Acacia Avenue P.O.Box 24450 k'la	Tel: 0414 231134 Website: www.finca.ug	Mr. James Onyutta	Managing Director
Pride Microfinance Ltd	Victoria Office Park, Block B Bukoto P.O. Box 7566 Kampala	Tel: 414346297 / 312262366 Website: www.pridemicrofinance.co.ug	Ms. Namagembe Veronica	Managing Director
UGAFODE Microfinance Ltd	62, Silva Acade, Bomba Rd P.O. Box30815 Kampala	Tel: 414257181/414235778 414257183 Websrre: www.ugafode.co.ug	Mr. Shafi Nambobi	Chief Executive Officer