

Study on the state of Uganda's Fintech Industry

FINTECH STUDY | FEBRUARY 2022 | UGANDA



Preface



This report was prepared by Deloitte (Uganda) Limited, commissioned by FITSPA. The purpose of this study was to highlight the critical challenges, opportunities and gaps in the Ugandan market, that will allow FITSPA to strategically think through and direct interventions that are within the manageable interests of the industry, to contribute towards improving the Fintech environment in Uganda.

The International Monetary Fund defines 'Fintech' as the technology-enabled innovation in financial services that could result in new business models, applications, processes, or products with an associated material effect on financial services. As a result of increasingly innovative technological advances, Fintech is strategically positioned to facilitate financial inclusion through several different segments such as payments, savings, lending, insurance, investment, to name a few.

This report provides a comparative analysis of the Fintech industry around the world through an analysis of selected countries in developed, emerging economies, and comparative economies in Sub-Saharan Africa, identifies the emerging regulatory pressures, adoption strategies, challenges and opportunities, and provides some guidance on how the Uganda Fintech Industry can enhance its environment with comparative benchmarking strategies.

In developing a comparative analysis of Uganda's Fintech industry to the global Fintech industry, the study focused on the general economic outlook, digital commerce, the composition of Fintech in the economy, payment landscape, digital banking, capital composition and funding, demand for Fintech, Fintech adoption, talent, and policy and regulation. Benchmarked markets included developed economies (Singapore, Norway, United States of America and Estonia), emerging economies (United Arab Emirates, Malaysia, Brazil and India), and Sub-Saharan countries (South Africa, Rwanda, Kenya and Nigeria), which are at varying maturity levels of Fintech uptake.

In combination with literature review of various public reports, the study polled 40 respondents through a survey. Interviews were also held with a range of stakeholders in the Fintech ecosystem, including Government, mobile operators, financial institutions, technology enablers and Fintech companies.

The report is available online at: www.fitspa.ug

Message from FITSPA

FITSPA is excited to share this report with you. Given the quickly evolving global and regional Fintech space, reliance on accurate information is key. When embarking on this study, FITSPA's intent was to capture the journey of the Fintech ecosystem in Uganda, communicate the vibrancy of the sub-sectors, highlight the different regulatory frameworks, and share the emerging opportunities for investors, partners and other sector players.

FITSPA is an independent, non-profit, membership-based association supporting Uganda's Fintech community. Founded in 2017 – with support from Financial Sector Deepening Uganda – the Association aims to create a conducive environment to stimulate innovation in the financial services sector. It also works to increase access to affordable financial services through ICT and the promotion of financial inclusion in a sustainable way.

FITSPA's operations are centered on three core values:

1. **Community:** We bring together the diverse parts of the community to encourage open dialogue, collaboration, and co-creation
2. **Innovation:** We learn from one another to address pain points faced by the Communities in which we operate.
3. **Policy Advocacy:** Create a unified voice for the Uganda Fintech ecosystem to engage varied stakeholders on policy, regulation and other issues.

These values continue to resonate positively with the different industry actors.

At the close of 2021, the Association was made up of over 160 members, with the majority being Fintechs which actively serve customers in Uganda. We also have very strong relationships with all the sector regulators in Uganda, many of whom you will hear from today. Importantly, the Association represents its members in conversations with Banks, insurance companies, and others about collaboration, partnership and investment.

Supporting policy, regulation and ensuring compliance have been high on FITSPA's agenda for 2021. The FITSPA board and its members strongly believe that serving our businesses and consumers in a safe and transparent manner is good for the communities in which we operate. This can only be done against the backdrop of both an enabling legal environment and industry information which can be garnered from data.

This report could not have been timelier. By capturing and sharing the key trends and opportunities in the sector, FITSPA hopes to both accelerate and enrich these conversations. We look forward to getting your feedback to ensure even more helpful work for the future.

We thank all our partners including the Bill and Melinda Gates Foundation, aBi Finance and Bank of Uganda (BOU) for supporting this publication. We also remain grateful to our members, FSD Uganda, BOWMANS, Africa Fintech Network, WMC Africa, International Trade Centre, UNCDF, Uganda Bankers' Association, NITA-U and the ministry of ICT & National Guidance Uganda for the support extended to FITSPA for its ongoing work to promote the adoption of Fintech solutions in Uganda and beyond.



Peter Kawumi

Board Chairman

Financial Technology
Service Providers'
Association (FITSPA)



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INTRODUCTION

State of Uganda's Fintech industry survey

Financial Technology Service Providers Association (FITSPA) commissioned a study to provide a detailed, industry-backed analysis of the Uganda Fintech industry. This study aimed to evaluate the state of the Fintech industry in Uganda to allow FITSPA to strategically think through and direct interventions that are within manageable interests of the industry, to contribute towards improving the Fintech environment in Uganda.

The term ' Fintech ' refers to IT solutions dedicated to the financial services industry. These technologies disrupt the way financial firms perform business. Initially, these technologies were used to optimize the back-end operations of financial services firms, but now they increasingly represent technologies that are transforming traditional financial services, including payments, money transfers, advances, and asset management.

The study involved carrying out quantitative, qualitative and desk research as outline below.

Quantitative Research

Online surveys conducted with 40 Fintech stakeholders .

Qualitative Research

Interviews with executives of Fintechs, major banks, investors, and regulators.

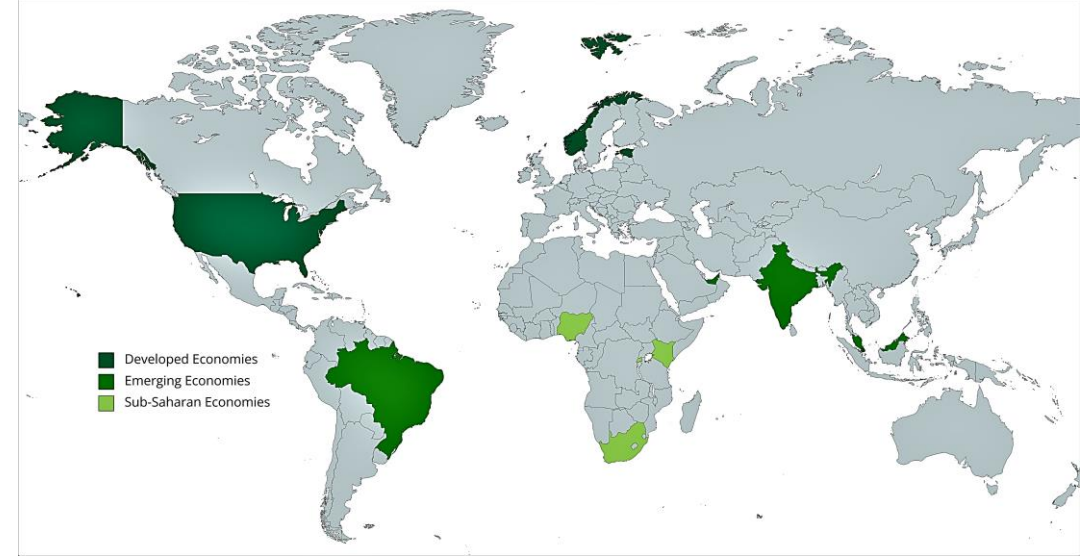
Desk Research

Alongside the quantitative and qualitative research, we reference publicly available research as we dive into global Fintech trends.

Fintech ecosystem– Global view

This study compared several countries in varying degrees of Fintech adoption, to map ecosystems that make up the Fintech industry in the different classes of economies. Surveyed countries* include:

- **Developed Economies:** United States of America, Norway, Estonia, and Singapore
- **Emerging Economies:** Brazil, India, Malaysia, and United Arab Emirates.
- **Sub-Saharan Africa Economies:** South Africa, Nigeria, Kenya, and Rwanda



* Details for each country are provided in the report annexure

Ecosystem Study explained

To better understand the global Fintech trends and insights for comparison with Uganda’s current situation, we researched and reviewed the Fintech ecosystem globally.

In this report, we zoom in on several key themes: general economic outlook, digital commerce, the composition of Fintech in the economy, payment landscape, digital banking, capital composition, funding, demand for Fintech, Fintech adoption, talent, and policy and regulation.

Key Insights

The Fintech industry in the countries we studied is bolstered and facilitated by the existing and fast-development of infrastructure, regulations, and technological advancements.

Additionally, the changing demographics of the countries’ population to younger consumers has led to the development, and implementation of new and evolving Fintech offerings beyond the conventional e-payment offerings.



Learnings

To realize the full potential of Fintech, there is need for governments, regulators, traditional incumbents, and Fintech companies to rally together and focus on several priorities. These are:

1. Establishment of regulatory harmonization within each of the Fintech ecosystems.
2. Attract and develop local talent by offering the right incentives.
3. Collaborate and build upon the existing infrastructure to create a conducive environment for Fintech innovation and development.

The background is a solid teal color. It features several white, hand-drawn, scribbled lines that meander across the page. One prominent scribble in the upper center resembles a brain or a cluster of nodes, with several small circles and lines extending from it. Other scribbles are more fluid and wavy, creating a sense of movement and connectivity.

01

Overview of Fintech Services

Overview of Fintech Services

Fintech refers to the integration of technology into offerings by financial service companies in order to improve their use and delivery to consumers. The scope of financial services encompassed by Fintech has steadily been increasing and below are some of the most prominent Fintech service offerings.



PERSONAL FINANCE

Tools to manage bills and track personal and/or credit accounts



PAYMENTS & BILLING

Payments processing, card developer & subscription billing software tools



LENDING

Marketplace lending, microlending & alternative underwriting platforms



INSURTECH

Companies selling insurance digitally providing data analytics and software for (re)insurers



MONEY TRANSFER & REMITTANCES

International money transfer and tracking software



BLOCKCHAIN

Companies leveraging blockchain technologies for financial services, crypto-exchanges and crypto-currencies



CAPITAL MARKETS

Sales & trading, analysis, and infrastructure tools for financial institutions



WEALTH MANAGEMENT

Investment and wealth management platforms and analytics tools



MORTGAGE & REAL ESTATE

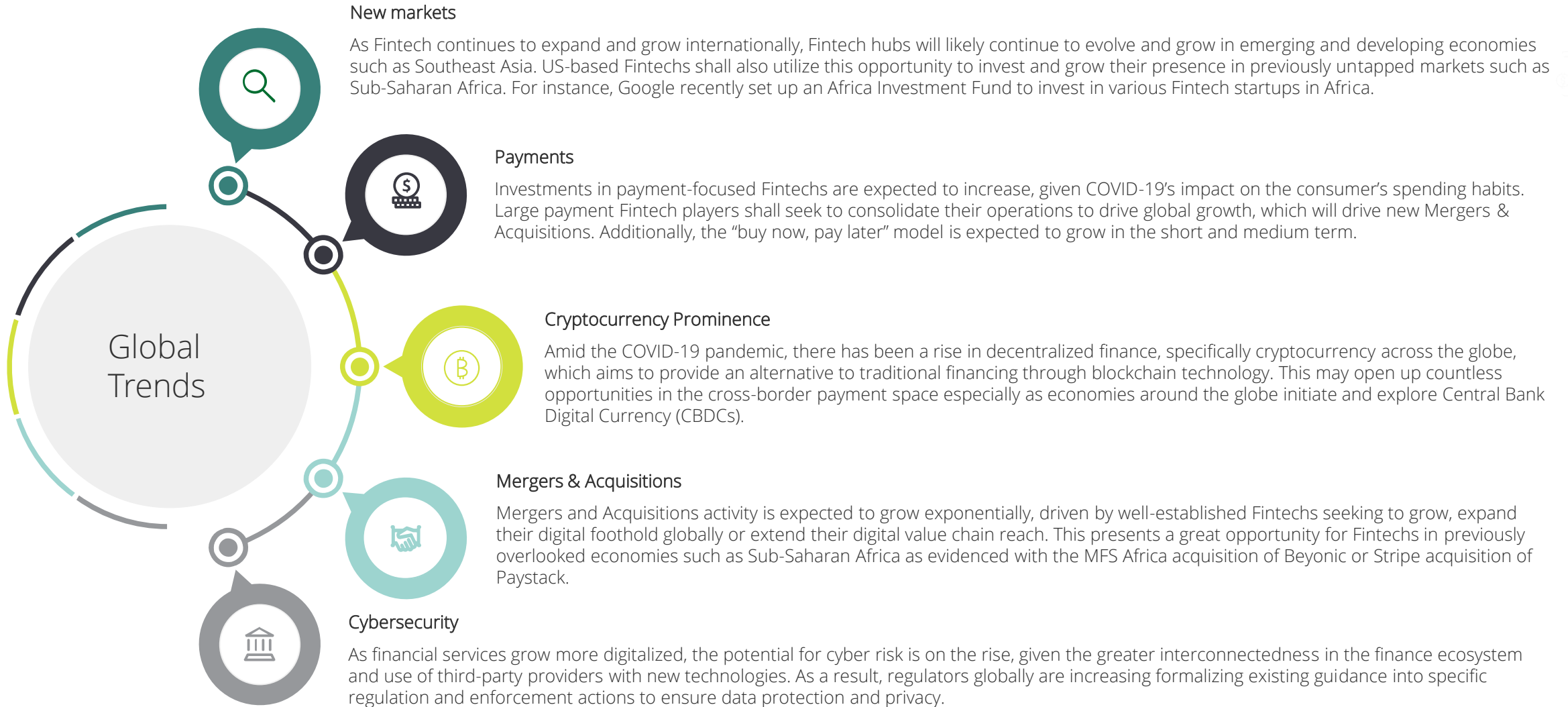
Mortgage lending, digitalization, and financing platforms



REGTECH

Audit, risk, and regulatory compliance software

Global Trends in the Fintech Industry



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02

General Economic Outlook

General Economic Outlook

In developing a comparative analysis, several economies at varying stages of maturity in Fintech uptake were selected to provide a benchmark comparison with Uganda's Fintech industry. The selected countries were drawn from a mix of developed, emerging, and sub-Saharan countries. A total of twelve countries were chosen in these economies taking in consideration the level of Fintech industry maturity, regional proximity, size and nature of economic activity and availability of comparative data.

Developed Economies	Emerging Economies	Sub-Saharan Economies
1. Singapore	1. United Arab Emirates	1. South Africa
2. Norway	2. Malaysia	2. Kenya
3. United States	3. Brazil	3. Rwanda
4. Estonia	4. India	4. Nigeria

From these selected countries, key research themes were considered, ranging from general economic outlook, digital commerce, the composition of Fintech in the economy, payment landscape, digital banking, capital composition and funding, demand for Fintech, Fintech adoption, talent, and policy and regulation. This comparative understanding is vital to developing an in-depth understanding of existing opportunities, challenges, and capacity gaps for Uganda to enhance its existing Fintech industry.

General Economic Outlook

In this section, we explore how the varying economies' existing digital infrastructure (Network Readiness Index) plays a role in the general digital economic contribution of the selected countries in varying economies.

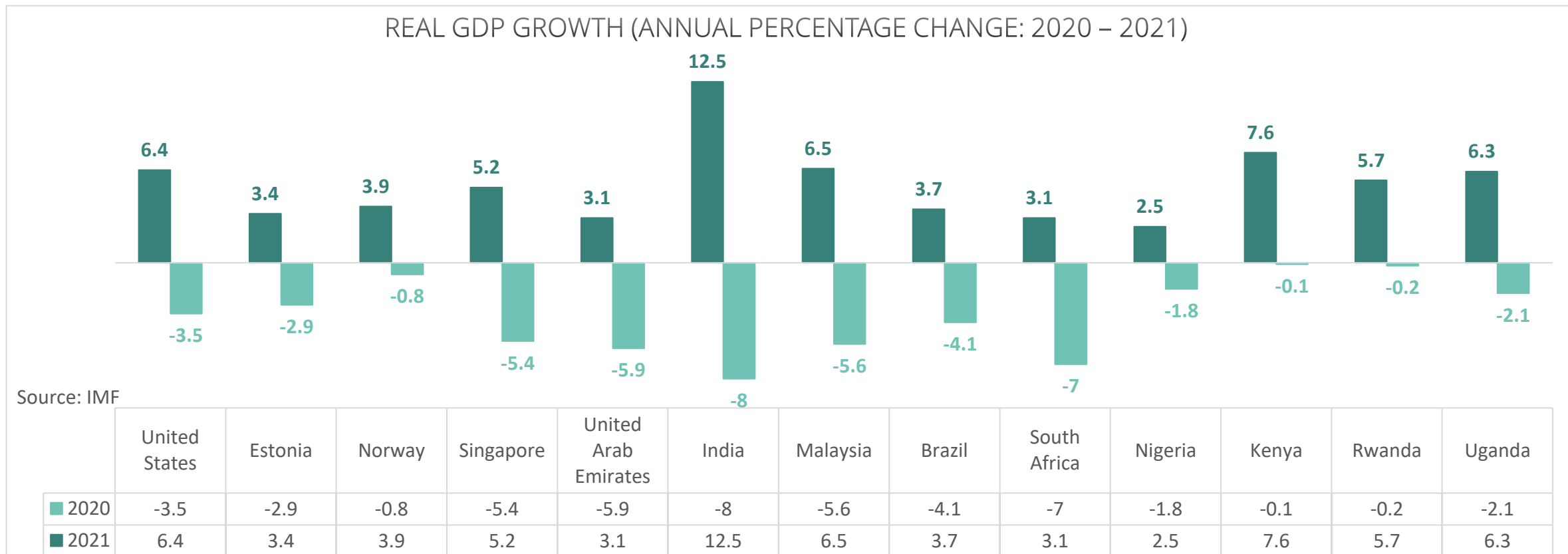
Statistics	United States of America (USA)	Norway	Singapore	Estonia	United Arab Emirates	Brazil	Malaysia	India	South Africa	Nigeria	Kenya	Rwanda	Uganda
Population*	329.48 million	5.37 million	5.68 million	1.33 million	9.89 million	212.55 million	32.36 million	1.38 billion	59.30 million	206.13 million	53.77 million	12.95 million	45.7 million
GDP*	\$20.937 trillion	\$362.009 billion	\$339.998 billion	\$31.03 billion	\$358.87 billion	\$1.445 Trillion	\$336.664 billion	\$2.623 trillion	\$301.924 billion	\$432.294 billion	\$98.843 billion	\$10.334 billion	\$37.372 billion
GDP Growth – 2021	6.4%	3.9%	5.2%	3.4%	3.1%	3.7%	6.5%	12.5%	3.1%	2.5%	7.6%	5.7%	6.3%
Digital Economy Contribution (% of GDP)	31.7%	10%	60%	6.9%	17.9%	13.8%	20%	1.3%	3%	17.83%	9.2%	3%	7%
Network Readiness Index	4 th	9 th	7 th	21 st	28 th	52 nd	38 th	67 th	70 th	103 rd	84 th	101 st	116 th
Economy contraction *	-3.50%	-0.80%	-5.40%	-2.90%	-5.90%	-4.10%	-5.60%	-8%	-7%	-1.80%	-0.10%	-0.20%	-2.1%

*2020 Figures

Table 1: Comparative General Economic Outlook

Source: IMF, the Global Economy, GSMA

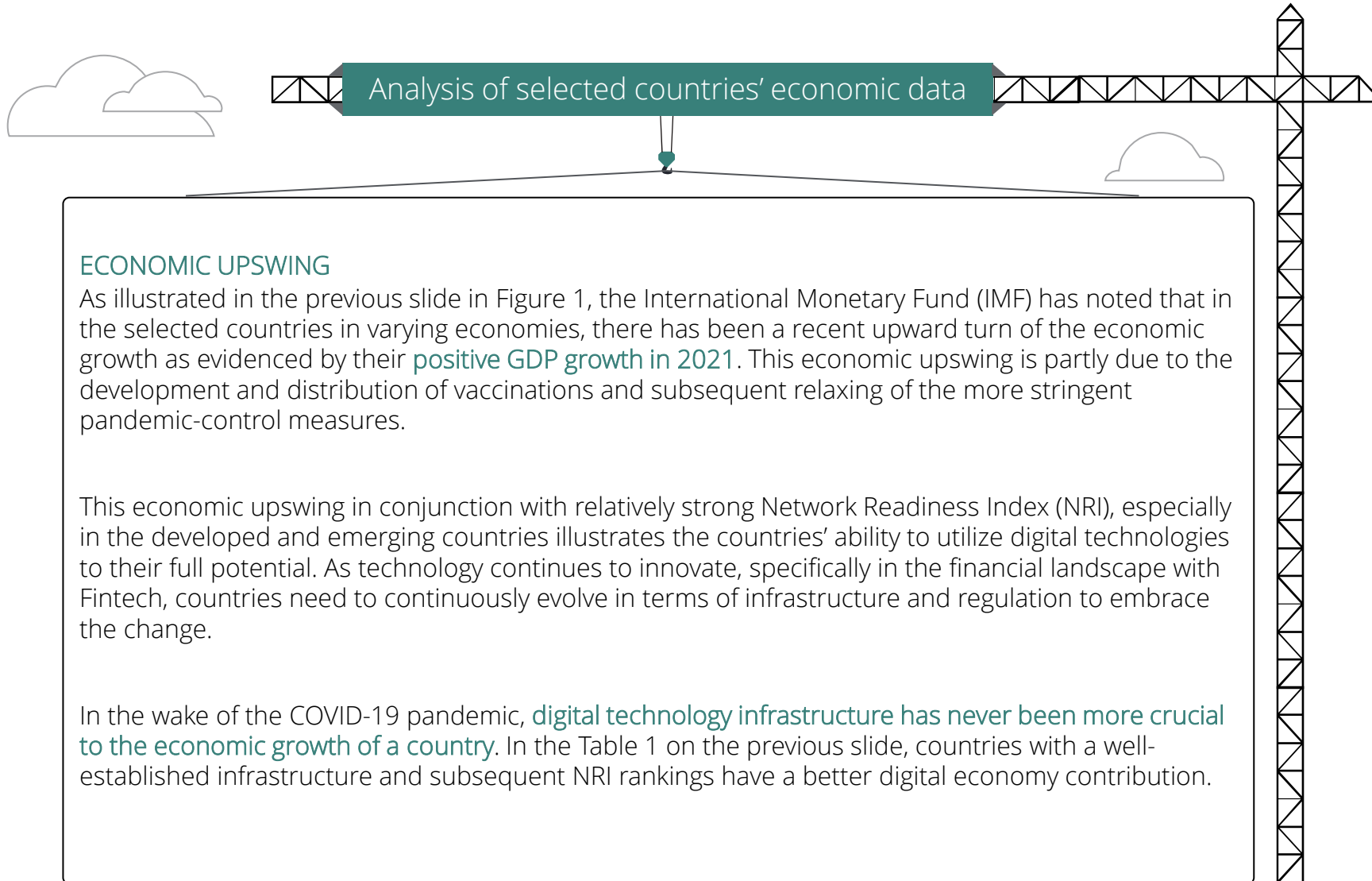
General Economic Outlook



Source: IMF

Figure 1: Real GDP Growth Change

General Economic Outlook



03

Uganda's Fintech Ecosystem



Fintech Digital Economy in Uganda

Background

Fintech does not stand as an island on its own. It is a subset of the digital economy; which is a subset of the whole economy. Connecting all the subjects is the concept of digital transformation.

Digital transformation is achieved by replacing manual (non-digital) processes with digital ones or replacing outdated digital technology with upgraded digital technology. A strong manual economy yields bigger potential for a transformed digital economy; however, transformation will rely on things such as network readiness, digital literacy, and mobile phone penetration. A combination of network readiness, digital literacy, and mobile phone penetration provide an indicator on how prepared a country is for digital transformation.

Globally, Uganda ranks 172nd on Gross National Income (GNI) and 116th on the Network Readiness Index (NRI) according to the World Bank and the Portulans Institute, respectively.. Mobile penetration is 49% and smartphone adoption is 16%; all of which account for the contribution of the digital economy at 7% contribution to the economy. This is considerably more than Rwanda (3%) and South Africa (3%), whose digital economy lags behind Uganda. A key driver for Uganda's inclusion in the digital economy is mobile money which unlike other digital economies does not require smartphone penetration. It should be noted that other surveyed countries, Kenya and Nigeria lead the pack with 9.2% 17.83% digital economy contribution respectively.

General Economy Figures - Uganda

\$37.372 billion Gross Domestic Product (GDP) 2020

-2.10% Economy contraction in 2020

7% Digital Economy Contribution

6.3% GDP Growth in 2021

Digital Economy Figures - Uganda

116th Network Readiness Index (NRI)

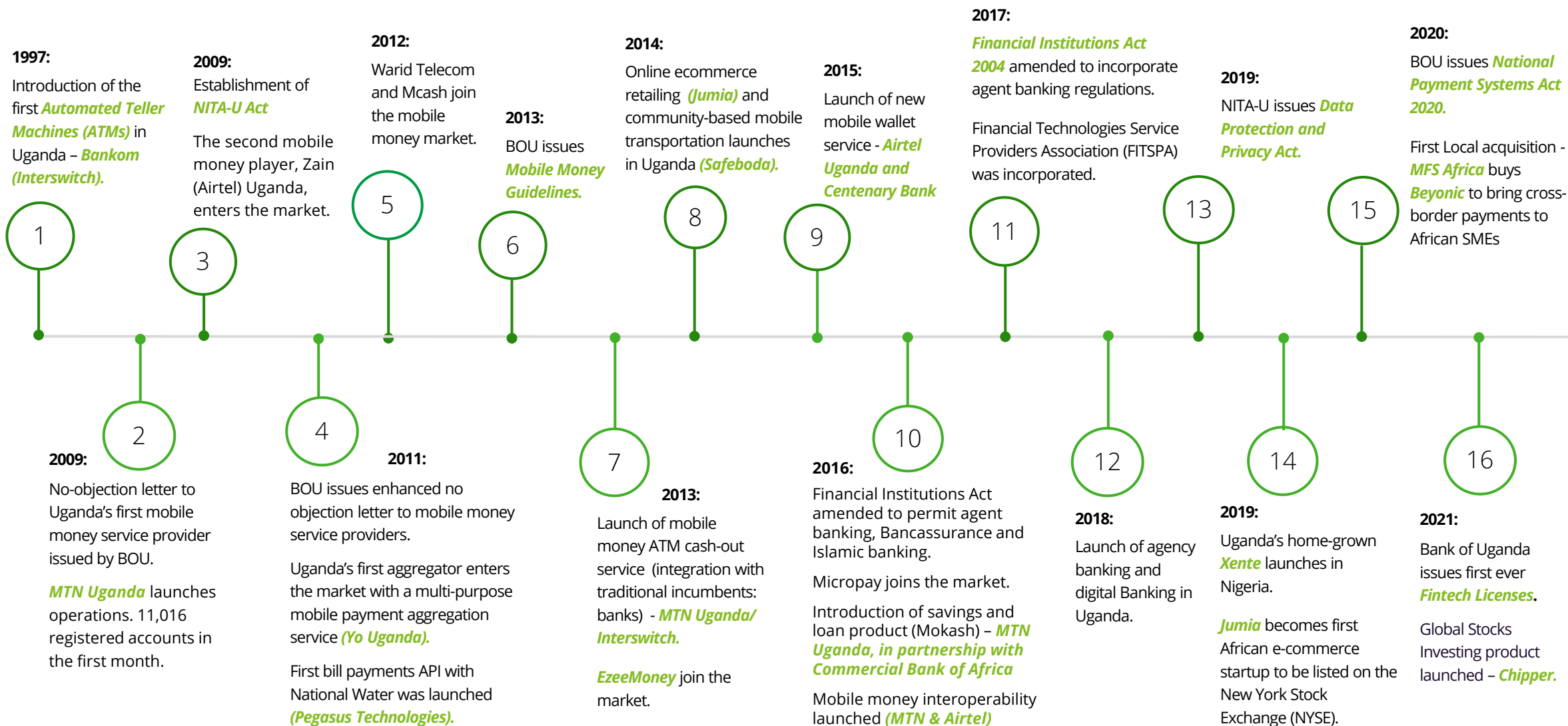
1,245 Registered Mobile Money accounts per 1,000 people

1,315 Registered Mobile Money agent outlets per 1,000 people

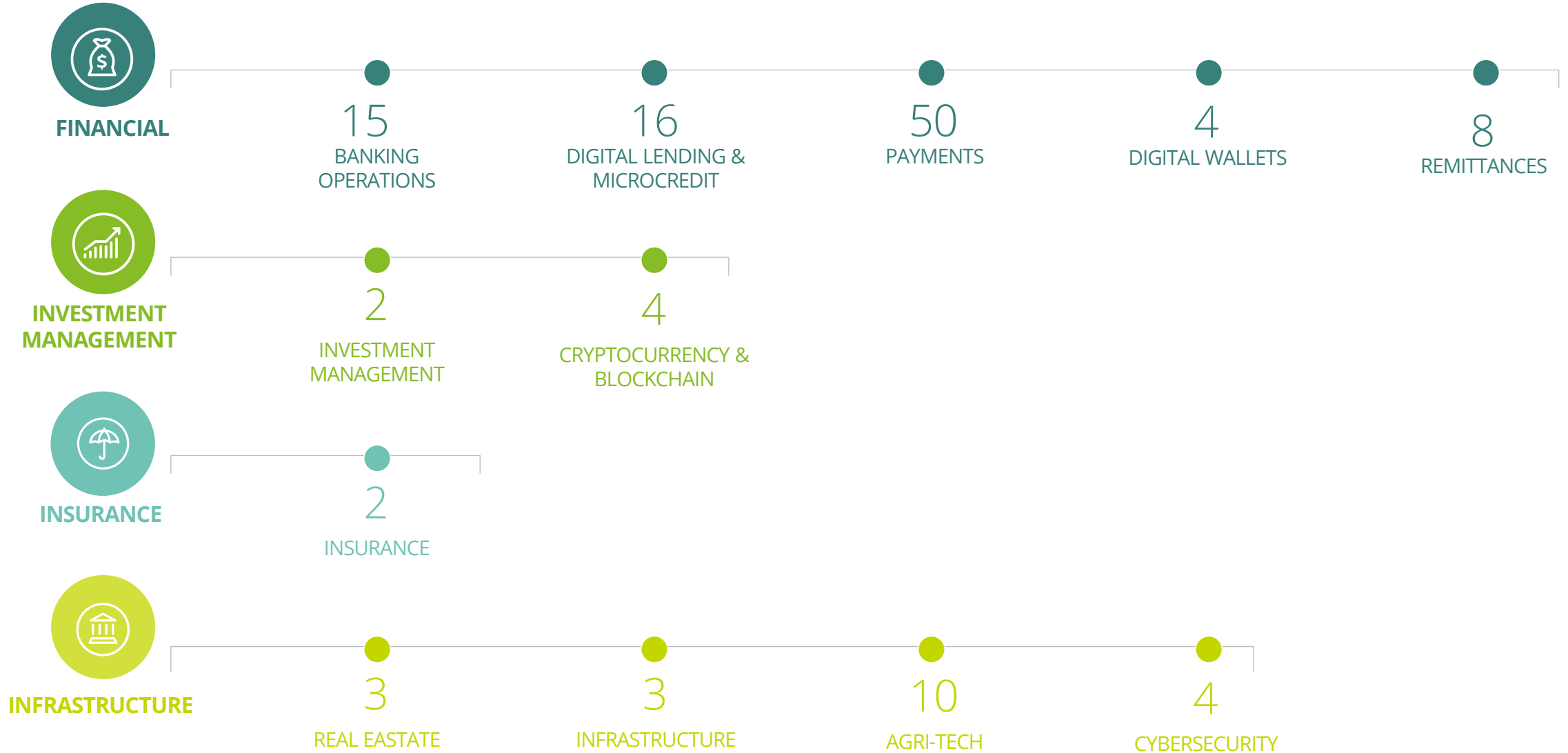
67.51% Value of mobile money transactions during 2020 (% of GDP)

Source: IMF, the Global Economy, GSMA

Fintech in Uganda across the years



Fintech Sub-segments in Uganda



Source: FITSPA Membership Records

Payments



Overview

- Driven by mobile money, the payment subsector casts a large shadow over the Ugandan Fintech market. Players are typically aggregators who provide mobile wallets, telecoms who provide mobile money platform, and bankers providing exco account services or mobile wallet solutions, all combined to serve utilities, bank-to-consumer, e-commerce, and end-user retail payments.
- There is an increased number of mobile and digital wallet providers that are keen on tapping into the payments' subsector.
- Mobile money dominates this space because it does not require a smartphone, but rather relies on the simplicity of USSD which is an entry point for many Ugandans to telecom and financial services.
- After mobile money, e-banking solutions (mainly debit cards and POS solutions) provide payment solutions.
- Merchant/instore payments like MTN MoMo pay, Airtel Money pay and card payments have grown steadily over the years, but covid-19 accelerated the trend for instore payments since they allow purchases and money transfers without the physical use of cash, checks or credit/debit cards.
- The vast use of payment solutions has driven regulation in Uganda. Subsequently, this has shaped Uganda's pioneer Fintech regulations – the National Payment Systems (NPS Act, 2020) - to be primarily payment-focused.



Insights

- **Increasing adoption:** The COVID-19 pandemic led to an uptake of cashless services, however the general decline in economic growth means that the increased adoption has not fully translated into commercial gains.
- **Power of large players:** Large Fintechs are utilizing the recent Fintech license regulation to increasingly influence their customer's payment choices. Combined with the growing importance of payment-Fintechs that target the end-consumer, local Fintechs are increasingly attractive to foreign acquisition and/or mergers.
- **Feeding the Supply Chain:** While the large Mobile Network Operators (MNOs) will continue to lead the payments industry, smaller Fintechs can take advantage of their agility to provide value-added services on top of the existing supply chain.
- **Regulation:** While the large players have taken lead in the first licenses under the NPS Act, the Bank of Uganda has demonstrated willingness to hand-hold the smaller players through the regulatory sandbox (*a framework that allows Fintech startups to conduct live experiments in a controlled environment under a regulator's supervision*) and provision of conditional licenses as the Fintechs mature.

Savings & Lending



Overview

- While new Fintechs continue to challenge the traditional players in the area of lending and savings, they are dwarfed in transaction volume and coverage by the brick and mortar banks. In addition, traditional banks are leveraging agency banking to provide alternatives that compete with typical Fintech services.
- Fintechs dominate in niche markets such as asset lending, solar, agro-business, micro-loans and savings. Fintechs have capitalised on their understanding of the traditional Ugandan SACCOs and microfinance structures to offer digital transformation solutions to this market segment.
- Digitalized savings and lending still ride on the back of the payments ecosystem, and while retail services drive mobile wallet transactions, this does not necessarily translate into increased customer savings and lending within the bank and microfinance sector. This is partly due to the poor savings culture in Uganda coupled with high interest on existing service offerings that deter potential customers. The percentage of Savings of GDP was 22.21% in 2020 having reduced from 22.68% in 2019.
- The NPS Act provides clarity on where Fintechs can play within payments and e-money issuance. However, regulations are still siloed and the Fintechs will need to consider the multiplicity of the available regulations e.g., the National Payments Systems Act, 2020, Agency Banking regulations (Financial Institutions Act, 2004) among others



Insights

- **Digitalization:** Traditional marketplace lenders have re-oriented their approach towards digitalization and ease of convenience for their customers. This in conjunction with the growing number of lending-oriented Fintechs is and will continue to provide a frictionless application and swift response for customers.
- **Use of data:** Banking and micro-finance executives still struggle to translate their business data into actionable insights. Fintechs have the opportunity to provide data analytics services ranging from credit-scoring, product development and pricing, and consumer spending habits to strategy development.
- **Know Your Customer/Client (KYC):** The KYC process remains a big challenge for Fintechs. The government has an opportunity to use the national registries to provide data points for Fintechs to carry out KYC. Fintechs too can develop KYC tools for the banks, micro-finance institutes as it is part of their value proposition.
- **Regulation:** Fintechs are required to register their business under various jurisdictions to operate legally under the NPS Act. The ecosystem has become subject to differing regulations, which may cause uncertainty in the short to medium term as to which regulator a Fintech is required to register.
- **Interoperability:** True digital transformation will not happen unless interoperability across telecom and banking networks happens. Efforts by the Uganda Bankers Association and the regulators such as Bank of Uganda to create national switches should see this happen in the short term.



E-Commerce



Overview

- The biggest beneficiary of the COVID-19 pandemic across the Fintech industry is the e-commerce sector. It was able to increase the uptake of general e-commerce services and transition to cashless payments.
- The pandemic saw the growth of the early adopters such as Jumia, Safaboda and new entrants like Glovo which would imply confidence in the market in Uganda.
- However, e-commerce is largely driven by internet usage which may explain its concentration within the Kampala-Wakiso areas where smartphone concentration is highest.
- In addition, delivery systems are still nascent and consumer trust in e-commerce and digital payments is still low. Managing the restrictions that come with this will be important for the successful large scale adoption of e-commerce across the country.



Insights

- **Consumer behaviour:** Globally, the basis of e-commerce is trust. Building on trust, many Ugandan consumers according to our survey do not exhibit strong trust in e-commerce, specifically with the online payment through debit/credit card and/or money for products that they have not yet received and verified. This is magnified by low digital literacy among both the consumers and service providers. Henceforth, service providers need to grow consumer trust in their e-commerce platforms through a series of product verification, refund systems and active customer care helpline.
- **E-payment systems:** A large portion of traders and consumers is still cash-driven. Working to have digital wallets is the next horizon for e-commerce players. Traditional banks could bolster this by providing credit or money in e-wallets to the demand and supply side.
- **Digitalizing the supply chain:** Currently, e-commerce focuses on the last-mile delivery leaving other components of the supply chain unserved. Offering business-to-business (B2B) services and support is a virgin territory for those wishing to enter what is considered as a crowded sector.

Remittances



Overview

- Historically, cross-border transfers/remittances have been a challenge, filled with long waiting periods and high transfer fees. However, financial technology has revolutionized this, offering a safe, secure and relatively cheap way of transferring funds.
- Mobile money has paved the way through provision of basic money transfer and payment services to the unbanked population. Today, Fintechs such as MTN Mobile Money, Airtel Money, Eversend, amongst others, have enhanced inter-connectivity between financial institutions, businesses and the end-consumer through mobile and digital wallets. Mobile money penetration has grown at a fast pace with over 30.74 million registered customers and transaction value of UGX. 79.8 trillion in 2020 compared to 0.6 million customers and transactions worth UGX. 133 billion in 2015. Mobile money has had a positive and significant effect on remittances, which explains why mobile money currently dominates remittances in Uganda.
- Through remittance service offerings, users can now send money to and from a range of digital end-points, including mobile money accounts, debit/credit cards, bank accounts and cash outlets, regardless of their location. Given this interoperability of Fintechs, remittances can be made in real time across borders and time zones.



Insights

- **Partnerships:** Through development of partnerships with companies such as Mobile Network Operators (MNOs) and banks, Fintechs can tap into a wider customer base and quickly and efficiently increase their reach.
- **Data analytics:** Partnerships with existing incumbents such as banks, micro-finance institutions can provide Fintechs with new data points that can be used to better understand customers' needs and risk profiles, ultimately creating tailored products for a targeted customer base.
- **Mobile:** The Ugandan ecosystem still revolves around mobile technology such as USSD codes and text messages. This technology simplifies the user interface and increases trust. Fintechs need to capitalize on the flexibility of mobile wallets to scale their growth.
- **Cloud technology:** The future of customer service is reliant on the embracement of digital technology to scale operations quickly and efficiently through cloud technology. This is cost effective and allows for the replication of business models in other countries.

Infrastructure



Overview

- As Fintechs enter the market, consumers expect more from them, demanding practical digital solutions that address specific financial problems such as financial inclusion and ease of convenience, among others.
- Understanding the current state of the Ugandan ecosystem and learning how to engage and collaborate with traditional incumbents is crucial and imperative for true consumer adoption and subsequent Fintech growth.
- The Government through the Ministry of ICT secured funding towards the implementation of the National Data Transmission Backbone Infrastructure and e-Government Infrastructure (NBI/EGI) Project in the financial year 2006/2007. For the first time in 2013/2014, the project became functional. The overall objective of the project is to provide connectivity to Government Ministries and Departments. For that reason, NITA-U is in the process of implementing a Government e-Payment Gateway Service to meet the increasing usage of technology and access to Government services. In addition, the Government agenda is to move to a cashless and cheque-less economy in the medium term.
- Currently, infrastructure-focused Fintechs such as RTGS, Interswitch, Pegasus and Raxio Data Center, among others are gaining prominence, each seeking to address the needs of their consumers through the provision of unique products and service offerings such as data storage, digitalization, and aggregation of services.
- In doing so, Fintechs are actively changing the infrastructure of the Ugandan ecosystem by linking traditional incumbents such as banks and regulators with the end-consumers, including small and medium-sized enterprises (SMEs).



Insights

- **Interoperability:** As services remain largely restricted to the players that introduced the initial digital infrastructure, the key differentiator for infrastructure service provider will be interoperability. This should help Fintechs develop a plug-and-play model as they launch new products and services. For this reason, there are ongoing discussions at Bank of Uganda to put in place a National Switch which will accelerate interoperability.
- **Collaboration:** New technology disruptions should serve a purpose and should be able to meet the market requirements. Collaboration with existing players whether incumbents, challengers or Fintechs is crucial. A case in point is the fact that Fintech is and will continue to remain a staple for Uganda's digital economy. With mobile money penetration beyond 40 percent of the adult population in Uganda, traditional banking must continue its collaboration with Fintech.
- **Regulatory uncertainty:** Recently, the ecosystem has become subject to differing regulations, which may cause uncertainty in the short to medium term. The evidence-based approach to regulation as applied in Uganda has allowed investment in Fintech to permeate and integrate with all of Uganda's key income sectors. The regulation of innovation sandboxes for example, under the National Payment Systems Act, 2020 (NPS) has allowed investors in Fintech to live-test novel innovations that are interoperable within the traditional banking industry.
- **New opportunities:** Regulation and technological advancements are reducing inefficiencies, which will force incumbents to actively add value to their value chain through partnership with financial technology partners.



Pioneering in Uganda – Insurance and Invest-Tech

Overview

- Both insurtech and invest-tech are very nascent and suffer the challenges faced by the traditional players in both industries. Key amongst them is low levels of literacy regarding these products and low up-take of their products especially in the rural areas.
- A survey carried out by the Financial Sector Deepening, in 2018 on the uptake of insurance services in Uganda stated that 11 million adults were uninsured (59% of the adult population) and 7.4 million adults (40%) were relying on informal insurance, such as saving groups, burial societies, SACCOS and community health.
- Fintechs can take advantage of micro-transactions which traditional players hindered by large operational costs may not be able to bring to market.
- In addition, Fintechs will not be limited by geographic location especially in investment.
- The COVID-19 pandemic has brought upon digital-based, usage-based insurance products in response to changing consumer lifestyles without compromising the underwriting

Insights

- **Complex products, simply distributed:** The need for insurance incumbents and Fintechs to provide complex, highly personalized products and services to customers is increasing. At the same time, changing consumer lifestyles dictate need for simplified digital processes through mobile and online channels.
- **Changing the channel:** Insurtechs can win more of the insurance market by focusing on the benefits to the end-consumer. Partnerships with product makers and distributors are viable opportunities for insurtechs to capture customers at the point of sale. Through this embedding of insurance into goods and services, insurtechs are bound to grow and develop further in the long-run.
- **Funding:** Late-stage funding is expected to continue to account for the largest share of invest-tech funding over the next 12 – 18 months, as investors gauge whether the Ugandan ecosystem is a viable marketplace for global investment opportunities in international stock exchange and cryptocurrencies.
- **Regulation:** Both invest-techs and insurtech remain heavily underregulated.

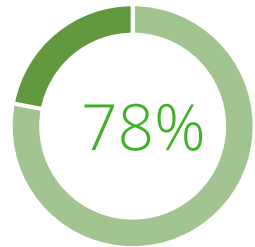
04

Enablers of the Ecosystem



Enablers of Fintech - Talent

Availability of talent to Fintechs



of the Fintech respondents have access to the skills they require in Uganda

Talent is an integral part of delivering Fintech services and remains both a key enabler and constraint to growth. Typically, the tendency is to focus on technology rather than talent. Delivering Fintech services requires several skills such as product design, data analytics, marketing, accounting, legal, and project management.

This survey indicates that a majority of the Fintechs are able to find the skills they want across this broad talent spectrum. These skills are sourced mainly from the East African region.

The skills considered the most essential are often the ones Fintechs have the most trouble accessing, and these include software and App development, infrastructure, cybersecurity, data scientists, machine learning, cognitive computing, design, marketing, and regulatory and risk management.

Talent Sources



47%

Uganda



24%

Other East African Countries



16%

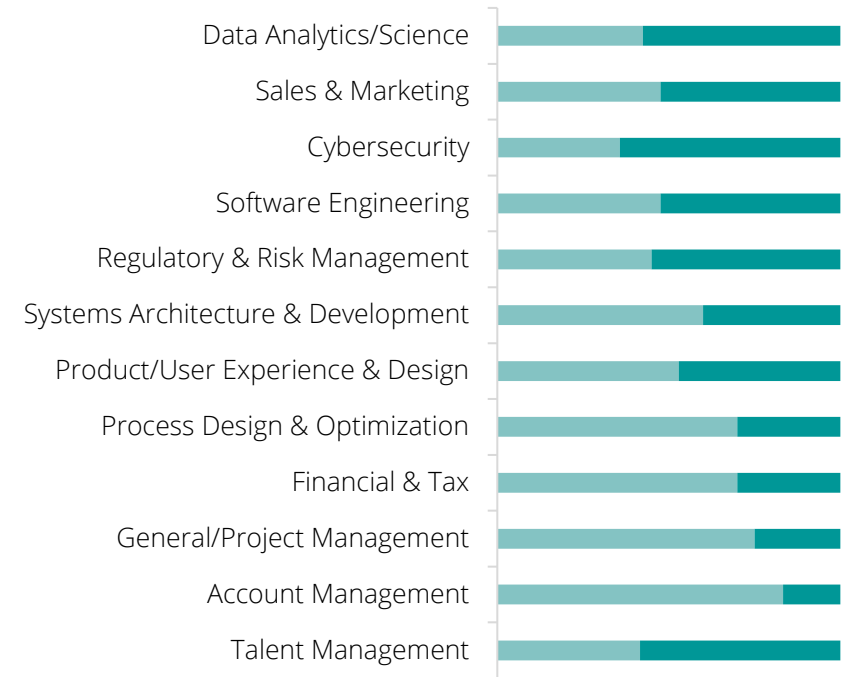
Rest of the World



13%

Rest of Africa

Skills considered essential Vs. Skills that are readily available



■ Essential Skills ■ Skills shortage

Enablers of Fintech - Talent

Meeting talent requirements

Several international reports express that attracting and retaining high-quality talent is one of the biggest challenges in Fintech growth and development. Skills are competed for on a global scale rather than locally, which presents challenges for those seeking locally grown talent and opportunities for those seeking skills not readily available at home.

Currently stakeholders opt to hire staff with basic skills and train them to the required skills and competence, crowdsource from global networks and pool resources through talent hubs. For the most strenuous or more expensive skills, Fintechs are looking to short-term consultants. In some cases, the skills may only be required temporarily.

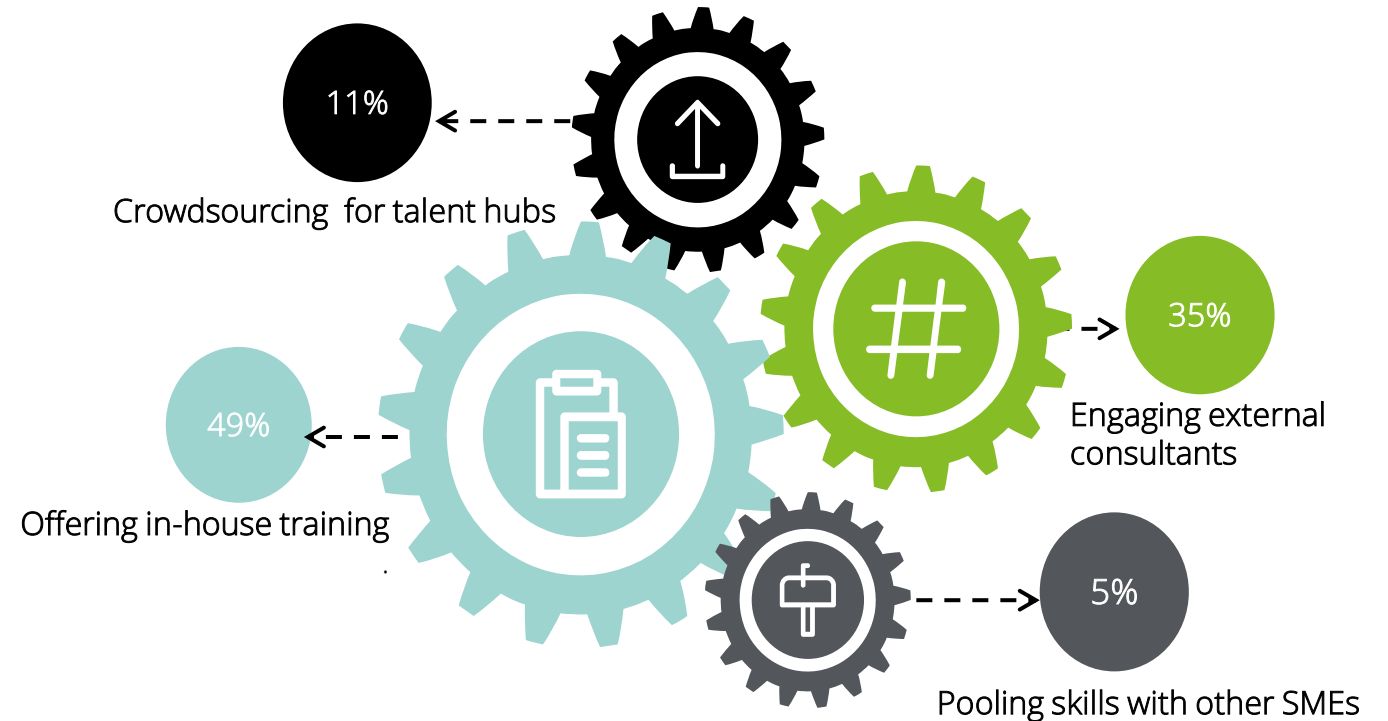
For the future, it will be important for Fintechs to work with the government and other ecosystem partners to ensure that local talent needs are met locally rather than sourced globally. Hubs like Refactory, Outbox and the Innovation Village provide a platform for firms looking for tech skills.

Another challenge that Fintechs inherit from traditional industries is the gender disparity in the Fintech community with surveyed respondents indicating that women make up at most 35% of the talent workforce as opposed to men's 65%, particularly at managerial level and Science, Technology, Engineering, and Mathematics (STEM) fields. Therefore, there is a need for the Fintech industry in Uganda to proactively bridge the gap.

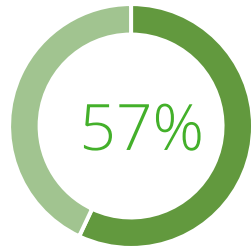
Considerations to improve talent across the Fintech industry include:

- Instituting progressive, open-minded, and internationally focused regulations that attract Fintech talent to the country, and
- Empowerment of existing and new incubators to grow the skills of available talent in their respective countries.
- FITSPA is actively promoting and encouraging its members to hire women into Fintechs to address the issue of gender disparity.

How Uganda Fintechs meet their talent requirements



Enablers of Fintech - Capital



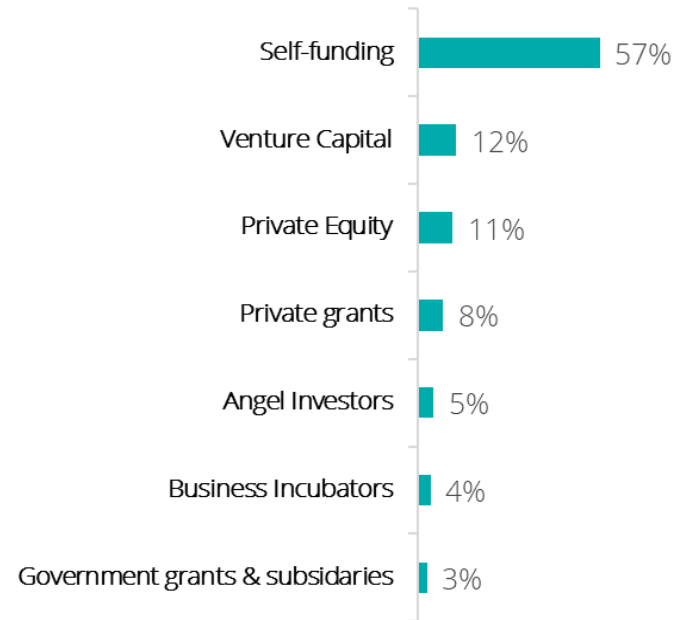
of recent funding according to the Fintech respondents came from **self-funding**.

Capital/funding is and remains to be a key enabler and constraint to Fintech growth and development globally. Contrary to popular belief, most of the Fintechs are self-funded, with minimal investment from other funding sources such as venture capital, private equity, and others.

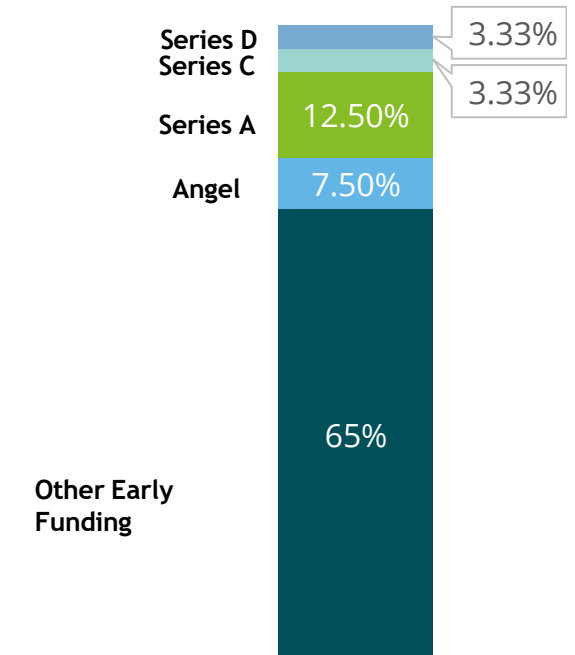
The survey indicates that a majority of the Fintechs are built on the founders' own capital, and most funding is from East Africa. In addition, most funding is in form of early-stage capital with only 7% of the funding at late-stage capital.

Uganda Fintech Survey Responses

Investment Sources



Most recent funding round



Key terms defined:

Other Early Funding is the initial funding raised when exploring the business idea's viability. This includes personal funding, friends and family.

Angel refers to an investment model whereby "angels" (high net worth individuals) provide financial backing in exchange for equity in the business.

Series A refers to an investment in a privately-held, start-up company after it has shown progress in building its business model and demonstrates the potential to grow and generate revenue.

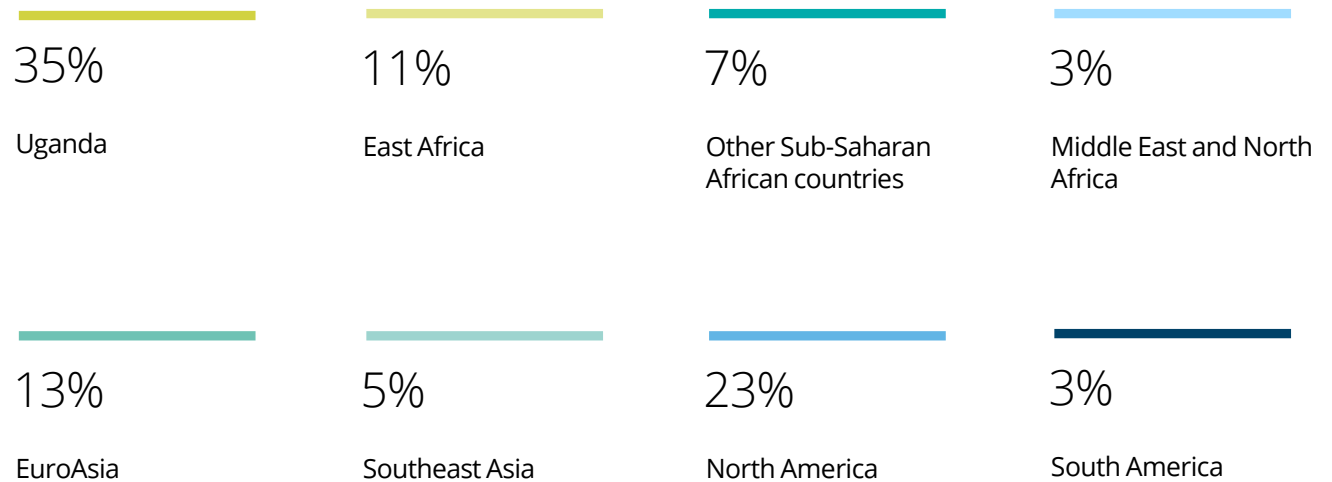
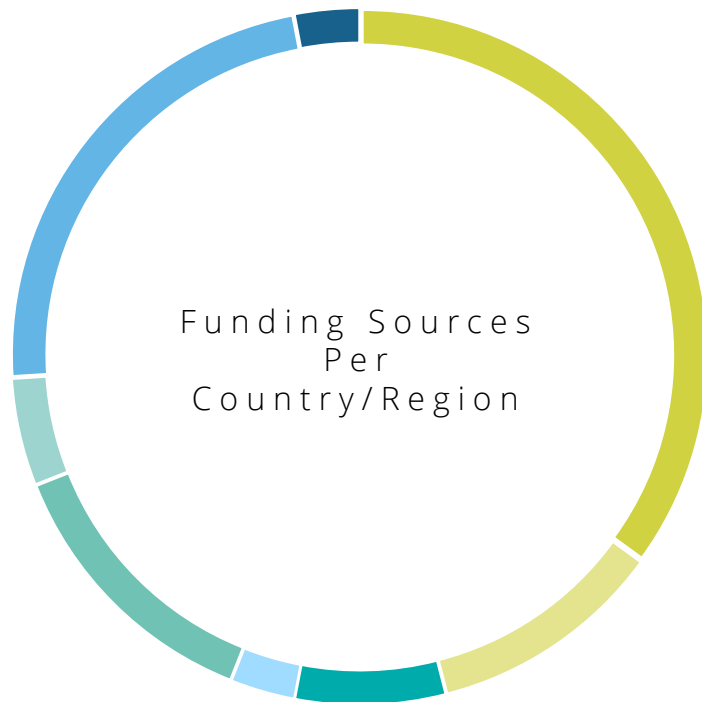
Series B refers to the funding round aimed at taking the business to the next level, past the development stage. In this round, funding is used to help startups expand their market reach to enable the company to reach the levels of demand.

Series C funding is focused on scaling the company, growing as quickly and as successfully as possible. In this round, the company has proven itself to be successful and investors such as hedge funds, investment banks, and private equity funds are likely to get involved.

Series D refers to the fourth stage in the seed stage financing cycle of a new business' growth. This is generally for financing a special situation such as a merger or acquisition, and so is not in the normal venture capital financing progression.

Enablers of Fintech - Capital

Access to funding/capital remains an immense obstacle for many Fintechs, especially in developing and emerging economies. Not all Fintechs receive international funding, but those that do so tend to position themselves with better visibility to local, regional, and international funders. To position themselves better, Fintechs need to be more visible to networks that attract funds. Accelerators, hubs and innovators are a good starting point.



Enablers of Fintech - Capital

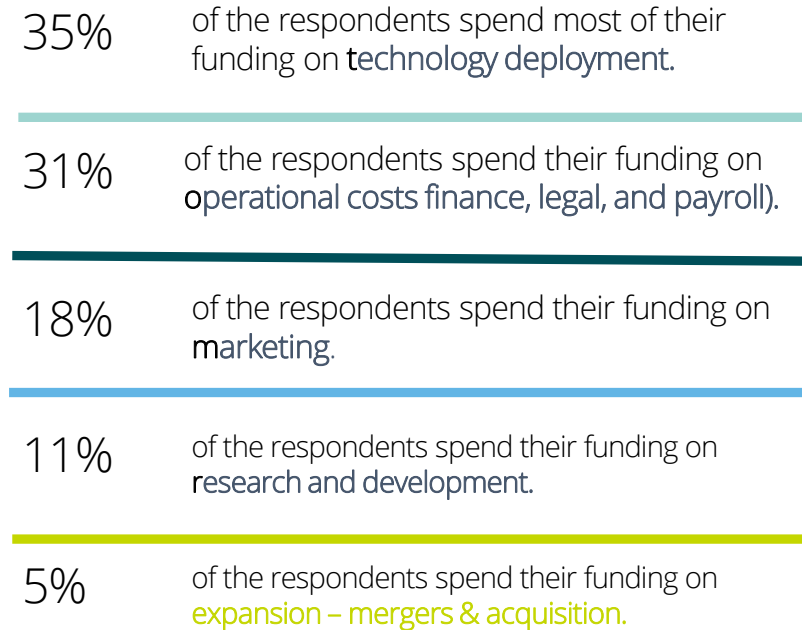
The ability of Fintechs to potentially innovate, develop, and grow is severely hampered by access to funding/capital. This is more so in developing countries such as Uganda where most of the capital is self-funded.

For Fintechs in Uganda to continue revolutionizing and developing, alternative sources of funding need not just be explored but given opportunity to expand.

From the online survey, respondents suggested a number of ways to improve fundraising in Uganda, such as:

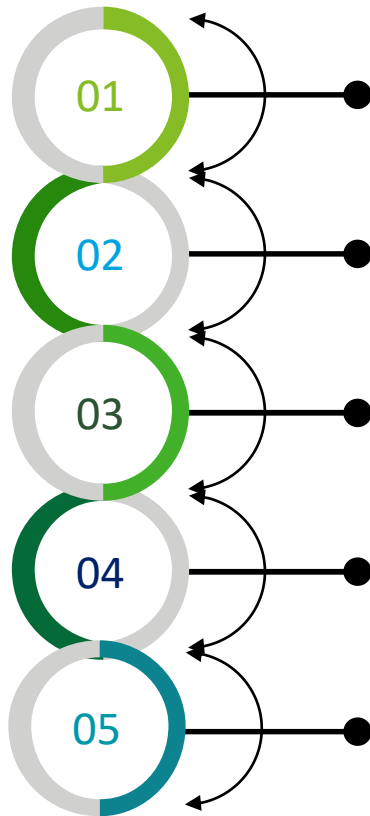
- Well-positioning of Fintechs to capture funding - especially international funding.
- Training entrepreneurs how to fundraise.
- Improvement of linkages with local and regional banks in order to spur local investment.
- Introduction of government grants and/or subsidies directed towards financial technology growth.
- Creating a Fintech product/service that addresses the current needs of consumers in the market.

Where the funding is spent



Enablers of Fintech - Capital

In this section, we seek to explore how can Fintechs prepare themselves to attract funding. Our research tells us that while progress is being made, financial engagements are not happening quickly enough.



Value Proposition:

Our research illustrates that there are many Fintechs operating in the Ugandan ecosystem and those that fail to articulate the problem they are trying to solve often fail to get funding. Our key takeaway is that Fintechs seeking funding need to be clear on who they are, what they intend to be, and the problem they plan to solve in the Ugandan context. This means that clear communication is a crucial aspect and the Fintech’s value proposition needs to be expressed in a language that the buyer understands.

Engagement approach:

Fintechs seeking funding from investors need to understand the funding context. This means that Fintechs need to understand what type of funding they are seeking it, be it equity funding, loan funding, amongst others. In understanding what funding type best suits their business, Fintechs can properly position themselves to relevant funders through innovation hubs, direct business sponsor approach.

Industry experience

Business sponsors are more likely to invest in Fintechs that have credible ex-industry practitioners on the team, who are able to articulate and contextualize the Fintech’s value proposition. In the context of those without ex-industry practitioners, initiating a proactive approach to compliance, data privacy and security as well as infrastructure helps build credibility in the industry that the Fintech is a secure investment opportunity.

Preparedness:


Our research states that Fintechs having a good level of preparedness with regard to processes, key people, data privacy, and amongst others improves the perception of the Fintech’s operations and professionalism, as well as mitigate any lingering doubts about the sustainability of the company.

Proving the concept:

Many business sponsors “angels” require evidence that the product/service that the Fintech is providing is and can work in its intended market. Business sponsors are unwilling to invest into a Fintech that has no evidence of meeting a need in the target market. In this case, Fintechs can take advantage of regulatory sandbox to test their product/service and develop a robust value proposition portfolio for potential funders.


Enablers of Fintech – Capital

Survey respondents reported that they had the following needs, beyond capital.

 22% Regulatory compliance expertise

 18% Strategic direction

 17% Partnership Opportunities

 15% Operational Expertise

 10% Access to external markets

 9% Access to customers

 9% Financial expertise

Enablers of Fintech - Regulations

Recent studies denote that governments need to rethink existing regulatory frameworks to ensure that financial technology innovations are positive for the economy.

Regulation of financial technology in Uganda has evolved over the years, with a gradual shift from traditional banking regulation to mobile money regulation, and more comprehensive open-ended financial regulations.

The survey results show that progress has been made in creating an enabling environment in Uganda that is more conducive to Fintech growth and development; most recently, with the enactment of the National Payments Systems Act that seeks not only to regulate but promote financial technology activity.

As Fintech continues to evolve beyond traditional payment-focused Fintechs, the flexibility and strength of Uganda's regulations will be crucial in ensuring consumer protection, data privacy and financial protection, among others.

To this end, collaboration between regulatory bodies such as Bank of Uganda, Uganda Microfinance Regulatory Authority, and Fintechs (through FITSPA) is critical for creating enabling regulations for the ecosystem.

Some notable policies recently released by regulators include:



National Payment Systems Act: Bank of Uganda introduced a new policy to promote the safety and efficiency of payment systems in Uganda, with a view to foster financial sector stability and economic growth.

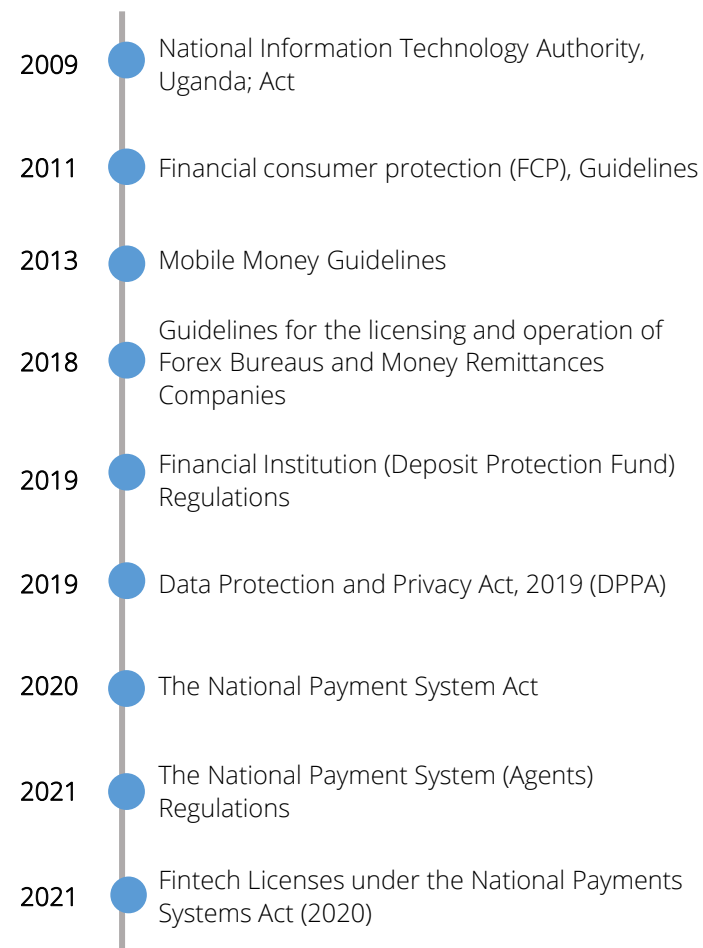


Mobile Money Split: Bank of Uganda issued the separation of telecommunications services from mobile money under the National Payment Systems Act 2020. Subsequently, MTN and Airtel split their operations to form new subsidiaries called MTN Mobile Money Uganda Ltd and Airtel Mobile Commerce Uganda Ltd respectively.



Fintech Licenses & Regulatory Sandbox: Bank of Uganda has deployed Fintech licenses and sandbox to regulate and promote a conducive environment for innovative Fintechs to grow and develop.

Regulatory Timeline – Policy Developments



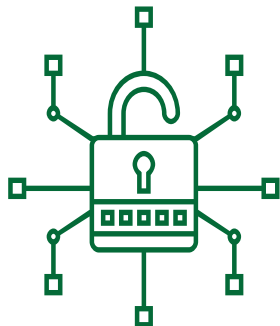
Enablers of Fintech - Regulations

Regulatory Body	Function	Role in the Fintech Industry	Fintech Segments
Bank of Uganda	Foster price stability and a sound financial system.	Administering Fintech licenses to Fintechs and operating regulatory sandbox.	Banks, all Fintech segments and mobile money
National Information Technology Authority (NITA)	Coordinate, promote and monitor information technology developments in Uganda within the context of national social and economic development.	Regulates the use of technology and ensures data privacy and protection, across the nation.	All Fintech segments
National Identification and Registration Authority (NIRA)	Create, manage, maintain and operationalise the National Identification Register by registering all citizens of Uganda, and non-citizens who are lawfully resident in Uganda.	Identity verification and authentication, KYC processes.	All Fintech segments
Capital Markets Authority (CMA)	Development of all aspects of capital markets, creation of a system in which market participants are self regulatory to maximum extent, protection of investor interests, operation of compensation fund.	Regulates innovative products and processes in the Ugandan Capital Market.	Investment and savings
Insurance Regulatory Authority (IRA)	Ensure effective administration, supervision, regulation and control of the business of insurance in Uganda.	Oversight of the activities of Insurtechs.	Investment and savings, Insurance
Uganda Retirement Benefits Regulatory Authority (URBA)	Regulating establishment, management and operation of retirement benefits schemes, and supervising institutions that provide retirement benefits products and services.	Oversight of Fintech services leveraging investment and savings, as well as retirement benefit packages.	Lending, Investment & Savings, Insurance

Enablers of Fintech - Regulations

Regulatory Body	Function	Role in the Fintech Industry	Fintech Segments
Uganda Registration Services Bureau (URSB)	Responsible for business registration, official receiver in liquidation of companies and bankruptcy matters, intellectual property rights, civil registration and collection of non-tax revenue.	Oversight of company and Fintech identity verification and KYC procedures at institutional level.	All Fintech segments
Uganda Microfinance Regulatory Authority (UMRA)	Protecting the savings of depositors, limiting predatory lending and unethical practices, and building confidence in the system to promote financial inclusion.	Oversight of technology solutions that protect consumer deposits, and limits predatory lending and unethical practices.	Lending and Insurance,
Uganda Communication Commission (UCC)	Developing a modern communications infrastructure in Uganda, regulating, facilitating and promoting the sustainable growth and development of Uganda's communications sector.	Regulates Fintech services leveraging mobile phones.	All Fintech segments

Survey Snapshot



Fintech Perspective: Surveyed respondents consider the new regulations in reference to Fintech licenses and regulatory sandbox neutral.

On one hand, Fintechs welcome the opportunity for government to be more involved to create **an enabling environment** for innovation and Fintechs in general, while on the other hand, Fintechs view the regulations as another **barrier to entry** due to the high cost implications of these regulations. For regulation to succeed and be universally accepted, regulators need to **collaborate more** with Fintechs and traditional incumbents.

Regulator Perspective: Regulators such as Bank of Uganda, Uganda Microfinance Regulatory Authority (UMRA) and others acknowledge the growing uncertainty regarding Fintech regulation due to multiple jurisdictions under various regulatory bodies. However, they state that until the law is rectified with Fintech regulation in mind, Fintechs have no recourse but to ensure that they understand their business and register accordingly under the applicable regulatory bodies.

Regulatory Approaches

Analysis of the current state of regulatory approaches in Fintech shows an adoption of both verticals and cross-sectoral regulatory frameworks

As the regulatory frameworks aim to promote safety and mitigate risk within the Fintech industry, they ought to be enabling and inherently flexible due to the rapid rate of innovation involved in the Fintech market. Regulation should not be general and/or an overarching law that groups all Fintech products and services into one, if they are to be successful. Analysis of the current state of regulatory approaches shows good coverage by Uganda and across most of Sub-Saharan Africa with a mix of verticals and cross-sectoral frameworks affecting Fintechs as shown below:

Regulatory Framework & Mandates	Category	Uganda	Kenya	Nigeria	Rwanda	South Africa
Digital Payments	Vertical	✓	✓	✓	✓	✓
E-money: (including mobile money)	Vertical	✓	✓	✓	✓	✓
International remittances	Vertical	✓	✓	✓	✓	✓
Peer-to-peer (P2P) lending	Vertical	✗	✓	✓	✗	✓
Equity crowdfunding	Vertical	✓	✓	✓	✗	✓
Data protection: General frameworks	Cross-Sectoral	✓	✓	✓	✓	✓
Cybersecurity	Cross-Sectoral	✓	✓	✓	✓	✓
Financial consumer protection (FCP)	Cross-Sectoral	✓	✓	✓	✓	✓
Anti-money laundering (AML) and electronic-know your customer (eKYC)	Cross-Sectoral	✓	✓	✓	✓	✓
Regulatory sandboxes	Innovation	✓	✓	✓	✓	✓

- **Open banking:** “within a regulatory framework context refers to a standard set of sharing protocols, in most cases using an Application Programming Interface (API), in order to deliver consumer data between two unrelated financial services entities” (Cambridge Centre for Alternative Finance (CCAF).
- **Financial consumer protection (FCP):** “encompasses the laws, regulations and institutional arrangements that ensure the safety of consumers in the financial marketplace” (*The World Bank, 2020*).

✓ In place ✓ Draft/forthcoming ✗ Not in place



05

Fintech Disruption and Opportunities in Uganda

Fintech Disruption in Uganda

Fintechs are strategically positioned to disrupt how financial services are structured, delivered and consumed, and in doing so, facilitate greater financial inclusion. But many have not successfully established themselves in the ecosystem yet.

Where Fintechs have succeeded

User Experience

Fintechs have reshaped customer expectations, setting new and higher bars for user experience. Through innovations such as mobile money, Fintechs have spurred financial inclusion for the underbanked and unbanked population.

Roadmap

Fintechs have seized the initiative – defining the direction, shape, and pace of innovation across almost every subsector of financial services – and have succeeded as both stand-alone businesses and crucial parts of financial value chains.

Peer-to-peer transactions

The adoption of mobile money has paved the way for peer-to-peer (p2p) transactions faster than expected. With this foundation set, Fintechs are developing and innovating from an existing foundation.

Partnerships

Fintechs have and are developing strong partnerships with traditional incumbents such as banks and mobile network operators (MTN Uganda and Airtel Uganda). These partnerships are the key to embracing the waves of change and implementing solutions that meet current and future needs.

Where Fintechs did not meet expectations

Interoperability

A multitude of traditional systems pose an obstacle to interoperability between existing legacy systems and new Fintech systems. Fintechs have had limited success in linking their products and services to other traditional incumbents.

Customer inertia

Customer willingness to switch from traditional incumbents such as banks or mobile money is quite low. New innovations often have high switching costs, and limited accessibility to warrant a switch.

Technology platforms and technology support

As operations grow with the increased customer base, demand for bigger and faster technology platforms increases. This poses a problem for Fintechs in Uganda due to the limited capital and talent to make this a reality in the short-run.

Customer service

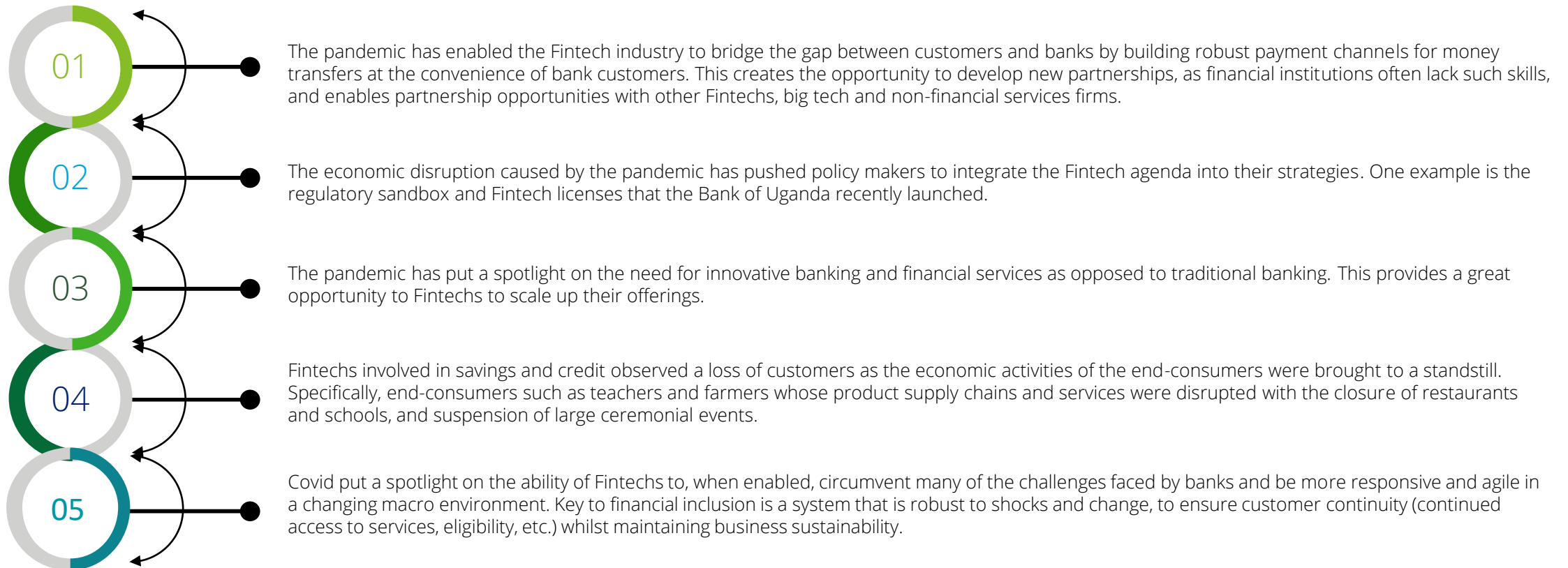
As regards communicating with customers, Fintechs over-focus on the tech elements while foregoing or having a limited “human touch” in addressing customers’ needs and queries.

Infrastructure

Fintechs have struggled to create new infrastructure and establish new financial services ecosystems such as alternative payment rails or alternative capital markets. Greater success has been seen in their improvements of the existing traditional ecosystems and infrastructure.

Disruption and acceleration due to the COVID-19 pandemic

The COVID-19 pandemic has and is still causing disruptions in businesses and economies around the globe. The pandemic has impacted the financial technology adoption and surge in developing economies, including Uganda. The survey respondents shared their thoughts on the pandemic and its resulting effects on the Fintech industry.



As Fintechs continue to impact how financial services are structured, delivered and consumed, there are challenges that they must overcome in order to successfully established themselves as dominant players in the market. Some of the challenges faced by Fintech firms in Uganda include:

Access to regulators : A number of the existing cross-sectoral laws and regulations in Uganda have historically been crafted with input from, and for the incumbent/ traditional financial services intermediaries, which poses a structural challenge around access to regulators for the Fintechs. In addition, the legal and compliance frameworks may be hard to interpret for Fintech firms who may be tech-savvy start-ups with limited compliance know-how or competencies.

Access to resources: A significant resource challenge facing Fintechs is the difficulty in accessing capital. The inability of SMEs to raise funds is caused by a number of demand- and supply-side factors, such as the lack of financial records and the inability of lenders to tailor their loan terms to match the business needs. Generic pitches and a lack of industry experience undermine start-up business credibility. Financial institutions have become more demanding about their Fintech expectations. Fintechs and investors prefer more certainty on their investment, leading to investments in later funding rounds and less in new Fintech launches. COVID-19 may reinforce this tendency.

Shortage of high-level technical skills: There is a significant challenge around the shortage of technical skills. Although much emphasis is placed on the technologies in the Fintech domain, it is the people, the skills and the talent that create the innovation and propel the change.

Access and security of quality financial services data: Data ubiquity, and consequently data security, are proving to be a major challenge for Fintech. As the penetration of online and phone banking services increases, enterprises can gather tremendous amounts of data about customers. It becomes challenging for Fintechs to maintain data universality and data security, right from the time of collecting the data to storing it.

Ineffective marketing tactics to acquire customers: Generally, Fintechs fail to understand their niche, target audience, and strategies. In recent times, where most people still use traditional banking services, Fintech companies struggle to overcome this challenge.

Customer inertia: Customer willingness to switch from incumbents has been overestimated. Customer switching costs are high, and new innovations are often not sufficiently material to warrant the shift to a new provider, especially as incumbents adapt. Most Ugandans are currently financially excluded because of, among other factors, limited spread of bank branches across the country.

According to the International Monetary Fund (IMF) Financial Access Survey, the number of bank branches per 100,000 people stood at 2 at the end of 2020. However, there is an opportunity for the Fintechs given that the traditional financial service providers clearly face challenges in extending financial services to the un-banked and under-banked population.

Infrastructure: Fintechs, especially in developing countries like Uganda continue to struggle to create new infrastructure and establish new financial services ecosystems, such as alternative payment rails or alternative capital markets. They have been much more successful in relying and making improvements within traditional ecosystems and infrastructure. Additionally, internet usage outside urban areas is very low, hence the limited concentration of e-commerce there. As such, delivery systems are still nascent and consumer trust in e-commerce and digital payments is still low.

Opportunities in the Uganda Fintech Ecosystem

ANALYSIS

The survey illustrated **six opportunities in the Fintech industry** that new, established and developing Fintechs can take advantage of in the wake of the COVID-19 pandemic.

The economic disruption of the COVID-19 pandemic is highlighting the importance of serving the end-user (the consumer). In this regard, **over 45%** of the respondents' state that further innovation in the identified six Fintech segments needs to be done; specifically, to serve the final consumer of the product/service.

Hence, greater financial inclusion is of key importance as Fintechs play a strategic role in partnering with traditional incumbents to bring more consumers within the financial accessibility fold.

Capital Markets

Fintech in capital markets is being driven by the needs of a globally aware but locally-limited consumer base that seeks to expand their investment diversification.

Personal finance

The rise of smartphone usage has accelerated the use and convenience in managing personal finance at one's fingertips. More so now, when consumers actively adhere to COVID-19 restrictions.

Money Transfers/Remittances

Money transfers/remittances remains an integral part of Uganda's ecosystem, more so, after the COVID-19 pandemic.

Lending

The COVID-19 pandemic disrupted livelihoods and illustrated the need for innovation in the lending market as more people pursue quick unsecured loans.

Insurance

Convenient and easy access to insurance for property, motor vehicles, medical, and life has seen a sharp uptake in recent years.

Blockchain/crypto

Ugandan investors are seeking to invest their disposable income in new opportunities such as the rising cryptocurrency trend.



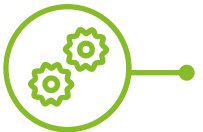
Opportunities in the Fintech industry during the Covid-19 era



Continued acceleration of partnerships: An important outcome of COVID-19 for Fintechs may well be the continued acceleration of partnerships. Partnerships between banks and fintech are already leading the way to the future of financial services and although incumbent financial institutions and Fintechs often appear to be locked in competition, it is increasingly evident that they should all be sitting on the same side of the table. The ability to adapt and innovate quickly leads to many Fintechs creating new products and offering digital solutions. This creates the opportunity to develop new partnerships, as financial institutions often lack such skills. There will be partnership opportunities with other Fintechs, big tech and non-financial services firms.



Advancing financial inclusion programs: The economic disruption caused by the COVID-19 pandemic is highlighting the importance of serving people who are currently outside the financial system, both in developing and developed economies. It is possible that COVID-19 may lead to greater financial inclusion as a result of recent government programs around the world to help low-income households. Fintechs can play an important role, perhaps through strategic partnerships across a broad ecosystem of players.



Accelerating economic relief efforts: Numerous payments companies may be well positioned to aid in the more rapid disbursement of government relief funds, especially to those without bank accounts.



Empowering gig workers: Gig economy workers are another attractive segment for Fintechs. Given their inconsistent or unpredictable income patterns, gig workers typically have unique financial, insurance, and tax requirements. For this reason, they are generally underserved by banks, making them a growing opportunity for Fintech firms. While it is unclear how COVID-19 might impact the growth of the gig economy, Fintechs may end up targeting these individuals more directly.



Harnessing the Internet of Things: Another area is Internet of Things (IoT) enabled contactless payments, such as connected cars that allow consumers to pay for gas or food without handling cash or other potentially infected surfaces. In fact, it is possible that COVID-19 will accelerate the adoption of IoT-enabled payments.

06

Future Focus



Future focus

In the Industry 4.0 era, with customers increasingly expecting delivery of business outcomes, companies are realizing the need to redefine their offerings, accelerate and broaden innovation, and deliver outcome-oriented solutions in collaboration with ecosystem partners. This, in combination with the Covid-19 pandemic and its effects on economies, has created rife opportunities for the Fintech industry.

VIRGIN MARKETS

We researched five virgin markets regionally: South Sudan, Burundi, Ethiopia, Somalia, and Democratic Republic of Congo. In our research, the Fintech ecosystem illustrated that these countries are ripe for potential Fintechs specifically in payments and remittances. A segment that Fintechs in Uganda are well-versed in and have the experience to undertake in a new country frontier.

MERGERS AND ACQUISITIONS ACTIVITY

The recent acquisition of Beyonic and the purchase of a stake in Interswitch Africa by international players signals a significant change in the tide for developing and well-established Fintechs in the country. This indicates the existing opportunity to be acquired by larger global players who are seeking to establish a foothold in the Ugandan economy. To achieve this, further development in the technology deployment and increase in customer base is required to look enticing for any global player.

UNDERSERVED POPULATION

To further financial inclusion, more innovation and development needs to be done by existing Fintechs to capture the underserved population. The creation of products and services geared towards the people; in this case, the less digitally savvy people would prove fruitful.

REGULATORS

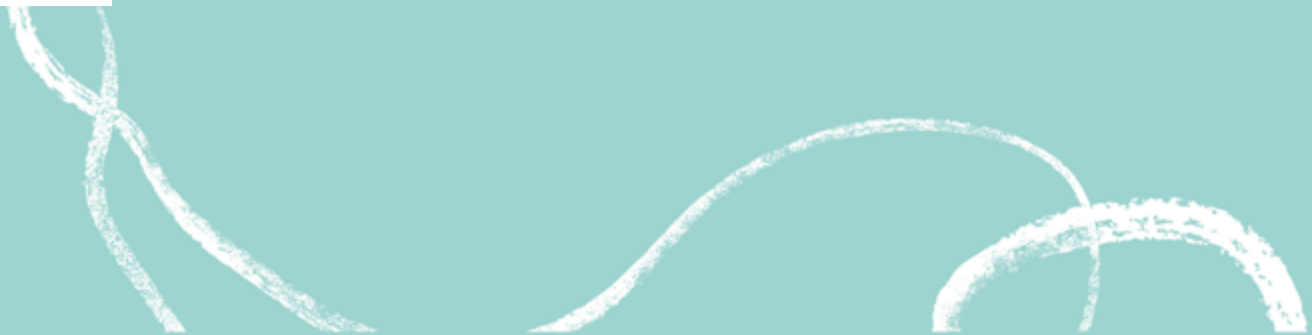
The Ugandan government has increasingly over the years taken an avid interest in the growing Fintech community and its ability to achieve greater financial inclusion. New regulations such as the regulatory sandbox and Fintech licenses are merely the initial steps in the development of a conducive Fintech environment in Uganda. Greater collaboration with the government through FITSPA and other bodies shall prove vital in developing innovative and friendly Fintech regulations.

The study noted the following trends in the Fintech industry that are likely to disrupt the industry and drive immense growth:

- The 2020 Covid-19 pandemic came as an opportunity for Uganda as a lot of innovations came through. Notable among them was the increase in digital payments which were taken up by the people enabling the Fintech community benchmark on that to thrive. More innovations in the Fintech sector are expected in the future.
- The growing digital literacy of the population, coupled with a youthful population is pushing greater adoption of fast, easy financial solutions. This is evidenced with the ever-growing number of users on mobile money platforms. Adoption of Fintech services is expected to grow even more in the future.
- Additionally, with formal financial inclusion in Uganda standing at just 58%, traditional financial service providers clearly face challenges in extending financial services to the un-banked and under-banked population. 34 Fintech companies have sought to target the gap in access to finance by utilizing innovative technology, while simultaneously entering some of the most profitable segments of the financial services value chain (The business segments that are more profitable, but with lower revenue, include the fee-based business areas such as payment transactions, investment banking and asset management / insurance). Their unique offerings, coupled with robust and scalable technologies, have the potential to drive significant gains in financial inclusion.
- Bank of Uganda created regulatory sandboxes to facilitate the testing of new technologies, products and services in a controlled environment, overseen by the relevant regulator(s). The creation of regulatory sandboxes has been driven by several perceived regulatory barriers to innovation and entry into financial services markets. Sandboxes will encourage innovation and give Fintechs an opportunity to grow.
- Access to international/ high-level talent in the global market is one of the challenges that the Fintech industry in Uganda has faced. Expansion into the international market will help the Fintech industry in Uganda get access to international talent. Some of the areas of expertise to tap into include Software & application and Network/ Infrastructure development, Data analytics/Big data/Data scientists and AI/Machine learning/ Cognitive computing among others.
- Social media growth will help Fintechs reduce the cost of entering new markets and reaching customers at significantly lower marketing costs. It will also lead to crowd sourcing various services and consumer-oriented marketing based on the data and purchase behavior.
- The growing literacy and digital awareness among the population will foster further growth of the Fintech industry in Uganda as adoption of Fintech solutions increases.
- The declining cost of internet services and growing mobile and smartphone penetration in Uganda will provide an excellent opportunity to leverage Fintech to promote financial inclusion.

07

Annex

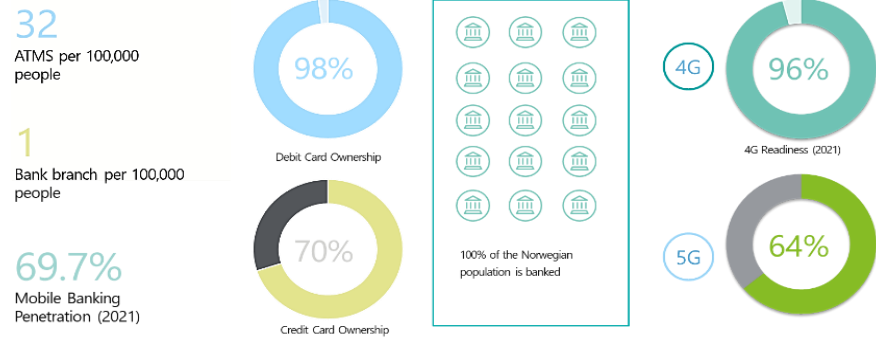


Country Comparative Analysis

An analysis of digital commerce make-up in a sample of Developed Economies.

Norway – Digital Commerce

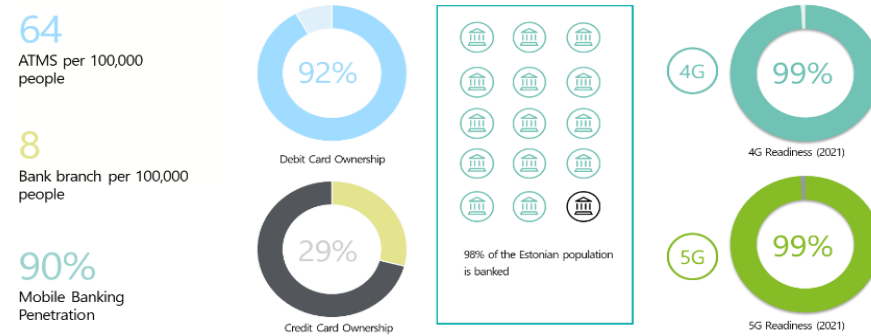
Data visualization



Source: IMF, The Global Economy, GSMA

Estonia – Digital Commerce

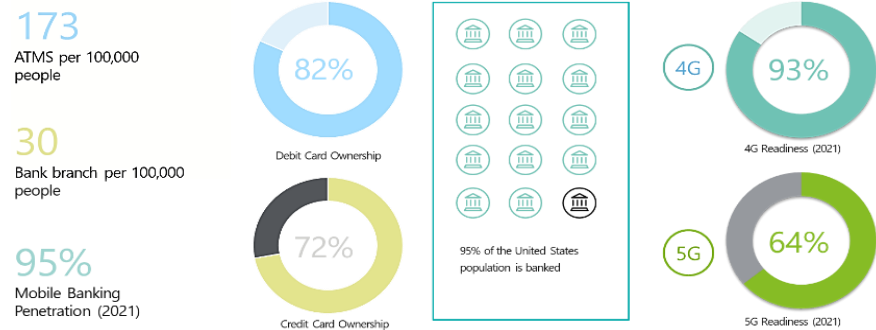
Data visualization



Source: IMF, The Global Economy, GSMA

USA – Digital Commerce

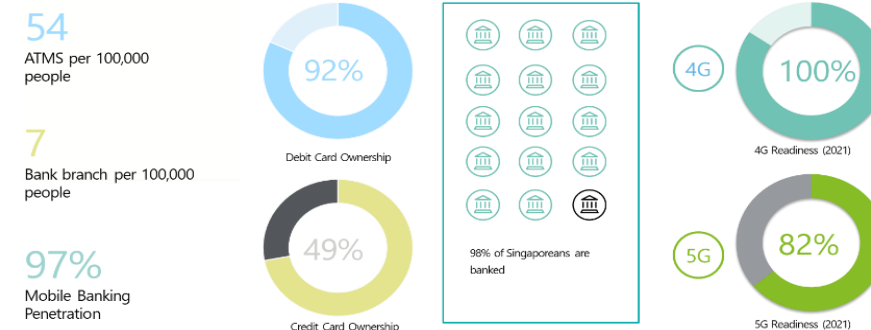
Data visualization



Source: IMF, The Global Economy, GSMA

Singapore – Digital Commerce

Data visualization



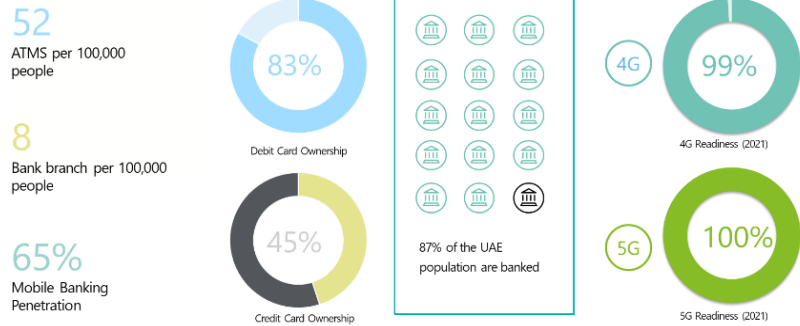
Source: IMF, The Global Economy, GSMA

Country Comparative Analysis

An analysis of digital commerce make-up in a sample of Emerging Economies.

UAE – Digital Commerce

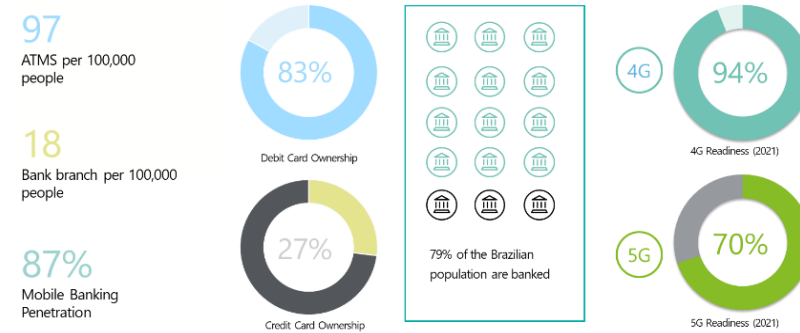
Data visualization



Source: IMF, The Global Economy, GSMA

Brazil – Digital Commerce

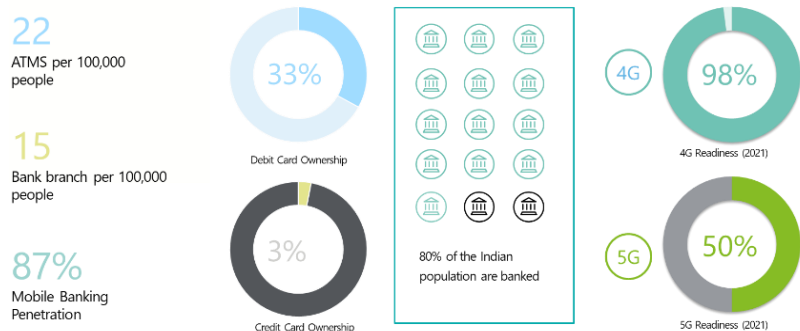
Data visualization



Source: IMF, The Global Economy, GSMA

India – Digital Commerce

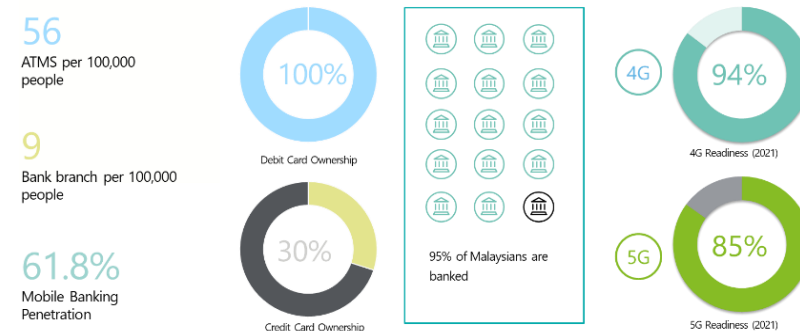
Data visualization



Source: IMF, The Global Economy, GSMA

Malaysia – Digital Commerce

Data visualization



Source: IMF, The Global Economy, GSMA

Country Comparative Analysis

An analysis of digital commerce make-up in a sample of Sub-Saharan Economies.

Kenya – Digital Commerce

Data visualization

22
ATMS per 100,000
people

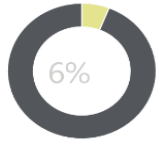
15
Bank branch per 100,000
people

87%
Mobile Banking
Penetration

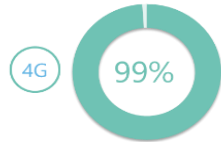
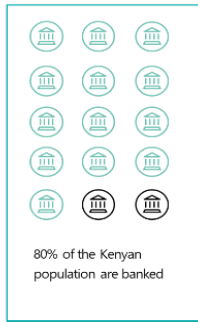
Source: IMF, The Global Economy, GSMA



Debit Card Ownership



Credit Card Ownership



4G Readiness (2021)



5G Readiness (2021)

South Africa – Digital Commerce

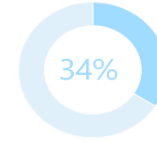
Data visualization

22
ATMS per 100,000
people

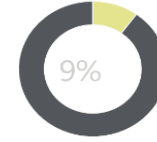
15
Bank branch per 100,000
people

87%
Mobile Banking
Penetration

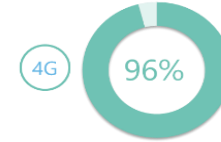
Source: IMF, The Global Economy, GSMA



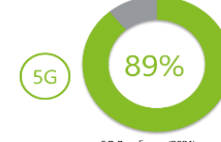
Debit Card Ownership



Credit Card Ownership



4G Readiness (2021)



5G Readiness (2021)

Nigeria – Digital Commerce

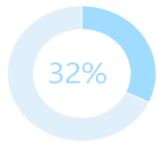
Data visualization

22
ATMS per 100,000
people

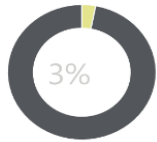
15
Bank branch per 100,000
people

87%
Mobile Banking
Penetration

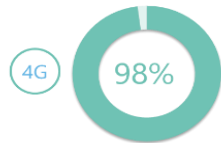
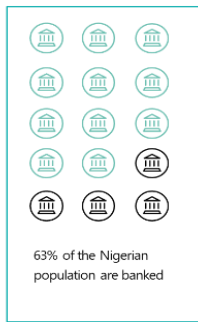
Source: IMF, The Global Economy, GSMA



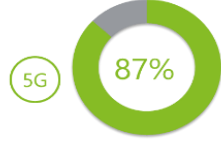
Debit Card Ownership



Credit Card Ownership



4G Readiness (2021)



5G Readiness (2021)

Rwanda – Digital Commerce

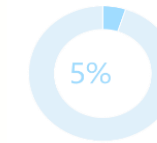
Data visualization

22
ATMS per 100,000
people

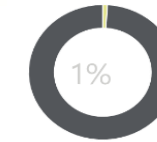
15
Bank branch per 100,000
people

87%
Mobile Banking
Penetration

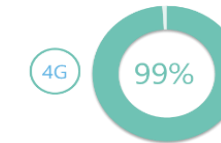
Source: IMF, The Global Economy, GSMA



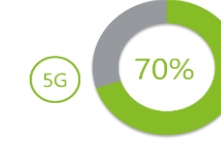
Debit Card Ownership



Credit Card Ownership



4G Readiness (2021)



5G Readiness (2021)

Country Comparative Analysis

An analysis of the digital commerce make-up of the Ugandan economy.

4

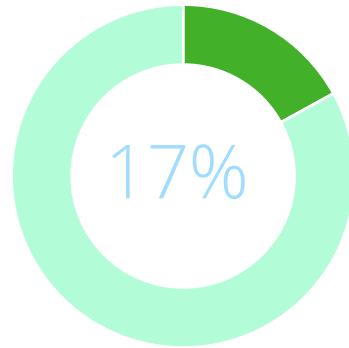
ATMS per 100,000 people

2

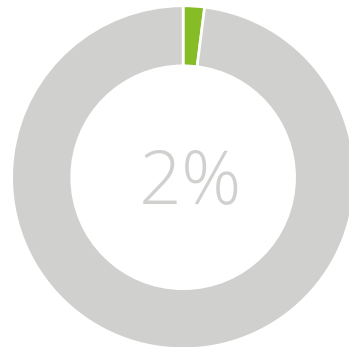
Bank branch per 100,000 people

47%

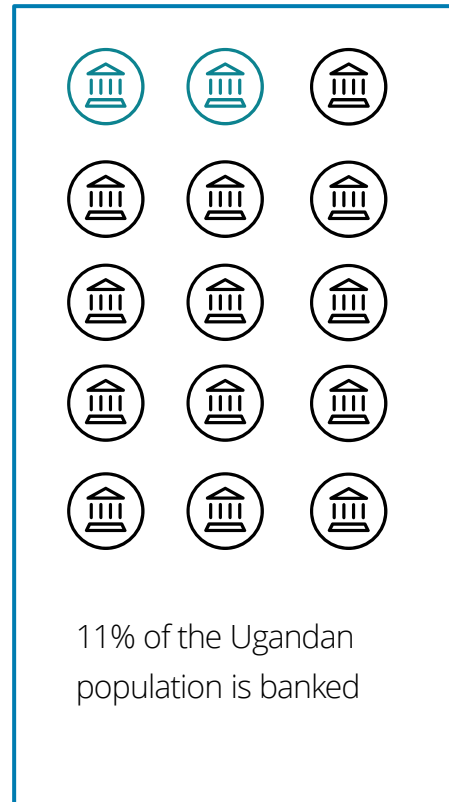
Mobile Banking Penetration (2021)



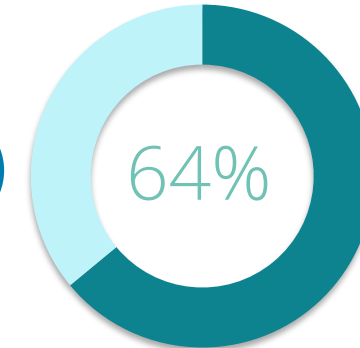
Debit Card Ownership



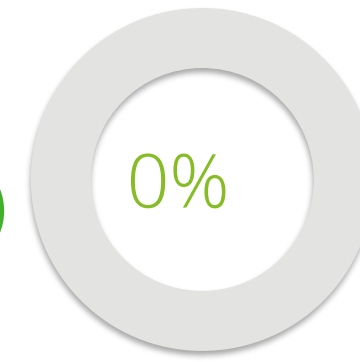
Credit Card Ownership



11% of the Ugandan population is banked



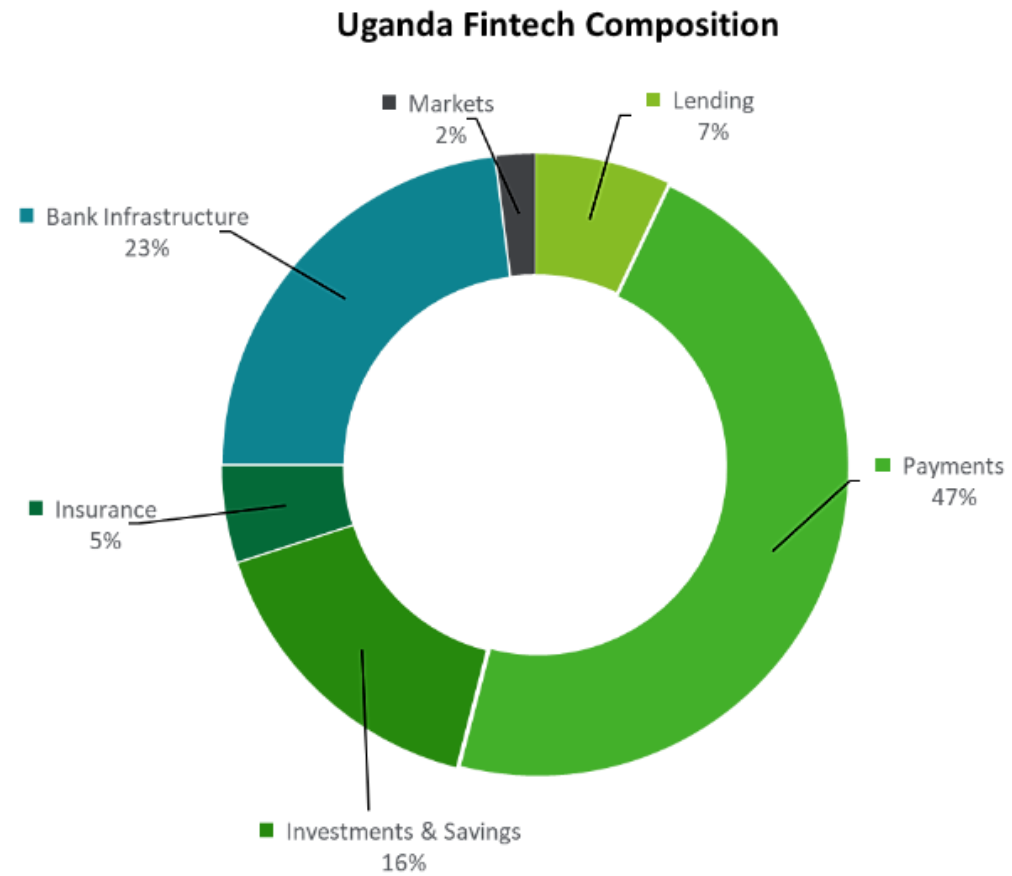
4G Readiness (2021)



5G Readiness (2021)

Country Fintech Composition

An analysis of Fintech composition in Uganda.

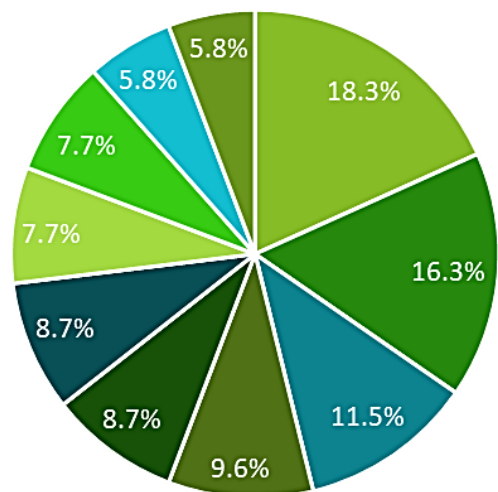


Source: FSDU

Country Fintech Composition

An analysis of Fintech composition in a sample of Developed Economies.

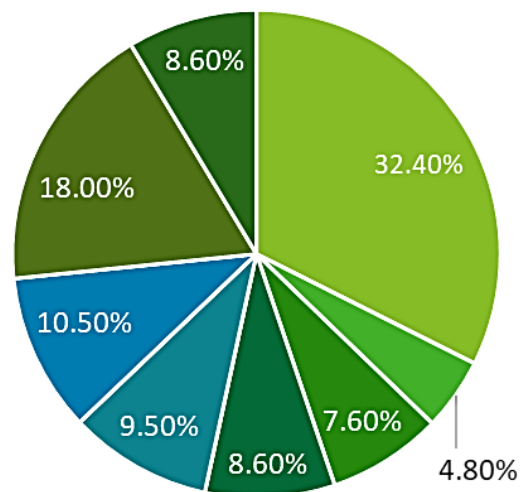
USA



- Payments
- Capital Markets
- Data Analytics
- Real Estate
- Blockchain
- Data Agregation
- Regtech
- Accounting & Tax
- Wealth Management
- Personal finance

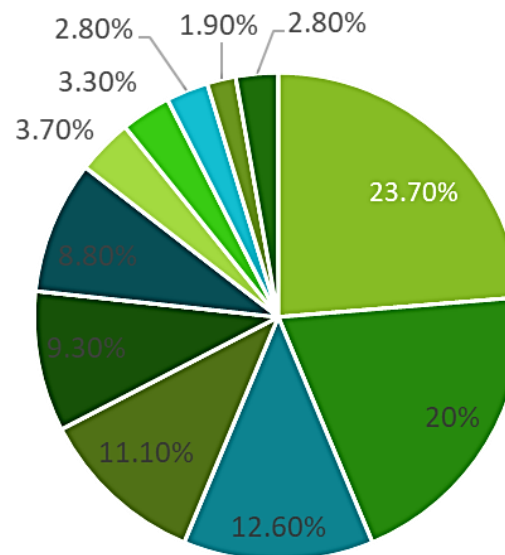
Source: Tellimer Research

Norway



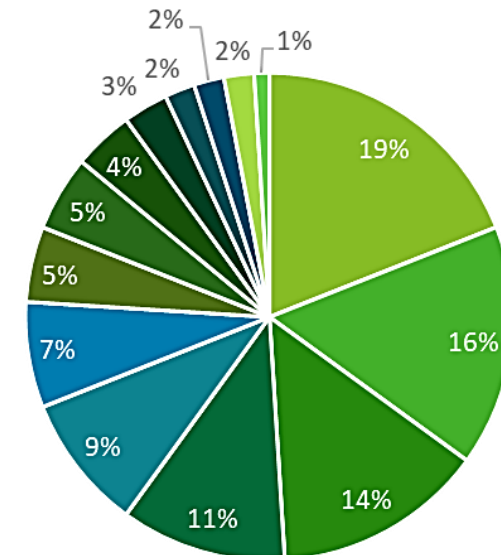
- Payments
- Enterprise Finance
- Capital Markets
- Wealthtech
- Digital Banking
- Security
- Insurtech
- Data & Analytics

Estonia



- Digital Asset
- Digital Payments
- WealthTech
- Insurtech
- Digital Custody
- Others
- Digital lending
- Enterprise Tech
- Digital Capital
- Data Analytics
- Digital Identity

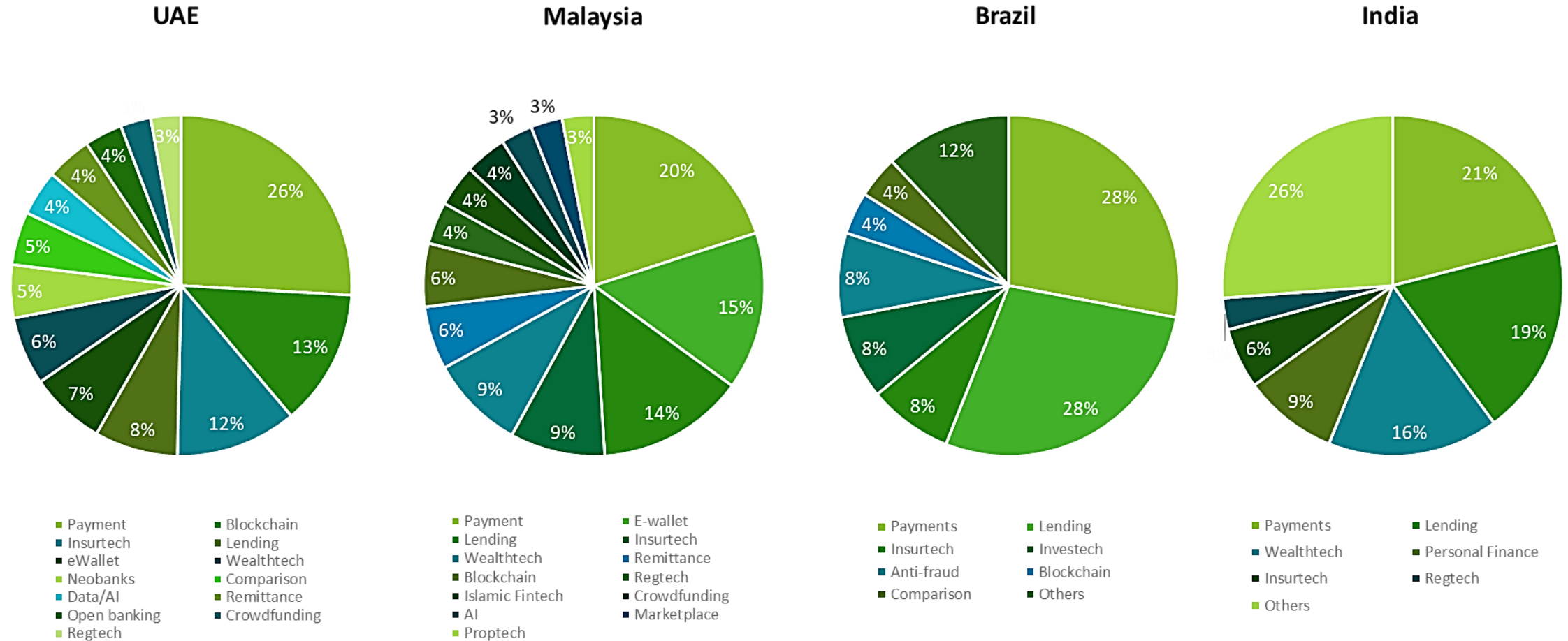
Singapore



- Cryptocurrency
- Payments
- Lending
- Insurtech
- Big Data/AI
- Remittance
- Core Banking
- Personal Finance
- Regtech
- Comparison
- Neo Banking
- Chatbots

Country Fintech Composition

An analysis of Fintech composition in a sample of Emerging Economies.

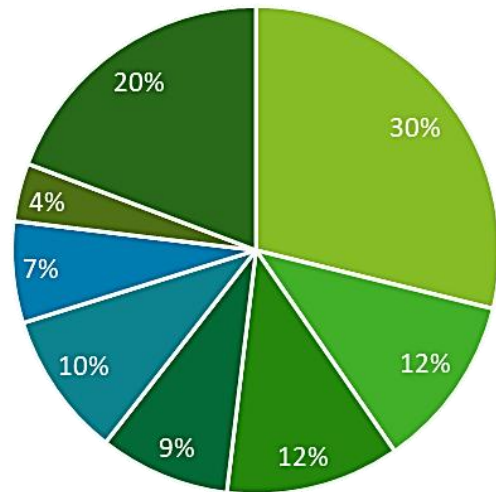


Source: Tellimer Research

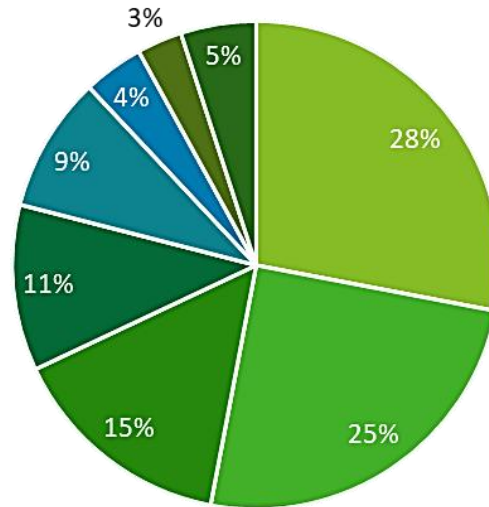
Country Fintech Composition

An analysis Fintech composition in a sample of Sub-Saharan Economies.

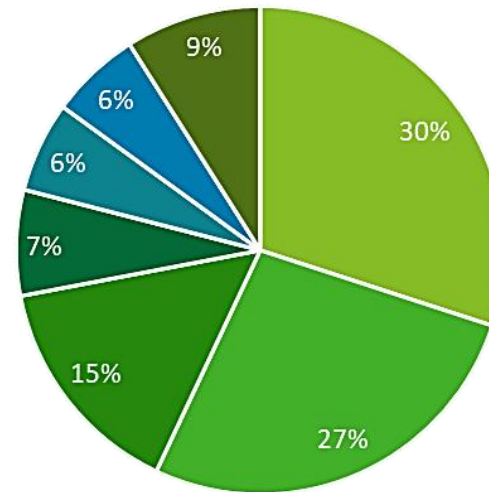
South Africa



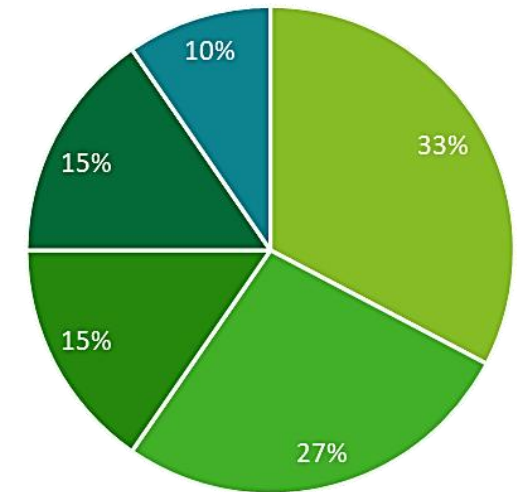
Nigeria



Kenya



Rwanda



- Payments
- Savings
- Investments
- Capital raising
- Lending
- Insurtech
- Financial Planning
- B2B Tech Support

- Payments
- Software
- Blockchain
- Financial Mgt
- Lending
- Investech
- Insurtech
- Other

- Payments
- Blockchain
- Financial Mgt
- Others
- Lending
- Investech
- Insurtech

- Payments
- Savings
- Insurance
- Lending
- Enabling

Source: Tellimer Research

Fintech by the numbers: Developing Economies

Fintech Companies in Uganda

The image displays a comprehensive list of fintech companies in Uganda, organized into eight distinct categories. Each category is represented by a green header bar with a representative icon and the category name. The logos are arranged in a grid-like fashion within each category.

- Payment:** Includes logos for Yo! Uganda Limited, m'cash, paytota, Interswitch, DusuPay, Stanbic Bank, Centenary Bank, KCB BANK, MTN Mobile Money, PEGASUS TECHNOLOGIES, xente, TRUE AFRICAN, NEPSERV, OPPORTUNITY BANK, airtel money, PAYWAY, blinkpay, youtap, jambopay, eMoney, Swipe2pay, pesapal, QuickTap, Pebuu, boresha, JUMO, payva.it, mambo wallet, DPO GROUP, EzyAgric, palmpay, TRANSMET PAYMENT, PivoT Payments, MURCOM, Metajua, FYNIXWAVE, KRAY, zengapay, HAMLET, MICROPAY, and network.
- Lending:** Includes logos for fenix intl, EGRET, SBH, ZoFi cash, NUMIDA, Pay24, Zenka, akaboxi, RYRA INVESTMENTS LIMITED, azima, TUGENDE, and absa.
- Insurance:** Includes logos for we farm, Craft Silicor, ayo, clinicPesa, and MONEYDUKA.COM.
- Infrastructure:** Includes logos for RAXIO, KANZU CODE, Service Cops., fintech transformative technology, ensibuuko, hainiwe, afrolynx, Smart, LUMJO CONSULTANTS, JAMBULE, Digital Communities Developers, beyonic, infobip, MCL, REDAH, interVas, NANO, simplygroup, CITO, flyhub, DMARK, BRIDGE TECHNOLOGIES, UnifiedTech, relworx, idTec, locallinks, AVCS AFRICA VISION COMPUTER SERVICES, and HUB4CYBER.
- E-Commerce:** Includes logos for JUMIA, SafeBoda, SOKOWATCH, and Glovo.
- RegTech:** Includes logos for LABO REMI US and SMILE IDENTITY.
- Investments and Savings:** Includes logos for clic, XENÖ, FutureLink, MAZIMA RETIREMENT PLAN, RYRA INVESTMENTS LIMITED, FIT INSIGHTS, and maalicaard.
- Remittances:** Includes logos for wave, Chipper, Eversend, MONEY SENT, PesaKit, and SEGOVIA.

Source: FITSPA

Link: <https://fitspa.ug/our-community>

Fintech Enablers in Uganda

Regulators



Accelerators, hubs & Incubators



Associations & Facilitators



Venture Capital & Private Equity



Thank you.



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Contact: info@fitspa.ug
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Deloitte.

Mabel Ndawula
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