

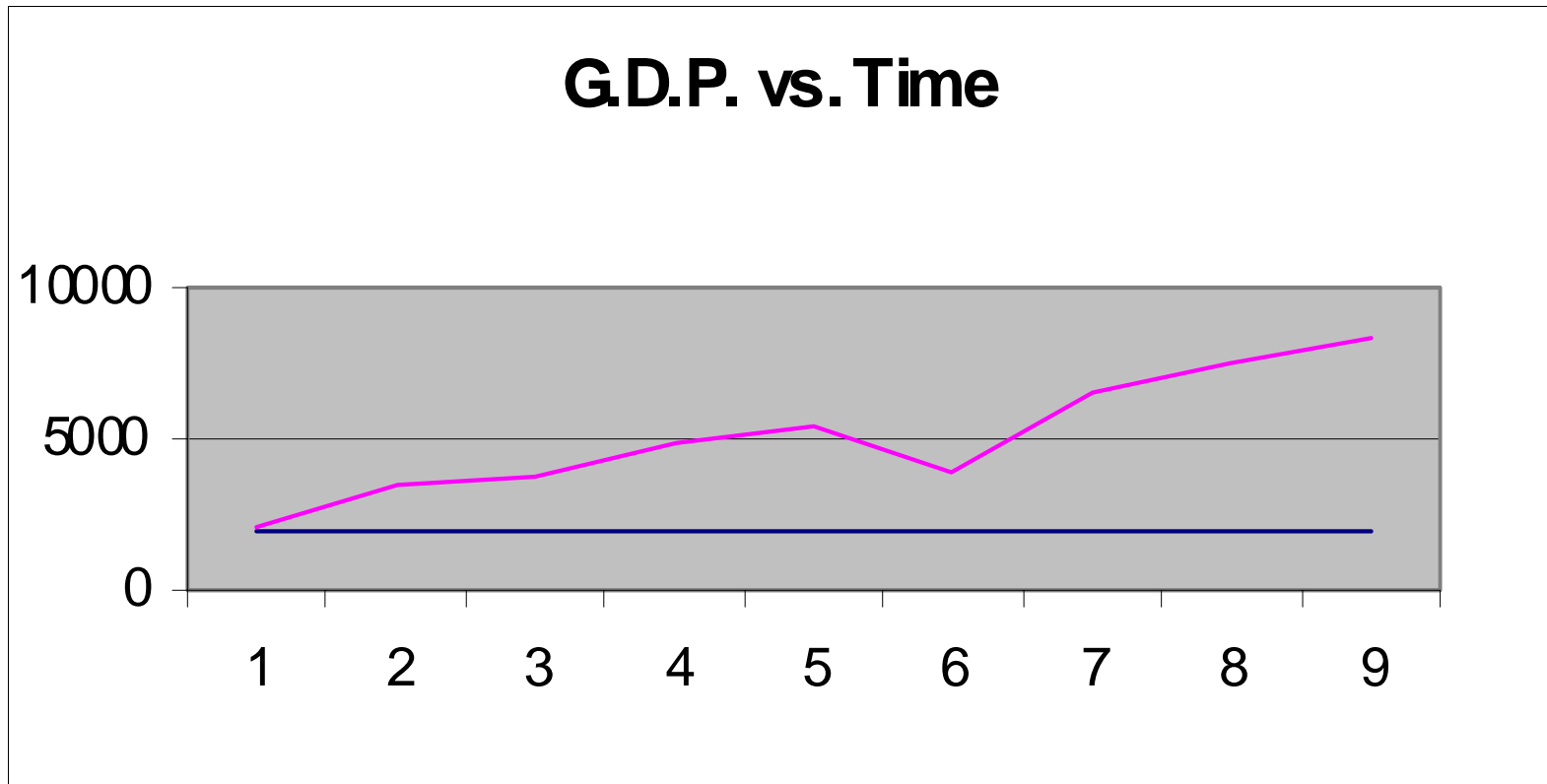
THE PROTECTION OF SMALL SAVERS IN THE UGANDAN MICROFINANCE INDUSTRY

- PROFESSIONAL BANKERS ADHERE TO THE CARDINAL RULE OF THE PROTECTION OF DEPOSITOR'S FUNDS
- CUSTOMER CONFIDENCE, UNDERPINNED BY INVESTOR EQUITY, RESULT IN THE MOBILIZATION OF A SUBSTANTIAL POOL OF FUNDS TO INTERMEDIATE.
- MODERN MICROFINANCE SAVINGS AND CREDIT TECHNOLOGY WAS INVENTED BY SOCIAL SCIENTISTS OVER THE LAST 30 – 40 YEARS.
- THESE MF IMPLEMENTING INSTITUTIONS ARE NGO BASED ORGANIZATIONS, AND SOME ARE REGISTERED COMPANIES, LIMITED BY GUARANTEE.

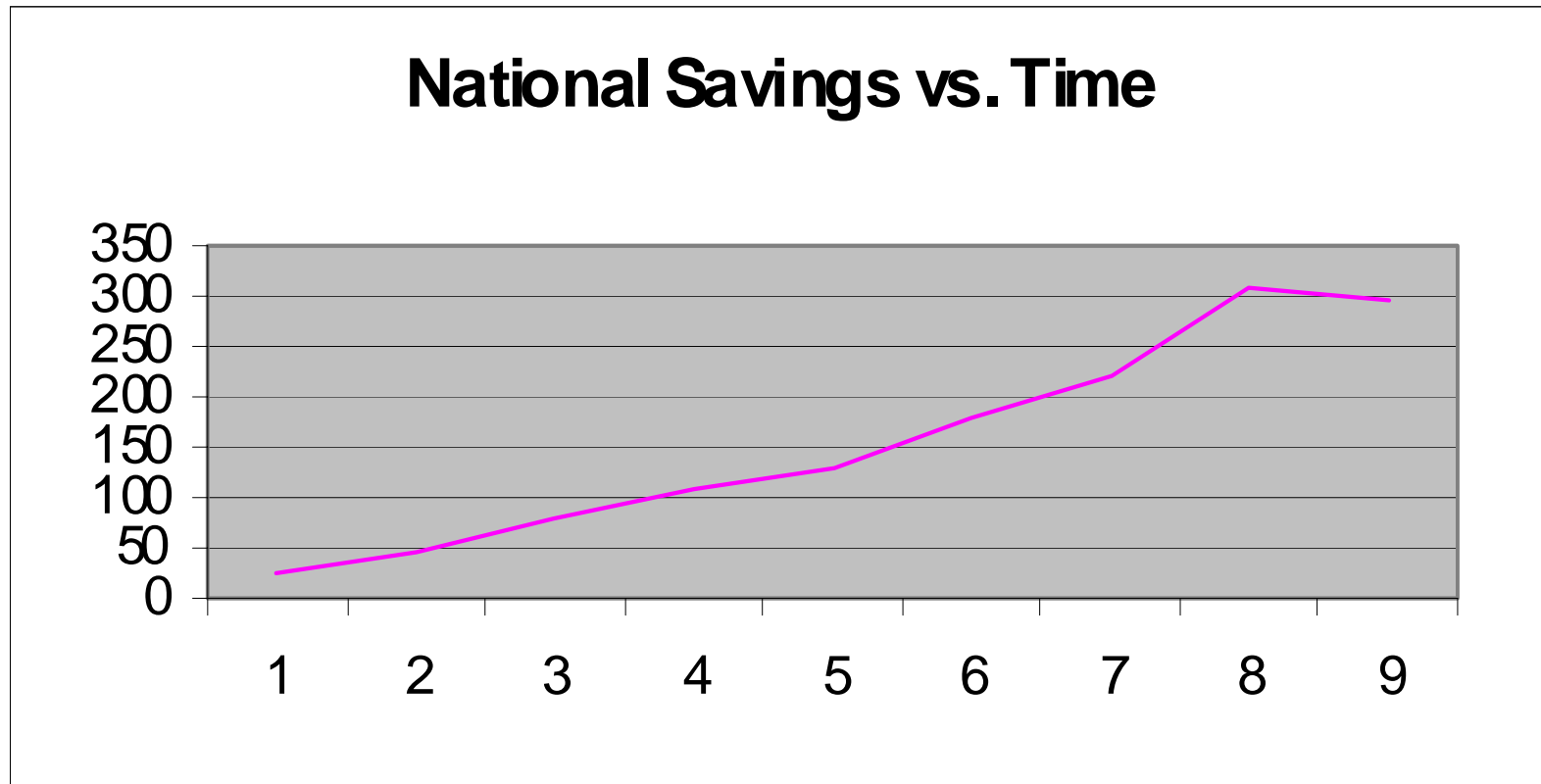
THE PROTECTION OF SMALL SAVERS IN THE UGANDAN MICROFINANCE INDUSTRY

- WITH AN ESTIMATED PER CAPITA INCOME OF US\$300, UGANDA REMAINS ONE OF THE POOREST COUNTRIES IN THE WORLD.
- AN ESTIMATED 115,000 PERSONS PER FORMAL BANK BRANCH/AGENCY AS COMPARED TO THE COMESA AVERAGE OF 7,000 PERSONS.
- A SAVINGS-TO-GDP RATIO OF 3.5% AS COMPARED WITH THE COMESA AVERAGE OF 18%.

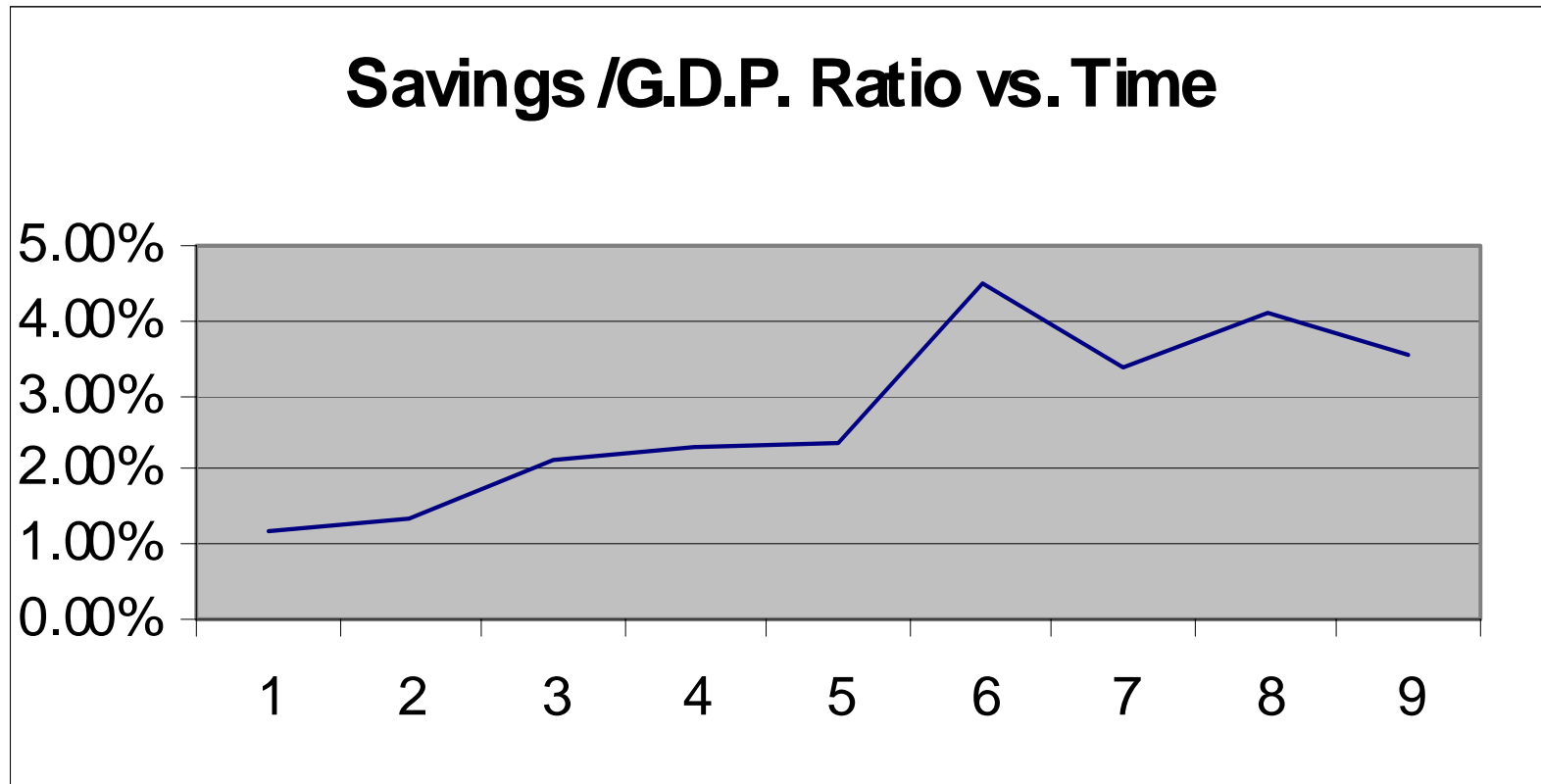
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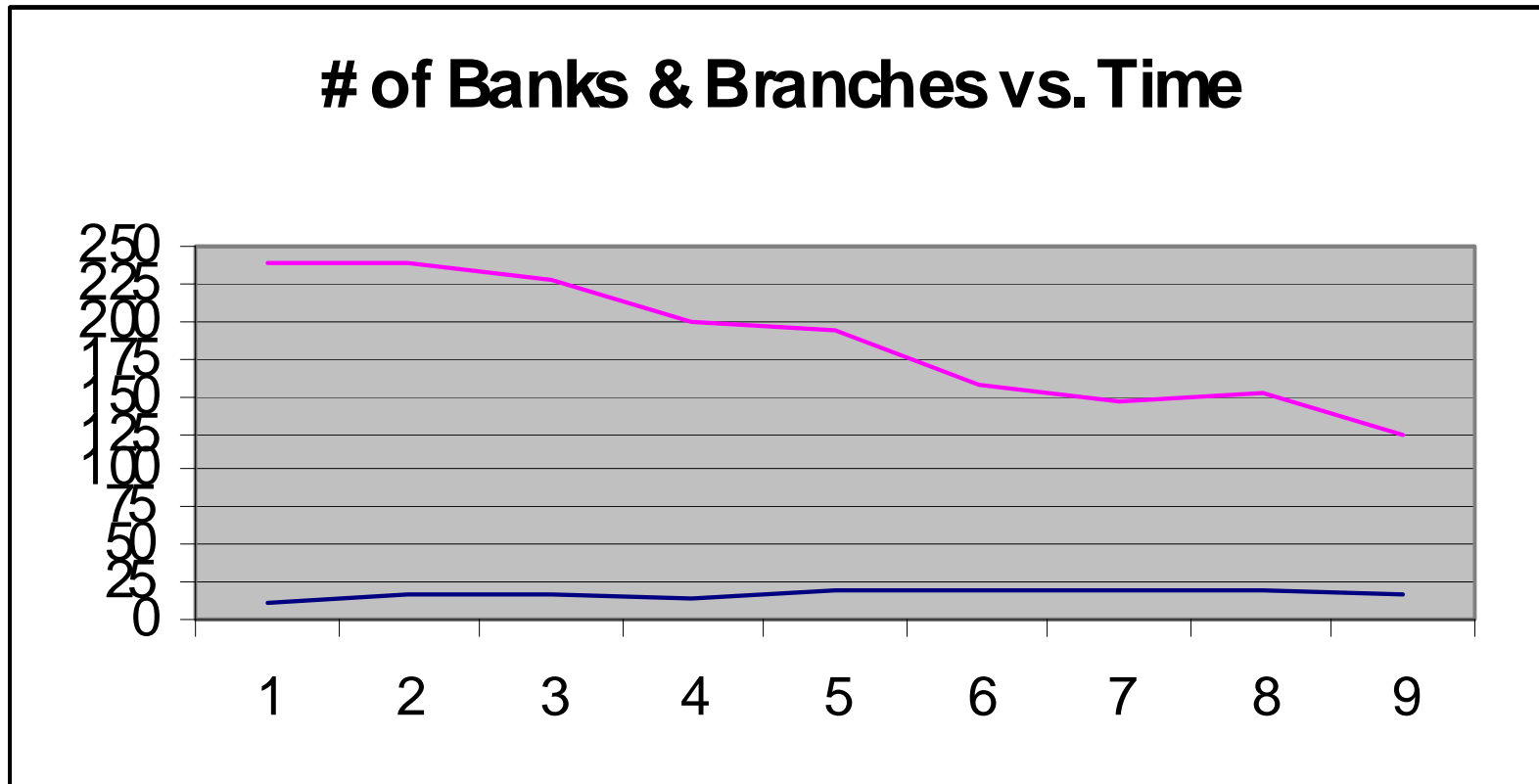
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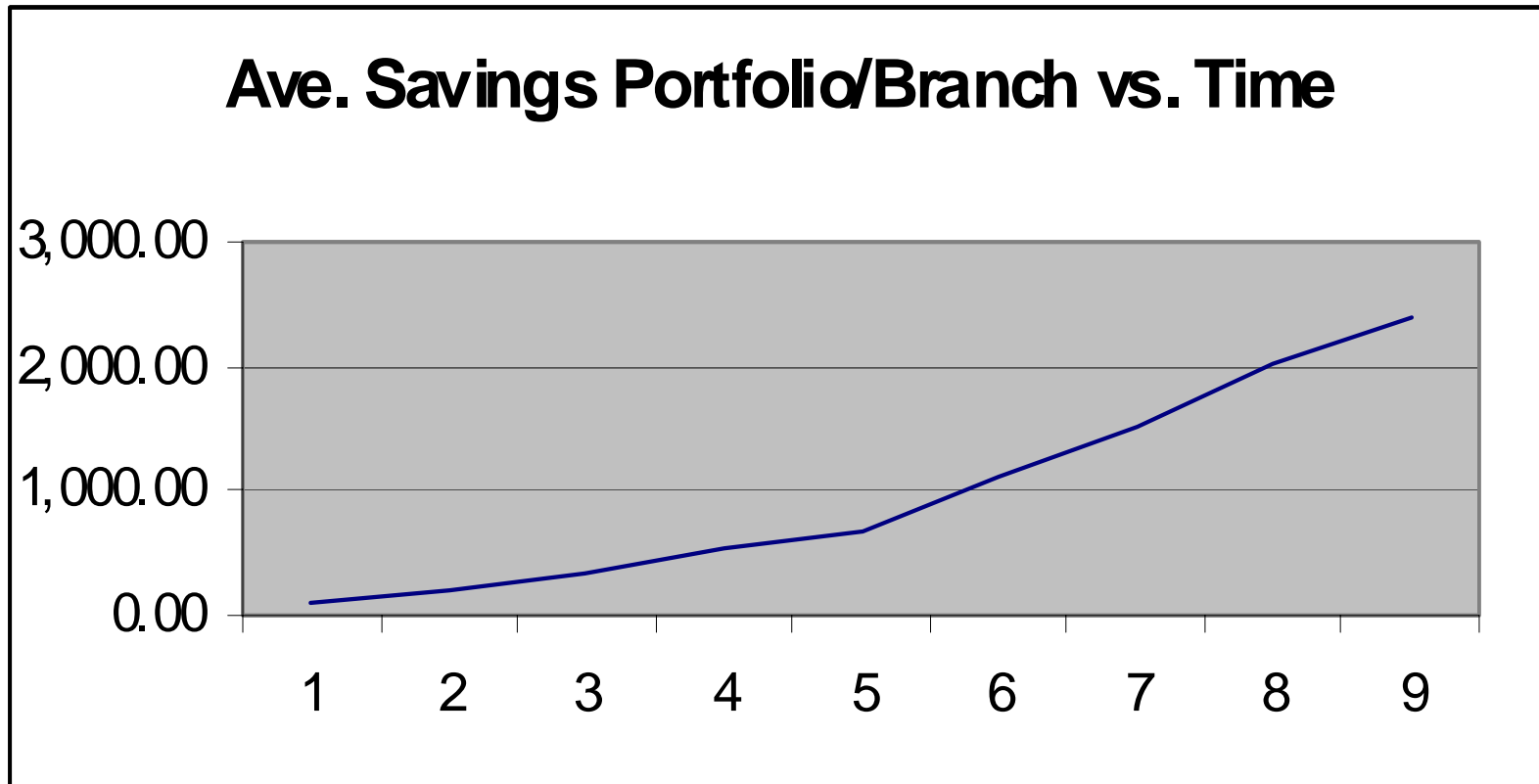
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- IT IS ESTIMATED THAT ONLY 2 - 3 % OF PRODUCTIVE HOUSEHOLDS IN UGANDA ARE A PART OF THE FORMAL FINANCIAL SYSTEM.
- OVER 70% OF RESPONDENTS IN A RECENT SURVEY IN 7 DISTRICTS INDICATED THAT THEY COULD SAVE OVER UGSHS 2,000/- PER WEEK.
- THERE IS A LARGER MARKET FOR SAVINGS PRODUCTS THAN FOR CREDIT PRODUCTS, AS HAS BEEN DEMONSTRATED REPEATEDLY BY MF ORGANIZATIONS WHICH CONSISTENTLY REPORT LOAN/DEPOSIT RATIOS OF LESS THAN 50%.

THE PROTECTION OF SMALL SAVERS IN THE UGANDAN MICROFINANCE INDUSTRY

- “BALL-PARK” ESTIMATES OF THE NATIONAL RURAL MICROFINANCE CREDIT AND SAVINGS MARKET POTENTIALS, ARE UGSHS 400 BILLION AND UGSHS 600 BILLION RESPECTIVELY.
- APPROXIMATELY 100 NGO BASED MFI’S AND 2 FORMAL FINANCIAL INSTITUTIONS HAVE AN ESTIMATED MARKET PENETRATION OF LESS THAN 6%.
- IT HAS BECOME ALMOST COMMON PLACE FOR MFI’S TO REQUIRE THAT THEIR CLIENTS MAKE DEPOSITS WITH THE MF ORGANIZATIONS AS PRE-REQUISITES FOR LOANS.

THE PROTECTION OF SMALL SAVERS IN THE UGANDAN MICROFINANCE INDUSTRY

- MF ORGANIZATIONS COME INTO EXISTENCE WITHOUT THE KNOWLEDGE OF THE CENTRAL BANK.
- THE PROTECTION OF THE SMALL SAVER IN THE MF INDUSTRY, MUST BE ADDRESSED IMMEDIATELY.
- THE NEW FIS 1999/2000, AND MFI BILL, HAVE VERY EXPLICIT PROPOSALS WITH RESPECT TO THE FUTURE PROTECTION OF SMALL SAVERS IN THE MF INDUSTRY.
- INTERVENTIONS BY GOVERNMENT, WILL DISTORT THE MF MARKET IN THE SHORT TO MEDIUM TERM.

THE PROTECTION OF SMALL SAVERS IN THE UGANDAN MICROFINANCE INDUSTRY

- LOAN REPAYMENT RATES IN EXCESS OF 95% IN THE UGANDAN MF INDUSTRY IS THE NORM RATHER THAN THE EXCEPTION.
- AS THE MF INDUSTRY TRANSITIONS FROM AN NGO BASE TO A COMMERCIAL, PRIVATE SECTOR FOUNDATION, THE OUTREACH OF GENERAL BANKING SERVICES WILL EXTEND RIGHT DOWN TO THE VILLAGES.
- IT IS THE INDIRECT RESPONSIBILITY OF THE BANKING FRATERNITY, TO SEEK OUT NOVEL WAYS OF MOBILIZING PUBLIC SAVINGS FOR NATIONAL INVESTMENT PURPOSES.

THE PROTECTION OF SMALL SAVERS IN THE UGANDAN MICROFINANCE INDUSTRY

- THERE IS EVIDENCE TO SHOW THAT COMMERCIAL MF BANKING WILL GENERATE SURPLUS FUNDS FOR INVESTMENT IN CORPORATE PORTFOLIOS.
- A TYPE OF GRAFTING PROCESS, WHERE ESTABLISHED COMMERCIAL BANKS ADD ON TO THEIR ESTABLISHED MENU OF PRODUCTS, PROFESSIONALLY MANAGED COMMERCIAL MF DEPARTMENTS, IS SEEN AS A WAY FORWARD FOR BANKS TO ENTER THE MF MARKET.

THE PROTECTION OF SMALL SAVERS IN THE UGANDAN MICROFINANCE INDUSTRY

- MF BANKING WITH RESPECT TO THE OVERALL NATIONAL ECONOMY, SEEKS TO DO THE FOLLOWING;
- 1) INCREASE NATIONAL SAVINGS AS A PERCENTAGE OF GDP;
- 2) REDUCE THE TRANSFER OF FINANCIAL RESOURCES FROM RURAL TO URBAN MARKETS; AND
- 3) INCREASE THE VALUE AND VOLUME OF LOCAL ENTERPRISES THROUGH RE-INVESTMENT OF LOCALLY MOBILIZED SAVINGS IN THOSE ECONOMIES.

THE PROTECTION OF SMALL SAVERS IN THE UGANDAN MICROFINANCE INDUSTRY

- A 3RD TIER FOR MF DEPOSIT TAKING INSTITUTIONS HAS BEEN PROPOSED IN THE DRAFT FIS 1999/2000, BUT THE FUTURE OF THE MF INDUSTRY DEPENDS TO A GREAT EXTENT ON THE INVOLVEMENT OF THE COMMERCIAL BANKS NOW IN EXISTENCE.
- THERE WILL BE MERGERS, BUY OUTS, FALLOUTS, AND NEW ENTRANTS IN THE MF INDUSTRY AS BANKS WILL BEGIN TO LOOK INTO POSSIBILITIES OF GOING “DOWN-MARKET”.
- WITH OPERATING SPREADS OF 50 – 75 %, AVAILABILITY OF OFF-THE-SHELF MF PRODUCTS, TESTED MIS SOFTWARE AND TECHNICAL EXPERTISE, BANKS WILL BE INTERESTED TO BUY INTO PROFITABLE MF COMPANIES.