

# EUROPEAN MICROFINANCE SUMMIT 2014

***“PRESENTATION OF POST BANK  
UGANDA,  
TAPPING INTO THE BOTTOM OF THE  
PYRAMID”.***

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# “SAVINGS FOR THE BOTTOM OF THE PYRAMID” POSTBANK –UGANDA OUTREACH.

## ■ Presentation Topics;

1. Brief Overview of Uganda’s Financial sector.
2. Introduction about Postbank Uganda.
3. Moving into the bottom of the pyramid.
  - i). Opportunities in the bottom of the pyramid(groups).
  - ii). Current status and impact of linkage
  - iii).Challenges of working with the bottom of the pyramid(groups).
  - iii) Way forward/ possible solutions .
4. Conclusion

## Overview ; Uganda's Financial sector

Total Population is about 37m of whom 48% are adults.

The banking sector has 25 banks, 3 MDIs& 2 credit institutions(580 branches& total assets \$6.32 billion as at 2013)

- Where Ugandans save and borrow(%of adult population):
  - 21% of adult Ugandans have an account at a central bank regulated institution.
  - 2% at Microfinance institutions(MFI's)/ NGO's
  - 2% at Savings& Credit Cooperatives(Saccos).
  - 17% Use Informal Groups(VSLA's, ROSCA's etc).
  - 58% Have no savings or borrowing relationships.

## Postbank- Introduction;

- Postbank was incorporated as a Ltd liability company in 1998, it took over the operations of post office savings.
- It is a tier 2 (credit institution) and is 100% government owned.
- **Vision:** To become the leading financial institution for the mass market.
- **Mission;** To empower our customers by offering financial services in a sustainable manner.
- **Objectives;** Grow outreach, offer distinctive products, efficiency and sustainability.

## Postbank service outlets

• Postbank Uganda has its operations in 56 districts countrywide.

• 36 branches serve 23 of the 56 districts

• Our Mobile Banking vans serve the remaining 50 districts at 75 service locations





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<b>Outlets</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Branches	23	23	28	31	32	32	33	36
ATMs	2	6	10	23	24	24	24	33
Number of Mobile vans	3	3	3	3	5	5	6	9
Mobile banking Vehicle Service centre Locations	22	26	26	46	75	75	75	100
PoS Locations	0	0	0	54	98	98	98	90
Total No. of Service Points	<b>47</b>	55	64	154	<b>229</b>	<b>229</b>	<b>229</b>	<b>238</b>



## Postbank Bottom of the pyramid products

- Money Transfers
- Savings Accounts
- Loan Facilities
- Mobile & Telephone Banking



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## Moving into the bottom of the pyramid. (Reasons/ opportunities)

- Fulfilling bank vision
- Virgin market(58% are unbanked)
- Answer Government call/ most banks in urban areas.
- Existence of partnerships.
- Business stability and growth(rarely affected by financial crises.





## HOW?

- Forming and nurturing savings groups throughout the country.
- Targeting existing women and youth groups.(country wide)
- Partnering with other stakeholders to link with community based groups e.g. VSLA,s.
- Opening up rural service centres/ branches.
- Mobile van banking to in accessible areas.
- Customer sensitization sessions for all potential clients.
- Mobile phone banking.
- Agency banking(pending passing the law)
- Favourable account opening and operations condition for groups



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## Current status Impact of PBU linkage to the bottom market(2014)

	Q1	Q2	Q3
Total no. of accounts	677,891	718,289	626,906
No. of group a/cs	11,703	13,121	14,519
Group members	156,650	182,210	208,860
Other a/cs	521,241	536,079	418,046
Total deposits(\$)	53.4M	57.8M	61M
Group savings(\$)	2.3m	2.34m	2.5m
Total loans(\$)	36.6M	40.5M	44.7M
Loans to groups(\$)	1.3M	1.7M	2.07M



## NOTES;

- Groups to constitute 50% of bank business by 2018.(in line with bank vision).
- Bank business projected to grow by min 25% p,a.
- Exchange rate of UGX 2,650 per USD.
- Access to bank services expected to improve after passing regulation concerning agency banking.

## Challenges of reaching the bottom ( internal bank, internal bottom market and external

### a). Internal Bank

- Staff skillset- is different from that required at the bottom .
- High cost of intermediation leading to high cost income ratio(mobile vans, long distances)
- Bandwagon effect(competing with other banks for same business).
- High volume, low value transactions.
- The need for the branch breakeven in shortest possible time.
- High dormancy rate of accounts.

## b). Internal bottom market

- Illiteracy; efficiency and productive use of labour is poor.
- Rapid population growth and high dependence ; All available funds for meeting family needs.
- Consumption oriented to society; full fill customs ,traditions, habits etc.
- Disparity setting.
- Uneven population distribution.
- Vicious circle of poverty.(even a phone of \$20 require borrowing)
- Low production due to rudimentary techniques.
- Lack of self initiative,(being satisfied with the status quo).
- Sensitivity to bank charges.
- The need for frequent savings and withdrawals.
- Slow adoption to change e.g. technology( use of phone , ATM etc.)

## c). External challenges to serving the bottom line

- Poor /inadequate infrastructures facilities e,g roads, poor/ lack of networks , electricity etc.(these limit access to saving).
- Corruption e.g dishonest local authorities, community leaders.
- Political instability and its impact.
- Competition with other providers e.g microfinance institutions, NGOS etc.
- Distortions e.g . Money lenders, local opinion leaders, politicians etc

## Way forward / Solutions

- Plan to open minimum of 2 rural outlets p.a plus additional mobile banking vans.
- Forming more groups increased sensitization and improved supervision
- Recruit more staff and upgrade skills.
- Better and increased facilitation( motorcycles, computers etc)
- Prepare for implementation of agency banking.
- More partnerships with CBOs, Donors etc
- Be efficient ,innovative flexible and offer timely solutions.
- Enroll all clients on mobile banking



## Conclusion

- Over 50% of Uganda's adult population lack access to formal saving mechanisms.
- These people are either found in remote rural areas or excluded by many bank requirements.
- Financial inclusion widens mkt for FIs and reduces poverty.
- Technological innovation and market friendly policies need to be developed to promote financial inclusion