EFInA Quarterly Review

(April to June 2013)

1 African Economies

Development agencies, comprising the African Development Bank (AfDB), Organisation for Economic Co-operation and Development (OECD), Economic Commission for Africa (ECA) and the United Nations Development Programme (UNDP), stated that Africa's development depends on its ability to harness its agricultural resources for sustainable growth. Their joint African Economic Outlook 2013 report indicated that Africa's economy is projected to grow by 4.8 percent in 2013 and by 5.3 percent in 2014. However, the growth in African economies has been accompanied by insufficient poverty reduction, high unemployment, increased income inequalities in some countries, as well as deteriorating levels of health and education. To ensure that African economies become more competitive and create more gainful jobs, widening the sources of economic activity is fundamental.

The report stated that African countries must tap into their natural resources to accelerate the pace of growth and ensure the process can benefit ordinary Africans. Director at the OECD, Mario Pezzini said, "Growth is not enough, African countries must provide the right conditions for turning natural resources into jobs, optimise their resource revenues through smart taxation, and help investors and local citizens make the most of linkages." According to the report, four key elements are needed to achieve this objective. Firstly, African countries should create the right conditions for such a transformation to take place, including infrastructure, education and the creation of larger and more competitive markets. Secondly, the primary sectors require sound land management, balanced and effective tax systems and the right mechanisms and incentives to cause an acceleration and diversification of the sources of growth. Thirdly, in the agricultural sector, transport, fertilisers and more resistant seeds are required for an increase in productivity. Africa has 24 percent of the world's agricultural land, but accounts for only 9 percent of its production. Fourthly, governments and investors must ensure that a fair share of the proceeds from natural resources and extractive industries accrue to society; for example, they should be invested in people's capacities to take up new jobs in promising sectors.

1.1 Economic Growth

According to the World Bank, Sub-Saharan Africa's economic growth will grow to more than 5 percent over the next three years, far outpacing the global average, but the region must do more to convert this growth into reducing poverty. The World Bank forecasts Sub-Saharan Africa's growth to be 4.9, 5.1 and 5.2 percent for 2013, 2014 and 2015 respectively. "If properly harnessed, these trends should lead to more growth, much less poverty, and accelerate shared prosperity for African countries in the foreseeable future," said Punam Chuhan-Pole, a lead economist in the World Bank's Africa department. Compared with Africa's expected growth spurt, global GDP is projected to expand by 2.4 percent in 2013 and to 3.0 and 3.3 percent in 2014 and 2015 respectively. The World Bank stated that a decade of strong growth had reduced poverty in Sub-Saharan Africa, with provisional data showing that between 1996 and 2010, the share of Africans living on less than $1.25 a day fell from 58.0 percent to 48.5 percent.

1.2 Foreign Direct Investment

According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2013 titled: 'Global Value Chains: Investment and Trade for Development' in the past two years, Nigeria has been the top destination for Foreign Direct Investment (FDI) in Africa.

This is despite the fact that FDI inflows into Nigeria declined from $8.92bn in 2011 to $7.03bn in 2012. In 2012, FDI into South Africa was $4.57bn; Ghana was $3.30bn; Egypt was $2.80bn; and Angola was $6.90bn. The report revealed that FDI flows to African countries increased by 5 percent to $50.0bn in 2012, compared to global FDI flows which fell by 18 percent to $1.35tn. Most of the FDIs into Africa were largely driven by the extractive industry, but there was an increase in investments in consumer-oriented manufacturing and services. UNCTAD forecasts global FDI flows in 2013 to remain close to the 2012 level, with an upper range of $1.45tn – a level comparable to the pre-crisis average of 2005 to 2007.

2 Nigerian Economy

The resilience of Nigerian economy was sustained in the first quarter of 2013, despite risks and challenges to the political, economic and social environment during the period. Output growth remained strong and inflation moderated to single digits due to a sustained monetary tightening environment. However, the declaration of emergency rule in Adamawa, Bornu and Yobe states continue to pose fiscal sustainability risk. In addition, global inertia and developments in the oil market threaten Nigeria's revenue base. The Nigerian economy grew by 6.61 percent in the first quarter of 2013, which is slightly higher than the 6.50 percent projection for the quarter and lower than the 6.99 percent growth experienced in the first quarter of 2012.

2.1 Government Debt

Various efforts by the Debt Management Office (DMO) to deepen the bonds market and engender access to long-term funding have begun to yield results, as 20 companies have been able to raise N200 billion from the bond market. The Director General of DMO, Dr. Abraham Nwankwo, disclosed that apart from managing Nigeria's public debts, the DMO has been able to elongate and establish a sovereign yield curve from 3 months to 20 years, thereby creating a market for long-term funds. According to Dr. Nwankwo, while the N200 billion was raised from the domestic market by the companies to fund various projects, other companies have accessed the international capital market for funds following the successful issuance of the $500 million Federal government's Eurobond.

In May, the DMO released its 2012 to 2015 medium-term strategy plan, with a statement that the appropriate mix of domestic and foreign debt will be 60 percent to 40 percent, compared to the 87 percent to 13 percent as at the end of 2012. Dr. Nwankwo said that Nigeria's indebtedness is currently around 20 percent of GDP, which is below the 40 percent level that has been set for the country.

2.2 Inflation

According to the National Bureau of Statistics (NBS), Nigeria's inflation rate in May was 9.0 percent, which represents a slight decrease from the 9.1 percent recorded in April. According to NBS, the year-on-year inflation rate in Nigeria was 8.6 percent in March 2013; 11.9 percent in February 2013; and 12.6 percent in January 2013.

2.3 Foreign Reserves

As at 24 June, Nigeria's foreign reserves was $48.33 billion, which represents a 0.16 percent decline month-on-month; and is the lowest level in more than three months. However, the reserves have increased when compared with $36.93 billion, the level it was the same time last year. The International Monetary Fund (IMF) expects Nigeria's foreign reserves to increase to about $80 billion over the next four years. IMF's Senior Resident Representative, Mr. Scott Rogers, said the projection is based on expectations that export diversification and continued capital in-flows will be sustained because of improvement in Nigeria's investment climate. The IMF noted that export diversification is critical to the long-term growth of Nigeria's foreign reserves.

2.4 Agriculture

In June, the Minister of Agriculture and Rural Development, Dr. Akinwunmi Adesina, revealed that development partners have committed about $2 billion to Nigeria's agricultural transformation agenda. He added that the stable crop processing zones were being established with tax and infrastructure incentives, to attract private sector companies to set up food manufacturing plants in areas of high production. To reduce the cost of doing business within these zones, government will upgrade infrastructure, especially the provision of power, water and roads. Dr. Adesina also stated that the agricultural sector had attracted $8 billion of private sector investment from local and multinational companies. The planned investments cover farm mechanisation, retail outlets, production and/or processing in rice, cassava, dairy, beef, maize, sorghum, poultry, pineapple, orange, mango, palm oil, soybeans, sugar, tomato, wheat, cotton, fish and rubber.

2.5 Poverty Levels

In May, at the launch of the Nigeria Economic Report (NER), the World Bank Lead Economist, Mr. John Litwack, revealed that although poverty rates declined slightly between 2004 and 2010, it still remained high particularly in rural areas. The NER stated that Lagos had the lowest poverty rate of 22.9 percent, while Jigawa had the highest at 77.5 percent. The report further showed that poverty is more concentrated in the Northern part of Nigeria. Mr. Litwack explained that to overcome this disparity, there is the need for better coordination of federal and state policies in key areas of the economy namely: macroeconomic management; coordinated policies to enhance market connectivity and improve public service; and the realisation of national standards in public financial management and disclosure. He stated that problems in government have hindered the ability of Nigeria to effectively use its resources to develop adequate infrastructure and public services that is required for sustainable and diversified growth. Mr. Litwack said that to attract foreign investors, it was important for the government to also tackle the problems of market connectivity and infrastructural deficit. "Investors with the potential to set up large scale operations and create jobs will be reluctant to do so if they cannot service a large market. Under these conditions, a number of Nigerian states have limited opportunities to attract significant investors," he said.

3 Financial Sector

3.1 *Financial Inclusion*

The Governor of the Central Bank of Nigeria, Mallam Sanusi Lamido Sanusi, reiterated that the on-going transformation of the payment system will bring about rapid financial inclusion and increased economic activity. Mallam Sanusi also stated that the Central Bank remains committed to realising the vision of providing Nigeria with a secure, robust and accessible payment system. The CBN governor, described the payment system as an important component of services that banks render to Nigerians, Mallam Sanusi emphasised the importance of having an effective, efficient and safe payment system for the Nigerian banking populace. The CBN Governor disclosed that in recent times, the apex bank has focused its attention on electronic payments as a veritable tool for the delivery of efficient payment services.

Banks are beginning to see business opportunities in the recent move by the Central Bank to reduce/eliminate transaction charges (COT) for customers. The reduction in transaction charges will encourage the unbanked population to open a bank account, which will translate to banks having more money with increased patronage, and help to grow the banking industry and deposit base of banks.

3.2 *Banking Industry*

The International Monetary Fund (IMF) stated that the Central Bank of Nigeria's banking reforms have been considerably successful and now serve as a model for both developed and developing countries. The commendation was part of the IMF's report on the recent Financial System Assessment Programme (FSAP). According to the report, Nigeria's commercial banking system as a whole can absorb most credit and market risk shocks; withstand liquidity pressures; and absorb moderate potential losses. Most Nigerian commercial banks are now well capitalised, liquid and profitable.

3.2.1 Bank Lending

According to the Central Bank of Nigeria, as at April 2013, the flow of credit from deposit money banks to the private sector increased to N15.41 trillion from the N15.26 trillion recorded in March. The apex bank also revealed that the ratio of non-performing loans (NPLs) in the Nigerian banking industry had reduced to an average of 3.8 percent as at April 2013, compared to 35 percent as at November 2010. The decline in NPLs is largely attributable to the banking reforms and the purchase of over N4.7 trillion NPLs by the Asset Management Corporation of Nigeria.

3.2.2 Cash-less Policy

The Central Bank stated that it will tackle the challenge of electronic fraud as it extends the cash-less policy to some other states on 1 July. The cash-less policy, according to the CBN Deputy Governor, Operations, Mr. Tunde Lemo will reduce robbery, kidnapping, election rigging and leakage in government's revenue. Mr. Lemo said: "We are going to deal with fraud head-on. One of the concerns of people is that electronic channels are prone to fraud. We are quite aware of it and we have learnt the ropes in Lagos by ensuring that we deal with fraud. We have a committee in the Bankers' Committee called Electronic Bankers' Forum that meets regularly to deal with fraud. Of course, with the anti-fraud system that the Central Bank is going to acquire, it will also help us to minimise fraud. We are also going to deal with consumer protection because there could be disputes when transactions are conducted. We have agreed with banks that within two to three days or one week maximum, such disputes should be settled."

Mr. Lemo said the choice of Anambra state in the second phase of the cashless exercise was because of the value of commercial transactions that are conducted in Onitsha, Nnewi and Awka. The other states are Ogun, Abia, Rivers and Kano, as well as the Federal Capital Territory (FCT). Ogun state was chosen because it is already part of the greater Lagos metropolis. Abia state was chosen because of Aba. Rivers state was chosen because of the importance of Port Harcourt within the Niger Delta in the energy sector. Kano was chosen because of the cluster of commercial activities. With these six locations and Lagos state, the CBN believes that it would have covered over 90 percent of locations, where cash-based transactions are conducted.

According to the CBN, the Nigerian economy is still heavily cash-oriented in transactions of goods and services, with about N2 trillion reportedly changing hands daily in banking halls across the country. To discourage the use of cash, the CBN stated that as from June 3, the cashing of third party cheques above N150,000 will no longer be possible. The implication is that any cheque above N150,000 originating from a third party must be lodged into the beneficiary's account. According to Mr. Chidi Umeano, Head, Shared Services, CBN, cash withdrawals above N150,000 account for N1.5 trillion, and represent 71% by value of cash transactions and 10% by number of transactions at bank branches. Cash withdrawals between N100,000 and N150,000 account for N115 billion and represent 4% by number of cash transactions conducted daily in bank branches. Cash withdrawals of up to N100,000 account for N491 billion and represent 86% by number of cash transactions conducted daily in bank branches.

Governor, CBN, Mallam Sanusi Lamido Sanusi, identified poor telecommunication connectivity as a major challenge for the cash-less policy. He said, "If you want to move data, for example, you need more bandwidth. It is not enough to have PoS terminals, or to have ATMs, there is need to expand the bandwidth. We are not only looking at the PoS as a major of channel for the cash-less policy; we are now looking at all the other major channels such as mobile phones." The Governor also stated that the apex bank remains committed to achieving the vision of providing Nigeria with a secure, robust and accessible payment infrastructure. Mallam Sanusi said that the cash-less policy was introduced to, among other things, meet the FSS2020/Vision 2020 requirements for regional and international integration, as well as modernise the payments system in Nigeria. Mallam Sanusi expressed satisfaction that there was greater speed in conducting financial transactions, which was attributable to the evolution of information technology, which he described as key to the transformation in the payment system.

3.2.3 Agriculture Finance

The Nigeria Incentive Based Risk Sharing System for Agricultural Lending (NIRSAL) initiated by the Central Bank of Nigeria has guaranteed close to N100 billion for farmers. The scheme has also helped increase bank lending to the agricultural sector to about 4 percent, from just less than 1 percent as at 2010. NIRSAL's target is to raise total bank lending to the agricultural sector to at least 10 percent by 2017, and especially change the way the financial sector and the economy views agriculture. Jude Uzonwanne, Head, NIRSAL, said that between July 2012 and January 2013, the scheme sold approximately N14 billion in guarantees, while between January and the end of March 2013, about N12 billion guarantees were sold to farmers. NIRSAL recently signed an agreement with the Ministry of Agriculture to issue up to N60 billion guarantees to its Growth Enhancement Scheme (GES). Apart from guaranteeing bank lending to farmers, NIRSAL also assists in finding industry-wide solutions to some of the challenges the operators face. Mr. Uzonwanne stated that NIRSAL is also involved in some 'quasi private equity behaviour', for example in the case of the 'finished goods industry', they could help operators work with an advertising agency, develop a marketing campaign, and find other channels to sell their goods.

3.2.4 E-Payments

The Nigerian Electronic Fund Transfer (NEFT) and Instant Payment (NIP) transactions on the Nigeria Inter-Bank Settlement System (NIBSS) are likely to hit N2.48 trillion on a monthly basis. The Deputy Governor, Operations, CBN, Mr. Tunde Lemo, disclosed that the NIP was recording over N20bn in daily transaction value, while NEFT was conducting about N60bn transactions daily. The NIP and NEFT are e-payment channels used to make payments electronically for large value transactions.

3.3 Non-interest Finance

Global Sharia compliant assets under management are expected to exceed $1 trillion in 2013, up from $150 billion in the mid-90s. For example, in Nigeria, the Nigerian Stock Exchange (NSE) Lotus Islamic Index (which was launched in July 2012), recorded a 25.6 percent increase in Q1 of 2013, while the index appreciated by 44.4 percent in 2012; which is higher than the Bloomberg NSE Consumer Goods Index, which appreciated by 42.3 percent during the same period. The NSE said the impressive performance of the Lotus Islamic Index has attracted considerable interest from local and international investors. The NSE also expects to earn revenue from the creation, listing and trading of financial products created from the Index, such as Exchange Traded Funds. Experts have stated that if harnessed properly, Sharia compliant capital market investment products could benefit Nigeria, as it would diversify the product offering provided by the Exchange and could lead to more foreign investments into Nigeria.

Osun State

Osun state is expected to issue Nigeria's first sukuk bond of N10 billion before the end of the year. The funds will be mainly used to finance education projects. The Osun state bond will be listed on the Nigerian Stock Exchange and issued through a book-building process.

3.3.1 Non-interest Insurance

Non-interest insurance also known as Takaful insurance has found a huge market in the Eastern part of Nigeria. The attraction for the population in the East is the profit sharing characteristics of Takaful insurance. There are indications that more insurance companies may seek a license to provide Takaful insurance. Due to their simplicity, Takaful products are doing well because they are designed to cater for low income earners. Motor cyclists, teachers, farmers are the major users of Takaful products. Takaful products encourage a saving culture and help to build capital over a period of time.

3.4 Small and Medium Enterprises

Due to the high interest rates charged by financial institutions, among other factors, Nigerian small and medium enterprises (SMEs) are exploring alternative financing options. Globally, commercial banks are the biggest source of funds to SMEs. However, in Nigeria, the fragile economic environment and absence of requisite infrastructure has rendered lending to small businesses costly and inefficient. Experts say that Nigeria has experienced gross under performance of the SME sector and this has undermined its contribution to economic growth and development. According to the Financial System Strategy 2020 SME Sector Report, the key issues affecting SMEs in the country can be grouped into four categories: i) unfriendly business environment; ii) poor funding; iii) low managerial skills; and iv) lack of access to modern technology. The persistent lack of finance for operations of SMEs and the inability or unwillingness of the deposit money banks to grant long-term credit to operators in the real sector of the economy, have led to the establishment of development finance institutions and introduction of numerous funding programmes.

3.5 Pensions

According to the National Pension Commission (PenCom), nine years after the commencement of the Contributory Pension Scheme (CPS), 5.5 million workers have opened Retirement Savings Accounts with Pension Fund Administrators, making total contributions of N5.3 trillion, The target is to grow this figure to 20.0 million workers by 2017. While many states are still trying to adopt the new pension scheme, only a few have actually enacted appropriate legislation and commenced implementation of the CPS for their workers. PenCom is currently drafting guidelines for the informal sector, to enable workers in that sector to participate in the CPS. PenCom hopes by extending the scheme to the informal sector, it will increase participation and well as grow pension assets.

4 Telecoms Sector

For even economic growth across the six geo-political zones of Nigeria, the federal government has targeted 60 percent telephone penetration in the rural parts of the country by 2018. Despite the huge telecommunications investment in the country in the last 12 years, put at about $25 billion, about 40 percent of rural areas in Nigeria still lack access to mobile phone coverage. The government also expects Nigeria's Information and Communication Technology sector to increase its contribution to the country's Gross Domestic Product from 5.6 percent presently to 7.5 percent by 2015. The Minister of Communication Technology, Mrs. Omobola Johnson predicted that Nigeria's teledensity will reach 98 percent by 2015.

According to the Nigerian Communications Commission (NCC), in June 2013 the number of inactive telephone lines in the telecommunications industry reached 60,983,735; the number of connected lines was 181,345,953; whilst the number of active lines was 120,362,218; and teledensity reached 85.25 percent.

The table below provides a summary of telephone subscribers in Nigeria as at June 2013:

	Number of connected lines	Number of active lines
Mobile GSM	**164,642,742**	**117,412,363**
Mobile CDMA	**14,250,514**	**2,567,177**
Fixed Wired/Wireless	**2,452,697**	**382,678**
Total	**181,345,953**	**120,362,218**

Source: NCC

5 Mobile Money

5.1 Global

According to Gartner Incorporated, worldwide mobile payment transaction values will reach $235.4bn in 2013, a 44 percent increase from 2012; and the number of mobile payment users will reach 245.2 million in 2013, up from 200.8 million in 2012. Gartner are forecasting a market worth $721bn with more than 450 million users by 2017. Gartner forecasts that Near Field Communications (NFC) will account for only about 2 percent of the total transaction value in 2013 and 5 percent of the total transaction value in 2017, although growth is expected to increase from 2016, when the penetration of NFC mobile phones and contactless readers increases. Money transfers and merchandise purchases will account for about 71 percent and 21 percent of total transaction value respectively in 2013, making them the largest contributors. However, worldwide, people are not purchasing as much because the buying experience on mobile devices has yet to be optimised. People are spending less via mobile devices than via online e-commerce services and at retail outlets. Merchandise purchases account for about 23 percent of the total value forecast for 2017.

Money transfer value continues to increase because users are transacting much more frequently (although at lower values) due to the wider availability of services and transaction costs that are lower than those of traditional bank services. This makes money transfer a leading use case, one that Gartner forecasts to account for almost 69 percent of the total transaction value in 2017. Bill payment value is expected to experience consistent growth through the forecast period. This is due to higher value per transaction figures, as more consumers in developed markets pay bills via their mobile phones; along with consumers in emerging markets who are transacting at higher values than originally forecast. Bill payments will account for about 5 percent of the total value forecast for 2017.

From a regional perspective, Asia Pacific's transaction value is expected to grow by 38 percent in 2013 to reach $74bn. Deployments in developed markets such as South Korea and Singapore and in developing markets such as India is expected to drive healthy growth in this region. As a result, in 2016, Asia Pacific will overtake Africa to become the largest region by transaction value reaching $165bn. Africa's transaction value is expected to reach $160bn in 2016. While Africa will still experience strong growth through the forecast period, companies are still searching for the most suitable business model for mobile money in their local markets. North America's transaction value is forecast to grow by 53 percent in 2013, reaching $37bn, up from $24bn in 2012. The region has been impacted by the low adoption of NFC payment services and many merchants launching mobile applications without a clear winning strategy. Western Europe's transaction value will experience steady growth through the forecast period and is expected to reach $29bn in 2013, up from $19bn in 2012.

5.2 Africa

5.2.1 Tanzania

In May, Tigo Tanzania launched a merchant payment product to enable customers purchase and sell various goods using TigoPesa. The firm is expanding its mobile money transfer service from just sending and receiving money, to providing customers with a digital wallet. Tigo brand manager William Mpinga said that the product will open doors for businesses to focus on delivery services. He said that over 50,000 merchants have registered and that the risks associated with carrying cash will now be substantially reduced.

5.2.2 Kenya

According to the Central Bank of Kenya, mobile money transactions in Kenya reached $5 billion in the first quarter of 2013. Safaricom is the biggest mobile money operator in the country. The number of users registered for the M-Pesa service has grown from 3.6 million in June 2008 to 17.1 million in March 2013; and the number of agents has grown to 65,547.

In June, Safaricom launched a new financial service Lipa Na M-Pesa that enables consumers to pay for goods and services using mobile money without incurring transaction charges. Lipa Na M-Pesa will leverage Safaricom's large customer base, wide network of agents and massive marketing budget. Shopkeepers, kiosks, saloons and motor garage owners must register their businesses with Safaricom and get a special till number to offer the service that is seen as the firm's response to cards and other forms of cashless transactions. Unlike M-Pesa which charges a commission for every transaction, the new service shifts that responsibility to registered service providers, levying them with a 1.5 percent commission on the value of every payment made through the system. Shoppers can use their mobile phone to pay for goods at the supermarket and send the exact value of the goods sold or service rendered without any additional charge. By fixing its commission at 1.5 percent, Safaricom is directly taking on the credit card market, where commissions are generally between 3 and 5 percent, making it the cheapest means of making cashless transactions in the country. Lipa Na M-Pesa can be used to pay for any transaction valued at between Sh10 and Sh70,000. With ordinary M-Pesa transactions, a customer buying goods worth Sh500 has to include Sh27 for the withdrawal fee amounting to additional costs for the same product compared to cash buyers. Safaricom has registered 5,000 traders for the Lipa Na M-Pesa service and expect the number to rise to 100,000 by April 2014.

5.2.3 Ethiopia

On 1 January 2013, the National Bank of Ethiopia issued a directive that allows transaction-based mobile banking for the country's unbanked citizens. Four major players – Commercial Bank of Ethiopia, M-BIRR, BelCash and Zemen Bank are expected to begin operations later this year. The regulatory framework could limit the progress of mobile banking due to the following:

- Paper receipts will be required for every transaction, necessitating the use of a printer and a consistent electricity supply, both of which may not be easily available in remote rural areas

- The transfer limit is 6,000 birr ($324), other countries have a ceiling of $1,000
- Foreign-owned companies are disqualified from acting as agents

"It will be transformational for Ethiopia's economy in general and the financial services sector in particular," said Zemedeneh Negatu, Managing Partner, Ernst & Young, Ethiopia. He thinks that up to 50 million people could benefit. However, he recognises that the impact is dependent upon increased mobile penetration, as Ethiopia currently has 22 million mobile phone subscribers, which is expected to rise to 64 million by 2015.

5.2.4 Uganda

The Ugandan government is to impose a 10% tax on cash transfers by mobile phones and other money transfer operators. International remittances from Ugandans living abroad will also be affected. Finance Minister, Ms. Maria Kiwanuka said she also planned to raise $16.5m (£10.6m) by imposing a levy on incoming international phone calls, in order to plug a $214m hole in the annual budget after donors cut aid to Uganda over accusations of corruption. Ms. Kiwanuka told MPs that in 2012, $767m worth of remittances had been received from Ugandans in the Diaspora. The new mobile money transfer tax could affect up to 8.9 million customers. Mobile money transfers are extremely common in Uganda as many people, especially in rural areas, do not have bank accounts. Transfers are used to send money to relatives and to settle some bills.

Mobile money has become part of people's everyday lives because they don't need to carry cash. Even those who are unbanked have mobile money accounts because it is cheap. Mobile money usage in Uganda tripled in 2012, with the number of users surpassing those of bank account holders. Dr. Charles Abuka, Director for Financial Stability, Bank of Uganda, said the number of mobile money users grew from 2.9 million in 2011 to 8.9 million as at the end of 2012. This compares to a total number of 4.9 million bank accounts as at December 2012. The number of mobile money transactions increased from 87.5 million in 2011 to 242.0 million at the end of 2012, and the value of the transactions grew from Ush3.8 trillion ($1.46 billion) to Ush11.7 trillion ($4.50 billion). Dr. Abuka attributed the increase in mobile money transactions to the improved level of mobile phone penetration in the country. “We have to improve financial inclusion indicators. One area that promises to boost this transformation is mobile payments,” he said. Mobile money transfer has become popular because it reduces costs and the risks associated with cash transactions. Dr Abuka said mobile money transfer is cheap, secure and reliable. Bank of Uganda, Deputy Governor, Louis Kasekende said 12 million Ugandans lacked access to financial services as they are only available in urban and peri-urban areas. Distance, high fees and minimum balance requirements by deposit-taking financial institutions are barriers for the poor. “We need to bring down the volume of cash-based transactions from 88 percent to 17 percent, by reducing the percentage of people who use the bank teller as a means of withdrawing money,” Mr Kasekende said.