BOSS TALK

Savings: Why our saving culture must change

INTERVIEW
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The managing director of KCB Bank Uganda, Mr Edgar Byamah, speaks about the state of the banking industry in Uganda and why the savings culture needs to grow.

Where is the banking sector at right now?

We are past many of the challenges that we faced, particularly during the pandemic and resultant lockdowns. We have seen continued growth in both private sector credit and total bank assets. Bank assets are now standing at about Shs53 trillion. We see deposits also continuing to grow. Overall, it is at about Shs31 trillion. The loans are also showing some upward growth.

We have also seen recovery backed by financing and increased credit appetite, particularly in the manufacturing sector, the social services, schools, hospitals, and tourism and hospitality. In the region, we are observing gradual increase in regional trade.

This explains why there is increased trading activities particularly in the urban areas, an indication that the trade sector is recovering to a great extent despite being hit by Covid-19 and the resultant lockdown.

Downtown areas have picked up, the crowds are back and we can confidently say to a very large extent, that business is back to normal.

The banking sector together with the Bank of Uganda (BoU) measures like increased capital requirements, have made the sector more resilient and robust. We have also noted across the sector a digital push - investments in technology and digital product offerings and distribution.

As an industry player, what is your contribution to the growth of the banking sector?

We have positioned ourselves as a bank that supports local enterprise in terms of facilitating both exports and regional trade. We have continued supporting the real estate sector, manufacturing, and value addition, driving regional exports, including agricultural products. With the telecoms collaboration, we have reached the bottom of the pyramid and informal sectors with some of our savings and loan products to spur growth and development across all the levels beginning at household level. We are also investing in supporting our customers by providing convenient services through a digitization drive across our platforms. We are also big on sustainability agenda and we will continue to drive it because it is a critical focus area especially in the energy transition.

We have made inroads in the energy sector, largely hydroelectricity, and we are also looking at supporting solar energy and e-mobility.

KCB Uganda is positioned to support the growth of the economy because we are cognisant of the government's plans, especially the tenfold aspirations of Gross Domestic Product (GDP) growth anchored on agro-industrialisation, tourism, minerals, and science, technology, and Innovation. We have both the capacity and the posture to support, and we're already aligned to facilitate the government bold target to increase the size of the economy from about $50 billion beginning in the 2023/24 Financial Year (FY) to $500 billion by 20240.

Where is your focus when dealing with economic sectors?

The Small and Medium enterprises (SMEs) we work with cut across right from social services, like schools to private hospitals, hospitality industry - hotels and game lodges, traders, among others.

Remember, many of these sector players, the majority of whom were SMEs who were heavily impacted by Covid-19, and we facilitated their growth and contribution to the economy. The good news is that the supply chain disruptions have since eased. We are also supporting some manufacturers in light manufacturing.

And I must emphasize that we also support what we call the micro small and medium enterprises (MSMEs) with loans that are tailor made for them. For example, our Mopesa loan supports a lot of these bottom of the pyramid informal sector players, and we have seen it continue to grow on a day-by-day basis because of ease in disbursements. So, we have seen very good performances. And we think that particularly as we continue to build partnerships and provide digital offerings using the trends like borrowing off your phone, we will continue to push the growth of private sector credit, but also drive financial inclusion because among the loans we give, we also offer savings products.

Challenges

'One of the challenges that we have, particularly when it comes to financing, is a low savings culture and low savings.'

KCB Bank Uganda managing director Edgar Byamah. The bank is driving financial inclusion through microloans that can support economic activity. PHOTO/ISMAIL MUSA LADU

You earlier spoke of sustainability. Is that the future for KCB Bank?

I think we cannot go past sustainability. Just like digitisation and automation, sustainability is here to stay. The issue for us is to embed it in our day-to-day activities - making it part and parcel of our modus operandi. For a country to grow, you largely have to have the right energy mix. Then you have to drive the right kind of mobility coupled with the right financing.

Note that we are also active players in the oil and gas sector, however this transition will not be immediate, so we have to get as many people on the grid, to again ensure and support some of the sustainability measures and climate change.

So, for us, it is to embed the whole aspect, starting initially with the whole tenets of ESG, and into the broader forum of sustainability, which is really the future of mankind.

You have been aggressive in promoting savings. Why is this important to you?

I think one of the challenges that we have, particularly when it comes to financing, is a low savings culture and low savings. That then translates into almost negligible long-term savings.

So, the savings culture cuts across all players in the financial sector, from banks, pension funds, insurance companies, etc.

We have made it flexible and convenient for people to save, there has been a gradual uptake. It could have been better, but there's a continued gradual uptake to drive savings.

But one of the things about savings, and that's why you cannot gain savings from financing, is that there must be economic activity.

That is why we remain focused on driving a lot of this financial inclusion, microloans, to then support this economic activity, which can allow some savings to be made alongside the investments that many of our customers and the broader public are making.