

TRENDS AND ISSUES IN MICROFINANCE INFORMAL INFORMATION EXCHANGE MEETING

HELD ON MONDAY 25th July, 2005 AT FAIRWAY HOTEL

The theme of this quarter's Information Exchange was "**Electronic Banking and MFIs, Recent Developments in East Africa.**" Mr. Charles Kilibo, Programme Manager, AMFIU chaired the meeting in the absence of Mr. Henry Mbaguta who was unable to attend the meeting due to other commitments. The meeting was attended by 52 participants.

Two presentations were made.

Highlights:

1st Presentation: "Electronic Banking & MFIs, An overview with examples from Kenya and Tanzania"

By: Mr. David Cracknell, Microfinance/Banking Specialist, MicroSave

Mr. Cracknell presented an overview of E-Banking developments in East Africa. He highlighted the advantages of E-Banking to the MFIs and to the client as well as some of the challenges. Further details can be obtained from the attached presentation file in .pdf as well as on our website: www.fsdu.or.ug

2nd Presentation: "Electronic Banking & MFIs, Current developments in Uganda and the role of Bankom"

By: Mr. Michael Kawalya Kaggwa, CEO, Bankom

Mr. Kaggwa gave a background of the Bankom switch highlighting its ownership, operations, services and clients. Mr. James Mugabi of Nile Bank presented a product which is a result of collaborating with Bankom. Further details can be obtained from the attached presentation file in .pdf as well as on our website: www.fsdu.or.ug

Questions and Comments

Q. *What are the minimum requirements for MFIs to join the switch?*

A.

- Good MIS
- Networked branches

Q. *Why are the "big" banks not members of the switch?*

A.

- DFCU, one of Uganda's "big" banks, is a member
- Barclays and Standard have indicated that they might join eventually

Q. *What would happen when the money an MFI client claims to have deposited through an ATM, for savings or loan repayment, differs from what is in the envelop?*

A.

- A representative of the MFI would be present whenever the envelopes are opened to confirm the source of the discrepancy.
- The ATM produces a transaction listing which can be used in any arbitration.

Q. *What is the legal framework for E-Banking transactions?*

A.

- The Guidelines by the Bank of International Settlement

Q. *How dependant on power supply are ATMs?*

A.

- Some ATMs come with backup power supplies
- The alternative is to use offline equipment which can be transfer data from areas without power to areas where the transactions can take place.

Q. *What is the cost of developing software modules which use local languages?*

A.

- It is not a major cost.

Q. *What about clients' education?*

A.

- A lot needs to be done to educate and inform clients
- Bankom is pursuing this vigorously.

Q. *Is a client of one bank charged extra for using an ATM of another member bank?*

A.

- There are no extra charges

Q. *Does Bankom access the accounting system of its members?*

A.

- Bankom does not need access to the members' accounting system. The switch sends a request for authorization to the member's server without querying the clients account status. It is the member's serve which does this and responds.

Q. *Has there ever been a fraud with the Bankom switch?*

A.

- There has never been a case of fraud using the Bankom switch. It uses the highest security encryption methods in the communication between its equipment and the members' equipment. Frauds are perpetuated outside of this system for example when people disclose their pin numbers to third parties.

The formal meeting ended but participants continued the discussions over cocktails

The next Trends and Issues in Microfinance – Informal Information Exchange meeting will take place on **Monday 31st October 2005 at 2.30 pm**. This quarter's meeting was organised jointly by AMFIU and FSDU. Ms. Drollah Ssebagala of AMFIU took the minutes. The organizers wish to satisfy the desires of the microfinance community for information and therefore invite suggestions for the theme for the next meeting. People with ideas for future presentations should communicate them to SUFFICE (hmutabazi@suffice.or.ug) or to FSDU (chris@fsdu.or.ug).

Best Regards



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