Fintechs up front, banks at the back: Inside the new financial ecosystem

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Over the past decade, financial technology (fintech) has moved from the fringes of innovation to the centre of the global financial system.

Worldwide, the fintech market is projected to grow at an annual rate of 15–25 percent, well ahead of the broader financial services industry. This expansion is reshaping how people save, borrow and make payments.

In Africa, this transformation is most visible in the rise of mobile money. By 2024, mobile money services on the continent were handling roughly $1.1 trillion in transactions annually, making Africa the dominant player in global mobile money flows. For millions of Africans, a mobile wallet has effectively become their first "bank account".

Uganda mirrors this trend. Bank of Uganda data shows that mobile money transactions rose to Shs253.7 trillion in the year to June 2024, up from Shs192.9 trillion a year earlier, a growth of more than 31 percent in just 12 months.

Over the same period, commercial banks' assets grew to about Shs53 trillion, a steady but slower pace. Put simply, the annual value of money flowing through mobile money is now roughly five times the size of the entire commercial banking sector's balance sheet.

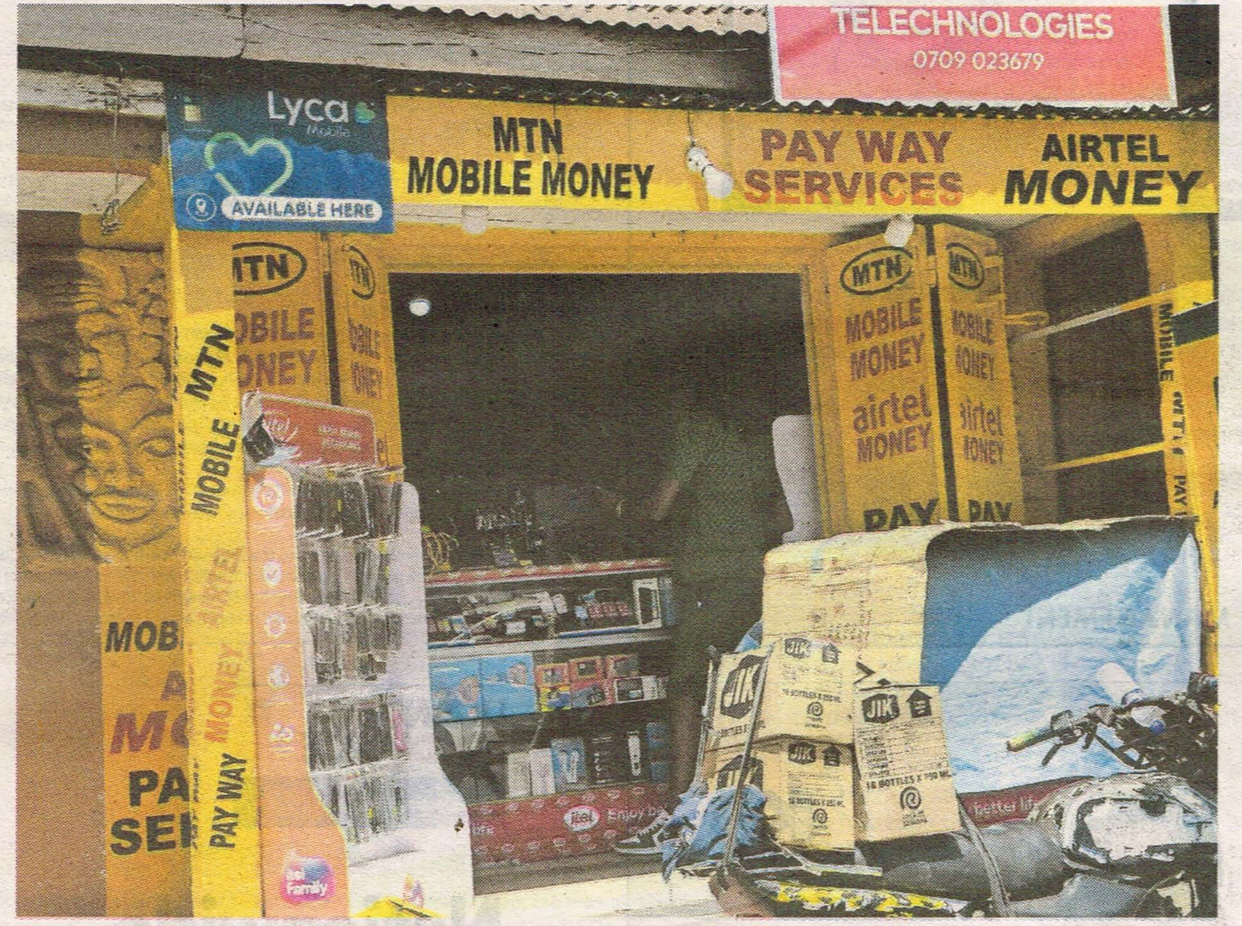
The different roles

This contrast highlights the different roles each side plays. Commercial banks hold large pools of deposits, extend medium and long-term credit, and finance major corporate and government projects. Their assets have been growing at about 8–11 percent annually in recent years.

Fintechs, by contrast, specialise in high-volume, low-value transactions, moving huge sums in tiny increments through millions of payments each day.

Fintech's speed advantage is structural. A bank that wants to grow usually needs to open branches, hire staff, and invest in legacy IT systems. A fintech can reach millions of users via a mobile app or basic USSD code, with relatively modest physical infrastructure.

Product changes are rolled out through software updates, enabling rapid experimentation and improvement, which explains why mobile money, agency banking, and other digital channels now dominant tools of day-to-day transactions and domestic remittances. Fintechs also excel at reaching customers that banks have struggled to serve. Many Ugandans live far from banks or lack documents required to open a formal account, yet they often own a mobile phone.



If the collaboration between Fintechs and banks deepens, Uganda is likely to build a financial ecosystem where Fintechs provide reach, while banks supply balance sheet strength. PHOTO / EDGAR R BATTE

Key figures

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Mobile money platforms turn that handset into a transactional account, allowing users to send and receive funds, pay utilities, buy goods, and save small amounts. As mobile penetration rises above 70 percent of Uganda's population, the potential customer base for fintechs expands with it.

Commercial banks, however, remain financially powerful. Sector-wide assets of about Shs53 trillion and record profits of roughly Shs1.6 trillion in 2024 show that banking is still highly profitable and systemically important. Banks dominate in areas where large balance sheets, strong risk management, and close regulatory oversight are essential: corporate lending, trade finance, project finance, and large-value payments.

Regulation is now catching up with fintech's scale. The National Payment Systems Act and the associated licensing framework have brought payment service providers, electronic money issuers, and switching operators firmly under the supervision of the central bank. This has helped formalise the sector, protect consumers, and give investors confidence.

The emerging picture is one of complementarity rather than outright competition. Fintechs and mobile money platforms lead in reach, usage, and transaction volumes, while commercial banks lead in assets, capital strength, and large-ticket finance.

Increasingly, banks and fintechs are partnering, sharing infrastructure, integrating payment rails and co-developing digital products.

Bank of Uganda underscores this complementarity, saying payment service providers, now at 54, do not displace the role of banks but rather expand accessibility to financial services.

"Their business models are largely complementary. Payment service providers rely on the banking system for settlement, custody of funds, and other core infrastructures, while banks benefit from the increased transaction volumes, deeper customer engagement, and expanded digital rails," says Kenneth Egesa, the Bank of Uganda director of communication.

If this collaboration deepens, Uganda is likely to end up with a financial ecosystem in which fintechs provide speed, accessibility and innovation at the "front end", while banks supply the balance sheet strength and regulatory backbone at the "back end".

Together, they can deliver a more inclusive, efficient and resilient financial system than either could build alone.

Vincent Tumwijukye, chairman of the Financial Technologies Service Providers Association, agrees, saying that fintechs have removed bottlenecks that once clogged the flow of finance.

"Money can now reach a million people very quickly. This is different from what it used to be," he says, adding that effective partnership between banks and fintechs can propel the economy, provided there is resolute focus on the relevance and affordability of financial services.