

MIXED REACTIONS AS BOU LIMITS CASH WITHDRAWAL

By Moses Kigongo

The Bank of Uganda (BOU) has introduced limits on how much cash can be withdrawn over the counter from financial institutions it supervises. The central bank says the move, which is aimed at accelerating the country's transition to digital payments, will start on January 1, next year.

BOU has capped daily withdrawals from individual accounts at sh50m and from corporate or business accounts at sh500m.

The weekly withdrawal cap for individuals has been set at sh250m, while businesses will be limited to sh2.5b.

The measures are contained in a circular issued to chief executive officers of commercial banks, credit institutions and microfinance deposit-taking institutions, dated May 29, 2026.

"In line with the Bank of Uganda e-payments strategy, which aims to promote a cash-lite economy as part of the broader national digitisation agenda, the Bank of Uganda has reduced the interbank cheque value limits and introduced over-the-counter cash withdrawal caps," the circular says.

The Financial Sector Deepening Uganda director for research and insights, Joseph Lutwama Sanjula, welcomed the directive as being aligned with Uganda's long-term digitisation ambitions.

Lutwama said the directive could help fight corruption because digital transactions leave an audit trail that can be tracked.

He, however, said businesses that have traditionally relied on cash payments would need time to adjust.

"For example, a company like Mukwano that pays thousands of outgrowers may have to shift from using bullion vans to mobile money or digital accounts. The assumption is that everyone has a mobile money account and can easily access their funds," Lutwama said.

The National Entrepreneurs and Traders Association chairperson, Thadius Musoke, said more stakeholders should have been consulted before implementation.

"Let us, as stakeholders, be engaged so that we can show them how it may impact us and find solutions together before implementation," he said.

Kenneth Asiiimwe, an economist at the Civil Society Budget Advocacy Group, said the directive is consistent with Uganda's long-term development goals and aspirations to become a digital economy.

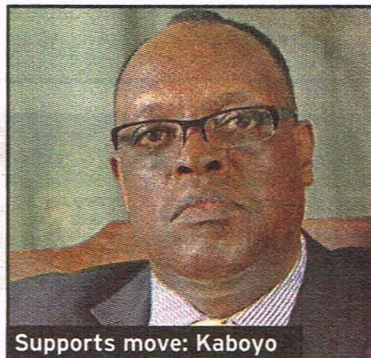
"Naturally, people will first feel inconvenienced, but they will slowly appreciate it," he said.

However, Asiiimwe cautioned that the transition would require measures to address barriers to digital inclusion, particularly the high cost of smartphones and digital devices.

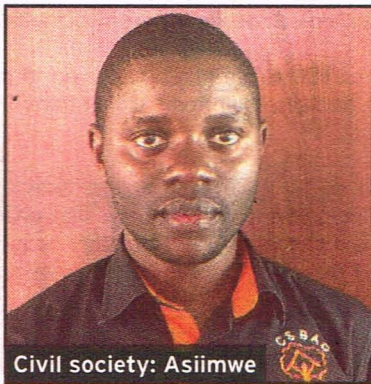
"The cost of smartphones needs to be reduced to enable all Ugandans



A customer being served by a bank employee at the counter. Bank of Uganda has introduced limits on how much cash can be withdrawn over the counter from financial institutions it supervises



Supports move: Kaboyo



Civil society: Asiiimwe

to acquire the gadgets needed to participate," he said.

Asiiimwe also warned of possible job losses in sections of the banking industry that primarily handle bulk cash transactions.

OPPORTUNITY FOR FINTECH GROWTH

Princess Shamirah Kimbugwe, the founder and chief executive officer of Pivot Payments, said the directive would significantly reshape Uganda's payments landscape by accelerating the migration from cash-based transactions to digital payment systems.

She said fintech companies are likely to benefit through increased demand for automated collections,

CASHLESS FUTURE

Joseph Lutwama Sanjula, the director of research and insights at the Financial Sector Deepening Uganda, said the shift to a cash-lite economy goes beyond limiting cash withdrawals. It requires a wider digital ecosystem that enables seamless electronic transactions.

"A cashless economy requires digitised customers, businesses and transactions, supported by infrastructure, policies and laws," he said.

Lutwama said customer digitisation starts with digital identities, addresses, money and wallets. Digital identity systems should allow people to verify information linked to their National Identification Number (NIN) without presenting a physical ID. Lutwama added that digital addresses, supported by mobile numbers or digital accounts, are vital for communication and transactions. He said Uganda has made progress through mobile money, digital banking and the national ID system, but remains behind countries such as India and China, where digital identities, wallets and payment systems are fully integrated into daily life.

Lutwama said the success of the Bank of Uganda's cash-lite agenda will depend on strengthening these digital foundations and more.

bulk-payment systems, merchant tools and other digital payment innovations.

Kimbugwe, however, cautioned that several challenges remain, including gaps in digital infrastructure, transaction costs, cybersecurity concerns and the readiness of sectors such as agriculture, construction and informal trade to fully embrace digital payments.

"If supported with affordable digital channels, strong consumer protection and nationwide sensitisation, the directive can unlock a more inclusive, efficient and innovation-driven financial ecosystem," she said.

IMPACT ON FINANCIAL MARKETS

Alpha Capital Partners managing director Steven Kaboyo said the directive could have positive implications for financial markets, business activity and the broader economy.

Kaboyo said more funds are likely to remain within the formal banking system, strengthening deposit bases and improving liquidity management for banks.

"Reduced cash movement enhances transaction traceability, supports anti-money laundering compliance and lowers the costs associated with handling and transporting cash," he said.

Kaboyo noted that while businesses, especially small and medium enterprises and cash-intensive sectors may face short-term adjustment challenges, the directive is likely to encourage greater financial discipline through better record-keeping and improved access to formal financing.

He also believes the policy could help reduce activities in the shadow economy by curbing tax evasion and illicit financial transactions while accelerating growth in Uganda's digital economy.

"This directive is a bold and necessary step in Uganda's journey towards a modern, efficient and transparent financial system," Kaboyo said. "If implemented thoughtfully, it can unlock a more resilient economy, expand financial inclusion and position Uganda as a regional leader in digital payments".

OTHER TRANSACTION LIMITS

Alongside the cash withdrawal limits, BOU introduced new cheque transaction thresholds, reducing the maximum value of interbank cheques from sh10m to sh5m.

US dollar cheque limits have been reduced by half from \$2,750 to \$1,375. Euro cheque limits have been reduced from 2,250 to 1,125, while pound sterling cheques have been cut from £2,200 to £1,100. Kenyan shilling cheque limits have also been reduced from Ksh300,000 to Ksh150,000.

In 2021, the central bank issued a similar directive halving cheque value limits across all major currencies cleared through the banking system, citing the growing preference for electronic payment channels.

Accordingly, since January 15, 2022, BOU lowered cheque payment to sh10m from sh20m previously. Since then, the maximum amount of money one can pay by cheque was limited to only sh10m. Payment by cheque using the dollar was cut from \$5,500 to \$2,750, euro from 4,500 to 2,250, pound sterling from 4,400 to 2,200 and the Kenya shilling from 600,000 to 300,000.

At the time, industry players described the move as an early step towards phasing out traditional cheque-based transactions in favour of faster and more efficient digital alternatives.

Uganda Bankers Association executive director Wilbrod Owor said then that cheque usage had steadily declined to about 10% of payment volumes as customers increasingly embraced mobile money, card payments, electronic funds transfers, internet banking and other digital channels

LESSONS FROM OTHER ECONOMIES

Kaboyo said Uganda's move is consistent with trends in several countries that are promoting digital payments and reducing reliance on cash transactions.

He cited Kenya as one of the regional leaders in digital financial services.

"In some African countries, there are no formal withdrawal caps, but anti-money laundering provisions effectively discourage excessive cash transactions by requiring financial institutions to monitor and report them," Kaboyo said.

He also said countries that have successfully built digital economies have done so through a combination of strong regulatory frameworks, reliable digital infrastructure and widespread financial inclusion, all of which encourage the use of electronic payments over cash.