

# FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

## UGANDA

### QUICKSIGHTS REPORT FII TRACKER SURVEY WAVE 1

April 2014

## THE FINANCIAL INCLUSION INSIGHTS (FII) PROGRAM

**The FII research program responds to the need for timely, demand-side data and practical insights on the use of mobile money and other digital financial services, and the potential for their expanded use among the poor.**

**The program covers eight countries in Africa and Asia** at different stages of digital financial services development. Research was launched in fall 2013.

**FII is operated by global research group InterMedia** and sponsored by the Financial Services for the Poor initiative of the Bill & Melinda Gates Foundation. All FII data and research is publicly available through the FII portal: [www.finclusion.org](http://www.finclusion.org).

**QuickSights** reports provide an initial look at results from the nationally representative FII Tracker Surveys conducted once or twice annually in each FII country. This report is based on the Uganda FII Tracker Survey conducted in fall 2013.

## QuickSights Report

- This report is a first look at the key characteristics of the digital financial services (DFS) market in Uganda. In-depth analysis is presented in wave reports, which combine qualitative and quantitative insights.

## Key Definitions Used in this Report

- **DFS** – Financial services provided through an electronic platform (mobile phones, electronic cards, the internet, etc.). *For this particular study, digital financial services include bank services and mobile money services.*
- **Active account holder** – An individual who has a registered DFS account and has used it in the last 90 days.

These definitions are aligned with the metrics used by the Financial Services for the Poor program at the Bill & Melinda Gates Foundation to track global developments in financial inclusion and measure the impact of interventions on poor people's lives.

## Reported Data

- All percentages in this report are weighted to reflect national-level proportions.
- All bases (n=numbers) in this report are unweighted and represent the actual number of people interviewed in the survey.

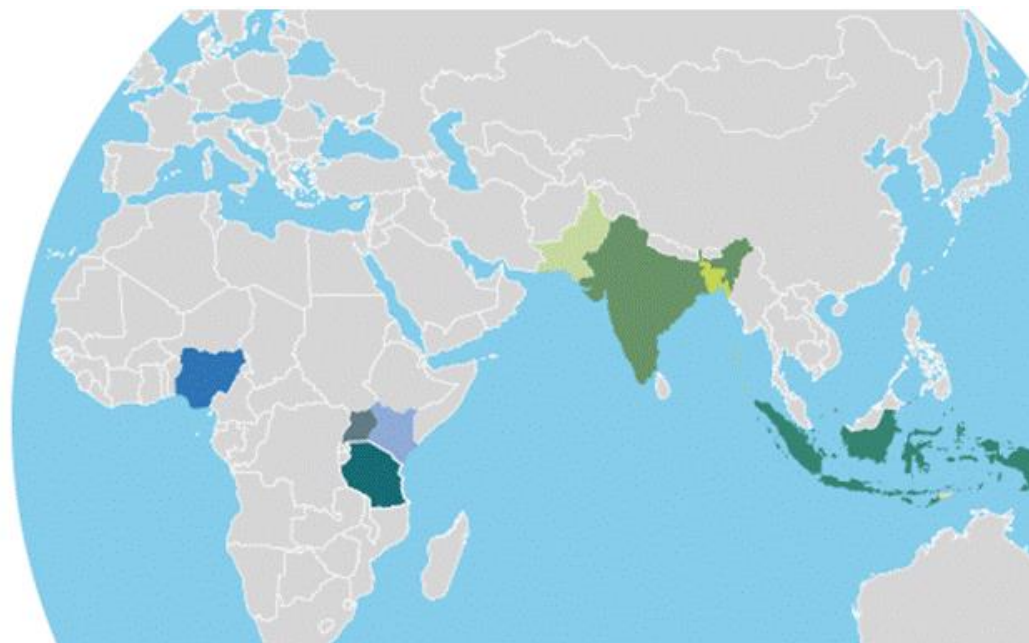
# THE FII SURVEY RESEARCH PROGRAM

## AFRICA

- Kenya
- Nigeria
- Tanzania
- Uganda

## ASIA

- Bangladesh
- India
- Indonesia
- Pakistan



	Bangladesh	India	Indonesia	Nigeria	Kenya	Pakistan	Tanzania	Uganda
Surveys per Year	2	1	1	2	1	1	2	2
Interviews per Survey	6,000	45,000	6,000	6,000	3,000	6,000	3,000	3,000

## UGANDA

# THE UGANDA FII TRACKER SURVEY

## Survey summary

- Biannual, nationally representative survey (N=3,000) of Ugandan individuals aged 15+
- Face-to-face interviews lasting 45 to 60 minutes
- First survey conducted from 9/19/2013 to 12/15/2013
- Provides baseline measurements. Subsequent annual surveys will measure trends and track market developments in DFS

## Data collected

- Basic demographics
- Poverty measurement (Grameen Progress Out of Poverty Index)
- Access/use of mobile devices
- Access/use of mobile money (MM)
- Access/use of formal financial services (e.g., bank accounts)
- Level of satisfaction with financial service providers and products
- Influencers and drivers of adoption
- Interoperability
- New product development

## Focus of Analysis

- **Analysis in this report focuses on active mobile money account holders and active bank account holders.**
- Why? Banks and mobile money represent the most common methods for financial inclusion.
- **Active account holders** were selected as they best represent what is commonly understood as financially included individuals who hold their own personal account (as opposed to using someone else's account) and use the account regularly (defined as used in the last 90 days)

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## Survey Demographics

Demographic	% of Survey (N=3,000)
Male	48
Female	52
Urban	16
Rural	84
Above the \$2.50/day poverty line	15
Below the \$2.50/day poverty line	85
Ages 15-24	25
Ages 25-34	29
Ages 35-44	17
Ages 45-54	10
Ages 55+	19

Source: InterMedia Uganda FII Tracker survey (N=3,000, 15+) September-December 2013. Figures are weighted to reflect national census data demographics.

## UGANDA

## UGANDA FII TRACKER SURVEY – HIGHLIGHTS

- **Nearly half of adult Ugandans have previously used either mobile money or banking services.** Forty-seven percent of Ugandan adults have used mobile money or banking services and forty percent have done so in the 90 days prior to being interviewed.
- **Among adult Ugandans, active mobile money account use is much more prevalent than active bank account use.** Nearly four times as many Ugandan adults are exclusively active mobile money account holders as are exclusively active bank account holders.
- **Ugandans actively using financial services are more literate than their counterparts.** Eighty-nine percent of active bank account holders and 80 percent of active mobile money account holders are able to read a simple paragraph as opposed to just 63 percent of the total adult population.
- **The majority of active account holders first learned about mobile money through the radio.** Eighty-six percent of active account holders learned about mobile money through the radio, versus 22% from TV, the second most common source of information.
- **Poor quality of service from telecoms appears to be holding back the mobile money sector.** The most common transaction problem faced by active account holders has been for their agent's mobile network to be down.

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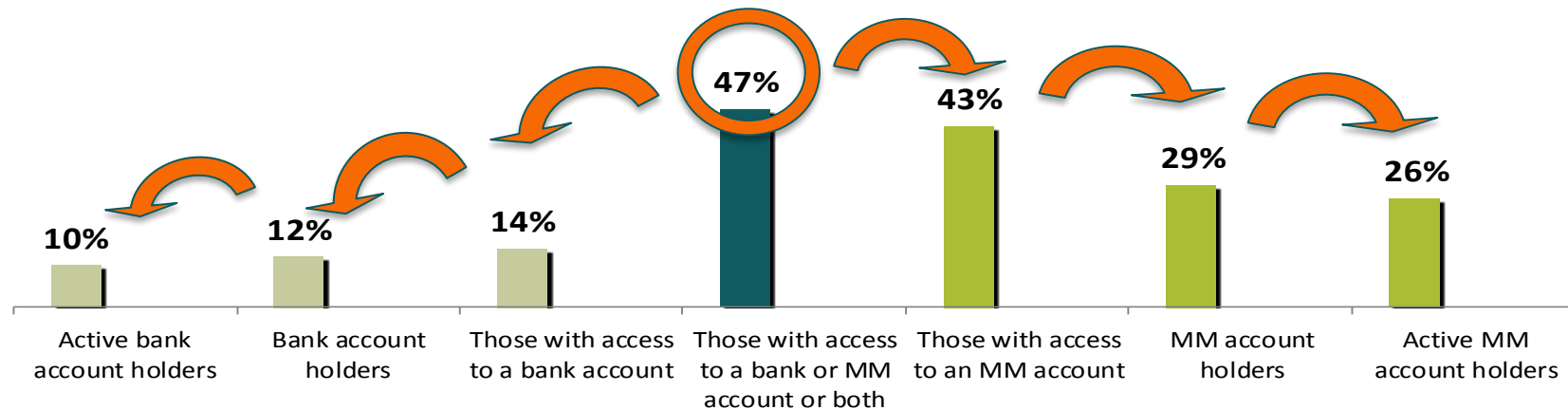
# THE UGANDAN LANDSCAPE FOR DIGITAL FINANCIAL SERVICES



## UGANDA

### The Ugandan Financial Service Sector: General Overview

(Percentage of Ugandan adults who fall into each category)



#### Key takeaways:

- Almost half of Ugandan adults have access to financial services through either a bank or mobile money account, or through both
- Three times more Ugandans have access to mobile money accounts than have access to bank accounts
- Nine in 10 of those with access to a bank account own an account; 7 in 10 of those with access to a mobile money account own a mobile money account
- Most account holders actively use their accounts
- Only 0.3% of bank account holders have accounts that are dormant

**Access** to a bank account or mobile money account means a respondent can use bank/mobile money services either via their own account or via an account of another person. **Active account holders** are those with a registered mobile money and/or bank account who have used that account in the last 90 days. **Dormant accounts** are those that have been registered but have never been used.

Source: InterMedia Uganda FII Tracker survey (N=3,000, 15+) September-December 2013

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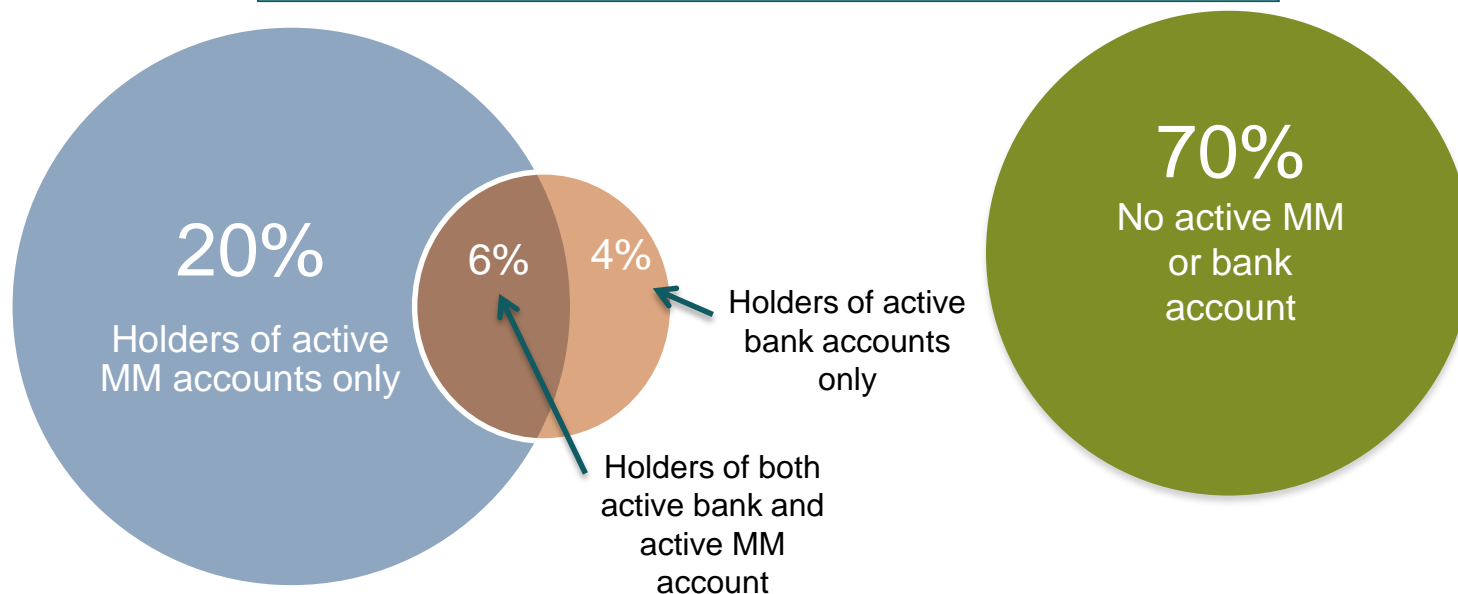
## Mobile money services dominate financial account activity

**Key takeaways:**

One-quarter of Ugandan adults are active MM account holders.

Mobile money account ownership is more than double bank account ownership

Seven in 10 Ugandan adults are neither active bank nor mobile money account holders



**Active account holders** are those with a registered mobile money and/or bank account who have used that account in the last 90 days.

Source: InterMedia Uganda FII Tracker survey (N=3,000, 15+) September-December 2013

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## Demographic Trends: Active MM account use shows a notable urban-rural split

Financial Inclusion Measures by Key Demographic (percentage of each sample)				
Demographic	Active Bank Account Holder	Active MM Account Holder	Both	Neither
Total Population N= 3,000	10	26	6	70
Male n=1,365	15	30	9	64
Female n=1,635	5	22	3	76
Urban n=490	20	50	15	45
Rural n=2,510	8	22	5	75
Above Poverty Line n=450	16	38	13	59
Below Poverty Line n=2550	9	24	5	72

*Above/below poverty line is defined by those respondents living on more/less than \$2.50 a day, as classified by the Grameen Progress Out of Poverty Index (PPI).*

*Source: InterMedia Uganda FII Tracker survey (N=3,000, 15+) September-December 2013 .Categories are not mutually exclusive.*

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## Demographic Trends: Youth lag in active MM account use

Financial Inclusion Measures by Key Demographic (percentage of each sample)				
Demographic	Active Bank Account Holder	Active MM Account Holder	Both	Neither
Total Population N= 3,000	10	26	6	70
Ages 15-24 n=775	4	20	3	79
Ages 25-34 n=871	10	29	7	68
Ages 35-44 n=503	16	32	10	62
Ages 45-54 n=284	15	31	8	62
Ages 55+ n=562	9	22	6	75

Source: InterMedia Uganda FII Tracker survey (N=3,000, 15+) September-December 2013. Categories are not mutually exclusive.

## UGANDA

### Literacy, numeracy rates fairly similar among user segments

**National average**  
(N=3,000)

**63%**

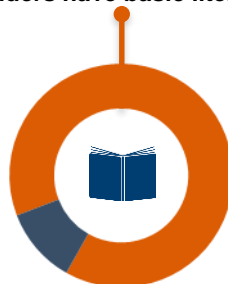
of Ugandan **ADULTS** have basic literacy



**Active BANK account holders**  
(n=288)

**89%**

of active **BANK** account holders have basic literacy



**Active MM account holders**  
(n=788)

**80%**

of active **MM** account holders have basic literacy



Literacy

**83%**  
of Ugandan **ADULTS** have basic numeracy



**94%**  
of active **BANK** account holders have basic numeracy



**95%**  
of active **MM** account holders have basic numeracy



Numeracy

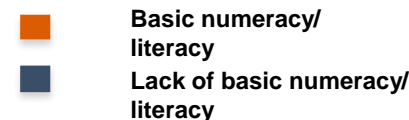
#### Key takeaways:

Lack of literacy might be a barrier to bank account and mobile money adoption.

The literacy rate is 26 percentage points higher for active bank account holders than it is for the general adult population.

For mobile money account holders, the literacy rate is 17 percentage points higher than it is for the general adult population.

The effect of numeracy is not as dramatic, although still significant.



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# MOBILE MONEY USE TRENDS

## UGANDA

### MM Awareness: Radio leads as source of initial information

*'From which source of information did you first learn about this mobile money service?'*

Rank	Top 5 initial sources (percentage of active MM account holders, n=788)	%
①	Radio	86
②	Television	22
③	Family and/or friends	15
④	Billboards	11
⑤	Field registration agents	9

#### Key takeaway:

Few active mobile money account holders first heard about mobile money from a field registration agent.

Source: InterMedia Uganda FII Tracker survey (N=3,000, 15+) September-December 2013. Question allowed multiple responses

## UGANDA

### Mobile Money Use: Ugandans open mobile money accounts to send/receive money but use them to deposit/withdraw money

Rank	Top reasons for starting to use an MM account (n=788)	%	Rank	Top uses for MM accounts (n=788)	%
①	I had to receive money from another person	77	①	Withdraw money	96
②	I had to send money to another person	61	②	Deposit money	70
③	I saw other people using it and wanted to try myself	4	③	Receive money from other people for regular support, receive allowances	48
④	A media advertisement (TV, radio, newspaper or billboard) convinced me.	4	④	Buy airtime top-ups	44
⑤	An agent or salesperson convinced me.	3	⑤	Receive money from other people for emergencies	36

Source: InterMedia Uganda FII Tracker survey (N=3,000, 15+) September-December 2013. Question allowed multiple responses.



## UGANDA

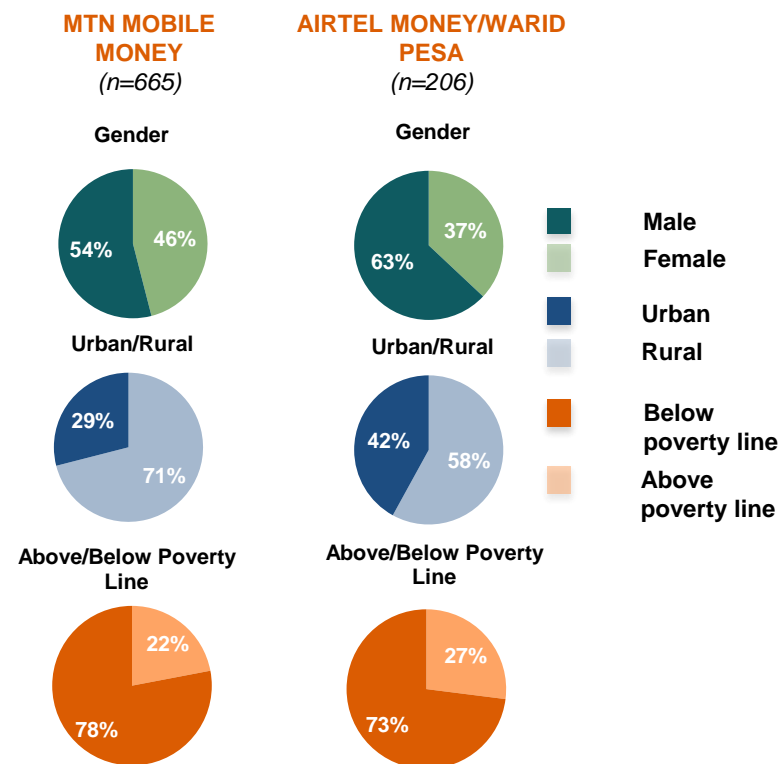
### The Ugandan Mobile Money Market: MTN retains dominant position

MM Provider *	% of active MM account holders using this service (n=788)
MTN Mobile Money	84
Airtel Money/Warid Pesa	26
M-Sente	1
Orange Money	1
Safaricom M-Pesa	0.1

\*Active registered MM account holders can have accounts with more than one provider.

MTN Mobile Money still dominates the market. But, the merger between Airtel and Warid Telecom in early 2013, which integrated Airtel Money and Warid Pesa onto one mobile money platform, has changed the market dynamic. The merger increases the competitive pressure on MTN.

A larger portion of MTN's active customers are rural than Airtel/Warid's



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## Awareness of Key Events: Active mobile money account holders are aware of and respond to related events

### Airtel/Warid Merger

- 78% of active mobile money account holders were aware of the 2013 merger between Airtel Money and Warid Pesa (n=788)
- 43% of these reported the merger had a positive effect on their mobile money use (n=617)

### Taxation

- 44% of active MM account holders knew about the new government tax on mobile money transactions imposed in 2013 (n=788)
- 60% of these said the new tax had a negative effect on their mobile money use (n=349)

### Fraud Allegations\*

- 27% of active mobile money account holders were aware of fraud allegations against MTN made in 2012 (n=788)
- 60% of these reported that the fraud allegations had a negative effect on their mobile money use (n=216)

Source: InterMedia Uganda FII Tracker survey (N=3,000, 15+) September-December 2013

The percentages for awareness include spontaneous and prompted and the bases are all active mobile money account holders

\*Fraud case against MTN was dismissed by a Ugandan court in March 2013.

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## Beyond Wallet: Few Ugandans use mobile money for purposes other than money transfers

**Top 5 use cases beyond money transfer, deposits, and airtime purchases**  
 (Percentage of active MM account holders who conducted this transaction)

Rank	Top services (n=788)	%
①	Save money for a future purchase or payment	6
②	Pay a school fee	6
③	Pay a utility bill	5
④	Receive wage for a primary job	3
⑤	Receive wage for a secondary job	2

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## Interoperability Between Different MM Services: The data suggests interoperability would benefit users

Percentage of active MM account holders who said they needed to do the following activities in the last 90 days, which would require service interoperability

Rank	Top 5 most frequently mentioned interoperability needs (n=788)	%
①	Receive money in their mobile money account from an account of another person who uses a different mobile money provider	25
②	Send money from their mobile money account to an account of another person who uses a different mobile money provider	18
③	Transfer money between their mobile money account and their bank/MFI account	1
④	Pay a bill or a fee from their mobile money account to a mobile money account of an organization that used a different mobile money provider	1
⑤	Transfer money between their mobile money account and their SACCO account	1

Source: InterMedia Uganda FII Tracker survey (N=3,000, 15+) September-December 2013. The question allowed multiple responses

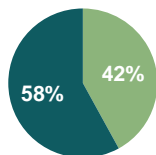
## UGANDA

# Leading MM Transaction Problems

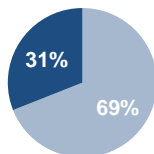
**Key takeaway:**  
 Nearly seventy percent of active MM account holders have experienced network problems during agent transactions.

### Top 3 transaction problems

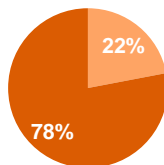
**1 69%**  
**GSM/Mobile Network Down**  
 (n=540)  
 Gender



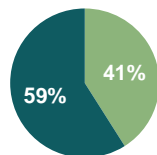
Urban/Rural



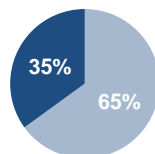
Above/Below Poverty Line



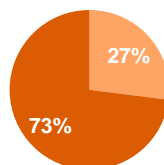
**2 40%**  
**Agent did not have enough cash**  
 (n=313)  
 Gender



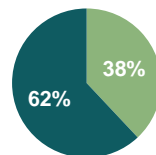
Urban/Rural



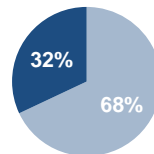
Above/Below Poverty Line



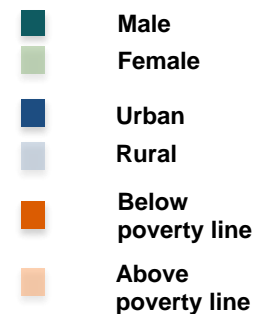
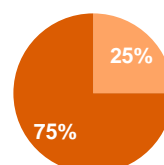
**3 38%**  
**Agent was absent**  
 (n=294)  
 Gender



Urban/Rural



Above/Below Poverty Line

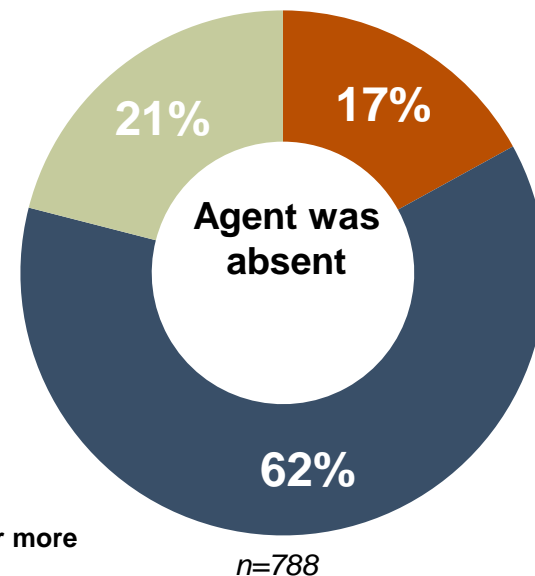
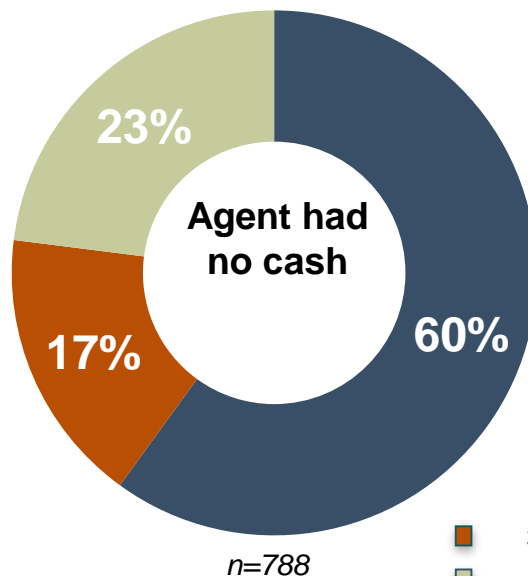
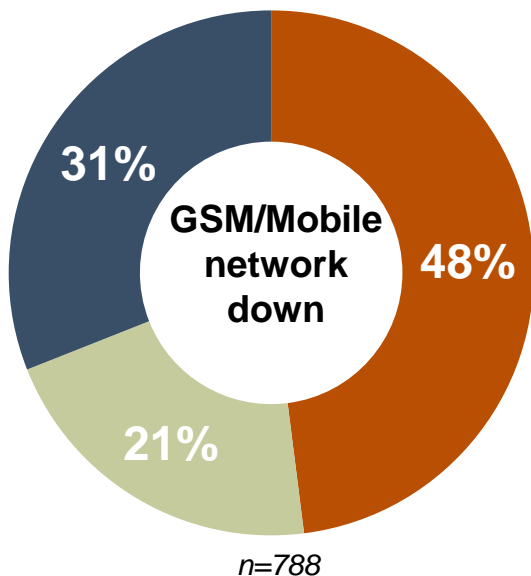


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## Frequency of MM Transaction Problems

Frequency with which active MM account holders experienced this issue in the last six months

**Key takeaway:**  
Active MM account holders experience mobile network problems more frequently than other problems.



- 3 times or more
- 1-2 times
- Never

Source: InterMedia Uganda FII Tracker survey (N=3,000, 15+) September-December 2013

## UGANDA

### Bank Account Use: Ugandans open bank accounts to save money, primarily use bank accounts for deposits and withdrawals

#### Top five reasons why people start using bank accounts and how they use them

(Percentage of active account holders)

Rank	Top reasons for starting to use a BANK account (n=288)	%	Rank	Top uses for Bank accounts (n=288)	%
①	I wanted to start saving money with a bank	51	①	Withdraw money	91
②	I had to receive money from an organization/government agency (e.g., a pension or unemployment payment)	16	②	Deposit money	90
③	I wanted a safe place to store my money	10	③	Save money for a future purchase or payment	18
④	I had to receive money from another person	8	④	Receive money from other people for regular support, receive allowances	14
⑤	An organization/government agency requested that I sign up for an account	6	⑤	Pay a school fee	13

Source: InterMedia Uganda FII Tracker survey (N=3,000, 15+) September-December 2013. Both questions allowed multiple responses.

# SAMPLING APPROACH

## Working with Uganda National Bureau of Statistics (UBOS)

- InterMedia and UBOS agreed on a sample of 3,000 that was nationally representative of adults (15+ older).

## Sampling Frame

- UBOS's sampling frame of all EAs by district was used to draw the sample of the required EAs for the survey.

## Sampling Enumeration Areas (EAs)

- UBOS drew the sample of the required number of EAs by subregion and district.
- A sample of 300 EAs was drawn from urban and rural strata using systematic probability proportional to population size method (using numbers of households rather than people).
- Ten interviews were conducted per EA.

## Sampling Start-Points, Households and Respondents

- One start point within each EA was chosen by randomly selecting from a list of local landmarks identified by village elders.
- Households (see definition in glossary) were selected using a random route walk, standardized skip pattern and process for substitution.
- One respondent per household was selected using the Kish grid method and relevant consent for eligible respondents under 18 years of age was obtained.



# GLOSSARY OF TERMS

- **Access** to a bank account or mobile money account means a respondent can use bank/mobile money services either via their own account or via an account of another person.
- **Active account holder** – An individual who has a registered DFS account and has used it in the last 90 days.
- **Active user** – An individual who has used any DFS for any type of transaction in the past 90 days via his/her own account or somebody else's account.
- **Adults with DFS Access** – Adults who either own a DFS account or have access to someone else's account.
- **Agent** – A person or business contracted by a DFS provider to provide services to DFS customers using their own bank or mobile money account.
- **Banked** – An individual with a registered account at a formal financial institution. For this particular study, banked are all individuals with their own bank accounts.
- **Basic literacy** – The ability of an individual to read and understand a short, simple statement with no or minimal help from another person.
- **Basic numeracy** – The ability to apply simple mathematical concepts. In the survey, basic numeracy refers to the ability of an individual to correctly answer at least two out of three simple arithmetic questions.
- **Below the Poverty Line** - In this particular study, adults living on less than \$2.50 per day, as classified by the Grameen PPI.
- **Digital financial services (DFS)** – Financial services that are provided through an electronic platform (mobile phones, electronic cards, the internet, etc.). **For this particular study, digital financial services include bank services and mobile money services.**
- **Digital stored-value account (DSVA)** – An account in which funds or monetary value are represented in a digital electronic format and can be retrieved/transferred by the owner of the account remotely, without him/her physically present at a branch of a financial institution providing the account. For this particular study, DSVAs include a bank card (debit or credit) and a mobile money account.
- **Dormant registered users** - Adults who own a registered bank or mobile money account but have never used the account after the registration.

## GLOSSARY OF TERMS (CONT.)

- **Financial inclusion** – A state in which all people who are able to use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients.
- **Financially included** – An adult who owns or has access to digital financial services.
- **Grameen Progress out of Poverty Index (PPI)** – A poverty measurement tool from the Grameen Foundation wherein a set of country-specific questions are used to compute the likelihood that a household is living below the poverty line.
- **Households** – All those who satisfy at least two of the following three conditions: (1) share the same food pot, (2) share the same roof or (3) have a common decision maker.
- **Interoperability** – The ability of users of different digital financial services (e.g., MTN Money and Airtel Money) to transact directly with each other without the use of intermediary organizations.
- **Lapsed registered/non-registered user** – An individual who has used a DFS on their own or somebody else's account, but has not done so in the last 90 days.
- **Mobile money (MM)** – A service in which a mobile phone is used to access financial services.
- **Registered active user** – A person with a registered DFS account that has used it in the last 90 days.
- **Services beyond basic wallet** – DFS transactions that go beyond simple deposits, withdrawals, or money transfers.
- **SIM card** – A removable micro-card that contains a subscriber identity module that securely stores the electronic codes used to verify subscribers' identities on mobile phones and computers.
- **UGX** – The national currency of Uganda
- **Unbanked** – Individuals without a registered bank account.
- **Urban/rural** – Urban and rural persons are defined according to their residence in urban or rural areas as prescribed by the national bureau of statistics.

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