

FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

UGANDA

FII QUICKSIGHTS REPORT MOBILE MONEY LAPSED AND NONUSER STUDY 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 (DFS), and the potential for their expanded use among the poor.

The program covers eight countries in Africa and Asia at different stages of DFS 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.

QuickSights reports provide initial findings from each FII research project. These reports feed into subsequent Wave Reports which synthesize the results from all projects conducted during a wave of research in a given FII country.

All data and materials resulting from the FII program are the property of the Bill & Melinda Gates Foundation, but the findings and conclusions within are those of the authors and do not necessarily reflect positions or policies of the Foundation.

STUDY DESIGN

Objectives

Sixteen focus groups were conducted with lapsed users and nonusers of mobile money to:

- Provide insights into why they stopped using or are not using mobile money services.
- Understand barriers to and triggers for uptake and use of mobile money.
- Understand participants' financial behaviors and current pain points, and identify potential for new digital services.
- Map common transactions to see where mobile money services can facilitate financial inclusion.

Key research questions

- If and how does the level of digital literacy affect the use of mobile money services?
- Why did lapsed users stop using mobile money?
- Are nonusers aware of mobile money services? If yes, why they are not using them?
- What routine financial transactions do participants conduct, what goods and services do they buy, and how do they make those financial decisions?
- Which of these transactions are the most difficult to conduct?
- Can mobile money serve participants' daily transaction needs, and, if so, how?

LOCATION AND PARTICIPANT PROFILE

- Fieldwork took place between Nov. 27 and Dec. 11, 2013
- Kampala was pre-selected as the urban location in the Central region.
- Other regions were selected based on the density of mobile money activity, which was based on the FII national survey findings.
- Districts were randomly selected from FII national survey locations.
- The age group for all participants was 25-34.
- There were eight participants in each group.

	Central Region*	Eastern Region**
Urban, lapsed user, income below poverty line	2 male groups	3 male groups
Urban, nonuser, income below poverty line	2 male groups	1 male group
Rural, lapsed user, income below poverty line	2 female groups	1 female group
Rural, nonuser, income below poverty line	2 female groups	3 female groups

*Central region: Urban locations were selected from Kampala district. Rural locations were selected from Lwengo and Mpigi districts.

**Eastern region: Urban and rural locations were selected from Jinja, Mbale and Kamuli districts.

SUMMARY OF FINDINGS

Main challenges

Few Ugandan adults understand English, therefore, a mobile phone interface in local languages is important for encouraging uptake and use of phone-based services.

An unstable mobile network and the lack of trust in mobile money agents discourage uptake of mobile money. Providers need to fix those issues before introducing any new services.

There is limited trust in mobile money due to unreliable services, fraud, and insufficient information about transactions and charges.

Over-the-counter (OTC) users do not transition to registered use because they do not understand the services well and neither providers nor agents educate them.

Market opportunities

Many people have heard about the possibility of saving money on mobile phones, creating a potential use for mWallet.

Mobile money providers could benefit from the existing saving and borrowing culture when developing new products for tracking credit and savings via mobile money platforms.

Continuous interaction between mobile money providers and mobile money users and agents via educational campaigns can help service providers overcome user mistrust driven by a lack of agent knowledge about the services.

UGANDA

USING MOBILE MONEY AND MOBILE PHONES



UGANDA

Multiple SIM card ownership is common but does not lead to ownership of mobile money accounts with more than one provider

- MTN and Airtel are the most commonly used mobile service providers.
- Many lapsed and nonusers have SIM cards (mobile phone accounts) with both providers so they can take advantage of promotional rates and avoid extra charges when calling across networks. Some use several providers because of network instability.
- Airtel is perceived to be cheaper by some, mostly because of the merger with Warid Telecom, who used to be the cheapest provider.
- There is no loyalty to providers or their agents. Most lapsed users of mobile money choose agents who are the closest in proximity.

UGANDA

English is a challenge for mobile phone interface

- Most urban residents can operate phone features on their own. In rural areas, many require help from digitally literate people in their communities.
- Among rural participants women are most vulnerable. Most have difficulty interpreting menus and text messages (SMS) in English on their phones. This prevents them from taking advantage of various services available on the phone including mobile money.
- Airtel is addressing the English-language challenge by using local languages for automated voice messages and menus.

The provision of interfaces and menus in local languages will reduce confusion and could stimulate the uptake and use of mobile money.

UGANDA

Confusion with mobile phone interfaces commonly leads to unintended subscriptions and undesired charges

- Many participants report being charged for mobile phone services they do not want or did not intend to sign up for.
- Unknown and undesired charges create anxiety and frustration because participants feel they don't have control over their money.
- These charges cause people to lose the little money they have, create distrust in mobile service providers and deter people from trying out financial tools on their phone.
- Problems with mobile phone subscriptions accentuate fears among lapsed and nonusers that mobile money is not a transparent financial service.

Mobile money providers should be proactive in educating their current users, and lapsed and potential users about the various services and charges.

UGANDA

A step towards mobile money use: Urban lapsed and nonusers of mobile money are trying out the airtime borrowing service from mobile service providers

- Participants in rural and urban areas mention borrowing airtime from MTN, Airtel and other service providers and paying it back later.
- Although awareness about this service is still limited, participants in both lapsed user and nonuser focus groups have used this service at least once.
- This service educates the users about the concept of responsible borrowing and repaying and has the potential to influence other financial behaviors.

“Network providers give us airtime on credit and we pay later.” (Urban male nonuser, Kampala)

“Whenever I don’t have credit, I just go to any shop and purchase airtime and I do re-charge myself, but most of the time I just borrow airtime from the phone, then I pay later.” (Rural female nonuser, Jinja)

Borrowing airtime from providers is considered a convenient service and may encourage uptake of other mobile phone services, including mobile money.

UGANDA

Mobile money is predominantly used for transfers, only a few know about other services

*“The last time I used the mobile money service was when I was sending money for rent to my landlord. He had come home earlier to collect it but I did not have the money. Therefore, when I got the money I sent it to him via mobile money.”
(Urban male lapsed user, Mbale)*

- Most nonusers have heard of mobile money even though they don't use the services.
- Radio advertisements, friends and relatives are the most common sources of information about mobile money. Many also know about mobile money because they see mobile money agents in the areas where they live or work.
- Most lapsed users used mobile money for sending and/or receiving money as a cheaper alternative to sending cash with public transport drivers.
- Focus group participants agreed mobile money is a good service for sending emergency support to someone far away. However, uncertainty around charges/costs of transmitting money creates suspicion towards service providers and agents.
- Most lapsed users started using mobile money before registering. While only a few went on to register, many participants reported understanding the benefits of being registered.

UGANDA

Multiple problems with mobile money services often discourage uptake and use

- Many participants complain of network problems that disrupt services and limit people's access to their own money.
- Limited understanding of charges for different transactions leads to all charges being perceived as fraud.
- Some complain that agents are trying to charge for registration even though they know that registration should be free.
- In addition, lapsed users had to deal with delayed transfers, misplaced money and confusing messages from providers and recipients of transfers.
- Finally, many lapsed users and nonusers have experienced or heard of mobile money fraud (e.g., when they are charged different amounts for the same service in different places by different agents).
- The multitude of service problems creates discomfort with the mobile money service among lapsed users and nonusers, discouraging use and leading them to search for alternative financial transaction methods or revert to what they have always done.

“My Dad had sent us the money through my brother's account, but to be sincere we spent the whole week trying to withdraw the money, but they kept on telling us the network problem. (Rural women nonuser, Jinja)”

UGANDA

Some OTC prefer the convenience of using agents over the personal control provided by a registered account

*“What you do is you leave the agent with the money and they send it when the network is back so all you have to do is you just call them to confirm that it has been sent.”
(Rural female lapsed user, Lwengo)*

- Some participants said they used agent accounts to transact because they don't know how to do it themselves.
- Others turn to agents when the network is down and trust them to make transactions on their behalf when the network is back up, thus avoiding the hassle of waiting or returning to the agent to complete the transaction.

Network breakdowns force customers to attempt transactions several times and can result in accounts being blocked for security reasons.

UGANDA

Among lapsed users, there are occasional users who see no need to register

- Many lapsed users especially liked mobile money because it was useful, fast and secure. However they only needed it occasionally and thus used mobile money through a husband's or other family member's accounts.
- Since they did not need mobile money regularly they did not want to register. Once an agent tried to force them to register, they stopped using all together.
- Some nonusers, who have heard of the benefits registration brings, are still hesitant to register and to use mobile money because they don't know the process or how it works.

“There is this friend of mine that usually assists me with her phone to call my relatives and friends; she said that the registered users are charged differently from the non-registered users, while making mobile money transactions.” (Rural woman nonuser, Kamuli)

UGANDA

KEY ROUTINE TRANSACTIONS AND OPPORTUNITIES FOR DIGITAL FINANCIAL SERVICES



UGANDA

Transaction maps: Financial activities are clustered around home or workplace

- Water is a critical expense in many rural communities. In addition, households routinely spend money on kerosene, food, soap, electricity, school fees, hospital bills and medications.
- The bulk of transaction activities are clustered around participants' homes. In cases where participants work far from home, some transaction activities are clustered around their workplaces.
- Most transactions are conducted within a 1km radius from either home or work and are done in cash, further highlighting the preference and dependence on cash.
- Remittance payments (P2P payments), school fees, hospital bills and paying absentee landlords, while also routine, require people to travel longer distances and pay transportation fees to get there.
- To conduct remittance payments, most participants choose to walk to the place of transaction to save on transportation fees.
- Participants reported cash allows for greater flexibility in financial transactions conducted daily, as smaller cash transactions can be paid quickly, easily and without fees.

UGANDA

Interest in using mobile money for saving and payments, uncertainty about how to do so

- There is a general awareness of and positive attitude towards the idea of storing money on a phone.
- Many are also aware that electricity bills, hospital bills and school fees can be paid via mobile money.
- But almost no one uses mobile money for savings or bill pay because they do not know which mobile money product to use or how to use it.
- This holds out potential for new products that make it easier to save and make payments via mobile money.

*“ heard someone say that it is very good and that you can save on it [mobile money]. That in case you are sent money and you don’t want to use it immediately, you can leave it on your [mobile money] account.”
(Rural female nonuser, Mpigi)*

UGANDA

Small business owners and the self-employed say innovative mobile money products can fill financial services gaps

- Small business owners, including informal small business owners, have to deal with clients paying in installments.
- Another challenge for small business owners is selling to regular customers on credit and tracking non-paying customers.
- Self-employed occasional workers are often paid some time after completing their assignment, which require them to go back to their work

*“I started using mobile money because I wanted to pay people who worked for me.”
(Urban male lapsed user, Mbale)*

- Self-employed workers (and their employers) would benefit from a payment disbursement system able to send multiple occasional payments.

Having an accounting system that accepts and tracks payments via mobile money and also links it to future purchases would greatly benefit this market segment.

UGANDA

Savings and borrowing are potential transactions for digitization

- Many women participants use Savings and Credit Cooperative Organizations (SAACOs) and other informal groups to save.
- They prefer to contribute regular, small amounts to get a larger payout at the end.
- However, many participants feel informal groups are not always reliable and money can get lost or stolen.
- Those who save at home like to have money available at all times. But they are also susceptible to having money lost or stolen, and unlike the SAACO users, they don't get interest

"I keep my money in group saving with other women. We save Ugx1000 [~ \$0.4] daily." (Rural female nonuser, Mbale)

*"I may spend a whole week getting goods on credit from the shop."
(Urban male nonuser, Kampala)*

- A savings tool linked to a mobile money account that allows saving in small increments, with a larger payout at the end, would help to accommodate some of the saving needs of the Ugandan participants.
- Many participants buy goods on credit at their regular stores. These transactions could potentially be digitized into credit purchases using a mobile phone platform, much like the airtime borrowing service offered by mobile service providers.

GLOSSARY OF TERMS

- **Agent** – A person or business contracted/registered by a DFS provider to provide services to DFS customers using their own bank or mobile money account.
- **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.**
- **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.
- **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. PPI has been widely accepted in the sector of financial inclusion as the basic measure of poverty.
- **Lapsed 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 (mobile money)** – A service in which a mobile phone is used to access financial services.
- **mWallet** – A data repository that houses consumer data sufficient to facilitate a financial transaction from a mobile phone.
- **Nonuser** – An individual who has not used a DFS on their own or somebody else's account.
- **OTC users** - Are mobile money users who accessed the services over the counter via a mobile money agent.
- **Remittances** – Money or its equivalent (food or goods) sent from one person to another (P2P payments).
- **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. The only currency for mobile money transactions.
- **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.

For more information, contact:

David Musiime, FII Uganda Research Manager

MusiimeD@InterMedia.org

Peter Goldstein, FII Program Director

GoldsteinP@InterMedia.org



www.finclusion.org | Twitter: @finclusion_FII

The Financial Inclusion Insights program is operated by InterMedia and supported by the Bill & Melinda Gates Foundation. All data and materials resulting from the program are the property of the Gates Foundation, but the findings and conclusions within are those of the authors and do not necessarily reflect positions or policies of the foundation.



Headquarters
Washington, D.C.
Tel: +1.202.434.9310

InterMedia Europe
London, U.K.
Tel: +44.207.253.9398

InterMedia Africa
Nairobi, Kenya
Tel: +254.720.109183