

Digital Pathways to Financial Inclusion

Findings from the Nationally Representative
FII Tracker Survey in Uganda (Wave 1), Focus Group Discussions
with Lapsed Users and Nonusers of Mobile Money, and
Mobile Money Agent Research

Final Report

October 2014

About the Financial Inclusion Insights Program

Putting the User Front and Center

Since 2007, when Kenya's Safaricom launched the popular M-PESA mobile money service, global interest in advancing financial inclusion through digital channels has grown markedly. Mobile money services in various forms are now available in more than 80 countries, according to GSMA, primarily in the developing world, while card-based and other digital cash products also have proliferated. It is now plausible to assume that in the not-too-distant future, many millions, if not billions, more people will be able to access a range of convenient, affordable and reliable financial tools for the first time, regardless of their proximity to brick-and-mortar financial institutions.

Even so, stakeholders of financial inclusion identify a lack of critical information about trends and dynamics in these relatively new markets for digital financial services. Knowledge gaps that need to be addressed include how to foster scale and sustainability, and how best to ensure these markets reach financially underserved and excluded individuals – particularly the poor, rural residents and women. There is a clear need for rigorous benchmarks for measuring progress in these areas.

The **Financial Inclusion Insights** (FII) research program responds to these needs by supplying in-depth data and analysis on the demand side of the digital financial services equation, to inform technology development, product development, commercial deployment and regulatory policy. The mission is to put the users and the potential users of these services front and center when key decisions are made in all of these areas.

The FII program's core focus is on eight countries – Bangladesh, India, Indonesia, Kenya, Nigeria, Pakistan, Tanzania and Uganda – which together have a combined population of more than 2 billion and are currently at various stages of digital financial services development. FII country research comprises two principal elements: nationally representative **FII Tracker Surveys** and a range of **Consumer Experience Monitoring** projects that use qualitative methods to dive more deeply into specific aspects of access and use of mobile money, other digital platforms and financial services, generally. In particular, FII research and analysis focuses on monitoring developments in digital financial services, and identifying triggers and barriers to use, and user market segments.

This report summarizes key findings and insights from the nationally representative FII Tracker Survey of 3,000 adults, aged 15 and older, conducted in Uganda during fall 2013.

The FII team and in-country partners broadly disseminate all the data and analytical materials produced under the program, notably through the FII Resource Center (www.finclusion.org) and through stakeholder-focused events in the study countries and at key conferences. We also value ongoing dialogue with financial inclusion stakeholders to ensure the research program remains relevant and useful to them. For more information, contact the FII team at finclusion@intermedia.org.

Acknowledgments

Authors

Dr. Anastasia Mirzoyants-McKnight, Director of Research and Operations, InterMedia Africa

David Musiime, Research Manager, InterMedia Africa

A number of colleagues provided valuable contributions to this report:

Peter Goldstein, Director of Business Development

Will Attfield, Research Manager

Caldwell Bishop, Project Assistant

Tim Cooper, Financial Inclusion Consultant

Mary Ann Fitzgerald, Editor

Naheed Islam, Financial Inclusion Consultant

Michelle Kaffenberger, Financial Inclusion Consultant

Megan O'Donnell, Advisor, Mobile Payments

Denise O'Reilly, Director of Operations

Ran Wei, Quantitative Analyst

Valuable insight was also provided by an external reviewer: Julius Matovu, Research and Program Coordinator, AppLab Money, Grameen Foundation, Uganda

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We help our clients understand and enhance the impact of policy, programs and investment in the 21st century's rapidly evolving economic, social and technological environments.

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Chapter 1: Summary and key insights

This chapter provides a brief overview of the studies conducted in Uganda as a part of Wave 1 of the FII research program, including the methodology, and the key insights derived from the study findings. The chapter is intended to help set up the context for the discussion of the research findings further in the report.

Wave 1 research methodologies

This report synthesizes findings from three studies conducted as part of the first wave of FII research in Uganda:

1. Nationally representative survey of adults (15+)

- The FII Tracker Survey in Uganda is an annual, nationally representative survey of 3,000 Ugandan individuals aged 15 years and older. The survey uses face-to-face interviews lasting 45 to 60 minutes.
- The first survey was conducted from September to November 2013 in the 10 regions of Uganda: North (only Acholi and Langi), West Nile, Karamoja, Southwestern, Western, Central 1, Central 2, Kampala, Eastern and East Central.
- InterMedia and the Ugandan Bureau of Statistics (UBoS) worked together to draw a nationally representative sample of 3,000 adults (15+ older). UBoS drew a sample of 300 enumeration areas (EAs) using the 2002 census as a sampling frame. InterMedia then used a combination of random-walk and Kish-grid approaches to select 10 individuals in each EA.

2. Focus group discussions with mobile money lapsed users and nonusers

- Sixteen focus groups were conducted with lapsed users and nonusers of mobile money, who were 25-34 years old.
- Eight focus groups were conducted in each of the two regions: Central (Kampala, Lwengo and Mpigi districts) and Eastern (Junja, Mbale and Kamuli districts).
- Regions were selected based on the density of mobile money activity, determined by FII national survey findings. Districts were randomly selected from FII national survey locations.

3. Agent experience trio

- Fifty one-on-one exit interviews were conducted with mobile money agent customers; 50 in-depth interviews were conducted with mobile money agents, and 50 anonymous customer interactions were documented (mystery shopping exercises).
- MTN, Airtel, UTL, Ezee and Orange mobile money agents were represented in all three elements; fspmmaps.com was referenced for selecting agent locations.
- Exit interviews were conducted in the urban areas of Kampala, Kasese and Jinja, and in the rural areas of Buikwe, Kasese and Jinja districts.

- Mystery shopping exercises were completed in the urban areas of Kampala, Kyegegwa and Kamuli, and in the rural areas of Mpigi, Kyegegwa and Kamuli districts.
- Agent interviews were conducted in the urban areas of Kampala, Masindi and Mbale, and in the rural areas of Lwengo, Masindi and Mbale districts.
- In each part of the trio study, 30 urban and 20 rural agent locations, and a range of agent premises (e.g., shop, stand, umbrella) were selected.

For a detailed overview of the methodology for each research element, see the Methodology section of the report.

The socio-economic landscape in Uganda

Landlocked in the heart of East Africa, Uganda faces both opportunities and challenges as it pursues the economic development goals of reducing poverty and improving the lives of vulnerable groups within its population.

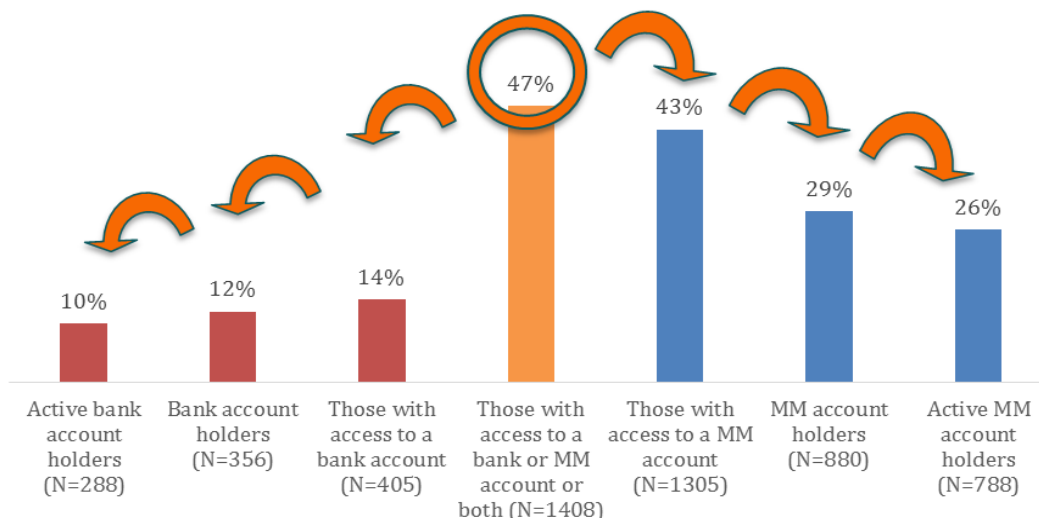
- According to the CIA Factbook, in 2013, the adult (15+) population in Uganda was estimated at 34,758,809 people.¹
- The Ugandan economy is dominated by the agricultural sector, which employs the majority of the country's labor force, and represents 65 percent of the respondents in the study.
- Like many developing economies, Uganda is characterized by a pronounced urban/rural divide, with greater poverty levels in the rural areas.
- Remittances are a major source of income for many Ugandans, especially the unemployed, 51 percent of whom rely on remittances to cover their daily expenses.
- There are distinct geographic variations in the use of banking and mobile money services, which can be partially explained by the political situation (e.g., ongoing civil unrest in Northern Uganda), economic challenges, or technical issues (e.g., poor infrastructure) in different regions.

Overview of financial services use

- Eighty-six percent of Ugandans are currently excluded from the formal financial sector, and, therefore, mobile money offers a distinct opportunity to reach these unserved groups.
- Fourteen percent of Ugandan adults have used a bank account, while 10 percent are active bank account holders (they transacted on their own account at least once in the 90 days prior to the survey). Fifty-one percent of active bank account holders first opened bank accounts to start saving.
- Forty-three percent of Ugandans have used mobile money. Of this group, seven in 10 are registered account users.
- Among registered mobile money account holders and registered bank account holders, there are few lapsed users, defined as those who have not used their accounts within the 90 days prior to the survey. Only 3 percent of either group falls into this category.

- While most bank users still access the services through an ATM or by visiting a bank branch, a minority also uses a mobile phone banking application, which means they can potentially move to using predominantly DFS.
- The use of banking and mobile money services is currently dominated by basic activities: deposits, withdrawals and person-to-person (P2P) transfers. Few adults use banks and mobile services for savings, insurance, investment or bill pay.

Figure 1. Percentage of Ugandan adults who use banking and mobile money services



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Barriers to mobile money adoption

Barriers identified in the FII research can help inform stakeholders' actions in support of the expansion of mobile money:

- **Infrastructure challenges.** GSM or mobile network problems are the most commonly reported issues by Ugandans who use mobile money. Network problems outweighed all other challenges (mostly related to agent service) identified by current users by a factor of almost two to one.
- **Interoperability.** A lack of compatibility between different mobile money services can be a barrier to sending and receiving money, and performing other transactions with other parties. Eighty-four percent of the users of mobile money services would like mobile money providers to work together to solve these problems.

- **Lack of a national identification (ID) system.** The lack of national ID cards in Uganda (an identification system available in other African countries such as Ghana) is a perceived barrier to opening bank accounts or mobile money accounts. While 75 percent of Ugandans report having some form of identification, there is no nationwide or consistent form of identification. Registration for a national ID card began in June 2014. While the process is ongoing, the IDs are not as of yet being issued.
- **Substitutes for national IDs.** Some common types of IDs, such as Local Council (LC) IDs/letters, are rarely accepted by formal financial institutions because the owners of such IDs cannot be traced by agencies outside the LC jurisdictions. However, in rural areas microfinance institutions occasionally allow an LC identification to be used to sign up for an account simply because rural dwellers know each other. Such flexibility makes it possible for vulnerable populations to access financial services.

Reaching vulnerable groups: gaps in mobile phone ownership & mobile money use

Ownership of one's own mobile phone is one of the key factors supporting the uptake of mobile money. Examining ownership rates among vulnerable populations in Uganda highlights the need for more attention to be paid to females and poor populations in rural areas, where the ownership of equipment and inclusion in financial activities through mobile money or banking services are the lowest.

- **Gender gap** – In Uganda, the overall gender gap in mobile phone ownership and DFS use is similar to other countries in Africa: the rate of mobile phone ownership is 21 percentage points higher for men than women. The difference in mobile money use between males and females is smaller at 11 percentage points. When looking specifically at vulnerable populations – notably, those living below the poverty line and rural residents – the gender gap widens even further, making poor rural females the least likely to have access to either mobile communication or DFS.
- **Urban/rural gap** – There is a notable 25 percentage-point difference in mobile phone ownership rates between urban and rural residents (83 percent and 58 percent of the respective groups). The gap in mobile money use is also significant at 22 percentage points: 70 percent of urban dwellers use the services compared with 38 percent of rural residents.
- **Poverty gap** – Similarly, 81 percent of those above the poverty line own mobile phones compared with just 54 percent below the poverty line, while mobile money use is at 67 percent for those above the poverty line and 33 percent for those living below it.

Opportunities and potential ways to drive mobile money expansion

Based on the findings from Wave 1 FII research, the Ugandan market offers a number of opportunities for improving the DFS user experience and expanding the services to include more Ugandans, in general, and more vulnerable populations, in particular. The most promising opportunities appear as follows:

- **More flexible Know Your Customer (KYC) requirements.** Nationally, the lack of a required ID is one of the major barriers preventing those who are aware of mobile money from taking up the services. While the introduction of a national identification (ID) program is in progress, most potential users would immediately benefit from relaxed KYC requirements. The market is already offering a number of identification solutions from using biometric data² to a mobile phone number that serves as an ID.³ Further progress in this direction would improve DFS accessibility for potential users among vulnerable groups – those living in rural/remote areas and living below the poverty line – as they typically suffer from the lack of KYC-approved paperwork.
- **Mobile phone subsidies for rural poor females.** Only two in five rural females living below the poverty line have a personal mobile phone. While some of them can use a phone that belongs to other family members, the data shows that sharing does not allow for frequent or advanced use of any services, especially not mobile money services. A targeted subsidy to help poor rural females obtain a personal mobile phone would be the first step towards helping rural women take up DFS.
- **Mobile money interface modifications and timely information on changing tariffs.** Wave 1 qualitative studies revealed a number of small changes in mobile money services that would go a long way toward expanding uptake and use. The first is a change in the mobile money interface from English to one of the local languages (e.g., Luganda) – only a small proportion of Ugandan adults, mainly in Kampala, are fluent in English. For the remainder of the adult population, the mobile money language interface is a barrier to active use. Second, regular information updates on tariffs, at agent facilities, via text messages and on mobile money providers' websites, would improve customer confidence and reduce suspicions of fraud and associated anxieties about using mobile money.
- **More active provider engagement with current and potential users through promotional and educational campaigns.** Ninety percent of Ugandan adults are aware of mobile money providers but only 43 percent have ever tried the services. The gap between awareness and use is driven by a number of factors, including the lack of a required ID. However, a large group of potential users do not take up mobile money because of an insufficient understanding of the services. They do not know how to start using, where to find an agent, what the services can be used for, or how mobile money is relevant to their financial needs. Greater understanding of mobile money services can be achieved through promotional and educational campaigns targeted to potential users, via radio, and/or mobile money agents. Radio is currently the primary source of information about mobile money, and many agents already engage in local promotions to attract new customers.

- **G2P payments.** Eleven percent of Ugandan adults report receiving payments from the government. The majority of these adults are rural and living below the poverty line. Subsequently, most do not have access to traditional banking services (74 percent of this group does not use a bank). But, more than half (52 percent) of adults use mobile money (just over half of these users have their own account and the remainder are OTC users). Mobile money providers working together with the government to channel G2P payments through mobile money services might help achieve several goals: stimulate OTC users to register for a mobile money account and explore value-added digital products, stimulate G2P recipients not using mobile money to sign up, and raise awareness/uptake of DFS among rural populations living below the poverty line.
- **School fee payment product.** The first wave of the FII research program showed that school fee payments are the most problematic financial transactions for Ugandan adults because of the long distances the payments/payers need to travel, the large amounts of cash and related security concerns, and the lack/limited awareness of alternative ways to pay. DFS services are a good alternative to cash payments in this case. In fact, there is already a group of purposeful users of mobile money, who only access the services (through their own or a third-person account) twice a year to pay school fees, using a money-transfer facility not a payment product. A dedicated DFS product that helps users make school fee payments conveniently, securely, and at a competitive cost, will encourage a larger group of Ugandan adults to sign up for mobile money services.
- **Agent performance improvement.** Agents are the face of mobile money services, and poor agent performance is a deterrent for mobile money uptake and advanced/more frequent use. However, some of the issues with agent performance can be easily addressed by mobile money providers:
 - **GSM and agent system interferences.** Providers need to advise agents of any planned or expected downtime, so agents can, in turn, advise their customers that networks will be down. This will help prevent long waiting times (for transactions to go through or for the agent to reopen the shop) and the loss of customer receipts because a network failed in the middle of a transaction.
 - **Agent liquidity.** Agents' inability to perform transactions because they are short on either cash or e-float is a constant complaint from both customers and agents. Mobile money providers need to closely monitor agents' cash flow and help them rebalance more effectively.
 - **Agent education and training.** According to the Agent Network Accelerator (ANA) report by the Helix Institute of Digital Finance,⁴ 94 percent of mobile money agents had undergone an initial basic training and only 43 percent had any advanced or refresher training. In addition, only 33 percent of agents were visited/inspected by the provider since they opened their agency. With only limited training, mobile money agents often appear unknowledgeable about the services they provide, which raises customers' suspicion about the quality of services they are receiving. Providing agents with regular training will help improve the overall quality of their customer service and enhance customers' experiences.

Chapter 2: Country context - digital financial services in Uganda

Financial inclusion in Uganda has shown divergent trends of late. According to the Uganda 2013 FinScope III Survey,⁵ the proportion of Ugandans using “formal” financial services⁶ (excluding mobile money) was essentially unchanged from 2009 when the previous FinScope Survey was conducted, despite growth in the number of commercial banks and branches. Use of formal banking also remained skewed towards wealthier and more urban residents, implying that the use of potentially useful savings and credit instruments is not yet widespread.

The use of mobile money, however, has increased to the point where the rate of mobile money account ownership outstrips bank account ownership. Mobile money transactions in Uganda have hit a record Ugx 18.6 trillion, according to the latest Bank of Uganda (BoU) Annual Supervision Report 2013, a 59 percent increase from the previous year. Yet, as the FinScope survey concluded, mobile money is still primarily a money transfer tool rather than a financial inclusion conduit per se. The challenge ahead for mobile money proponents is to find ways to leverage mobile money’s popularity to make a wider array of financial services available through digital means, particularly to the many Ugandans lacking ready access to brick-and-mortar financial institutions.

Regulatory environment

At the regulatory level, Uganda is taking steps to extend financial inclusion and create a fully functioning mobile money market; however, there are some regulatory issues that must be considered in terms of potential barriers or drivers to further expansion.⁷ The main regulatory institutions to consider related to the use of mobile money in Uganda are the BoU, Uganda Communications Commission (UCC) and the Uganda Revenue Authority (URA). The key regulatory issues to consider:

BoU guidelines on MNO/bank partnerships. Notably, the BoU released a set of mobile money guidelines, which went into effect in October 2013, for mobile money providers, including the roles and responsibilities of mobile network operators (MNOs) and banks under a partnership model, as well as a consumer protection clause.⁸ In sum, the guidelines were formulated by the BoU, in cooperation with the UCC, who formed a committee tasked with expanding financial inclusion and developing innovative financial services for the poor. The working committee is divided into subgroups, each of which is focused on areas of necessary regulation, including customer identification, fraud mitigation, counter-terrorism, anti-money laundering and agency banking. Under the BoU’s partnership guidelines, MNOs are defined as the primary service providers, while bank partners are to manage the financial backbone as well as conduct safeguard checks in the system. Banks’ responsibilities include ensuring adequate anti-money laundering safeguards, holding mobile money escrow accounts, and reconciling these with individual mobile money accounts on a daily basis. Mobile money service providers are charged with fostering interoperability across each other’s

systems. The guidelines revise and consolidate the law relating to financial institutions and provide for the regulation, control and discipline of financial institutions by the Central Bank of Uganda.

BoU Financial Institutions Act⁹ (FIA) and agent banking. The Financial Institutions Act consolidates several laws pertaining to the activities of all financial institutions in Uganda, including commercial banks, credit institutions, microfinance deposit-taking institutions (MDIs) and Forex Bureaus. The act describes a variety of procedures from licensing to specific activities the financial institutions are expected to perform. Most important, however, in its current form, FIA does not allow banks to provide their services through agents. This stipulation inhibits the ability of banks to reach larger groups of potential customers because FIA requires them to invest in brick-and-mortar branches, which drastically increases the costs and reduces attractiveness of reaching out to people in rural and remote areas. As of July 2014, six banks already expressed their interest in agent banking and urged BoU to amend the act to allow banks to contribute more in the expansion of financial inclusion in Uganda.¹⁰ In the new financial year, the government is expected to amend the Microfinance and Deposit-taking Institutions (MDIs) Act 2003, Bank of Uganda Act 2001 and the Financial Institutions Act (FIA) 2004 to introduce agent banking intended to deepen financial inclusion in Uganda.

BoU consumer protection. The BoU guidelines for protecting consumers aim to combat fraud and foster better service through increased competition. “Know your customer” (KYC) checks, for example, must be conducted by mobile money agents to verify a customer’s identity. Customers can present any one of the following documents as proof of identity: a valid passport, driving permit, identity card, voter’s card, financial card, a business registration certificate or a local administration letter. However, some mobile money providers believe this hinders growth in a market segment that does not pose a fraud threat. To address this, mobile operator MTN has requested a loosening of the rules based on its view that requiring KYC for low-value transactions creates a disincentive for use.

BoU consumer literacy programs. Beyond mobile money, the BoU is also working to promote financial inclusion by focusing on consumer financial literacy. The bank’s “Strategy for Financial Literacy in Uganda,” released in August 2013, sets out guidelines and strategies for implementing financial literacy programs in the country.¹¹ The BoU’s goal is to ensure “Ugandans have the knowledge, skills and confidence to manage their and their family’s personal finances well.” The document also identifies three key challenges to strengthening financial literacy. Most people find at least one aspect of managing their finances well overwhelming; there is a lack of financial education and awareness on how to access information that would help people manage their money; and low levels of literacy and numeracy, as well as the range of languages spoken in Uganda, make it more difficult to communicate information about financial literacy.

Uganda Revenue Authority (URA) taxes on DFS. The URA has also imposed regulations affecting mobile money. In 2012, the URA imposed a 10-percent tax on all money transfers in Uganda, including mobile money transfers.¹² In addition, in 2014 the URA began registering mobile money agents’ businesses to enforce collection of income taxes on their earnings.¹³ Soon after the introduction of the tax on the transaction fees for mobile money transfers, mobile money service providers passed on this cost to customers

by including the 10-percent tax as part of their customer transfer fees.¹⁴ In addition to the tax on transfers, URA introduced a 10-percent excise duty on mobile money withdrawal fees and a 10-percent excise duty on bank charges and money transfer fees for the financial year 2014-2015.¹⁵

Digital financial service providers

In total, six Uganda-based mobile money providers are currently in operation, with Kenya-based M-PESA accessible along the Uganda/Kenya border and in Kampala. In fact, M-PESA agents have recently become a common view in Kampala, especially in the downtown area.^{16,17} MTN remains the dominant mobile money provider. Airtel's acquisition of rival Warid Uganda, in 2013, created a viable second provider. However, it will still take some time for Airtel/Warid to rival MTN.

As of early 2014, mobile money providers in Uganda offered person-to-person (P2P) money transfers, payment services for utility bills and other goods and services, and the ability to buy mobile airtime. MTN and Airtel/Warid also have begun offering other value-added services. Specifically, MTN is providing tools to pay for school fees, parking, airline tickets, insurance premiums, and to play the national lottery.¹⁸ MTN also entered the energy market with partner Fenix International, a company offering customers the ability to access pay-as-you-go solar power products through regular instalment payments via mobile money.¹⁹ In addition, Airtel/Warid and MTN have an agreement with M-Kopa to accept payments for solar devices through their mobile money platforms.²⁰ Finally, in collaboration with the Grameen Foundation of Uganda, Airtel has developed a mobile money group-wallet solution for savings groups to enable them to store their saved funds as mobile money.²¹

As mentioned in Chapter 1, both providers and users of mobile money services are grappling with poor infrastructure and data security. One upgrade underway is the ongoing National Data Transmission Backbone Infrastructure (NBI) project, which is expected to improve connectivity nationwide.²² The government is also pushing for operators to share the use of their telecom towers. However, even with these efforts, mobile phone and mobile money account users report frequent mobile network issues.²³

In addition to mobile money services, there are a number of bank-led DFS in Uganda, including those led by Centenary Bank, Bank of Africa, and Barclays bank. These banks are trying to expand their customer base by aggressively using digital platforms to reach more people among vulnerable populations, especially those residing in rural and remote areas. They also are actively enabling their customers' access to financial services via mobile and internet banking. These services allow customers the ability to open accounts remotely, and provide digitization of customers' important financial records. Some of these banking services are explored in this report.

Mobile money use by provider

MTN Mobile Money continues to dominate the mobile money market in Uganda; 85 percent of active mobile money account holders have an account with this provider. Most nonregistered users, 91 percent, also use MTN (Figure 2).

Until very recently, Airtel and Warid Telecom were competing for a distant second place in the Ugandan market. However, the merger between Airtel and Warid in early 2013 integrated the two providers onto one mobile money platform, Airtel/Warid. The entry of a second large mobile money provider may increase the competitive pressure on MTN.

Currently, the competition between MTN and Airtel/Warid is yet to emerge as both registered and non-registered users of mobile money services are most likely to use MTN. Airtel/Warid managed to attract a sizable group of users through promotional campaigns aligned with the merger, but the gap between the top two providers is still very wide.

Figure 2. Percentage of each user type who uses each mobile money provider*

**The percentages in rows do not add up to 100 percent because users were reporting accounts with and use of more than one provider.*

*** Orange Money recently announced its intent to exit the Ugandan market, however, at the time of the study the provider was still active in Uganda.*

	MTN Mobile Money	Airtel /Warid	M-Sente	Safaricom	Orange Money**
Registered users (n=788)	85%	28%	2%	1%	1%
Unregistered users (n=425)	91%	17%	2%	0%	0%

Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Based on MTN Mobile Money and Airtel/Warid user profiles, MTN Mobile Money users appear similar in their demographic characteristics to those of the general population of Ugandan adults (Figure 3).

Airtel/Warid, however, tends to attract population segments that are more likely to live above the poverty line. Airtel/Warid users also are more likely than MTN Mobile Money users to be urban residents, which is

not surprising considering Airtel/Warid’s mobile money agent network in rural and remote areas is still rather scarce compared with that of MTN Mobile Money.

Figure 3. Users of MTN and Airtel/Warid mobile money services, by demographic characteristics

	Male	Female	Urban	Rural	Above poverty line	Below poverty line
Sample (n=3000)	48%	52%	16%	84%	29%	71%
MTN users (n=1167)	54%	46%	25%	75%	45%	55%
Airtel/Warid users (n=354)	59%	41%	36%	64%	58%	42%

Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

According to the 2013 ANA survey carried out by the Helix Institute of Digital Finance with 2,000 agents in Uganda, MTN also has a strong lead in the number of mobile money agents it has across Uganda. Even after the merger, the joint market share of the agent network held by Airtel and Warid is significantly smaller than that of MTN: 63 percent of all agents for MTN versus 31 percent for a joint Airtel Money and Warid Pesa agent network. MTN’s market dominance is further reinforced by the fact that the Ugandan mobile money agents are exclusive, meaning the agents that work for MTN typically do not provide services to the users of other mobile money providers.

With a larger network of agents, MTN has better geographic coverage even when compared with its immediate competitor Airtel Money/Warid Pesa.²⁴ This provides MTN with the advantage of reaching a larger group of Ugandan adults, including in rural areas. While having its network reach remote parts of Uganda is important for serving local consumers, MTN has an additional appeal to those who send or receive P2P transfers, regardless of their geographic location. Since P2P transfers are among the top-five most common types of mobile money transactions, an offer of a wider agent/service network is an important competitive advantage of MTN Money.

InterMedia’s previous DFS studies in Uganda

In 2011, the Bill & Melinda Gates Foundation’s Financial Services for the Poor program commissioned InterMedia to conduct a three-year study to monitor the uptake, use and market potential of mobile money services among households in Pakistan, Uganda and Tanzania. The surveys are facilitating the analyses of m-money’s relationship to household financial behavior, particularly a household’s ability to manage economic shocks.

Based on the first-year findings from the FITS study in Uganda (February-March, 2012), Uganda appeared to have a significant potential for mobile money expansion, including among the bottom-of-the-pyramid (BOP)

populations. In 2012, 21 percent of the Ugandan households reported at least one user of mobile money and 16 percent had at least one registered user of the services. Urban households, banked households, and households living above the poverty line were more likely to report a registered m-money user than their unbanked, rural and below-the-poverty-line counterparts.

Preparedness for adoption of DFS, however, was rather high. Sixty-four percent of households reported a working mobile phone and 62 percent had an active SIM card. More than half of unbanked households and households living below the poverty line had a mobile phone and a SIM card. In addition, awareness of m-money services among nonusers was relatively high. Only 32 percent of surveyed nonusers did not use m-money services because they had not heard about them.

In 2012, households' use of mobile money services was predominantly around P2P transfers. Only 9 percent of the households reported saving funds on their mobile money account.

The study suggested that the limited uptake and range of use cases of mobile money services in the Uganda of 2012 was related to an incomplete understanding of the available services, an insufficient number of mobile money agents and low quality of agent services, especially in rural areas. The importance of agents in rural areas was further underscored by the fact that a large group of rural users signed up for mobile money because of a recommendation from a mobile money agent, while 44 percent of rural nonusers said they never signed up because they could not find an agent close to home.

Based on the findings of the 2013 FII research program, the Ugandan DFS market has gone through significant changes since 2012. Nevertheless, many of the issues highlighted in earlier reports remain:

- While a direct comparison of access to mobile money services between FITS-2012 and FII-2013 is not possible due to methodological differences, an overview of the findings suggest a reduction in excluded populations and an increase in the use of banking and mobile money services among adult Ugandans;
- There is still a gap in mobile money use by gender, urban-rural status and poverty status;
- Mobile money service use is still dominated by basic use cases -- deposits, withdrawals and P2P transfers. Reports of mobile money being used for beyond-basic-wallet services, including savings, are uncommon;
- Mobile money agents remain the key element of mobile money service expansion by attracting new customers as well as supporting registered and non-registered users, especially in rural areas;
- The quality of mobile money services, including agent service, remains low, frustrating mobile money users and driving some to use the services less (lapsed or passive use) or stop using altogether; and
- The Ugandan financial service market continues to signal high development potential for DFS -- almost nine in 10 adults have mobile communication equipment (mobile phones and SIM cards) and 75 percent have KYC-approved IDs. Yet, only 14 percent are currently serviced by traditional banks, which leaves the majority of the population open to alternative means of accessing financial services.

Chapter 3: Socio-economic status and financial behaviors of Ugandan adults

This section describes the general status of Ugandans as it relates to income generation and use of banking and other financial services. Understanding these existing dynamics will help establish the framework for expanding financial inclusion by meeting user needs.

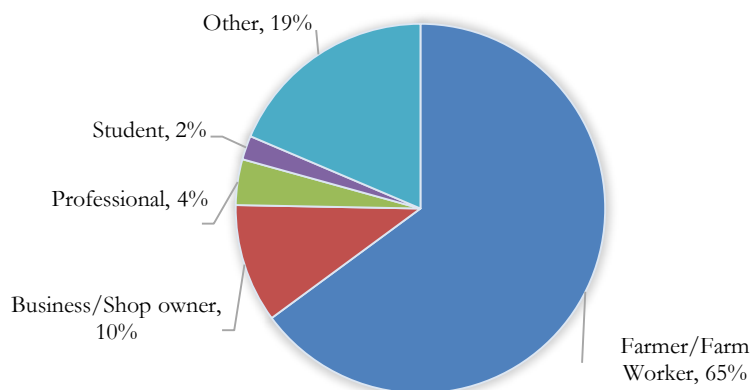
Employment and sources of income among Ugandan adults

Eighty-three percent of Ugandan adults have a job; the majority are engaged in agriculture either as farm owners or as subsistence farmers.

More than eight in 10 Ugandan adults (83 percent) are gainfully employed. Of those employed, 65 percent say their primary occupation is farmer or farm worker, followed by business owner (7 percent) and professional, such as doctor or teacher (4 percent).

Males are slightly more likely to report gainful employment than females (88 percent vs. 80 percent, respectively). Rural residents are also more likely to have a job than their urban counterparts (85 percent vs. 76 percent, respectively). The latter finding is not surprising considering the majority of employment is found in agriculture.

Figure 4. Types of employment among those with a job (n=2499)



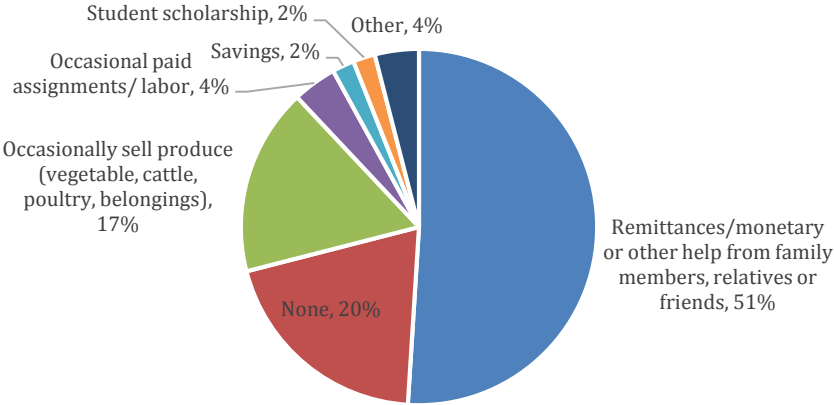
Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Remittances are reported as the main source of money for daily expenses by more than half of unemployed adults in Uganda. The majority of remittance recipients are young poor females in rural areas – the group most likely to have no access to mobile phones and formal financial institutions.

Fifty-one percent of the unemployed rely on remittances from friends, family and other people. Among those who report using remittances as their main source of daily expenses, the majority are females (69 percent), young (15-24 years old, 63 percent), rural (68 percent), and living below the poverty line (61 percent). Remittance recipients are spread across the country with the largest proportion (17 percent) residing in Kampala.

Subsistence farming is the second common source of money among the unemployed. Seventeen percent of those unemployed say they earn money for their daily needs by occasionally selling cattle, poultry or produce they grow.

Figure 5. Source of income for the unemployed (n=501)



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

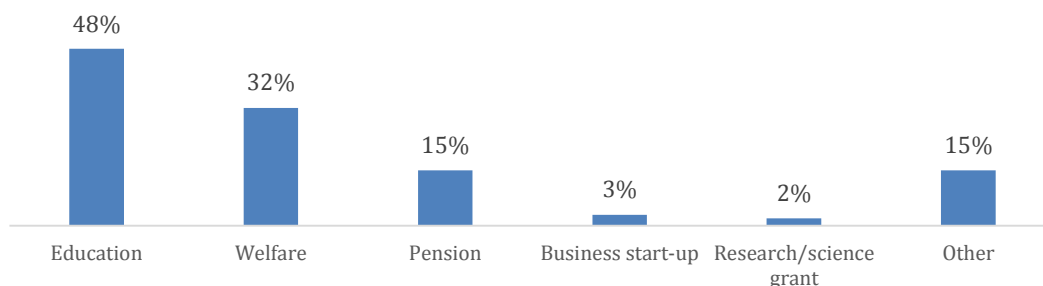
G2P payments: a potential opportunity to drive mobile money uptake

Eleven percent of Ugandan adults receive G2P payments. The Ugandan government can play a larger role in promoting DFS by using them to channel G2P payments.

Eleven percent of Ugandan adults receive a payment from the government, including welfare, pension, student stipend or other benefits: 11 percent receive the payment in addition to their main income, while 0.3 percent rely on the government payment as a sole source of income.

Student stipend and welfare payments were the most common G2P transfers followed by pensions (Figure 6). There were small groups of Ugandans who also said they received some funds from the government to support their business or research initiatives. Overall, the variety of G2P payment types means there are several potentially different population segments that are engaged in such financial activities with the government and, thus, also can be tapped for possible engagement in DFS activities.

Figure 6. Percent of government payment recipients (n=328), by the type of payment they receive



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Looking further at the demographics of those who receive G2P payments, there is an equal split between males and females and between those younger than 35 and those 35 and older (Figure 7). However, beyond gender and age, it appears those receiving payments from the government are most likely to be rural, living below the poverty line, and engaged in agriculture. In addition, they are twice more likely to have access to mobile money than to banking services: 52 percent vs. 26 percent of the group, respectively; 34 percent and 24 percent have respective accounts in their names.

Figure 7. G2P recipients (n=339), by demographic characteristics

Demographic group	% of G2P recipients
Males	50%
Females	50%
Age: 15-34	44%
Age: 35+	56%
Below the poverty line	89%
Rural	86%
Farmers	62%

Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

If we further separate the group of G2P recipients by gender, female recipients are slightly younger than males: 50 percent are 15-34 compared with 38 percent among male recipients. Outside of the bulk of recipients who are farmers, males and females in this group are also engaged in different sectors: males are more likely to say they are professionals (11 percent of male G2P recipients), while females are more likely to report their own business or at least a shop (12 percent of female G2P recipients). Finally, male recipients are more than twice more likely to have access to banking services compared with female recipients: 36 percent vs. 16 percent, respectively; 33 percent and 14 percent, respectively, has a bank account. Yet, the difference in access to mobile money is not as dramatic: 58 percent for male recipients and 44 percent for female recipients; 46 percent and 25 percent, respectively, has a registered mobile money account.

Overall, G2P payments might provide an opportunity for expanding mobile money services in Uganda. Half of G2P recipients already use mobile money services, however, many of them appear to be OTC users who do not have an account, but, rather, access the services through an agent or family/friends' accounts. Most do not currently use mobile money for receiving G2P payments, but do use the services for other activities, including P2P transfers and basic withdrawal/deposit operations. Having an opportunity to channel G2P payments through mobile money might encourage G2P recipients to register for an account and explore other services available through mobile money, including savings and borrowing.

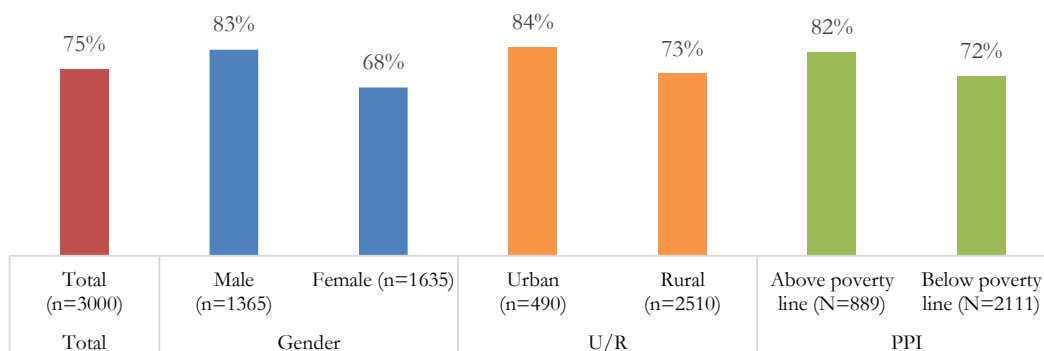
The lack of identity cards is a barrier to financial inclusion

While three quarters of Ugandan adults report having some form of ID, rural, poor females are the least likely to have an ID.

Seventy-five percent of Ugandan adults say they have at least one type of ID. A Voter's Card is the most common form of identification, reported by a half of the adults interviewed (51 percent); a school ID was the second most common, reported by 14 percent of all adults. All other types of IDs were reported by less than 10 percent of adults. Few Ugandan adults report having a national ID. While the Ugandan government has recently launched a new nationwide identification system, new IDs have not been issued yet.

Gender and poverty status are the two factors that are most likely to define whether a person has an ID (Figure 10). Females in both urban and rural areas report lower levels of ID ownership than males; there is also a gender gap by poverty status. Overall, rural, poor females – one of the most vulnerable segments of the population – are the least likely to have an ID and, therefore, the least likely to be able to sign up for any formal financial services, including mobile money services.

Figure 8. Percentage of Ugandan adults in each demographic segment reporting any type of ID



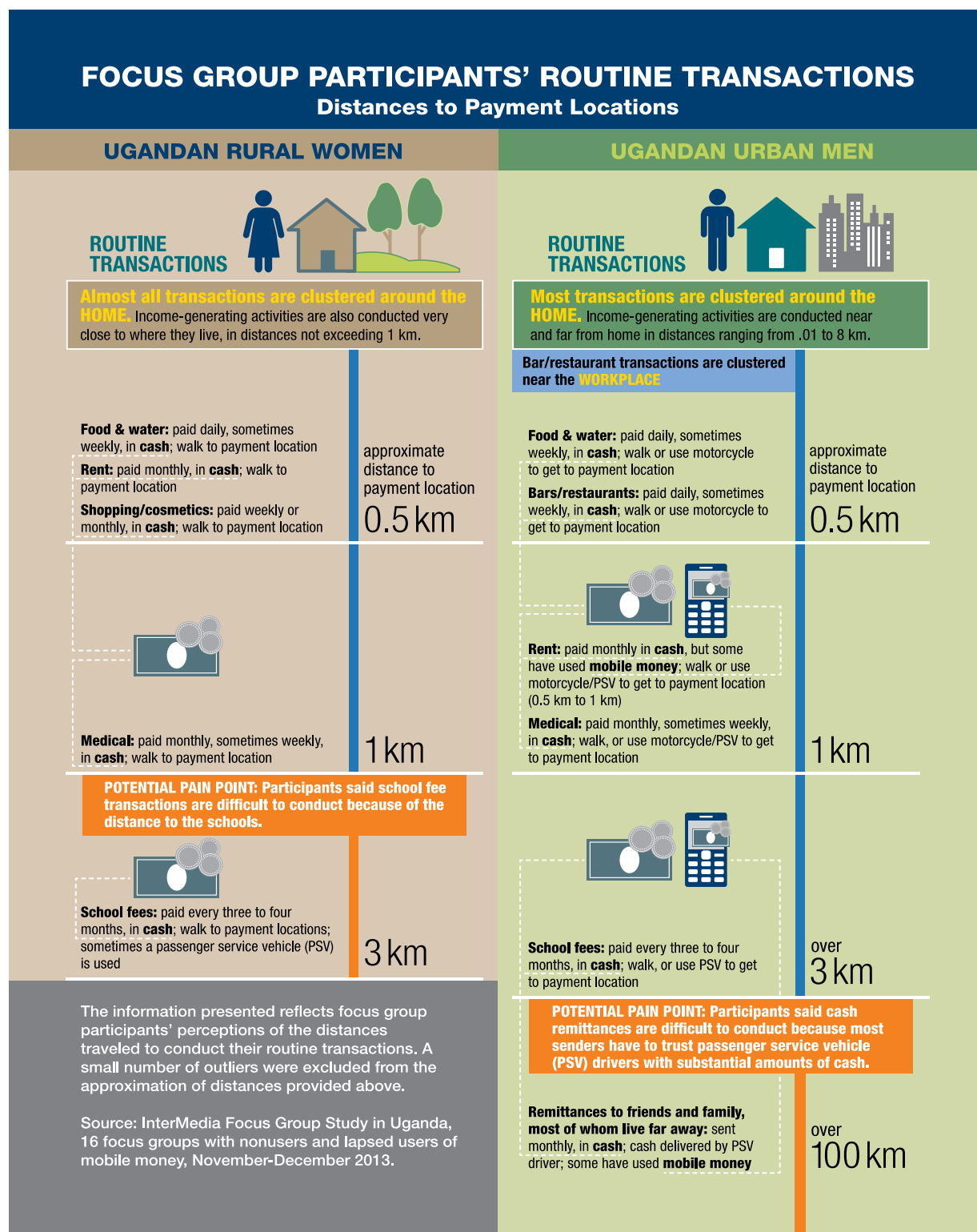
Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Transactional pain points and the potential for DFS expansion

Based on focus group discussions, school fee payments emerged as major pain points for most participants, regardless of their urban/rural status.

As a part of the focus group discussions, the participants were asked to describe their regular expenses, paying specific attention to the amount of payments, frequency, and the distance between the place where they live and the payment recipient. According to participants, the school fee payment is the most problematic financial transaction because (a) the amount is rather large compared with other regular payments (i.e., utility bills, government taxes and so on), (b) the distance to the payee is longer compared with the distance to other payees, and (c) there are very few alternative ways of delivering this payment (see Insert 1). Overall, school payments provide an opportunity for mobile money providers to address the need for a safer and more convenient payment method for those living in rural and remote areas.

Insert 1. Regular payments reported by rural females and urban males in Uganda



Chapter 4: Banking service uptake and use

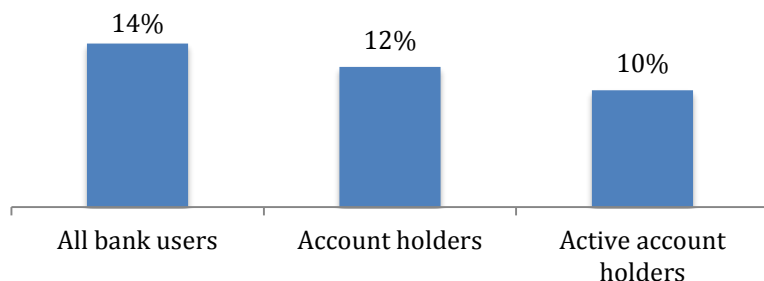
This chapter focuses on the use of banking services among Ugandan adults. It highlights barriers and stimuli to taking up banking services, and describes different types of users and their preferred ways of accessing the services. The perceived importance of banking services to Ugandan users' financial lives is also examined. Some of the financial behaviors and attitudes of Ugandans, who use banking services, are similar to those of users of mobile money services, but there are also differences. Understanding these differences, along with current behaviors, attitudes and perceptions related to financial services can help identify opportunities for digital financial services' expansion.

Bank account ownership

About one in seven Ugandan adults report using a bank. Of those, almost three-quarters are active account holders.

Only 14 percent of the Ugandan adult population reported ever using a bank account. The use of bank services by those without a formal account is rare and so is inactive use. Eighty-eight percent of those adults using a bank have an account in their names and 71 percent made at least one transaction via their bank accounts in the 90 days prior to being surveyed.

Figure 9. Percent of different types of bank users among Ugandan adults



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Triggers for bank account adoption

The desire to start saving money with a bank was the main trigger for active bank account holders to start using a bank. The need to receive payments from a government agency or organization is the second most common reason to open a bank account.

Half (51 percent) of active bank account holders started using their account because they wanted to start saving money (Figure 10). In addition to those who opened an account to receive government benefits or pension payments (15 percent), 6 percent of active bank account holders also said they started using a bank account because a government agency/organization requested they do so, making government agencies significant change agents when it comes to bank account adoption. P2P transfers are rarely a reason to open a bank account; bank accounts are also infrequently used to channel P2P payments.

Figure 10. Top five reasons active bank account holders (n=288) started using bank accounts

I wanted to start saving money with a bank	51%
I had to receive money from an organization/government agency (e.g., pension or unemployment payment)	15%
I wanted a safe place to store my money	10%
I had to receive money from another person	8%
An organization/government agency requested that I sign up for an account	6%

Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013.

Only 1 percent of active bank account holders said they signed up for an account because of a personal recommendation and less than one percent (0.3 percent) said they signed up following another person's request. Unlike with mobile money, overall, peer influence seems to play a limited role when it comes to opening a bank account.

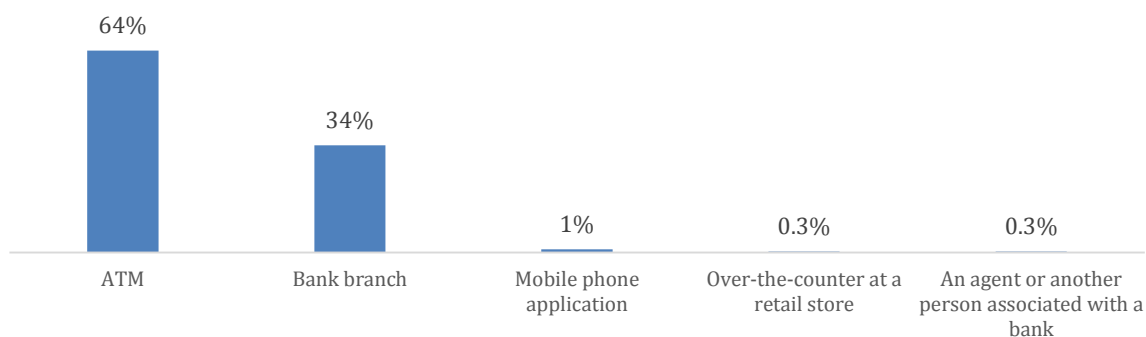
Access to banking services

For active bank account holders, an ATM is the preferred way of accessing their banked funds; a bank branch is the second most common point of access. At least a third of active bank account holders live more than 15 kilometers away from either of the preferred access points.

Most active bank account holders access their funds via traditional in-person visits to a bank branch or use ATMs (Figure 11). The use of digital services is limited; a mobile phone application is the most common digital method of accessing banking services.

The preference for ATMs and bank branches is not linked to the convenience/proximity of access: only 14 percent of active account holders have an ATM within a 1km radius from their homes and 13 percent have a bank branch within the same distance. Thirty-three percent of active account holders live more than 15 kms away from a bank branch and 30 percent do not have an ATM closer than 15 kms from their home.

Figure 11. Active bank account holders' (n=288) preferred way to access money



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013. N=3,000.

Typical bank account use

Even among active bank account holders, bank use is limited to very basic applications.

The majority of active bank account holders use their accounts for depositing and withdrawing money (Figure 12). While there is no statistically significant difference between the percentage of active bank account holders who deposit and withdraw money, on average, active bank account holders deposit more money, more frequently, than they withdraw. This means they do use bank accounts to store money in a safe place – which was their initial reason for opening a bank account.

Using banking services for payments is not common, likely because very few organizations receiving payments – schools, utility companies, etc. – provide their customers with an option of making bank payments, including direct deposits. In addition, the perceived high transaction costs and charges may be contributing to the reluctance among organizations/government agencies, as well as their customers, to use mobile money services for payments.

A handful of people reported using banks' value-added services such as buying insurance or making investments using their bank accounts.

Figure 12. Top five uses of bank accounts among active bank account holders (n=288)

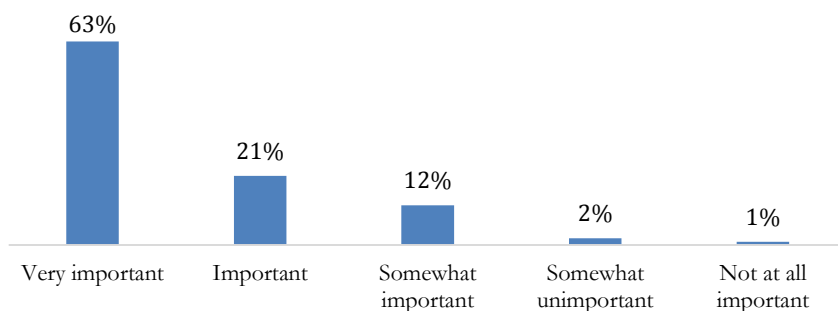
Withdraw money	91%
Deposit money	90%
Save money for a future purchase or payment	18%
Receive money from other people for regular support, receive allowances	14%
Pay a school fee	13%

Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Despite basic applications, most active bank account holders consider banking services an essential part of their financial lives.

Eighty-four percent of active bank account holders believe banking services are “very important” or “important” to their financial lives, and channel a large number of their financial transactions through their bank accounts (Figure 13). Only 3 percent of the group said a bank account is not important and they rarely use it.

Figure 13. Importance of banking services to active bank account holders (n=288)



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

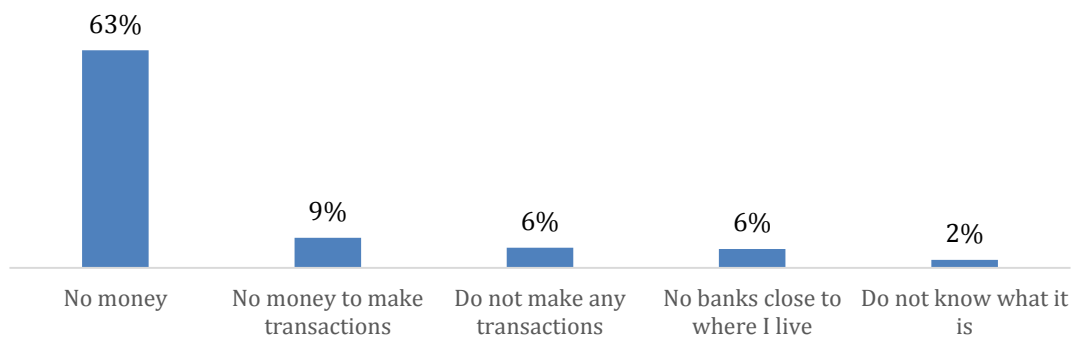
Reasons for not having a bank account

Misconceptions about the costs and value of banking services may be contributing to the reasons for not having a bank account.

The main reason respondents identified for not having a formal bank account was the lack of funds – they had “no money” to do so (Figure 14). All other reasons for not having a bank account were mentioned by less than 10 percent of the unbanked population.

The fact that two-thirds of the unbanked population mentioned money as the main barrier preventing them from using banking services might reflect the Ugandan population’s poverty status as discussed earlier. However, it is also possible that some respondents perceived the cost of having a formal bank account as too high to justify a shift from less formal financial management options. According to the World Bank report, more than eight in 10 Ugandans are unbanked, including because of the high costs of banking services.²⁵ Finally, some nonusers of banking services may not even know the actual costs of banking services, but assume they cannot afford to pay them.

Figure 14. Top five reasons for not having a bank account (n=2,644, those without a bank account)



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Chapter 5: Mobile money uptake and use

This chapter examines current mobile money use, and the features and products Ugandan mobile money users use the most. Observed trends in uptake, mobile money registration, patterns between different demographic subgroups, and other characteristics of this growing market are also discussed.

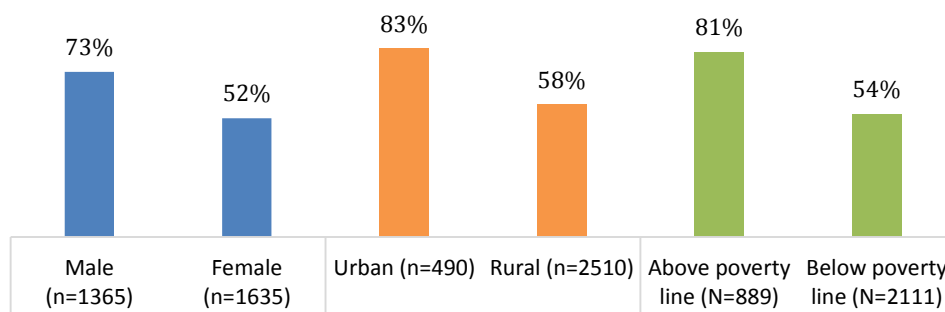
Mobile money use - preparedness and access to mobile technologies

Almost nine in 10 (87 percent) Ugandan adults have a mobile phone or can use a phone that belongs to someone else.

Mobile phone ownership is one of the key drivers of adopting mobile money services. Sixty-two percent of Ugandan adults have their own mobile phone. An additional 25 percent can use a phone that belongs to someone else.

Mobile phone ownership varies significantly across demographic subgroups. There is a significant ownership gap between urban and rural adults: 25 percentage points. The gender gap is 21 percentage points. The mobile phone ownership gap is the most significant among those living above and below the poverty line -- a difference of 27 percentage points.

Figure 15. Percent of Ugandan adults (15+) who have a personal mobile phone, by demographic characteristics

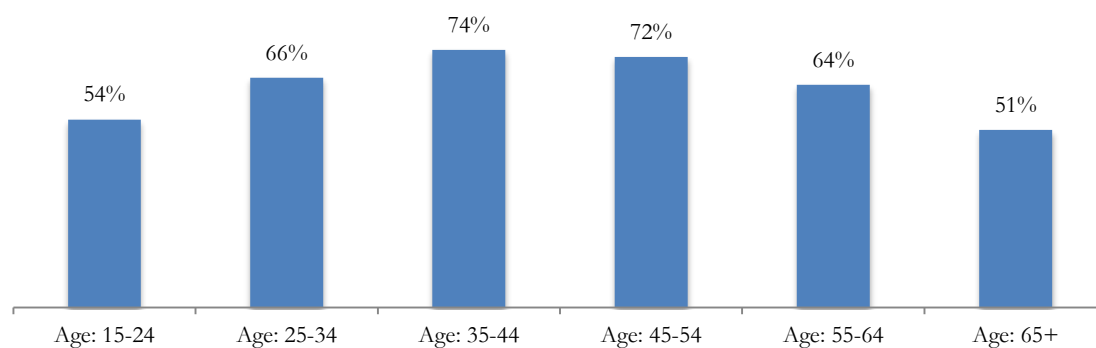


Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

The youngest and oldest age group (those 15-24 years old and those 65+) are the two groups with the lowest rates of mobile phone ownership. Overall, Ugandans in their prime working age, 35-54 years old, are those

most likely to have personal mobile phones. The ownership picks up at 25 years old and starts decreasing again at the age of 55.

Figure 16. Mobile phone ownership among Ugandan adults (15+), by age group



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Two in five of those who own a SIM card have more than one card with more than one provider.

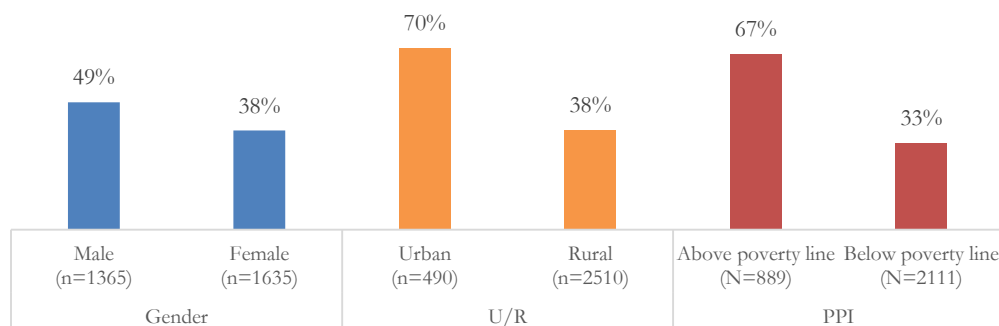
Sixty-four percent of Ugandan adults have their own SIM cards and 23 percent more can use a SIM card that belongs to someone else. Almost two-thirds of those with SIM cards (60 percent) have just one card while the remainder of adults with SIM cards have two or more. Multiple SIM-card ownership is reflective of Ugandans taking advantage of promotional and discounted offers with different providers.

Mobile money use

Mobile money use is more prevalent among males, urban residents and those living above the poverty line.

While nearly half of all Ugandans report ever using mobile money services (43 percent), there is a clear gap in usage between urban and rural residents as well as by poverty status. Females in rural areas living below the poverty line are much less likely to use mobile money than their male counterparts. However, urban men and women above the poverty line are equally likely to use mobile money.

Figure 17. Overall mobile money use rates, by demographic groups



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Top uses of mobile money

The majority of active mobile money users only conduct basic transactions and P2P transfers.

Withdrawing and depositing money are the most common uses reported for mobile money. It is important to note that money is directly deposited into an active users account from different sources, including account holders’ own deposits, remittances from other people, wages from employees, as well as government benefits. Therefore, there are more users who withdraw money than deposit money – at least half of those who report making cash withdrawals from mobile money accounts take out money sent to them by other people or by organizations, including employees and government/government agencies.

There is also a significant overlap between those who deposit and withdraw money. It is possible that some mobile money users deposit more because they plan to distribute money to multiple parties (i.e., make payments for bills or P2P transfers). However, it is also possible that some leave/store money using mobile money services. Further research is needed to explore this behavior.

Active mobile money account holders reported using the service to make a variety of payments, including P2P, G2P, and school fee payments. While payments are not considered advanced financial activities, payments via mobile money services are a step closer to the use of more advanced value-added services, such as buying insurance and investing money, services not yet reported by any active account holders.

Figure 18. Top uses of mobile money services (n=1305, mobile money users)

Withdraw money	88%
Deposit money	54%
Receive money from family members, friends, workmates or other acquaintances for regular support/allowances	42%
Receive money from family members, friends, workmates or other acquaintances to help with emergencies	33%
Send money to family members, friends, workmates or other acquaintances to help with emergencies	31%
Buy airtime top-ups	31%
Send money to family members, friends, workmates or other acquaintances for regular support/allowances	30%
Pay a school fee	6%

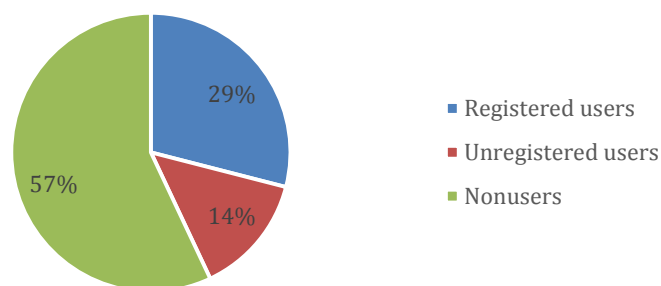
Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Registered mobile money use versus unregistered use

Twice as many Ugandans are registered mobile money users as are unregistered users.

Twenty-nine percent of Ugandan adults have a registered mobile money account. Another 14 percent carry out their mobile money transactions through other people’s accounts including family members, friends, and the accounts of mobile money agents (over-the-counter, or OTC, use).

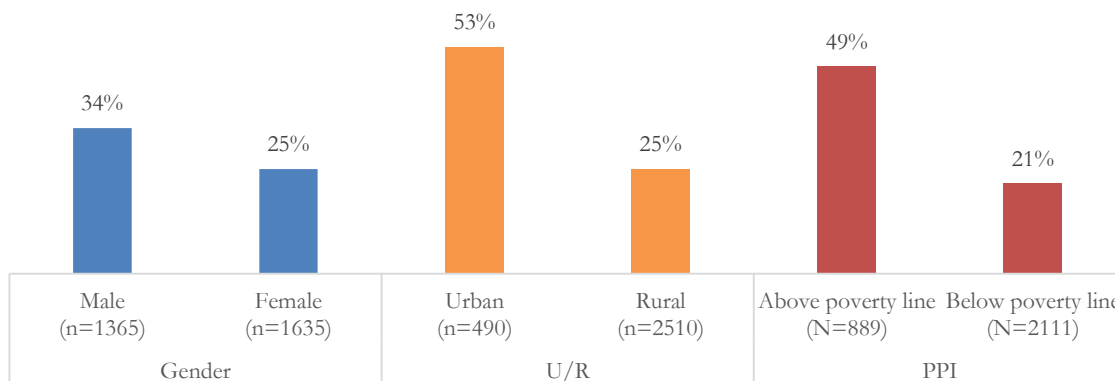
Figure 19. Percent of users and nonusers of mobile money among Ugandan adults



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

There is a significant gap in the rate of registered use of mobile money services between urban and rural residents, as well as between Ugandans living above and below the poverty line. The rate of registration reported by males is also higher than the rate reported by females, but the gap is smaller than the registration gap by either poverty status or by place of residence.

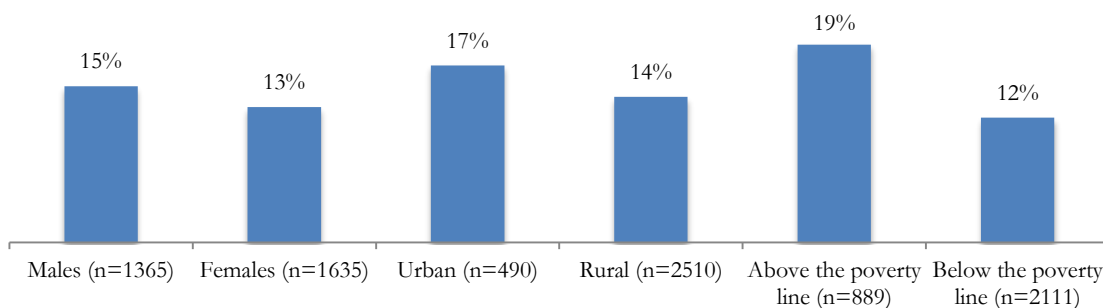
Figure 20. Percent of Ugandan adults who are registered users of mobile money, by demographics



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Among unregistered users of mobile money services, there is also a slight prevalence of males, urban adults and adults living above the poverty line (Figure 21). Overall, vulnerable populations have limited access to mobile money services and also limited opportunities to register. The former might be in part due to the lower rates of mobile phone ownership among females, rural and poor adults compared with their male, urban and above the poverty line counterparts. The gaps in registration might be attributed to the lack of required IDs as well as the limited reach of the agent network as discussed in this report.

Figure 21. Percent of Ugandan adults who are unregistered users of mobile money, by demographic characteristics



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Profiles of unregistered users: why they choose not to register

Unregistered users tend to be those who use mobile money for specific purposes, or those who are not comfortable conducting transactions on their own.

Sixteen focus group discussions conducted with lapsed users (registered and unregistered) and nonusers of mobile money services point to several reasons why unregistered users may not be transitioning into registered use:

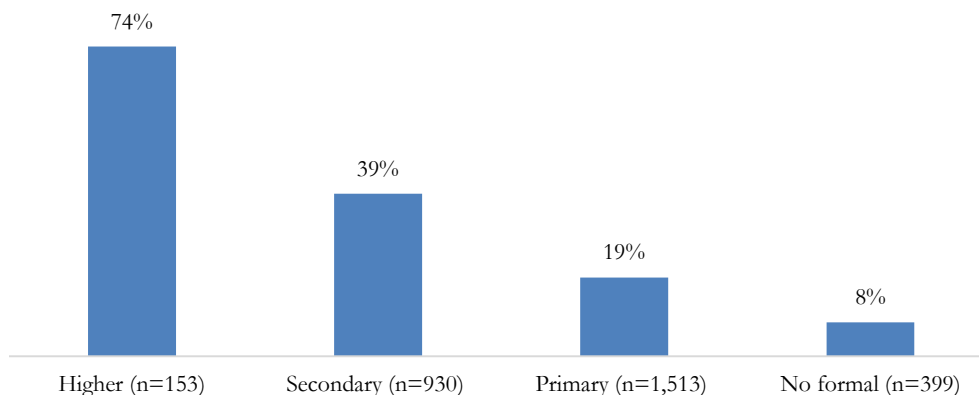
1. *Purposeful users:* Some unregistered users only use mobile money for specific types of transactions at certain times. For example, some unregistered users turn to mobile money services to pay school fees twice a year. Despite this rare usage pattern, such a “purposeful” application of mobile money may still help relieve financial/transactional pain points for the user.
2. *Prefer agent’s assistance:* Some of the users do not understand the services well, or do not feel confident about their abilities to use the services. They prefer to seek out a mobile money agent as a professional who can help them with transactions. As highlighted in focus group discussions, even account registration does not always translate into independent use. Many registered mobile money users still go to agents for all or most of their transactions because they do not feel comfortable transacting on their own and are not confident they can deal with problematic situations/errors (e.g., sending money to a wrong number) without professional help from an agent. Some rural dwellers also rely on their children to perform transactions for them. Whenever they want to transact, they give the phone to the child and send the child to the mobile money agent to conduct the transaction.
3. *Trial stage users:* Some users still might be trying out the services to understand how mobile money works and learn about how the services may benefit their financial lives. These users have the potential to become regular users, but considerations must be made to keep them in the mobile money ecosystem.
4. *Those using accounts registered in a family member’s name.* There are cases where mobile money users use an account registered in a family member’s name as if it was their own account. One common example of this in rural areas is when men buy mobile phones for their spouses. In some cases, men will also register a mobile money account on the phones they buy for their wives. The women are then the mobile phone and mobile money account users, however, the registration is in their husbands’ names. In another case common for both rural and urban dwellers, parents register a mobile money account for their child, who is younger than 18 years old and cannot have his/her own account. This can be done, for example, when the child is leaving for boarding school to make it easier for the parents to send money for school fees and daily expenses. Once the child turns 18, the account can be re-registered in the child’s name.

Educational attainment and mobile money use

Active mobile money account holders generally have higher educational attainment than nonusers.

There are significant relationships between Ugandan adults' levels of education and their use of mobile money services. Those with a post-secondary education (diploma, university degree or post graduate university degree) are nearly four times more likely to have active accounts than those with only a primary education. For example, 74 percent of adults with higher education own and actively use a mobile money account compared with 8 percent of those with no formal education (Figure 22). Since education is typically a proxy indicator for income level/poverty status, the use of mobile money by educational level is indicative of the use of mobile money by poverty status.

Figure 22. Percent of active mobile money account holders, by level of education



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Beyond traditional educational attainment, users and nonusers of mobile money services differ by such basic skills as literacy. Among active mobile money and bank account holders, basic literacy rates are significantly higher than among the general population. At 89 percent, the literacy rate²⁶ for active bank account holders is 26 percentage points higher than 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. This indicates that, to be able to take advantage of mobile money services, users need to have basic literacy skills because mobile money use requires the ability to understand the service menu. In addition, basic numeracy skills help mobile money users understand financial transactions they perform: They can see how much money has been sent to/from them and/or count how much they need to put into their accounts. As such, numeracy skills may help users take advantage of mobile money services and also prevent an agent from taking advantage of them.

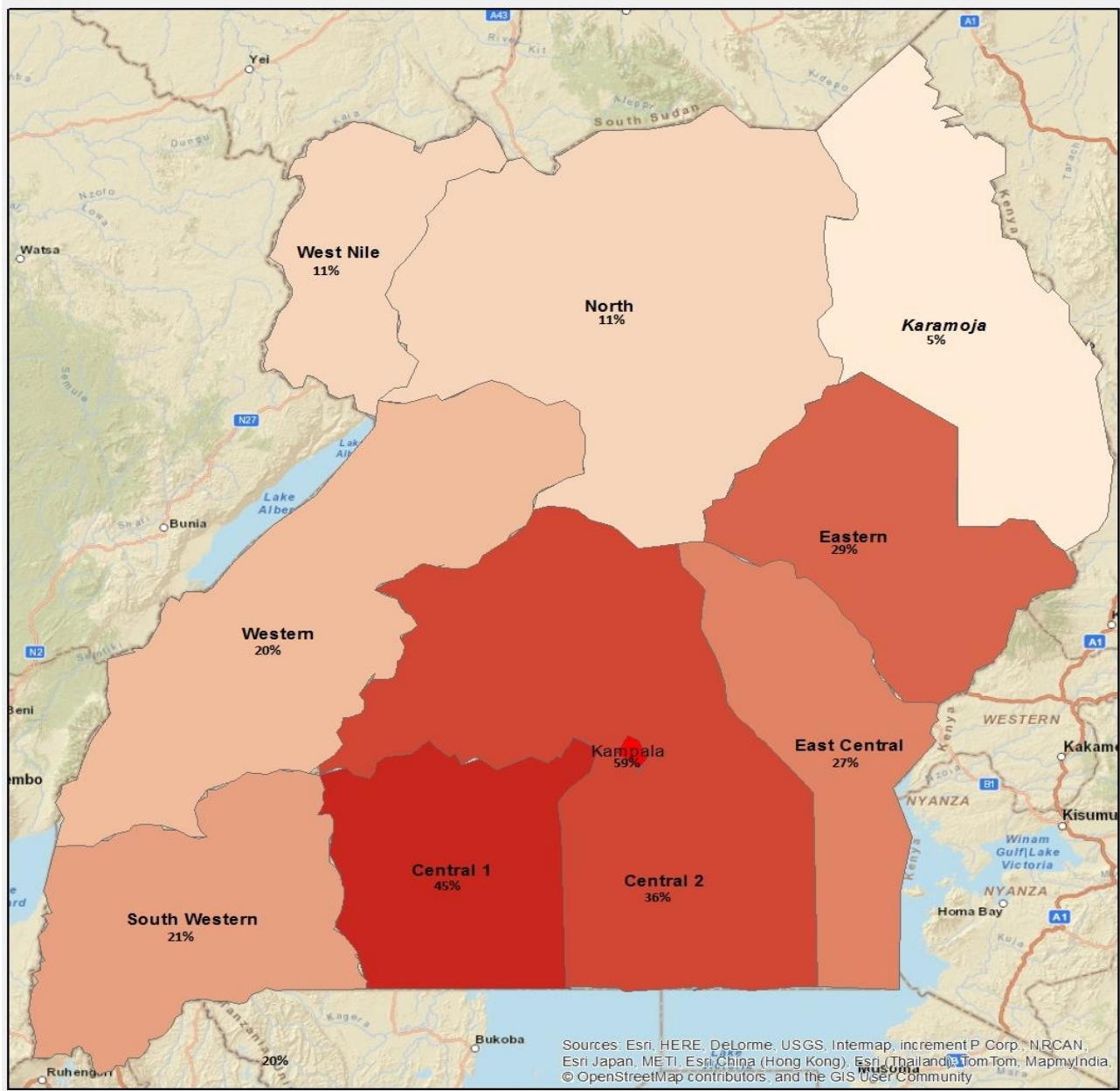
Geographic variations in mobile money use

The geographic variations in the use of mobile money are related to geo-political situations as well as economic or technical issues.

The country's capital, Kampala, and areas immediately surrounding it, Central 1 and Central 2, have the country's highest mobile money usage rate (Figure 23). Karamoja has the country's lowest rate at 5 percent. The uneven geographic spread of mobile money can be partially explained by the economic and political situation in the regions. For example, while relatively stable Kampala benefits from foreign investment and innovation spillovers from other countries in the region (e.g., Kenya and Tanzania), Karamoja's political and economic states remain rather fragile with ongoing social unrest and shortages of even basic commodities due to the remoteness of the area and undeveloped infrastructure.

To underscore the above, almost all the adults in Kampala report owning a personal mobile phone: 92 percent compared with 62 percent for the total adult population. In addition, education levels and the proportion of people living above the poverty line, in Kampala, are higher than the average for the population: 79 percent have a secondary or higher education, and 84 percent of Kampala residents live above the poverty line.

Figure 23. The percent of each region's residents who are active mobile money account holders



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Chapter 6: Gender differences in mobile phone and mobile money use

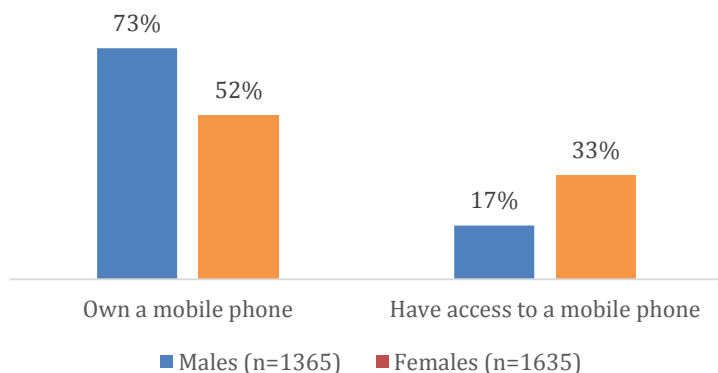
Mobile money and DFS offer opportunities to extend financial inclusion to typically excluded groups such as poor, rural women. While in urban areas and within groups above the poverty line, mobile phone ownership has been even for men and women; in poor communities and in rural areas, the gender gap is more significant. As mobile ownership has been found to be a key driver to mobile money uptake, this is an important indicator to observe.

Gender differences in access to mobile technologies

Women report higher access to mobile phones, mostly because of higher rates of access to shared phones -- those that belong to their family members but are available for their use. For the most part, men use their personal mobile phones and rarely share.

There is a significant gender difference (21 percentage points) in mobile phone ownership. Of those who do not have phones, however, women have higher access through borrowing or pay-for-use than men do. Therefore, the overall differences in mobile phone access through ownership and borrowing/renting is modest at only 5 percentage points.

Figure 24. Mobile phone ownership and access, by gender



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Gender gap among vulnerable populations

The gender gap is pronounced within vulnerable populations -- rural residents and those living below the poverty line.

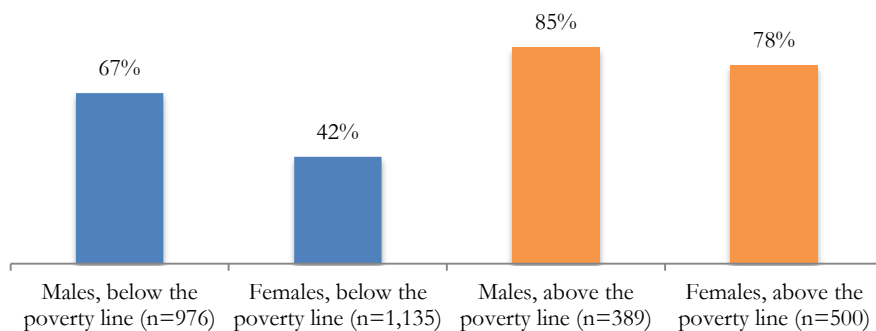
The gender gap deepens considerably in rural areas, where the difference in mobile phone ownership between males and females reaches 24 percentage points compared with only 6 percentage points in urban areas.

Figure 25. Gender gap in mobile phone ownership, by gender and urban/rural status



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Figure 26. Gender gap in mobile phone ownership, by gender and poverty status



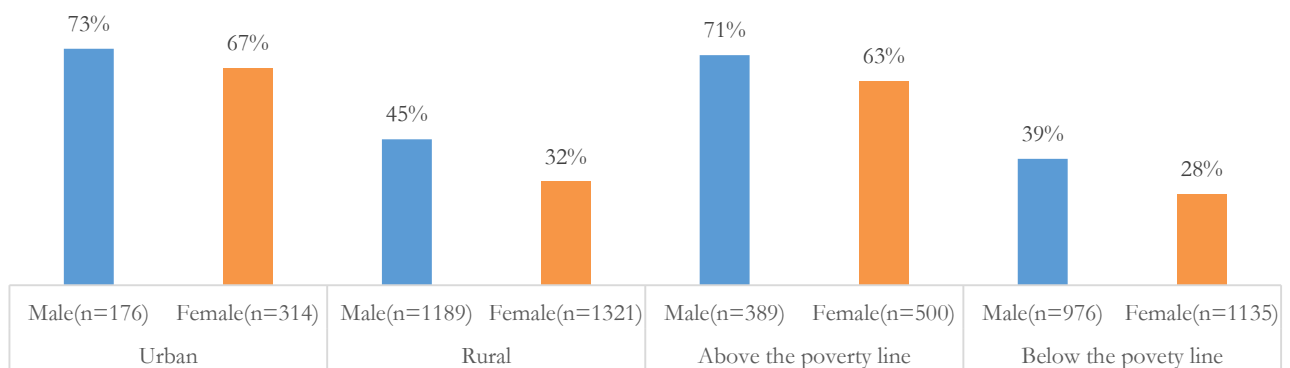
Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Gender gap in mobile money

Gender trends for mobile money are similar to those for mobile phone access and use. Rural, poor females have the lowest rates of mobile money services access and use.

The use of mobile money services among females across demographic characteristics tends to follow a similar trend as that of mobile phone and SIM ownership. The gender gap is narrower in urban areas and among Ugandans living above the poverty line, and much wider in rural areas and among below-the-poverty-line populations. Overall, females living below the poverty line and residing in rural areas have the lowest rates of access to mobile money services among all gender segments. This is also the group highly underserved by other formal financial institutions.

Figure 27. Percentage of mobile money users, by demographics



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Chapter 7: Behavior patterns affecting mobile money uptake

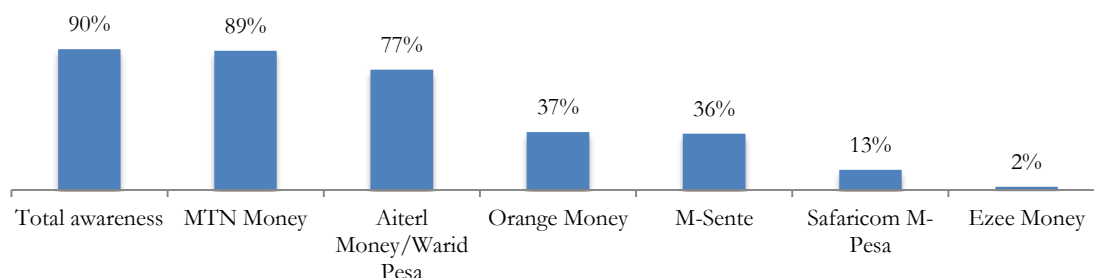
Having examined usage patterns and variations between subgroups, this section examines supporting behavior and patterns related to mobile money adoption. These include where users obtain information and what or who are their main sources of influence. This will help mobile money providers to develop strategies to best reach new groups within the population.

Familiarity with mobile money brands

Mobile money awareness among Ugandan adults is high at 90 percent, with a majority first learning about the service from radio.

Ninety percent of Ugandan adults have heard of at least one mobile money provider. Across the major mobile money service providers in Uganda, MTN Mobile Money and Airtel Money/Warid Pesa have the highest awareness rates among Ugandans. In both cases, extensive promotional campaigns, including radio and TV advertising, have contributed to an increase in awareness.

Figure 28. Awareness of mobile money providers among Ugandan adults



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

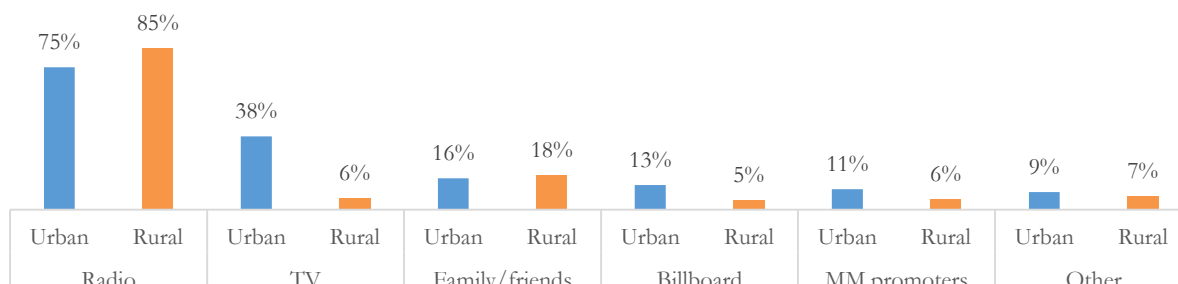
Sources of information influencing uptake of mobile money

Radio was the most common way users became aware of mobile money.

Among those aware of mobile money providers in Uganda,²⁷ almost nine in 10 (83 percent) first learned about the services via radio. Rural residents were more likely than their urban counterparts to be exposed to mobile money providers via radio. Relatives, friends and neighbors took second place as sources of information, followed by TV: 18 percent and 12 percent, respectively. Very few learned about mobile money through mobile money field agents.

Figure 29. How users first learned about different mobile money providers (urban adults, n=477; rural adults, n=2238)*

*The percentages add up to more than 100% because the question was asked about each provider separately and the presented results are an aggregate for all providers



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Triggers for mobile money uptake

P2P transfers are the most common trigger for mobile money uptake. The triggers remain constant across different demographic subgroups.

Person-to-person money transfers (sending and receiving money for regular and emergency support) are the top reasons active mobile money account holders begin using the services. These triggers remain true regardless of the demographic subgroup. This is not surprising as mobile money services were introduced across East African countries as the best way to “send money home.”

Figure 30: Top five reasons why active mobile money account holders started using mobile money accounts

Top reasons for starting to use a mobile money account (N=788)	%
I had to receive money from another person	77%
I had to send money to another person	61%
I saw other people using in it and wanted to try it myself	4%
I saw posters/bill boards/radio/TV advertising that convinced me	4%
An agent or a sales person convinced me	3%

Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

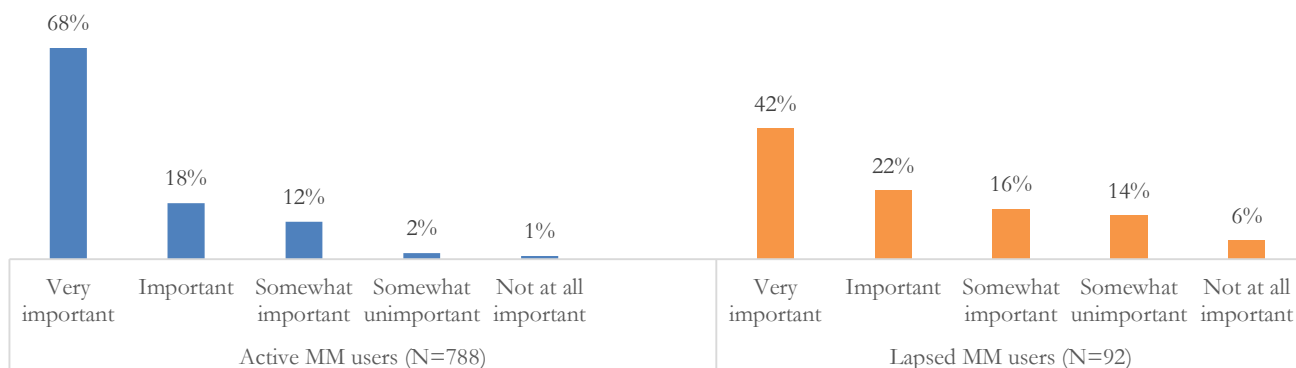
Importance of mobile money services to users

Almost seven in 10 mobile money users say the service is very important to their financial lives and use it for almost all financial activities.

Sixty-eight percent of Ugandans with active mobile money accounts consider the services very important and use it for almost all their financial activities; only 3 percent say mobile money is unimportant and use their accounts rarely or never. The importance attributed to mobile money does not differ by demographics.

Even though some users of mobile money are infrequent users (have not used in the past 90 days), many still consider mobile money an important factor in their financial lives - 42 percent still said the services are “very important” or “important.” Therefore, despite infrequent use, lapsed users still consider the services a critical part of their financial lives.

Figure 31. Importance of mobile money services for active mobile money (MM) account holders (n=788) and lapsed users of the services (n=92)



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Latent need for interoperability

Mobile money users report a need for interoperability among financial service providers, including mobile money providers. P2P transactions across mobile money providers were the most common trigger for the expressed need for interoperability.

According to mobile money users, interoperability between different mobile money services, as well as between mobile money services and other formal and informal financial services (e.g., banks, SACCOs, village savings groups, etc.) would be beneficial. Eighty-four percent of mobile money users in Uganda want service providers to work together to improve the quality and expand the range of available financial services.

The ability to transact across providers for P2P transfers was the most common interoperability need reported. In the 90 days prior to the survey, 25 percent of active mobile money users had to receive money from and 18 percent had to send money to a person using a different mobile money provider. Both of these activities require service interoperability.

Figure 32: Top five most common interoperability needs (N=788, active mobile money account holders)

Percent of active mobile money account holders who said they needed to do the following activities in the last 90 days	%
Receive money in their mobile money account from an account of another person who uses a different mobile money provider	25
Send money from their mobile money account to an account of another person who uses a different mobile money provider	18
Transfer money between their mobile money account and their bank/MFI account	1
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
Transfer money between their mobile money account and their SACCO account	0.4

Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Chapter 8: The agent experience

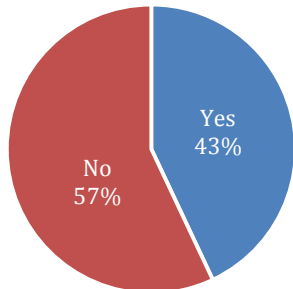
Mobile money agents are the key connectors to both current and prospective mobile money users. They often educate new users, and they are essential to expanding the use of mobile money financial tools.

Customer loyalty to mobile money agents

Ugandans show limited loyalty to mobile money agents; poor agent performance and agent churn might be contributing factors.

Regardless of the type of mobile money use (i.e., active, lapsed, registered or non-registered), only 43 percent stick with their regular agent. (Figure 33). Among lapsed and nonregistered users, 43 percent use the same agent all or most of the time. There is only a small difference between men and women in their preference for visiting the same agent, 41 percent versus 46 percent, respectively, while other demographic groups did not exhibit notable differences in agent use.

Figure 33. Do you use the same mobile money agent all or most of the time? (n=1,305, mobile money users)



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Some of the reasons for the lack of loyalty to mobile money agents, including customers choosing agents because of their proximity as opposed to good performance, are discussed later in this chapter. But in addition to these, the lack of customer loyalty may be related to a high agency churn rate (agency turnover where old agencies close and new agencies appear) and agent network growth, both of which lead to customer migration.

Based on the findings of the 2013 ANA survey in Uganda, 52 percent of agents who participated in the survey were new to the business.²⁸ The report suggests that one of the reasons for such a high rate of new

agencies might be high agent turnover caused by relatively modest agent earnings compared with neighboring Tanzania and Kenya. If the agency closes because they are not earning enough money, customers are forced to find another agency. In addition, some areas in Uganda show a high number of new agencies attributed to high local demand for agent services, which subsequently fuels a natural growth of the agent network. In this case, a customer would also change agencies if a new agent is in a location that is more convenient to get to than the location of the agent they used before.

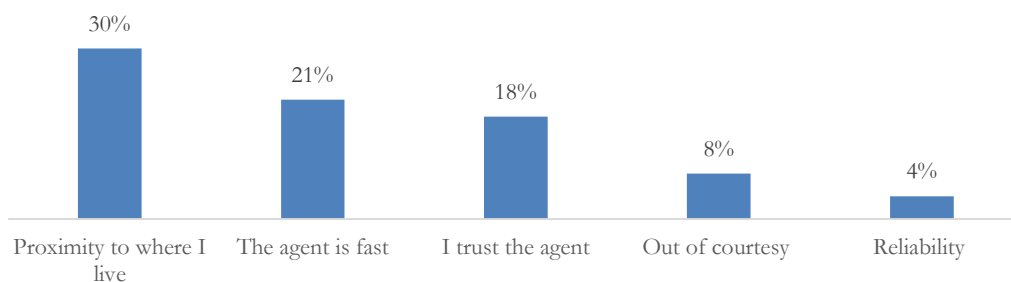
Agent proximity and other factors affecting the choice of a regular agent

The choice of a regular agent is driven by the agent’s proximity; agents’ professional skills are secondary, although important.

The choice of a regular agent is most often driven by the agent’s proximity to a user’s home: 30 percent of those who use the same agent all or most of the time said they come back to the same agent because the agent is close to where they live (Figure 34).

Focus groups conducted with lapsed users and nonusers of mobile money revealed that most routine financial transactions are clustered around the places where they live, with some transactions also conducted near their places of work. Therefore, the choice of agents is driven by the agent’s proximity to those “activity clusters” and not by loyalty to agents and/or mobile money providers.

Figure 34. Main reasons for choosing a regular agent among active mobile money account holders, who use a regular agent (n=559)

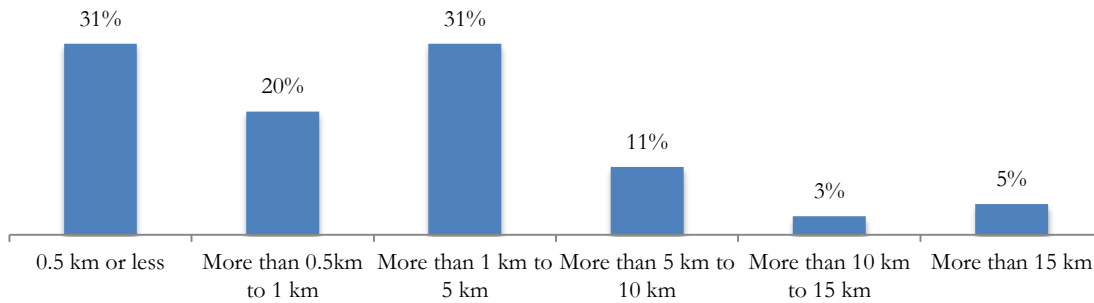


Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Among mobile money users who use a regular agent, about half use an agent that is 1km or less from where they live; most can reach their agent on foot or by boda-boda (motorcycle taxi) in less than 15 minutes. Traveling far to reach an agent is not common. Only one in five (19 percent) active mobile money account

holders who tend to use the same agent most of the time cover between 5kms to over 15kms to get to their regular agent.

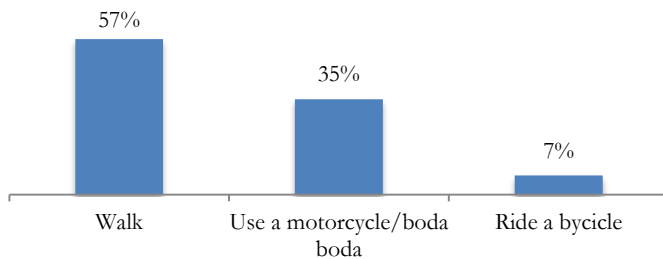
Figure 35. Among active mobile money account holders who use a regular agent, the distance they travel from home to reach the agent (n=356)



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

Active mobile money account holders who use the same agent mostly walk to their agent’s place, use a boda-boda, or ride a bicycle, the top three transportation methods used to get to their regular agents (Figure 36).

Figure 36. Means of getting to the regular agent, active mobile money account holders, who use a regular agent (n=356)



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

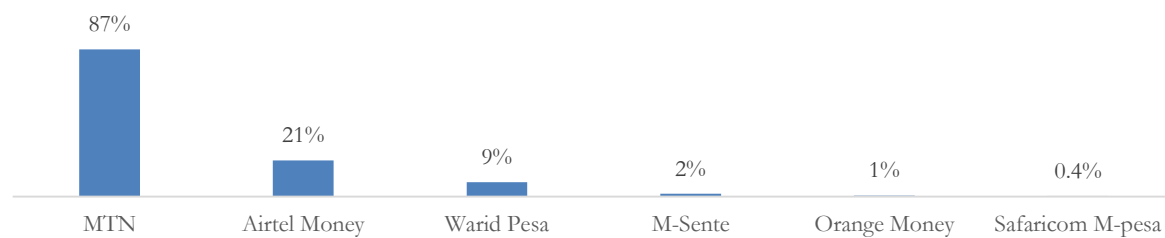
The choice of agent is also related to the agent’s professional skills. Customers generally prefer agents who conduct transactions quickly (25 percent of active account holders; 10 percent of lapsed users) and are trustworthy (17 percent of active account holders, 10 percent of lapsed users).

Agent services by provider

MTN agents are the most ubiquitous.

Most mobile money users, who report using the same agent all or most of the time, have an MTN agent. This is not surprising as MTN has the largest agent network in Uganda, which covers both urban and rural areas. Other providers' agent networks tend to concentrate in urban areas with agents available only in selected rural areas and close to main roads.

Figure 37. Percent of mobile money users who use different agents by provider brand (n=1,305)



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

How branding affects users' experiences with mobile money agents

Bright creative branding outside a mobile money agency can help attract new customers and sustain an existing customer base.

In-depth interviews with mobile money agents revealed that creative advertising and clear branding at agents' locations can increase traffic and encourage customer engagement. Most agents recognize to attract and retain customers they need to invest time, money and effort into providing good customer service. Interviews with agents also showed they feel mobile money service providers should be actively involved in enhancing customer experiences through gifts, promotions and education campaigns. According to both agents and their customers, part of such provider engagement should focus on visuals. For example, using t-shirts in the provider's brand colors helps agents feel more professional, encouraging them to promote their businesses more effectively. Additional provider support should come from regular communication with agents about new products, changes in tariffs, and other relevant topics.

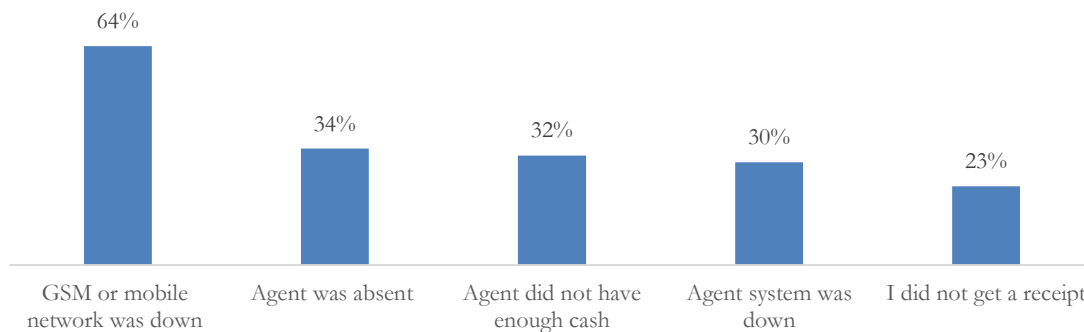
Negative experiences with mobile money agents

Mobile and agent network breakdowns interfere with users' ability to make transactions, cause frustration and reinforce mistrust in services.

GSM or mobile network problems are the most commonly reported issues by Ugandans who use mobile money. These problems disrupt services and limit people's access to their own money. Nearly two-thirds of the group has experienced the mobile network being down when they needed to conduct a transaction.

Just below a third of mobile money users also reported the agent's system went down during a transaction and a quarter said they did not get a receipt. Both of these problems were more common in urban areas than in rural areas.

Figure 38. Top five problems with agents among all mobile money users (n=1,305)



Source: InterMedia FII survey of adults (15+) in Uganda, September-November, 2013; N=3,000.

The ANA survey in Uganda reported that 92 percent of agents also complained about system downtime. Only 48 percent of agents received a prior warning from their service provider; in two-thirds of the cases the information received from the provider was not accurate and did not allow an agent to prepare for the downtime.²⁹ Overall, it appears customer frustration in this case might be the result of providers' poor support of their agents. Yet, in this case, the agents bear the consequences of customers' frustrations and increasing mistrust of the services.

Low agent liquidity is another factor affecting customer ability to make a transaction and negatively affecting the perception of agent performance quality.

A substantial number of mobile money users also complained about the low quality of agent performance. For example, about a third of the group reported the agent was absent when they visited and another third said the agent did not have enough cash to complete their transactions. Low agent liquidity was a more common complaint in urban areas while agent absenteeism was equally problematic in both rural and urban areas.

The FII survey did not directly ask if agents' ability to balance between float and physical cash was one of the reasons for mobile money users to choose a regular agent. However, the problems that users experience with agents show that such an ability is important for mobile money users because it means their agents always have cash or e-money when a customer needs to transact. Based on the mobile money users' feedback, not all agents are able or know how to balance e-float and cash.

The problem of agent liquidity might also be caused, in part, by insufficient support from the mobile money providers. The ANA survey demonstrated the majority of agents across Uganda reported the need for both cash and e-float, suggesting mobile money providers might not have accurate information about agents' needs and, thus, fail to address them both effectively and in time to prevent agents' liquidity issues.³⁰

Unknowledgeable agents reinforced mobile money users' fears of fraud.

Focus groups with lapsed users of mobile money revealed additional agent performance flaws. For example, customers are not always able to understand how transaction charges are calculated and the agents are not willing or able to explain the tariffs. This leads to most agent charges being perceived as inflated. Several participants also complained that agents are trying to charge a fee for registration even though the customers know that registration should be free. Lapsed users said they dealt with delayed transfers, money sent to incorrect phone numbers, and confusing text messages from mobile money service providers and recipients of transfers. Finally, many lapsed users (as well as nonusers) have experienced or heard of mobile money fraud. In fact, there are documented cases confirming that some agents perform rogue transactions; they take advantage of customers' lack of knowledge about the tariffs and overcharge customers.³¹

Overall, the array of service problems experienced by regular users and lapsed users alike creates uneasiness about mobile money services, discouraging use and leading current and potential consumers to search for alternative financial transaction methods.

Conclusion

Overall, despite the challenges faced by Uganda in its pursuit of economic development goals, over the past several years the country has been making steady progress in expanding the population's rate of financial inclusion. Currently, almost half of the adult population (47 percent) has access to formal financial services via either banking services or mobile money services or both. While the use of either financial platform is mostly limited at this point to basic transactions – P2P transfers, deposits, withdrawals and airtime top-ups – there are groups of users who are exploring other financial services applications, including receiving organization-to-person transfers (wages, pension payments or government benefits), sending or receiving business payments or using value-added services such as borrowing and investing.

In early 2014, the Ugandan government (through the BoU) formalized its commitment to reducing the barriers to financial inclusion and creating market opportunities for investors and providers of financial services. In addition, the country is in the process of moving to a national ID system. Therefore, in the coming years, Ugandans will likely experience further advancement of DFS.

To ensure better understanding of the potential for expanding financial inclusion, it would be important to consider further research in the following areas:

- Storing/safekeeping money on mobile money accounts and/or banking accounts: How common is this type of use, who uses mobile money and bank accounts in this way, and in what amounts and for how long is the money stored in these accounts?
- Nonusers' sources of information about mobile money and banking services: How accurate is the information nonusers have and are using to make a decision not to use formal financial services?
- G2P payments: What are the factors that encourage people to use DFS to receive G2P payments digitally? How do people use money received via G2P payments – digitally or in cash? If they use G2P funds in cash, why is there a preference for cash? Are there any transactions that can be done more conveniently via DFS?
- Consumer education and protection services provided by stakeholders: These services are necessary to eliminate information asymmetry, which is an obstacle for many members of vulnerable demographic groups, who otherwise might explore formal financial services further (i.e., banking or mobile money). Does the lack of understanding about how these services work lead vulnerable groups to fear that the services will end up being a potential source of financial abuse or fraud? What consumer protection regulations and documents can help potential users overcome their fears?

In addition to the need for information, poor network infrastructure, the current lack of a national ID system, and low rates of mobile phone ownership among vulnerable groups, rural females in particular, pose significant barriers to expanding DFS. Since many of those who do not currently have mobile phones simply cannot afford them, DFS providers and the Ugandan government may need to look into providing subsidies to encourage mobile phone purchases.

Finally, the success of DFS services highly depends on how well DFS providers' engage with mobile money agents and consumers, monitor challenges and needs, and respond to them in a timely manner. Providers will need to effectively and frequently communicate with mobile money agents, active and passive users, as well as nonusers, to understand the main challenges in delivering mobile money services, and keep ahead of emerging needs for tailored products. As this study shows, many of the barriers reported by mobile money users and agents can be eliminated through this closer engagement by service providers.

Methodology

Nationally representative survey of adults (15+)

The FII Tracker Survey in Uganda is an annual, nationally representative survey of 3,000 Ugandan individuals aged 15 years and older. The survey uses face-to-face interviews lasting 45 to 60 minutes. The first survey was conducted from September to November, 2013.

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 Enumeration Areas (EAs) by district, was used to draw the sample of the required EAs for the survey.

Sampling Enumeration Areas

- 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.

Focus group discussions with mobile money lapsed users and nonusers

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 the 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 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?

Respondent selection:

- 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.

Agent interviews, consumer exit interviews and mystery shopping exercises

MTN, Airtel, UTL, Ezee and Orange mobile money agents were represented in all three elements.

Key overarching objectives:

- Mobile money agent in-depth interviews, customer exit interviews and mystery shopping exercises were conducted to provide a triangulated analysis of user experiences at cash-in-cash-out (CICO) points.

- The study focused on the dynamics between the mobile money provider, the agent and the customer, at the agent location.
- The analysis aimed to highlight key barriers to uptake and registration, and best practices that stimulated continued use.
- The findings provide insights on potential provider- and agent-led improvements that can help agents better meet customer needs.

Methodology 1: Consumer Exit Interviews

50 one-on-one interviews

Key research questions:

- How satisfied are customers with the service they received?
- How knowledgeable and helpful are agents in resolving problems?
- What does the agent do well?
- What are the routine problems they face while transacting with an agent?
- What can agents and providers do to provide better customer service?

Selection:

- Regions were selected based on mobile-money-use rate, according to the FII national survey (high use areas).
- Kampala was pre-selected as the urban location in the central region; in other regions, districts were randomly selected from FII national survey locations.
- Exit interviews were conducted in the urban areas of Kampala, Kasese and Jinja, and in the rural areas of Buikwe, Kasese and Jinja districts.
- Exit interviews were conducted with every 2nd customer leaving a specified agent location after conducting a mobile money transaction.
- fspmmaps.com was referenced for selecting agent locations against the following criteria:
 - Agents of the main five mobile money providers;
 - 30 urban and 20 rural agents;
 - A range of agent premises (e.g., shop, stand, umbrella).
 - We found instances where selected agents were no longer active and required replacement.

Methodology 2: Mystery Shopping Exercises

Fifty anonymous customer interactions were conducted with agents

Scenario descriptions:

To evaluate agent performance, researchers posed as customers and presented agents with various problems based on the following pre-set transaction scenarios:

- Unregistered sending
- Registered, want to send
- Inactive, registered, lost PIN
- Receiving money
- Registered, sent money to the wrong number

What did the scenarios test?

- Do agents encourage or discourage registration?
- Do agents provide adequate support for customers to register?
- How knowledgeable and helpful are agents in resolving problems?
- Do agents provide good service when customers need assistance (e.g., when they have sent money to the wrong number)?
- Do agents ask for customers PIN or charge extra fees?
- What are key problem areas at agent locations and how can agents improve service?

Selection:

- Regions were selected based on mobile-money-use rates, according to the FII national survey (high-use areas).
- Kampala was pre-selected as the urban location in the central region; in other regions, districts were randomly selected from FII national survey locations.
- Mystery shopping exercises were completed in the urban areas of Kampala, Kyegegwa and Kamuli, and in the rural areas of Mpigi, Kyegegwa and Kamuli districts.

- fspmaps.com was referenced for selecting agent locations against the following criteria:
 - Agents of the main five mobile money providers;
 - 30 urban and 20 rural agents;
 - A range of agent premises (e.g., shop, stand, umbrella).
 - We found instances where selected agents were no longer active and required replacement.

Methodology 3: Agent In-Depth Interviews

Fifty one-on-one interviews with agents

Key research questions:

- Who is the agent's customer base?
- What are the key issues and problems agents face in interacting with their customers and providing mobile money services?
- Are agents adequately supported by mobile money providers in conducting mobile money business?
- What does the agent think the providers can do better to support agents and their customers?
- Do agents think mobile money is a good business venture?
- What do agents need in order to provide better service?

Selection:

- Regions were selected based on mobile-money-use rate, according to the FII national survey (high-use areas).
- Kampala was pre-selected as the urban location in the central region; in other regions, districts were randomly selected from FII national survey locations.
- Agent interviews were conducted in the urban areas of Kampala, Masindi and Mbale, and in the rural areas of Lwengo, Masindi and Mbale districts.
- fspmaps.com was referenced for selecting agent locations against the following criteria:
 - Agents of the main five mobile money providers;
 - 30 urban and 20 rural agents;
 - A range of agent premises (e.g., shop, stand, umbrella).
 - We found instances where selected agents were no longer active and required replacement.

Glossary

Active mobile money/bank account holder – An individual who has a registered mobile money account or a bank account and has used it in the last 90 days.

Active mobile money/bank user – An individual who has used mobile money/a bank in the past 90 days, either through a personal, registered account or through someone else’s account.

Formal financial services – Services offered by financial institutions that are regulated by the state. These institutions include commercial, development banks as well as specialized non-bank financial institutions (NBFI) such as post banks, savings and loan companies, deposit-taking microfinance banks.

Informal financial services – Services offered by groups and associations that are not regulated or supervised by the state, such as Esusu associations, savings collectors, village savings groups.

Mobile money agent – A person or business contracted by a mobile money provider to offer services to mobile money customers.

Poverty line – \$2.50 per day, as classified by the Grameen Progress Out of Poverty Index.³²

Digital financial services (DFS) – Financial services that are provided through an electronic platform (mobile phones, electronic cards, the internet, etc.). For this study, digital financial services include bank services and mobile money 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.

Interoperability – The ability of users of different digital financial services to transact directly with each other through interoperable platforms.

Lapsed mobile money/bank user – An individual who has used mobile money/a bank at some point in the past, but has not done so in the last 90 days.

Mobile money – A service in which a mobile phone is used to access financial services.

Microfinance Institution (MFI) – A financial institution specializing in banking services for low-income groups or individuals. A microfinance institution provides account services to small-balance accounts that would not normally be accepted by traditional banks, and offers transaction services for amounts that may be smaller than the average transaction fees charged by mainstream financial institutions.

MNO – Mobile network operator, a wireless communications services provider that owns or controls all the elements necessary to sell and deliver services to an end user including radio spectrum allocation, wireless

network infrastructure, back haul infrastructure, billing, customer care, provisioning computer systems and marketing and repair organizations.

Over-the-counter use - Using DFS through an agent's account. This is a type of unregistered use.

Unregistered user – An individual who uses DFS only through someone else's account, such as a friend, family member or agent.

Value-added services– DFS transactions that go beyond simple deposits, withdrawals, money transfers and airtime top-ups.

Endnotes

- ¹ http://www.indexmundi.com/uganda/demographics_profile.html
- ² <http://www.theeastafrican.co.ke/news/Ugandan-banks-to-adopt-biometric-identification/-/2558/2235862/-/y5srya/-/index.html>
- ³ <http://www.monitor.co.ug/Business/Mobile-money-competition-stiffer--as-bank-unveils/-/688322/2295016/-/easf7o/-/index.html>
- ⁴ http://helix-institute.com/sites/default/files/Publications/Agent%20Network%20Accelerator_Uganda%20Country%20Report%202013.pdf
- ⁵ http://www.score.or.ug/uploads/FINSCOPE_%20III_%20Survey_%202013_%20findings.pdf
- ⁶ The FinScope 2013 survey defines formal financial services as commercial banks, microfinance-deposit taking institutions (MDIs and credit institutions), other microfinance institutions (MFIs), savings and credit cooperative organizations (SACCOs), insurance companies, cell phone mobile money, non-banking financial institutions like a foreign exchange bureau, and money transfer services such as Western Union.
- ⁷ The government's commitment is highlighted by its Uganda Vision 2040 document, released in late 2013, detailing its plans for addressing the insufficient financial services infrastructure across the country and poor access to rural financial services.
- ⁸ https://www.bou.or.ug/opencms/bou/bou-downloads/Financial_Inclusion/Mobile-Money-Guidelines-2013.pdf
- ⁹ <http://www.assetrecovery.org/kc/node/4006e60f-3b96-11dd-9f7d-5715b1806df3.1>
- ¹⁰ http://www.observer.ug/index.php?option=com_content&view=article&id=32540:-banks-look-to-expand-reach-through-agents&catid=79:businessstories&Itemid=68
- ¹¹ https://www.bou.or.ug/opencms/bou/bou-downloads/Financial_Inclusion/Strategy-for-Financial-Literacy-in-Uganda_August-2013.pdf
- ¹² <http://www.ey.com/GL/en/Services/Tax/International-Tax/Alert--Uganda-issues-2014-2015-budget>
<http://www.redpepper.co.ug/mtn-hikes-mobile-money-withdrawal-fees/>
<http://www.newvision.co.ug/news/657137-mtn-raises-mobile-money-charges.html>
- ¹³ <http://allafrica.com/stories/201405140477.html>
- ¹⁴ <http://www.telecompaper.com/news/uganda-tax-authority-starts-mobile-money-agents-register--971194>
- ¹⁵ <http://www.statehouse.go.ug/media/news/2014/06/12/budget-speech-financial-year-201415-delivered-meeting-4th-session-9th-parliame>
- ¹⁶ Mobile Money Tracker,” GSMA Mobile World Live, accessed January 15, 2014, <http://www.mobileworldlive.com/mobile-money-tracker>.
- ¹⁷ InterMedia FII Tracker Survey, Wave 1, September-December 2013 (N=3,000, 15+)
- ¹⁸ <http://www.mtn.co.ug/MTN-Services/Promotions/Play-Lotto.aspx> <http://www.mtn.co.ug/MTN-Services/Mobile-Banking.aspx>
- ¹⁹ <http://www.fenixintl.com/uganda/>
- ²⁰ <http://www.impatientoptimists.org/Posts/2014/02/Financial-Innovation-with-a-Solar-Twist>
- ²¹ <http://www.grameenfoundation.org/press-releases/airtel-uganda-grameen-foundation-and-plan-uganda-introduce-new-group-savings-roduc-2>
- ²² “Delivery of e-Government Services Over the National Data Transmission Backbone Infrastructure and Electronic Government Infrastructure (NBI/EGI),” NITA Uganda, accessed January 29, 2014, <http://www.nita.go.ug/index.php/features/321-nbi-egi>.
- ²³ InterMedia FII Tracker Survey, Wave 1, September-December 2013 (N=3,000, 15+)
- ²⁴ Fspmaps.org.
- ²⁵ <http://www.newvision.co.ug/mobile/Detail.aspx?NewsID=638781&CatID=3>
- ²⁶ **Basic literacy** – The ability of an individual to read and understand a short, simple statement with no or minimal help from another person.

²⁷ n=2,715

²⁸ http://helix-institute.com/sites/default/files/Publications/Agent%20Network%20Accelerator_Uganda%20Country%20Report%202013.pdf.

²⁹ http://helix-institute.com/sites/default/files/Publications/Agent%20Network%20Accelerator_Uganda%20Country%20Report%202013.pdf.

³⁰ http://helix-institute.com/sites/default/files/Publications/Agent%20Network%20Accelerator_Uganda%20Country%20Report%202013.pdf.

³¹ <http://www.cgap.org/blog/are-you-getting-your-share-revenue-protection-mobile-money>

³² <http://www.progressoutofpoverty.org>