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EXECUTIVE SUMMARY

In 2011, the Bill & Melinda Gates Foundation’s (BMGF) Financial Services for the Poor program commissioned InterMedia to design and implement a project to track the uptake, use and market potential of mobile money (m-money) services in Pakistan, Uganda and Tanzania. The findings from the Financial Inclusion Tracker Surveys Project (FITS), which includes annual panel-based household surveys conducted on a national scale, are intended to support the m-money activities of the BMGF, development organizations, mobile operators, regulators and others that play active roles in m-money ecosystems. The surveys also are designed to facilitate analyses of m-money’s relationship to household financial behavior, particularly a household’s ability to manage economic shocks.

FITS data, reports and related analyses will be disseminated broadly to stakeholders in the financial access community, both in the countries studied and globally, to help inform policies and practices in the field of financial inclusion. In addition, InterMedia is making the data and analyses available on AudienceScapes, www.audiencescapes.org/FITS, InterMedia’s online research knowledge base.

This summary presents some of the key findings from the first annual FITS survey of 3,000 Ugandan households conducted February–March 2012.

KEY FINDINGS

One in five households in Uganda has at least one user of mobile money (m-money) services. M-money is mostly used for sending/receiving regular remittances and, to a lesser extent, for sending/receiving emergency help. MTN is the leading provider of m-money services.

Households with registered m-money users are likely to engage in a greater number of financial activities, including sending and receiving remittances, making and receiving payments, and saving money, than other types of households.

Only 9 percent of households currently save with an m-money account; however, the service seems to fit well with households’ existing savings routines, and half of households with registered m-money users store money on their m-money accounts.

Regardless of the m-money status of a household, remittances are primarily used for routine financial support among relatives living in different households. Friends, peers and other acquaintances also appear to be using remittances as a part of their lending routines.

The most common response to a negative financial shock is depleting a household’s cash savings, followed by decreasing the amount of various household spending categories.
Overall, the survey findings indicate significant potential for m-money expansion in Uganda, including among bottom-of-the-pyramid populations. Sixty-two percent of all surveyed households have at least one active SIM card—the only requirement for using m-money. Moreover, more than half of unbanked households and households living below the poverty line own a SIM card.

Limited uptake of m-money, as well as limited use of services beyond remittances, appears to be related to an incomplete understanding of the available services among m-money users and nonusers. An insufficient number of m-money agents, inconsistent service quality and low liquidity have also emerged as serious impediments to uptake and more frequent use of m-money, particularly in the rural areas.

Subsequent FITS survey reports will monitor market growth and measure how effectively barriers to new or greater adoption have been overcome, particularly amongst the unbanked and those living at the bottom of the pyramid.
Banked households—Households that reported saving money in at least one bank account (including micro-finance institutions) in the six months prior to the survey.

Boda-boda—A bicycle or a motorcycle taxi.

Burial societies or “akiyo/amorican/engozi”—A “society” of friends who voluntarily contribute funds used as life insurance. Funds are paid out to family members upon the death of a member of the society for funeral and other expenses.

“Cashbox” or “mattress method” of saving or storing money—Savings kept in a hiding place at home or on a person.

e-float—When accepting deposits of cash from customers, a mobile money provider issues a commodity known as “e-float,” measured in the same units as the national currency and held in a registered account under a user’s name. When a person sends/receives money through an agent, the agent has to have e-float (money on the agent’s account) available to transfer to the recipient’s account. Otherwise, the agent cannot help with the transaction.

Financial shock—An unexpected event that has a major impact on a household’s finances, either positive (e.g., inheriting money) or negative (e.g., spending money on hospital care for a sick household member).

Gifting circle or “nigiina”—A group of individuals, who meet on a monthly basis and gift each other possessions (e.g., domestic appliances or money) or services (e.g., house construction or land cultivation) to help each other save money or boost each other’s incomes. Gifts, money and services are offered on a revolving basis.

Kutenga Pa Ngongole—A credit at a local store with the expectation the customer will pay the bill at the end of the month, or whenever the household has money.

Merry-go-round—A group of individuals who pool their savings. On a regular basis (monthly, weekly or daily), each individual puts the same amount of money “into the pot” and, on a revolving basis, one person takes the total amount of money.

Mobile money deposit—One of the transactions mobile money (m-money) users can perform using their own or an agent’s account to “cash-in” (i.e., put money in the account). Sometimes, when using an agent’s account, m-money customers are required to prepay an informal “deposit fee” in addition to the money they are sending via m-money and the fees they pay for using the service.

Non-remittance (formal) payments—Formal payments sent to the government, educational institutions, formal financial institutions (e.g., banks) or private businesses. Non-remittances include payments of taxes, fines or fees, utility bills, goods, debt or insurance payments. Payments might include formal credit disbursements and repayments.

Remittances—Money or its equivalent (food or goods) sent from one household to another. Remittances include any informal credit and debt repayments between family members or friends who live elsewhere, any repayment of debts, or payments for goods and services.

Savings account at a SACCO or cooperative (MUSCO)—Savings accounts offered by cooperatives to their members only; the accounts do not have an expiration date.

Savings account at a Village Savings and Loan (VSLA like CARE)—Members deposit small amounts of money for a year. At the end of the year, they share the money they paid into the account. VSLA will also loan money to non-members known by the members.

Urban and rural households—Urban and rural households are defined according to their residence in urban or rural enumeration areas as prescribed by the Uganda Bureau of Statistics.

SIM card—A removable micro-card that contains a subscriber identity module that securely stores the electronic codes used to verify subscribers’ identities on mobile phones and computers.
METHODOLOGY

The FITS household studies in Pakistan, Tanzania and Uganda are three-year, panel studies consisting of three annual waves of face-to-face household surveys (n=3,000 households), and three telephone mini-surveys with the same households, conducted between each wave. The core of the questionnaire is the same in all three countries to allow for cross-market comparisons, although some sections and questions are tailored to the local context to allow for a more accurate assessment of the development of mobile money (m-money) in different financial, regulatory and socio-cultural environments.

This report presents the findings of the first wave survey in Uganda conducted February-March 2012. Separate reports address the first wave surveys in Pakistan and Tanzania.

A NOTE ON DATA ANALYSIS AND REPORTING

The FITS surveys are designed to collect trend data primarily about m-money use and overall financial behavior at the household level—that is, the data represents collective usage patterns for entire households. The households for this panel were selected from a random sample frame and thus are representative of usage and behavior patterns of Ugandan households in general.

In addition to the household-level data, the surveys gather data on behaviors and experiences with specific m-money services, based on interviews with individual users of m-money services among members of the selected households. The results of these individual interviews are not representative of individual users throughout Uganda because the interviewees were not chosen from a random sample frame.

The section of this report on households’ financial behaviors and the role of m-money is based on a survey with individual users of MTN, Uganda’s m-money service. The analysis focuses on MTN users because the number of users for each of the three other m-money services was not sufficient for valid analysis (n<20 for each of the following providers of m-money: Airtel Mobile Money, Warid Pesa Mobile Money and UTL M-Sente). Throughout the report, the estimates on transaction costs, distances to and from m-money agents, and total amounts sent or received are entirely based on the head of household’s reporting about the activities of every member of the household. These numbers, therefore, should be treated as estimates rather than exact numbers.
UGANDA COUNTRY PROFILE

GENERAL ENVIRONMENT

Uganda is a landlocked country in East-Central Africa. Its population reflects diverse ethnic groups with different political views. The resulting tension among these groups has undermined the development of a stable political community and caused violent conflicts, which are still ongoing today in the northern parts of the country. Under the rule of president Yoweri Museveni, Uganda has rebounded from economic and political chaos to relative stability.1 The country’s main industry, agriculture, employs 80 percent of the workforce and coffee exports bring in the bulk of the country’s revenue.2 Due to its dependence on exports, Uganda’s economy was severely hit by the recent global economic crisis.

In 2011, Uganda’s population was estimated at 33.8 million, with 87 percent living in rural areas. In 2009, the World Bank reported 65 percent of the population living on less than $2 a day.3 In the same year, the Grameen Foundation estimated that 35 percent of the population was living below the national poverty line.4,5 Uganda’s wealthiest groups are the residents of the Central region’s urban areas; the poorest people are farmers in remote areas in the north and northeast regions. The remoteness limits the poor population’s access to produce markets and financial services. Mobile money (m-money) has the potential to offer these populations the means to manage their limited cash resources in safer and more efficient ways.6

TELECOMMUNICATIONS ENVIRONMENT

There are five mobile network operators (MNOs) in Uganda: MTN Uganda, Orange Uganda, Uganda Telecom (UTL), Warid Telecom and Airtel (former Zain Uganda). As of 2010, there were 9.9 million mobile phone subscribers across all five MNOs; and the subscriber base has been steadily increasing.7 Network traffic is still dominated by voice, although SMS (text) and mobile internet usage grew notably in 2011 thanks to promotions, free new services (e.g., missed call alerts), cheaper bandwidth via undersea cables, and increasing 3G-network coverage.8 Four of the five MNOs offer m-money services—MTN m-money, M-Sente from UTL, Airtel M-money and Warid Pesa from Warid. MTN was the first to launch m-money services in 2009 and remains, by far, the market leader. By law, each m-money provider has to partner with a bank. However, users do not need a bank account to use m-money services.9

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4 National estimates of the percentage of the population falling below the poverty line are based on surveys of subgroups, with the results weighted by the number of people in each group. Poverty rates vary by region with the Central region enjoying the lowest percentage of impoverished population.
5 This report references two poverty indexes: the World Bank index, which defines poverty through daily consumption with poor households’ consumption at lower than $2 a day, and the national estimates of poverty used by the Grameen Foundation.
8 Ibid.
The m-money offerings of the four providers have many similarities: They all allow registered users to load money into their accounts (cash-in), make transfers to other users (both registered or not), buy airtime and withdraw money (cash-out). While m-money registration is free, all transactions have a predetermined fee. Some MNOs (e.g., MTN) automatically deduct charges from the user’s account while others (e.g., Airtel) have a set of recommended charges, but allow agents to set them based on market demand. The transaction fee can be calculated differently for registered and non-registered users of m-money. For example, in 2011 a registered sender of M-Sente was charged 700 UGX ($0.28) to send between 1 and 2 million UGX ($808.08), while a registered receiver paid between 0 and 17,000 UGX ($6.87), depending on the size of the transfer. A non-registered client was charged between 0 and 35,000 UGX ($14.14) to send the same amounts, while the recipient was not charged. The maximum transaction amount also varies. For example, the maximum total amount an MTN or Airtel m-money user can send per day is 1 million UGX ($404.86), while an M-Sente user is allowed to send 2 million UGX ($805.72). Depending on the MNO, a registered user has access to other m-money functions such as check balancing, receiving m-money account balance mini-statements and making PIN changes.

Uganda is also a center of research on the impact of mobile phones and m-money programs on people’s lives. Using a survey and depth-interviews with m-money users of MTN and Airtel m-money services, and UTL M-Sente in Kampala, “Mobile Money Use in Uganda: A Preliminary Study” (Ndiwalana, et al, 2010) found that m-money helps bring some order to the domestic money transfer environment. The study also shows m-money has the capacity to improve the national payments system by providing innovative ways to meet the transaction needs of ordinary people. In “Building, Incentivizing and Managing a Network of Mobile Money Agents: A Handbook for Mobile Network Operators,” GSMA’s Neil Davidson and Paul Leishman draw from MTN’s experience in Uganda to discuss the ways MNOs can encourage m-money agents to become active and productive participants in m-money distribution.¹³

¹¹ Ibid.
MOBILE MONEY ADOPTION

There appears to be a great deal of potential for reaching bottom-of-the-pyramid (BOP) populations in Uganda because the majority of surveyed households—even those below the poverty line and the unbanked—have access to at least one mobile phone and own at least one active SIM card.

- While the mobile network in Uganda still has some room to grow, mobile phones are quickly becoming a common fixture of everyday life. Among the 3,000 surveyed households, 64 percent reported at least one working mobile phone and another 6 percent have access to a mobile phone outside their household; 62 percent of the surveyed households reported at least one active SIM card. As might be expected, urban households, banked households and those living above the poverty line showed higher-than-average rates of ownership (Figure 2).

- Sixty-five percent of unbanked households had access to one or more mobile phones and had at least one active SIM card. Similarly, three in five households living below the poverty line (less than $2 day) owned a SIM card and owned or could borrow a mobile phone.

Figure 1. Percent of Ugandan households who own a mobile phone and SIM card by subregion

![Map showing percentages of Ugandan households with mobile phones and SIM cards by subregion.]

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

Figure 2. Mobile phone access, SIM-card ownership and m-money adoption rate by households’ demographic characteristics

<table>
<thead>
<tr>
<th></th>
<th>All households</th>
<th>Rural</th>
<th>Unbanked</th>
<th>Consumption, below $2 a day</th>
<th>Consumption, $2-4 a day</th>
<th>Consumption, above $4 a day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have mobile phone</td>
<td>70%</td>
<td>67%</td>
<td>65%</td>
<td>66%</td>
<td>83%</td>
<td>90%</td>
</tr>
<tr>
<td>Have SIM card</td>
<td>62%</td>
<td>59%</td>
<td>57%</td>
<td>59%</td>
<td>75%</td>
<td>86%</td>
</tr>
<tr>
<td>M-money user</td>
<td>21%</td>
<td>16%</td>
<td>14%</td>
<td>15%</td>
<td>39%</td>
<td>50%</td>
</tr>
<tr>
<td>Registered m-money user</td>
<td>16%</td>
<td>12%</td>
<td>10%</td>
<td>11%</td>
<td>31%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
• Of household members who never used m-money, only 36 percent cited the lack of a mobile phone among the top three barriers preventing them from using the service—41 percent of nonusers reported they do not use m-money because there are no agents in the area where they live.

• Households’ median monthly spending on airtime is comparable to the median monthly spending on transportation, school fees or clothing, but is less than one-tenth of the combined monthly median cost of food and water.

• About one in five households in Uganda (21 percent) have at least one user of any m-money service: 16 percent have at least one registered user and 5 percent have at least one m-money user who is not registered. Households that have at least one registered account but never use m-money are rare: 0.3 percent (nine households) of surveyed households have signed up for m-money but have never made any transaction with this service.

• Of the 21 percent of households that have m-money users, 7 percent have two or more users. Similarly, of the 16 percent of households that have a registered user, 4 percent have two or more registered users.

• Awareness of m-money among nonusers is quite high: Only a third (32 percent) of surveyed nonusers said they did not use services at the time of the interview because they did not know about m-money.

• The Central region, which includes subregions Central 1, home to the capital, Kampala, and Central 2, shows the highest proportion of households with registered m-money users (Figure 3). The Northern region (Karamoja, Acholi, and Lango) has the lowest proportion at 6 percent of the region’s households, which is not surprising given the continuous civil unrest, which has delayed the development of mobile communication in this region.16

14 N=2,138
15 N=2,138

Figure 4. Median monthly spending on various essentials

<table>
<thead>
<tr>
<th>Type of expenditure</th>
<th>UGX</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical care</td>
<td>500</td>
<td>0.20</td>
</tr>
<tr>
<td>Clothing (men, women, children) and footwear</td>
<td>2,500</td>
<td>1.01</td>
</tr>
<tr>
<td>School fees and other education expenses</td>
<td>2,661</td>
<td>1.08</td>
</tr>
<tr>
<td>Mobile phone airtime</td>
<td>3,000</td>
<td>1.21</td>
</tr>
<tr>
<td>Transportation</td>
<td>3,000</td>
<td>1.21</td>
</tr>
<tr>
<td>Food and water</td>
<td>215,800</td>
<td>87.36</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
As might be expected, urban households, banked households, and households living above the poverty line were more likely to have at least one registered m-money user than unbanked households, rural households, and households living below the poverty line.

- Urban households are more likely than rural households to have a registered m-money user. When compared to rural households, urban households are more likely to:
  - Own a SIM card, which is required to use m-money.
  - Be banked and have at least some experience using various financial instruments for managing money.
  - Have members who live outside the household and send remittances to or receive remittances from those members.
  - Be living outside their home (migrating) at the time of the survey.
  - Live on more than $2 a day and have money to send or save.

**Figure 5. Comparative overview of urban and rural lifestyles**

<table>
<thead>
<tr>
<th>Category</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption, below $2 a day</td>
<td>47%</td>
<td>84%</td>
</tr>
<tr>
<td>Living outside home</td>
<td>7%</td>
<td>34%</td>
</tr>
<tr>
<td>Renting</td>
<td>7%</td>
<td>48%</td>
</tr>
<tr>
<td>Exchange remittances with a member outside a HH</td>
<td>7%</td>
<td>15%</td>
</tr>
<tr>
<td>A member living outside a HH</td>
<td>16%</td>
<td>25%</td>
</tr>
<tr>
<td>Banked</td>
<td>13%</td>
<td>46%</td>
</tr>
<tr>
<td>Own a SIM card</td>
<td>60%</td>
<td>84%</td>
</tr>
</tbody>
</table>

Source: FITS study of households (HH) in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
MOBILE MONEY ADOPTION AT AN INDIVIDUAL LEVEL

Based on the responses of randomly selected individuals, mobile technologies and m-money services in Uganda are predominantly used by males, those with a secondary education or higher, and those at their prime working age (35-54). Females, senior citizens (55+), and those with no formal education or only primary education, have the least access to m-money services.

The sample of individuals described in this section (n=2,997) was drawn by a random selection of one adult (15+) from each of the sampled households. The analysis in this section is illustrative rather than conclusive and should be treated as such.

Figure 6. Access to mobile technologies and services among selected members of households by demographic characteristics

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
Market Structure for Mobile Phone Communication and M-Money Services

MTN is the leading provider of both mobile communication and m-money services. Households using MTN exclusively tend to spend a larger proportion of their combined monthly household income on mobile services, and use services beyond voice, SMS and m-money compared with households using other mobile operators.

- Ninety-six percent of households with m-money users and 74 percent of households with registered users use MTN m-money services. The percentage of households using the remaining providers is at or less than 5 percent of the households.

- Among households with registered m-money users, 93 percent use only one m-money provider, 6 percent use two different providers and 1 percent use three m-money providers. There were no households with registered users of more than three different m-money providers.

- In addition, MTN appears to be a preferred provider for regular mobile communication services, including voice and SMS: 81 percent of households with at least one registered m-money user use MTN mobile communication services exclusively.

- The use of services other than voice and SMS is very limited: 12 percent of households with an m-money user report using their mobile phone to access the internet.

\[\text{N}=477\]

\[\text{N}=57\]

Figure 7. Market share of mobile phone communication service providers among households with at least one m-money user

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
MOBILE MONEY IN UGANDA: USE, BARRIERS AND OPPORTUNITIES

THE DYNAMICS OF ADOPTION AMONG REGISTERED MTN M-MONEY USERS

The number of m-money users has been steadily increasing since 2009. However, the adoption of services beyond sending and receiving money is modest.22

- The expansion of MTN’s subscriber base reflects the steady uptake in m-money in Uganda since its introduction in 2009: 20 percent of interviewed users23 opened an account in 2009, 30 percent in 2010 and 45 percent in 2011. Three percent of MTN users registered in January 2012 and 2 percent could not remember when they registered.

- The study shows it takes users about 12 months from the time they register for an m-money account to start using the services frequently. MTN registered users, who signed up for an m-money account more than 12 months prior to being surveyed,24 were more likely than newer users (those who registered three to 12 months prior to the survey25) to say they were using their m-money account more frequently now compared to when they signed up for an account—47 percent versus 39 percent of the respective groups.

SOURCES OF INFORMATION ABOUT MTN M-MONEY AND ADOPTION MOTIVATORS

Media outlets and friends are the leading sources of information about m-money; however, most people register for an account because of a friend’s recommendation (mostly in urban areas) or the recommendation of an m-money agent (mostly in rural areas).

- Radio and friends were named as the most important sources of information about m-money by all registered users regardless of whether or not they were early adopters.

- The bulk of urban registered users (68 percent) learned about MTN mobile services from media: 29 percent from radio, 27 percent from TV, 7 percent from a newspaper, 4 percent from billboards and 1 percent from a magazine. For urban areas, however, friends (named by 25 percent) were as important a source of information about m-money as TV and radio.

- Among rural registered users, 45 percent learned about m-money from radio and 29 percent first heard about the services from a friend. All other informational sources were noticeably less important in spreading the word about m-money.

Figure 8. How did MTN m-money registered users first learn about the services?

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

21 Based on responses of registered MTN m-money users.
22 MTN m-money offers its users the following services; cash deposit and withdraw, money transfers, bill pay, airtime purchase, balance check and mini-statements (http://www.mtn.co.ug/MTN-Services/Mobile-Banking/MTN-MobileMoney.aspx).
23 N=462
24 N=223
25 N=187
• Personal recommendations were the main stimulus for signing up for an m-money account: 54 percent of registered users decided to register for m-money because another person recommended they do so. Thirty-four percent of urban users signed up because of a recommendation from a friend; noticeably smaller groups registered following a recommendation from any other person.

• While friends’ recommendations were important for almost one-third of rural users (28 percent), agents also played an important role, convincing 12 percent of the users to sign up for an m-money account.26

A request from a remittance sender/recipient had only some influence on a household’s choice of a remittance-delivery method; among registered MTN m-money users, 9 percent signed-up for the service following the request from a household member who sends money.

**Figure 9. From which media platforms did MTN m-money registered users first learn about the services?**

<table>
<thead>
<tr>
<th>Platform</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio</td>
<td>45%</td>
<td>29%</td>
</tr>
<tr>
<td>TV</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Newspapers</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>Billboards</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Magazines</td>
<td>0.3%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

**Figure 10. Users’ opinions of MTN m-money services**

**How likely are you to continue to use MTN m-money services in the future?**

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Very likely</th>
<th>Somewhat likely</th>
<th>Somewhat unlikely</th>
<th>Very unlikely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>72%</td>
<td>24%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Urban</td>
<td>71%</td>
<td>25%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

**How likely are you to recommend MTN m-money services to other people?**

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Very likely</th>
<th>Somewhat likely</th>
<th>Somewhat unlikely</th>
<th>Very unlikely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>71%</td>
<td>25%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Urban</td>
<td>71%</td>
<td>25%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

• Since a friend’s recommendation is an important driver of m-money uptake, it is encouraging that two-thirds of registered MTN m-money users are somewhat or very happy with the services,27 and virtually all users are at least somewhat likely to recommend MTN m-money to other people.

26 There were no specific questions addressing the role of direct sales teams (DSTs) in m-money uptake in Uganda, therefore, DSTs are not discussed in this report as a separate group of m-money agents.

27 Those who rated MTN mobile money services at 6 or above on a scale from 1 (extremely unhappy) to 10 (extremely happy).
BARRIERS TO ADOPTION

Limited knowledge or understanding among users

The survey suggests that registered users of MTN m-money as well as nonusers of m-money do not have a clear understanding of the range of m-money services provided by MTN, including the convenience of m-money for making payments or storing cash as an independent function from cash transfers. This limited understanding might be preventing Ugandans from adopting m-money at a faster pace.

• When registered users of MTN m-money were asked which statement best describes m-money services, 61 percent said m-money “is for sending and receiving money,” 28 percent said it can be used “in many ways to manage money,” 7 percent believed that m-money “can be used for storing money” and 4 percent said “it can be used for payments.” These responses not only suggest MTN registered users have a limited understanding of the broad range of m-money uses available to them, but it is also possible that users cannot clearly differentiate among different m-money operations. For example, they may perceive remittances, payments and storing money as elements of the same m-money operation: sending and receiving cash.

• Not knowing about or understanding the opportunities and/or benefits of the services also appears to be a factor deterring nonusers from trying to use mobile money. The majority of nonusers28 (78 percent) think that mobile money is primarily used for sending/receiving money. The majority of nonusers28 (78 percent) also think that mobile money is primarily used for sending/receiving money.

• Moreover, when asked about the top three reasons for not using mobile money, 36 percent of rural nonusers and 31 percent of urban nonusers said they “do not understand” the service; 32 percent of urban nonusers also think m-money is “too complicated.”

• Those who reported they either “do not know” about m-money services or “do not understand it”29 are likely to come from rural households (89 percent), households that are below the $2-a-day poverty line (84 percent in households living on less than $2 a day) and households that are unbanked (86 percent).

Problems with agents

The low numbers, lack of liquidity and inconsistent performance of m-money agents, as reported by registered users, might be weakening agents’ roles as important advocates of m-money services, especially in rural areas.

• Registered MTN users’ experiences with agents appear to be somewhat problematic: 88 percent of urban registered users and 78 percent of rural registered users of m-money reported at least one problem with an agent in the past 12 months. Overall, 92 percent of all registered MTN m-money users reported at least one problem with an agent in the past 12 months: 68 percent had just one issue, 20 percent reported two issues, and 5 percent experienced three or more agent-related problems.

• Three common problems reported by both rural and urban dwellers: the agent was absent from the office (39 percent of all registered MTN users), did not have cash or did not have enough of it (28 percent), and had no e-float (16 percent).

• In urban areas, the more common issue cited was a rude agent (23 percent vs. 7 percent of rural users); rural users were more likely to mention that an agent charged a deposit fee (15 percent vs. 9 percent of urban users).

• At the same time, problems with agents might be difficult for MTN to track given only 17 percent of registered MTN m-money users who experienced an agent-related issue actually sent an official complaint to MTN. In addition, slightly more than one in five (22 percent) registered MTN users see the same agent consistently, indicating users may be experiencing different problems with different agents.

28 N=2,138
29 N=1,170
The majority of registered MTN m-money users consider the m-money service easy to use, although they also said the service is prone to technical failure due to mobile network problems.\textsuperscript{31}

- Based on user responses, m-money services are not considered difficult to use. Ninety-one percent of registered MTN m-money users found the process of registration very or somewhat easy, and 92 percent said the same about the use of actual services. The respondents were in agreement regardless of how long they had been using MTN m-money. Sixty-one percent of registered users said they make m-money transactions without any assistance; among the remaining 39 percent, 30 percent still turn to an agent for help.

- Among users who struggled with m-money account registration,\textsuperscript{32} the long wait for the account to become active was the most frequent complaint. Of the registered users who thought using m-money was difficult,\textsuperscript{33} most cited either difficulties in dealing with an agent or problems withdrawing money.

- Although generally easy to use, MTN m-money is not immune to technical failures: 72 percent of registered m-money users said MTN m-money had been unavailable at some point due to technical problems and 55 percent said they could not withdraw money from their account when they wanted to at least once (35 percent because the MTN network was down and 20 percent for other reasons).

\textsuperscript{30} N=75. Note: there are not enough cases in the group of urban users, who use the same agent (n=25), to perform the same analysis.

\textsuperscript{31} MTN, the primary m-money provider, had downtime >50\% between December 2011 and January 2012.

\textsuperscript{32} N=42

\textsuperscript{33} N=38
M-MONEY USE FOR PERSONAL SAVINGS

While only a small percentage of MTN registered m-money users perceive savings to be the primary use for m-money, half of all registered MTN m-money users felt comfortable enough to try storing money on an m-money account at least occasionally. The other half was split almost evenly between those who did not have money to save and those who did not perceive m-money as an appropriate place to put savings.

- Technical issues aside, registered users universally perceive MTN m-money to be a safe place for their money (97 percent). Moreover, half of registered users felt comfortable leaving money on their m-money account for more than just a few days; 28 percent reported saving money on their m-money account by making deposits with the intention of withdrawing money later. Urban residents were more likely to store money on their m-money account; however, there were no significant differences among registered users by daily-consumption level or banked/unbanked status.

- Overall, among those who keep money on their m-money account for more than a few days, urban users are likely to save by depositing money directly into their accounts (62 percent), while the majority of rural users save by leaving money on their account that was sent to them by somebody else (55 percent).

- Among registered users who reported saving money on their m-money account, two-thirds (64 percent) said they saved for emergencies and a third (35 percent) saved for a specific goal or a future purchase; 14 percent saved just to have some extra income in the future.

- Of the users who do not leave money in their m-money account for more than a few days (49 percent of all users), 46 percent said they always need money immediately and 31 percent do not save because MTN m-money is not a bank.

M-MONEY USE FOR BUSINESS

Nineteen percent of all registered users said they use their m-money account as part of running their business: most said they either received a payment from customers or paid for inventory. Urban dwellers are more likely to use MTN m-money accounts for business purposes.

34 In this report, the term "savings" when related to m-money refers to storing cash on one’s account; it is not a formal savings product and does not offer any interest rates.
35 N=84
36 N=146
37 N=125
38 N=221
39 N=85
LESSONS FROM THE MOST RECENT EXPERIENCES OF REGISTERED MTN M-MONEY USERS

The descriptions of MTN m-money users’ most recent transactions suggest it is more costly (in terms of both money and time) for rural users than for urban users to perform a transaction through an agent’s account.

- When describing their most recent transactions with an m-money agent, registered MTN m-money users in rural areas reported, on average, they had to cover three times the distance and had to pay more for transportation to see m-money agents than did urban users. In addition, because of the longer trips, rural users were more likely than urban users to use a boda-boda (48 percent vs. 28 percent of urban users); urban users were more likely to walk (64 percent vs. 32 percent of rural users).

- Moreover, most rural users (78 percent) were coming from their homes and had to pay the same amount to return to their homes. By comparison, 39 percent of urban users made transactions on their way to or from work (58 percent of urban users travelled to the agent from home).

- In addition to the higher costs associated with trips to agents’ offices, rural users also were more likely than urban users to experience a problem when dealing with agents. Forty percent of rural registered users of MTN m-money reported previous issues with the same agent compared to 29 percent of urban users. Among rural users who experienced agent-related problems prior to the most recent transaction, the top three complaints were: agents did not have enough cash (14 percent), were absent (11 percent), or charged a deposit fee (6 percent).

- Despite the technical and user-related problems MTN registered users occasionally face, 96 percent say they are very or somewhat likely to continue using MTN m-money services. Moreover, more than half of rural and urban registered users (62 percent and 78 percent, respectively) believes that if MTN m-money were to close, it would have a negative effect (large or small) on their lives.

Figure 12. Factors involved in the most recent m-money transaction by urban/rural user

<table>
<thead>
<tr>
<th>Factors</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distance to the agent, km (median)</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Time to get to the agent, minutes (median)</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Cost of travelling to see the agent (median)</td>
<td>0 UGX/$0</td>
<td>1,000 UGX/$0.4</td>
</tr>
<tr>
<td>Time to get the transaction done, minutes (median)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Cost of m-money transaction (median)</td>
<td>800 UGX/$0.32</td>
<td>800 UGX/$0.32</td>
</tr>
<tr>
<td>Percentage of m-money users reported having problems with the same agent prior to the most recent transaction</td>
<td>29%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
HOUSEHOLDS’ FINANCIAL BEHAVIORS AND THE ROLE OF MOBILE MONEY SERVICES

Households with registered m-money users are likely to engage in a greater number of financial activities than other households (either those with non-registered users or those with no users of m-money).

- Overall, 70 percent of households with registered m-money users\(^4\) reported remittance-related activities, and 40 percent sent or received other types of payments in the six months prior to the survey. Among households with non-registered users,\(^4\) the respective proportions were 45 percent and 38 percent. Households with nonusers\(^4\) were far less active in both remittance and payment-related activities. However, savings-related behavior was similar across all three groups.

**Figure 13. Households’ financial activities in the past six months**

<table>
<thead>
<tr>
<th></th>
<th>Sent</th>
<th>Received</th>
<th>Saved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered m-money user in the household</td>
<td>70%</td>
<td>96%</td>
<td>87%</td>
</tr>
<tr>
<td>Non-registered m-money user in the household</td>
<td>45%</td>
<td>93%</td>
<td>21%</td>
</tr>
<tr>
<td>No m-money user in the household</td>
<td>28%</td>
<td>45%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

**REMITTANCES: SENDING AND RECEIVING PATTERNS IN THE PAST SIX MONTHS**

Households with registered m-money users are more likely to have sent or received remittances of any kind in the past six months compared with other households. Moreover, households with registered m-money users send cash, as opposed to food or other goods, more often than other households.

**Figure 14. Remittances sent or received in the past six months**

<table>
<thead>
<tr>
<th></th>
<th>Sent (cash, food or other goods)</th>
<th>Sent (cash only)</th>
<th>Received (cash, food or other goods)</th>
<th>Received (cash only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered m-money user in the household</td>
<td>25%</td>
<td>18%</td>
<td>42%</td>
<td>11%</td>
</tr>
<tr>
<td>Non-registered m-money user in the household</td>
<td>19%</td>
<td>10%</td>
<td>30%</td>
<td>16%</td>
</tr>
<tr>
<td>No m-money user in the household</td>
<td>18%</td>
<td>21%</td>
<td>35%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

\(^4\) N=477
\(^4\) N=139
\(^4\) N=2,384
Most common methods of sending and receiving cash remittances

More households with registered users, who engage in remittance-related activities, choose to use an m-money account to send or receive cash remittances. Households without registered users of m-money opt for hand-delivery methods, although some occasionally use m-money through an agent or a friend, relative or acquaintance.

• The survey collected information on the last three cash remittances sent and received by the interviewees, and the remittance pathways for those transactions.

• Sixty-nine percent of households with registered users, who sent remittances, used an m-money account. Of these, 55 percent used a household account, 11 percent used an agent’s account and 3 percent used the account of a friend, relative or acquaintance.

• By comparison, 26 percent of households with non-registered users used an m-money account of either an agent (15 percent) or a friend, relative or acquaintance (11 percent) to send cash remittances. Eleven percent of households with no m-money users, who sent cash in the past six months, indirectly used an m-money account via an m-money agent (5 percent), or a friend, relative or acquaintance (6 percent) to send remittances.

• Yet, the majority of households with non-registered m-money users (59 percent) or no users (79 percent) were most likely to choose a type of in-person delivery: hand-delivery by self or by a friend, or delivery by a friend taking a bus or boda-boda.

• For households with registered m-money users, who received money in the past six months, an m-money account is the most common method of receiving cash remittances. Fifty-eight percent received money on their own account, 16 percent on an agent’s account, and 9 percent on the m-money account of a friend, relative or other acquaintance.

Figure 15. Three most common methods of sending cash remittances in the past six months by type of m-money user in the household

<table>
<thead>
<tr>
<th></th>
<th>Registered m-money user in the household</th>
<th>Non-registered m-money user in the household</th>
<th>No m-money user in the household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household’s m-money</td>
<td>55%</td>
<td>17%</td>
<td>11%</td>
</tr>
<tr>
<td>Agent’s m-money</td>
<td>33%</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Hand-delivery by self</td>
<td>15%</td>
<td>15%</td>
<td>46%</td>
</tr>
<tr>
<td>Hand-delivery by friend</td>
<td>11%</td>
<td>12%</td>
<td>33%</td>
</tr>
<tr>
<td>On a bus or boda-boda with a friend or relative</td>
<td>12%</td>
<td>33%</td>
<td>55%</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

Figure 16. Three most common methods of receiving cash remittances in the past six months by type of m-money user in the household

<table>
<thead>
<tr>
<th></th>
<th>Registered m-money user in the household</th>
<th>Non-registered m-money user in the household</th>
<th>No m-money user in the household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household’s m-money</td>
<td>58%</td>
<td>16%</td>
<td>9%</td>
</tr>
<tr>
<td>Agent’s m-money</td>
<td>23%</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td>M-money account of a friend, relative or acquaintance</td>
<td>36%</td>
<td>25%</td>
<td>17%</td>
</tr>
<tr>
<td>Hand-delivery by self</td>
<td>15%</td>
<td>12%</td>
<td>36%</td>
</tr>
<tr>
<td>Hand-delivery by friend</td>
<td>12%</td>
<td>25%</td>
<td>17%</td>
</tr>
<tr>
<td>On a bus or boda-boda with a friend or relative</td>
<td>17%</td>
<td>25%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
Twenty-three percent of households with non-registered m-money users went to an agent to use the agent’s m-money account to receive their money. Most households with no m-money users once again preferred hand-delivery for receiving remittances.

Overall, hand-delivery (by self or by friend) appears to be the most common method of delivering remittances, followed by a household m-money account. Based on the household reports, hand-delivery is also the cheapest way to send/receive a money transfer.

Perceptions related to different methods of sending and receiving remittances

Regardless of their m-money status, most households choose a remittance-delivery method based on ease of use and convenience. Safety, speed and sender/recipient’s preference did not rank high among the reasons for using a given delivery method.

Thirty-four percent of households that sent remittances, and 32 percent of the households that received remittances, in the past six months, used a specific money-delivery method because it was easy to use. Twenty percent and 22 percent of the respective groups chose a method that was convenient.

Security of the remittance-delivery method did not appear to be a major concern: slightly more than 1 percent of all households that engaged in remittance-related activities in the past six months reported some loss of sent money and/or goods. Not surprisingly, safety ranked only third among the factors affecting the choice of method for transferring money.

The m-money status of the households’ counter-party for sending/receiving cash remittances also does not seem to have an effect on the choice of delivery method. Most households, regardless of their own m-money status, chose the method that was the easiest and most convenient for them and not for their counterparties.

Figure 17. Costs of sending/receiving cash remittances using various delivery methods

<table>
<thead>
<tr>
<th>Delivery method</th>
<th>Last three remittances (aggregate amounts) sent/received</th>
<th>% of households using this method</th>
<th>Amount sent/received (median)</th>
<th>All-inclusive cost of delivery (median)$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>UGX</td>
<td>$</td>
</tr>
<tr>
<td>Hand delivery (by self or by friend)</td>
<td></td>
<td>40</td>
<td>45,000</td>
<td>17.93</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>M-money delivery via household’s account (any provider)</td>
<td></td>
<td>19</td>
<td>54,500</td>
<td>21.71</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,900</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.76</td>
</tr>
<tr>
<td>Bus/boda-boda delivery with a friend or a driver/courier</td>
<td></td>
<td>9</td>
<td>40,000</td>
<td>15.94</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>925</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.37</td>
</tr>
<tr>
<td>M-money delivery via an agent’s account (any provider)</td>
<td></td>
<td>6</td>
<td>50,000</td>
<td>19.92</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,575</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.63</td>
</tr>
<tr>
<td>M-money delivery via a third-party account (any provider)</td>
<td></td>
<td>6</td>
<td>30,000</td>
<td>11.95</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,800</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.72</td>
</tr>
<tr>
<td>Direct deposit into a bank account</td>
<td></td>
<td>2</td>
<td>100,000</td>
<td>39.84</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.00</td>
</tr>
<tr>
<td>Western Union or Moneygram</td>
<td></td>
<td>1</td>
<td>200,000</td>
<td>79.68</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.99</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
• Even when compared directly, the preferences for using an m-money account (any type) and hand-delivery (by self or by friend) for sending or receiving the last three remittances closely followed the pattern described above: the majority used a specific delivery method because it was either easy or convenient.

**Common reasons for remittance-related activities**

Many households use remittances primarily as a part of routine financial support among household members and friends or acquaintances; fewer remittances were sent or received for emergency help.

• Forty-five percent of all sent cash remittances, and 50 percent of received cash remittances,\(^47\) in the past six months, were a part of regular financial support. While emergency help was the second most common reason for sending/receiving remittances (see Figure 20), the proportion of emergency-related transfers was far less than the proportion of routine transfers. This is not unexpected because, in general, emergency situations are less frequent than routine expenditures.

\(^{47}\) N = 888 and N = 829, respectively

**Figure 18. Top three reasons for choosing a delivery method for sending/receiving the last three remittances**

<table>
<thead>
<tr>
<th>Easy</th>
<th>Convenient</th>
<th>Safe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remittances sent</td>
<td>34%</td>
<td>20%</td>
</tr>
<tr>
<td>Remittances received</td>
<td>32%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

**Figure 19. Top three reasons for choosing a delivery method for sending/receiving remittances (based on last three remittances)**

<table>
<thead>
<tr>
<th>Easy</th>
<th>Convenient</th>
<th>Fast</th>
<th>Easy</th>
<th>Safe</th>
<th>Convenient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular support</td>
<td>36%</td>
<td>30%</td>
<td>28%</td>
<td>41%</td>
<td>23%</td>
</tr>
<tr>
<td>M-money account (any type)</td>
<td>47%</td>
<td>16%</td>
<td>14%</td>
<td>45%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
• Although, generally, the top reasons for sending and receiving remittances for households using m-money accounts and those using hand-delivery are the same, it appears that households using hand-delivery are slightly more likely to send/receive money for emergency help.

Common groups of senders and recipients and distances to those groups

As might be expected, relatives (including parents and children\(^4\)) living in different households were the most frequent counterparties in remittance-related activities. In addition, friends and acquaintances seemed to engage in remittance-based lending schemes.

• When looked at independently, households that hand-delivered their remittances were more likely to circulate remittances within their close family: children permanently living away were sending money to their parents or parents were sending money to children temporarily living away (for study or work).

• In contrast, households that used m-money to deliver remittances appear to circulate money among extended family and friends or acquaintances, although remittances between parents and children living away permanently or temporarily were also among the top three types of money exchanges.

Virtually all recent remittances sent or received were domestic: Only 1 percent of households reported receiving or sending international remittances; of those households, there were more receiving remittances from abroad than sending money internationally.

• Distance-related patterns for remittances sent and received varied by the type of delivery method. For example, remittances sent or received using m-money were more likely to be sent or received from farther away (as far as 200 km) than those sent or received by other money-delivery methods. Most remittances sent or received by bus or via hand-delivery were within a 49.9 km radius. Less than one-third of remittances delivered by bus was sent to or received from farther than 50 km.

\(^4\) The “remittances recipients” question is asked of those who sent remittances. The “remittances senders” question is asked of those who received remittances.

\(^5\) In this case, the word “child” represents the sender or recipient’s relation to the head of the household and not the age of the person.

Figure 21. The top three groups of remittance recipients and senders among those who used hand-delivery of remittances

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
Figure 22. The top three groups of remittance recipients and senders among those who used an m-money account to deliver remittances

![Bar chart showing the top three groups of remittance recipients and senders.]

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

Figure 23. Distance to remittance recipients, by type of delivery (question asked of remittance senders, last three remittances sent)

![Bar chart showing the distance to remittance recipients, by type of delivery.]

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

Figure 24. Distance from remittance sender, by type of delivery (question asked of remittance recipients, last three remittances received)

![Bar chart showing the distance from remittance sender, by type of delivery.]

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
The non-remittance payment market appears to offer an opportunity for m-money expansion for two reasons. Virtually all households that made or accepted a payment in the past six months\(^{50}\) were dealing with cash as opposed to food or other goods. In addition, the most common senders or recipients of payments were government agencies and private businesses, which potentially could be partners with MNOs to reduce payment-associated costs and stimulate broader use of m-money.

- Of the most recent non-remittance payments sent by households,\(^{51}\) two-thirds were made in order to pay a fee, tax or fine (collectively one response option) and a quarter were payments for a non-fee consumption bill. As expected, school and utility companies were the main recipients of payments.

- Of the payments received by households in the past six months,\(^{52}\) a majority were wages; other choices were payments for goods and benefits. The top three payees were employers, institutional buyers of goods, and the government.

- Households receiving payments were likely to receive those from three institutions as opposed to one or two. Households sending payments sent them to one or two institutions on average.

\(^{50}\) N=748

\(^{51}\) N = 1,089

\(^{52}\) N = 471
Payments via m-money are rare. Only 5 percent\textsuperscript{53} of all households that sent or received payments in the past six months chose any type of m-money account to send or receive a payment. Hand-delivery and direct deposit to a bank are the most common methods of delivering payments.

- Of the payments sent using any type of m-money account,\textsuperscript{54} one-half was sent to a school and about one-third was sent to an individual. Among the payments received using m-money,\textsuperscript{55} almost all were sent by the households’ employers.

- Based on the amounts and costs of the last three payments reported by the respondents, m-money has the highest associated costs. Making payments via a bank is less expensive, and respondents use a bank to send and receive fairly large amounts of money. Of the three general types of delivery for non-remittance payments, hand-delivery is the most attractive: it has the lowest associated costs and can be used for large payments.

### Mechanisms for Household Savings in the Past Six Months

Eighty-nine percent of all households save money in some form. About half of households with registered m-money users save by storing money on their m-money accounts.

- The proportion of households that save money is high regardless of the household’s demographic characteristics or m-money status. A hiding place (or a “cashbox”) is the most popular way to store money.
- Aside from a hiding place, households with registered m-money users tend to store money on their m-money account or in institutionalized savings instruments (bank accounts, stocks or pension funds).

\textsuperscript{53} N = 41
\textsuperscript{54} N = 50
\textsuperscript{55} N = 16
\textsuperscript{56} Cost of delivery includes sender fees for delivering non-remittance payments.

### Figure 27. Costs of sending/receiving non-remittance payments and amounts sent using selected delivery methods

<table>
<thead>
<tr>
<th>Delivery method</th>
<th>Last three non-remittance payments (aggregate amount) made/accepted</th>
<th>% of households using this method</th>
<th>Amount sent/received (median)</th>
<th>Cost of sending money reported by respondents (median)\textsuperscript{56}</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>UGX</td>
<td>$</td>
</tr>
<tr>
<td>Hand-delivery (by self or by friend)</td>
<td>76</td>
<td>100,000</td>
<td>39.84</td>
<td>1</td>
</tr>
<tr>
<td>Direct deposit into a bank account</td>
<td>21</td>
<td>275,000</td>
<td>109.56</td>
<td>3,250</td>
</tr>
<tr>
<td>M-money delivery via any type of account (any provider)</td>
<td>5</td>
<td>106,750</td>
<td>42.53</td>
<td>5,000</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
It is important to note that households only save on an m-money account if the household owns the account; for example, only households with registered m-money users are likely to actively use m-money to store their savings while households with non-registered users do so only occasionally.

- Households with non-registered users and nonusers of m-money lean toward the use of community-level savings instruments to store their money, including SACCO, a community burial society, or a merry-go-round. They also tend to save with a third party, such as friends, neighbors or shopkeepers.

FINANCIAL INCLUSION LANDSCAPE: INSURANCE AND LOAN ACTIVITIES

M-money is yet to become part of the lending and insurance sector. Currently, 0.1 percent of all households that have insurance\(^5^7\) and 3 percent of households that have taken (but have not paid off) a loan\(^5^8\) use any type of m-money account to transfer money, including credits and payments.

- Sixty-two of the 3,000 participating households (2 percent) reported having any type of insurance in the past six months; of those, 52 households had one insurance policy and 10 had between two and four insurance policies. Thirty-three households reported having car insurance; loan insurance and social security shared second place, reported by 10 households each.

- Households’ loan activities are limited. Only 9 percent of participating households owe outstanding debt or have paid off debt in the last six months; 2 percent of the households gave loans to somebody else.

- Loan-related activities mostly happen at the community level. More specifically, three in four borrowing households received a loan from a person or entity in their village or town. In addition, SACCO, ROSCA (merry-go-round) and a friend are the top three lenders. Considering the proximity of money-lending individuals and community organizations, it is not surprising that in-person pickup and delivery are the most frequent ways of getting a loan and making payments.

- Households that have an unpaid loan are likely to be rural, unbanked, have no m-money users and live below the poverty line. In contrast, households that own insurance are more likely to be urban, banked, living above the poverty line, and to have registered m-money users.

\(^{57}\) N=62  
\(^{58}\) N=259
Figure 29. The patterns of loan-related activities

<table>
<thead>
<tr>
<th>Top Three Lenders</th>
<th>Top Three Lender Locations</th>
<th>Top Three Methods to Deliver Loan and Loan Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friend, 24%</td>
<td>This village/town, 71%</td>
<td>In person 86%</td>
</tr>
<tr>
<td>SACCO, 23%</td>
<td>This district, 21%</td>
<td>Bank deposit, 9%</td>
</tr>
<tr>
<td>ROSCA (merry-go-round), 21%</td>
<td>This region, 3%</td>
<td>M-money (any account) 3%</td>
</tr>
</tbody>
</table>

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

Figure 30. Demographic characteristics of households with insurance

- Urban, 55%
- Banked, 76%
- Above poverty line, 53%
- Registered m-money user in HH, 56%

Source: FITS study of households (HH) in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.

Figure 31. Demographic characteristics of households with an unpaid loan

- Rural, 89%
- Unbanked, 74%
- Below poverty line, 77%
- Nonuser of m-money in HH, 72%

Source: FITS study of households (HH) in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
Only one-quarter of households that experienced a negative financial shock in the previous six months received remittances and gifts to help them cope with a loss. The most common ways to address a negative shock were to spend cash savings and to decrease various types of expenditures.

- Sixty-two percent of all surveyed households experienced at least one financial shock in the past six months. Among the top three shocks, unspecified illness of a household member was reported most frequently (49 percent of the surveyed households) followed by drought and/or flood (11 percent of all households) and crop disease and pests (10 percent).

- A slim majority of the households that reported financial shocks (57 percent) experienced only one shock during the time period covered, while the remainder reported two or more shocks, with five households reporting six different shocks between August 2011 and February 2012.

- Of households affected by a financial shock, 10 percent experienced a positive shock (gained money as a result of the shock), and 81 percent experienced a negative shock (needed money to respond to the shock). Twenty-seven percent of households affected by a financial shock also experienced no financial impact from the shock.

- Very few households sent or received remittances as a part of their response to a financial shock. Of the households that gained money as a result of a shock, 2 percent sent gifts or remittances. Among those affected by a negative shock, 25 percent received gifts or money from their relatives and friends.

Source: FITS study of households in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
The most common response to a negative financial shock was to deplete the household’s cash savings, followed by a decrease in non-essential expenditures (those not related to food and transportation). The pattern was almost identical for all types of negative shocks. Similarly, the top three most frequent responses to positive shocks were identical across different types of shocks: the majority first increased spending on healthcare followed by an increase in savings and non-essential expenditures.

Households with non-registered m-money users that experienced a negative financial shock were somewhat more likely than other households to receive remittances to help them respond to a shock. However, households with no m-money users also were somewhat less likely to report a financial shock; therefore, it is possible those households might be underreporting their financial hardships.

Figure 33. Mentioned among top three most frequent responses to a given type of financial shock

- Spent cash savings
- Decreased other expenditures
- Received gifts from family and friends
- Increased expenditure on healthcare
- Increased savings
- Increased other expenditures
- Spent cash savings
- Decreased other expenditures
- Received gifts from family and friends

Source: FITS study of households (HH) in Uganda, February-March 2012 and n=3,000. For detailed bases see Appendix A.
CONCLUSIONS AND RECOMMENDATIONS

• The first wave of the FITS household survey in Uganda demonstrates the local market has high potential for mobile money (m-money) expansion, including reaching bottom-of-pyramid populations. This conclusion is based on mobile phone access and SIM-card ownership, and high awareness of the services among nonusers of m-money. However, an incomplete understanding of the services and the shortage of well-qualified and well-equipped agents hamper the uptake of m-money services in the country.

• In both rural and urban areas, households with registered m-money accounts are likely to use a greater number of financial services. At the same time, households that require an agent’s assistance to perform a transaction are more likely (than those making transactions by themselves) to experience a number of difficulties with m-money, including agent-related problems, and higher travel and transaction costs. Urging non-registered users to sign-up for m-money accounts might promote healthier user experiences and encourage users to explore services beyond transferring money.

• Currently, m-money is mostly used for sending/receiving regular remittances and, to a lesser extent, for sending/receiving emergency help. A third-party’s m-money account (that of a friend, relative, neighbor or other acquaintance) is used by 6 percent of households for delivering remittances. Since friends’ recommendations are also one of the key drivers of m-money registration, friends, whose accounts are frequently used by other people for remittances, might become effective advocates for m-money.

• Although only 9 percent of households currently save with an m-money account, the service seems to fit well with households’ existing savings routines. Half of households with registered m-money users already use their m-money account to store money. Interestingly, rural and urban users choose a method of saving that works best for them: the former deposit money in the account while the latter store money sent by somebody else. Among the registered users who do not currently store money on their m-money account, some might use m-money for savings if they can be convinced that m-money could be used as a bank.

• Limited uptake of m-money, as well as limited use of services beyond remittances, might be related to an incomplete understanding of the services among both registered users and nonusers: 61 percent of registered users of MTN m-money and 78 percent of nonusers of any m-money services believe that m-money is for sending/receiving money only. In this light, media as a leading source of information about m-money (especially TV in urban areas and radio in rural areas), might be helpful in educating users and nonusers about various uses and benefits of the services.

• An insufficient number of m-money agents, inconsistent quality of their customer service and agents’ low liquidity have emerged as serious impediments to uptake and more frequent use of m-money.

° Close to half of nonusers never tried mobile money because they cannot find an agent in their area; the absence of an agent was also cited by registered MTN users as one of the main reasons for failure to make a transaction. A wider network of m-money agents might help promote mobile money uptake by improving both user and nonuser experiences with the services.

° It may be useful to encourage users to send formal feedback on their interactions with agents: four in five registered MTN m-money users report at least one instance of poor performance by an agent since they signed up for the services. Timely consumer feedback might help improve agents’ performance.
APPENDIX A
INDIVIDUAL BASES FOR REPORT FIGURES

Figure 1. Percent of Ugandan households who own a mobile phone and SIM card by subregion—Base: Number of households in the subregion: Acholi, n=150; Central 1, n=520; Central 2, n=370; East Central, n=330; Elgon, n=230; Karamoja, n=70; Lango, n=170; South Western, n=430; Teso, n=190; West Nile, n=180; Western, n=360.

Figure 2. Mobile phone access, SIM-card ownership and m-money adoption rate by households’ demographic characteristics—Base: All households, n=3,000; rural households, n=2,600; unbanked households, n=2,491; consumption below $2 a day, n= 2,380; consumption $2-$4 a day, n= 422; consumption above $4 a day, n= 198.

Figure 3. Percent of Ugandan households with m-money users and registered users by subregion—Base: Number of households in the subregion: Acholi, n=150; Central 1, n=520; Central 2, n=370; East Central, n=330; Elgon, n=230; Karamoja, n=70; Lango, n=170; South Western, n=430; Teso, n=190; West Nile, n=180; Western, n=360.

Figure 4. Median monthly spending on various essentials—Base: All households, n=3,000.

Figure 5. Comparative overview of urban and rural lifestyles—Base: Rural households, n=2,600; urban households, n=400.

Figure 6. Access to mobile technologies and services among selected members of households by demographic characteristics—Base: Males, n=1,460; females, n= 1,537; adults 15-34, n=1,803; adults 35-54, n= 789; adults 55+, n= 405; adults with no formal education, n=594; adults with primary education, n=1,416; adults with secondary education, n=859; adults with post-secondary education, n=128; consumption below $2 a day, n= 2,380; consumption $2-$4 a day, n= 422; consumption above $4 a day, n= 198.

Figure 7. Market share of mobile phone communication service providers among households with at least one m-money user. Base: Households with at least one m-money user, n=616.

Figure 8. How did MTN m-money registered users first learn about the services?—Base: MTN m-money registered users, n=462.

Figure 9. From which media platform did MTN m-money registered users first learn about the services?—Base: Urban MTN m-money registered users, n=163; rural MTN m-money registered users, n=299.

Figure 10. Users’ opinions of MTN m-money services—Base: MTN m-money registered users, n=462.

Figure 11. The top three problems with MTN m-money agents by region—Base: MTN m-money registered users, who experienced at least one problem with an m-money agent in each region: Central, n=227; Eastern, n=95; Western, n=75; Northern, n=30.

Figure 12. Factors involved in the most recent m-money transaction by urban/rural user—Base: Urban MTN m-money registered users, n=163; rural MTN m-money registered users n=299.

Figure 13. Households’ financial activities in the past six months—Base: Registered m-money user in the household, n=477; non-registered m-money user in the household n=139; no m-money user in the household, n=2,384.

Figure 14. Remittances sent or received in the past six months—Base: Households that sent or received remittances in the past six months: registered m-money user in the household, n=332; non-registered m-money user in the household n=27; no m-money user in the household, n=255.

Figure 15. Three most common methods of sending cash remittances in the past six months by type of m-money user in the household—Base: Households that sent cash remittances in the past six months: registered m-money user in the household, n=205; non-registered m-money user in the household, n=27; no m-money user in the household, n=234.

Figure 16. Three most common methods of receiving cash remittances in the past six months by type of m-money user in the household—Base: Households that received remittances in the past six months: registered m-money user in the household, n=166; non-registered m-money user in the household, n=39; no m-money user in the household, n=255.
Figure 17. Costs of sending/receiving remittances using various delivery methods—Base: Households that sent or received cash remittances in the past six months, n=787.

Figure 18. Top three reasons for choosing a delivery method for sending/receiving the last three cash remittances—Base: Households that sent cash remittances in the past six months, n=466; households that received cash remittances in the past six months, n= 460.

Figure 19. Top three reasons for choosing a delivery method for sending/receiving remittances (based on last three remittances)—Base: Households that chose a specific method to deliver the last three remittances: used an m-money account to send or receive remittances, n=318; used hand-delivery (by self or by friend) to send or receive remittances, n=394.

Figure 20. Top three reasons for the last three cash remittances sent and received, by type of delivery method—Base: The last three remittances sent or received using a specific delivery-method: an m-money account, n=708; hand-delivery (by self or by friend), n=806.

Figure 21. The top three groups of remittance recipients and senders among those who used hand-delivery of remittances—Base: Remittances sent or received using hand-delivery (by self or by friend), n=806.

Figure 22. The top three groups of remittance recipients and senders among those who used an m-money account to deliver remittances—Base: Remittances sent or received using an m-money account, n=708.

Figure 23. Distance to remittance recipients, by type of delivery (question asked of remittance senders, last three remittances sent)—Base: The last three remittances sent using a specific delivery-method: an m-money account, n=345; hand-delivery (by self or by friend), n=484; bus/boda-boda delivery, n= 103.

Figure 24. Distance to remittance sender, by type of delivery (question asked of remittance recipients, last three remittances received)—Base: The last three remittances received using a specific delivery-method: an m-money account, n=363; hand-delivery (by self or by friend), n=322; bus/boda-boda delivery, n=119.

Figure 25. The top three reasons for payments sent and received in the past six months—Base: Payments sent in the past six months, n=1,089; payments received in the past six months, n=471.

Figure 26. The top three groups of payment recipients and senders—Base: Payments sent in the past six months, n= 1,089; payments received in the past six months, n=471.

Figure 27. Costs of sending/receiving non-remittance payments and amounts sent using selected delivery methods—Base: Households that sent or received non-remittance payments in the past six months, n=748.

Figure 28. Savings instrument used by households, by type of m-money user in the household—Base: Households that reported making savings in the past six months: registered m-money user in the household, n=459; non-registered m-money user in the household, n=130; no m-money user in the household, n=2,072.

Figure 29. The patterns of loan-related activities—Base: Households that have an unpaid loan or have paid off a loan in the past six months, n=259.

Figure 30. Demographic characteristics of households with insurance—Base: Urban households, n=400; banked households, n=509; households above poverty line (living on $2 or more a day), n=620; households with registered m-money users, n=477.

Figure 31. Demographic characteristics of households with an unpaid loan—Base: Rural households, n=2,600; unbanked households, n=2,491; households below poverty line (living on less than $2 a day), n=2,380; households with non-users of m-money, n=2,384.

Figure 32. Top 10 most frequent financial shocks—Base: All households, n=3,000.

Figure 33. Mentioned among top three most frequent responses to a given type of financial shock Base: Households affected by type of financial shock in the past six months: all households affected by a (financial) shock, n=1,861; households affected by a negative shock, n=1,514; households affected by a positive shock, n=191; households that experienced an illness of a household member, n=1,473.
ABOUT INTERMEDIA

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ACKNOWLEDGMENTS

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This report could not have been prepared without the contributions of a number of InterMedia staff who provided additional research and support for the project:

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A special note of thanks and gratitude goes to InterMedia’s data collection partners on this study: TNS RMS in Nairobi, without whom this project would not have been possible. InterMedia also would like to acknowledge Sonja Gloeckle, former senior research manager at InterMedia for all of her work during the initial stages of this project.

In addition, InterMedia would like to thank the Bill & Melinda Gates Foundation (BMGF) Financial Services for the Poor program, and personally thank Dr. Jake Kendall, BMGF’s Senior Program Officer, Innovation and Research, Financial Services for the Poor, as well as Dr. Tavneet Suri, Associate Professor, MIT Sloan School of Management, for the productive partnership on this project.

This study was carried out with funding from the Bill & Melinda Gates Foundation (BMGF). All survey materials and data resulting from this study are the property of the BMGF, but the findings and conclusions within are those of the authors and do not necessarily reflect positions or policies of the BMGF.

This report was published by InterMedia, October 2012.
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