



Uganda

# Digital Financial Services in Uganda

2015

## Facts and figures

## Tracing the customer journey

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GSMA's Mobile Money for the Unbanked programme provided a [customer journey framework](#), with the customer's six steps to adoption and regular use of digital financial services (DFS): 1) Unaware, 2) Awareness, 3) Understanding (of how the service can be of use), 4) Knowledge (of how to conduct transactions), 5) Trial and 6) Regular use.

UNCDF's Mobile Money for the Poor (MM4P) Uganda programme commissioned customer-journey research in October 2014 to examine a) where current users and non-users of

DFS are on their customer journey, b) use of current DFS products (including likes and dislikes), c) pain points of current DFS users, d) barriers to DFS adoption by non-users and e) workable solutions for DFS providers to improve the customer journey. *MicroSave*, a leading consultancy firm in financial inclusion with extensive research experience and expertise, conducted the qualitative research, which targeted both users and non-users and focused particularly on rural poor, women and youth. Individual interviews and focus-group discussions involved 161 respondents.

## Key findings

1. Women and youth in rural areas offer a huge potential target market for DFS.
2. After remittances, savings are the most desired service—they present a real chance to advance financial inclusion, especially in rural areas.
3. Most agents are in urban centres, forcing rural villagers to travel to access DFS.
4. People in urban areas complain about the DFS ecosystem being blocked by low adoption and use of DFS in rural areas.
5. Regular DFS users average seven transactions monthly.
6. Customers' agent selection is predominantly driven by liquidity management, perceived security, and proximity of and trust in an agent.
7. Existing DFS users are key to encouraging non-users to adopt and use DFS.

**34.9 million**

Total population



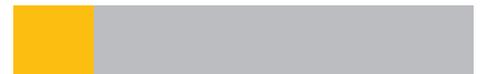
**87%**

Rural population



**31%**

Use informal financial tools



**15%**

Are financially excluded



**18.6 million**

Mobile phone penetration



**445.7 million**

Number of transactions, June 2013-June 2014



**U Sh 22.2 trillion**

Value of transactions, June 2013-June 2014

## Positioning users on the customer journey

In the limited sample, 52 percent of users were at the trial stage and have used DFS from one or more providers but use DFS infrequently (less than five times a month). The remaining 48 percent were regular users and conduct more than five transactions each month. The bulk of regular users conduct only marginally more than five transactions per month, suggesting that, if measures are not taken to maintain them at regular user stage, they could slide back into trial stage.

## Positioning non-users on the customer journey

All non-users had passed the unaware stage and know of DFS. However, 43 percent of them are stuck at the awareness stage: they have heard of DFS but have little to no understanding of how DFS can be of use to them. Further analysis reveals that an even higher proportion of non-users in rural areas (particularly women) are in the awareness-only stage. Interestingly, 24 percent of non-users reported having performed a trial transaction—through another customer's phone or as a registered (but now dormant) customer.

## Product use, likes and dislikes

Cash-in and cash-out are the most common transactions amongst DFS users. As seen in the [Agent Network Accelerator Survey: Uganda Country Report 2013](#), there are more cash-out transactions in rural areas while cash-in transactions are more common in urban areas. It is important to note that rural people, particularly women, are using their mobile money wallet accounts as a savings tool. This trend is driven by (*inter alia*) lack of access to financial institutions in rural areas, women's need to keep their money away from their husbands and the need for lump sums. Money stored in wallets earns no interest, signalling an opportunity for product development around savings.

Of non-users, 23 percent cited lack of interest in DFS currently offered by providers. Lack of agents, a handset or clear marketing/communications on DFS were other reasons for non-use. Many, however, said they were 'too lazy' or unable to register their SIM cards for DFS, suggesting opportunities for providers and agents to revisit their enrolment strategies.

## Experiences of current digital financial services users

When asked to identify the top three attributes of DFS, urban users ranked them as 1) a quick way to send money, 2) a secure way to save and 3) a quick way to receive money. Rural users ranked them as 1) saves on transport costs, 2) a quick way to receive money and 3) a quick way to send money. So, unsurprisingly in an environment where banks are still not permitted to play a major role, remittances and payments remain the key

driver of DFS use. When asked to rank their pain points, urban respondents highlighted 1) system downtime, 2) fraudsters and 3) agent illiquidity challenges. By contrast, rural respondents cited 1) system downtime, 2) high tariff charges and 3) fear of sending money to the wrong recipient.

## Barriers preventing non-users from adopting digital financial services

Urban non-users cited 1) unstable network, 2) high tariff charges and 3) unreliable customer care for issue resolution as their top three barriers to adoption. Rural non-users highlighted 1) unstable network, 2) unreliable customer care for issue resolution and 3) their lack of know-your-customer documents. It is important to note that many of these barriers are perceptions resulting from hearing about and observing the experience of existing users.

## Recommendations to improve the customer journey for adoption and use of digital financial services

- Hygiene factors.** DFS depend on trust in the services. Insufficient agent liquidity, sparse agent presence in rural areas, reported fraud and inadequate agent knowledge about processes and pain points, all erode trust. Addressing these basic challenges as must-have 'hygiene factors' will stimulate greater uptake and use in rural areas.
- Pricing.** Product pricing should reflect affordability for the rural poor. Thus, providers will need to re-examine their pricing strategies and options for working with agricultural-service providers. The industry will need to increase efforts to a) eliminate over-the-counter transactions, for which additional unauthorised fees are charged by agents, and b) engage with the Government to reverse tax on DFS transactions in order to encourage financial inclusion for the poor, rural people and women.
- Product development and differentiation.** There is a clear need to develop savings and other products that specifically respond to needs and aspirations of the rural poor.
- Synergies with value chains.** Agriculture employs more than 70 percent of the Ugandan population, but little product development has focused there. Rural women are early DFS adopters, presenting an opportunity for providers to address this market. A comprehensive diagnosis of how agricultural value chains can be leveraged to accelerate innovation and product development is needed.
- Marketing and communication.** There is limited information available beyond that for remittances. This finding calls for improved customer communication on other products. Radio is the most appealing medium for the rural population.

- Sales strategies.** Customer acquisition should be a priority in rural areas. The cost of enhanced commissions for agents conducting customer recruitment can be mitigated by paying a significant proportion of the commission only after a newly enrolled customer has made three to five transactions.
- Addressing women.** Women (and youth) are often unable to register their SIMs for DFS because they have responsibilities that prohibit them from leaving their homes. Providers may need door-to-door customer registration campaigns, backed by women-focused radio communications, to address this segment.

## Key players

### Major digital financial services players



- MTN Uganda
- Airtel Uganda
- Uganda Telecom
- Orange Uganda
- EzeeMoney
- Mcash

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