



Uganda

Digital Financial Services in Uganda

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Facts and figures

Integrating the fish value chain with digital financial services

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The Mobile Money for the Poor (MM4P) Uganda programme commissioned research on three agro-value chains: coffee, dairy and fish. Uganda has an overall water cover of 18 percent, and has active fishing in the Albert, Edward, George, Kyoga and Victoria lakes; in the Kafu, Nile and Olweny rivers; and in 160 other water bodies. However, this note focuses on research conducted on the fish value chain at seven Lake Kyoga fish landing sites.

The research objectives were to provide in-depth understanding of actors in the value chain, their roles and their financial activities, and to identify potential touch

points for transforming cash transactions into digital financial payments.

The research sought to analyse current payment methods in the fish value chain; level of mobile money usage via the current digital financial services (DFS) channel; product usage amongst mobile money users in the value chain and their concerns; and participants' barriers to and fears of using mobile money.

The research also sought to highlight opportunities for converting cash payments to DFS, through identified high-potential touch points, and to inform design of an ecosystem to support DFS in the value chain.

US\$114 million+

Fish export earnings (2013)

30+

Districts actively involved in fishing

450,000

Individuals actively involved in fish value chain

1,500,000

Individuals indirectly involved in fish value chain



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Key research findings



Mobile money is available at fish landing sites but usually through a very limited number of agents.

Transaction pricing and poor agent network development are key concerns regarding DFS adoption amongst chain actors at fish landing sites.

Remittances represent the prevalent mobile money activity, with many fishers sending money home to family members elsewhere in Uganda or abroad.



Large middlemen (traders) are important anchor actors in the value chain.

Accumulating savings and credit associations (ASCAs), village savings and loan associations (VSLAs) and savings and credit co-operatives (SACCOs) are common financial mechanisms at landing sites and neighbouring villages, and need to be integrated into a fish-based DFS ecosystem.

Some traders, especially women (mostly involved in fish buying, cleaning, drying and/or smoking), receive payments through mobile money for orders from retailers and customers.

Fish agro-value chain actors

1. **Beach management units (predominantly men)** provide overall management of fish landing sites, collect daily and annual fees from all actors accessing the beach, and hire out boats/canoes at a fee.
2. **Fishers (predominantly men)** harvest fish and sell it to middlemen or local fish processors for domestic and export purposes.
3. **Local fish processors (predominantly women)** purchase fish from fishers, preserve it through sun-drying and smoking, and sell it mostly to retailers in neighbouring districts.
4. **Middlemen like traders (mostly men)** purchase fish from both fishers and local fish processors in large quantities for export to neighbouring countries (Democratic Republic of the Congo, Kenya and South Sudan). They invest over \$160,000 worth of working capital, possess 3–5 large trucks for fish transportation and employ over 15 workers at fish landing sites.
5. **Fish retailers (predominantly women)** are based in local marketplaces and link the supply side with consumers.
6. **Consumers** reside within fish landing sites and in neighbouring districts. They also benefit from fish export to neighbouring countries.

Current forms of financial transactions and potential touch points for digital financial services

Nearly all transactions in the fish value chain are cash based, with a few instances of mobile money transactions by local fish processors. Although these fishing communities have fears regarding cash transactions (theft, robbery, fake currencies and creation of unplanned expenditures), they continue to conduct them due to the need for immediate payments, ease of transacting in cash and emergency situations.

To mitigate these fears, providers need to consider a few potential touch points to digitise transactions that are currently mostly in cash:

- Fishers receiving payments from local fish processors and middlemen.
- Local fish processors receiving payments from local fish retailers and fish traders.
- Local fish processors receiving payments from retailers locally and in neighbouring districts.
- Beach management units receiving daily and annual license fees from large middlemen, local processors and fishers.

Cited mobile money concerns

Effective use of mobile money has not been fully adopted because of cited challenges:

- **Deficiency of mobile money agents and liquidity challenges.** In all seven fish landing sites visited, the ratio of agent to clients served was 1:2,000. Existing agents also struggle with liquidity issues, with a typical agent holding less than \$200.
- **Pricing.** Given that people from these communities are predominantly poor and anticipate making frequent small daily payments, using mobile money solely for their business may mean significant transaction costs.
- **Turbulent winds resulting in capsizing of boats and sometimes loss of mobile phones, which are used for communication and business coordination by fishers.** Respondents reported that the process of informing police of the mobile phone loss, paying to log the complaint, travelling to a service centre in town for a replacement, and waiting for over 24 hours for re-activation of the mobile wallet is expensive, tedious and time

consuming and is an impediment in their business and their adoption of mobile money.

Opportunities to enable digital financial service integration

1. **Improving the efficiency of the mobile money ecosystem.**
 - Mobile money providers could increase the number and quality of their agents at fish landing sites and the liquidity they hold to levels that enable them to serve fishing communities.
 - Savings groups and SACCOs are the dominant financial mechanism at fish landing sites. These institutions could be targeted to become mobile money agents and possibly linked by a push-pull functionality on mobile wallets to bank accounts. In this way, group members have a credit history at the bank and the institutions better manage float.
 - Financial institutions could provide agent banking services (if and when the law allows). Markets like Kenya and the United Republic of Tanzania demonstrate that bank agents tend to hold more float/liquidity than mobile network operator agents and are thus able to perform higher value transactions. Agent banking will indeed help fish traders who make high value transfers of money to their staff at landing sites.
2. **Using middlemen and local fish processors as anchor actors.** Fish middlemen and processors are the principle source of cash at fish landing sites and therefore can significantly influence how business is conducted within the value chain. An attractive DFS value proposition that entices them to digitise their payments can make them ambassadors for DFS to the wider fishing community.



Envisaged challenges and solutions to integrate digital financial services

- **Acceptance of digital payments by the fishing community.** This challenge could be resolved by an attractive value proposition, supported by an efficient and effective agent network.
- **Mobile money daily transaction limits of UGX 10 million.** This challenge could be resolved by negotiation with Bank of Uganda, the mobile money regulator, on enhanced transaction limits for SMEs and large merchants but without compromising the anti-money laundering initiatives. Agent banking could also help address higher

limits, especially through inclusion of quality agents such as big SACCOs and petrol stations.

- **Perceived high price of transactions.** This challenge could call for mobile money providers to pilot a closed user group tariff with fish value chain actors to reduce transaction costs and remove price barriers.

Integrating DFS with the fish value chain presents great opportunities for DFS providers, with some 450,000 fishers directly involved and over 1,500,000 million people indirectly involved.

Ensuring buy-in from influential actors, such as middlemen, will easily influence adoption by other value chain actors.

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