



Under pressure?

Ugandans' opinions and experiences of poverty and financial inclusion

1. Introduction

Poverty remains an entrenched problem in Uganda. Economic growth has held steady at around 5% in recent years, but this growth has not reached everyone. New technology has also helped to bring financial services – banking and loans, for example – within the reach of many who were previously excluded. But poverty and food insecurity are still the daily reality for many citizens.

Food insecurity and poverty tend to go hand in hand. This brief explores the financial health and security of Ugandan households. How many households lack the income to cover their basic daily needs? What action do they take when their income leaves them short? And how many households experienced food shortages in 2017?

Financial services can play a key role in improving the lives of the poor and help to address some of their short-term needs and challenges. Access to credit and insurance, the ability to send and receive money simply and securely, and a safe place to store savings can all help reduce the vulnerability of the poor and increase their productivity. This research brief therefore, also presents data on citizens' use of various financial services

– banking, credit and mobile money. In what ways do people use these services? How has financial inclusion changed over time? Who remains excluded?

Data for the brief come from Twaweza's new Sauti za Wananchi survey. Sauti za Wananchi is a nationally-representative, high-frequency mobile phone panel survey. Information on the overall methodology is available at www.twaweza.org/sauti. For this brief, data were collected from 1,925 respondents in the first round of calls to the Sauti za Wananchi panel, conducted between 6 and 13 October, 2017.

The key findings are:

- The most serious problems facing Ugandan households today are financial
- 5 out of 6 Ugandans are dissatisfied with how the national economy is being managed
- Half the population have gone a whole day without eating in the past three months
- Food stress is markedly higher in Uganda than in neighbouring Kenya
- Food stress varies greatly by location
- 1 out of 6 citizens have a bank account
- 1 out of 3 citizens have borrowed money in the past five years
- 2 out of 3 citizens use mobile money services

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Sauti za Wananchi



- Satisfaction with mobile money services is high.
- Financial inclusion is dominated by mobile money, particularly for the youth and women

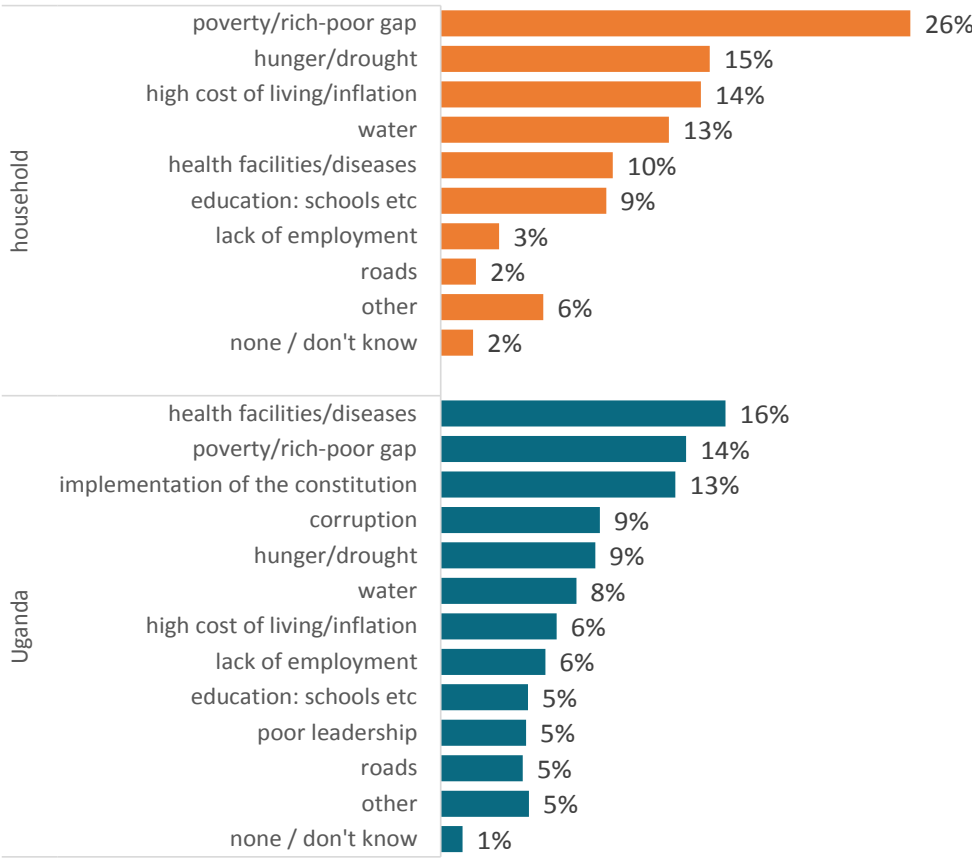
2. Eleven facts about household finances in Uganda

Fact 1: The most serious problems facing Ugandan households are financial

Ugandans’ top three household level issues concern livelihoods. One out of four citizens (26%) say the most serious problem facing their own household is poverty / inequality, while one out of eight mention hunger / drought (15%) or the high cost of living (14%). Public services are the next concern, including water (13%), health (10%) and education (9%).

At national level, there is less consensus. One in six citizens (16%) say the most serious problem facing Uganda today is health, more than for any other issue, but poverty and inequality (14%) and implementation of the constitution (13%) are cited by similar numbers. Several other issues are also named by significant minorities, including corruption (9%), hunger / drought (9%), and water (8%).

Figure 1: In your opinion, what is the most serious problem facing your household today? And Uganda as a whole?



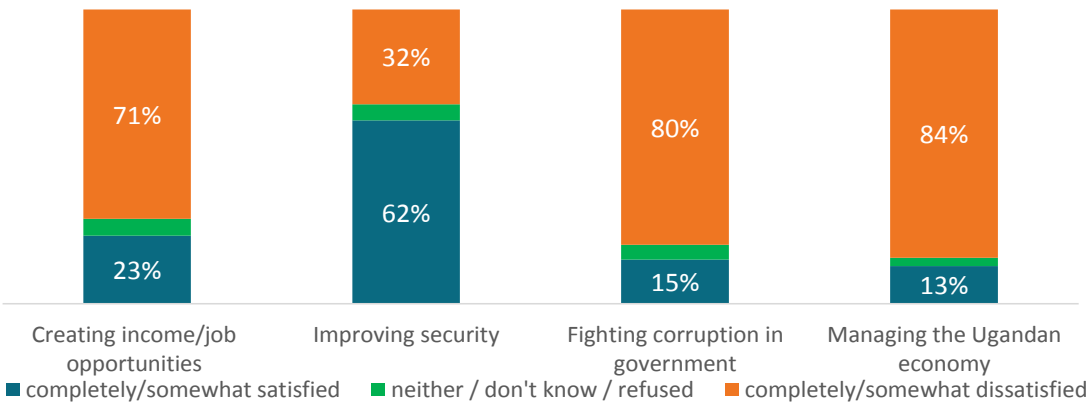
Source: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925

Fact 2: 5 out of 6 citizens are unhappy with the country’s economic management

The same economic concerns are evident in citizens’ levels of satisfaction in the direction Uganda is heading. Five out of six citizens (84%) are dissatisfied with the country’s economic management.

There are also high levels of dissatisfaction with the country’s trends on corruption (80%) and employment (71%). However, a majority (62%) are satisfied with the country’s progress on improving security.

Figure 2: In general, are you satisfied or dissatisfied with the direction Uganda is headed in the following areas?

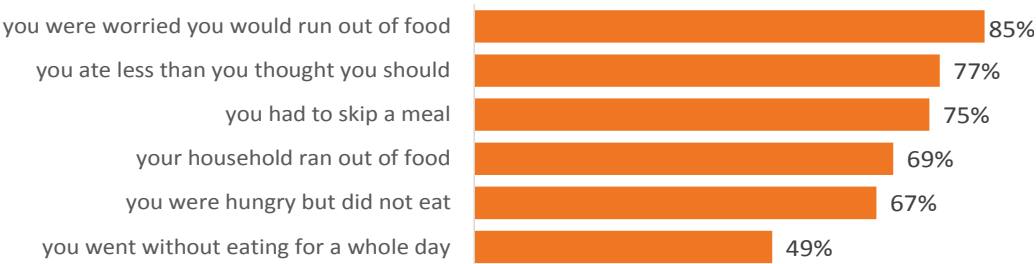


Source of data: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925

Fact 3: Half of citizens have gone without food for a day in the past three months
One out of two citizens (49%) have, in the three months before the survey, gone a whole day without eating due to a lack of money or other resources.

Even larger numbers have experienced difficulties with food security over the same period. Five out of six (85%) have been worried that they would run out of food, and three out of four (75%) had to skip a meal.

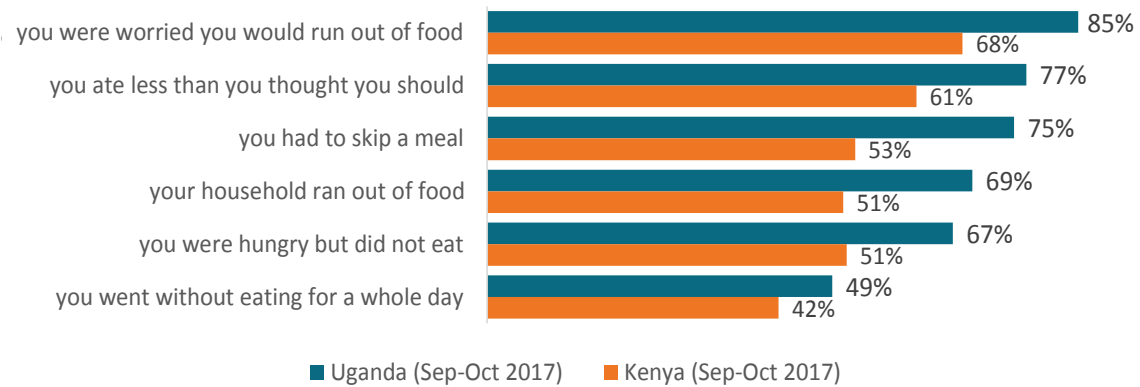
Figure 3: During the last three months, was there a time when, because of a lack of money/resources: (% answering yes)



Source of data: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925

These figures are much higher than in Kenya meaning that Ugandans experience greater food insecurity than Kenyans.

Figure 4: During the last three months, was there a time when, because of a lack of money/resources:
(Kenya and Uganda) (% answering yes)

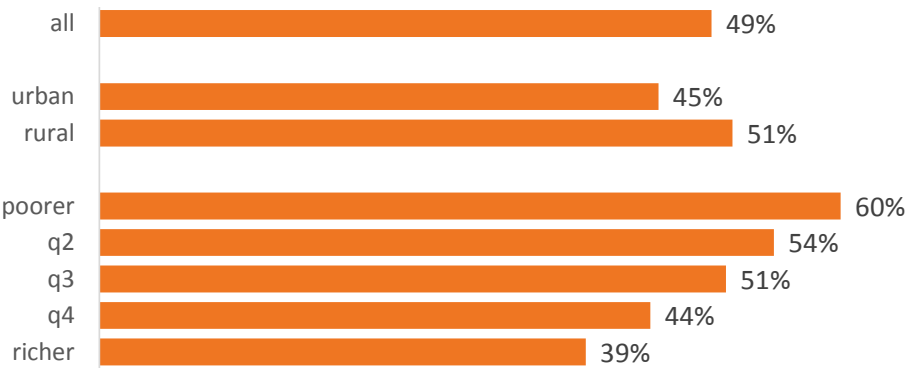


Source of data: *Sauti za Wananchi* Uganda, round 1, 6-13 October 2017; n=1,925 and *Sauti za Wananchi* Kenya Round 17, 16 September – 13 October; n=1,701

There is considerable variation in experiences of food security across Uganda, although the number of people going without food for a whole day remains high across groups. In both urban (45%) and rural (51%) areas, and in wealthier households (39%) as well as poorer ones (60%), Ugandans often go hungry.

The sharpest variations come when considering specific sub-regions . In Karamoja, five out of six residents (85%) have gone a whole day without food in the three months before the survey, and the numbers are also very high in Central (75%), and Teso (73%). In comparison, one out ten residents of Lango (9%) and three out of ten in Bunyoro (30%) and West Nile (30%) have experienced this problem.

Figure 5: During the last 3 months, was there a time when you went without eating for a whole day because of lack of money or other resources?
(% answering yes)

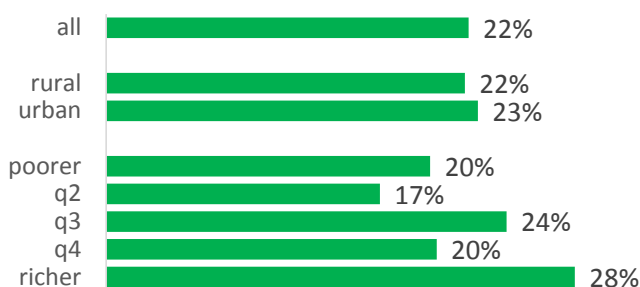


Source of data: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925

Fact 4: 1 out of 5 households has sufficient income to cover their daily needs

One out of five households (22%) say their income is enough to cater for the household's needs on a daily basis. This number is consistent across urban (23%) and rural (22%) areas, and wealthier households (28%) are slightly more likely to say their income is sufficient than poorer households (20%).

Figure 6: Is the income obtained by the household enough to cater for the household needs on a daily basis?
(% answering yes)



Source of data: *Sauti za Wananchi, round 1, 6-13 October 2017; n=1,925*

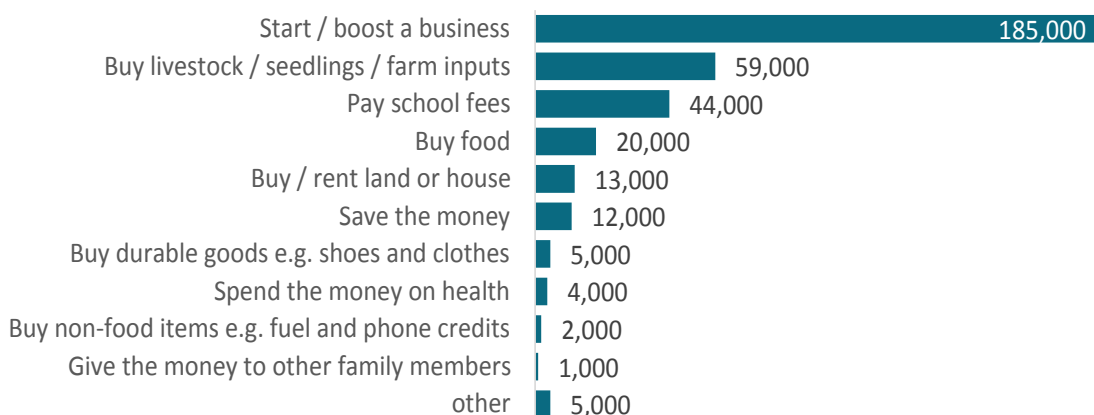
When a household's income comes up short, various coping strategies are used, including borrowing money or obtaining food and other supplies on credit (43%), cutting back on consumption (26%), or asking for assistance from family or friends (15%) (not shown in charts).

Fact 5: For Ugandans, a cash injection would mostly be spent on their businesses

In the hypothetical situation of being given a gift of UGX 350,000 by the government, citizens say they would spend on average UGX 185,000, or a little over half the amount, on starting or boosting a business venture. Substantial amounts of the hypothetical gift would also be spent on boosting agricultural productivity (UGX 59,000) and on school fees (UGX 44,000).

Much smaller amounts would, on average, be spent on day-to-day living expenses, including UGX 20,000 on food and UGX 2,000 on non-food items such as fuel and phone credit.

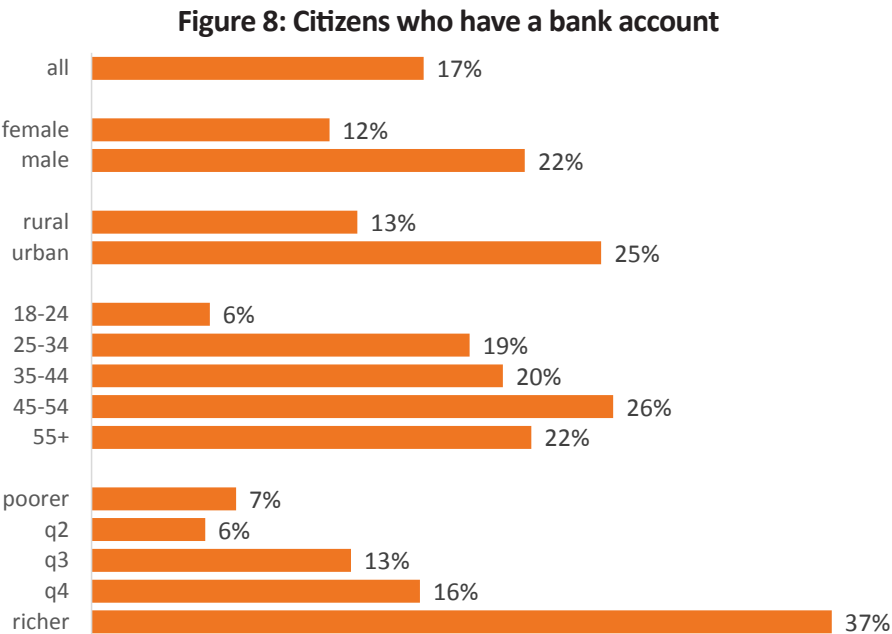
Figure 7: If you were to receive UGX 350,000 from the government, how would you use it?
(average figures, rounded to nearest UGX 1,000)



Source of data: *Sauti za Wananchi, round 1, 6-13 October 2017; n=1,925*

Fact 6: 1 out of 6 citizens has a bank account

One in six citizens (17%) has a bank account, either alone or jointly with another person. Men (22%) are nearly twice as likely as women (12%) to have an account, and those in urban areas (25%) are much more likely to have an account than those in rural communities (13%). There are also strong links with age and wealth, with young people (6%) and the poor (6-7%) particularly unlikely to have a bank account. The wealthiest citizens (37%) are the most likely to have bank accounts.



Source of data: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925

The most commonly mentioned reason for having opened a bank account is for savings or keeping money safe (64%). The most common reason given for not having an account is a lack of sufficient funds to make it worthwhile (92%) (not shown in charts).

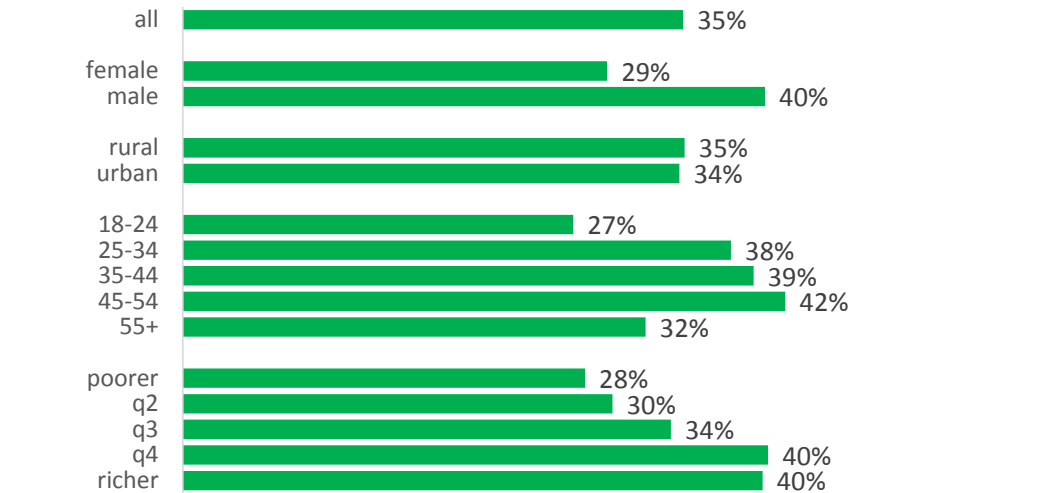
Looking back at earlier data collected, there has been no significant change in the proportion of citizens holding bank accounts in Uganda over the past few years; there may even have been a small decline. The Financial Sector Deepening Trust found that 21% had a bank account in 2009. This suggests access to formal banking services has been slower than the rate of population growth (not shown in charts).

The National Financial Inclusion Strategy , highlights a need to focus on people of particular groups who are more financially excluded than others. The Sauti za Wananchi data shows there is lower ownership of bank accounts among the women, rural communities and young people between 18 to 24 years.

Fact 7: 1 out of 3 citizens has borrowed money in the past five years

One out of three citizens (35%) have taken a loan or borrowed money in the past five years. This number is higher among men (40%) than women (29%), but consistent between urban (34%) and rural areas (35%).

Figure 9: Citizens who have borrowed money or taken a loan in the past five years:

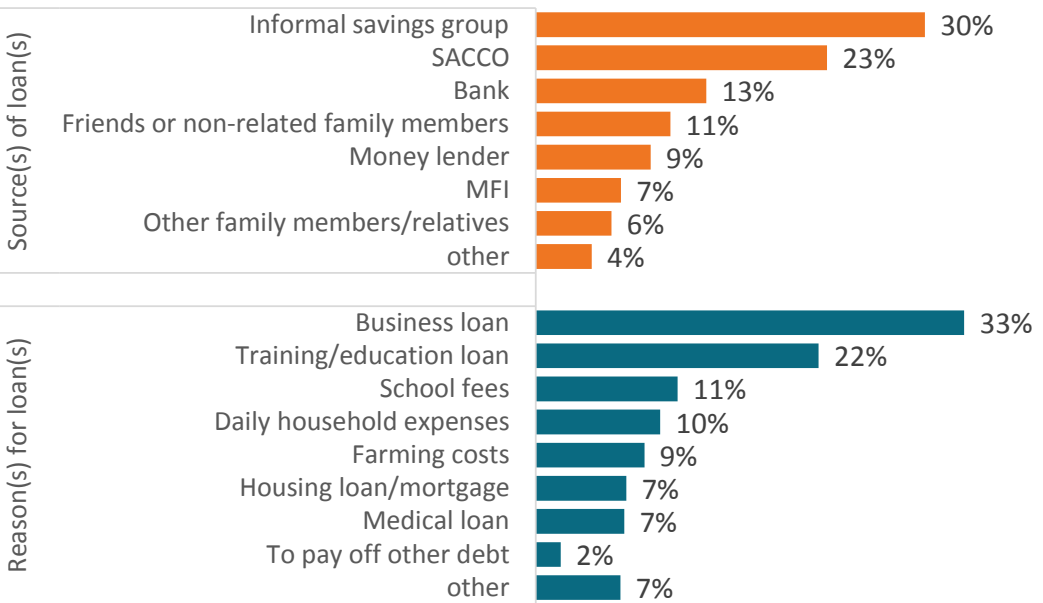


Source of data: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925

The biggest source of loans are informal savings groups (30% of those taking a loan) and Savings and Credit Cooperatives (SACCOs; 23%).

Most loans are taken either to invest in a business venture (33%) or spend on school fees, education or training costs (33%).

Figure 10: Sources and uses of loans (n=671)



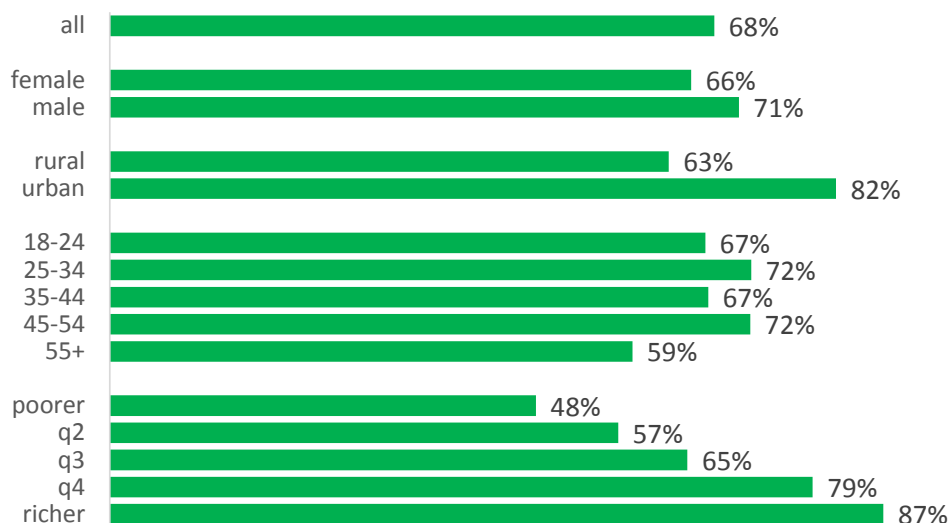
Source of data: *Sauti za Wananchi*, round 1, 6-13 October 2017;
Base: Those who have taken at least one loan; n=671

Fact 8: 2 out of 3 citizens have a mobile money account

A clear majority of citizens (68%) make use of mobile money services. This is higher in urban areas (82%) than rural (63%), and slightly higher among men (71%) than women (66%).

There is no clear link between age and the use of mobile money, but wealthier citizens are more likely to use such services (87%) than the poor (48%).

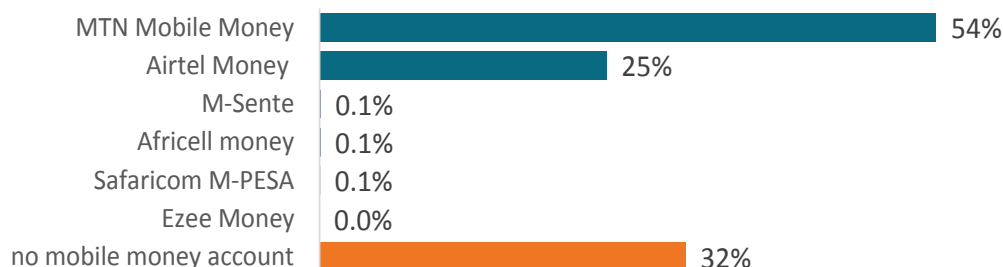
Figure 11: Citizens who have a mobile money account:



Source of data: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925

Mobile money services are dominated by MTN Mobile Money: just over half the adult population (54%) report using MTN. This is followed by Airtel Money (25%). Other mobile money services have very low reported user levels.

Figure 12: Do you have a mobile money account? If so, who is your provider?
(multiple responses permitted)



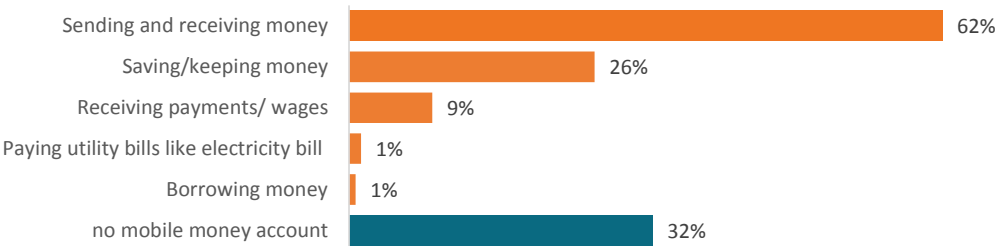
Source of data: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925

Fact 9: 6 out of 10 citizens use mobile money services to send and receive money

The most common use of mobile money services is to send and receive money. Six out of ten citizens (62%) report using mobile money for this purpose. A significant number (26%) also use

the service as an alternative bank account – a simpler way to keep money safe. Further, one out of ten citizens (9%) report receiving their salary or wages through mobile money services.

Figure 13: What purpose do you mainly use mobile money for?
(multiple responses permitted)



Source of data: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925

One out of three citizens (32%) report having borrowed money or airtime from MTN extra, and one out of four (25%) has done so from Berrako.

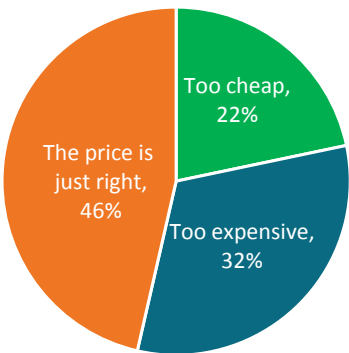
Figure 14: Have you ever borrowed money or airtime from the following?



Source of data: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925

A clear majority of citizens are satisfied by the value for money offered by mobile money services. Just under half (46%) say the price is just right, and one out of five (22%) say it is so cheap as to cause doubts about the quality of the services offered. One out of three say the service is too expensive (32%).

Figure 15: Which of the following statements best represent your opinion about the mobile money services / products that you use? (n=1,233)

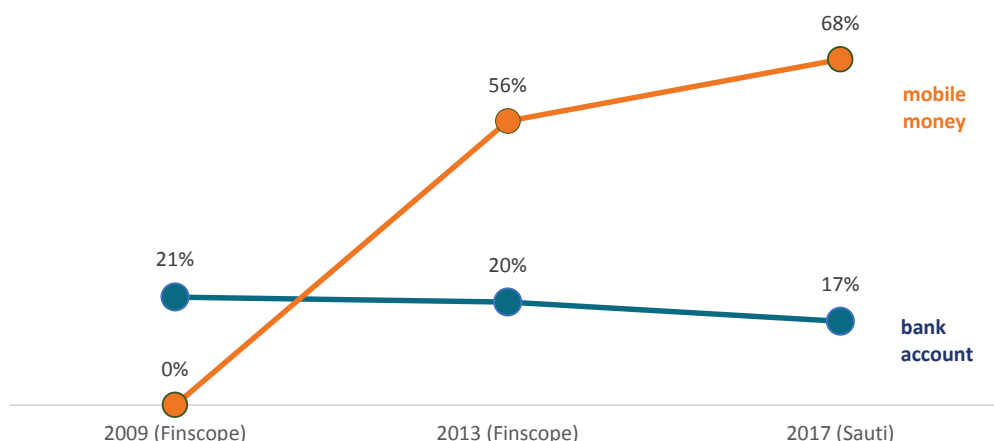


Source of data: *Sauti za Wananchi*, round 1, 6-13 October 2017;
Base: those with a mobile money account; n=1,233

Fact 10: Access to mobile money has grown rapidly in the past ten years

The rapid take-up of mobile money services since their launch in Uganda in 2009, rising to 68% of the population in just eight years, can be contrasted with the slow or stagnant take-up of bank accounts.

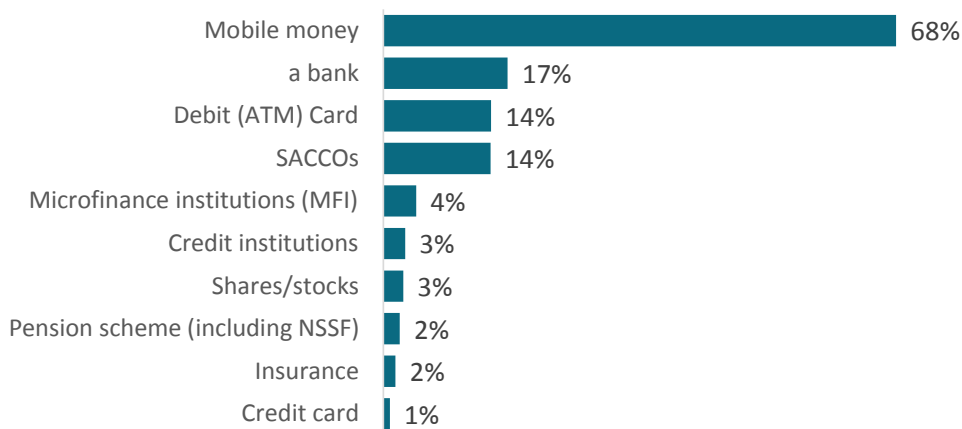
Figure 16: Those with a bank account / using mobile money services:



Sources of data: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925
FinScope surveys, 2009 and 2013, FSD Uganda

Access to mobile money services outpaces not just formal banking, but other forms of financial products as well. While two out three citizens (68%) make use of mobile money services, less than one out of six has a debit card (14%) or an account with a SACCO (14%), and less than one out of twenty has an account with a Microfinance Institution (4%), a pension (2%), insurance product (2%) or credit card (1%).

Figure 17: Do you have these products / an account with these institutions?



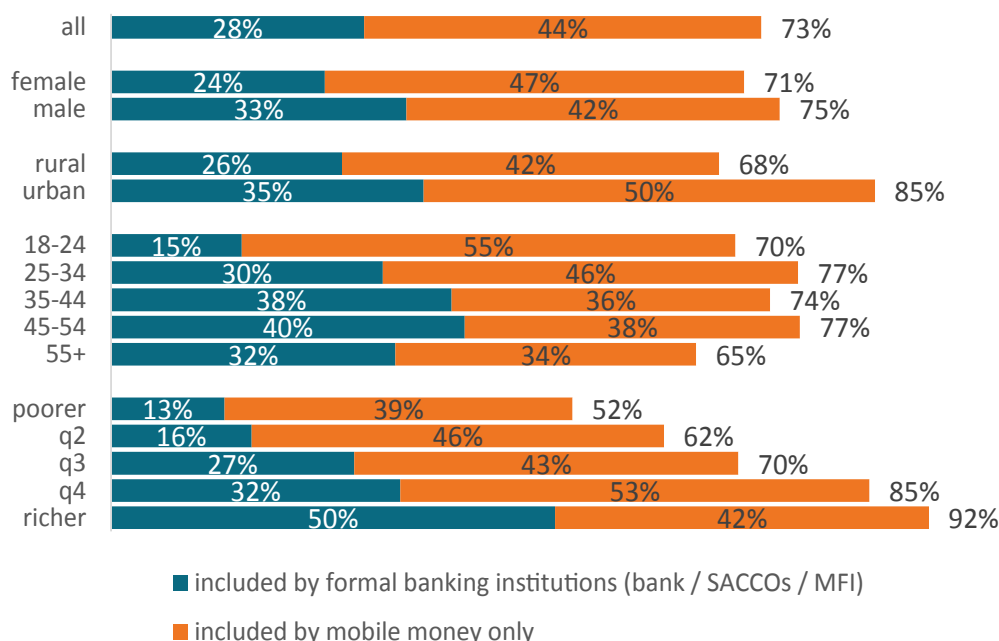
Sources of data: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925

Fact 11: Financial inclusion in Uganda is dominated by mobile money

People considered financially included are those who have an account with either a bank, SACCO or MFI, or use mobile money services. Three out of four citizens (73%) are financially included using this definition; made up of three out of ten (28%) who have an account with a bank, SACCO and/or MFI, and a larger proportion (44%) who have no accounts with any of these institutions but who do have a mobile money account. Financial inclusion is slightly higher among men (75%) than women (71%), and substantially higher in urban areas (85%) than rural (68%). The young and old are less likely to be financially included than those aged between 25 and 54, and there is, unsurprisingly, a strong link between wealth and financial inclusion.

Two groups are particularly dependent on mobile money services to increase their financial inclusion: women and the young. Both groups have very low levels of access to formal financial institutions (banks, SACCOs, MFIs), but to some extent make up for this gap through higher levels of access to mobile money services.


Figure 18: Financial inclusion and exclusion



Sources of data: *Sauti za Wananchi*, round 1, 6-13 October 2017; n=1,925

3. Conclusion

The data presented in this brief suggest that food stress and insecurity is a daily reality for a large number of Ugandan citizens. It is shocking that half of the population report having gone for a whole day without food in a three-month period. The geographical breakdowns – though statistically imprecise – are even more stark, with possibly as many as five out of six residents of some sub-regions having gone a whole day without food, compared to just one out of ten in other sub-regions.



Poverty and economic concerns are also high on citizens' list of problems facing their households. Just one out of five households say their income is sufficient to cover their daily needs and the three most cited household level problems all revolve around poverty.

But there is a certain amount of savvy on the part of Ugandan citizens demonstrated through these data. When money becomes tight, citizens do not seem to expect any support from the government instead tightening their belts or looking to their immediate networks for temporary relief.

In addition when offered a hypothetical cash injection, Ugandans would largely invest in their future – putting the money into a business or training options. This appears to show that citizens are more concerned about sustainable improvements to their livelihoods, rather than quick fixes.

Similarly, young people and women in particular appear to see formal financial institutions as outside of their comfort zone. Instead they turn to mobile money services which are more physically accessible, easier to register for and use, and offer many of the same functions as more formal financial services.

Despite the use of what can be termed coping mechanisms, these data have potentially fewer positive implications for Ugandans' financial status. After initial enthusiasm around technological advances and the possibility of countries' leap-frogging some of the more costly and hard to implement infrastructural solutions through technology, many people now recognize that this may not be a comprehensive solution. We are still in the relatively early stages of mobile money uptake and we do not yet have a clear sense of the possible implications of a population that is primarily financially included only through mobile money. What are the long term implications for the country's overall banking sector? Are mobile network operators best placed to manage so much of the nation's money? Is there a connection between greater financial inclusion and food security? These are some of the questions that are worth exploring as part of Uganda's public policy discussions.