fsduganda
Financial Sector Deepening

Analysis of status of financial inclusion for women and youth in Uganda

2018

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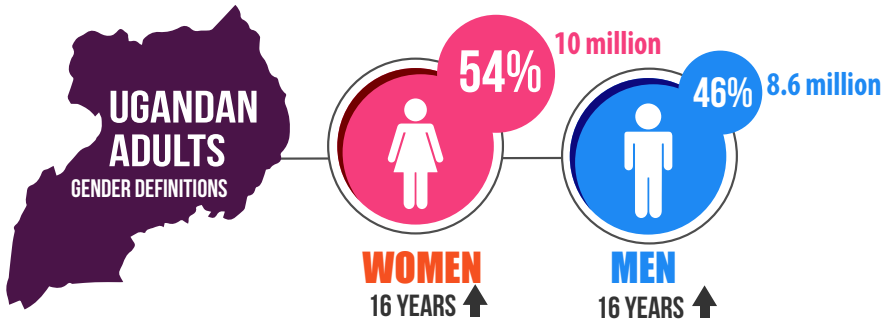
Cover Photos:

Front: Women in a meeting in Lira District. Photo Credit: FSDU
Back: Women farmers' group in Lira District. Photo Credit: FSDU

FINSCOPE UGANDA 2018

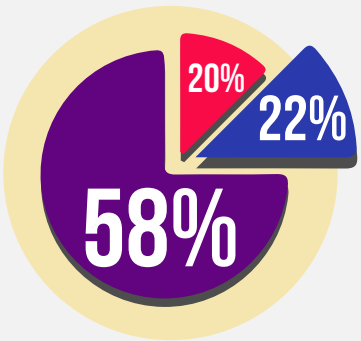
Findings on gender and financial inclusion

The Finscope demand side surveys are conducted every three years, to determine how individuals 16 years or older (adults) manage their money, the extent to which they use financial services, and to monitor changes in levels of financial inclusion over time.



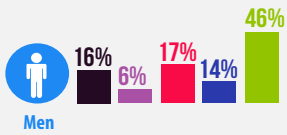
State of financial inclusion

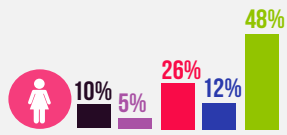
Access and usage of financial services



- % of adults using formal financial services
- % of adults using only informal financial services
- % of financially excluded adults

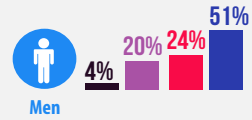
Savings strand

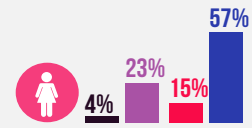




- Use formal savings mechanisms only
- Use both formal and informal savings mechanisms
- Rely on formal savings mechanisms
- Rely only on self for saving
- Do not save

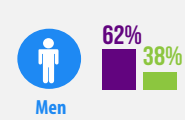
Credit strand

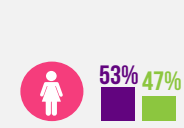




- Used only formal lenders
- Used only informal lenders
- Relied on family and friends
- Didn't borrow

Digital payment strand

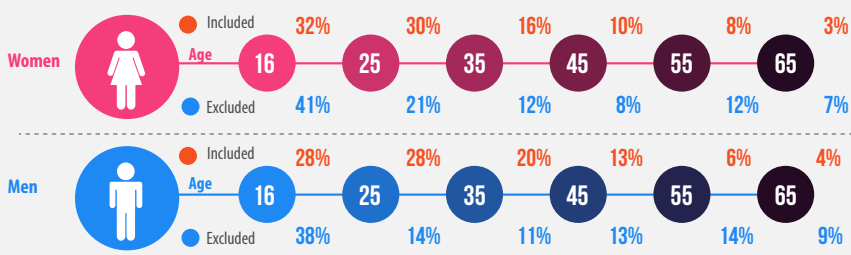




- Have/use digital payment mechanism
- Do not have/use

Demographics

Age ranges and percentage of the included and excluded adults



ACKNOWLEDGEMENTS

This research was made possible by funding from the Department for International Development (DFID). It was carried out by Financial Sector Deepening Uganda (FSDU), in partnership with the FinScope Secretariat at the Bank of Uganda (BoU), the Uganda Bureau of Statistics (UBOS) and the FinScope steering committee (see details below). Data collection was carried out by Ipsos Uganda. Yakini Development Consulting provided technical advice and drafted this report.

Steering committee members:

ACRONYMS

ATM	:	Automated teller machine
BoU	:	Bank of Uganda
FSDU	:	Financial Sector Deepening Uganda
FSP	:	Financial service provider
KYC	:	Know your customer
MDI	:	Deposit-taking microfinance institution
MFI	:	Microfinance institution
OTC	:	Over the counter
PPI	:	Progress out of Poverty Index
ROSCA	:	Rotating Savings and Credit Association
SACCO	:	Savings and Credit Cooperative Organisations
UBoS	:	Uganda Bureau of Statistics
VSLA	:	Village Savings and Loan Association

DEFINITIONS

Active usage – refers to having used a financial service in the 30-day period prior to the FinScope survey (with or without ownership).

Adult population – individuals aged 16 years or older.

Credit service/loan – money is provided upfront by a lender and repayment is expected to be carried out by the borrower in the future and according to agreed-upon repayment terms.

Financially excluded – those who do not have access to or use financial services (either formal or informal).

Financially included – those who do have access to or use financial services (either formal, informal or both).

Formal financially included population – those who have access to or use financial services provided by a formal financial service provider.

Formal financial service providers – financial service providers who are regulated or supervised, e.g. commercial banks, microfinance institutions (including deposit-taking institutions), Savings and Credit Cooperative Orgarnisations (SACCOs), credit institutions, cooperatives, mobile money service providers, insurance service providers, pension funds, capital markets, forex bureaus and money transfer institutions (such as Western Union and MoneyGram).

Formal financial services – financial services provided by formal financial service providers.

Inactivity – refers to having taken up a service but not having used it in the 30-day period prior to the FinScope survey.

Informal financially included population – those who use financial services provided by an informal financial service provider.

Informal financial service providers – financial service providers who are not regulated or supervised, e.g. savings groups, village savings and loan associations (VSLAs), rotating savings and credit associations (ROSCAs) and community-based money lenders and burial societies. Family and friends are not regarded as informal service providers.

Informal financial services – financial services provided by an institution or individual that is not regulated or supervised.

Insurance service – provides the user with a means to put aside money in order to receive financial protection or reimbursement when losses occur.

Men – male adult population (i.e. males aged 16 or older).

Payment service – provides the user with a means to move money from one wallet to another (this can be from person to person, person to business, business to person, person to government, government to person, business to government or government to business).

Saving service – provides the user with a means to put aside money for safe keeping.

Uptake – refers to having access to or using a financial service (e.g. opening an account with a service provider or using someone else's account).

Usage – refers to having used a financial service in the 12-month period prior to the FinScope survey (with or without ownership).

Women – female adult population (i.e. females aged 16 or older).

Young adults – those aged between 16 and 30.

A farmer in her garden in Luwero District. Photo Credit: Alice Nakagwa

INTRODUCTION

Money management, planning and the safe building of assets are core components of a larger set of economic and social skills needed to achieve a sustainable livelihood. In recent years, there has been a growing recognition of the obstacles women and young adults face in developing these abilities. Financial service providers (FSPs), however, are still failing to meet the needs of these sections of society. In the process, they are missing out on the potential benefits of developing the female and young adult economy.

The objective of this report is to use the data from the FinScope 2018 survey to explore the opportunities available to FSPs to provide services and products that meet the needs of women and young adults in Uganda.

FINSCOPE SURVEYS

The FinScope survey was developed by FinMark Trust. It was designed to determine how people manage their money and the extent to which they use financial services to do so, and to monitor changes in levels of financial inclusion over time. To facilitate higher levels of financial inclusion, FinScope also provides insights into the drivers of uptake and usage of financial services among different segments of the adult population, as well as insights into factors limiting uptake and usage within different population segments. FinScope is of value to both policymakers who wish to promote financial inclusion and improve the functioning of financial markets, and to private service providers who wish to develop strategies and design financial products that are relevant to customers.

Targeted EAs: 320 EAs

Achieved EAs: 316 EAs

Targeted sample: 3,200 respondents

Achieved sample: 3,002 respondents (94% response rate)

After weighting, the FinScope data represents an adult population of 18.6 million.

The first FinScope survey was carried out in Uganda in 2007. The second survey, which allowed an assessment of changes in the market, was conducted in 2009, and the third took place in 2013.

FinScope survey findings are crucial for stakeholders in Uganda's financial sector, particularly because they establish credible benchmarks of financial inclusion and insights into obstacles to growth. FinScope also informs both policy reform and innovation in service development and delivery, thereby helping to increase levels of financial inclusion.

FINSCOPE UGANDA 2018 OBJECTIVES

The 2018 survey had 3 main objectives:

- To track overall trends in financial inclusion, in order to provide information on how the landscape of inclusion has changed since 2007. This included benchmarking these trends against peer countries within the region.
- To provide insights that could be utilised both at policy and market levels to further deepen financial inclusion.
- To illustrate the financial service needs of the adult population of Uganda.

FINSCOPE UGANDA 2018 IMPLEMENTATION ARRANGEMENTS

The 2018 FinScope survey was commissioned by FSD Uganda. After an open tender, Ipsos Uganda was selected to conduct fieldwork and data collection. Yakini Development Consulting was selected to provide technical assistance during survey implementation, to analyse data and to write FinScope reports. A top-line findings report and four thematic reports have been written (on the themes of insurance, banking, gender and young adults, and informal inclusion). The Uganda Bureau of Statistics (UBoS) drew the sample, as well as validated and weighted the data from this study, making it representative of the Ugandan adult population of 18.6 million.

FINSCOPE UGANDA 2018 SAMPLING FACTS AND STATISTICS

A three-stage stratified sampling approach was used to achieve a representative sample of the adult population:

- The first stage of sampling looked at geographic representation. A sample of 320 enumeration areas (EAs) were selected using a 'probability proportional to size' (PPS) approach ensuring national, regional and urban-rural representativeness. EA sampling was conducted by UBoS.

- During the second stage of sampling, 10 households were selected at random from a comprehensive list of households in each sampled EA. The lists of households for each of the sampled EAs were compiled by Ipsos enumerators prior to conducting fieldwork. During this listing process, enumerators moved through each EA compiling a list of every structure and household.
- During the third stage of sampling, one adult from each of the 10 households was selected at random to be interviewed.
- The sampling approach ensured that results from the survey can be disaggregated by region and location setting (i.e. rural or urban), as well as by demographic attributes such as sex, socio-economic classification and main income-generating activity.

A group of youth providing spraying services in Luwero District.
Photo Credit: Alice Nakagwa

FINSCOPE UGANDA 2018 FINDINGS

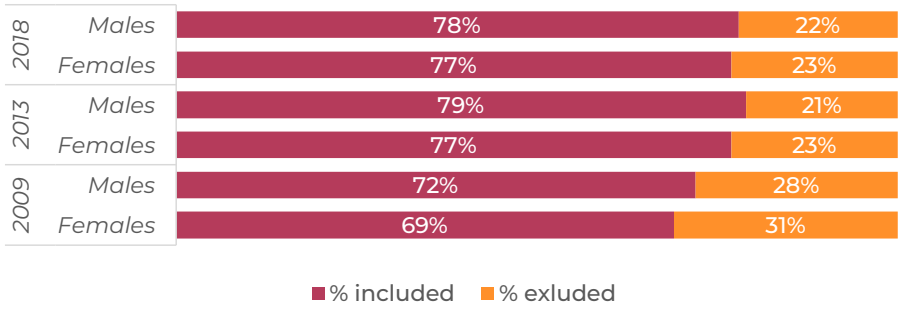
Gender and financial exclusion

There is hardly a gender gap in overall financial inclusion in Uganda. However, women are less likely than men, to be formally included.

The 10 million women in Uganda constitute 54% of the adult population, while 8.6 million men make up the remaining 46%.

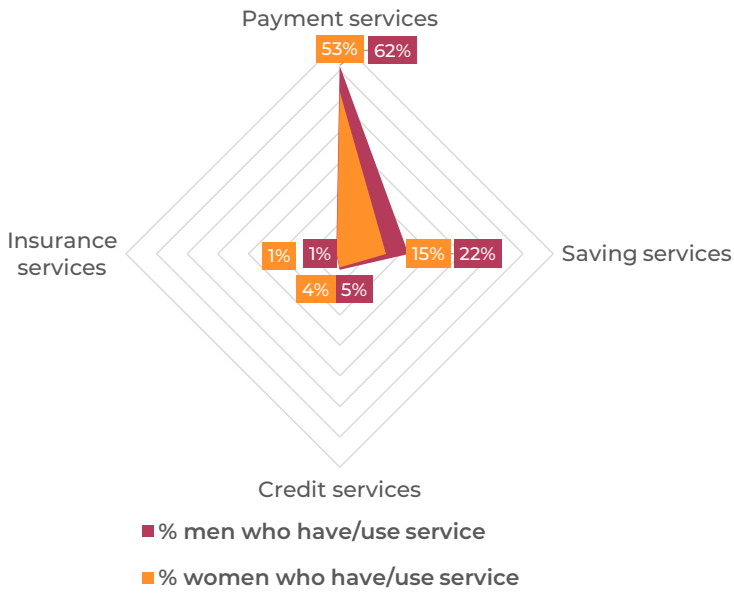
According to Figure 1, the level of financial exclusion dropped between 2009 and 2013 for both men and women (from 31% to 23% for women and from 28% to 22% for men). Since then, it has remained virtually constant. According to the 2018 FinScope survey, 23% of women (2.3 million) and 22% of men (1.9 million) are currently financially excluded.

Figure 1: Financial inclusion trends by gender



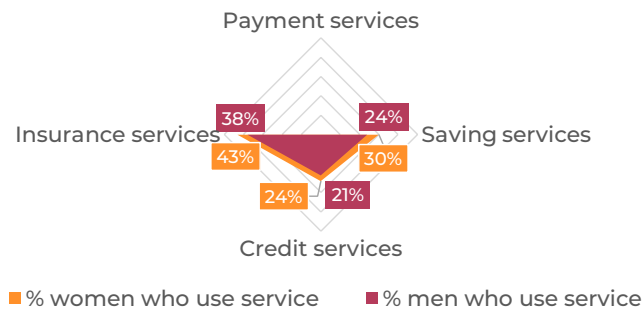
Uptake of formal financial services is largely restricted to payment and savings services for both men and women (Figure 2), with this trend particularly pronounced for men. When it comes to savings, credit and insurance, most Ugandans are relying on informal services.

Figure 2: Uptake of formal services per type of service



Following on from this, Figure 3 confirms that the most commonly used informal services are insurance, credit and savings.

Figure 3: Uptake of informal services per type of service



Gender and demographic profiles of excluded adults

Exclusion is highest in the rural areas for both women and men, who are predominantly young and have attained primary education.

Table 1 breaks down the distribution of financial exclusion across different sections of the Ugandan adult population. It is notable that both men and women who are financially excluded tend to share similar characteristics.

Most women who are excluded (87%) reside in rural areas. They are predominantly young, with 62% under the age of 36. Eighty-six per cent have attained at most primary school education, and the majority rely on activities that provide them with income on an irregular basis. Around two in five excluded women (39%) rely on other people to provide them with money or to pay for their expenses. Of these, 78% depend on a household member (spouse/partner or parents), 19% rely on a relative who is not a household member, and a further 3% depend on someone who is neither a household member nor a relative.

Similarly, most men who are excluded (83%) live in rural areas. Again, they are predominantly young (52% are under the age of 36) and the majority have attained no higher than primary school education. Twenty-two per cent depend on others for money (of these, 51% rely on a household member, 35% on a relative who is not a household member and 14% depend on someone who is neither a household member nor a relative).

Table 1: Characteristics of financially included and excluded adults by gender

Characteristic	% of included women	% of excluded women	% of included men	% of excluded men
Geographical setting				
Rural	69%	87%	79%	83%
Urban	31%	13%	21%	17%
Age category				
16 to 25 years	32%	41%	28%	38%
26 to 35 years	30%	21%	28%	14%
36 to 45 years	16%	12%	20%	11%
46 to 55 years	10%	8%	13%	13%
56 to 65 years	8%	12%	6%	14%
Older than 65 years	3%	7%	4%	9%
Education level				
Never went to school	16%	27%	6%	23%
Primary level	53%	59%	54%	67%
Secondary level	24%	14%	32%	10%
Specialised training	6%	0%	6%	0%
Tertiary	1%	0%	2%	0%
Main source of income				
Farmers/fishers	42%	39%	56%	48%
Casual labourers	11%	12%	18%	22%
Dependants	24%	39%	7%	22%
Business owners	12%	4%	7%	5%
Formal sector employed	3%	0%	5%	0%
Informal sector employed	2%	1%	2%	2%
KYC & connectivity				
Identity documents	86%	74%	89%	72%
Mobile phone ownership	57%	12%	69%	16%
Access to internet	10%	1%	16%	2%

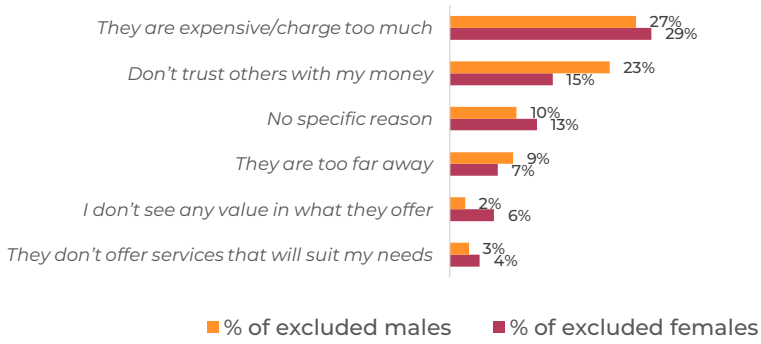
NOTE: 'Casual labourers' is a common term used to describe workers performing a variety of services, on a temporary or part-time basis. Casual labourers usually get paid on completion of their work, with wage levels varying from job to job. Adults from low-income households often perform casual labour to cope with unexpected expenses. Casual labour is different from being employed in the informal sector (e.g. working for the owner of an unregistered business or a farmer) in the sense that those employed in the informal sector receive wages (usually a fixed amount) on a regular basis.

Barriers to financial inclusion

The main barrier to inclusion for both males and females is a perception that financial services are expensive.

For both men and women, the most significant barriers to using financial services are their negative perceptions of such services. As illustrated in Figure 4, below, the most common negative perception is that financial services are too expensive, with nearly a third of both excluded men and excluded women believing as such. Interestingly, while lack of trust was the second most common barrier, women are less likely to be excluded for that reason than men. Other barriers cited included travel distance and a lack belief in the value offered by financial services.

Figure 4: Main barriers to financial inclusion

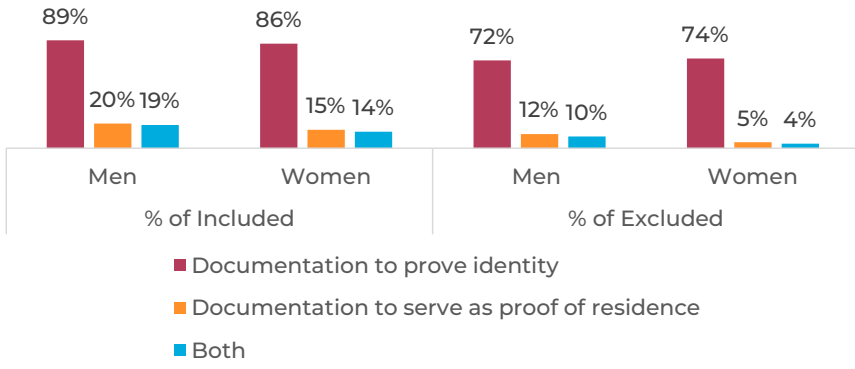


Whereas both income and education are significant drivers of formal inclusion, they are not drivers of informal inclusion. Notably, 30% of those who said they do not trust others with their money have no education, 57% have primary education only and 13% attained secondary education. Also, 21% of those who believe financial services are expensive are dependants and 52% are farmers, both of which are low-income categories.

Two other factors hindering the financial inclusion of women are lack of ability to meet 'know your customer' (KYC) requirements and lack of access to digital services. Findings summarised in Figure 5, show that women who are financially excluded have less capacity for meeting stringently enforced KYC requirements than women who currently use financial services. They are also less likely to be able to meet such requirements than financially excluded men.

Most Ugandans are able to provide identity documentation. This is due to extensive government action aimed at ensuring all Ugandans have national IDs. Significantly fewer, however, can provide proof of residence – there has been no government initiative in this case.

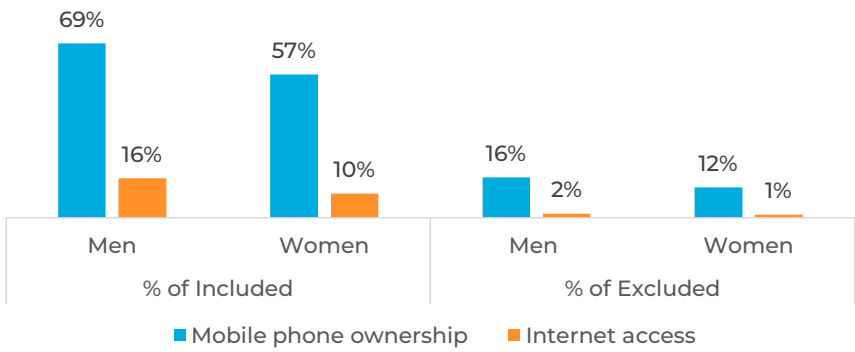
Figure 5: Capacity to meet KYC requirements



Findings from the FinScope survey show a positive relationship between digital connectivity (i.e. access to mobile phones and the internet) and financial inclusion. Figure 6 illustrates that financially included adults are more likely than those who are excluded to own mobile phones and have access to the internet. Over half of all women who are financially included own mobile phones, compared with only 12% of excluded women.

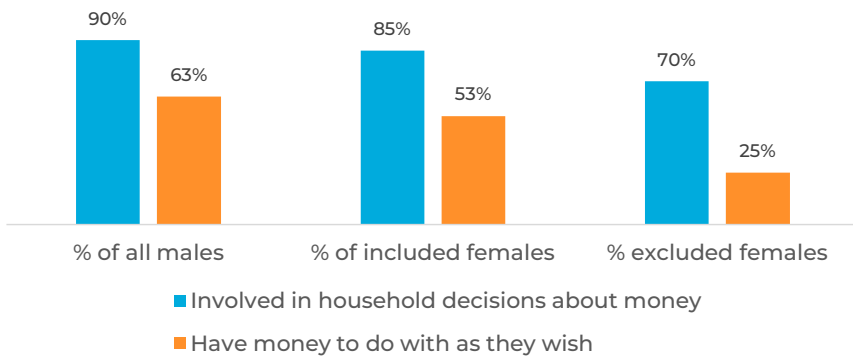
Men are more likely than women to own a mobile device or be connected to the internet. Sixty-nine per cent of men who are financially included own mobile phones, compared with 16% of excluded men; 16% of included men versus 2% of excluded men have internet access.

Figure 6: Capacity in terms of digital connectivity



In comparison with both included men and women, excluded women are less empowered in terms of household decision making and access to disposable income (Figure 7). Only 53% of included women and 25% of excluded women have money of their own to spend as they wish. While 33% of excluded women do not earn any income at all, 95% of those who do receive an income have to spend at least some of it on household expenses, while 5% are forced to give their income to a household member.

Figure 7: Empowerment of women



Of the 47% of included women who do not have access to disposable income:

- 48% are members of savings groups
- 42% have access to a digital service
- 30% actively use digital services

Gender, cash flow planning and risk management

Both women and women cope with sudden and unexpected expenses by borrowing.

Cash flow planning and management

Figure 8 illustrates that for both men and women, the most common ways of coping with low funds are to cut down on expenses and to work more or take on casual work. When faced with regular expenses or the prospect of running out of money, women are more likely than men to ask family or friends for assistance.

Figure 8: Coping with regular expenses and running out of money

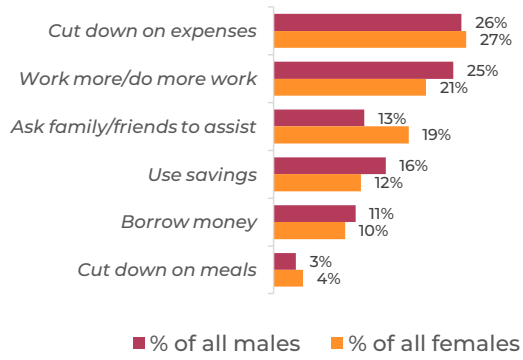
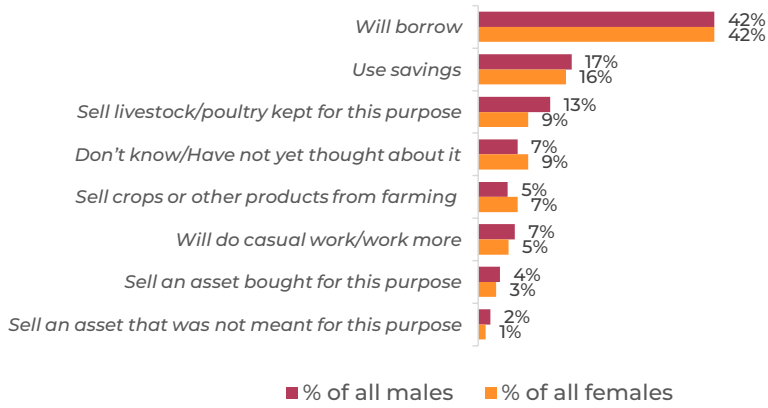


Figure 9 shows that there are no significant differences between men and women regarding their strategies to cope with sudden and unexpected expenses. For both, the most common coping strategy is to borrow money.

Figure 9: Coping with sudden unexpected expenses in near future

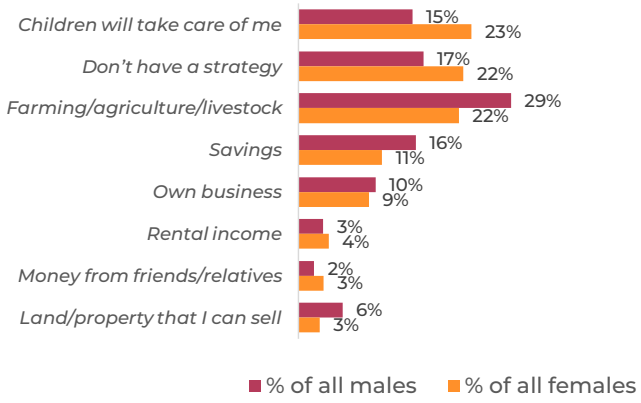


Future financial security and risk management

Analysis of financial security strategies reveals that 22% of women do not have a strategy to ensure financial security in old age. Twenty-three per cent of women are planning to rely on their children to take care of them. Another 22% will rely on farming activities to generate income (compared with 29% of men).

Further analysis shows that, as would be expected, those based in rural areas are more likely to plan to rely on farming activities for money than their urban counterparts, while the latter are more likely to plan to rely on savings and/or business income.

Figure 10: Future financial security strategies



Asset building

In terms of their aspirations to build assets, Figure 11 shows that the only significant difference between Ugandan men and women is that men are more likely to aspire to buy a car or other means of transport than women. The most common aspiration is to own land or a farm, while just under a fifth of men and women hope to own a house (the latter trend being more pronounced among those in urban areas).

Figure 11: Asset-building aspirations

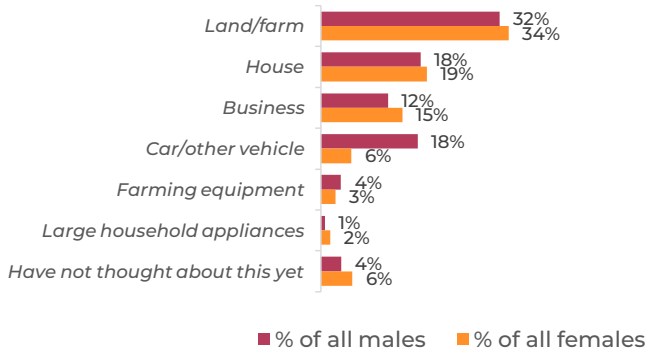
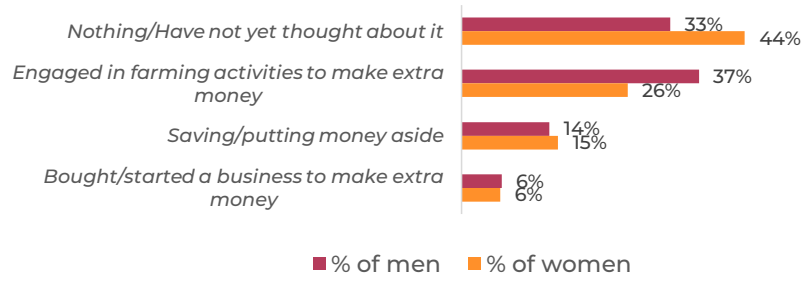


Figure 12, illustrates that men are more likely than women to think about how they will finance their aspirations for asset building. The most common strategy to do so is to earn money from farming, which is, as expected, particularly pronounced among those based in rural areas. People in urban areas are more likely to save for the assets they aspire to obtain.

Figure 12: Financial strategies for asset buidling



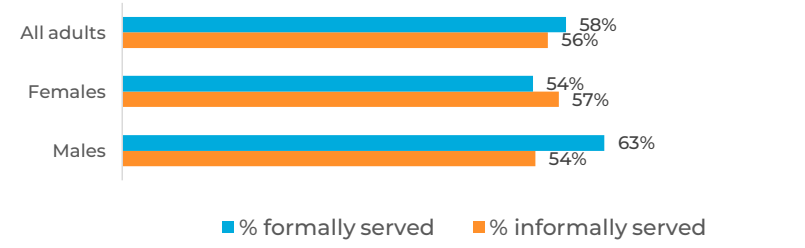
Notably, farming is the main source of income for the 15% of women who would save money for an asset. It is also possible that in certain instances, they depend on someone else to give them money.

Gender and financial inclusion

The 2013 FinScope study revealed that women (48%) were less likely than men (57%) to be formally included. As Figure 13 shows, while the nine-percentage-point gap between the two has remained, the level of formal inclusion has increased for each by 6%.

Men are more likely to be formally included than informally included (63% versus 54%). For women, however, there is no significant difference between those two categories of inclusion.

Figure 13: Formal and informal inclusion by gender



According to the FinScope findings summarised in Figure 14, group membership and shop credit drive uptake of informal financial services for both men and women. Women are, however, more likely than men to be members of savings groups/VSLAs.

Figure 14: Uptake of informal services by gender

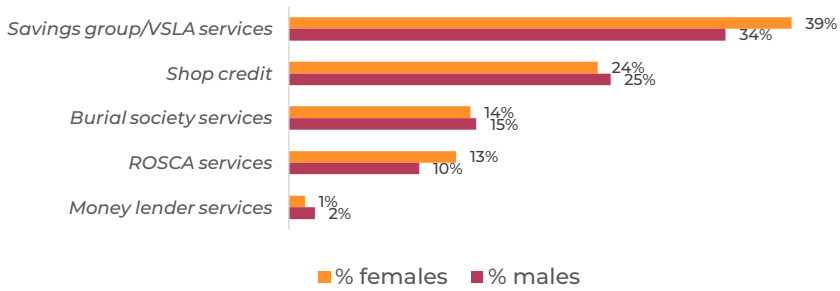
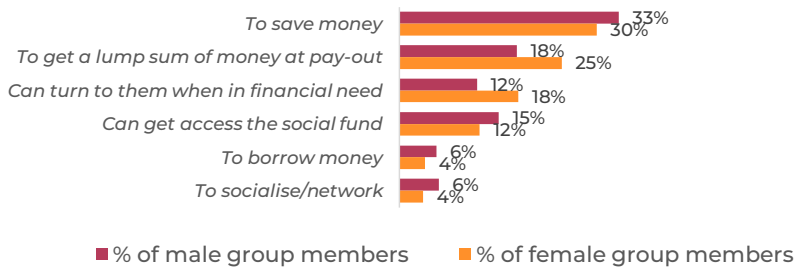


Figure 15, below, demonstrates that the main drivers of group membership are both the desire to save and the desire to get access to a lump sum of money when savings are paid out. This is the case for both men and women. Women are, however, more likely than men to join groups in order to access a lump-sum pay-out. Although there is no clear evidence to explain why women seem to prefer informal to formal financial services, women's preferences of informal services could be attributed to interventions like those promoting VSLAs, which may have mainly focused on women.

Figure 15: Main drivers of group membership by gender



Group membership is valued as it helps with saving money and keeping it safe, while mobile money services ensure users can send and receive money safely.

Gender and uptake of formal financial services

Although formal financial inclusion tends to be driven by mobile money, women are less likely to have access to mobile money services than men.

Formal financial inclusion tends to be driven by mobile money. Women, however, are less likely to have access to mobile money services than men; only 52% of women use mobile money, whereas 61% of men do (Figure 16).

Figure 16: Uptake of formal financial services per provider by gender

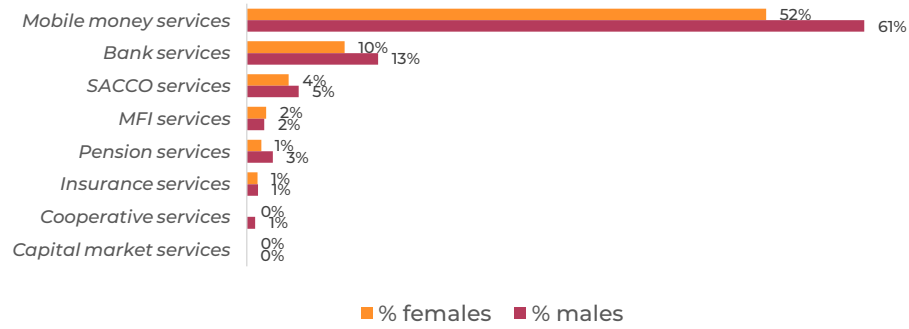
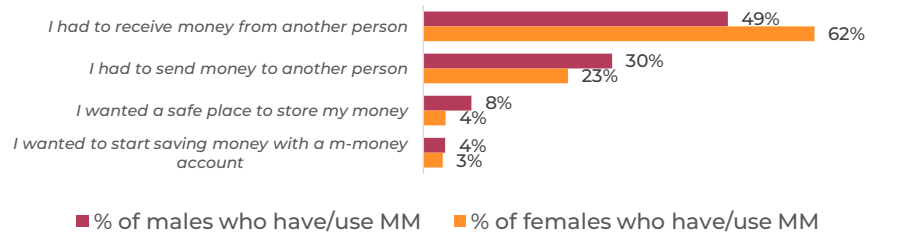


Figure 17 shows that remittances are the main driver of mobile money uptake among both men and women. Sixty-two per cent of women and 49% of men who use mobile money services started doing so because they had to receive money from another person. An additional 23% of women and 30% of men started using mobile money because they wanted to send money to someone else.

Figure 17: Main drivers of uptake of mobile money services



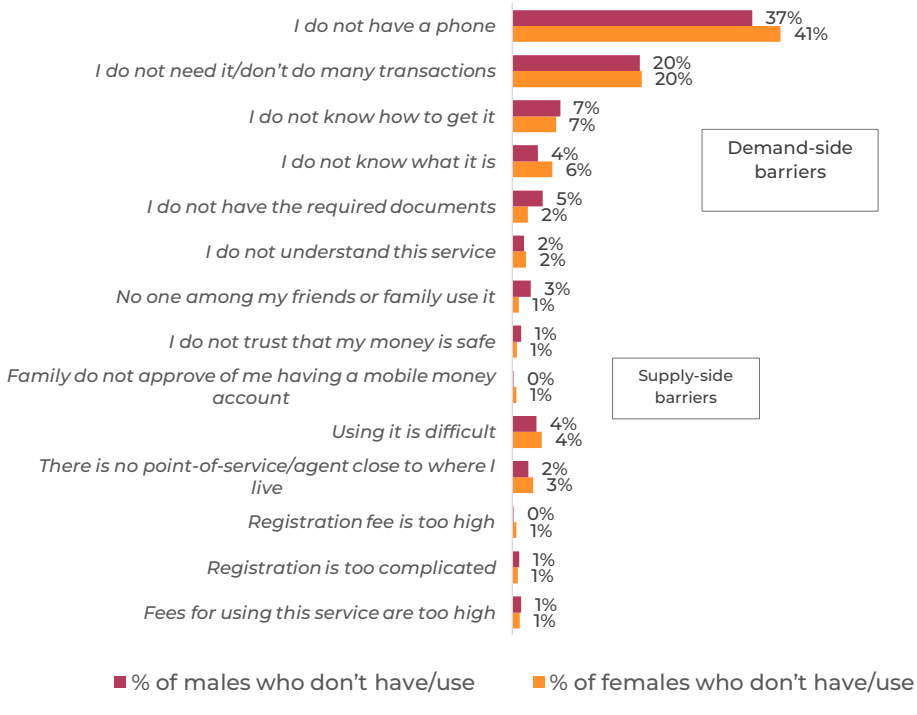
Barriers to uptake of mobile money services

There are many barriers to uptake of mobile money services. The main barrier, cited by 41% of women and 37% of men who don't use mobile money, is not owning a mobile phone. The next most cited barrier was not carrying out enough transactions to warrant using mobile money services (as reported by 20% of women and 20% of men). In terms of supply-side barriers, perceptions regarding difficulty of use and proximity to an agent were the most commonly cited among both men and women.

Notably, 50% of adults with no mobile phone are informally included. To break this down by sex, 52% of women and 44% of men with no phones are informally served.

Rural-based Ugandans are more likely than those in urban areas to lack understanding of mobile money services and how to access to them, while younger adults more likely than older adults to not own a phone.

Figure 18: Main barriers to uptake of mobile money services by gender

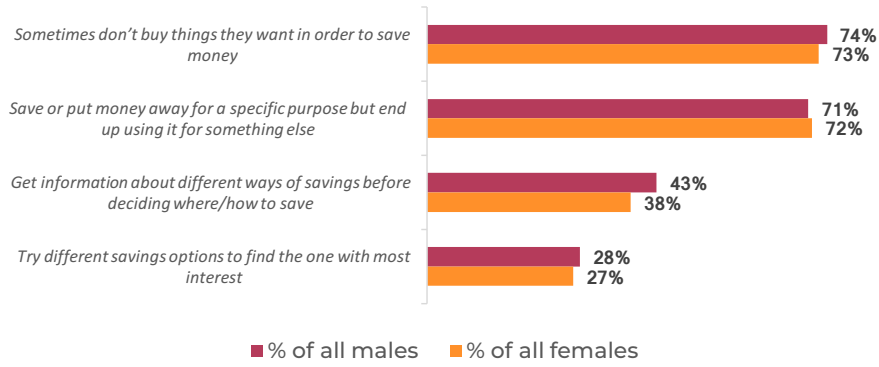


Mobile money is an electronic wallet service which allows users to store, send and receive money using their mobile phone. To register for a mobile money account, a user receives a message asking to them to register, and follows the prompts to do so.

Gender and uptake of savings services

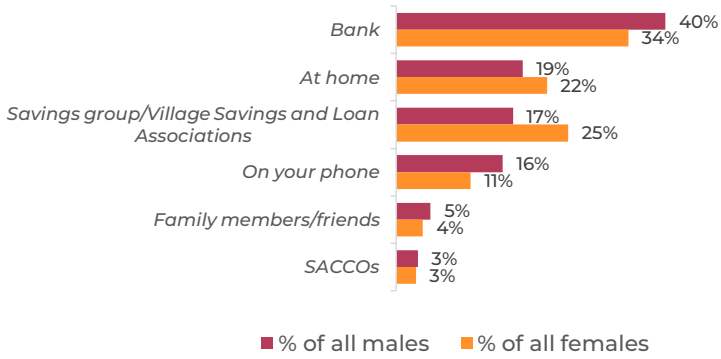
There are no significant differences between men and women regarding their attitudes towards saving (Figure 19), although men are more likely to carry out research about different ways of saving before making a decision.

Figure 19: Savings attitudes by gender



Around a third of women and two-fifths of men believe their savings are safest with a bank (Figure 20). The next most common choice among women was a savings group or VSLA, while for men, it was saving at home.

Figure 20: Perceptions regarding safest savings mechanism by gender

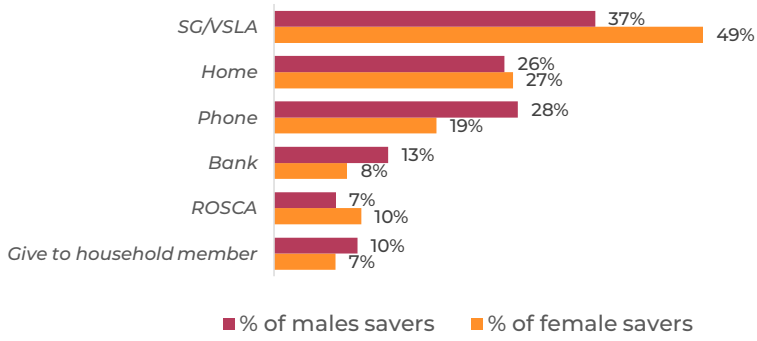


Notably, while 40% of males and 34% of females believe banks are the safest way to save, only 13% of men and 10% of women actually make use of these services. This is compared to 52% of women and 61% of men using mobile money services (Figure 16).

Fifty-five percent of men and 53% of women reported saving money in some form. Figure 21 presents the methods used by those who save,

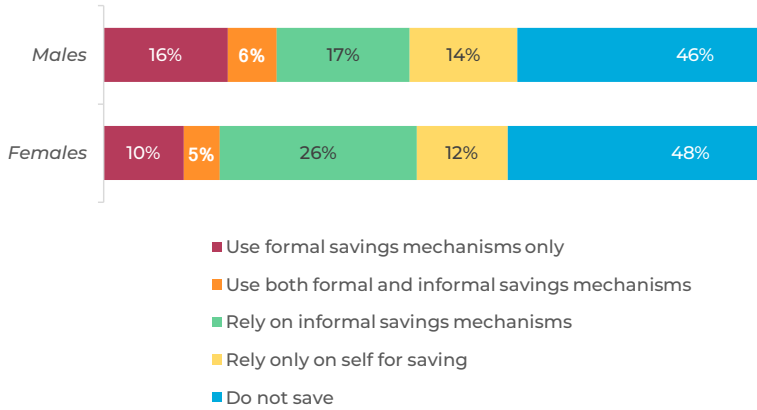
revealing that the most popular choice for both men (37%) and women (49%) is to save with a savings group or VSLA (again, this is despite a majority reporting that they regard banks as the safest way to save).

Figure 21: Savings mechanisms used by gender



The findings illustrated in Figure 22 reveal that men are more likely to use formal savings mechanisms than women, while women are more likely than men to rely on informal methods (such as savings groups and ROSCAs).

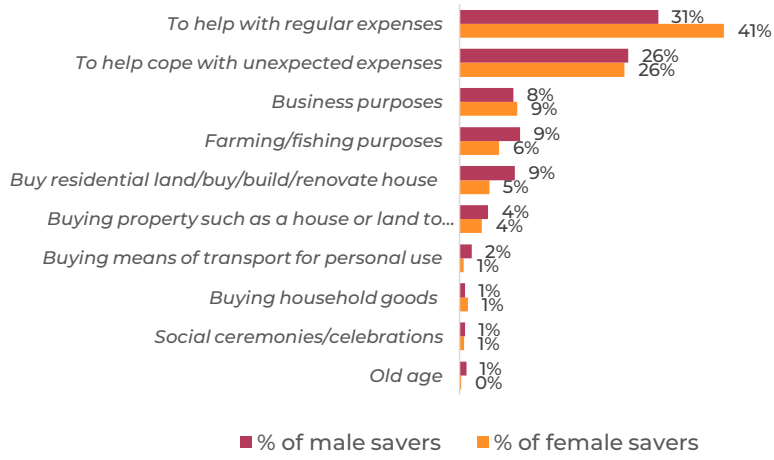
Figure 22: Savings strand



Smoothing cash flow is the most significant driver of the savings behaviour of Ugandan men and women; more than 60% of female savers and more than half of male savers save for this purpose (Figure 23). Saving for this reason also implies that most adults are saving for consumption, rather than investment.

It is therefore not surprising that the most significant driver or criterion for choosing a savings method is the ease with which savings can be accessed.

Figure 23: Drivers of savings behaviour by gender

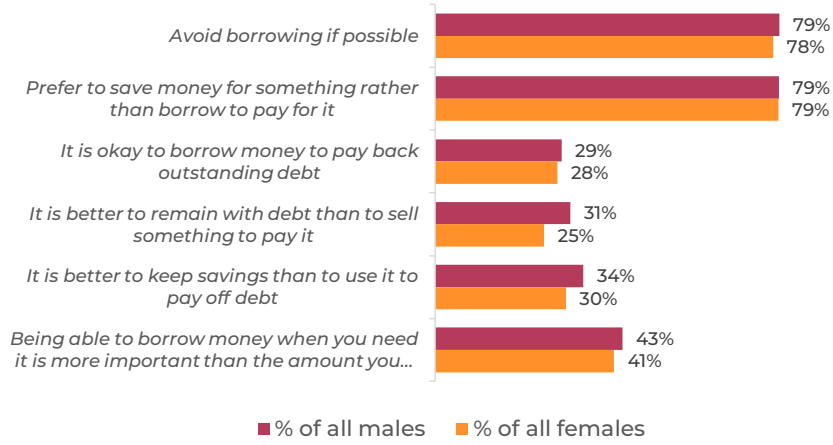


Gender and uptake of credit services

As indicated by the findings summarised in Figure 24, there are no differences between women and men regarding their attitudes to credit, except that men are more likely than women to prefer to remain in debt than to sell something to pay it off. It is also important to note that:

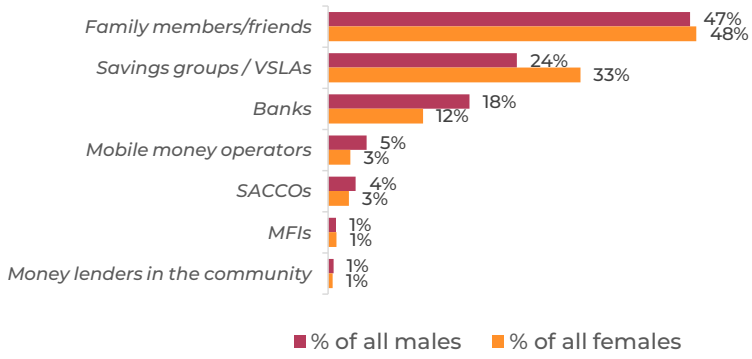
Most Ugandans avoid borrowing if possible; they prefer to save for something rather than to borrow to pay for it. Almost half of Ugandans regard being able to borrow money as more important than the amount they have to pay back when interest is charged.

Figure 24: Attitudes to borrowing by gender



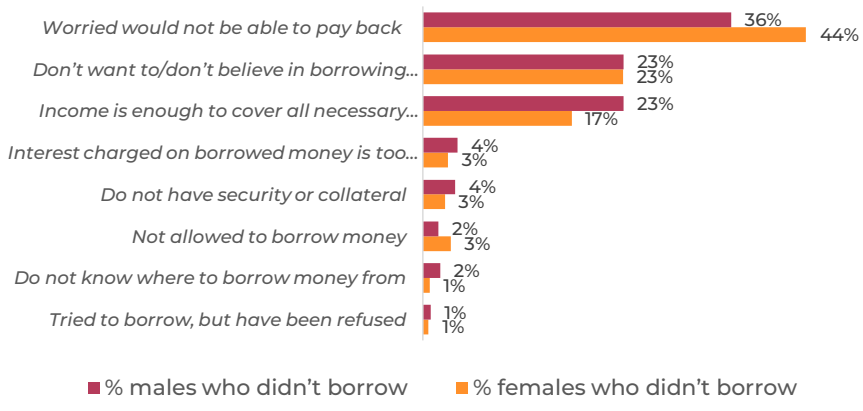
When it comes to borrowing, Ugandans – men (47%) and women (48%) alike – feel most confident borrowing from family and/or friends (Figure 25), followed by borrowing from savings groups. Women (12%) feel more confident borrowing from savings groups/VSLAs and less confident about borrowing from banks than men (18%).

Figure 25: Lenders Ugandan have most confidence to borrow from



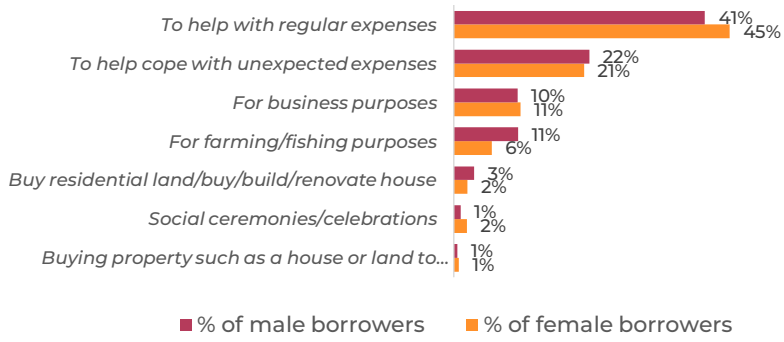
Ugandan women (43%) are less likely than men (49%) to borrow. The most significant barrier to borrowing for both men and women is their concern that they will not be able to pay back the money they borrowed, followed by a lack of belief in borrowing in general (Figure 26). Women are more risk averse than men; 44% of women don't borrow because they are concerned about not being able to meet the repayment terms, compared with 36% of men.

Figure 26: Main barriers to borrowing by gender



Borrowing behaviour is, like savings behaviour, driven by a need to smooth cash flow. Choice of lender, therefore, is based on how quickly money can be accessed (Figure 27).

Figure 27: Main drivers of borrowing behaviour



As is illustrated by the findings summarised in Figure 28, most borrowers borrow from family members, friends and/or savings groups/VSLAs, irrespective of gender.

Figure 28: Lenders used

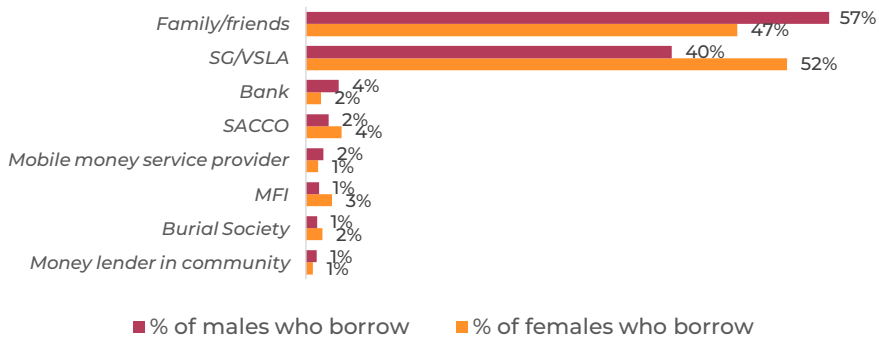
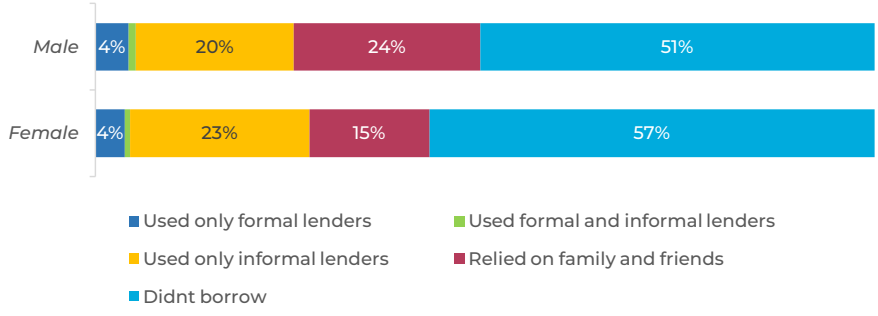


Figure 29 illustrates that men are more likely than women to borrow from (and rely on) family/friends, while women are more likely to borrow from savings groups (and therefore to rely on informal lenders) than men.

Figure 29: Credit strand by gender

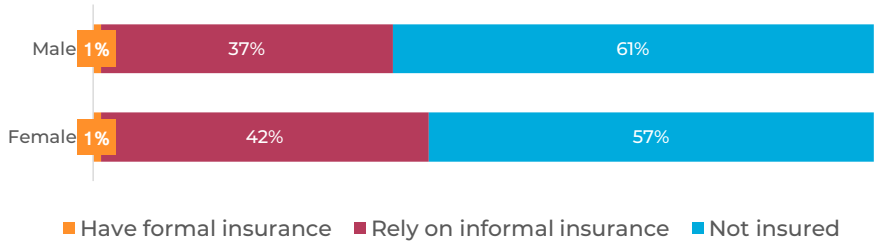


Gender and uptake of insurance services

In Uganda, only 1% of adults have formal insurance. Both men and women rely mainly on informal mechanisms to protect themselves against financial risks.

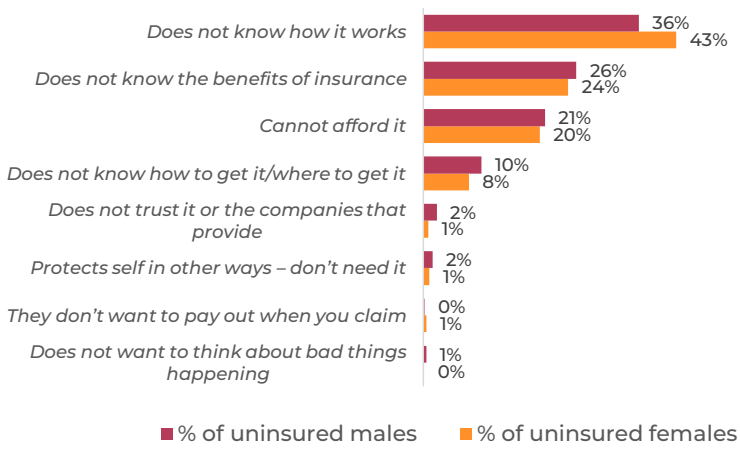
Women are more likely than men to be insured (albeit informally – Figure 30). Women who are excluded from formal insurance services protect themselves against unexpected expenses through their savings and borrowing behaviour.

Figure 30: Insurance strand by gender



According to the findings summarised in Figure 31, barriers to insurance uptake among the uninsured are mostly related to a lack of understanding of how insurance works, and the benefits thereof. Women are more likely than men to lack understanding of how insurance works.

Figure 31: Main barriers to insurance uptake by gender

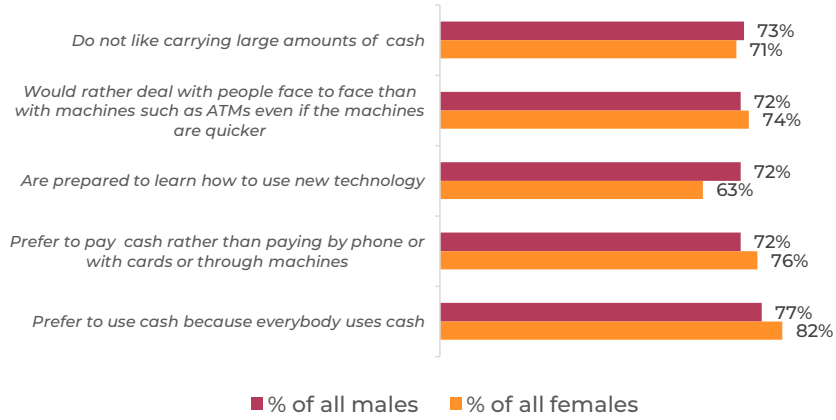


Gender and uptake of digital payment services

Men are more likely than women to access digital payments as women are less likely to have digital payment accounts.

Women are significantly less likely than men to be prepared to learn to use new technology and slightly more likely to prefer to deal with people rather than technology regarding money matters (Figure 32). They are also more likely than men to prefer to pay for something using cash rather than digital payment systems, even though they are equally likely to claim that they do not like to carry large amounts of cash.

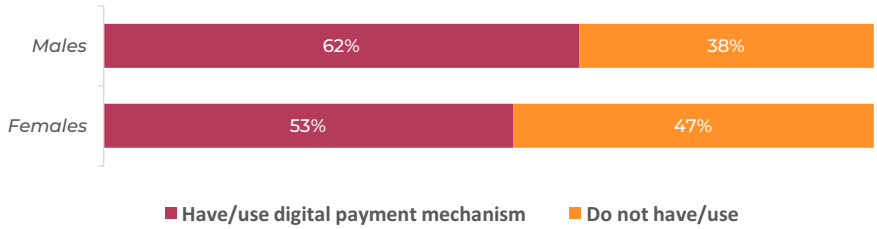
Figure 32: Attitudes to technology and cash



Men are more likely than women to access digital payment systems (Figure 33). Women are less likely to have a digital payment account (38% of women versus 50% of men), as well as to use the account for payments (only 27% of women are active users of digital services, as opposed to 36% of men).

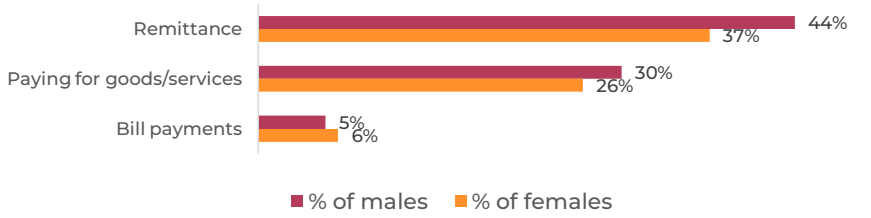
Those in urban areas are significantly more likely to be active users of digital services than their rural counterparts (54% of urban adults use digital services, versus 25% of rural adults).

Figure 33: Digital payment strand



Usage of digital payment systems by both men and women is driven first and foremost by remittances, closely followed by payment for goods and services (Figure 34).

Figure 34: Drivers of digital payment by gender



Young adults

There are 8.8 million adults aged between 16 and 30 in Uganda. Most of them – 70% – reside in rural areas, 57% of them are female, and they are relatively well-educated, with 32% having obtained secondary education and 7% tertiary. Around a quarter (26%) do not generate their own money, relying on others to pay their expenses. The rest rely mainly on irregular sources of income.

As it stands, 23% of young adults (2 million) are financially excluded. Table 2 presents an overview of both the excluded and included sections of Uganda's young adults, broken down by various demographic factors. Among other things, it reveals that excluded young adults are most often rural-based and less educated than those who use financial services. They are also more likely to depend on others for money or to pay their expenses.

Table 2: Geographic and demographic profiles of financially included and excluded youth

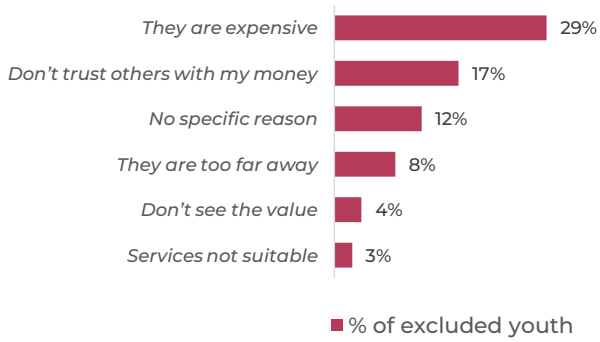
Characteristic	% of included youth	% of excluded youth
Geographical setting		
Rural	66%	83%
Urban	34%	17%
Gender		
Male	43%	42%
Female	57%	58%
Education level		
Never went to school	5%	8%
Primary level	50%	73%
Secondary level	36%	19%
Specialised training	7%	0%
Tertiary	2%	0%
Main source of income		
Farmers/fishers	37%	35%
Casual labourers	16%	19%
Dependants	22%	38%
Business owners	11%	5%
Formal sector employed	5%	0%
Informal sector employed	4%	2%
KYC & connectivity		
Identity documents	81%	58%
Mobile phone ownership	64%	14%
Access to internet	20%	3%

Barriers to financial inclusion for young adults

Nearly one quarter of young adults are financially excluded because of a common perception that services are expensive.

As with inclusion by gender, barriers to financial inclusion among young adults include both supply- and demand-side factors. Figure 35 shows that 29% of excluded young adults believe financial services are too expensive, while an additional 8% regard these services as too far from where they live. Seventeen per cent reported that they do not trust others with their money, while 12% gave no specific reason for their exclusion. Just four per cent see no value proposition, while only 3% believe the services on offer are not suitable to their needs.

Figure 35: Barriers to inclusion: young adults



The findings summarised in Figure 36 show that excluded young adults have less capacity than those who are included to meet 'know your customer' requirements where enforced. Whereas 81% of included young adults have documentation to prove their identity, only 58% excluded young adults have such documentation.

Figure 36: Young adults' capacity to meet KYC requirements

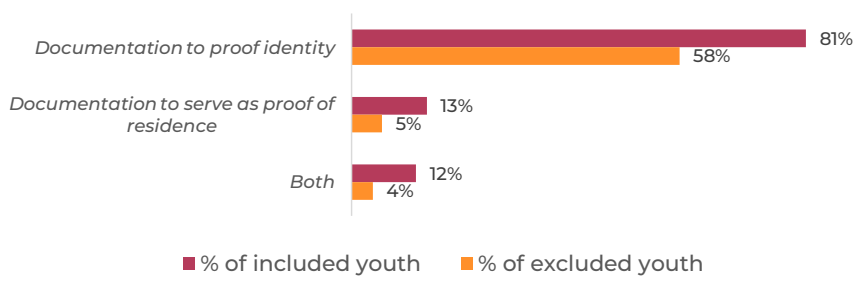
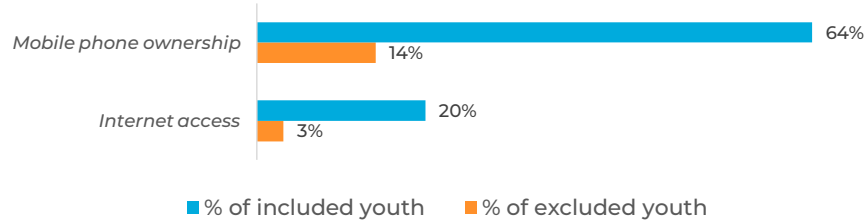


Figure 37 illustrates capacity for digital connectivity among young adults. Only 14% of those who are excluded have mobile phones, as opposed to 64% of those who are included – while only 3% of excluded young adults have access to the internet.

Figure 37: Digital connectivity capacity



Money management strategies among young adults

Cash flow management

Almost half of young adults (48%) claim to keep track of their expenses and the amount of money they have available. In terms of coping with regular expenses between cash inflows (Figure 38), young adults are most likely to either cut down on their outgoings or take on more work when they are in danger of running out of money.

Figure 38: Coping with regular expenses when running out of money between cash inflows

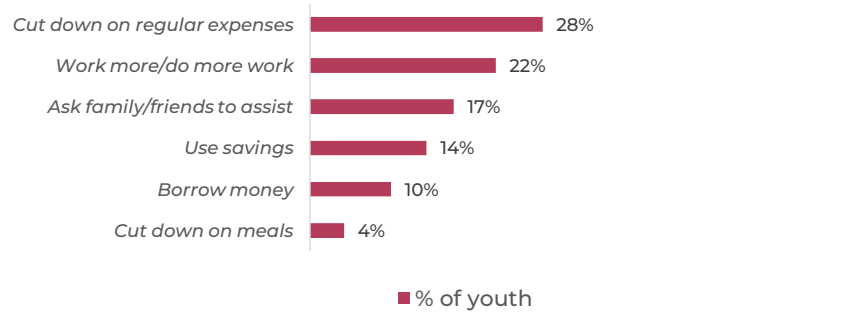
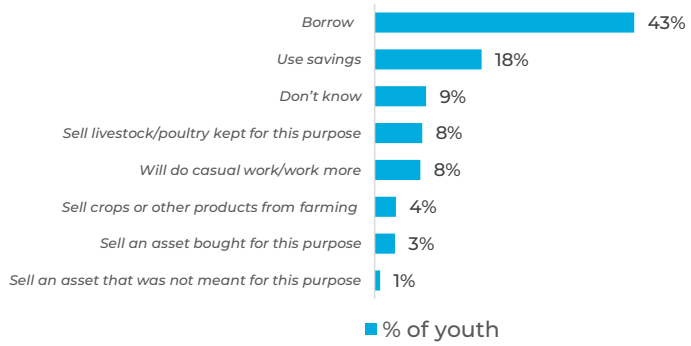


Figure 39 shows that 43% of young adults cope with sudden, unexpected expenses by borrowing. An additional 18% use their savings in such situations.

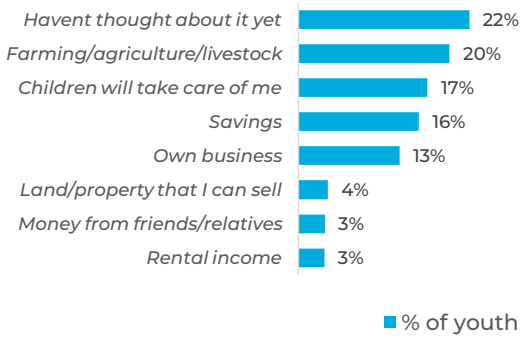
Figure 39: Coping with sudden, unexpected expenses



Future financial security

The findings summarised in Figure 40 show that 22% of young adults have not yet thought about a long-term strategy for financial security. Those who have are most likely to plan to rely on farming activities (with farming being their current main income source).

Figure 40: Future financial security strategies



Asset building

The most common asset-building aspiration among young Ugandan adults is to own land and/or a house to live in (Figure 41).

Figure 41: Asset-builing aspirations

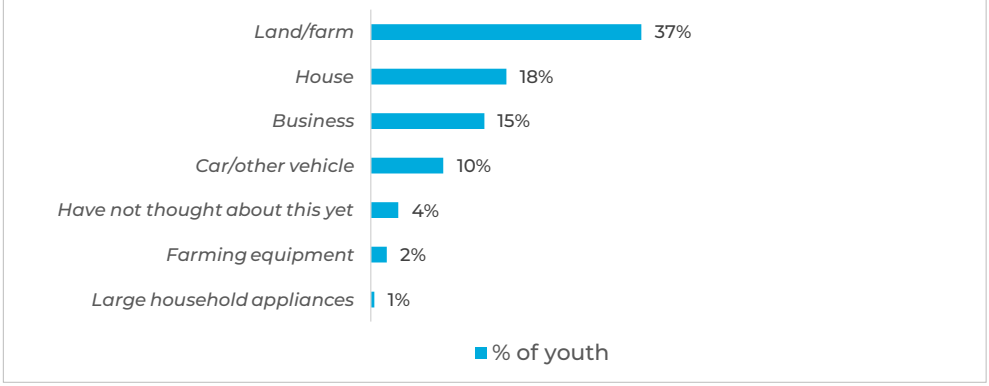
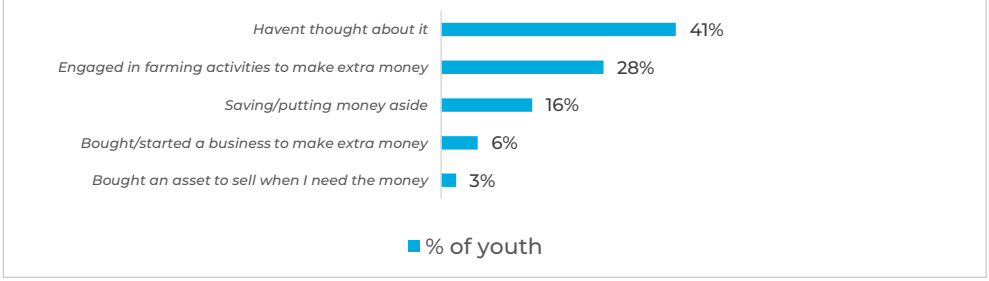


Figure 42 shows that around two in five young adults have not yet thought about strategies to finance their aspirations for asset building.

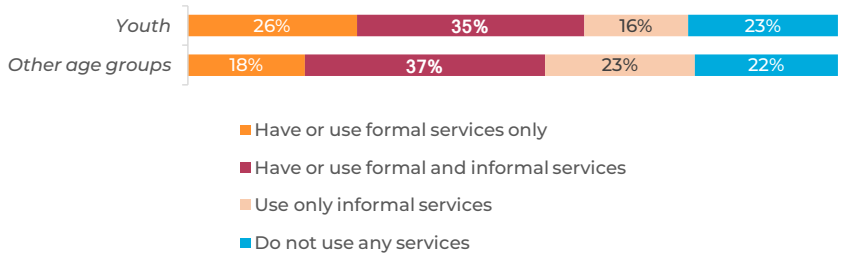
Figure 42: Financing asset aspirations



Young adults and financial inclusion

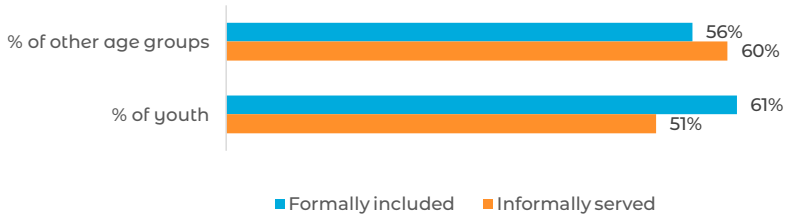
Over three-quarters of Ugandan young adults are financially included (Figure 43). Notably, 61% of young adults access formal financial services, compared to 55% of older adults.

Figure 43: Financial access strand by age group



According to the findings summarised in Figure 44, 61% and 51% of young adults are formally and informally included respectively, compared with 56% and 60% of older adults. There is therefore a higher level of formal inclusion among younger adults.

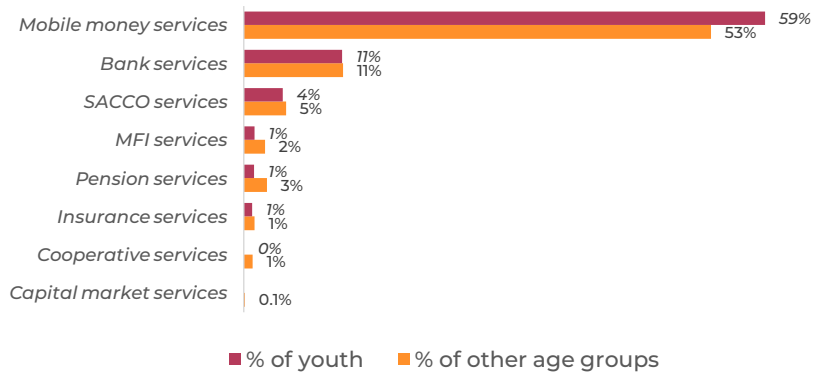
Figure 44: Formal and informal inclusion by age group



An Agent Banking kiosk in Kampala. Photo Credit: FSDU

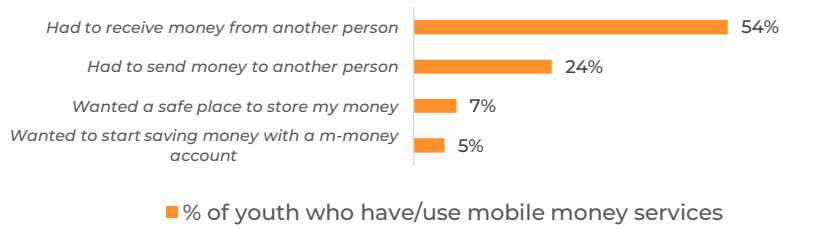
Figure 45 shows that for all age groups, formal financial inclusion is driven by uptake of mobile money services. Notably, 59% of young adults have or use mobile money services, compared to 53% of other age groups.

Figure 45: Uptake of formal financial services per provider by age group



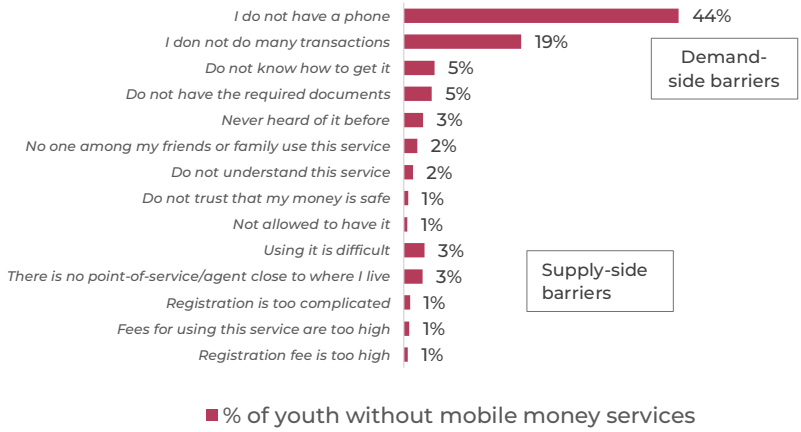
Remittances are the main driver of uptake of mobile money services among young adults, while saving is a secondary driver. It is notable that 54% of young adults who have or use mobile money services started using them because they had to receive money from another person. An additional 24% started using mobile money because they wanted to send money to someone else, and just 12% were motivated by saving (Figure 46).

Figure 46: Main drivers of uptake of mobile money sevices



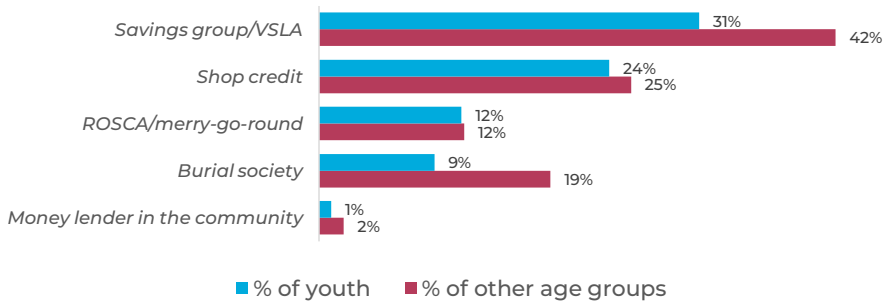
More than 90% of young adults who do not use mobile money services cite demand-side barriers as the main reasons for this. This is demonstrated by the fact that 44% do not have a phone and 19% said they do not have a need for an account. The perception that mobile money services are difficult to use and the time it takes to travel to an agent are seen as being the most significant supply-side barriers (Figure 47).

Figure 47: Barriers to uptake of mobile money services among young adults



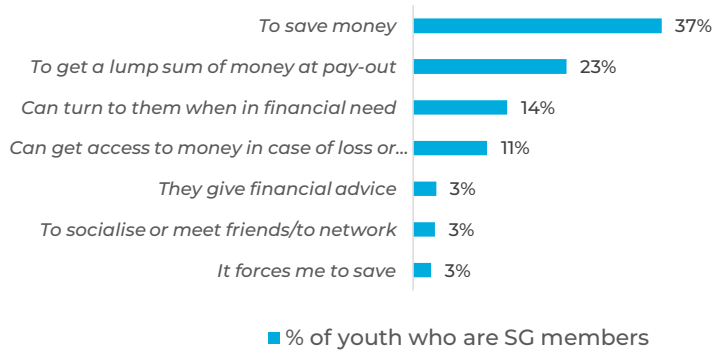
According to the findings summarised in Figure 48, group membership and shop credit also drive informal inclusion among young adults, just as they do among women. Young adults are, however, less likely to be in a savings group than those older than them, and also less likely to be members of a burial society.

Figure 48: Uptake of informal services by age group



Saving and getting access to a lump sum of money are the main drivers of group membership for young adults, while protection against financial risk (i.e. insurance) is a secondary driver (Figure 49).

Figure 49: Drivers of group membership among young adults



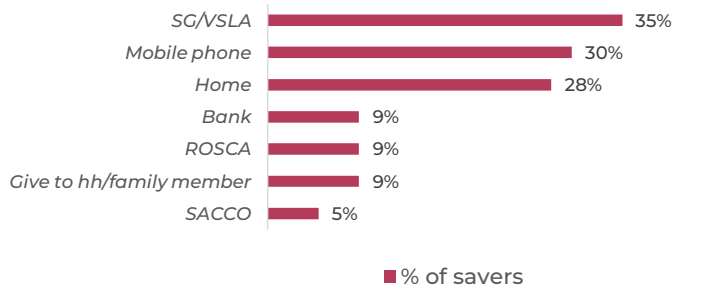
Young adults and uptake of financial services

5 among 10 young adults save, mainly to smoothen cashflow and hence prefer saving products which allows quick access to the savings.

Young adults and uptake of savings services

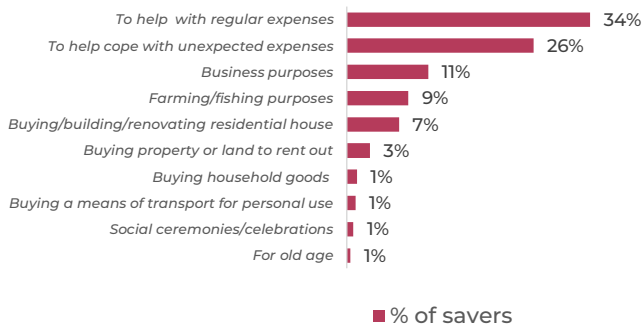
More than half (54%) of young adults in Uganda save. Although 38% of young adults regard saving with a bank as being the safest method, they are still most likely to save with a savings group (35%) or on their phones (30%) as shown in Figure 50.

Figure 50: Main savings mechanisms used by young adults



Youth savings behaviour is driven by a need to smooth cash flow (living and/or education expenses; (Figure 51) and therefore they tend to choose a savings method based on how quickly they can access their money.

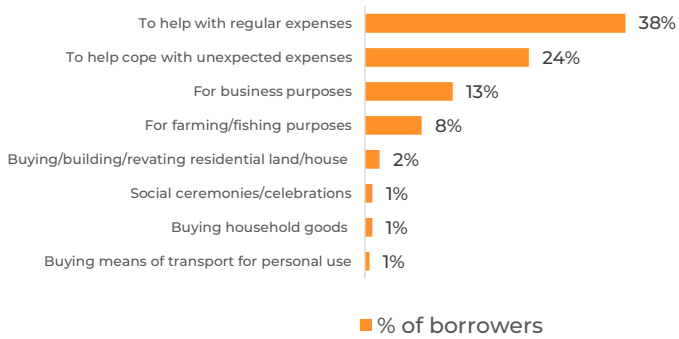
Figure 51: Drivers of savings behaviour of young adults



Young adults and uptake of credit services

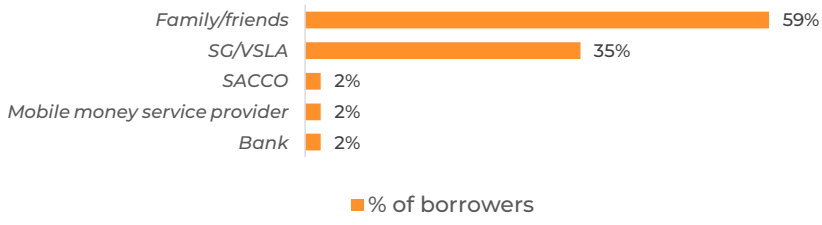
According to Figure 52, young adults borrow to finance regular expenses (38%), unexpected expenses (24%), for business purposes (13%) and to finance farming activities (8%). They choose a lender based on how quickly they will be able to access the money. Borrowing, like saving, is most often driven by a need to smooth cash flow.

Figure 52: Drivers of borrowing behaviour among young adults



According to the findings summarised in Figure 53, most young adults who borrow access such services from family members or friends (59%), or from savings groups/VSLAs (35%).

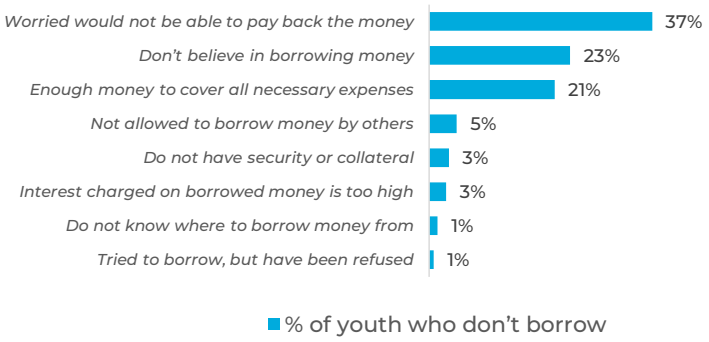
Figure 53: Lenders used by young adults



A lady carrying her produce to the market in Buyende District. Photo Credit: Alice Nakagwa.

Young adults who don't borrow are mainly concerned that they will not be able to pay back the money they borrowed. Furthermore, just under a quarter don't believe in borrowing, while 21% said that they have enough money to cover their expenses and do not need to borrow (Figure 54).

Figure 54: Barriers to borrowing: young adults

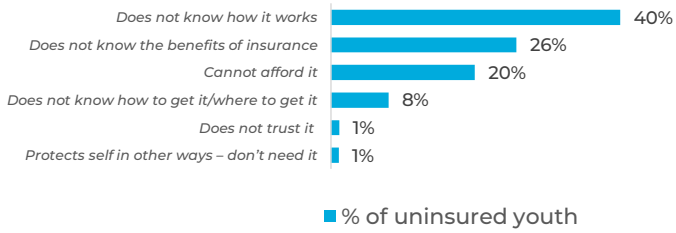


Young adults and uptake of insurance services

As with with older Ugandans, penetration of insurance is low among young adults. Only 1% of them have formal insurance, while 34% rely on SACCOs and savings group or burial society membership for protection in times of need.

According to the findings summarised in Figure 55, barriers to insurance uptake among young adults are mostly related to a lack of understanding of how insurance works and the related benefits. One in five uninsured young adults believe they cannot afford insurance.

Figure 55: Barriers to insurance uptake among young adults



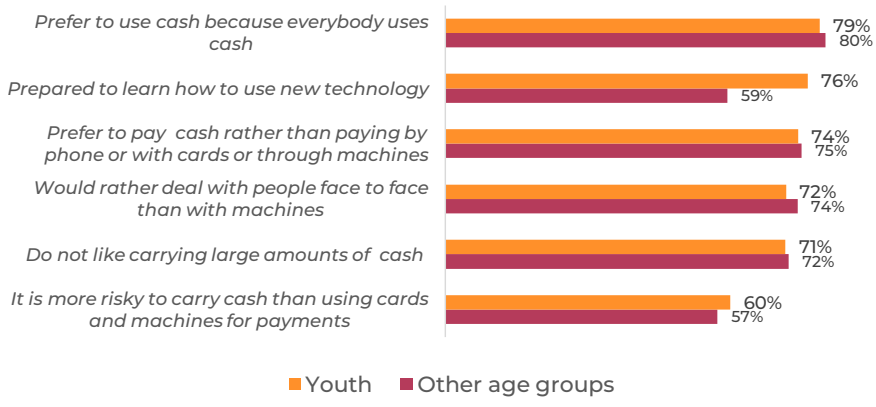
Young adults and uptake of digital payment services

Nearly 5 out of 10 young adults in Uganda have a digital payment account and are willing to learn new technologies.

Almost half (47%) of young adults in Uganda have a digital payment account. Just over half use a digital system for remittances, 31% use one for the payment of goods and services and 7% use a digital account for bill payments.

Figure 56 provides an overview of attitudes towards technology and cash among both younger and older adults. The only notable difference in attitude between the two is with regard to willingness to learn new technology; 76% of younger adults are prepared to to do so, compared with only 59% of older adults.

Figure 56: Attiudes towards technology and cash by age group



CONCLUSIONS AND RECOMMENDATIONS

Dealing with perception regarding costs of financial services is likely to break gender differences in inclusion as well as include more young people.

Women

There are 10 million women above the age of 16 in Uganda. Nearly three-quarters of them (73%) live in rural areas. They tend to be relatively uneducated and reliant on irregular sources of income. More than a quarter of women do not generate their own money, relying instead on others, such as a spouse or relative, to pay their expenses.

One in five women is financially excluded. Financially excluded women are even more likely to be rural-based (87%), are relatively young (41% are under 26) and tend to be less educated than women who use financial services. Financially excluded women are also more likely to depend on others for money than those who are included.

The most significant barriers to financial inclusion among women are **supply-side** perceptions. Nearly a third of excluded women believe financial services are too expensive, 7% believe services are situated too far from where they live, 6% see no value proposition and 4% believe the services on offer are not relevant to their needs. Less than half of excluded women cite demand-side barriers to inclusion (15% don't trust others with their money, for example, while 13% have no specific reason for being excluded).

Excluded women tend to have less capacity to meet KYC requirements than those who currently access financial services. They are also less likely to own a mobile phone or have access to the internet (only 12% of excluded women have a phone, and only 1% have internet access).

With regards to women, the FinScope survey provides market and regulatory insights for a wide variety of stakeholders, such as private sector financial service providers, regulators, policy agencies and donors. Public investment in enhancing digital financial literacy is recommended. Lastly, a re-think of the role of channels like VSLAs in enhancing financial inclusion and how such channels can be organised is recommended. Innovation in policies which are necessary to create space for such channels is also recommended.

Young adults

There are 8.8 million people aged between 16 and 30 in Uganda. Seventy per cent of them reside in rural areas and 57% of them are female. They are relatively well-educated, with 32% having obtained secondary education and 7% tertiary. Around a quarter (26%) do not generate their own money, relying on others to pay their expenses. The rest rely mainly on irregular sources of income.

Most (77%) young adults in Uganda are financially included. **Formal inclusion** drives financial inclusion for young adults (61% access formal financial services) – this is not the case for other age groups. Although 51% use informal services, only 16% are solely reliant on these.

Financially excluded young adults are even more likely to be rural-based (83%) than those who use financial services. They also tend to be less educated and are more likely to depend on others for money.

As among women, excluded young adults have less capacity than those who currently access financial services to meet KYC requirements; only 58% have proof of identity documentation. They are also less connected digitally, with only 14% owning a mobile phone and only 3% having access to the internet.

The most significant barriers to financial inclusion among young adults who do not access financial services are, as observed among women, **supply-side** perceptions. Twenty-nine per cent of excluded young adults believe financial services are too expensive, 8% regard these services as too far from where they live, 4% see no value proposition and 3% believe the services are not relevant to them. Less than half of excluded young adults report demand-side barriers to inclusion – 17% don't trust others with their money while 12% have no specific reason for being excluded.

More than half of all Ugandans accessing financial services do so via digital platforms – yet most young adults have neither access to a mobile phone, nor to the internet. This group of society is excluded from financial services such as saving, borrowing, payments, insurance and remittances. For a country with a population that is relatively young, and getting younger, inclusion of young adults is necessary for improving the economic development, financial position and performance of Uganda.

It is recommended that financial service providers take advantage of the immediate business opportunities highlighted by this report, especially for including young adults who are already saving and borrowing through non-digital channels. A market development approach to include young adults is also recommended. This can be achieved through investment in expanding financial services infrastructure in rural areas, as well as by enhancing digital literacy among young adults.

fsduganda
Financial Sector Deepening

Financial Sector Deepening Uganda (FSD Uganda)
Plot 7A, John Babiha Avenue, Kololo, Kampala
P.O. Box 608 Kampala, Uganda
Tel: +256 414 231260
Email: info@fsduganda.or.ug

UKaid
from the British people