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**Timeline**

2020

**Sample Size**

830 users of mobile financial services

**Research Implemented by IPA**

Yes

# Mobile Financial Services, Consumer Protection, and Dispute Resolution in Uganda

## Abstract

Mobile financial services have become the main channel of financial inclusion, especially in low-income countries. However, consumer protection failures in the sector remain common. In Uganda, researchers partnered with the Uganda Communications Commission to conduct a phone-based survey among 830 users of mobile financial services to inquire about their experiences and leveraged access to mobile network operators' customer care logs to test and implement new tools for analyzing complaints and resolving disputes. Overall, the survey found that many challenges within digital financial services went unresolved, and that certain demographic segments of users were more likely to report and try to resolve challenges than others.

## Policy Issue

Mobile financial services (MFS) have the potential to help improve people's income-earning potential and thus reduce poverty. In recent years these services have become the main channel of financial inclusion for millions of consumers, especially in low-income countries. In 2019, the number of registered mobile money accounts surpassed one billion, and for the first-time digital transactions accounted for most mobile money flows. However, MFS have also become a conduit for fraud and other criminal activities, especially consumer-oriented frauds. This situation poses a threat to consumer use in vulnerable segments and has led to

significant economic losses for providers. While companies are implementing some measures to address fraud and related crimes, more data and evidence is needed to design and implement effective measures against financial criminal activities.

## Context of the Evaluation

Between 2016 and 2017, the proportion of Ugandan adults using financial services rose from 55 percent to 63 percent. This increase was largely driven by mobile money users, but more types of products are emerging, including millions of digital credit users (with MoKash and Wewole the clear market leaders in terms of user base) and a growing number of financial technology companies entering the payments and credit markets.

In a recent survey, 53 percent of consumers reported being victims of fraud and 57 percent of the providers ranked consumer fraud in financial services as the most disruptive type of crime. Despite the severity of this problem, detailed statistics at the consumer level about the extent and evolving nature of fraud and other risks in MFS are not available. This study aimed to fill this gap by mapping and diagnosing the experiences of Ugandan MFS users. The research took place during the COVID-19 pandemic, a context in which the Uganda Communications Commission (UCC) reported an increase in fraud involving mobile money.

## Details of the Intervention

*Note: This study was not a randomized controlled trial.*

Researchers partnered with the UCC to conduct a phone-based survey among 830 users of MFS. The survey covered consumers' experiences with MFS, preferences of service providers and levels of trust, price awareness and transparency, fraud and dispute resolution, and questions to measure the financial impact of the pandemic. The survey was designed to help UCC develop strategies to protect consumers from fraud and to address and redress complaints, and additionally to provide insights about the economic impact of COVID-19.

Survey participants were chosen through random digit dialing (RDD) from all possible mobile numbers in Uganda active during the week of July 22-26, 2020. Survey questions filtered participants to ensure that all included in the final study population were mobile money, banking, or loan customers who had made at least one mobile transaction in the last 90 days. The survey was carried out in two rounds during August-September 2020, with the first round focusing on use and challenges of digital financial services, and the second focusing on respondents' perceptions and trust of different actors within the system.

IPA and UCC also tested and implemented new tools to analyze complaints against mobile network operators (MNOs). This analysis used databases of calls made to MNOs customer care centers to map the issues consumers faced in telecommunications and mobile financial services. The objective of this activity was to provide additional information on consumer protection issues such as fraud, pricing, and the effectiveness of dispute resolution in mobile financial services. The results allow a comparison between consumers who use formal

complaint channels and those who remain silent or pursue other methods of resolution.

## Results and Policy Lessons

Overall, the survey found that many challenges within digital financial services went unresolved, and that certain demographic segments of users were more likely to report and try to resolve challenges than others.

**Challenges were common: 78 percent of respondents reported encountering at least one consumer protection challenge with their mobile financial services.** The most common challenges reported were phishing scams, experienced by 33 percent of respondents, while poor customer care and overcharging for services by agents were also frequently reported. While attempted scams were common, most were unsuccessful.

**Consumers who reported challenges were also more likely to report lower levels of trust in mobile providers and agents.** While the survey was not designed to detect a causal relationship, this result suggests that consumer protection challenges may lead to long-term reductions in consumer trust.

**Most challenges went unreported, and most of the ones that consumers did report were unresolved.** Of respondents who encountered a serious challenge, 61 percent took no action to resolve it. Of those who did take action, only 40 percent successfully resolved the issue. Few customers modified their usage of digital financial services because of challenges encountered.

**COVID-19 created financial stress for respondents.** Several months into the pandemic, the survey found that 75 percent of respondents had seen declines in income, and a majority reported insufficient emergency funds to cope. As a result, a majority of borrowers were not repaying loans on time at the point the survey was taken.

## Sources

1. The Mobile Money Programme. “2019 State of the Industry Report on Mobile Money”.
2. The Financial Inclusion Insights, “Uganda Wave 5 Report Fifth Annual FII Tracker Survey.”
3. The Helix Institute of Digital Finance “Agent Network Accelerator Survey Uganda Country Report 2015”; PwC, “Global Economic Crime and Fraud Survey: Uganda Report 2018”.

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