



# Uganda Consumer Protection in Digital Finance Survey

March 2021

Innovations for Poverty Action (IPA)

Uganda Communications Commission (UCC)

Associated survey dataset available here: <https://doi.org/10.7910/DVN/ROLCU4>

Matthew Bird (Universidad del Pacífico, Peru)

Rafe Mazer (Innovations for Poverty Action)



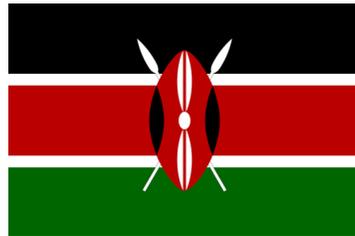
# IPA Consumer Protection Research Initiative

Four-year program to support policymakers, financial service providers, and civil society to develop and test consumer protection solutions in four emerging markets.

**Bangladesh**



**Kenya**



**Nigeria**



**Uganda**



# What challenges do consumers face in digital financial services?

IPA has collaborated with the Uganda Communications Commission to conduct a survey on key themes in consumer protection, including:

- Fraud and loss of money
- Complaints handling and redress
- Pricing transparency and consumer choice
- Borrowing behavior

Survey responses identify which issues may be of greater or less concern, to inform future policy actions.

Reports from similar surveys conducted in [Kenya](#) and [Nigeria](#) allow for comparison across countries.



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Photo by IPA Burkina Faso

# Methodology

Random-digit dial phone survey of digital financial service users

Sampling frame:

- All possible mobile numbers following the Uganda mobile phone number allocation system that were active within Uganda in the week of July 22-26, 2020.
- Survey limited to mobile money, mobile banking and/or mobile loan consumers through filters at the start of the survey. No further filtering occurred during the survey. Respondents were made aware of the survey's purpose during the consent process.

Sample Size – Round 1: 830, Round 2: 762

Conducted August 12 – September 30, 2020



# Methodology: Two rounds

This survey was carried out with respondents over two separate rounds, each lasting approximately 45 minutes. We decided to do this to reduce respondent fatigue with long surveys, particularly when administered over the phone. Round 2 took place an average of 4 days after Round 1.

The two rounds covered different topics with Round 1 focusing on DFS usage and challenges and Round 2 focusing on respondent perception and trust of the DFS ecosystem and actors, as well as demographics.



# Respondent profile

- Respondents were limited to those who had done a financial transaction on their phone in the past 90 days
- Overall, our sample skews more urban, younger, male, and better educated than the broader population of Uganda.
- This bias is common with random digit dial (RDD) methods and prevents the sample from being fully nationally representative, but it does not impede the ability to make inferences to better understand the larger population of DFS users in Uganda or to conduct segment analysis



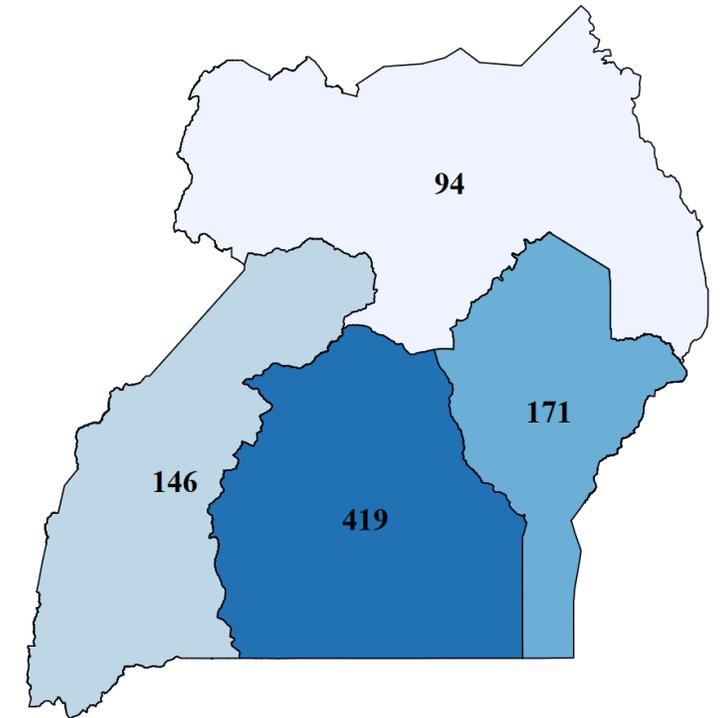
# Geography

## URBAN/RURAL ESTIMATION

Because surveys were conducted by phone, respondents' urban/rural status was estimated based on the population density of the constituency respondents reported residing in. A cutoff of 468 individuals/km<sup>2</sup> was selected so that the urban population approximately matched the Uganda Bureau of Statistics (UBoS) population estimate for 2019. Because of changes in sub-counties in recent past, we were able to generate an urban indicator for 68% of respondents. Approximately 55% of respondents were categorized as urban using this method.

## REGIONS

Region	Surveys	FinScope*
Central	50%	42%
Eastern	21%	21%
Western	18%	26%
Northern	11%	11%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>



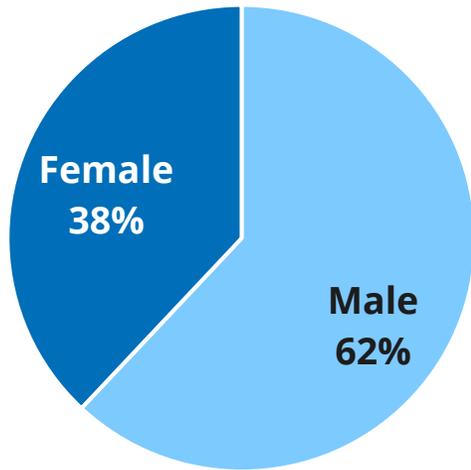
\*In 2018 Financial Sector Deepening (FSD) Uganda commissioned a nationally representative in-person survey called FinScope to assess how adults in Uganda manage their money, the extent to which they use financial services to do so, and to assess the level of financial inclusion. These statistics show the distribution of **mobile money users** across regions. For more on this, see <https://fsduganda.or.ug/finscope-2018-survey-report>.



# Gender, age, and education

In comparison to FinScope 2018, our survey skew younger, better educated, and male.

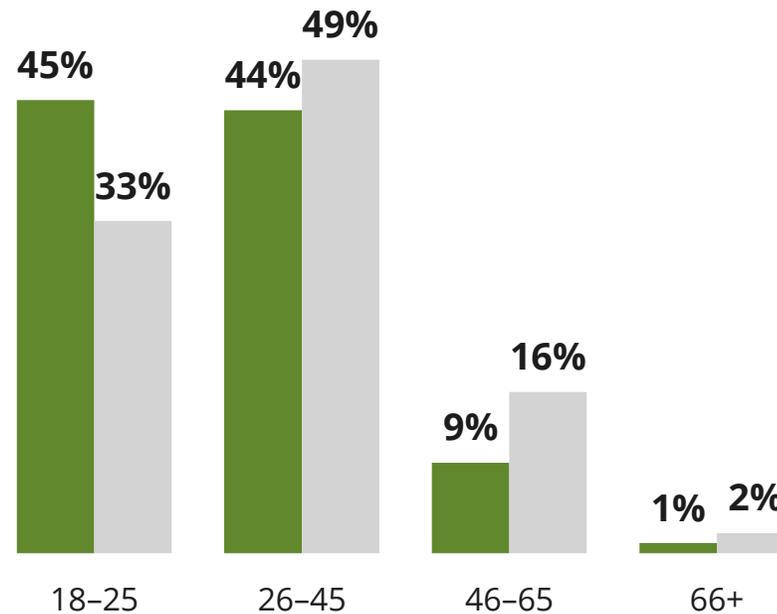
### Gender (n=789)



FinScope sample 2018 for mobile money users is 65% female.

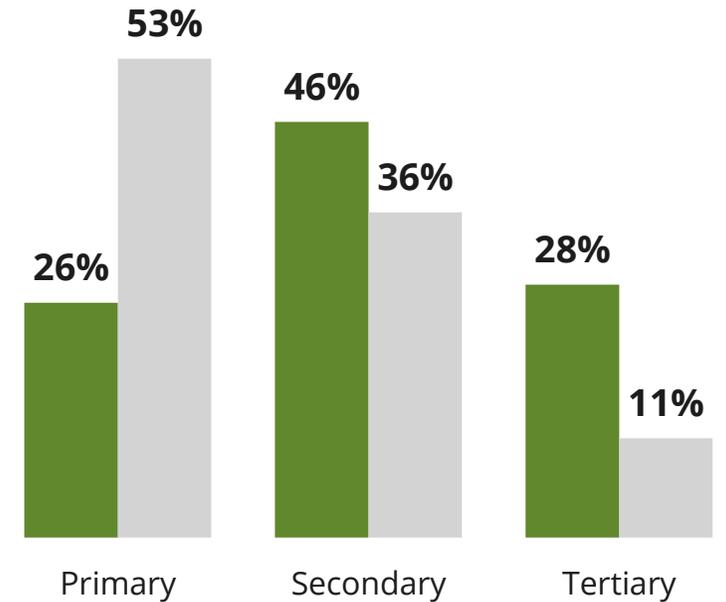
### Age (n=793)

■ Consumer survey ■ 2018 FinScope sample



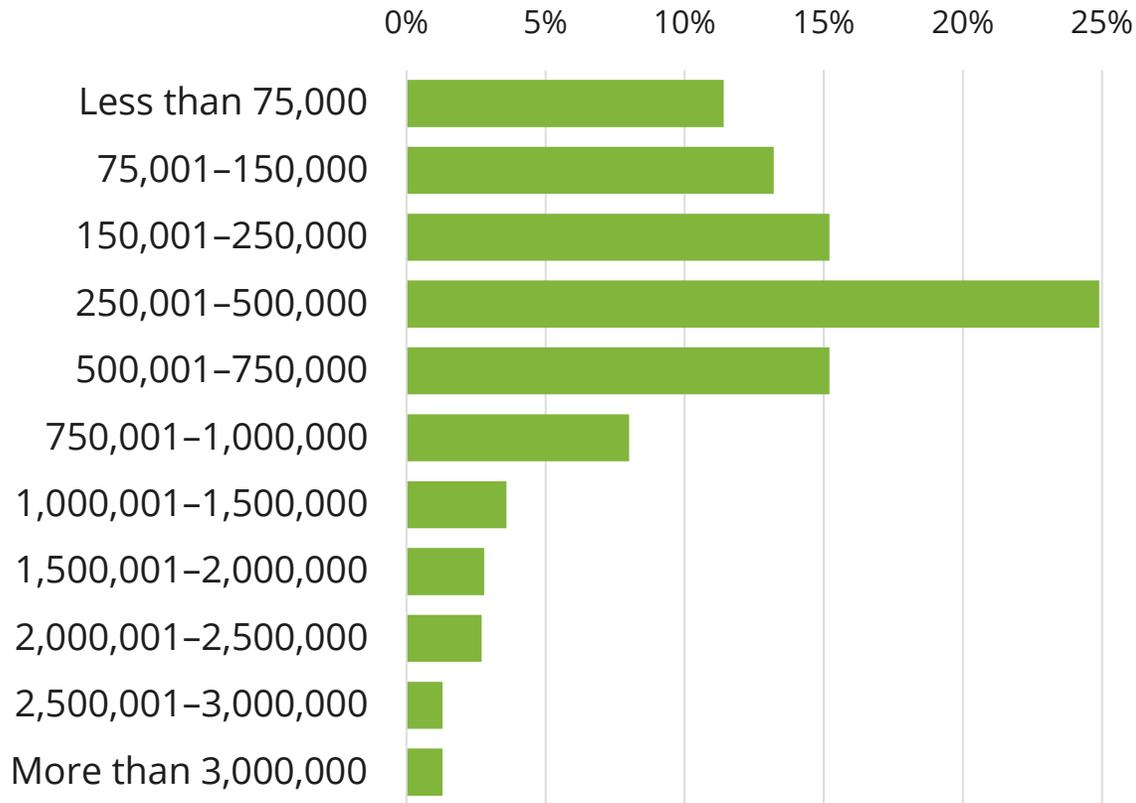
### Education (n=829)

■ Consumer survey ■ FinScope 2018 sample



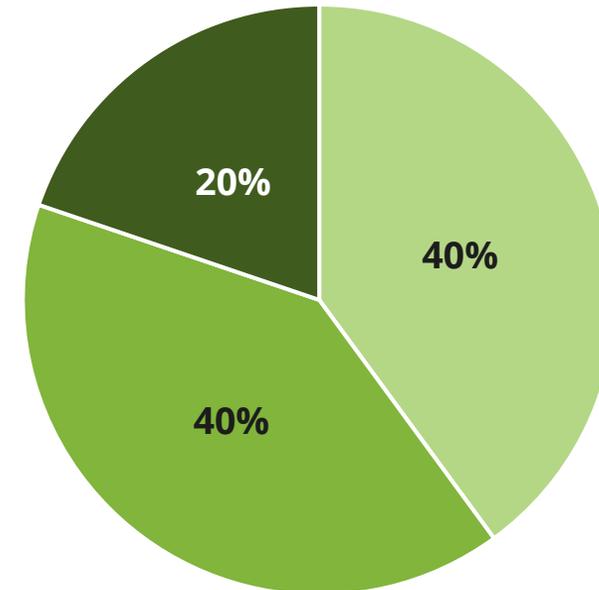
# Economic background

### Monthly income (UGX)



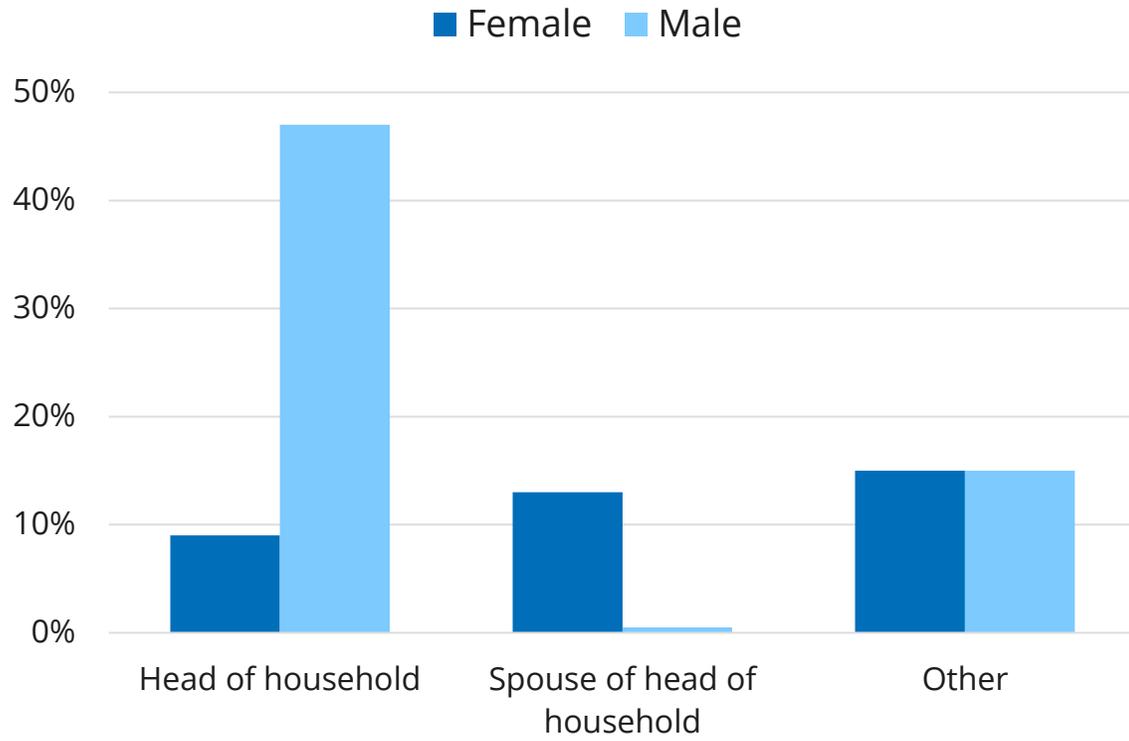
### Monthly income by bracket

- Lower income (less than 75,000 –250,000)
- Middle income (250,000–750,000)
- Higher income (750,001–more than 3,000,000)

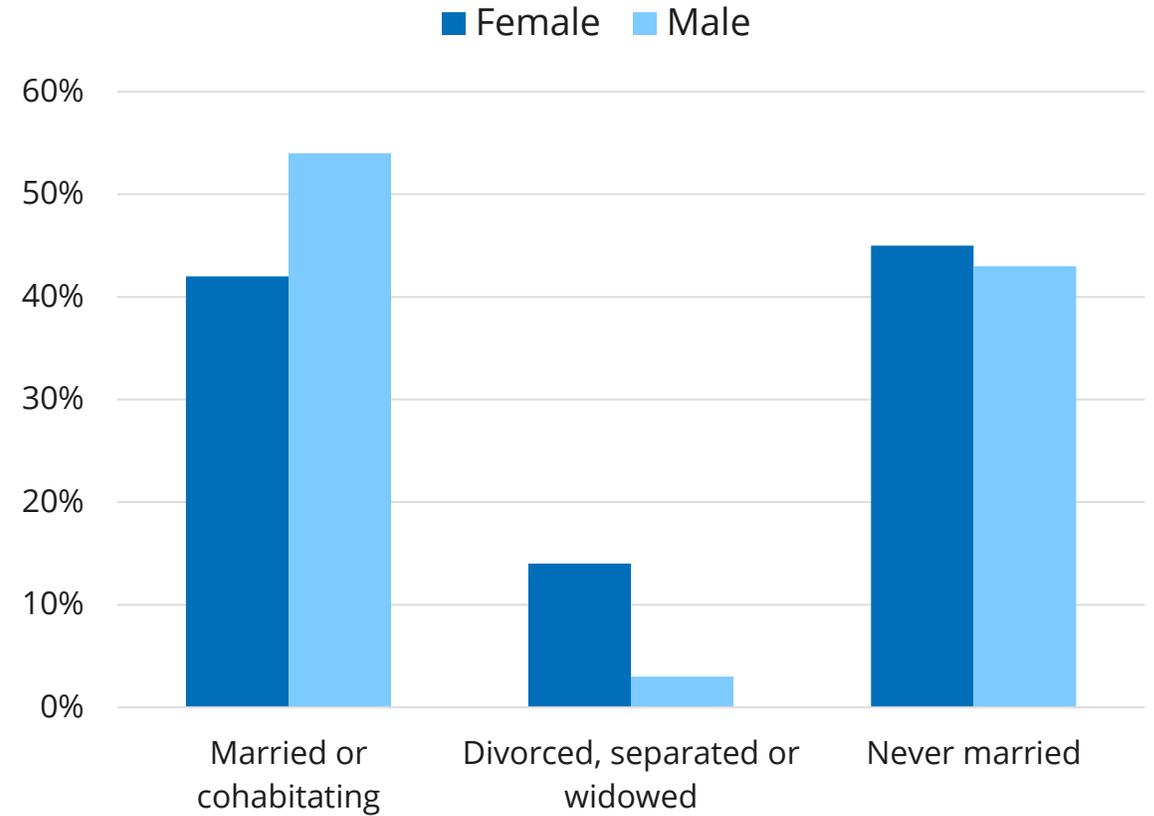


# Household composition

### Relationship to head of household (n=789)



### Marital status (n=759)



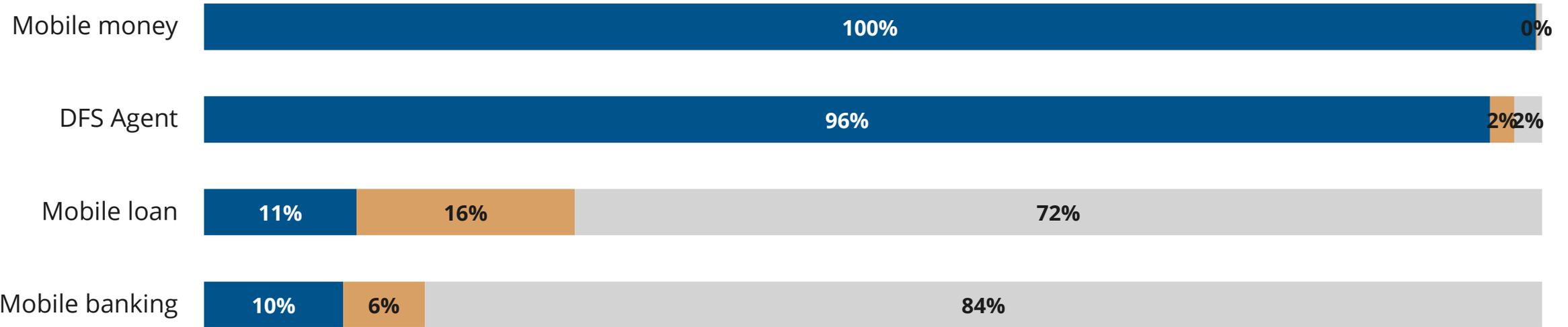
# Access and usage

- Consumer access to smartphone is high (81%) and most respondents have their own phone (91%)
- Mobile money usage is pervasive amongst respondents (99%), though usage of mobile loans and mobile banking are less widespread (28% and 17% respectively).
- Two providers dominate the market for mobile money and digital loans.
- Male, better educated, and better off respondents report higher mobile money and money loan usage



# Digital financial service usage, by service type

■ In the last 90 days ■ More than 90 days ago ■ Never



99.6%

of respondents have ever used **mobile money**

98%

of respondents have ever used a **DFS agent**

28%

of respondents have ever used **mobile loans**

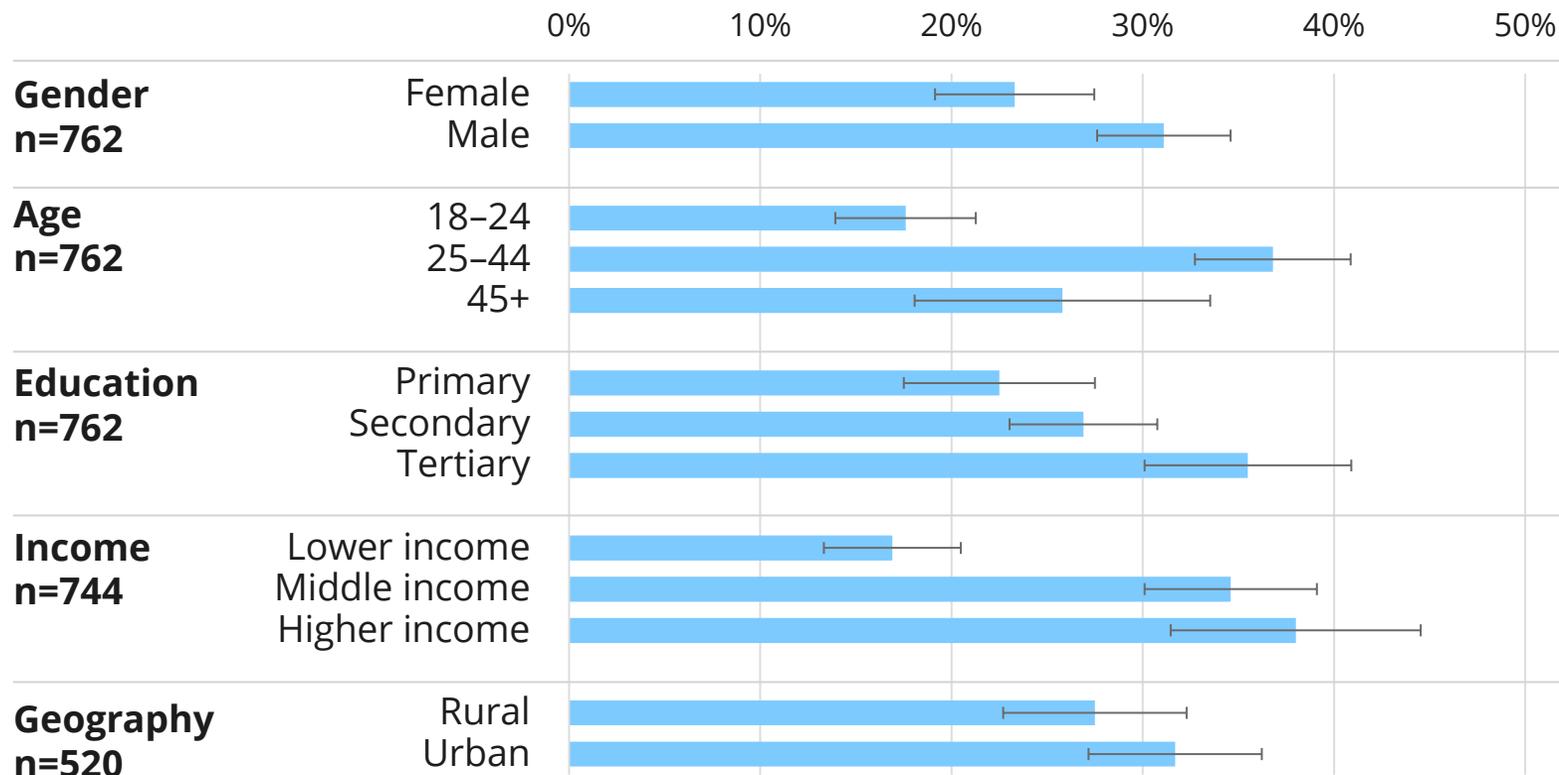
17%

of respondents have ever used **mobile banking**



# Mobile loan usage by consumer segment

Percent of each respondent type



# 28%

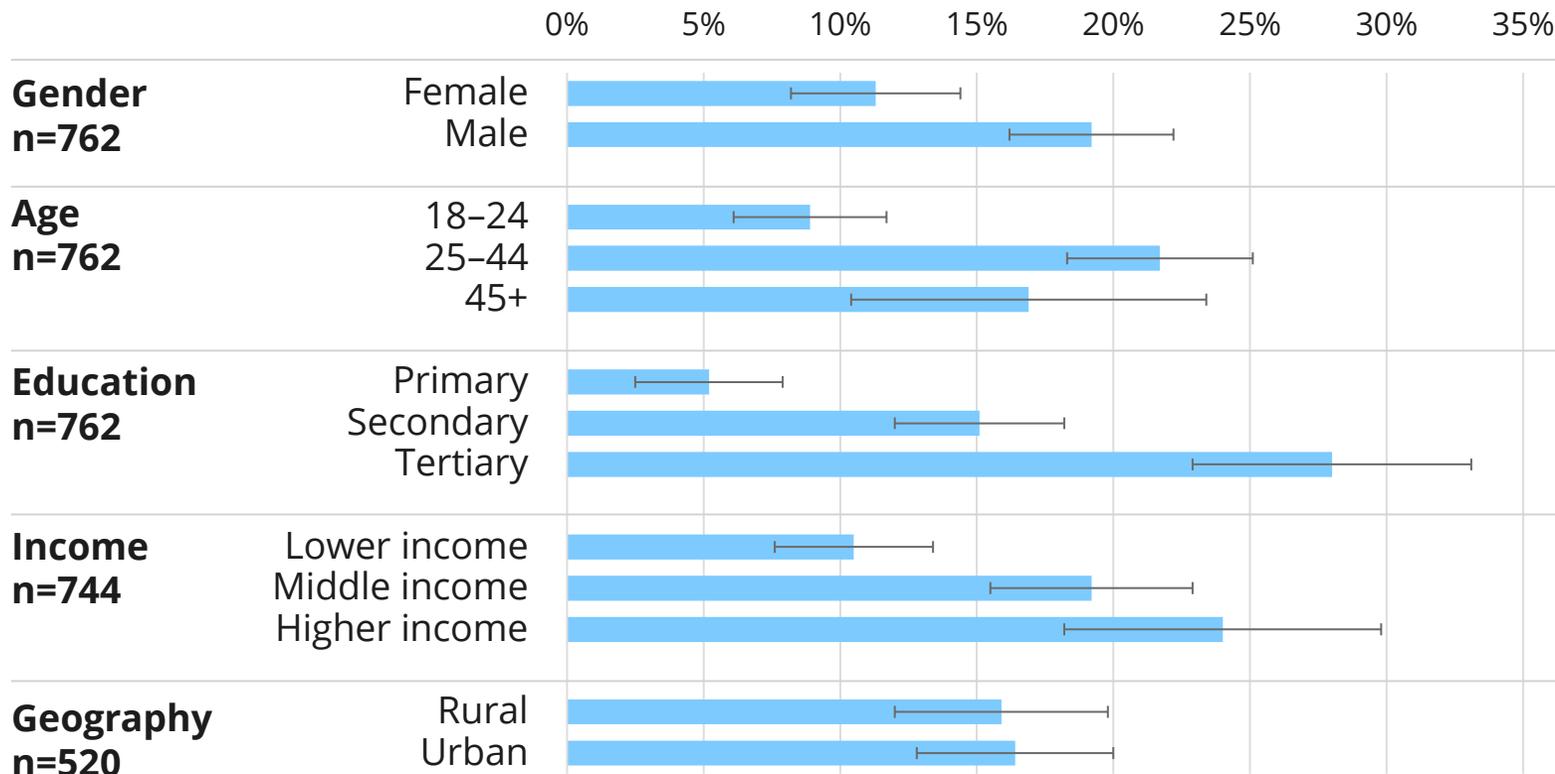
of respondents have ever taken a **mobile loan** and they were more likely to be male, better educated, and better off financially

90% confidence intervals



# Mobile banking usage by consumer segment

Percent of each respondent type

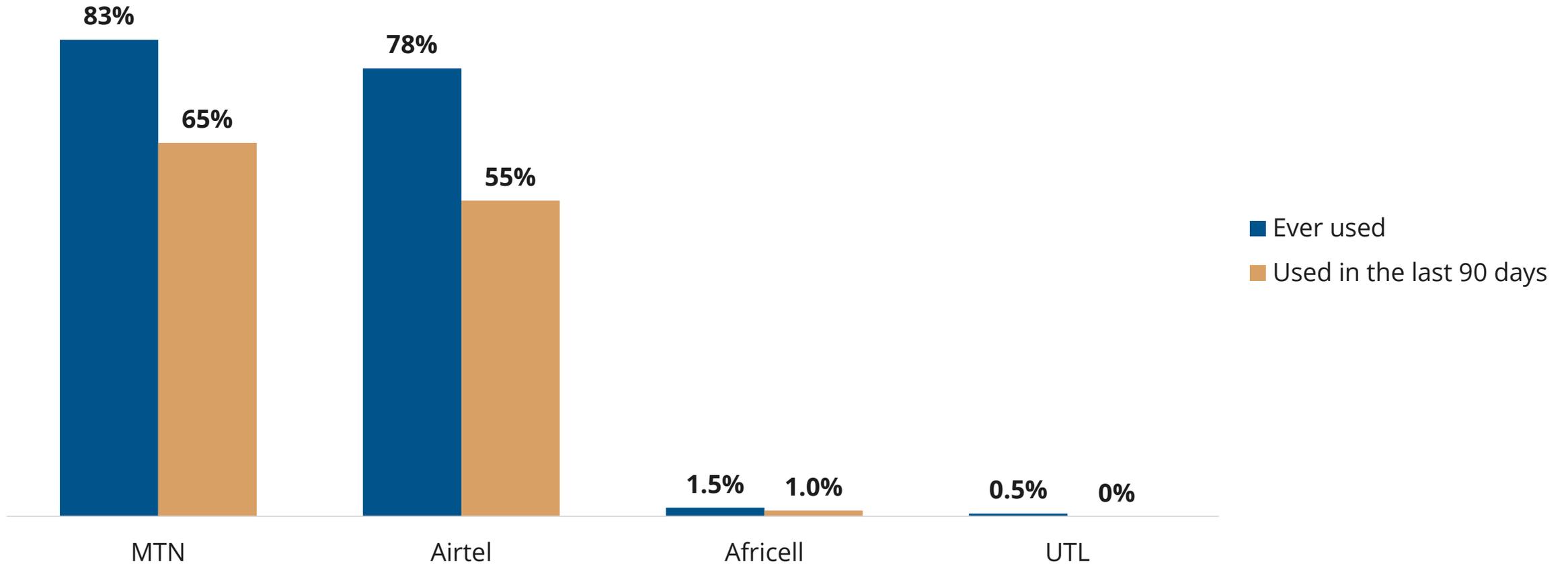


**17%**  
of respondents have ever used **mobile banking** and they were more likely to be male, better educated, and better off financially

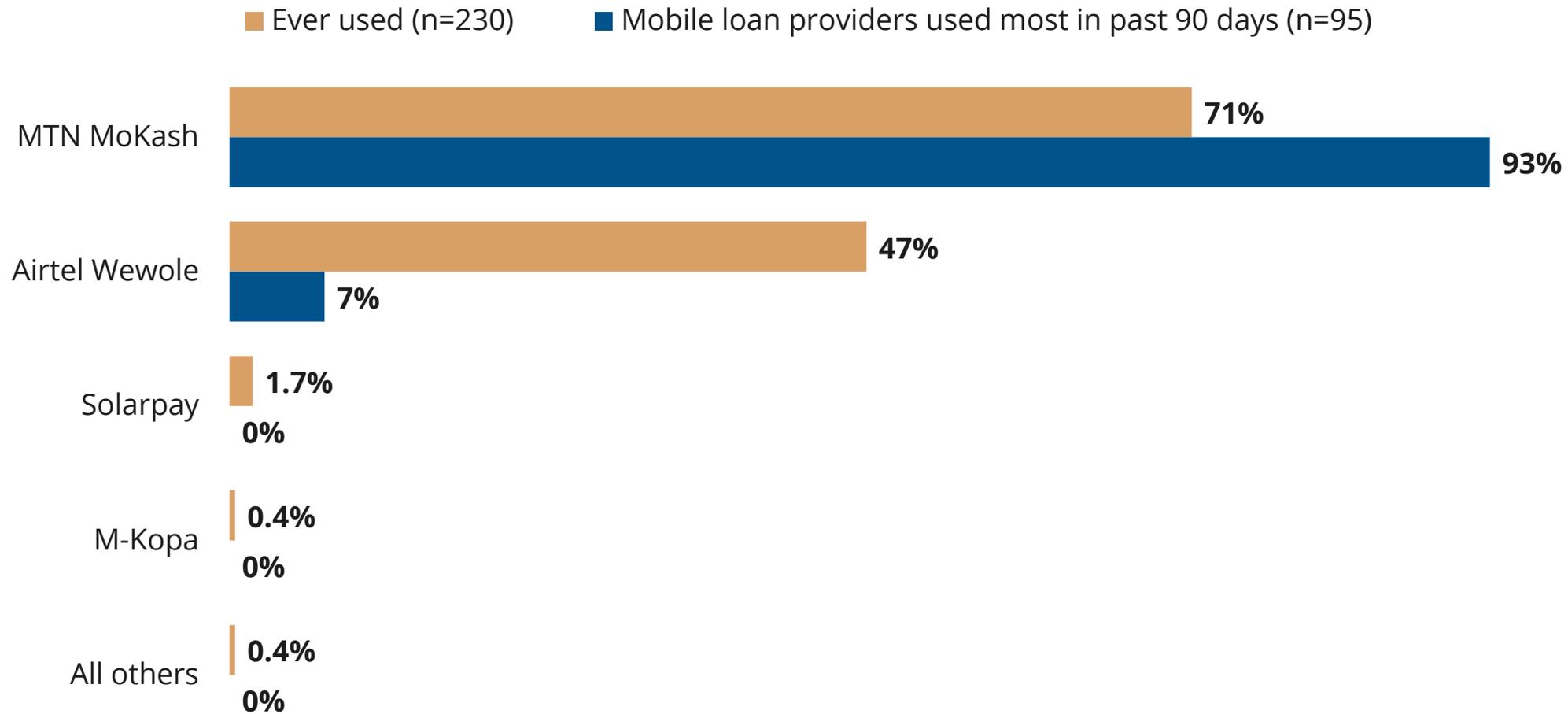
90% confidence intervals



# Mobile money providers used by respondents



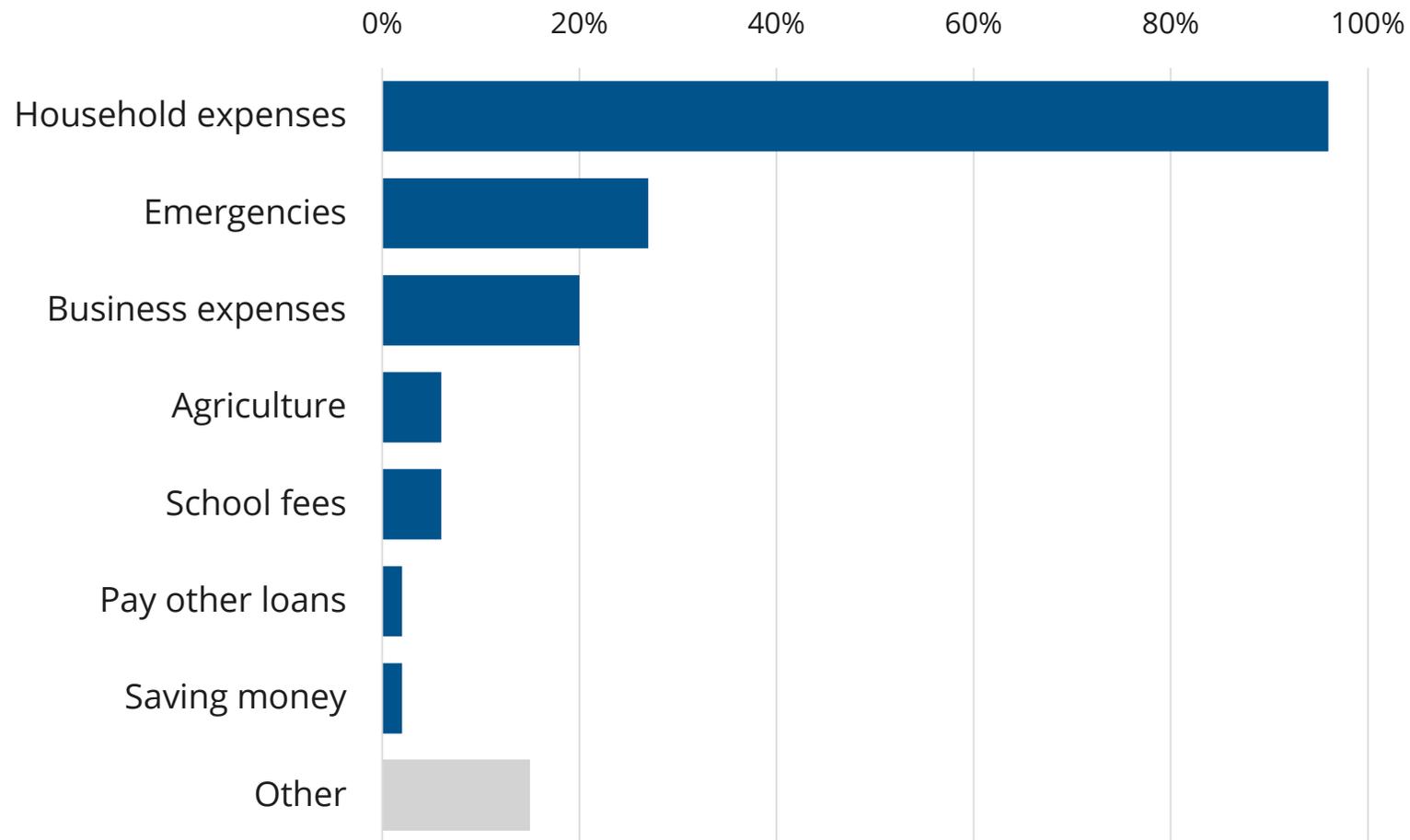
# Mobile loan providers



Note: Of those who have ever taken a mobile loan (n=230)



# Use of most recent mobile loan



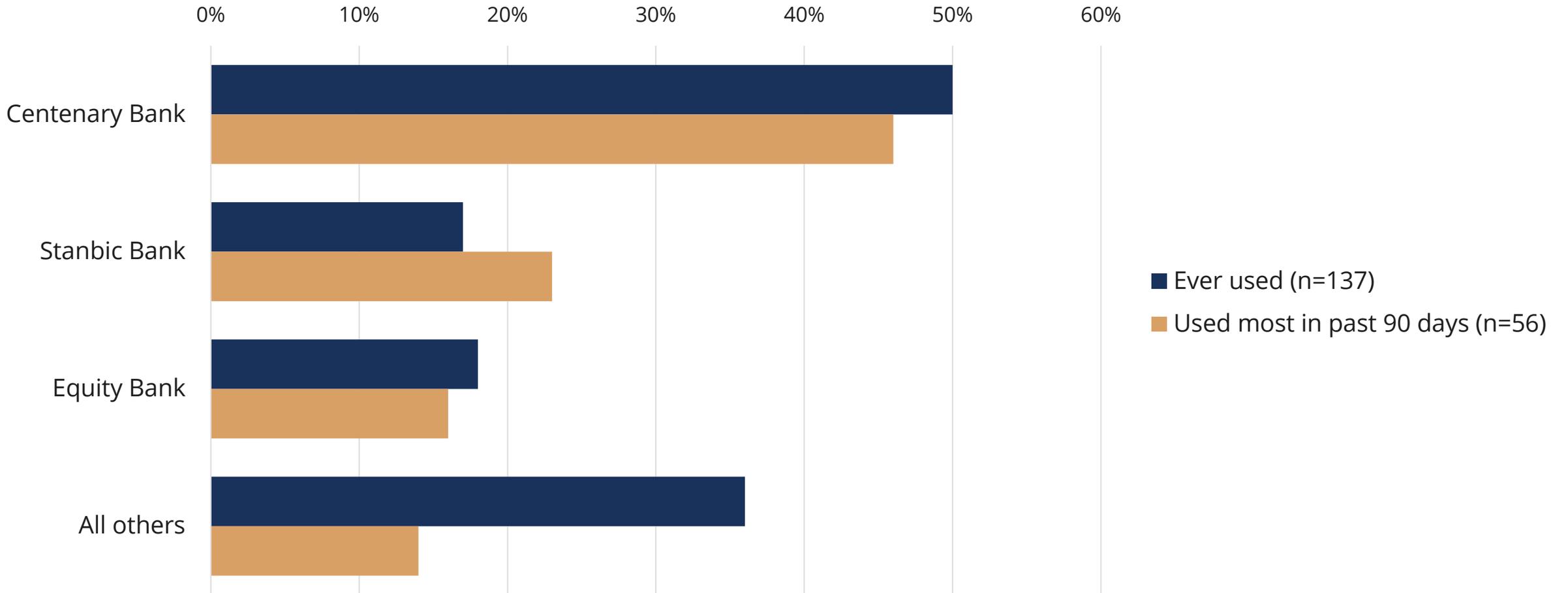
**96%**  
used mobile loan for household expenses

**27%**  
used mobile loan for emergencies

**26%**  
used mobile loan for business or agriculture expenses

# Mobile banking providers

Type of mobile banking provider used



# Challenges experienced using DFS

Survey asked consumers about set of common DFS challenges to understand how many consumers may experience these issues across two periods:

1. Any challenges experienced since January 2020
2. The most significant challenge ever experienced

Phishing scams were the most common challenge, followed by poor customer care, and agents charging extra to complete transactions

Men, urban, and more educated consumers report higher rates of incidences—is this due to deeper usage, more awareness, or other reasons?

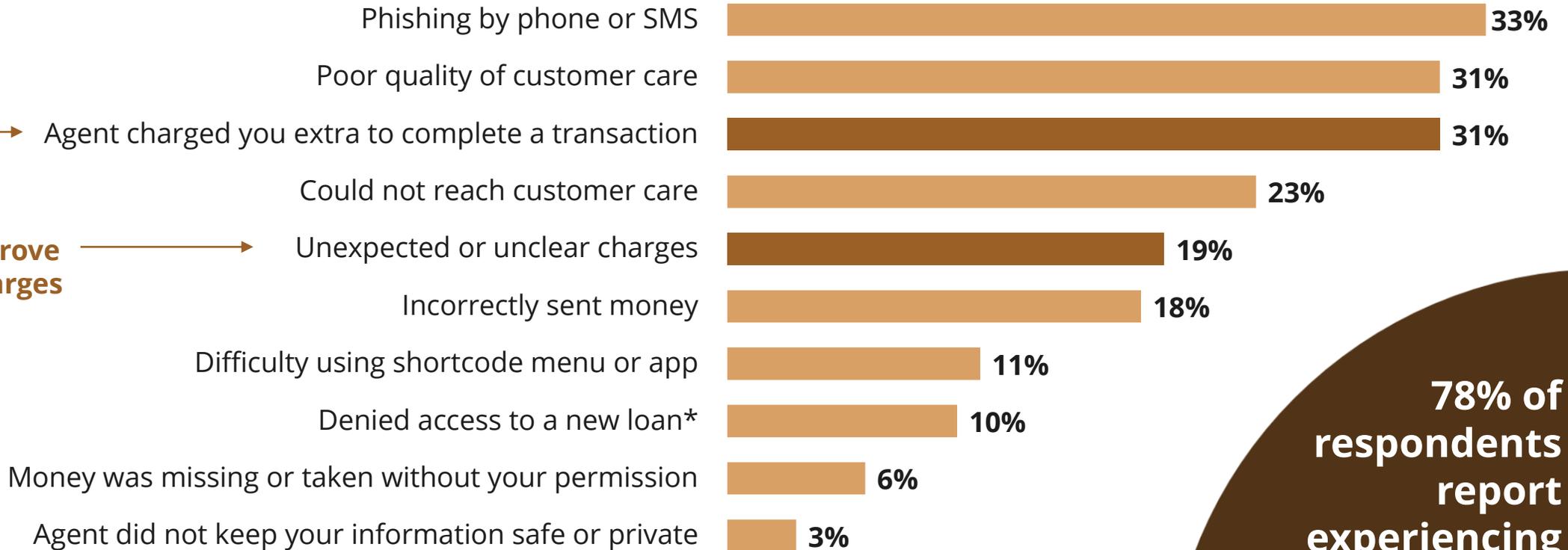


# Which challenges are most common for consumers

Percent of respondents reporting consumer protection challenges from Jan through Sept 2020

**Raises significant concerns regarding agent conduct** →

**Opportunity to improve on disclosure of charges and review pricing structures in DFS** →

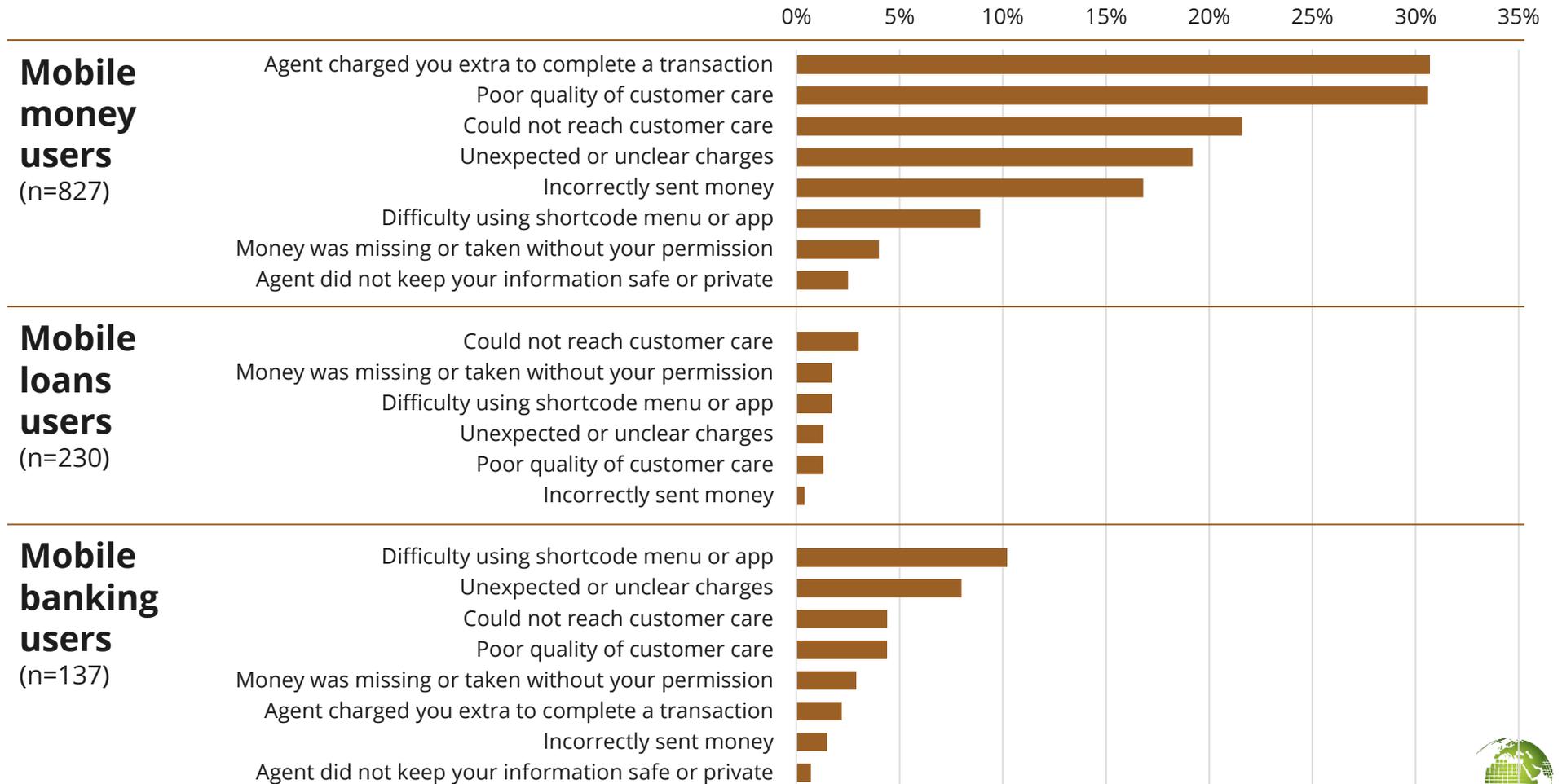


**78% of respondents report experiencing at least one challenge**

# Challenges by service type

Percent of mobile money, mobile loan, and mobile banking users reporting each challenge

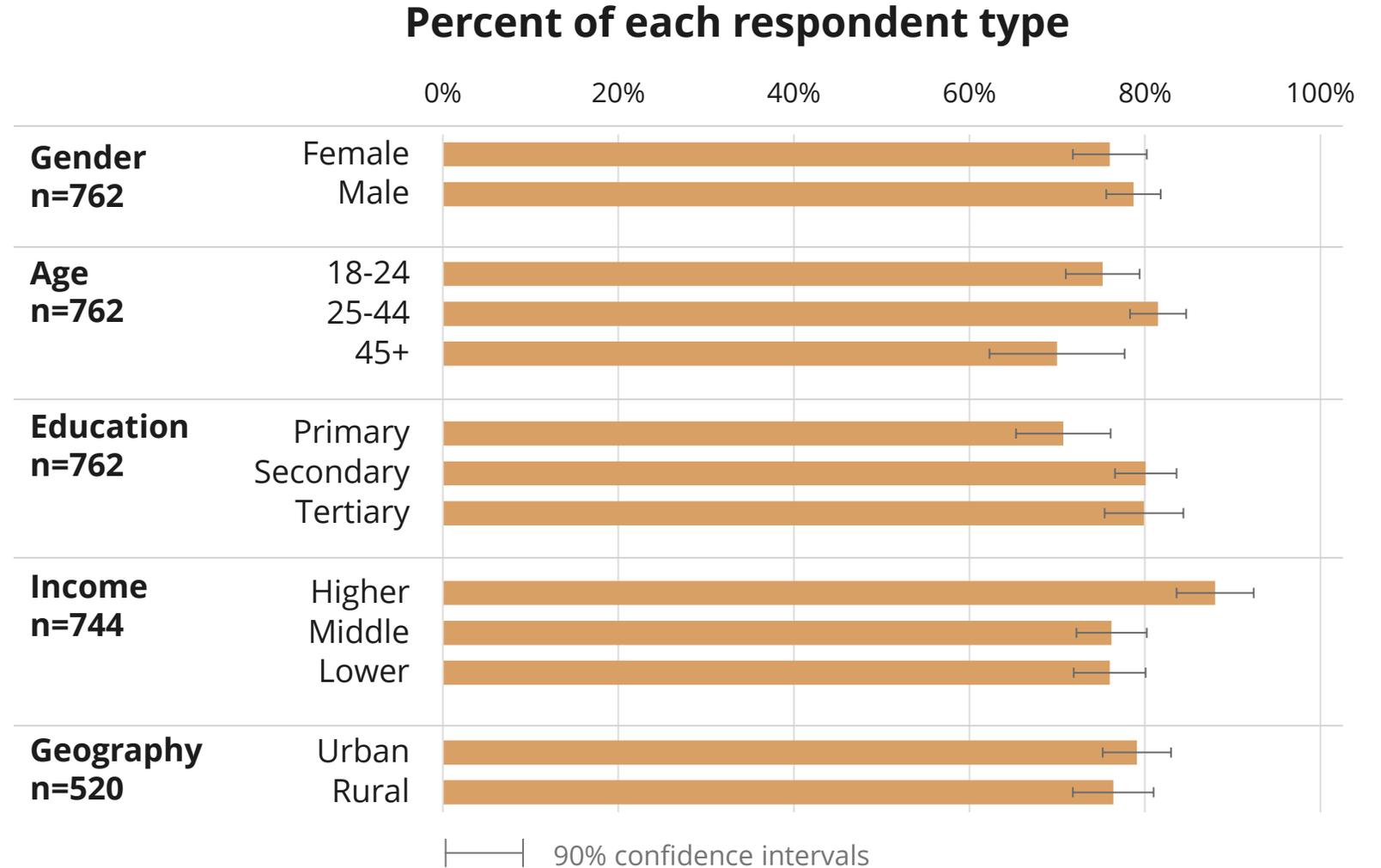
Concerns with customer care and charges dominate consumer concerns across product types.



# Challenges experienced using DFS

## By consumer segment

Better educated and higher income respondents report more challenges. While these segments may be more likely to experience challenges, differences could also be partially driven by higher DFS usage\*, higher awareness of these issues occurring, or greater willingness to report these issues to surveyors. Understanding these differences in reported experiences merits further research.



\*All respondents are DFS users, but there may be differences in DFS usage levels by consumer segment which may affect these results. For example, it is possible that higher income consumers are completing more transactions per month and so are more likely to experience issues.

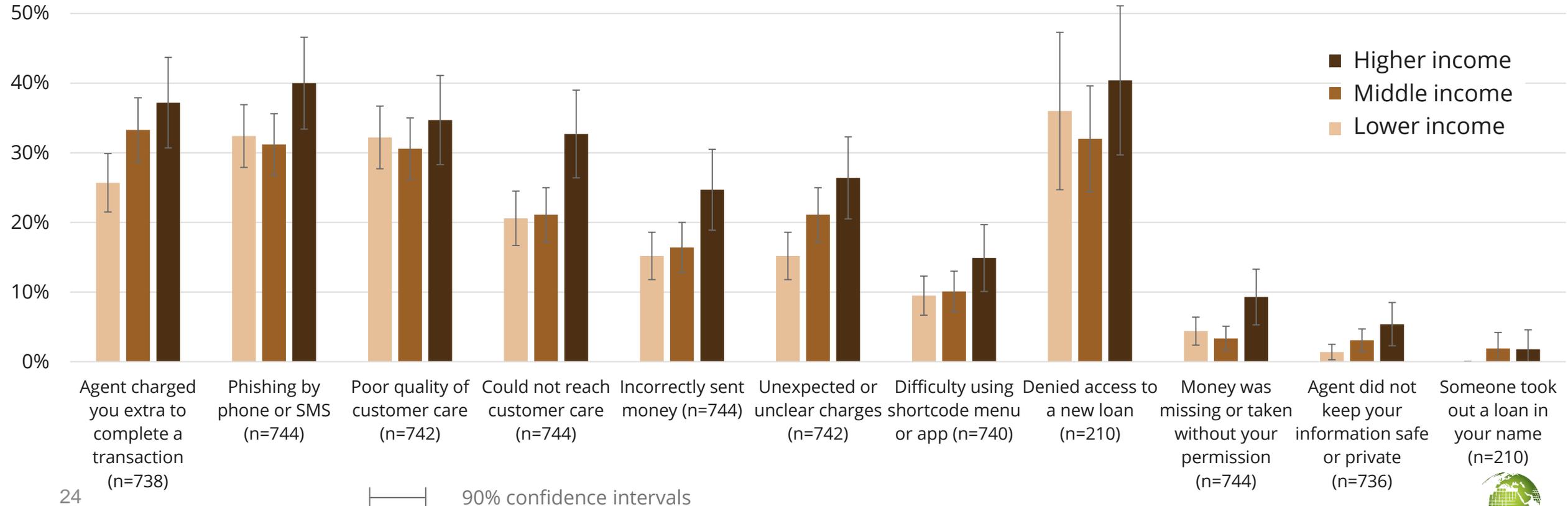


# Challenges experienced using DFS

## By income level

Higher income respondents are more likely to report most challenges. These results may be driven by higher DFS usage, more awareness of challenges, or more willingness to report challenges.

### Percent of respondents reporting each challenge

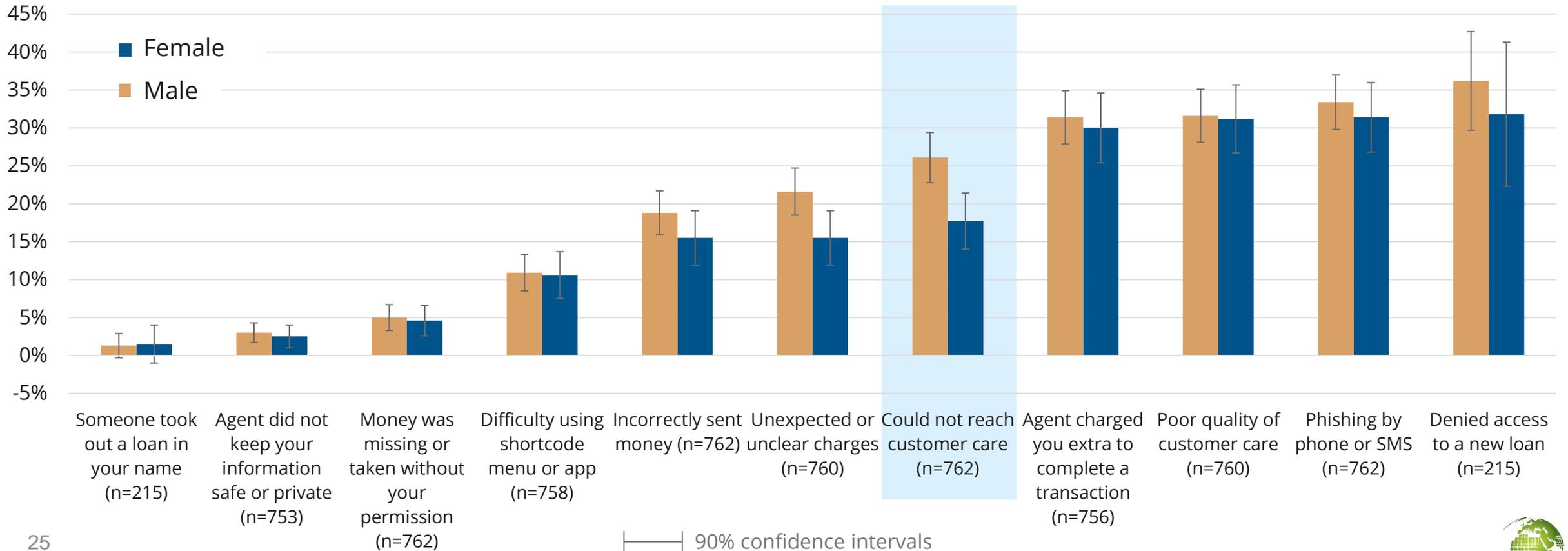


# Challenges experienced using DFS

## By gender

Men are more likely than women to report each type of challenge. Though, this difference is only significant for reaching customer care

### Percent of respondents reporting each challenge



# Trust measurement amongst DFS users

## METHOD



**Respondents answered sets of questions** about how much they trust various DFS actors, including agents and mobile network operators, across domains such as competency, integrity, and benevolence.



From these, trust indices were generated (using principal component analysis). **Higher index scores represent higher trust.**



We explore the relationship between trust and various consumer protection challenges by running multivariate regressions **predicting changes in trust associated with experiencing each challenge.** We control for the influence of age, gender, and education.

## RESULTS



**Experiencing consumer protection challenges is typically associated with less trust** in MNOs and agents.



**The association is strongest for issues directly caused** by MNOs or agents. For example, experiencing unclear fees is strongly associated with lower MNO trust, and agent privacy issues are strongly correlated with a lower agent trust.

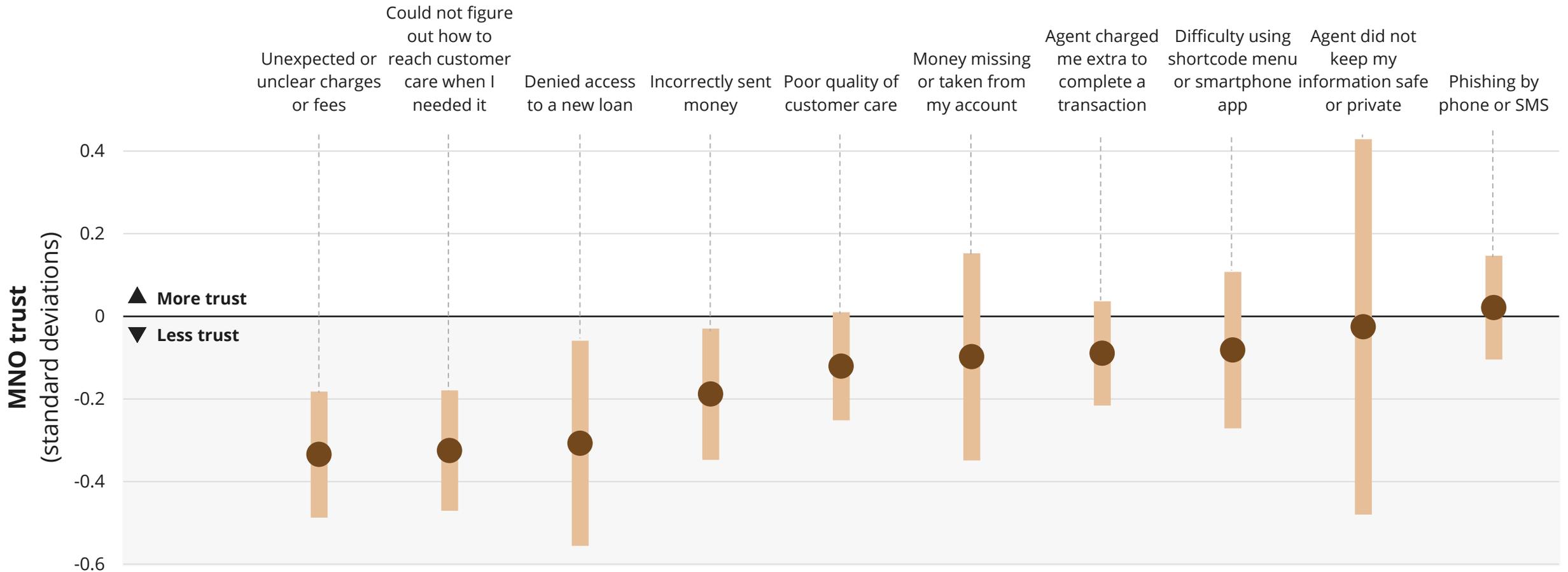


While correlation is not causality, this suggests **many consumer protection problems lead to long-term damage** to customer trust in providers.



# Trust in mobile network operators

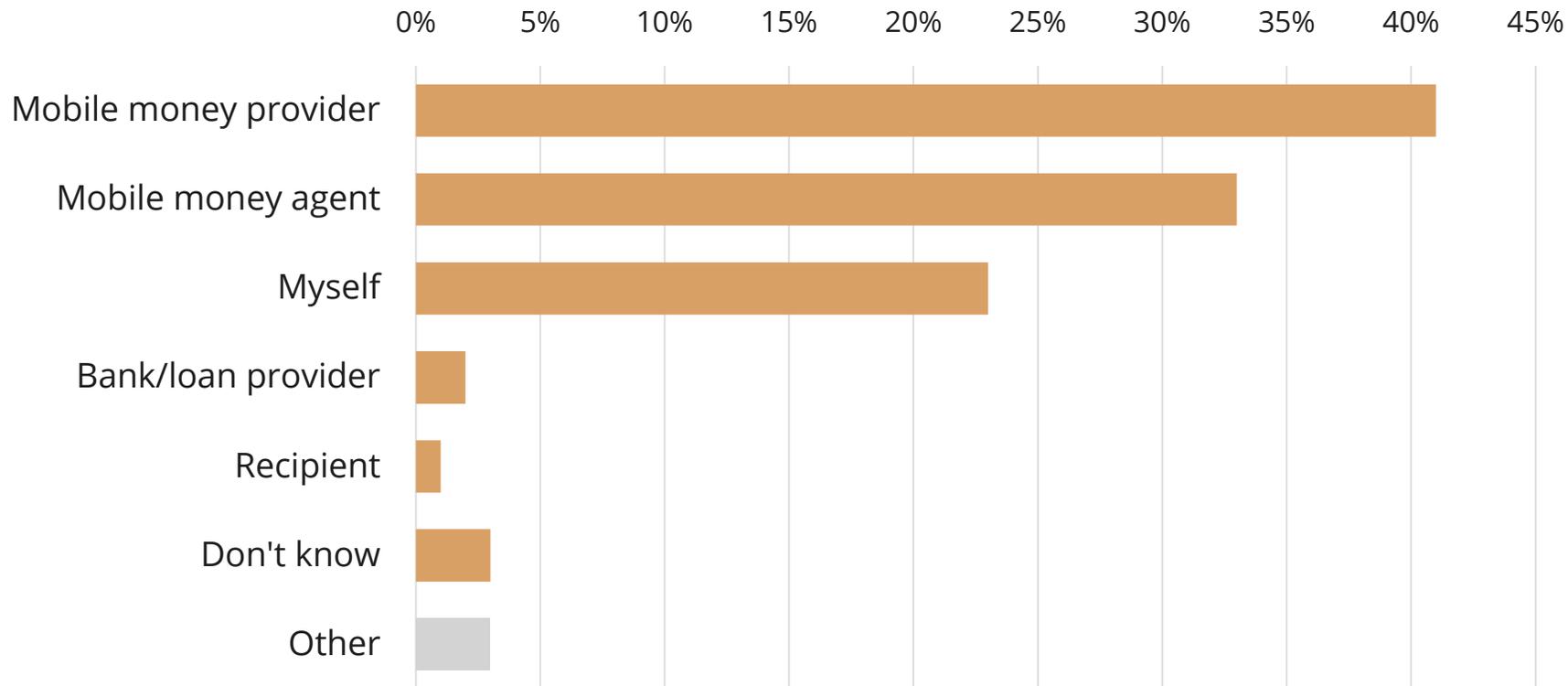
Most challenges experienced are associated with reduction of trust. Mobile Network Operator trust is particularly strongly correlated with issues related to unexpected or unclear fees, customer care challenges, and being denied a loan.



Challenges experienced using DFS

# Consumers generally find the provider most responsible for their challenge

Entity or person the respondent holds responsible for largest DFS challenge they faced (n=482)



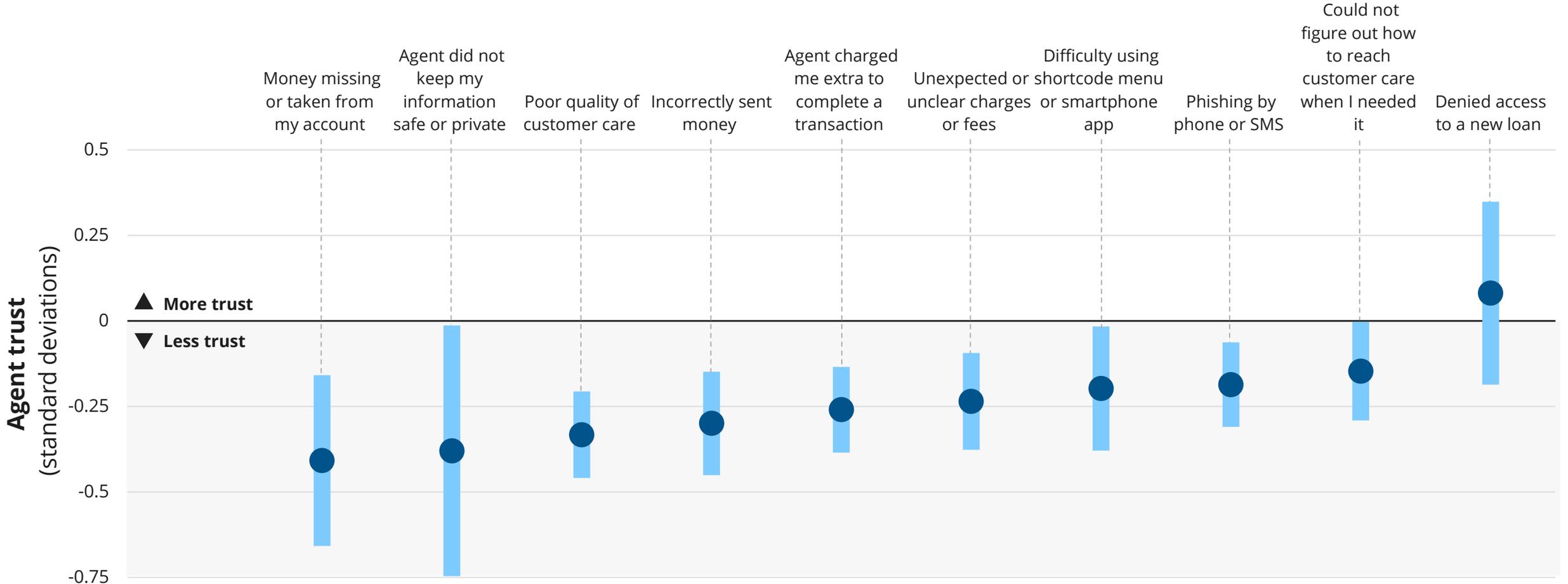
39%

of respondents took  
some  
action to try to  
resolve their largest  
challenge

# Challenges experienced using DFS

## Trust in agents

Most challenges experienced are associated with reduction of trust. Agent trust is particularly strongly correlated with issues related to agent misconduct, missing or incorrectly sent money, and poor-quality customer care.

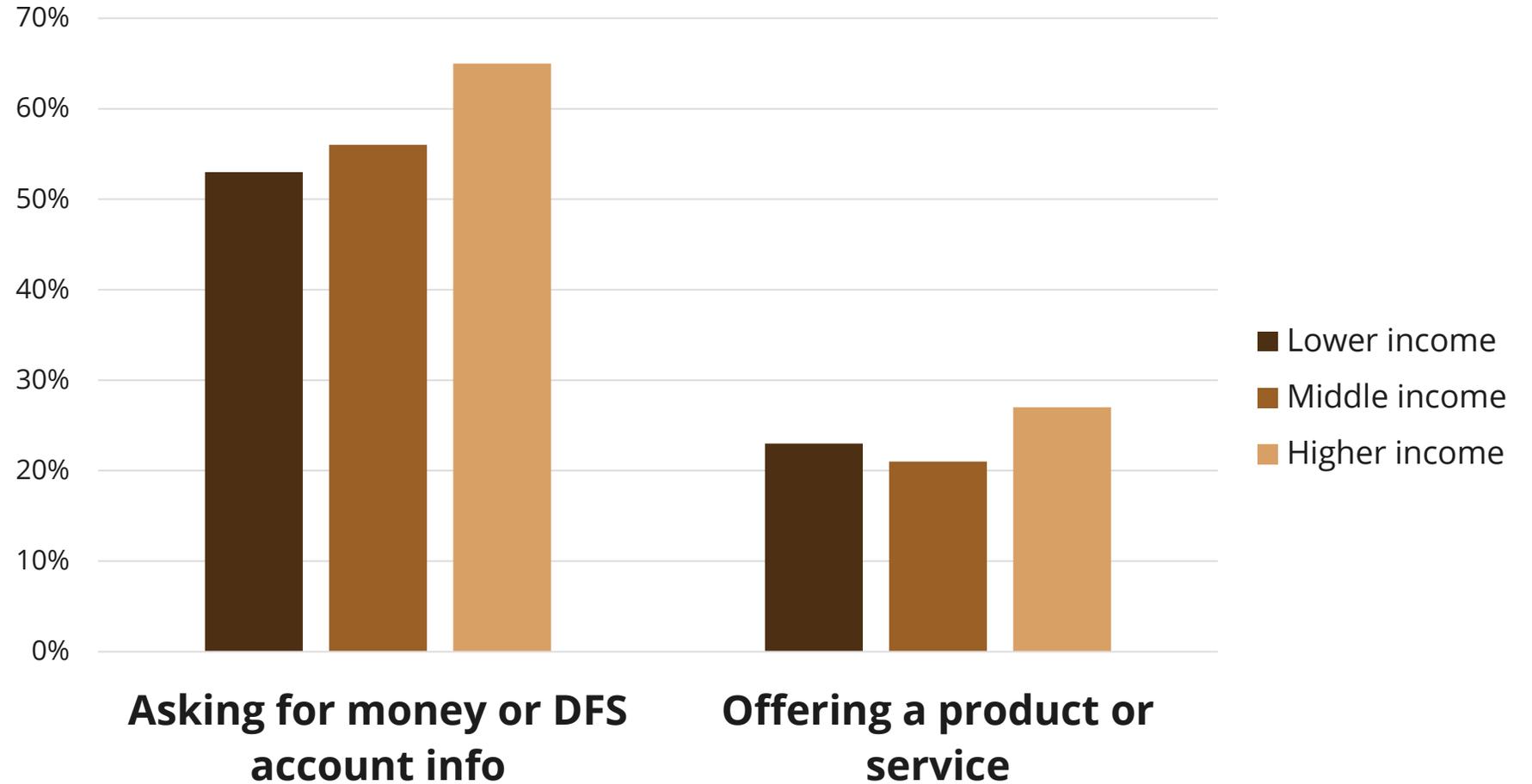


Linear regression results. Dependent variable is trust in agents (composite index using principal component analysis). Independent variables include whether the challenge was reported and respondents' gender, age, and education. Coefficients on the challenge indicator shown. Separate regressions run for each challenge. 90% confidence intervals reported.

# Scam attempts are quite common for DFS users

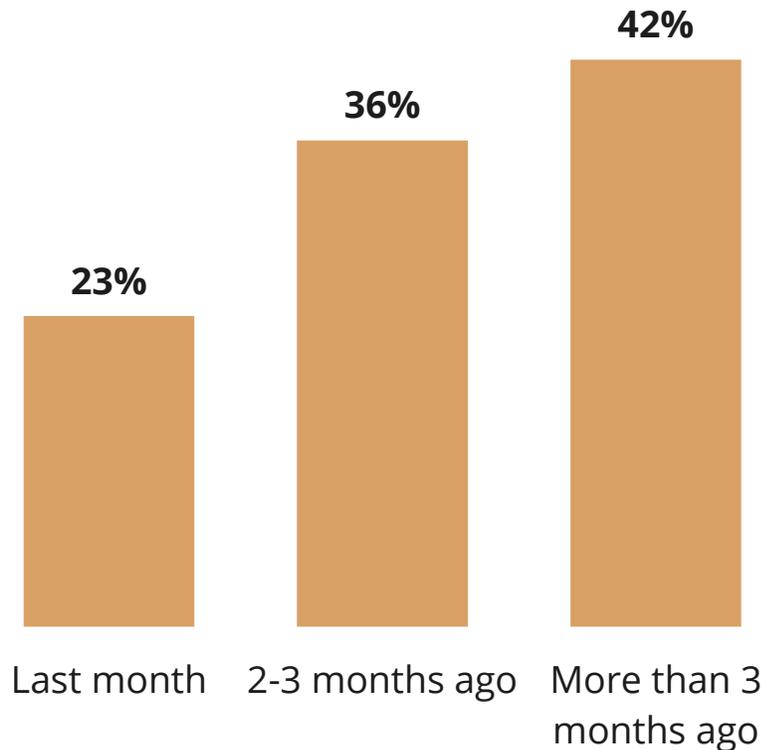
Percent of respondents who report having received calls or SMS from unknown parties...

N=762

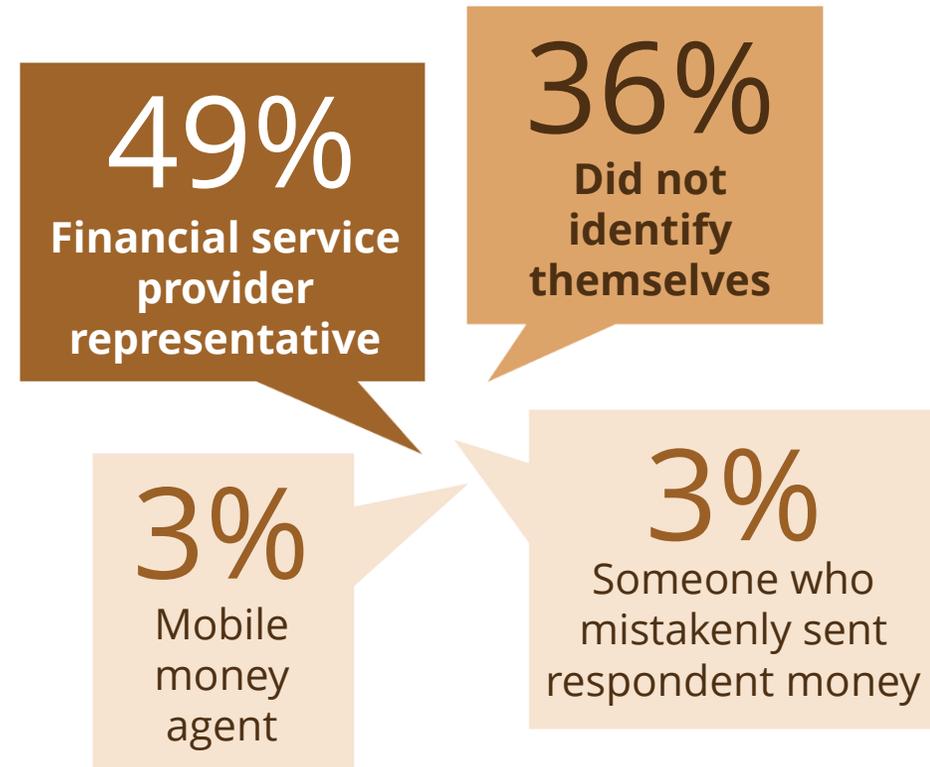


# Scammers often pose as financial service providers

When latest unknown call/SMS received (n=426)

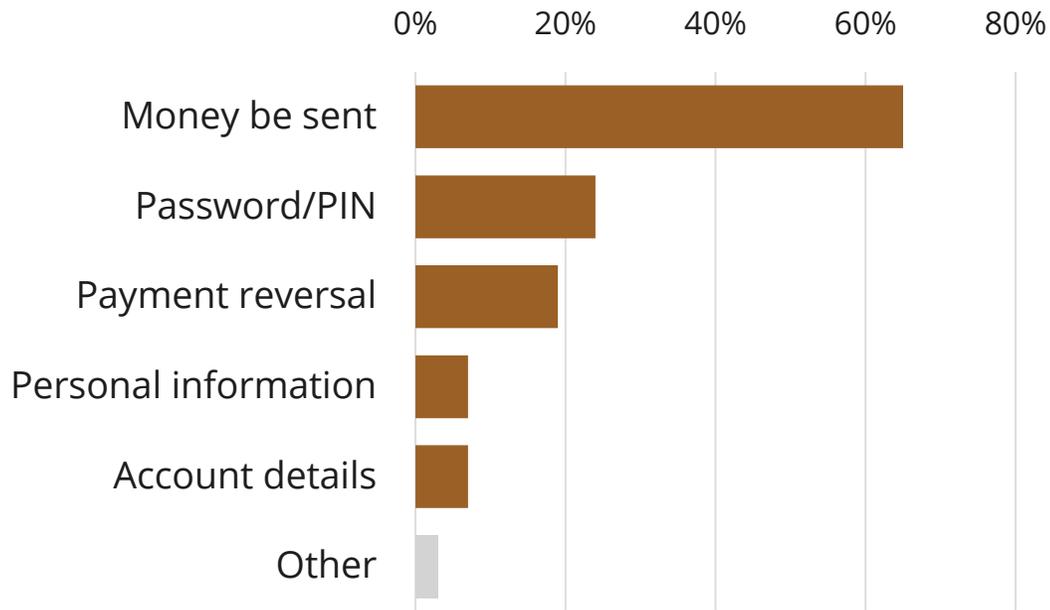


How scammer identified themselves (n=388)

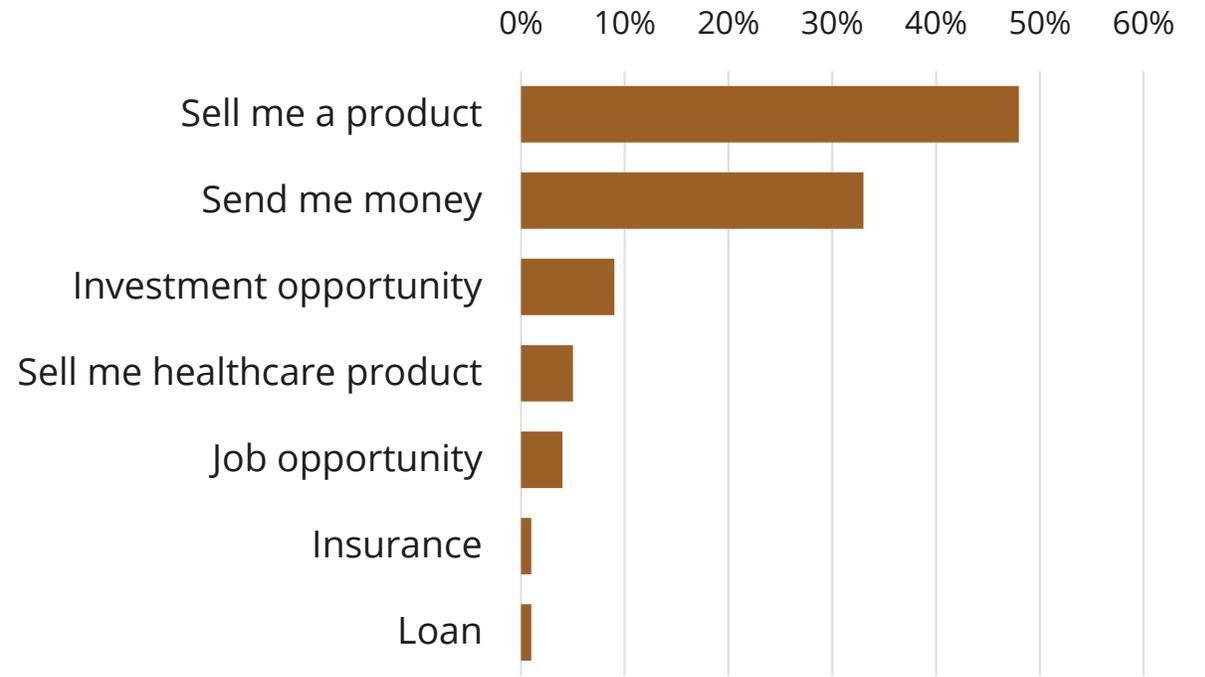


# What scammers request or offer when they contact DFS users

**Scammer initiates a conversation around getting money or account information (n=426)**



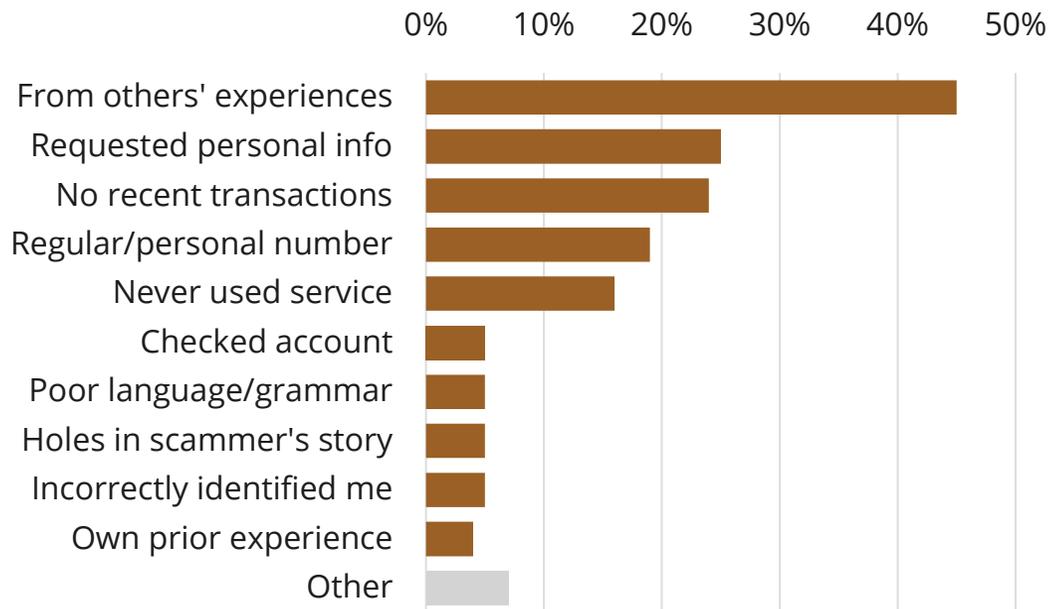
**Scammer initiates an offering of products or services (n=183)**



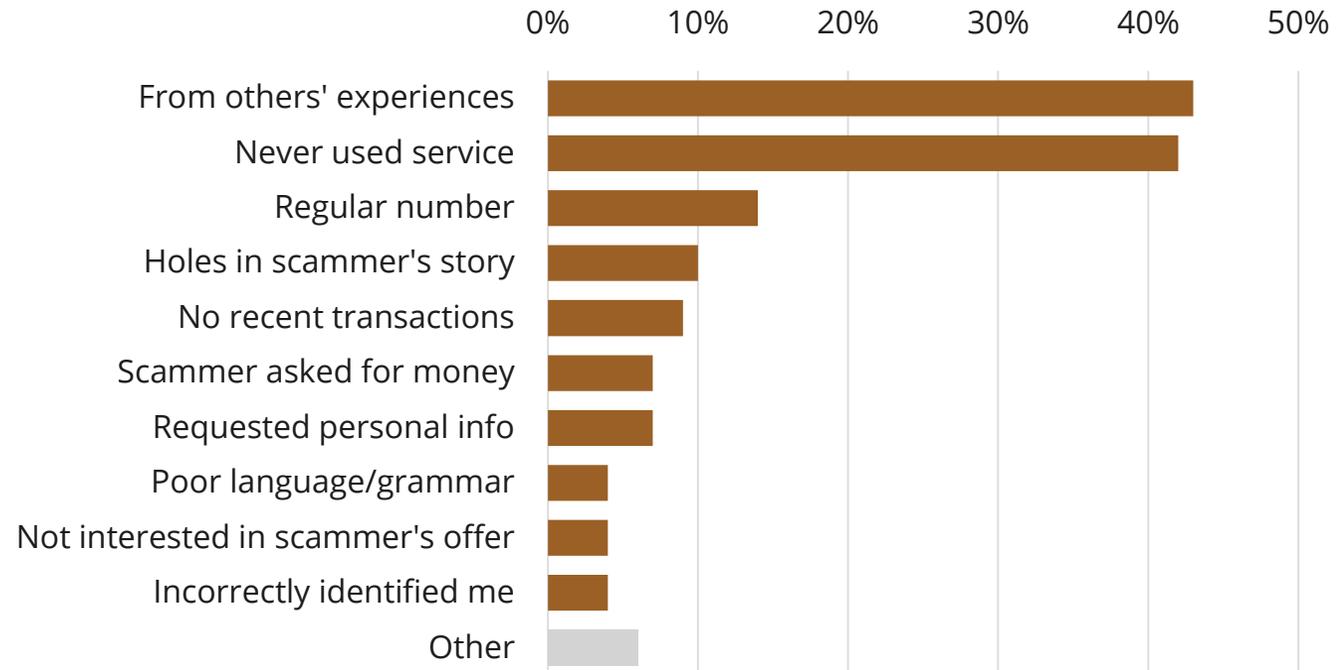
# How consumers identify scams

Warnings from peers and knowing not to give out personal information are key to consumers avoiding scams

**If scammer initiated a conversation around getting money or account information (n=330)**



**If scammer initiated an offering of products or services (n=183)**



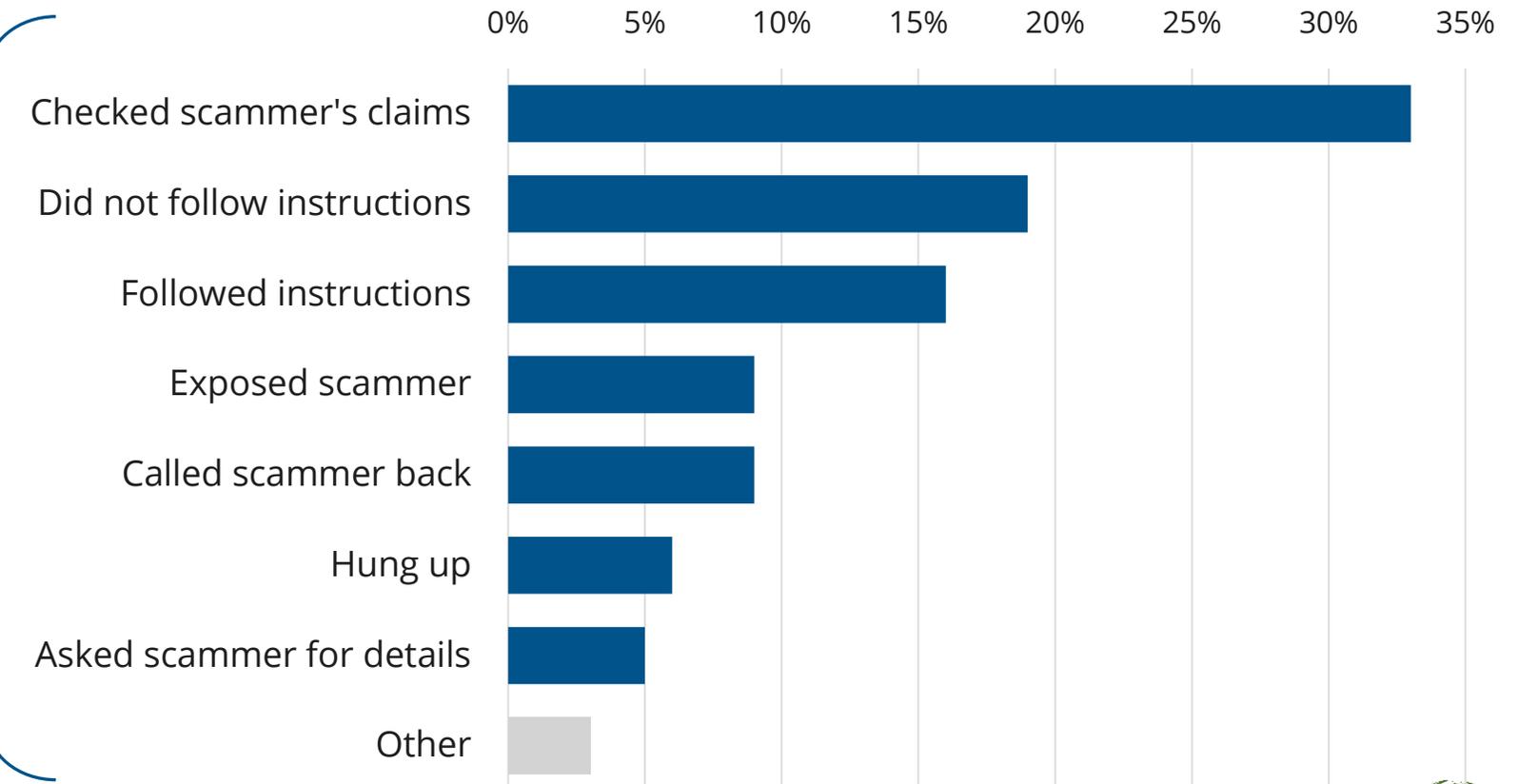
# How consumers react to phone and SMS scam attempts

Top 2 reactions by consumers after scam attempt (n=426)

**77%**  
Ignored

**16%**  
Responded

Way in which 16% of consumers responded to the scam (n=64)



Challenges experienced using DFS

# Many consumers still send money to a wrong number

By far the most common cause of lost money while using DFS is sending money to the wrong person while using mobile money.

How money was lost (n=170)

96%  
Mobile money

3%  
Mobile banking

2%  
Mobile loans

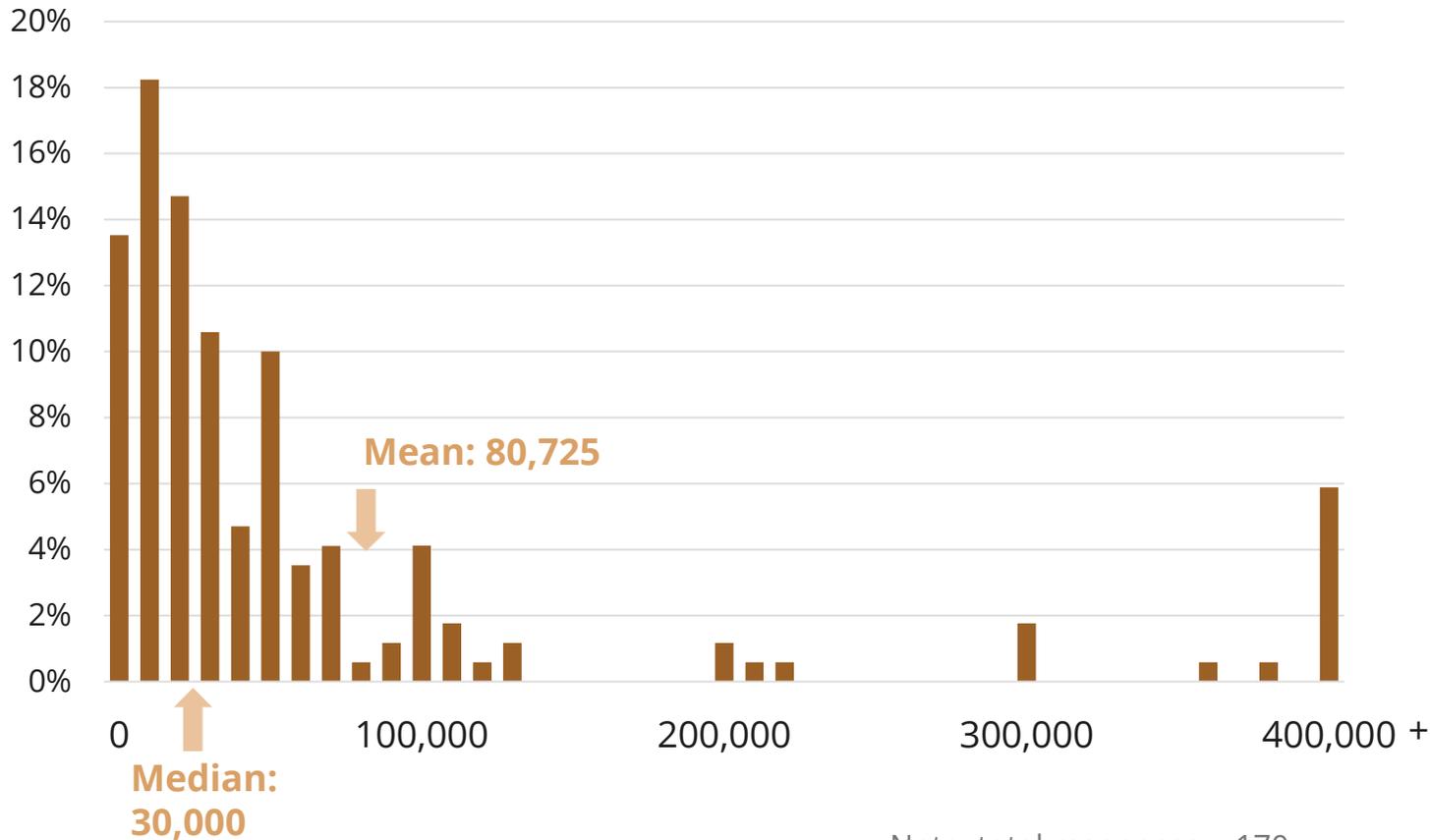
Where money was lost  
(n=160)

91%  
Sent to the  
wrong number

Since early March when COVID-19 began, 47% of respondents have experienced attempted scams or instances of attempted fraud

# Financial loss: What it costs consumers

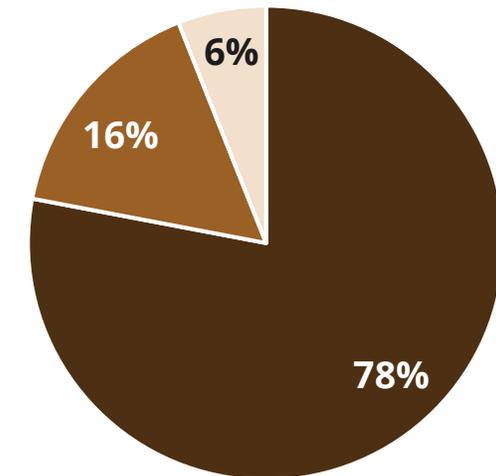
### Financial loss in last incident (UGX)



Note: total responses = 170

### Frequency with which money was lost via phone

Once Twice Three or more



# Financial Stress in 2020

This survey took place several months into the COVID-19 pandemic

To understand the impact of COVID-19 we asked a series of questions on financial well-being and financial stress

There is clear evidence how COVID-19 has affected household finances and risks like loan default

75% report less income since start of pandemic and many have resorted to relying on negative coping strategies to survive

Many report having trouble paying off both mobile and regular loans

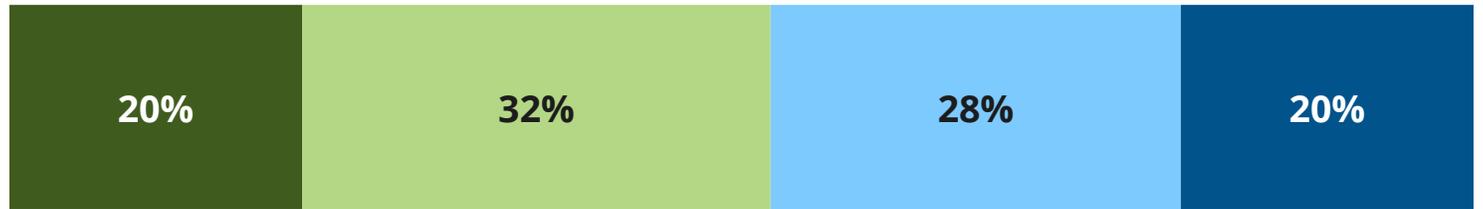


# Ugandans lack sufficient emergency funds during the pandemic

## Percent of respondents

■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree

Have enough money for living expenses (n=762)

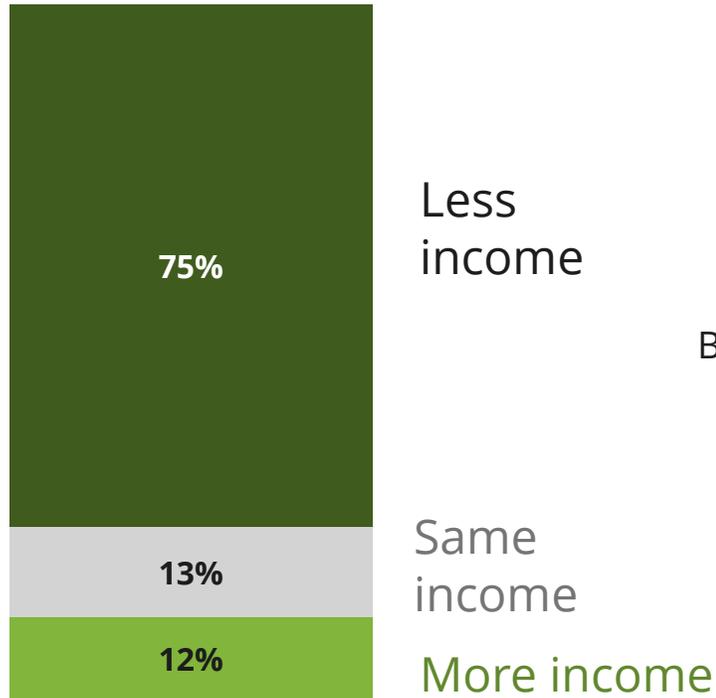


Have sufficient emergency funds (n=762)

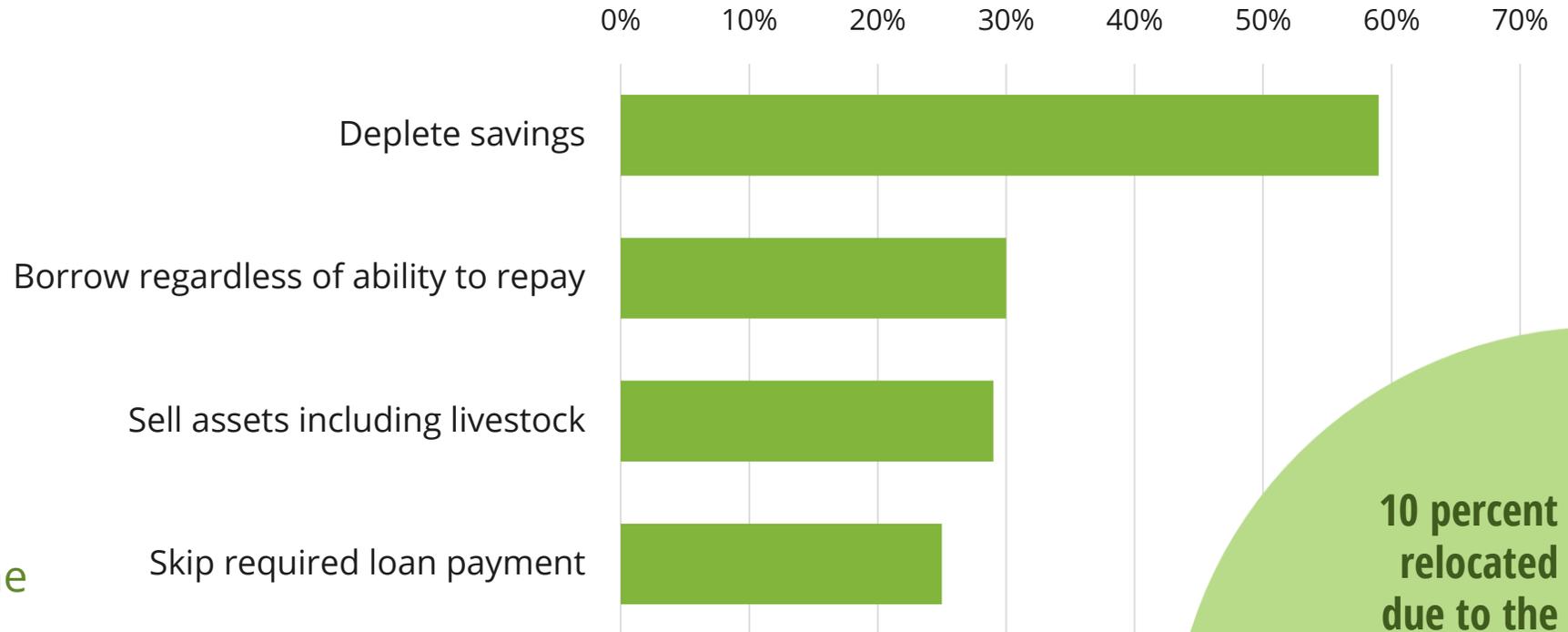


# The pandemic has reduced household income and assets

Change in income since start of pandemic (n=760)



Actions taken to pay for food, healthcare, or other expenses since start of pandemic (n=762)

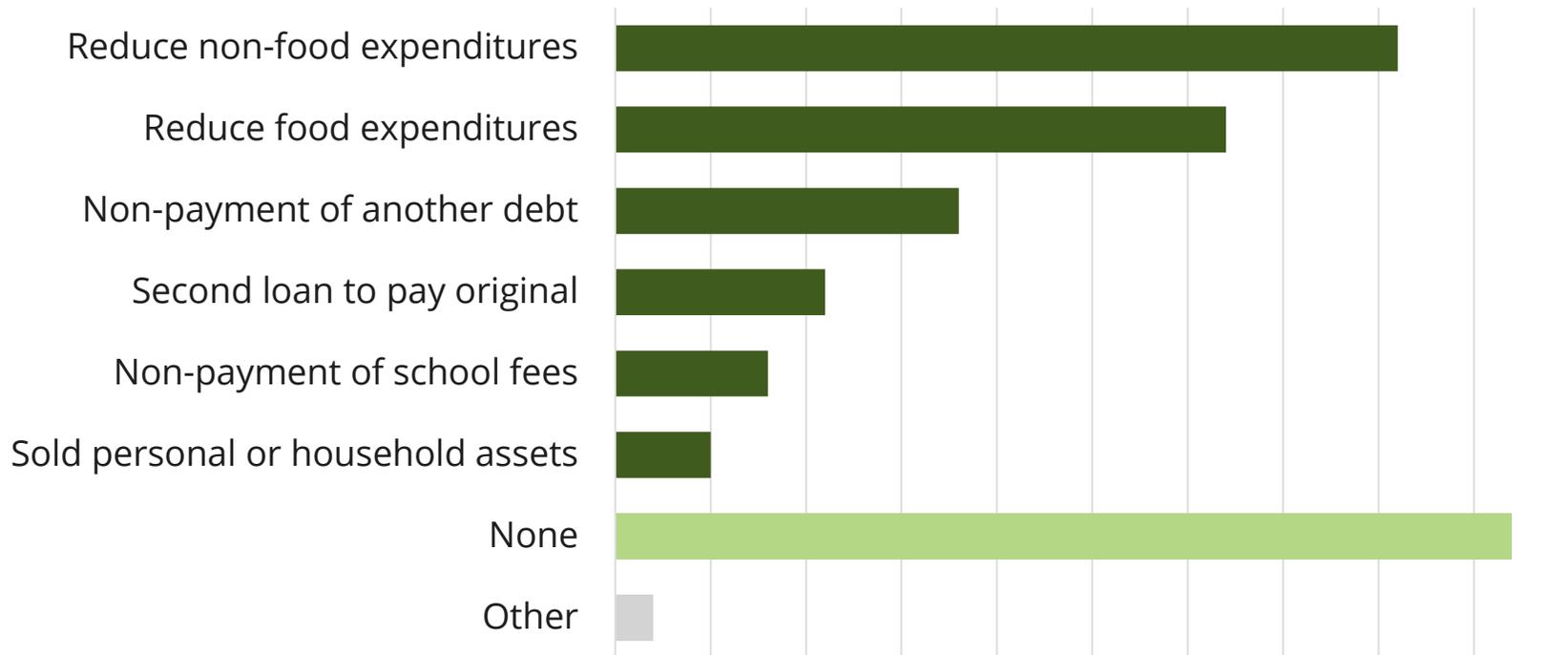


10 percent relocated due to the pandemic

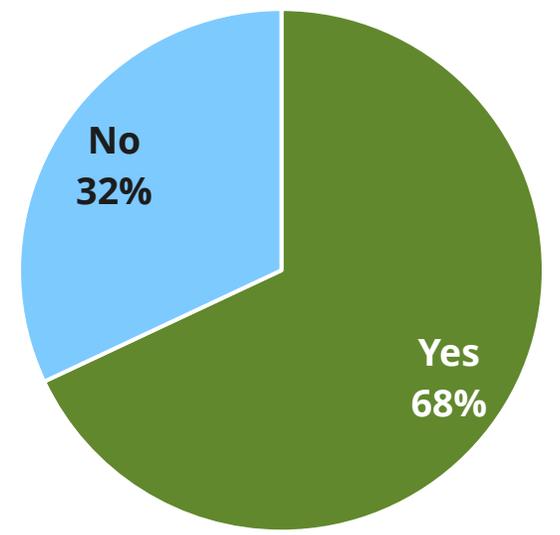
# Many consumers have had trouble with mobile loan repayments in the past

### Sacrifices ever made to repay mobile loan (n=230)

0% 5% 10% 15% 20% 25% 30% 35% 40% 45% 50%

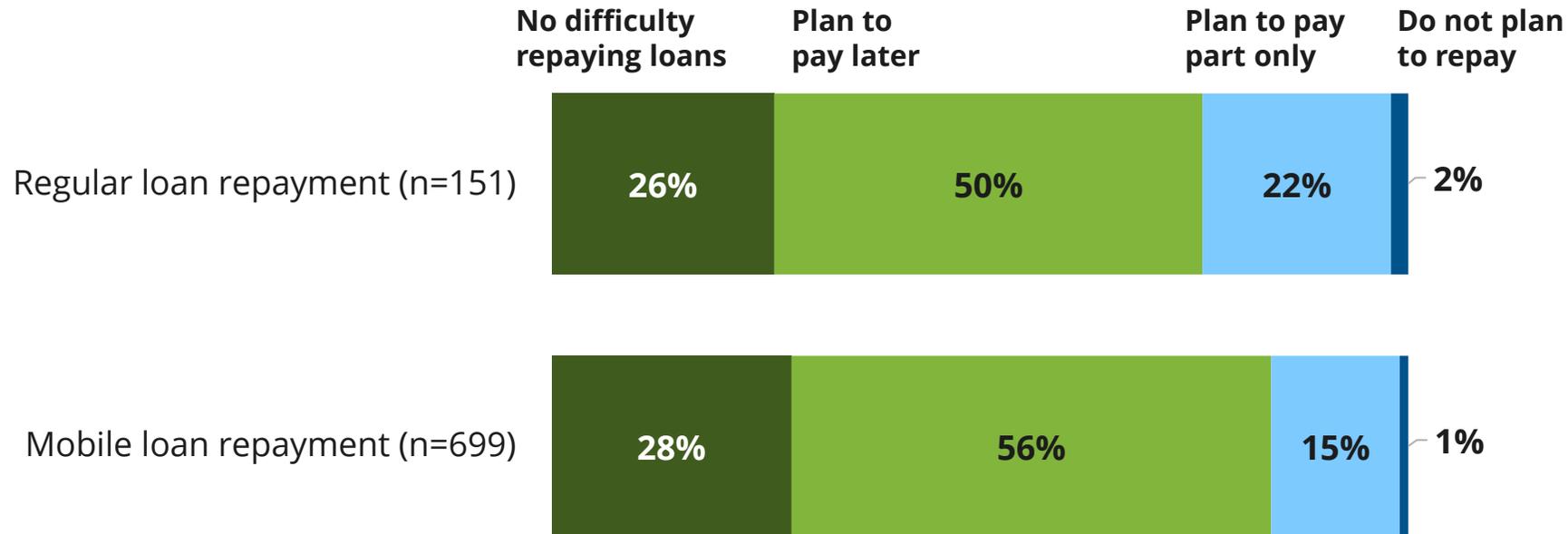


### Whether or not respondent has ever been late in repaying a mobile loan (n=228)

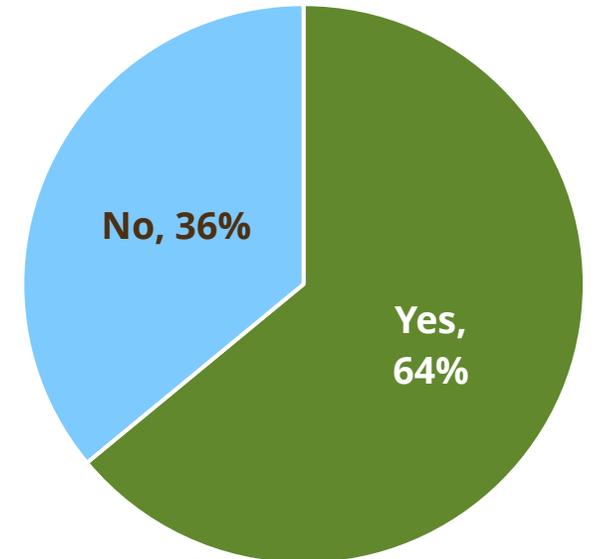


# Most borrowers are not paying loans on time during the pandemic

Whether or not respondent has experienced trouble repaying loans since start of pandemic



Whether or not the pandemic caused difficulty in loan repayment\* (n=90)



\*Of those who've had difficulty in repaying mobile or regular loans



# Consumer choice and decision-making

Two providers dominate the DFS market in Uganda

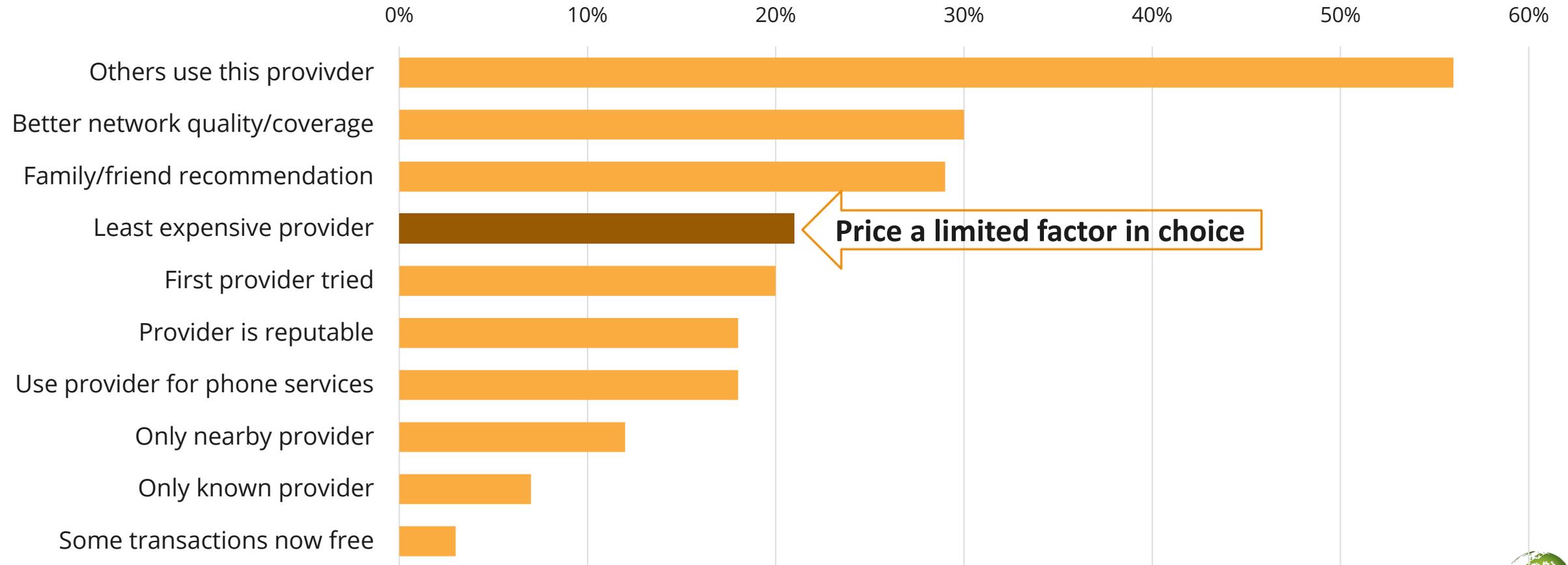
Price appears to be of limited importance for choosing providers of DFS:

- Which provider others use matters most for mobile money, followed by network quality and coverage
- Link to existing bank account matters most for choice of mobile banking provider
- Speed of disbursement, ease of repayment, and price matter most in mobile loans
- Consumers rely heavily on agents for their DFS transactions, though trust in agents varies greatly across respondents



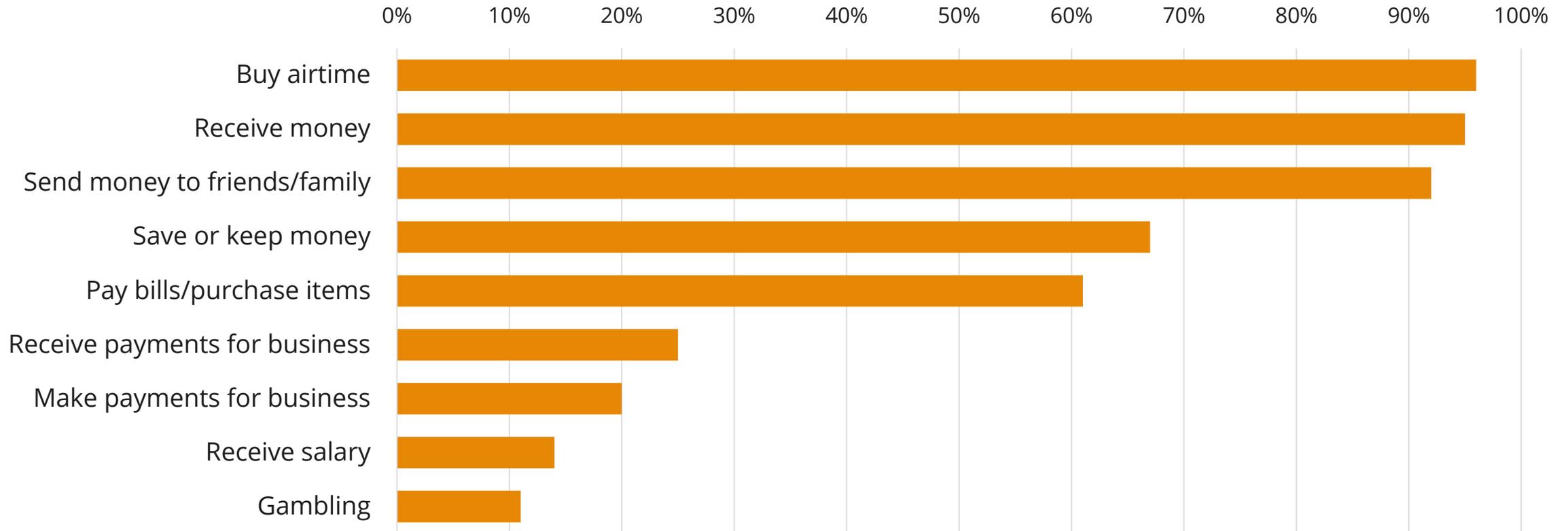
# Price is not a leading reason for choice of mobile money provider

Reasons for choosing mobile money provider (n=826)



# Airtime purchase and person-to-person payments dominate mobile money usage

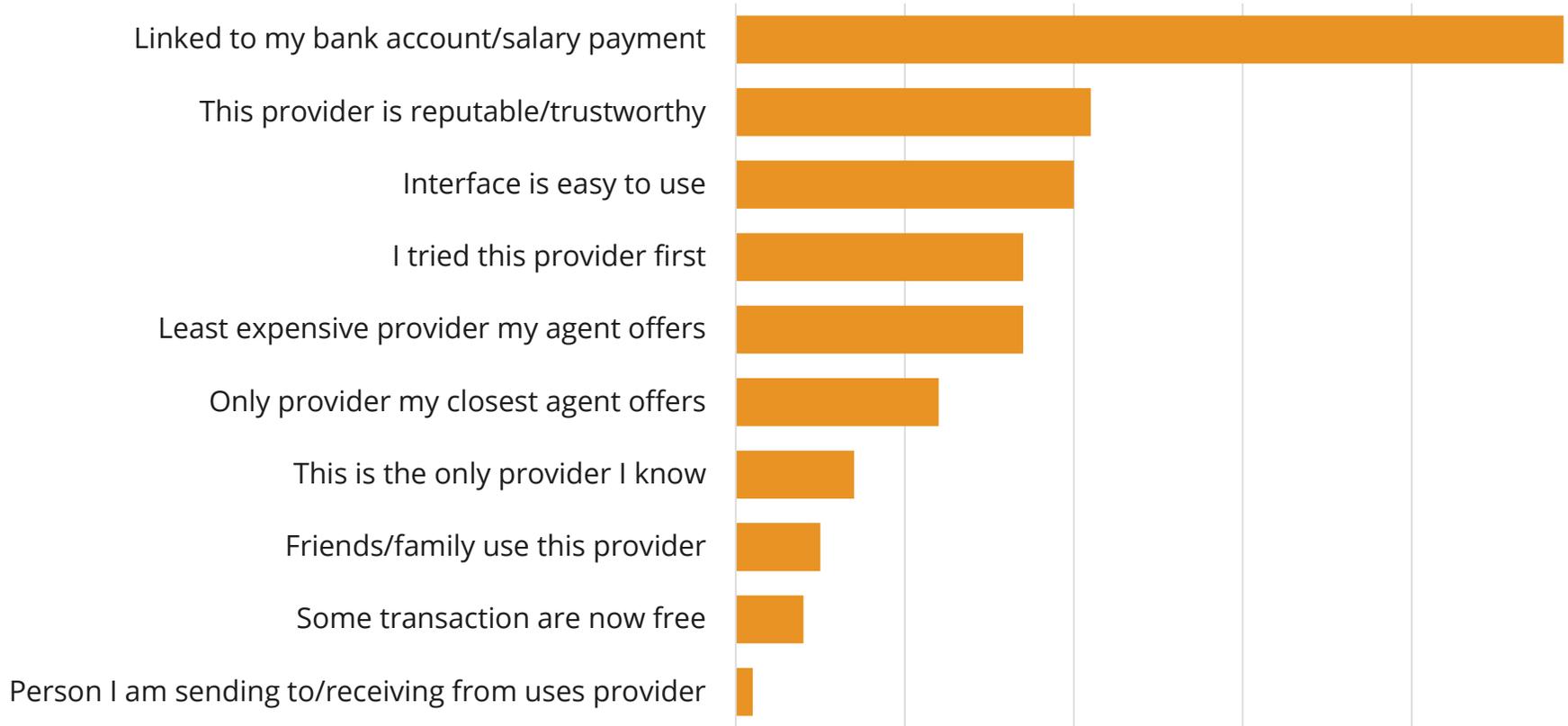
Purposes given for using mobile money (n=827)



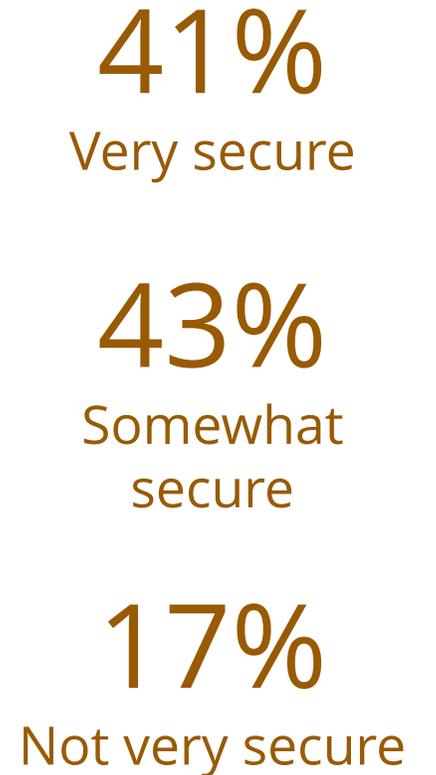
# Mobile banking is linked to traditional bank accounts

Reasons given for using mobile banking provider (n=75)

0% 10% 20% 30% 40% 50%

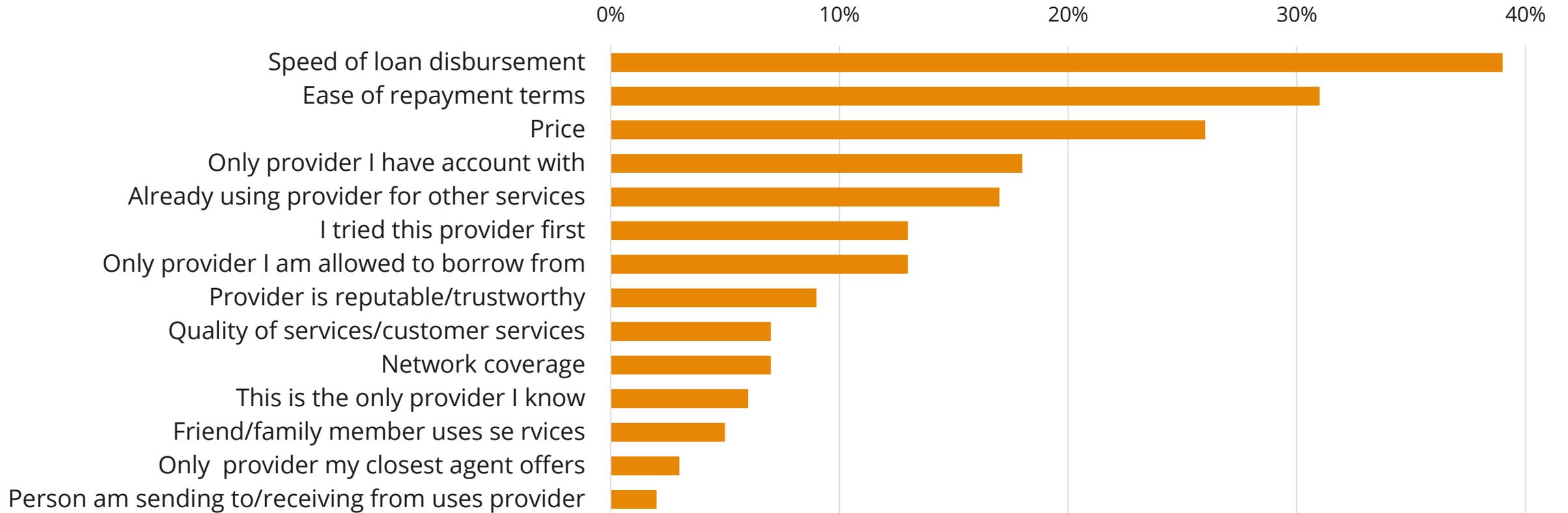


Mobile banking security (n=120)



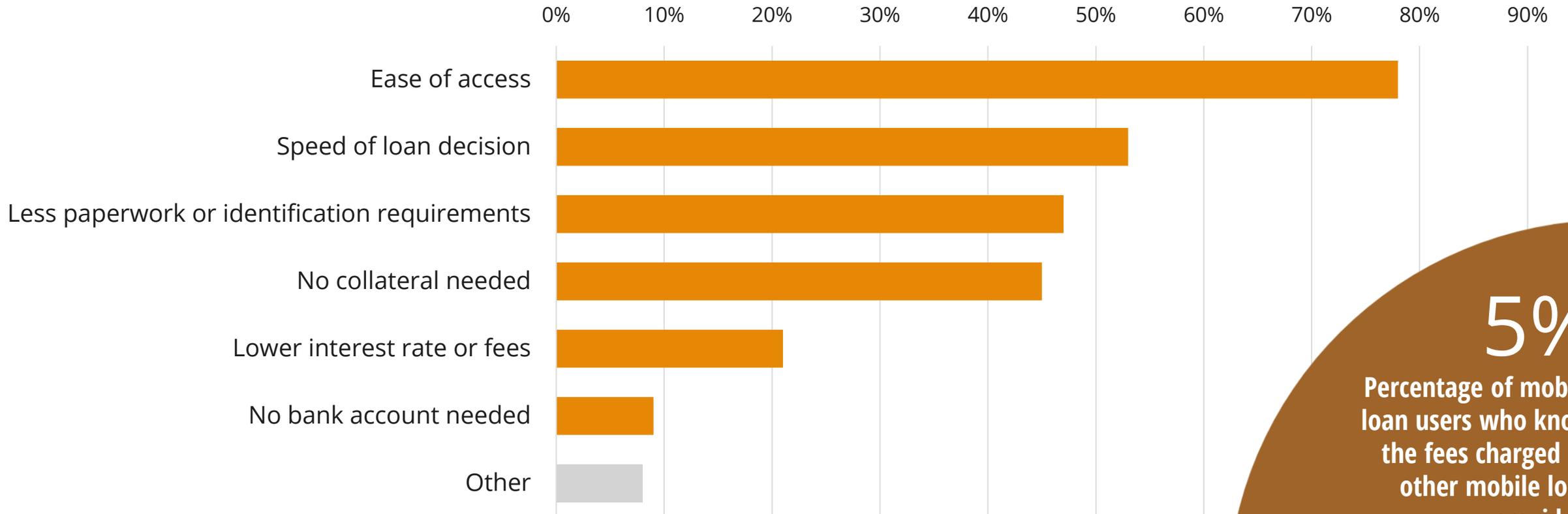
# Speed and ease drive choice of mobile loans

Reasons for using mobile loan provider (n=230)



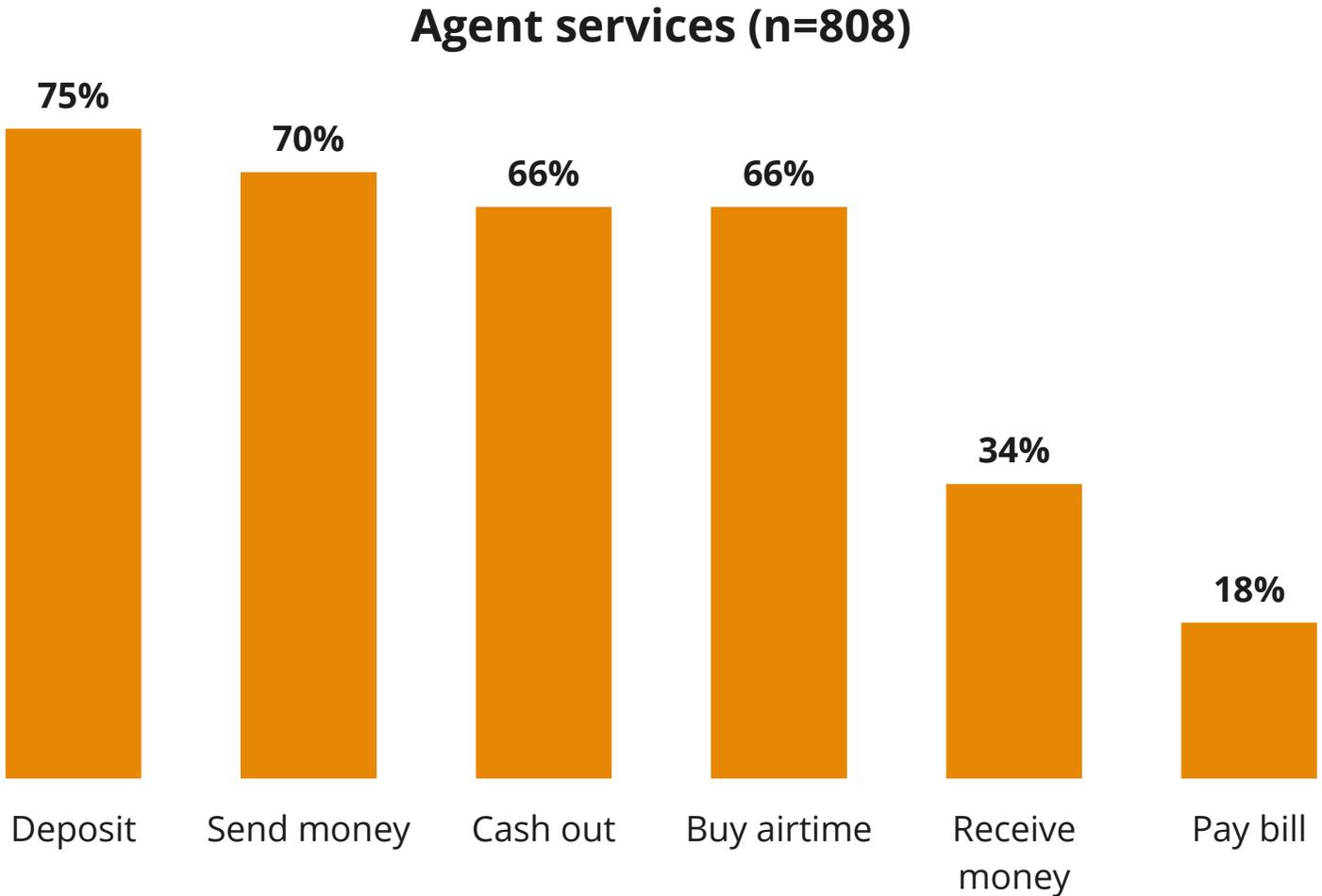
# Speed and ease drive choice of mobile loans

Reasons for using mobile loans instead of traditional loan (n=230)



**5%**  
Percentage of mobile loan users who know the fees charged by other mobile loan providers

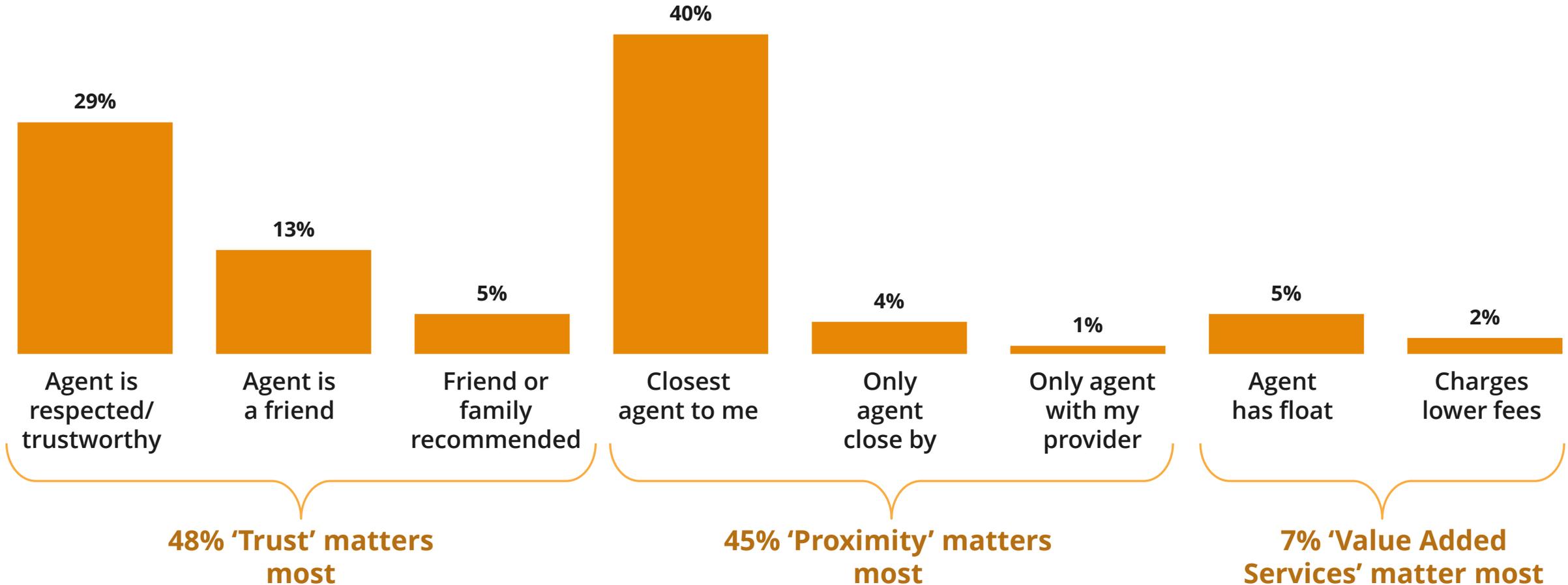
# What do consumers use agents for?



**96%**  
of respondents  
have used an agent  
for DFS transactions  
in the past 90 days

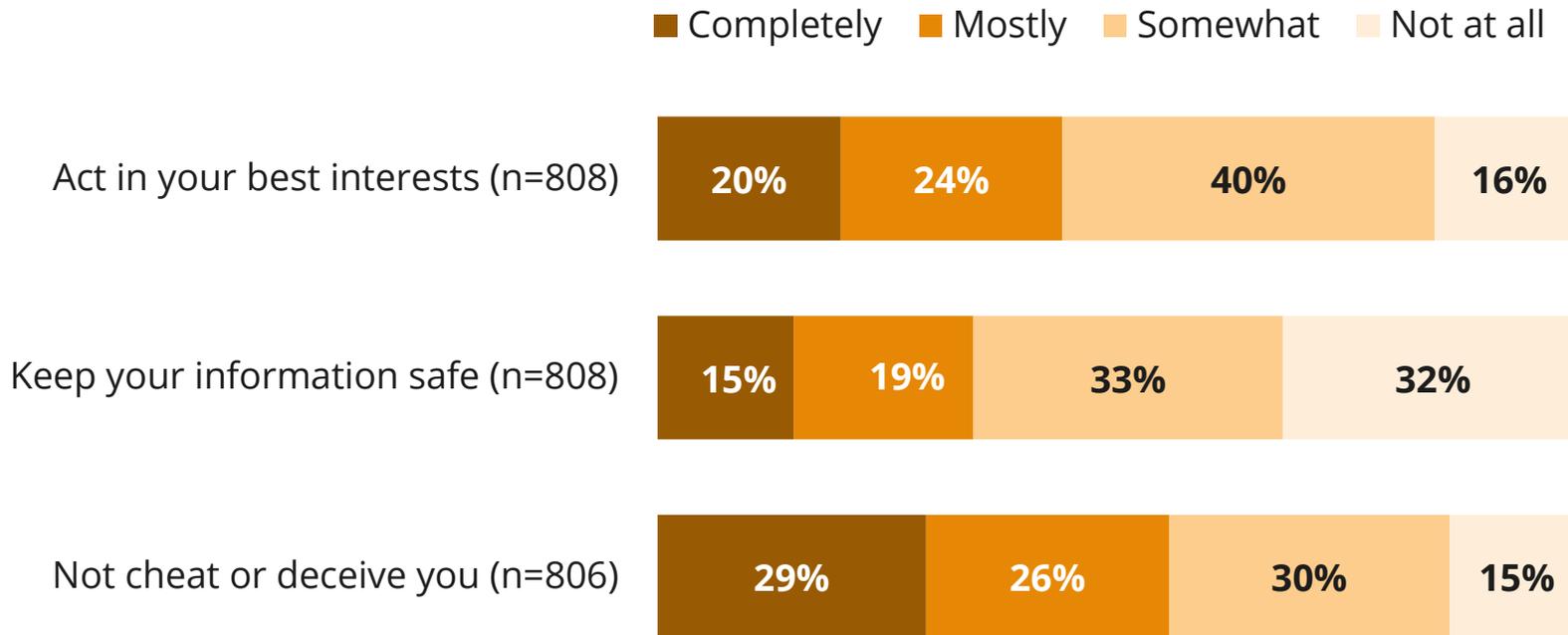
# Proximity and Trust are primary factors for agent selection

Reasons given for choosing a specific agent (n=762)



# Consumers have some skepticism towards agents regarding use of personal information

## Respondents' perception of agents



14%

percent of DFS users have...

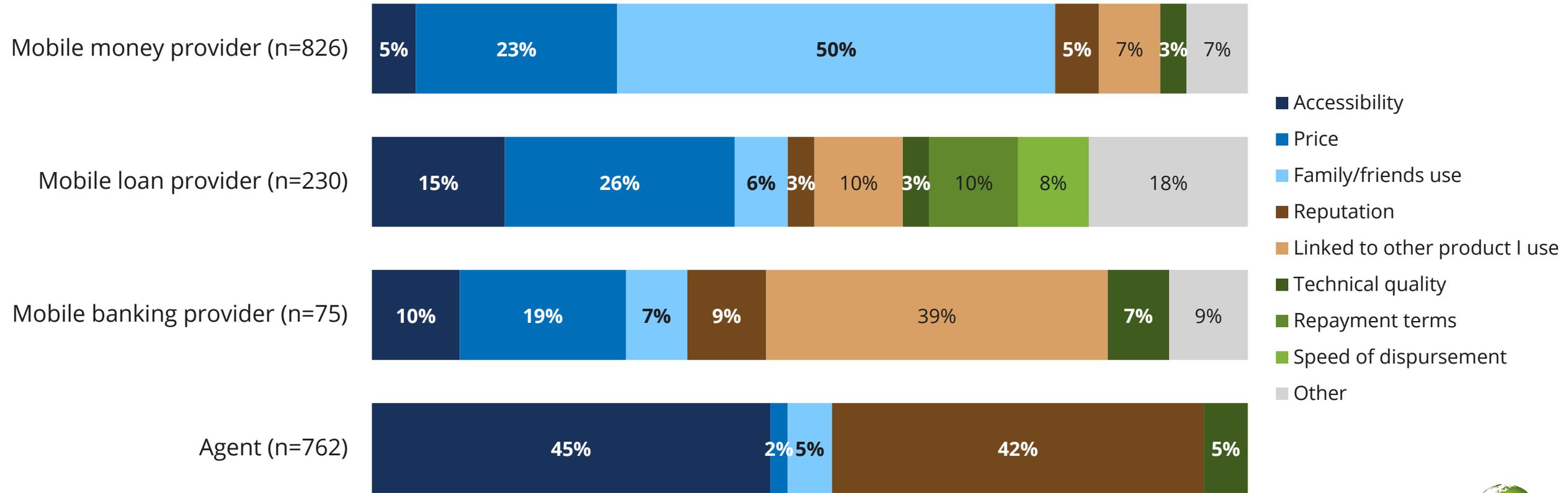
asked an agent to withdraw cash without them being physically present

shared a PIN or other account details with an agent



# Factors affecting consumer choice vary by service provider

### Reasons for selecting different service providers



# Price awareness and transparency

Unexpected or unclear charges was the fifth most common DFS challenges experienced, with 19% of respondents reporting this issue

Understanding fees is key to facilitating consumer choice and to avoid hidden charges which can deplete value and trust for consumers

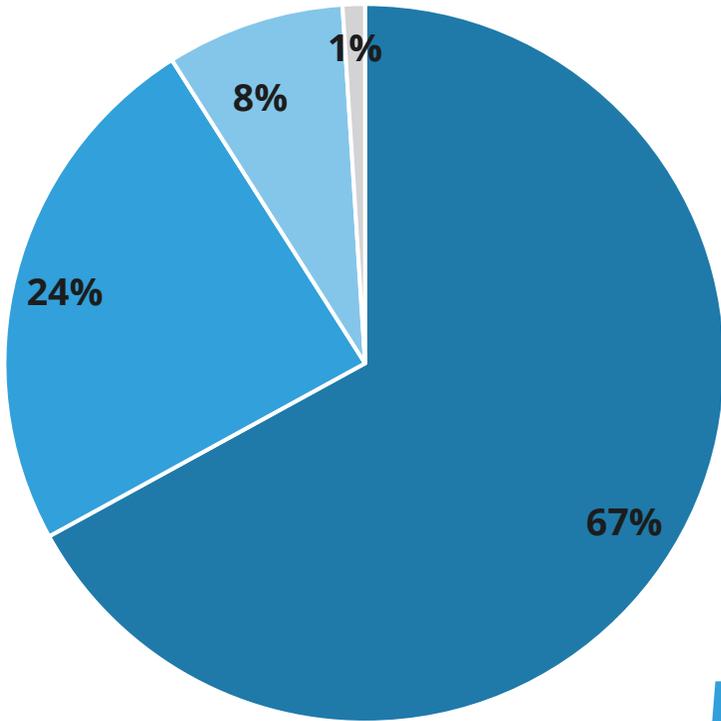
Most respondents identify costs for mobile money through post-transaction receipt—not pre-transaction disclosure. For mobile loans most respondents (54%) identify the loan cost by notice on phone before transaction.

Respondent knowledge of the costs of mobile money is mixed, with only 13% recalling the cost of a withdrawal at an agent within a +/- 5% range

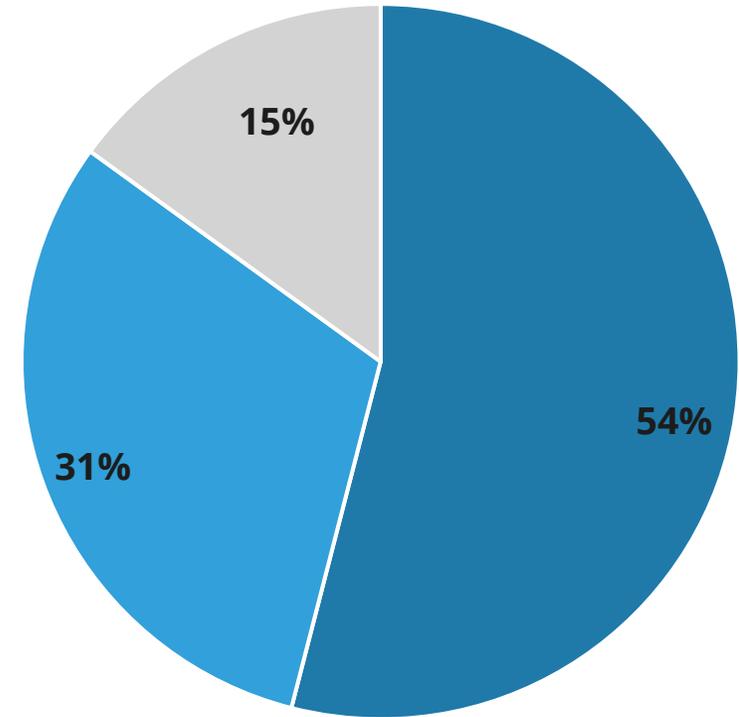


# Transparency and knowledge

Mobile money fees (n=698)



Mobile loan fees (n=223)



- Receipt after transaction
- Notice on phone before transaction
- Poster at branch or agent
- Don't know fee

**5%** of mobile loan users know fees of other loan providers (n=228)



# Younger, rural respondents know mobile money withdrawal fees best

Percent reporting correct mobile money transaction fee by transaction type and respondent characteristics



13% of respondents report almost correct withdrawal fees (+/- 5%)



# Complaints handling and redress

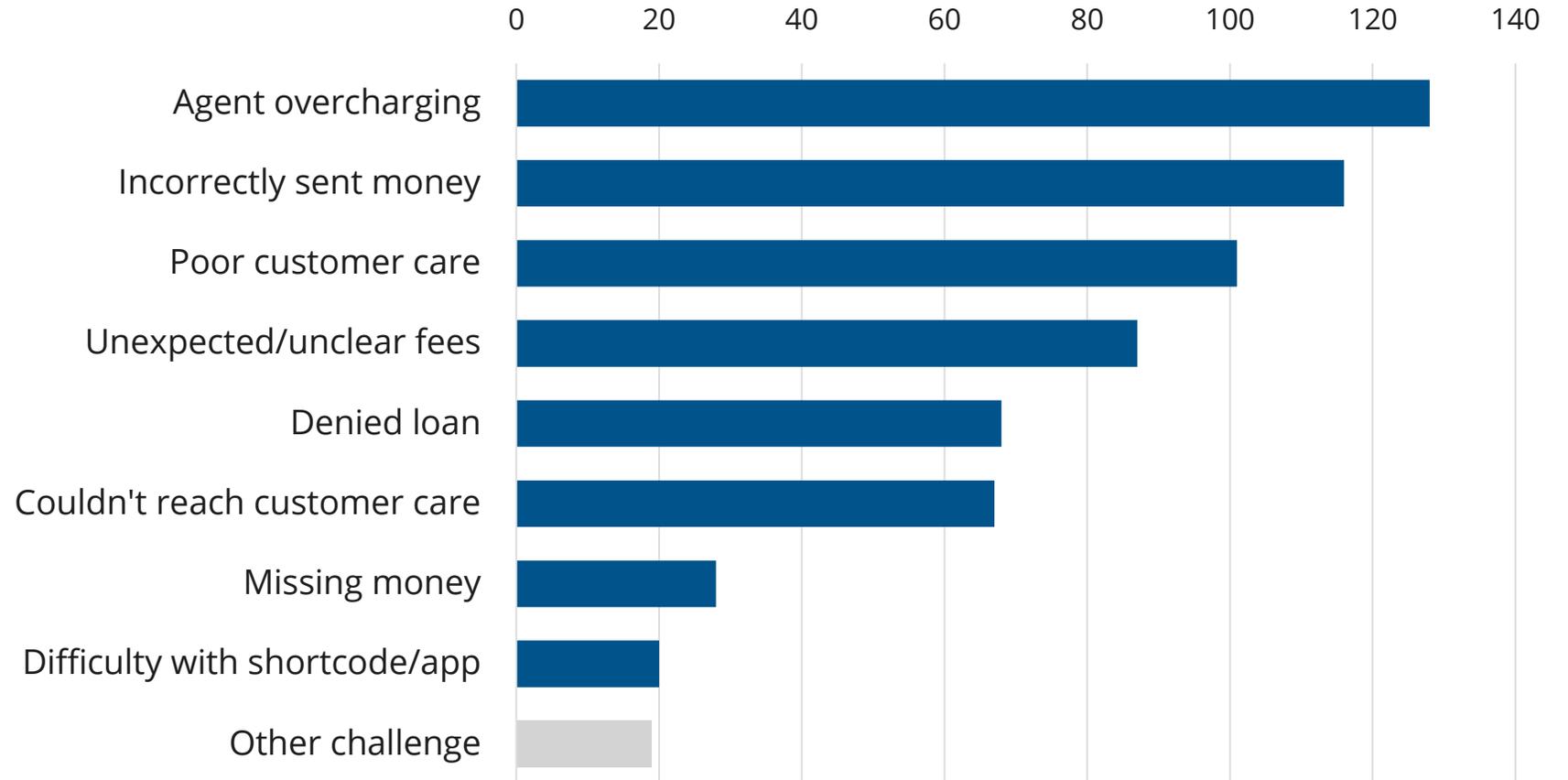
- For those who had experienced key DFS challenges such as lost funds they were asked about any actions taken to address these challenges
- Most consumers did not attempt to resolve their issue (61%)
- For those who did attempt to resolve their issues, contacting the agent is the most common channel used for redress, followed by contacting the provider
- Only 40% of consumers who tried to resolve their issue were successful
- Most consumers who did not resolve the issue did not change usage as a result



# Types of challenges experienced

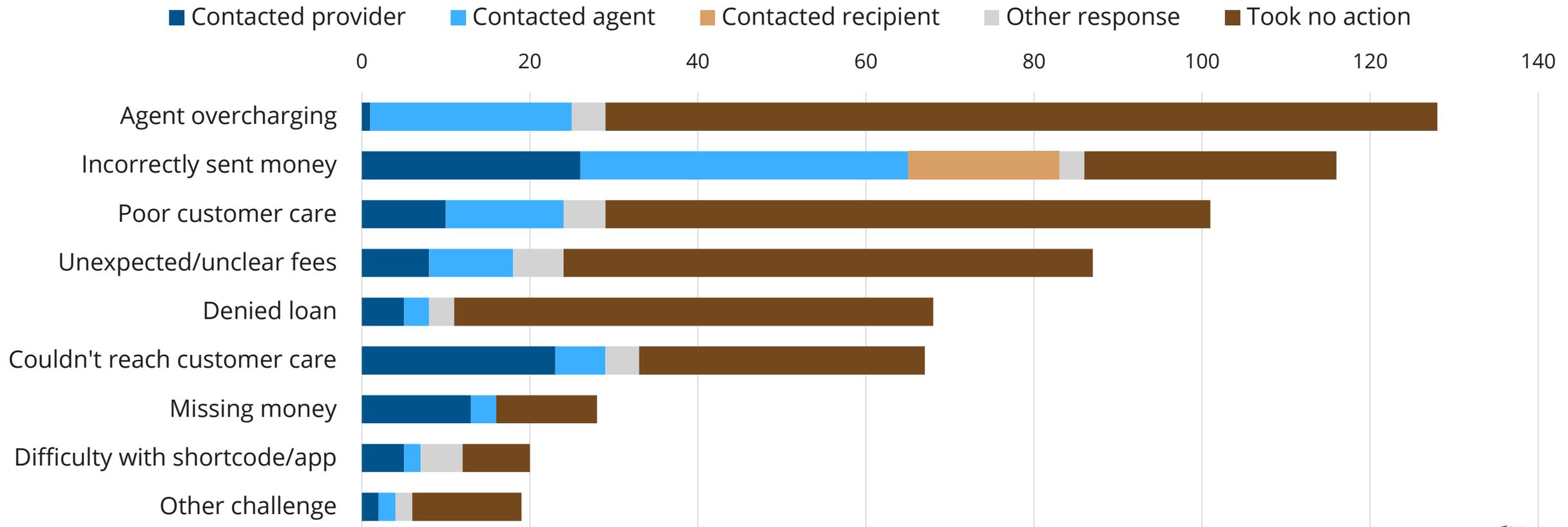
21% of respondents reported no serious challenge. Of those that did, 61% took no action to resolve it. Of those that did take action, only 40% resolved the issue, but most (79%) did not modify their usage in response.

Number of consumers experiencing each challenge



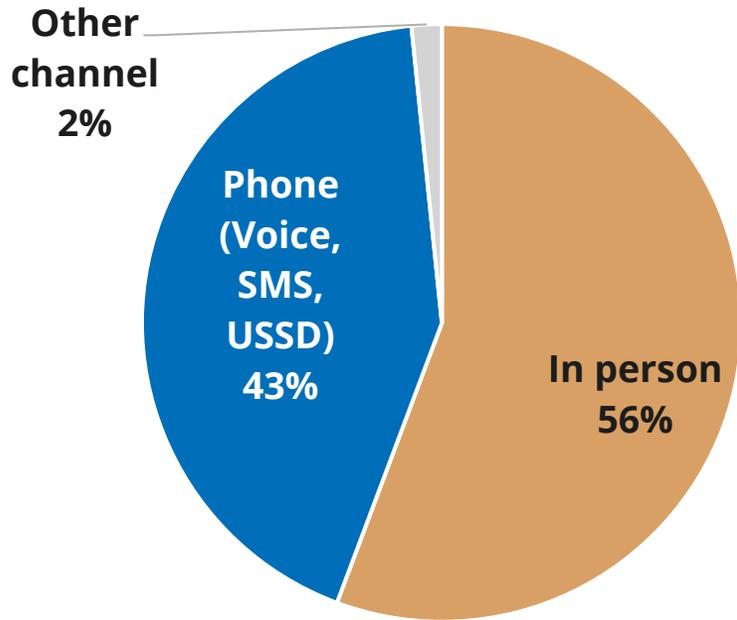
# Many consumers do not take actions to address challenges they face

Type of action in response to challenge, by number of consumers

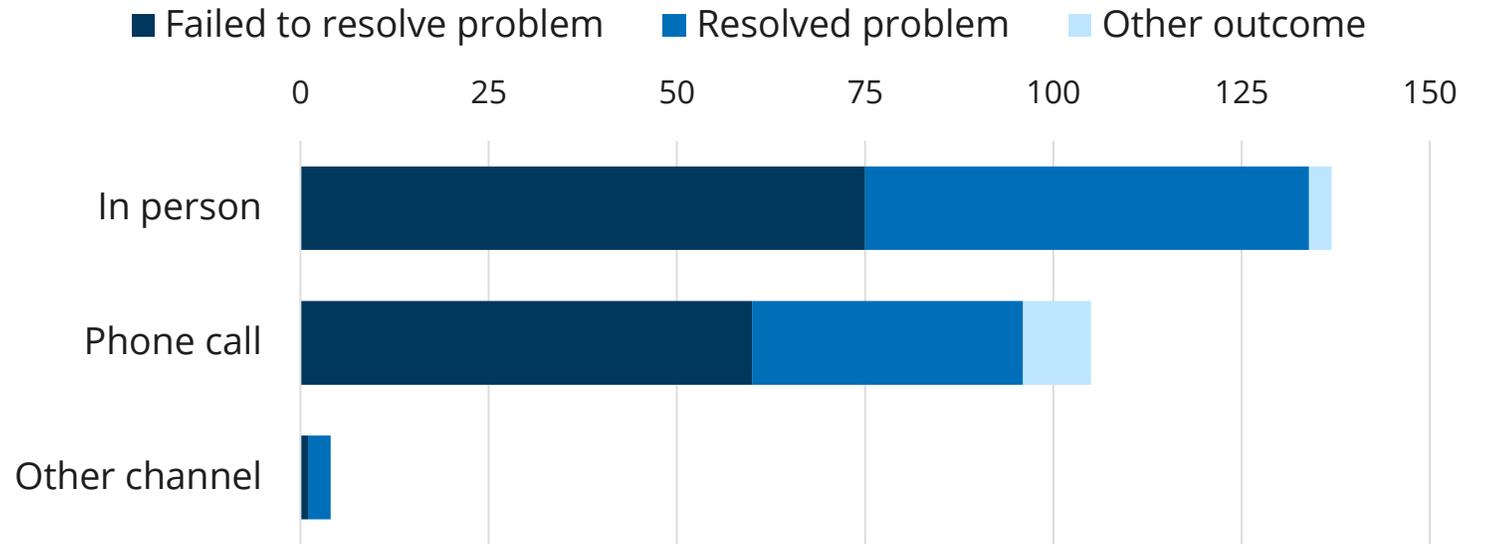


# Complaints presented in person are resolved at higher rates

Type of channel used by those who took action (n=256)

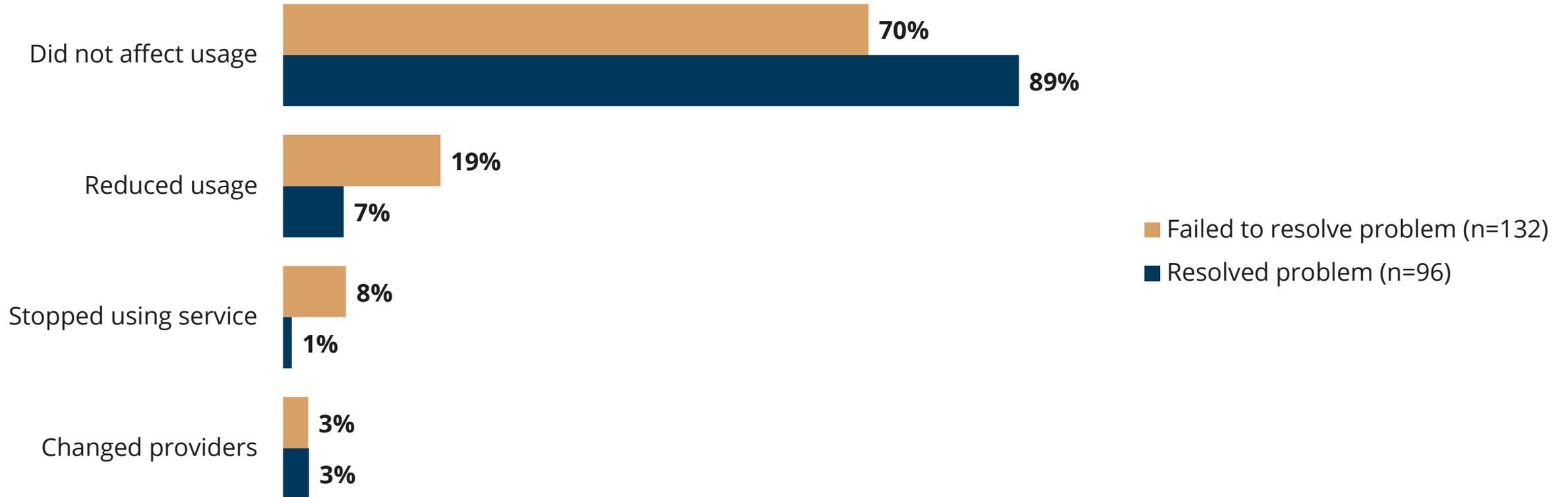


Consumers reporting whether or not the issue was resolved, by channel



# Many consumers do not modify their usage as a result of challenges

Consumers' behavior change as a result of problem resolution



# Consumers do take action over financial loss

Out of all the respondents who experienced a problem involving a financial loss (n=602)



Top 4 actions taken (n=170)



Note: Financial loss refers to incorrectly sent money or money missing or taken without permission



# Regulator Engagement

UCC is well known to users of digital financial services. 84% of respondents had heard of UCC prior to this survey

Television and radio are the primary channels that raised consumer awareness of UCC.

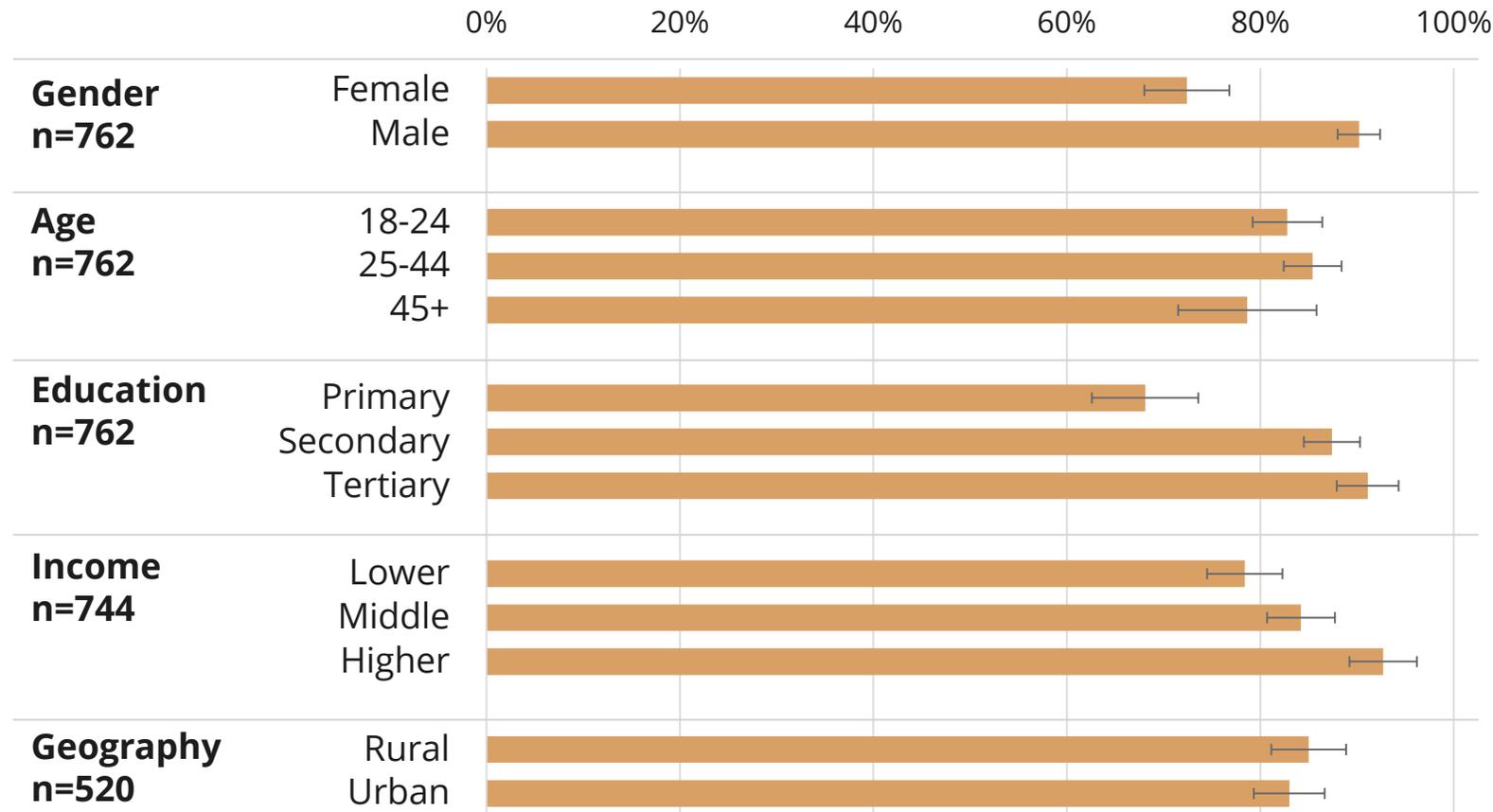
Male and better educated consumers are more familiar with UCC.

Despite high awareness, only 3% of respondents have ever contacted UCC.



# A large majority of respondents are familiar with UCC

Percent of respondents who had heard of UCC prior to survey



Overall, 84 percent of respondents had heard of the Uganda Communications Commission prior to this survey, and 3 percent had contacted them.

Male, better educated, better off respondents are more likely to have heard of the UCC.

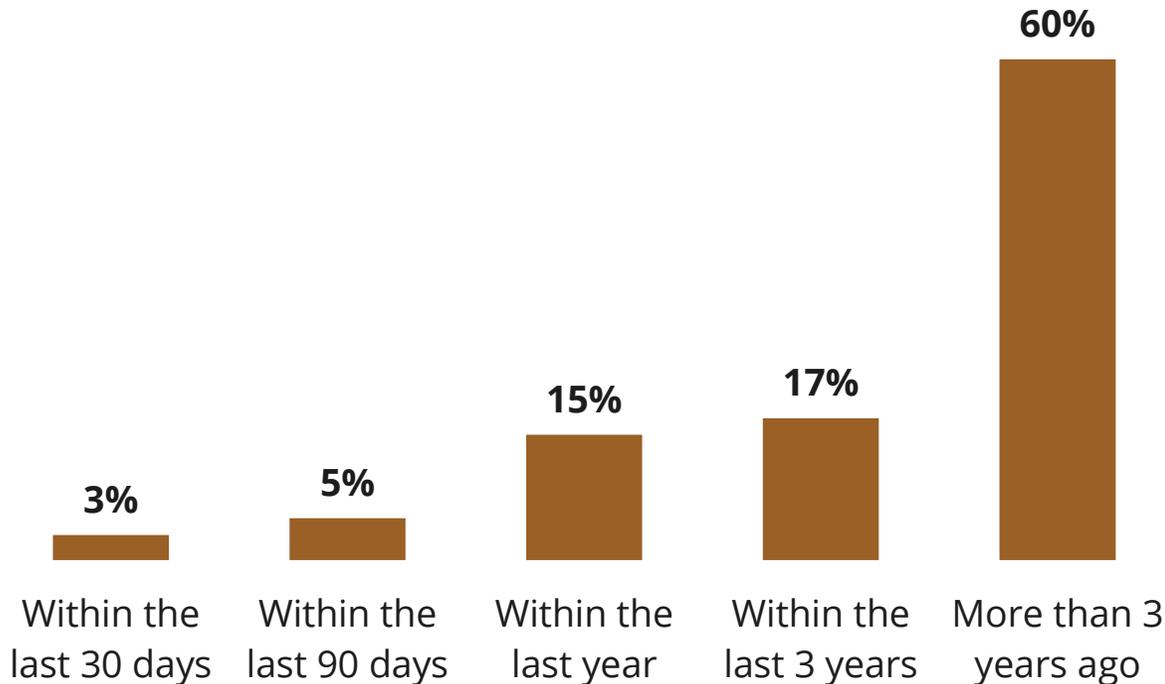
—| 90% confidence intervals



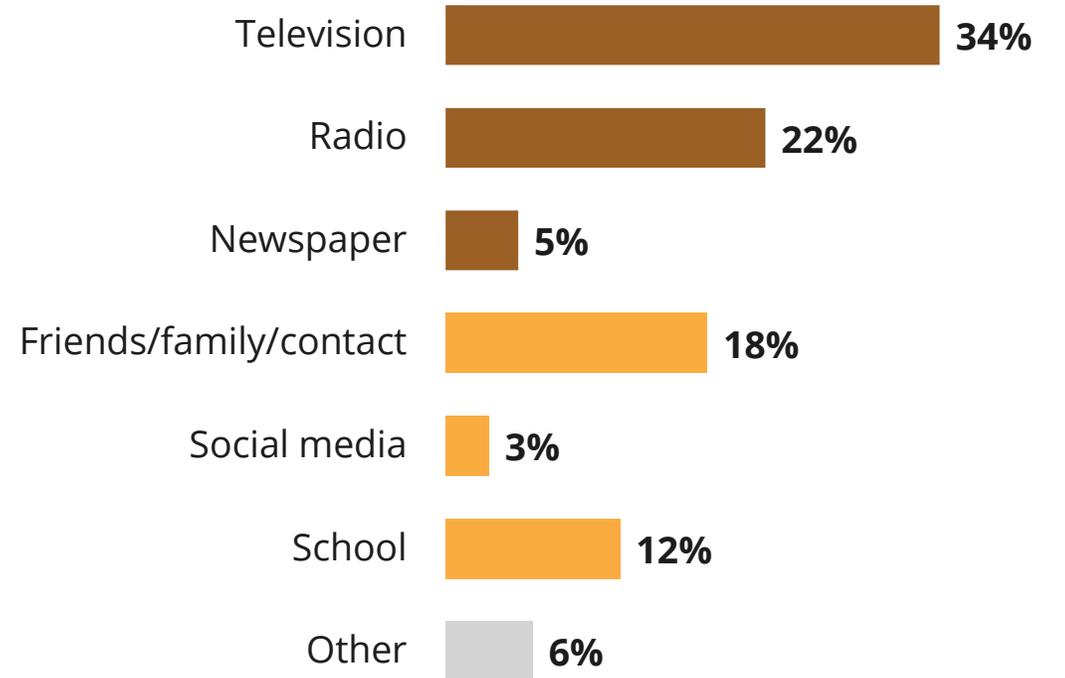
# Knowledge of Uganda Communications Commission

Awareness of UCC is quite high (84% of respondents), with 60% of these having known of UCC for more than 3 years. Most respondents learned of UCC via radio (39%) or television (25%).

When first heard of UCC (n=629)



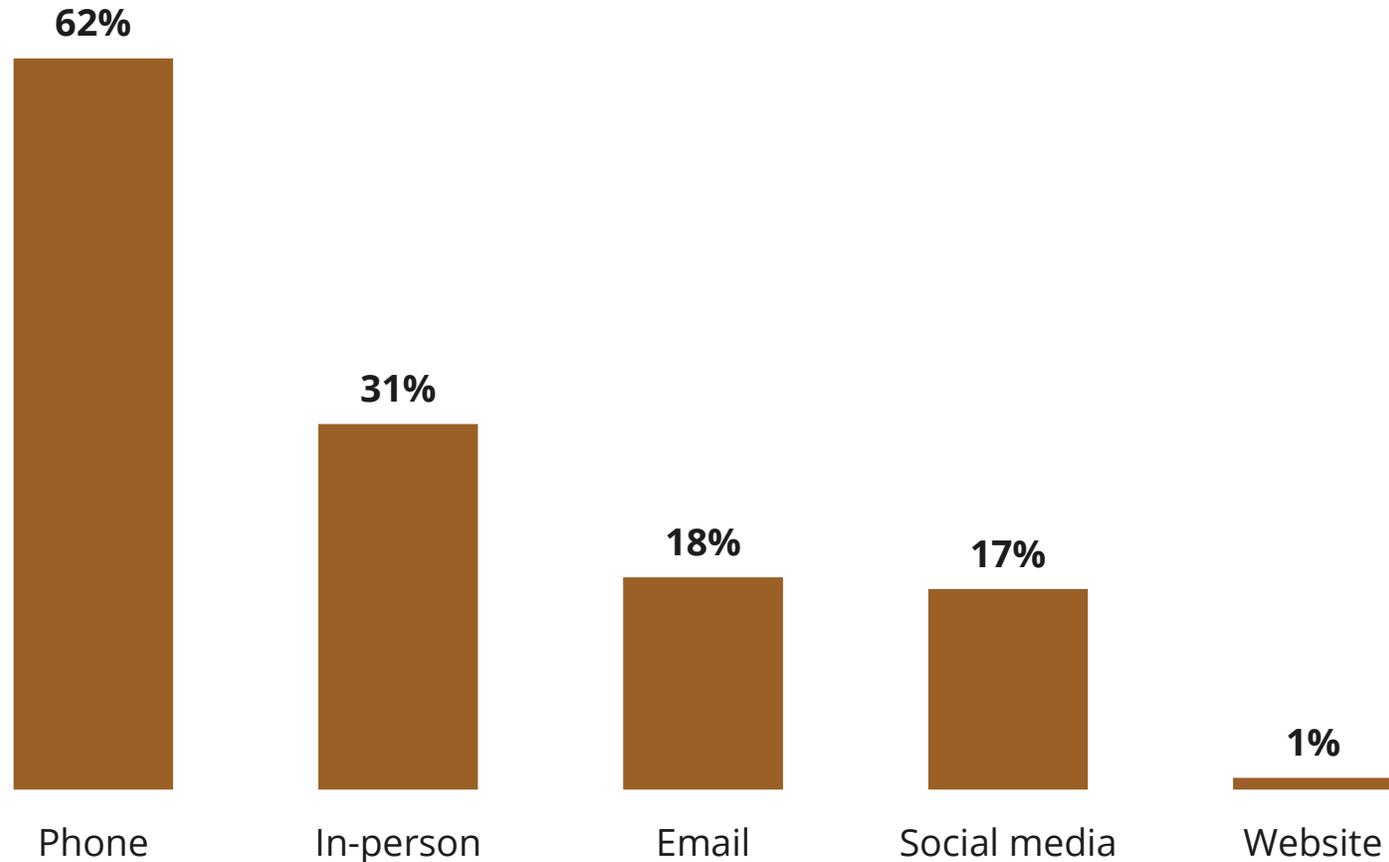
How heard of UCC (n=617)



# Contact with Uganda Communications Commission

While 71 percent of respondents said they would consider contacting UCC if they faced an issue with their provider, only 3 percent have actually contacted UCC. How can more consumers be made aware of UCC's call center functions?

How would you contact UCC? (n=637)



# Policy takeaways from consumer survey

## Redress and complaints handling

- Substantial differences in challenges reported by more educated and better-off segments raises questions regarding why these discrepancies exist.
- Further research is needed to understand why this difference exists and if some segments truly experience less challenges.
- Only 40% of customers experiencing financial loss who complained had their issue resolved—a concern given the significance of these challenges which requires further investigation into why these issues go unresolved.
- Resolution rates are low for many DFS challenges. Redress mechanisms may not be working well for some consumers.



# Policy takeaways from consumer survey

## Scams and fraud

- Attempted scams are common with DFS users in Uganda. However, most consumers do not fall for these scams.

## Agent conduct

- Agent overcharging is a common challenge, yet most consumers do not report this via formal channels.
  - How can providers enforce official fee rates and encourage consumers to refuse to pay extra fees?

## Competition and choice

- Low levels of competition seen in mobile money and digital credit may require policies to encourage greater consumer choice in market.
- Price is key factor in digital credit, but only third factor in mobile money. Should price be a more important factor in consumer choice?



Thank you



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POVERTY ACTION