

THE STATE OF INCLUSIVE INSTANT PAYMENT SYSTEMS IN AFRICA 2024

CONSUMER RESEARCH INSIGHTS

Uganda



INTRODUCTION

The State of Inclusive Instant Payment Systems (SIIPS) in Africa report is an AfricaNenda research and advocacy initiative conducted in collaboration with the World Bank and the United Nations Economic Commission for Africa.

SIIPS 2024 marks the third edition of this flagship series. The report aims to inform public and private sector payment stakeholders within Africa and beyond about advancements in Africa's instant retail payment system (IPS) landscape. The report includes insights on the inclusivity of the continent's live systems based on how accessible and useful they are for all end users, and whether all licensed payment providers in the country have equitable opportunities to provide input into their design and governance.

The SIIPS 2024 analysis includes IPS that were operational with live transactions as of June 2024. The data was compiled using public sources, complemented by a survey of central banks and IPS operators, and by comprehensive stakeholder interviews—all conducted between February and June 2024.

The consumer research reflected in this presentation also took place between February and March 2024. It involved in-country quantitative surveys and qualitative interviews featuring low-income adults and micro and small enterprise (MSME) owners in Uganda.

Though the consumer research sample is not nationally representative, it aims to provide insights to better inform the design of IPS to meet end-user needs.



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SECTION 1

METHODOLOGY OVERVIEW



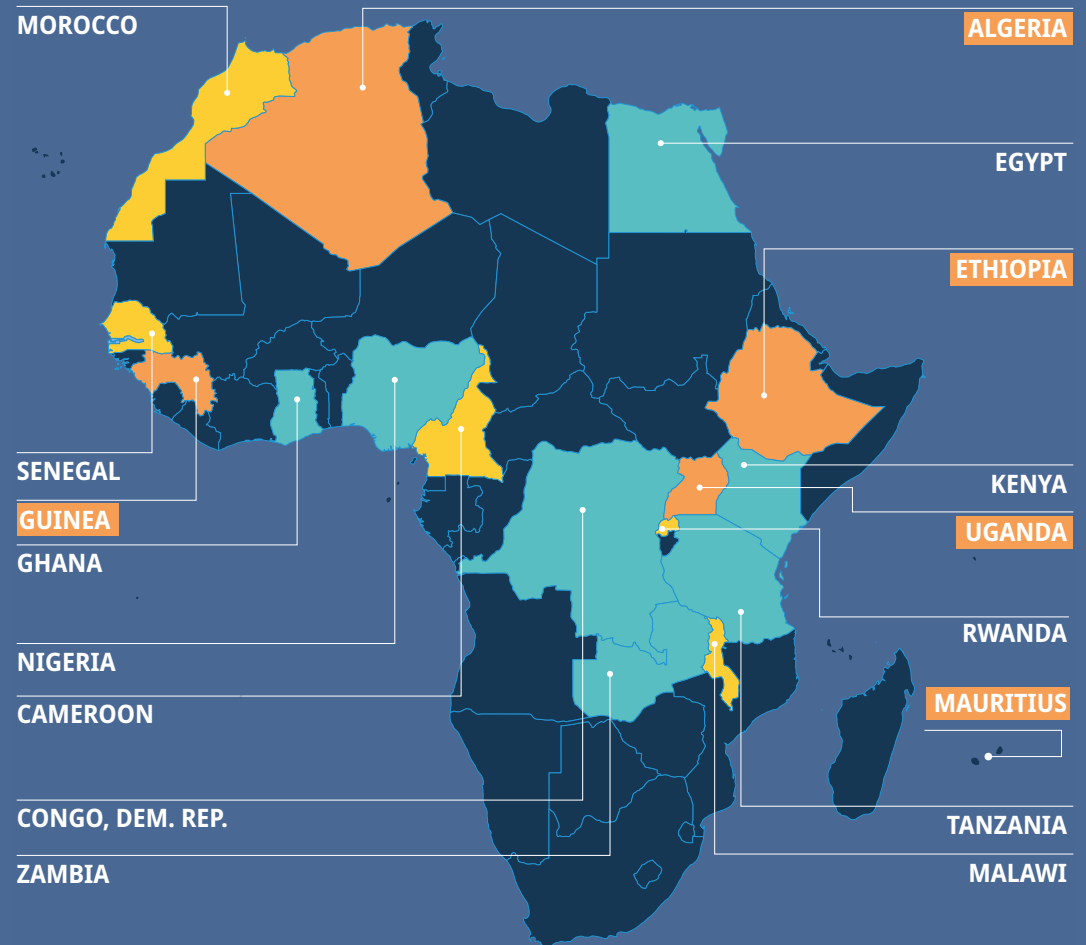
Sampled countries:

Algeria, Ethiopia, Guinea, Mauritius, and Uganda

The 2024 consumer research was conducted in five sample countries: Algeria, Ethiopia, Guinea, Mauritius, and Uganda.

Cross-country averages are based on these five sample countries.

The research complements research done in 2022 and 2023 using a similar methodology. The seven 2022 sample countries were Democratic Republic of Congo, Egypt, Ghana, Kenya, Nigeria, Tanzania, and Zambia. In 2023, the five sample countries were Cameroon, Malawi, Morocco, Rwanda, and Senegal.

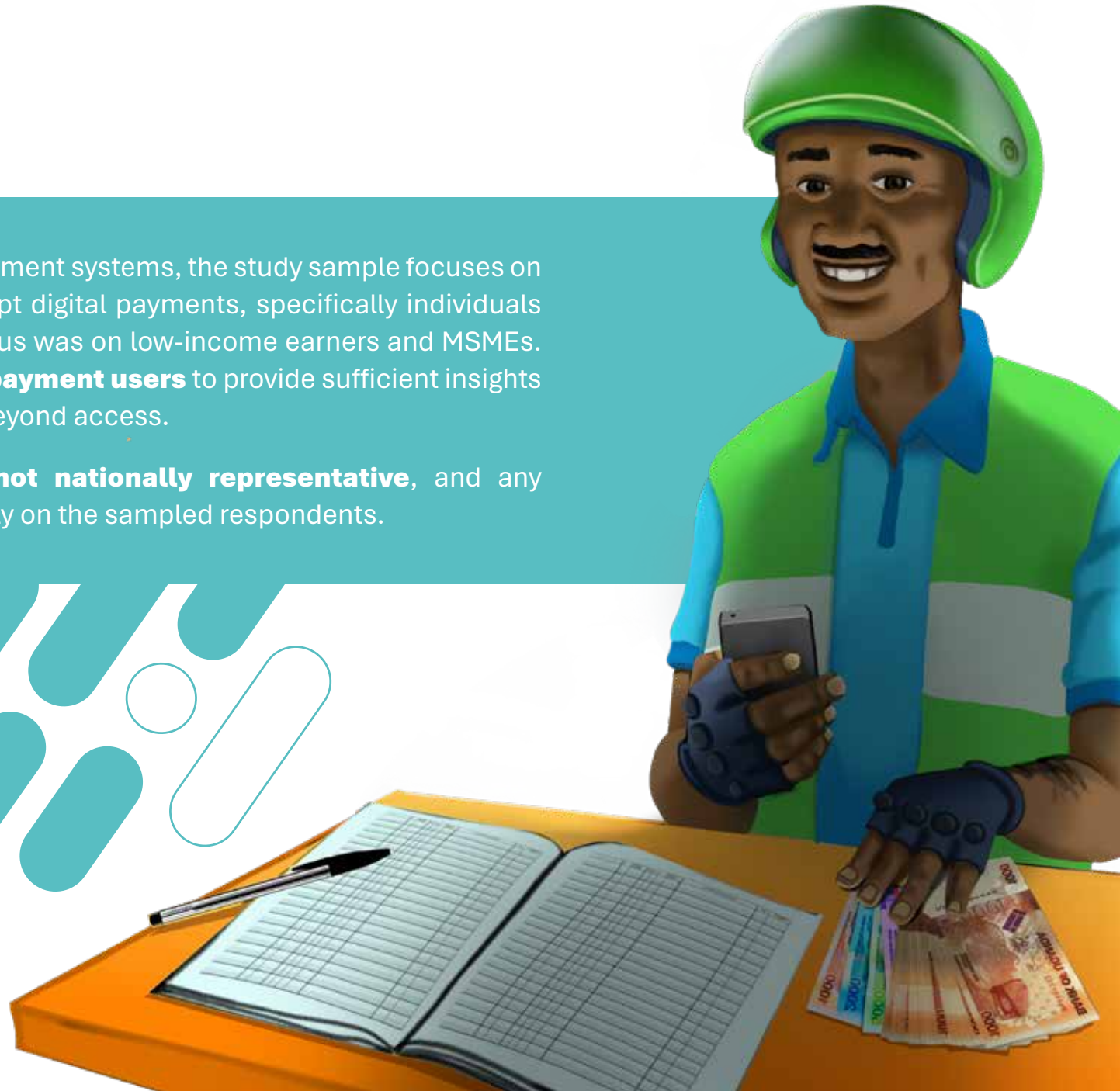


Methodology:

Sampling approach

To inform the inclusive design of instant payment systems, the study sample focuses on the **“emerging market”** expected to adopt digital payments, specifically individuals in **urban and peri-urban** settings. The focus was on low-income earners and MSMEs. Additionally, the sample **targeted digital payment users** to provide sufficient insights into early and habitual usage constraints beyond access.

These consumer research findings are **not nationally representative**, and any country-specific inferences are based solely on the sampled respondents.



Methodology:

Overview



RESEARCH METHODOLOGY AND CORRESPONDING OBJECTIVES

	Survey	In-depth interviews
Survey objectives	<ul style="list-style-type: none">• Understand depth of consumer usage• Measure the frequency of digital payment usage and the popularity of transaction types• Rank the most-used payment instruments	<ul style="list-style-type: none">• Map use-case characteristics and payment behavior• Determine consumer perceptions of inclusive instant payment systems, using access, adoption, and usage frameworks• Frame consumer journey
Sample size target per country	<ul style="list-style-type: none">• Identify core barriers• Number of individuals = 60• Number of MSMEs = 40	<ul style="list-style-type: none">• Number of individuals = 10• Number of MSMEs = 10 (out of them one is a mobile money agent)



FIELDWORK ITINERARY

- Fieldwork was carried out in Algeria, Ethiopia, Guinea, Mauritius, and Uganda
- Quantitative data collection: Feb 11 – March 7, 2024
- Qualitative data collection: Feb 7 – February 28, 2024

Methodology:

Sampled groups overview



INFREQUENT INCOME EARNERS



FREQUENT INCOME EARNERS



MICRO ENTREPRENEURS*



SMALL BUSINESSES*

Definition

Lower and infrequent income earners include the urban poor, who survive “hand to mouth” due to the absence of regular employment and stable earnings. They include intermittent piece job/gig workers, and people dependent on family/community or social grants.

Lower and frequent income earners are the slightly more affluent part of the lower-income mass market. They earn a steady income (wages) or a salary in the formal or informal sector.

Individual traders/merchants such as hawkers, fruit and vegetable sellers, cobblers, and other crafts traders.

Traders who have small, fixed premises or (mostly informal) shops/service providers, as well as smallholder farmers and small agribusinesses.

Sample proportion (survey)

29%

33%

17%

21%

72% of the total sample for the **quantitative survey** are **digital payment users** (individuals and MSMEs) and 75% of the total sample for the **qualitative research components** are **digital payment users** (individuals and MSMEs).

Within each of the four groups, **women and youth** were adequately covered. The businesses sampled engage in various business activities.

* Country specific monthly turnover cut-off has been applied

SECTION 2

DIGITAL PAYMENTS USAGE PATTERNS



Country context overview:

Uganda displays low digital payment usage but high financial inclusion levels.

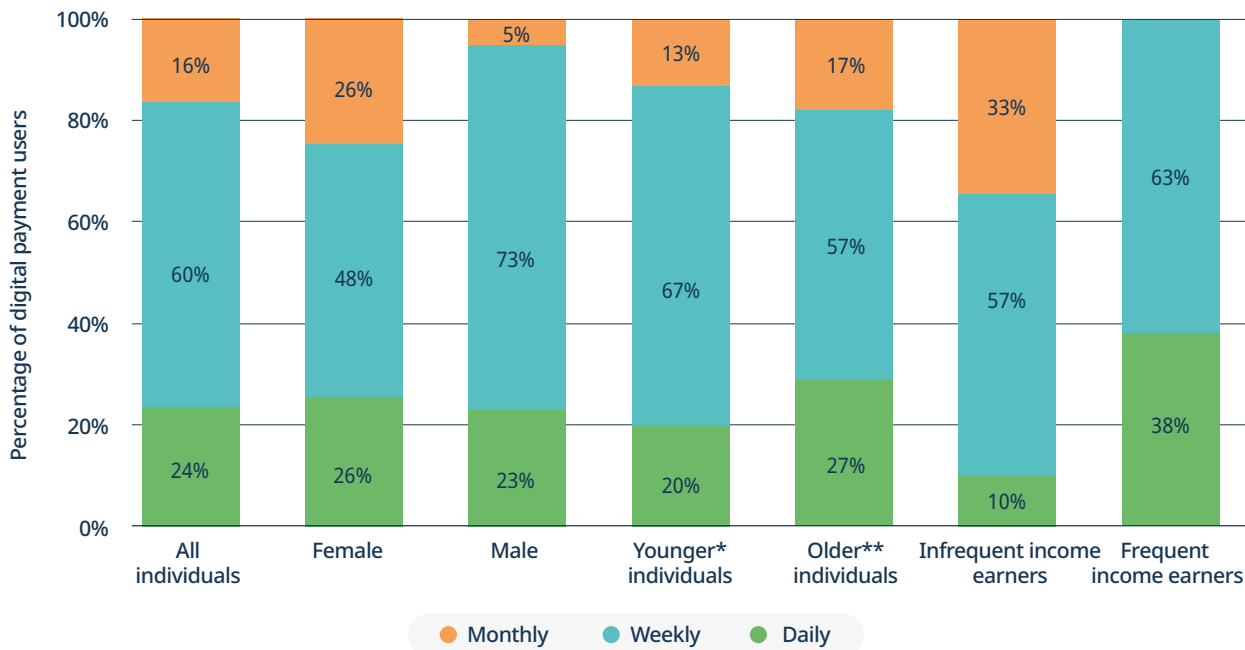
		Emerging cluster
		Uganda
Financial inclusion		
Digital payment usage	Proportion of the population using digital payments over the past year [Findex 2021]	63%
Transaction account penetration	Proportion of the adult population that owns a formal account [Findex 2021]	66%
Number of mobile money agents	Number of registered mobile money agent outlets per 1,000 km ² [IMF 2022]	2392
Number of branches	Number of commercial bank branches per 100,000 adults [IMF, 2022]	2.3
Digital inclusion		
Mobile network coverage	Proportion of the population within range of at least 4G /LTE mobile-cellular signal [ITU, 2022]	31%
Internet penetration	Proportion of the population using the internet from any location over the past 3 months [ITU, 2022]	10% (2021)
Mobile phone penetration	Proportion of the population that owns a mobile (cellular) or smart telephone with at least one active SIM card for personal use [ITU]	49% (2021)
Smartphone penetration (ITU)	Proportion of individuals using a smart telephone with at least one active SIM card for personal use [ITU]	16%
Smartphone adoption (GSMA)	Percentage of mobile phone connections (excluding licensed cellular IoT which are through a smartphone) [GSMA]	(GSMA, 2021)

- Classified as emerging, Uganda stands out as having the highest penetration of mobile money agents, coupled with the second-highest rates of digital payment and transaction account penetration out of this year's sample countries. Despite this, Uganda has low levels of digital inclusion.
- MNOs are at the forefront of driving digital payment usage in the country, with USSD emerging as the predominant channel.
- The high agent presence and high levels of cross-border transactions are core usage drivers among surveyed digital payment users. A quarter of sampled digital payment users make a digital transaction daily.
- Respondents voiced that they struggle to afford the transaction charges and that cash withdrawal charges are high. The latter has been partially influenced by the government's introduction of a 0.5% tax on cash withdrawals (United Nations Capital Development Fund, 2021).

Section 2.1: User group usage patterns

Individual user group analysis — frequency of digital payment usage:

Frequent income earners in the survey sample are daily digital payment users. A large gender gap exists.



Total number of individual digital payment users: 45

- Younger respondents use digital payments more frequently.
- Women are less likely than men to use digital payments due to perceived danger associated with them, poor literacy skills, and fear of fraud.

“The first problem is most women prefer cash. Reason being...theft.”

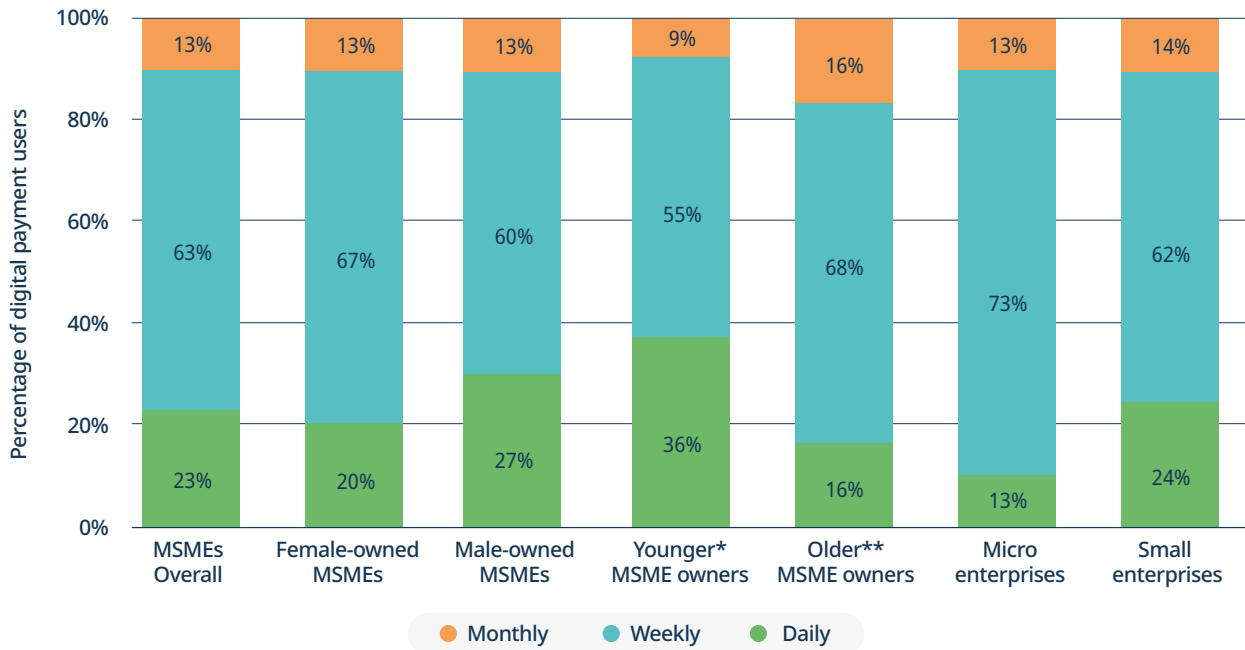
— Female, non-user

- Frequent income earners use digital payments more than infrequent income earners.

*Younger means that respondents are 18-29 years old. **Older means older than 30.

MSME user group analysis—frequency of digital payment usage:

Age influences MSME digital payment adoption.



Total number of MSMEs digital payment users sampled: 30

- MSMEs in the Uganda sample use digital payments with similar frequency to individuals. Younger MSME owners have a significantly higher daily usage than older ones, partially to avoid theft and because digital payments are convenient.

“If the customer comes with a lot of money, I can request him or her to send it via mobile money.”
— Female, micro-enterprise owner

*Younger means that respondents are 18-29 years old. **Older means over 30.

Deep dive on gender:

Women lack required documentation to set up digital payments.

Lack of digital awareness: Some women are not digitally savvy. They consequently do not fully understand how to use digital payments.

“They have little knowledge about it, some of the women are not exposed to it {digital payments}.”

— **Female, user**

Exorbitant transaction costs: Due to high transaction costs, women’s coping mechanism is to sometimes resort to mattress banking, which impedes their likelihood to take up digital payment methods.

“Women sometimes put all their money in bags under their beds rather than taking their money to the bank where they would be charged monthly, reducing their money.”

— **Female, non-user, micro-enterprise owner**

Fraud and scams: Fear of fear theft and fraud.

“The first problem is most women prefer cash with the reason being theft.”

— **Female, non-user, micro-enterprise owner**

Lack of identification: Some women lack identity cards.

“Most of the women don’t have identity cards. Even their [phone] lines are in the names of their husbands, so men track their phones.”

— **Female, small business owner**

Fear of mistakes: People perceive women as vulnerable to making mistakes while conducting digital payments.

“They (women) get confused when sending a lot of money.”

— **Female, user**

Female case study

Respondent details

Occupation: Sells clothes

Income: Micro-enterprise non-user

“I don’t use mobile money due to the prevalent cases of theft by agents. I personally prefer to use cash. My money has been stolen before through mobile money so that’s why I fear mobile money.”

Women prefer cash due to this {theft} and the transaction charges. Due to this, sometimes women will put all their money in bags under their beds and avoid taking their money to the bank where they will be charged monthly, reducing their money.”

Deep dive on gender:

MSMEs tend to adopt digital payments because of their clients.

Main early use driver	Receiving customer payments	<p>“If a customer purchases something and wants to pay via mobile, I give them the merchant code for their comfort.”</p> <p>— Male, user, small business owner</p>
Main habitual use driver	Convenience	<p>“It’s very easy to use mobile money because someone can be far from you and cash won’t reach the recipient.”</p> <p>— Female, user, micro-enterprise owner</p>
Main barrier	Difficulty reversing and correcting errors	<p>“Sometimes when a client makes a mistake, your {business} account is blocked.”</p> <p>— Female, user, agent and small business owner</p>

MSME case study

Respondent details

Gender: Male

Occupation: Small business owner

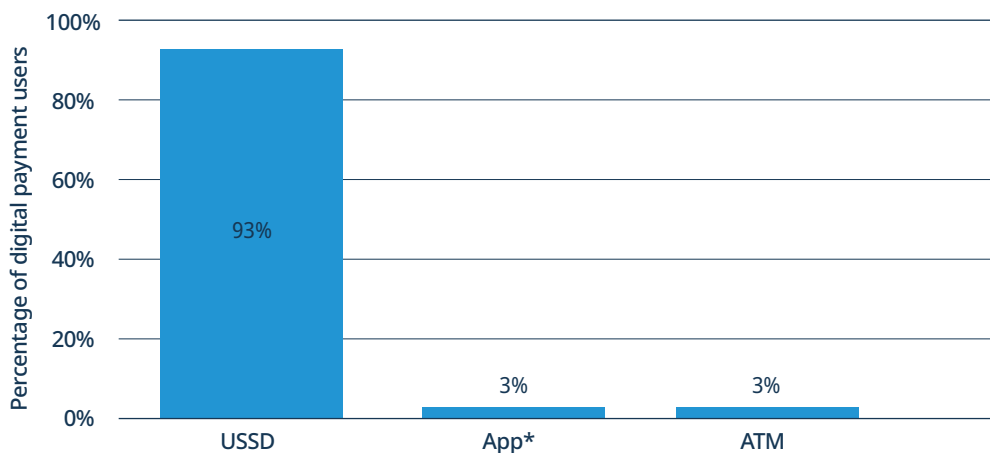
“We are saving a lot of money with digital payments, and we will save even more in the future. In my own words, I believe that wherever there is good, there is bad, but let us not dwell on the negative and instead embrace the good. As it is right now, digital payment is considerably faster, more convenient, and more comfortable for us to use.

Not everyone is comfortable with digital payments because they feel hackers and other people may be seeking their money, therefore they prefer to bring you cash. Second, digital platforms provide benefits and incentives. The more you use the platforms, the more bonuses you receive.”

Section 2.2: Payment channel usage patterns

Payment channel usage patterns:

There is strong prevalence of USSD usage among respondents in Uganda.



70% of respondents stated that **cash** is their primary payment method

Total number of respondents sampled: 104

- USSD is suitable for many users as it is easy to use and it doesn't require internet or smartphone access to make payments.

"{Provider 1} is very simple and reliable... You can access it without data you can go through your USSD code."

— Male, user

- USSD supports cross-border transactions, which may drive frequent usage for people seeking to send funds within the region.

"I have the option of sending to an African country: I choose option 1 the one for East Africa, and then you just choose a country where you are sending, most likely Kenya."

— Male, user

Section 2.3: Use case patterns

Use case patterns:

Total number of individual users: 45
Total number of MSME users: 30

The top use cases for individuals and MSMSEs are well-digitalized in Uganda.

Most frequent use cases ranked	#	Individuals	MSMEs
	1	Airtime	Save business income
	2	Save money	Receive customer payments
	3	Receive money from family & friends	Supplier payments
	4	Bus fare or fuel	Airtime money for staff
	5	Pay for household goods	Staff salaries

■ Use case for which less than 40% of respondents made or received a digital transaction over the past month
 ■ Use case for which between 40% and 70% of respondents made or received a digital transaction over the past month
 ■ Use case for which above 70% of respondents made or received a digital transaction over the past month

Receive customer payments—some customers still prefer making payments through cash for their purchases.
 “My customers pay more using cash.”
 — Female, user, micro-enterprise owner

The convenience of using digital payments for long distance transactions drives the usage of digital payments for supplier payments and customer payments.
 “It also helps with business because a customer maybe far but want to purchase something there you use mobile money.”
 —Male, user, small business owner

“Some of our clients that usually don’t pay cash are from up country ... they are well conversant with mobile money.”
 — Female, user, small business owner

Save money—users save their money on digital payments platforms.
 “I personally got to know after getting my first phone and wanted to start saving up on my account.”
 — Male, user

Digital payments are not always accepted for bus fares—cash is noted to be common payment method for of bus fare.
 “Transport fares... It is the most common than any other method, cash is widely accepted.”
 — Male, user

Receiving and making digital payments is preferred due to convenience. Digital payments are used to cover household expenses and purchase household goods.
 “Convenience, location and preference of the person receiving the money.”
 — Male, user

SECTION 3

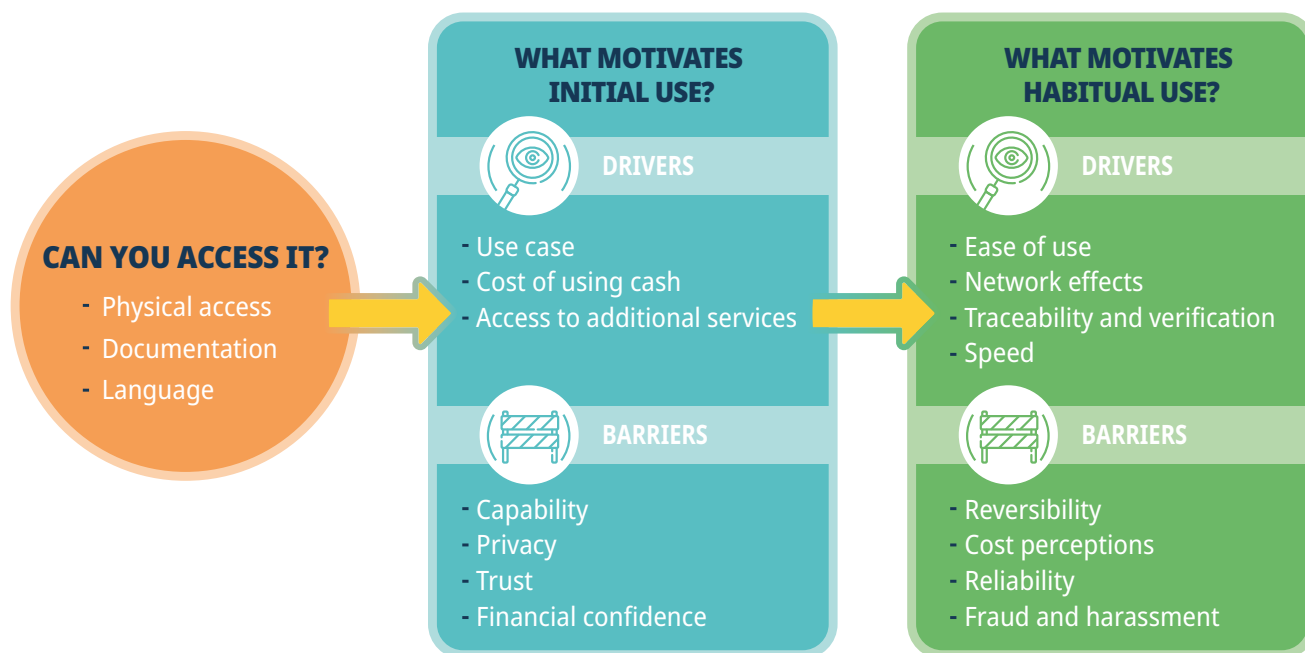
**ENABLERS AND BARRIERS
TO ADOPTION AND USAGE IN
UGANDA**



Section 3.1: Pathway towards habitual use of digital payments

Digital payment usage framework:

The path from access to habitual digital payment use follows three phases.






Section 3.2: Access barriers

Access barriers:

No internet access and the inability to afford digital payments are hampering access, especially among individual respondents.

Total number of non-users sampled: 29

Ranking of barrier based on % of non-users that stated it	MSMEs vs. individuals	Women vs. men	Qualitative insights
1  No internet access	More pronounced for individuals	No significant variance	In situations where digital payment channels like {Provider 1} in Uganda require internet connectivity for operation, users face difficulties accessing or are completely locked out of the service during internet downtime. “Some areas don’t have strong internet coverage and applications require use of internet.” — Female, user, micro-enterprise owner
2  Cannot afford digital payments	More pronounced for individuals	No significant variance	Some non-users cite the cost of transactions as a hindrance to access of digital payment methods. Additional costs when conducting digital payments make them more expensive compared to cash. “When you send money to someone, there’s a charge that they deduct from you. But when I pay with cash I’m not.” — Male, non-user
3  Lack of required documents	More pronounced for MSMEs	More pronounced for women	Some women lack the necessary documentation required to register for digital payment methods and this reduces their oversight over mobile money wallets. “Most of the women don’t have identity cards. Even their [phone] lines are in the names of their husbands, so men track their phones.” — Female, small business owner

Legend for color gradient: Gap in percentage points (pp) between two user groups in terms of the proportion of non-users that identified the barrier as significant




- 5-9 pp
- 10-15 pp
- Larger than 15 pp

Section 3.3: Enablers and barriers to early use

Early use barriers:

Female respondents are more likely to lack trust in digital payments.

Total number of respondents sampled: 104

Ranking of barrier based on % of respondents that stated it	MSMEs vs. individuals	Women vs. men	Qualitative insights
1  Digital payments cost more	More pronounced for MSMEs	More pronounced for men	Some non-users refrain from adopting digital payment methods because transaction costs are higher compared to using cash. — Female, non-user, micro-enterprise owner
2  Lack of trust	No significant variance	More pronounced for women	Certain individual users have concerns about the security of their funds when conducting transactions through online platforms. This fear of financial loss leads to mistrust of digital payment systems. — Female, non-user
3  Data privacy concerns	More pronounced for individuals	More pronounced for men	People are reluctant to share their personal information due to fear of it being used to access their accounts — Male, user, small business owner




Legend for color gradient: Gap in percentage points (pp) between two user groups in terms of the proportion of non-users that identified the barrier as significant

- 5-9 pp
- 10-15 pp
- Larger than 15 pp

Early use barriers:

Recommendations from family and friends are driving early usage, especially among male respondent.

Total number of respondents sampled: 104

Ranking of driver based on % of respondents that stated it	MSMEs vs. individuals	Women vs. men	Qualitative insights
<p>1</p>  <p>My family or friends recommended digital payments</p>	No significant variance	More pronounced for men	<p>Some users admit that their usage of digital payments was influenced by close friends or family.</p> <p>“I just saw it from my siblings then I asked how it works and that’s how I started using it.” —Female, user</p>
<p>2</p>  <p>I receive an income payment digitally</p>	More pronounced for individuals	More pronounced for women	<p>To receive income, some employers require their employees to open digital payment accounts. The employee then uses their accounts to complete other transactions.</p> <p>Receiving income digitally supports further use cases, such as sending financial support to dependents (family members) as well as paying for fuel, transport, and other needs.</p> <p>“I had to register my account as the way to get my salary was through a visa account.” —Male, user</p> <p>“When my husband started working far in another district, we thought using mobile money was the easiest way to send money.” —Female, user</p>
<p>3</p>  <p>Digital payments are the only option</p>	More pronounced for individuals	No significant variance	<p>Digital payments have become the practical alternative for cross-border payments and for enterprises that transport goods and services over large distances.</p> <p>“My bosses are not here in Uganda. That’s why I receive money on the phone, they are outside the country, so they send me money via the phone.” —Female, user, micro-enterprise owner</p> <p>“Most of my clients that usually use the services are upcountry clients, so the only way they can send their money is through mobile money.” —Female, user, small business owner</p>

Legend for color gradient: Gap in percentage points (pp) between two user groups in terms of the proportion of non-users that identified the barrier as significant




- 5-9 pp
- 10-15 pp
- Larger than 15 pp

Section 3.4: Enablers and barriers to habitual use

Habitual use barriers:

Poor mobile network and unreliable customer service inhibit early usage among respondents.

Total number of users sampled: 75

Ranking of barrier based on % of users that stated it	MSMEs vs. individuals	Women vs. men	Qualitative insights
1  Poor mobile network	More pronounced for MSMEs	More pronounced for men	<p>Users sometimes experience mobile network delays when paying for utilities like electricity. This leads to users having to restart some transactions.</p> <p>Delay in reception of confirmatory messages by the beneficiary on {Provider 2} is a common hurdle among agents.</p> <p>—Female, user</p>
2  Unreliable customer service	No significant variance	No significant variance	<p>Transactions sent to the wrong account require a tedious and lengthy process to reverse, which presents a challenge, especially to agents who then face losses from it.</p> <p>—Male, user</p>
3  Difficulty in reversing or correcting a transaction	No significant variance	More pronounced for women	<p>Due to unreliable customer service, users may face difficulties when following through recourse.</p>

Legend for color gradient: Gap in percentage points (pp) between two user groups in terms of the proportion of non-users that identified the barrier as significant




- 5-9 pp
- 10-15 pp
- Larger than 15 pp

Pathway towards usage—habitual usage drivers:

The ease of saving digitally is a more important driver for individuals and women than for MSMEs and men.



Total number of users sampled: 75

Ranking of driver based on % of respondents that stated it	MSMEs vs. individuals	Women vs. men	Qualitative insights
<p>1</p>  <p>Convenience</p>	<p>More pronounced for individuals</p>	<p>More pronounced for women</p>	<p>Users find it convenient to conduct long-distance digital payment transactions. Additionally, purchasing data digitally is easier as it's now faster.</p> <p>Users prefer digital payments to cash as it reduces the need to carry cash.</p> <p>“It’s helpful because I can deposit money on my phone and send it to someone when I’m far away, and purchasing data is easy.” —Female, user</p> <p>“If you are using mobile money, you only need your pin and phone, so it is convenient.” —Male, user</p>
<p>2</p>  <p>Safety</p>	<p>More pronounced for MSMEs</p>	<p>More pronounced for men</p>	<p>Users consider safety in using digital payments methods as opposed to cash because it reduces risk of theft. It’s also a safer way to send and receive money over long distances.</p> <p>“Well, abandoning the traditional monetary transaction is a positive thing. You don’t have to worry about robbers, and it saves you time. These days, they are ubiquitous. Thus, I can see the danger in this.” —Female, user, small business owner</p>
<p>2</p>  <p>Promotes personal savings</p>	<p>More pronounced for individuals</p>	<p>More pronounced for women</p>	<p>Users acknowledge that using digital payments helps them manage their spending.</p> <p>“Cash can go in a way you can’t understand and spend it.” —Male, user</p>

Legend for color gradient: Gap in percentage points (pp) between two user groups in terms of the proportion of non-users that identified the barrier as significant

- 5-9 pp
- 10-15 pp
- Larger than 15 pp

Deep dive on transaction cost experiences and perceptions:

Transaction costs are perceived as unfair and too high.

Percentage of respondents that perceive the level of fees as unfair

61%

Sources of information

- Price charts (at agent shop)
- Transaction text confirmation

Individuals

Generally perceived as high

“The charges are unfavorable, i.e. they are high because the agent charges on it and also the telecom company also charges and the person, you’re sending to also is charged.”

—Female, user, micro-enterprise owner

Users weigh transaction costs versus benefits of using a digital payment

“They are affordable, they begin from low costs, for example you can get 15 minutes of {Provider 2} at 420.”

—Female, user

Transaction costs reduce the amount of income

“I receive that money in full, but if they use mobile money, it can reduce my money, resulting in what I worked for not being what I should have received, which is why I usually give cash.”

—Female, non-user

MSMEs

High transaction costs are caused by numerous payment deductions

The reason for the high transaction costs is that both agents and telecommunications companies deduct money.

Value perception

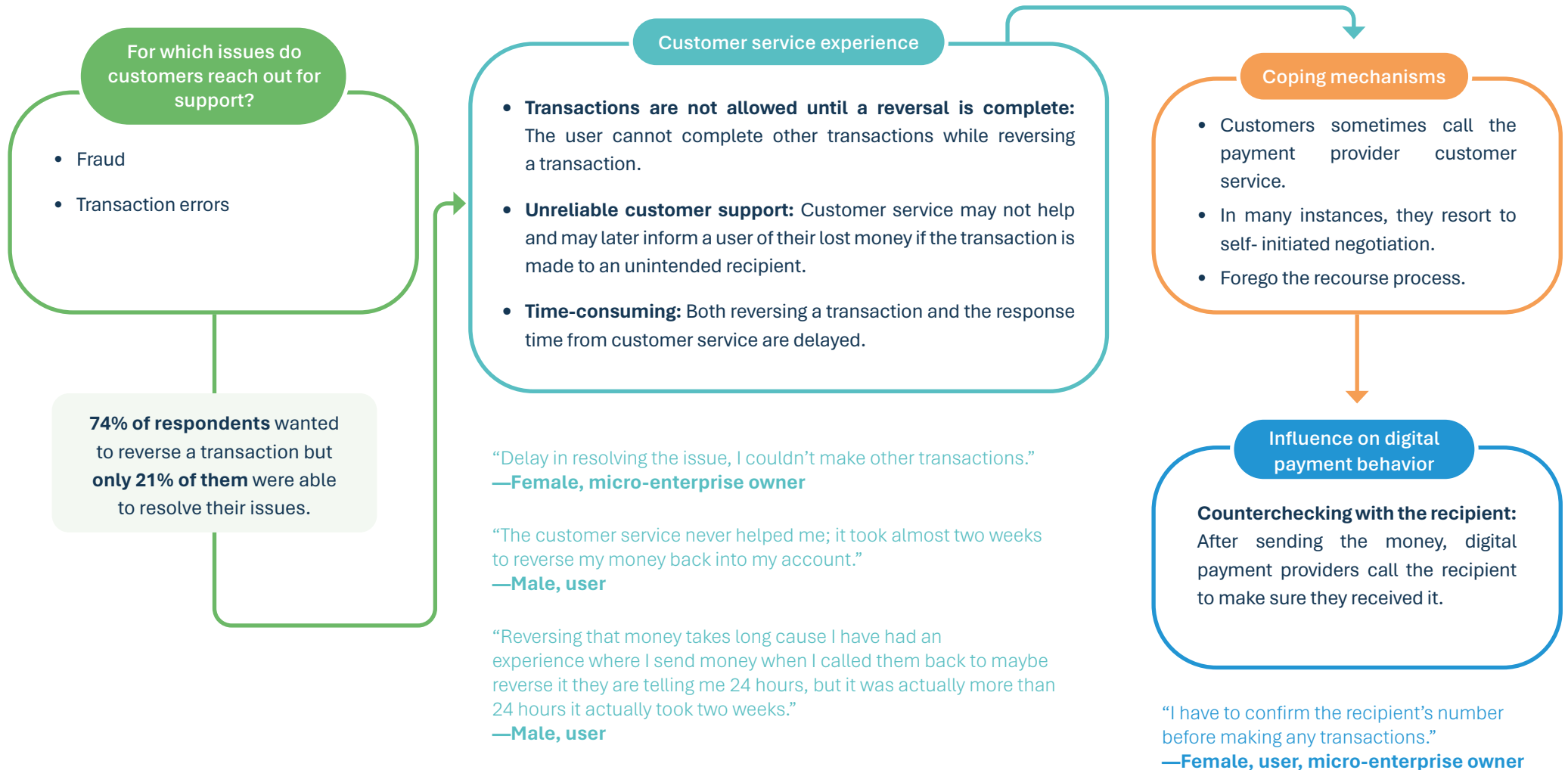
When making transactions, merchants pay close attention to the transaction fees charged by different electronic payment providers to minimize expenses.

“Charges will influence me more because I don’t want to overspend money, meaning I would look at one with less charges.”

—Male, user, micro-enterprise owner

Deep dive on selected barriers:

Customers cannot depend on customer service.



Section 3.5: Voice of the customer on opportunities to drive digital payment usage

Voice of the customer on opportunities to drive digital payment usage (1/2):



Customer awareness

- Raise consumer knowledge about safe mobile money usage.
- Offer customer education on the advantages of digital payments, with a focus on groups that are overlooked, like the elderly and illiterate.

“They can be taught how to use those digital payment methods so that they can easily complete these transactions on their own.”

—Male, non-user

Comprehensive security

- Boost mobile money wallet security features by adding two-step verification procedures, for example.
- Have a way to confirm the sender before sending the money.

“Use of two step verifications, ensuring personal information not to be shared.”

—Male, user



Voice of the customer on opportunities to drive digital payment usage (2/2):



Transaction charges

- Lower transaction charges.
- Reduce inconsistency in transaction charges.
- Strengthen networks to avoid transaction delays and timeouts.

“The charges should be reduced in all transactions.”

—Female, micro-enterprise owner

Transaction completion

- Allow customers to initiate transaction reversals.
- Automatically reverse transactions to sender in instances where the network is bad.

“Sensitizing about the security and usage involving digital payments.”

—Male, user



Customer support

- Have a number where customers can easily reach customer care and get a response.
- Make it simpler for customers to access agent services.
- Educate agents and assign them to handle customer service tasks to empower them.
- Faster customer service response when contacted by digital payments user.
- Encourage the use of digital payments by, for instance, offering rewards or discounts

“They should give us some discounts, like 10% on data.”

—Female, user

“They should have responded quickly to my issue.”

—Female, user, small business owner



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AfricaNenda Foundation is an independent, African-led organization created to accelerate the growth of inclusive instant payment systems that will benefit all Africans, including the poorest and currently financially excluded. AfricaNenda believes that inclusive instant payment systems can play a pivotal role in creating universal access to financial services for many financially excluded adults and are critical to achieving universal financial inclusion in Africa by 2030.

October 2024
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