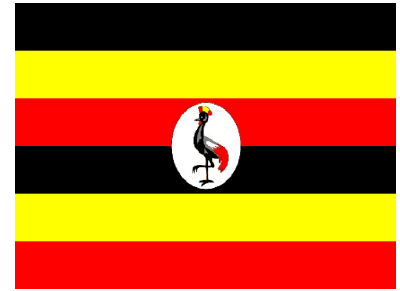


FinScope Uganda 2009



FINSCOPE



FinScope Uganda 2009

The Ugandan government has made considerable efforts to reform and develop the country's economy. Financial inclusion has become a contributing pillar to the achievement of Uganda's Poverty Eradication Action Plan (PEAP), as lack of access to suitable financial services is one of the biggest obstacles to development.



Conducting the FinScope survey is part of the programme that supports the development of Uganda's financial system as it analyses bottlenecks in the financial sector to determine which measures have the greatest impact on the country's poor. FinScope Uganda supports regulators and policy makers as well as financial service providers. At the same time, FinScope has provided the private sector with valuable market information that they can, and have used, to improve service delivery and pursue greater outreach.



The FinScope survey tool has been developed by FinMark Trust as a nationally representative survey of consumer perceptions about financial services and issues. The survey is conducted among adults, defined as all individuals aged 16 and above. To date, it has been rolled out in 15 African countries.



FinScope provides insights into how people source their income and manage their financial lives. In so doing, FinScope assists in establishing credible benchmarks and indicators of financial inclusion, while at the same time providing insights into market obstacles to growth and innovation, and highlighting opportunities for policy reform and innovation in product development and delivery.



Makerere University Kampala

In 2009, Uganda Insurers Association (UIA) was mandated to host and implement a second FinScope survey (FinScope Uganda 2009), with its financing channeled through the Private Sector Foundation Uganda (PSFU).



The objectives of this follow-up survey were to provide further insight into Uganda's financial sector and to assess how the financial landscape has changed over time. The insight will allow stakeholders to benchmark current usage patterns and also measure the performance in improving access since 2006.



The Republic of Uganda

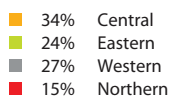
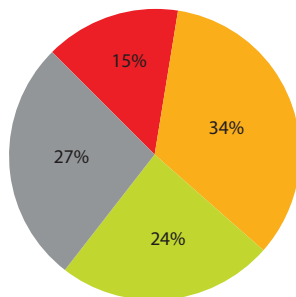


Uganda Insurers Association

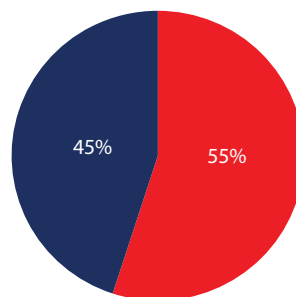




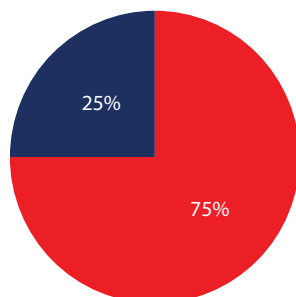
Geographical distribution of the Ugandan adult population by province



Gender distribution



Urban-rural distribution



Sampling and methodology

Survey methodology

- Universe = Adult population [Ugandan residents 16 years and older]
- Nationally representative sample of individuals
- Enumerator Area (EA) based – 503 and six interviews per EA
- 3001 face to face interviews were conducted
- Selection of individual respondent per household by Kish Table (random selection, those 16+ years of age)
- Questionnaire was translated into 7 local languages (Luo, Luganda, Lumasaba, Runyoro, Runyankole, Lugbara and Ateso)
- Weighting of data was conducted by Uganda Bureau of Statistics (UBOS)

Demographic and socio-economic indicators

- Majority of Ugandans live in the rural areas (75%)
- Main source of income is agriculture
 - Dependence on agriculture as a source of livelihood is highest in rural areas
 - Most adults get income on a seasonal basis
 - Incomes from household members is irregular with limited defined patterns for most earners
- Dependency (getting money from family members) is higher in urban areas and higher among females compared to males
- House ownership is high at 70% (live in personal houses)
- Most households access a health centre within 0-5 km reach
- Majority of the household (73%) use the covered pit latrine as a toilet facility
- Most Ugandans access water through using boreholes (30%)
- Formal financial institutions are relatively far from the majority of the public – 42% said they are 5 to 10 kilometers away





Making financial markets work for the poor

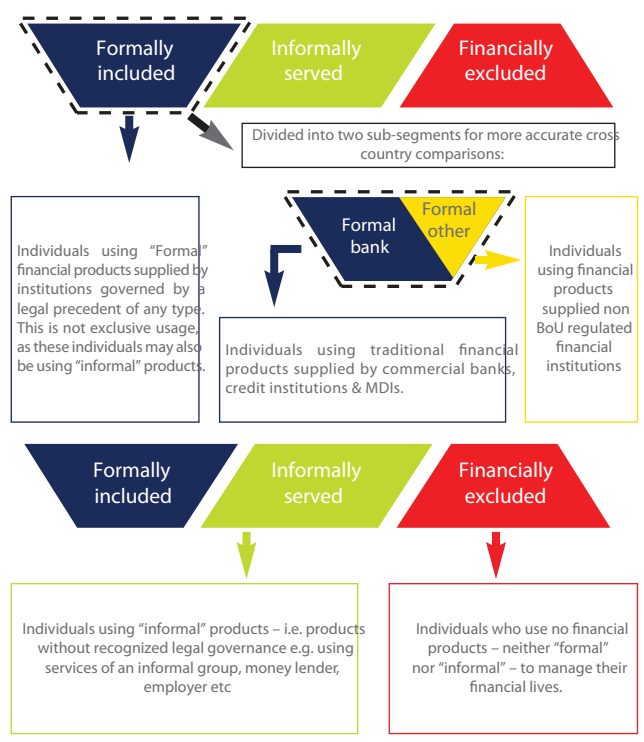
Financial Access

The FinScope Survey uses the Financial Access Strand to compare financial access across countries. The Financial Access Strand focuses on the financial system of a country in its broadest sense and assumes all adults in the country will fall into one of three segments: formally included, informally served and financially excluded.

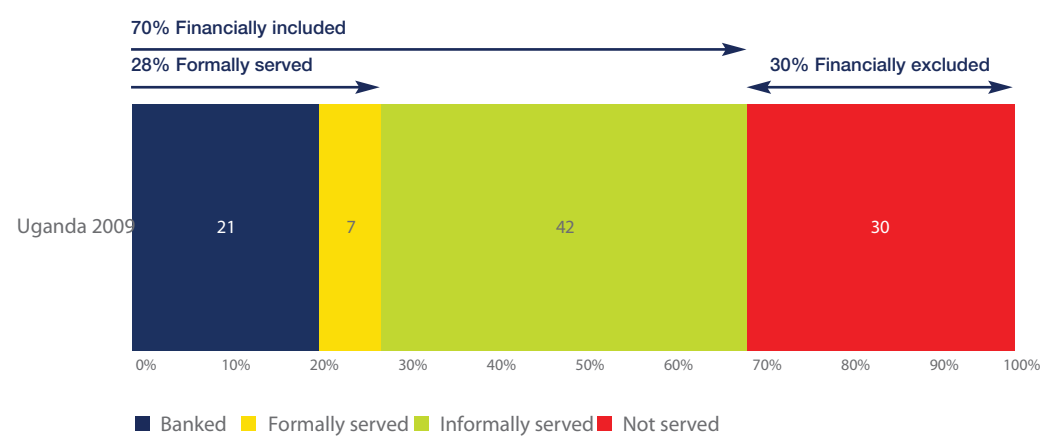
The Financial Access Strand

The segments are differentiated by current product usage indices ranging from people who are formally included, to those people who use informal products and finally to those people who use no products. The latter group of people are defined as the “financially excluded” population.

The Access Strand is segmented into the following three broad segments as shown in the diagram:



Ugandan 2009 Access Strand



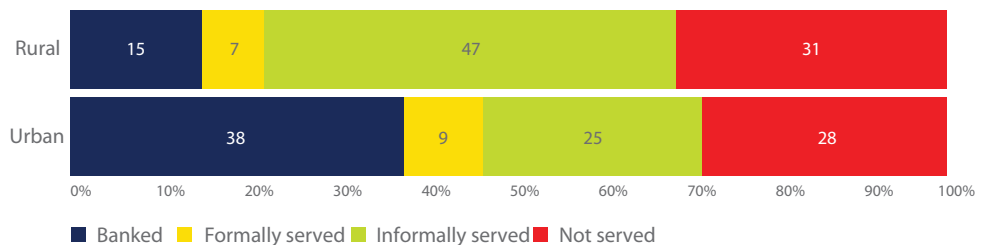
The Ugandan Access Strand

- Seventy percent of Ugandan adults are financially served leaving only 30% of adults financially excluded (i.e. using no financial products – formal or informal to manage their financial lives)
- Twenty eight percent of Ugandan adults are formally served; 21% have a bank account and 7% have other formal financial products though they do not have a bank account
- Forty two percent of Ugandans are informally served (i.e. using only informal financial products)



The Ugandan Access Strand

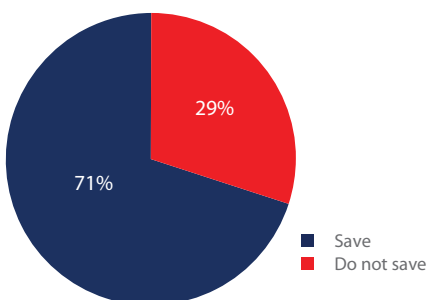
- The most significant difference between rural and urban usage of financial products lies in the use of bank products and informal products:
 - Bank product penetration is more than twice as high among urban adults compared to rural adults
 - The informal sector is an important driving force of financial inclusion, nearly half of the rural adult Ugandans are using informal financial products.



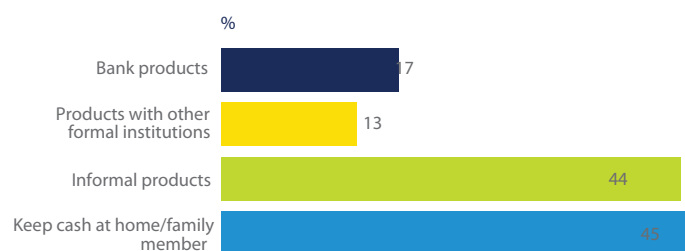
Savings and investment products

- Seventy one percent of Ugandans aged 16 years and older claim to be saving, and the main reasons are:
 - Meeting household basic needs such as food, clothing, healthcare, etc
 - For emergency that include burial and medical expenses
 - For education of children, siblings or other

Savings behaviour



Savings mechanisms/products



- Savings behaviour is driven by short term rather than long term objectives
- Twenty nine percent of adult Ugandans claim not to be saving and their main reason for not saving are "I have no money to save or to invest"
- Ugandan adults are more likely to have informal savings products than formal savings products – 31% of adults have an informal savings product whilst 21% have formal savings products.

The Saving Strand

The FinScope survey uses the Saving Strand to compare utilization of savings products across countries. The Saving Strand focuses on the savings and investment products of a country in its broadest sense and assumes all adults in the country will fall into one of five hierarchical segments:

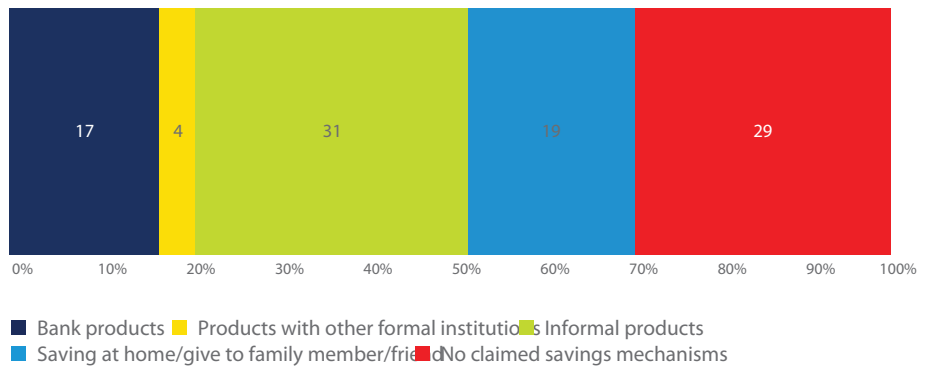
- (i) Individuals with a savings product from a bank (these individuals could also have other savings products but their defining characteristic is the fact that they do have access to a bank savings product)



Making financial markets work for the poor

The Saving Strand

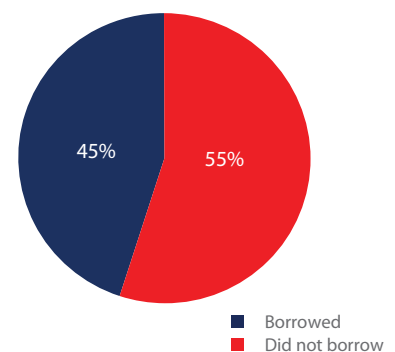
- (ii) Individuals who do not have a savings product from a bank but who do have a savings product from another type of formal financial institution (these individuals could also have informal savings products but their defining characteristic is the fact that they do have access to a formal savings product although this is not from a bank)
- (iii) Individuals who do not have any formal financial savings products and only rely on informal savings products such as savings clubs; ASCA's and ROSCA's
- (iv) Individuals who do not have any savings products (formal or informal) but only keep their savings at home or in a secret hiding place
- (v) Individuals who are not saving/ were not saving at the time of the FinScope survey



Credit and credit products

- Forty five percent of Ugandans aged 16 years and older have borrowing products, either borrowing from friend or family; from informal groups or formal institutions such as banks or SACCO's
- Generally the most common sources used for borrowing are institutions providing goods or services on credit such as shops; clinics (60%). This is followed by those who borrow from friends/family (33%) and informal financial groups (24%)
- Of those who are borrowing, the trend is similar to that of saving whereby the behaviour is driven by short term rather than long term objectives – 67% of adults claim to have borrowed to get food

Borrowing behaviour



The Credit Strand

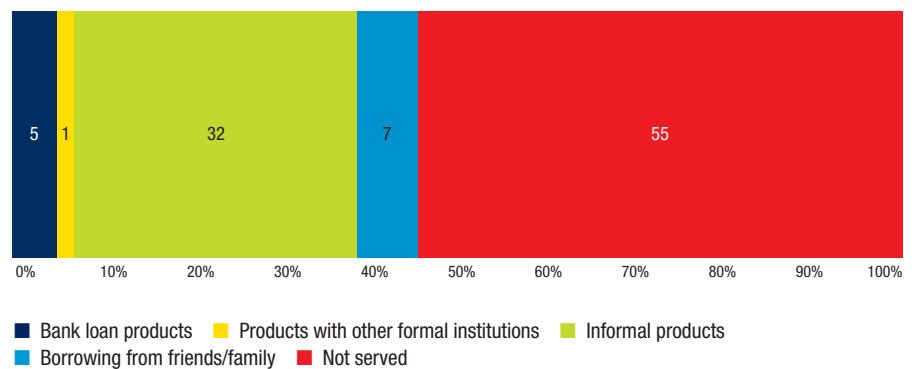
The FinScope Survey uses the Credit Strand to compare utilization of credit/loan products across a country. The Credit Strand focuses on the credit/loan products of a country in its broadest sense and assumes all adults in the country will fall into one of five hierarchical segments:

- (i) Individuals with a credit/loan product from a bank (these individuals could also have other credit/loan products but their defining characteristic is the fact that they do have access to a credit/loan product from a bank)
- (ii) Individuals who do not have a credit/loan product from a bank but who do have a credit/loan product from another type of formal financial institution (these individuals could also have informal credit products but their defining characteristic is the fact that they do have access to a formal credit/loan product although this is not from a bank)



The Credit Strand

- (iii) Individuals who do not have any formal financial credit/loan products and only rely on informal credit products such as borrowing from informal money lenders
- (iv) Individuals who do not have any credit products (formal or informal) but who borrow from family and/or friends; or
- (v) Individuals who do not borrow/did not borrow in the 12 months prior to the FinScope survey



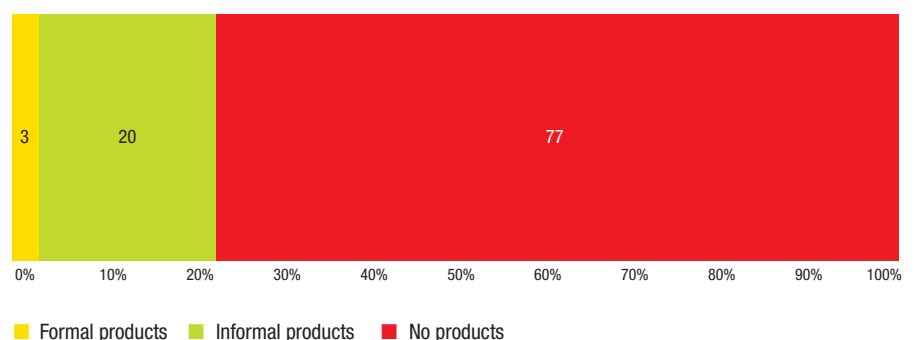
Insurance products

- Twenty three percent of Ugandan adults have some financial product covering a defined risk – i.e term life, comprehensive motor, pension, medical, burial products:
 - Three percent of adults have formal insurance products
 - Twenty percent of adults have informal insurance products that include Burial Society and Welfare Fund
- Key risks that were perceived by the Ugandan adults to affect their families were:
 - Serious illness of a household member (39%)
 - Crop failure (33%)
 - Serious illness of main income earner (29%)
- When these perceived risks strike, people mostly turn to friends or families (33%) and also sell household assets like land and cattle (29%)

Insurance Access Strand

The insurance access strand assumes that all adults will fall into either one of the following categories:

- (i) Individuals with any kind of insurance product from a formal service provider (these individuals could also have informal products but their defining characteristic is the fact that they do have access to a formal product)
- (ii) Individuals who do not have a formal insurance product from a formal service provider but who do have a product from an informal service provider
- (iii) Individuals who do not have any kind of insurance product





Making financial markets work for the poor

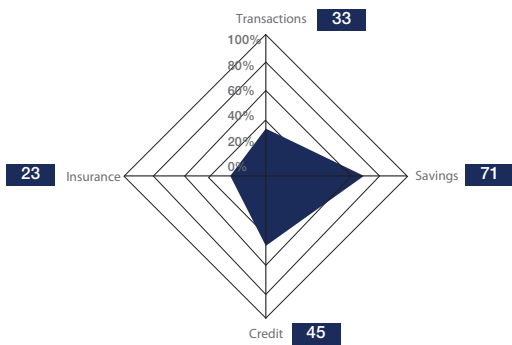
Uganda's landscape of Access

The FinScope survey provides a measure and understanding of consumer demand with regard to four categories of financial products namely: transacting, savings, credit and insurance products.

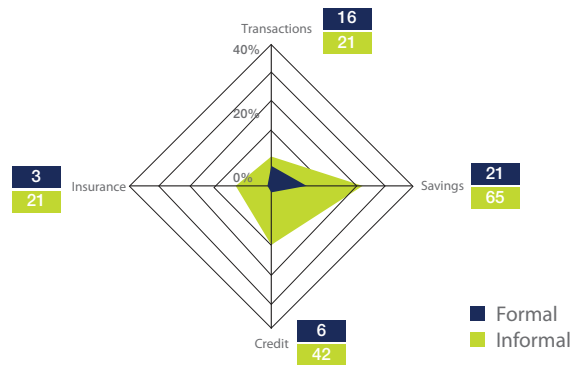
The Landscape of Access serves as an indicator to describe:

- **Transactions:** the proportion of the adult population with a secure mechanism in which funds can be deposited, transmitted and withdrawn to meet regular transactions needs
- **Savings:** the proportion of the adult population with a means of accumulating money, whether on a contractual or discretionary basis
- **Credit:** the proportion of the adult population with funds/services having been provided in advance against a committed repayment stream
- **Insurance:** the proportion of the adult population with a product/products covering a defined risk event in return for a premium (includes life, burial, health and short-term insurance)

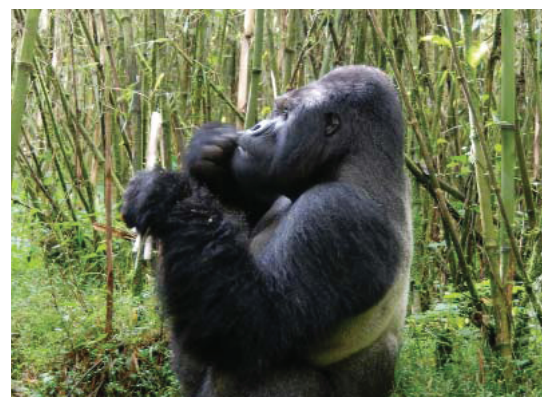
Landscape of Access 2009



Landscape of Access 2009: Formal/Informal product usage



- The 2009 Landscape of Access for Uganda clearly illustrates a savings and credit oriented consumer demand. It further illustrates the role the informal sector plays in pushing out the restrictions of financial access





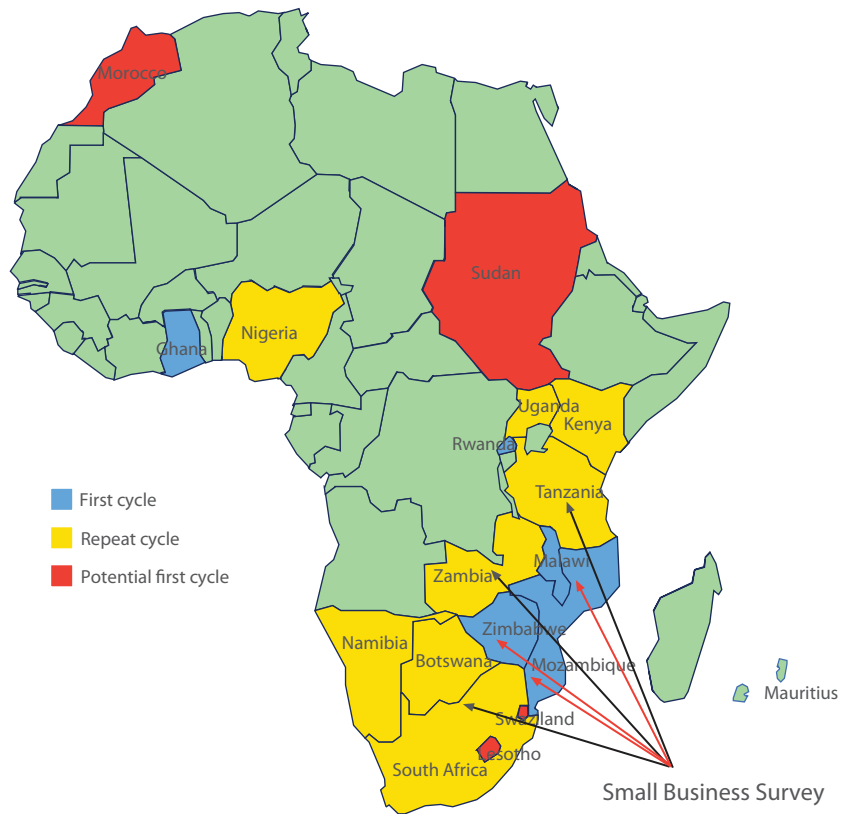
FinScope footprint

FinScope surveys create an understanding of consumer perceptions and behaviours by exploring either individuals' or small business owners' interactions with the financial sector as a whole.

Since its development, a nationally representative FinScope survey has been implemented in Africa, while repeats have been implemented in eight countries.

The survey covers in relative detail inter alia the following aspects:

- The landscape of financial access in terms of the four basic transaction categories of: credit and loans, transacting, savings and investments as well as insurance (long- and short term)
- Formal and informal financial activities and services utilized as well as the rationale for choosing the services used
- Experiences with and perception of financial service providers – formal and informal
- Drivers and processes of financial decision-making
- Barriers to access of financial products and services



Contact

The FinScope Uganda database offers a wealth of information that could be mined in more depth – for more information contact:



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