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Country Survey Uganda: Gender Differences in the Usage of Formal Financial Services

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Abbreviations

AMFIU	Association of Microfinance Institutions of Uganda
ASCA	Accumulating Savings & Credit Association
BOU	Bank of Uganda
BMZ	Federal Ministry for Economic Cooperation and Development
CRB	Credit Reference Bureau
FCS	Financial Card System
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit Gmbh
MDIs	Microfinance Deposit-taking Institutions
MFW4A	Making Finance Work for Africa
NGO	Non-governmental Organization
NPL	Non-performing Loans
NSSF	National Social Security Fund
ROSCA	Rotating Savings & Credit Association
SACCO	Savings and Credit Cooperative Organization
UWEAL	Uganda Women Entrepreneurs Association Limited
VSLA	Village Savings & Loan Association

I. Executive Summary

This study is part of a series on gender finance in Sub-Saharan Africa, conducted by GIZ and Making Finance Work for Africa (MFW4A). The study aims at explaining the reasons for differences in the usage of formal financial products in Uganda, with the view of informing policy makers and stakeholders about these reasons in order to support them with practical recommendations for gender sensitive financial sector development interventions. The full set of countries under study comprises Botswana, Malawi, Namibia, Rwanda, Uganda and Zambia.

The Uganda Country Report focuses on an analysis of the use of formal financial services (credit, savings, and insurance products). The primary data sources for the report were the 2006 and 2009 Finscope surveys conducted in Uganda, and the GIZ/MFW4A 2011 study *Gender differences in the usage of formal finance in six Sub-Saharan countries*[1], which provides a gender-disaggregated analysis of the Finscope data. This assessment was conducted through a small number of interviews with individuals in both urban and rural areas[2], and in consultations with key stakeholders such as women's associations, business associations, and financial institutions.

This study reviews how and why women and men are using credit, savings, and insurance products in order to explain gender differences in the usage of formal finance. The information collected through focus groups and individual interviews has been complemented with a review of the investment climate, financial sector, as well as gender roles in society.

Despite its limited size, our sample was very diverse, by including women and men from different employment and education backgrounds both in urban and rural areas. As a result, a variety of financial behaviors were found. Overall, our key findings were the following:

1. The level of income and education seem to have the strongest impact on women's access and usage of financial services. The two often go in parallel so that well-educated women are in better and more stable jobs or run more successful businesses. As such, the difference in usage of financial services between men and women diminishes considerably at higher levels of income and education. This trend was valid both in urban and rural areas;

2. Women-owned firms tend to be of smaller size, and smaller firms have, on average, less access to external finance. Additionally, there is some limited evidence that women-owned business tend to invest in small-scale business activities that, on average, are characterized by a more limited use of external finance (i.e. average number of companies with bank accounts).

3. The weaker branch network in rural areas, the lower level of education and overall lower level of business activity means that the population, and women in particular, access and use financial services less than in urban areas. Also, as a result of changes in traditional gender patterns when it comes to household responsibilities, women tend to carry a larger share of household and family expenses. Due to their reduced disposable income, as well as the limited availability of formal savings options in remote areas, women tend to mostly save informally.

4. The simpler and easier requirements at a microfinance institution or, in emergency cases, of a moneylender can make these options more attractive than applying for a loan at a microfinance bank, even taking into consideration the higher interest rates. This can be an important factor in explaining gender differences in the type of formal credit used, particularly as women tend to be more time-poor than men so that quick processing would be seen as more valuable to them.

1 GIZ/MFW4A. 2011, published under *www.mfw4a.org/documents-details/giz-bmz-2012-gender-differences-in-the-usage-of-formal-finance-in-uganda.html?dl=1*

2 A total of 75 individuals were interviewed in Uganda.

5. Among the reasons why some women prefer to save informally rather than at a commercial bank are: a) they earn too little; b) they prefer to save somewhere easily accessible and in a convenient location; c) they lack information on bank savings products; and d) they often feel intimidated and self-conscious about transacting with a bank.

The report is structured in four main parts. Firstly, we present the research approach and methodology used to carry out this study. Secondly, we provide background information on Uganda's investment climate, financial sector, mobile banking landscape, as well as on women's role in society and the economy. This was primarily based on an extensive literature review. Thirdly, we discuss our research findings by presenting the profile of men and women interviewed as well as the specific findings related to their usage of credit, savings, and insurance products. Lastly, we propose our recommendations on addressing identified gaps and challenges in women's usage of finance in order to meet their financial needs and support them in reaching their full economic potential.

The key policy recommendations are the following:

1. Support improved market intelligence

This would include the collection and dissemination of both the sex-disaggregated data from specific financial institutions as well as overall data on women's access to finance markets to gain a sound understanding of the sector at the national level and guide stakeholders' interventions.

2. Support branchless banking to expand financial institutions' outreach to rural areas

Some international evidence shows that women prefer financial options that would allow them not only to save time and avoid commuting, but also to transact discreetly and privately. In this regard, we advocate a need for further support to mobile money transfer options, as well as the use of mobile vans to reach more remote rural areas.

3. Invest in the research & development of high-potential financial products

While the development of financial products for women is left to financial institutions' own strategic business considerations, it is recommended that governments or financial institutions explore investing, in the research and development of those selective products that are considered to be of particularly high-potential for women in the region. Specifically, we suggest exploring the development of micro health insurance and better-designed savings products for women, such as for children's education.

4. Encourage Financial Institutions' staff training and gender-sensitive initiatives to improve their understanding and ability to serve women's financial needs well

It is recommended that policy makers and development partners encourage financial institutions to adopt a gender-sensitive approach to improve their services to women clients. This suggestion is particularly relevant for those financial institutions targeting low-income women or women in rural areas, as these are the groups where the widest gender gaps in accessing finance were found.

5. Promote the regular provision of gender-sensitive capacity building for women clients

For those financial institutions interested in increasing their outreach to women, it is recommended that regular financial training, business development services, as well as mentoring and networking opportunities, be provided to women clients in order to improve their familiarity with financial services offered and make them more *bankable*. This could also be extended to potential clients as a business development initiative.

6. Explore promoting financial literacy courses for girls and young women

As over half of girls and young women aged 15-24 are employed in Uganda, it is important they are equipped with the proper knowledge and tools to better accumulate assets and manage risks, and to save their money in a safe way. This is also an opportunity for financial institutions to learn more and possibly invest in a new market segment.

II. Research Approach

The assignment and field research used **individual and focus group interviews** as the main instrument to explore reasons for the results of the Finscope gender analysis. The research focused on the use of formal credit, savings, and insurance, which tends to be more difficult or limited for women than for men. The fieldwork was preceded and complemented by a comprehensive literature review of the gender finance landscape in Uganda, which included an analysis of the investment climate, the financial sector, as well as gender roles within the society and in the economic context. In doing so, our objective was to gain a deeper understanding of the roles men and women play in the economy, as well as in urban and rural households, and to gather all available information that might influence the use of financial services in the focus countries.

The following main themes have been explored through individual and focus group interviews:

1. **Access & Usage:** Are women and men accessing credit, savings, and insurance services?

2. **Priorities:** How are women and men using the loans and savings they have accessed?

3. **Decision-making:** How do women and men make decisions about the use of their loans and savings?

4. **Benefits, Challenges and Barriers:** What have been the benefits and challenges of accessing credit and savings services? What prompted the choice of borrowing/saving formally or informally?

5. **Gender differences:** Do men and women access and use financial services at different levels and for different purposes?

Special attention was paid to investigating and probing those specific issues arising from the study *Gender differences in the usage of formal finance in Sub-Saharan countries* (GIZ/MFW4 2011), for which no plausible explanation could be found in available secondary data and literature, i.e. why women overall are less likely to use savings and insurance products than men, and why single women are less likely to use credit than single men. In this regard, it is to note that the GIZ/BMZ 2012 study was based upon the results of the 2006 Finscope survey while the results of the 2009 Finscope survey are somewhat different when it comes to the usage of insurance. Specifically, usage of insurance was found to be at the same level among men and women in 2009. Similarly, Finscope adjusted its classification of formal versus informal financial services so that all licensed institutions now fall under the category of formal finance. This had an impact on the specific gender differences for the three products. Other databases and research efforts, such as the World Bank's 2011 Financial Index[3], have reached somewhat different conclusions than the Finscope survey, most notably regarding gender differences in the usage of credit products. These differences have been highlighted as we discuss our research findings in section IV.

The field research was carried out over a one-week period. To reach out to larger number of beneficiaries in a cost- and time-efficient manner, we leveraged on women's associations, business networks, and financial institutions to contact interviewees. Specifically, PEARL Microfinance Ltd facilitated interviews with some of their clients in rural areas, the Business Incubator by Makerere University, as well as the Uganda Women Entrepreneurs Association Limited (UWEAL) allowed us to interview several of their members. We also conducted random interviews in business centers and shopping malls to diversify our sample. In total, we conducted 75 interviews, 59 percent of which were in Kampala and 41 percent were in rural areas.

3 The World Bank's Global Financial Inclusion Database (Findex) provides 506 country-level indicators of financial inclusion summarized for all adults and disaggregated by key demographic characteristics—gender, age, education, income, and rural or urban residence. Covering 148 economies, the indicators of financial inclusion measure how people save, borrow, make payments and manage risk.

Women comprise the overwhelming majority of the sample, about 75 percent, while men represent the remaining 25 percent. Including men in our interviews was important as it offered a different point of view on the reasons for identified gender differences in the use of formal finance. However, their share out of the total sample of interviewees was purposely limited to be able to focus more in-depth on the analysis of women's financial behavior, which is the main objective of this report in line with our goal to inform policy makers on how and why women are using specific formal financial services. The illustrative experiences of three women have been highlighted as case studies.

It is to note that while this study attempts to explain the reasons for gender differences identified by the Uganda Finscope surveys, resource constraints enabled us to interview only a very small sample in a restricted geographical area whereas Finscope covered a large number of individuals across the national territory. Indeed, as this study covers six countries, only one week of field visits was allocated for each country. In this context, our findings provide some anecdotal evidence of how women and men are using financial services but cannot be considered conclusive to draw general and definitive patterns about the population's financial behavior. Similarly, as different groups of people (salaried workers; self-employed; unemployed; rural; urban; married; single; educated; uneducated; etc.) use finance differently, our findings vary substantially across the spectrum of interviewees. For this reason, our analysis of women's financial behavior does not provide findings valid for the overall sample, but rather insights on each specific sub-group. By narrowing down the selection of the target group of interviewees, the analysis could have been more in-depth and, as a result, our recommendations better tailored to the needs of a specific group.

The primary and secondary research was complemented with information collected through consultations with key stakeholders, such as UWEAL, the national microfinance network, Uganda Insurers Association, aBi Trust, dfcu Bank, Centenary Bank, etc. These consultations provided better and deeper understanding of the cultural, legal, and economic environments that might be affecting women's financial behavior as well as attitudes towards financial services. Their points of view have also provided useful insights to complement information collected through interviews.

III. The Country Context

A. Investment Climate & Legal Environment

Uganda is ranked 123rd out of 183 economies according to the Doing Business 2012, down 4 spots since 2011. Within Sub-Saharan Africa, it is ranked 12th.

Obtaining a business license has recently become more difficult. On the one hand, the country has introduced changes that added time to the process, thereby slowing business start-up. On the other hand, Uganda simplified registration for a tax identification number and for value added tax by introducing an online system. While the delays and costs of registration and licensing processes impose a burden on all businesses, barriers to formalization of a business appear to have a disproportionate effect on women entrepreneurs.[4] Indeed, as women are *time poor* given their double burden of income and household responsibilities, they are less inclined to formalize their businesses, and evidence suggests that enterprises headed by women are more likely to be subject to harassment and to pay bribes than men-owned businesses, as women are seen as *soft targets.*[5]

Uganda has recently increased the efficiency of property transfers by establishing performance standards and recruiting more officials at the land office. When it comes to getting credit, the country has introduced a new credit bureau, which cuts the minimum loan amount for inclusion in the credit bureau by half. The private credit bureau currently covers 3 percent of the adult population. Due to the absence of a national identification system, a smart card system was developed to uniquely identify borrowers using biometrics. Each borrower was required to register on the Financial Card System (FCS) and carry a financial card containing his/her photo, name, unique number and biometric information when applying for a loan or making a credit enquiry at the Credit Reference Bureau (CRB). The number of credit enquiries made on new credit applications processed averaged 40,000 per month during 2011. The total number of financial cards issued to participating institutions' clients and the number of credit searches on the bureau stood at 669,114 and 685,610, respectively in 2011. Uganda is planning to broaden credit reference services beyond the Bank of Uganda (BOU) regulated sector to facilitate greater information sharing between different providers of credit, such as utility companies, in order to generate a complete and comprehensive credit report on the borrower's credit profile.[6]

According to the Ugandan Constitution, men and women have the same property and inheritance rights. However, customary and Islamic laws, still widely applied within the country, favor men. Customary laws regarding land, family life and inheritance are extremely important because over 75 percent of Ugandan land is held under customary tenure systems.[7]

Based on the patriarchal system of inheritance in place in most of the country, the male kin of the deceased will take care of the survived wife and children. De facto, this rarely happens and often the wife and children are dispossessed of the family's assets and forced to move back to the widow's parents' home, where she becomes dependent on her male relatives. This land allocation practice operates as a fundamental constraint to women, as by limiting their access to real estate it affects not only their access to credit but also, in the case of women entrepreneurs, their ability to find business premises.

4 World Bank, 2006

5 Ibid

6 Bank of Uganda, 2011

7 Source: *www.fao.org/gender/landrights/report/en/*

B. Women's Role in Society & Economy

Uganda ranks 102 out of 128 countries according to the Economic Intelligence Unit's Women Economic Opportunity 2012 Index.[8] There are about 16.3 million women in Uganda, out of a total population of 34.5 million, and 81 percent of them are in the workforce.[9] Uganda is likely to achieve MDG 3, gender equality and empowerment of women[10], which addresses education and political participation. The introduction of universal free primary and secondary school education in 1997 and 2007, respectively, has improved women's access to education, with the ratio of girls to boys in primary, secondary and tertiary institutions reaching 1.0, 0.84, and 0.79, respectively, in 2009/10. The number of women in parliament rose to 130 (out of 375 members, about 35 percent) in the current session, compared to 98 in the previous parliament in 2006. In the cabinet there are 10 women (out of 29) holding a senior ministerial position, and another 12 (out of 47) are state ministers. Moreover, for the first time, the current parliament appointed a female speaker.[11] Between 1994 and 2003, a woman was appointed Vice President of Uganda, becoming the first woman in Africa to hold the position of Vice President of a sovereign nation.

The most recent official data on women's role in the economy was collected by the Gender and Productivity Survey in 2008. Its key findings are the following:

1. Forty-six percent of all women in the labor force are unpaid and only 18 percent of the men in the labor force are classified under the unpaid category.

2. Women account for 73 percent of unpaid family workers and 40 percent of informal sector employment.

3. Rural women show higher labor force participation rates compared to urban women.

4. There are wide gender differences in wages especially in the private sector. The median monthly salary for women in paid employment is only half that for men (at UGX. 40,000 and UGX. 80,000, respectively[12]).

Unemployment is slightly higher for young women (4.9 percent) than for young men (3.6 percent). Moreover, a large majority of young workers (73.3 percent) are self-employed, with this share being particularly high for young women at 76.5 percent as opposed to 70.3 percent for their male counterparts.[13] On average 13 percent of women are not involved in decisions about their own income (this percentage is close to 20 percent for women in the poorest quintile and less than 5 percent for women in the richest quintile).[14]

Traditional gender roles are prevalent in rural households in Uganda: men are the head of the household, authority figures, main financial providers, decision-makers and the managers of the family farm. Women by contrast are seen as the homemakers, caregivers and serve as a key source of labor for the family farm. As rural women are more and more involved in income-generating activities while maintaining their traditional responsibilities, they have effectively seen their work

8 The Index defines women's economic opportunity as a set of laws, regulations, practices, customs and attitudes that allow women to participate in the workforce under conditions roughly equal to those of men, whether as wage-earning employees or as owners of a business.

9 World Bank, 2011

10 UNDP, 2010

11 African Economic Outlook, 2012

12 USD 16 and 32, respectively, at current exchange rates

13 African Economic Outlook, 2012

14 World Economic Report, 2012

burden double. As a consequence of their various responsibilities, the time they can dedicate to running their business or to do banking/microfinance transactions is limited. This is considered a key barrier in women's ability to access financial services.[15]. Despite the fact that rural women contribute significantly to household income generation and bear high levels of responsibility for the care of family members, they tend to have less of a voice than men in business and household financial decision-making. Consequently, women are often unable to influence decisions that could help them grow their income generating activities and be more productive. Additionally, women in some rural areas can face mobility restrictions, as traditional gender norms require them to stay within the home or family farm.

Cultural practices related to land dictate that women can access land through their male relatives, such as a father, husband or brother, but in most communities they cannot own land. They can plough the land to produce food crops, but they may not plant perennial crops, sell the land or use it as collateral without permission from men. They may also be displaced from their land or allocated small fragmented plots or marginal lands. Men are also primarily responsible for marketing agricultural products, even those primarily grown by women leaving them in possession of the income. Although legal constraints to women's land ownership were eliminated in the new Constitution, women are not always aware of their rights and cultural practices inhibit their access to land. According to government data, 97 percent of women have access to land; however, in practice, only 8 percent of women own land and only 7 percent have property rights.[16]

C. Financial Sector

As of April 2012, the formal financial sector includes 25 commercial banks, 4 microfinance deposit-taking institutions (MDIs), and 3 credit institutions.[17]

Table 1: Number of Licensed Branches / Outlets for Supervised Financial Institutions

	2009	2010	2011
Commercial banks	363	393	455
Bank ATMs	480	598	637
Foreign exchange bureaus	135	158	184
Money remitters	91	149	173
MDIs	76	83	98
Credit institutions	45	42	44

Source: Bank of Uganda, 2011

The banking sector, which represents over 80 percent of the financial sector assets, is sound and dominated by foreign-owned banks, which control more than half of total assets of the banking sector. The three largest banks own about 50 percent of total assets (2010 data).[18] Banks tend to be liquid, with a low ratio of loans to assets. The spread between lending and deposit interest rates was about 13 basis points at the end of 2010. In 2011, banks' after tax earnings were UGX 488.3 billion (approx. USD 195 million[19]), compared to UGX 268.7 billion (approx. USD 107.5 million[20]) in 2010.

The annual growth in credit to the private sector during 2002––2010 averaged 28 percent in Uganda, and credit to the private sector has increased as a share of GDP from 8 to 16 percent over this period. However, Uganda experienced a slowdown in credit

15 Women's World Banking, 2009

16 www.fao.org/gender/landrights/report/en/

17 Bank of Uganda, April 2012

18 IMF, 2010

19 Based on July 1st, 2012 USD/UGX exchange rate

20 Ibid

growth to the private sector across all key sectors of economic activity in 2011, except households and individuals. Lending to households and individuals grew by 40.4 percent in 2011. The building and construction sector's annual growth rate in loans dropped from 66.6 percent in 2010 to 37.6 percent in 2011, while growth in lending to trade and commerce dropped from 42.4 percent in 2010 to 16.4 percent in 2011. All business sectors, except agriculture, registered an increase in impaired loans. Non-performing loans (NPLs) for the trade and commerce sector grew by from 1.2 percent to 2.2 percent of total loans. Similarly, the building and construction sector saw NPLs increase from 1.5 percent to 1.9 percent of the loans in the sector. The agricultural sector realized the biggest drop in non-performing loans, although it still remained the sector with the highest NPLs to loans ratio at 4.1 percent.[21]

Table 2: Annual Developments in Banks' Assets and Deposits

	2009	2010	2011
Assets			
Volume (UGX trillion)	8.7	11.3	13.0
Annual growth (percent)	15.1	29.4	
Deposits			
Volume (UGX trillion)	5.6	8.0	8.9
Annual growth (percent)	18.1	42.5	11.0
Loans			
Volume (UGX trillion)	4.0	5.5	7.0
Annual growth (percent)	18.8	35.1	27.9
Off-balance sheet items			
Volume (UGX trillion)	1.9	1.7	3.0
Annual growth (percent)	22.1	-9.6	71.4

Source: Bank of Uganda, 2011

The banking sector relies mainly on customer deposits for funding, as deposits accounted for approximately 83 percent of total liabilities in 2011. The year-on-year growth rate for total deposits held by commercial banks declined significantly in 2011, while loans grew by almost 30 percent. Specifically, the growth of time deposits fell by nearly half, from 51.1 percent in 2010 to 27.5 percent in 2011, while demand deposits registered a growth rate for the year of only 3.4 percent in 2011. Following the increase in the Central Bank rate, banks raised term deposit rates to attract more funding, with the weighted average rate on term deposits increasing from 5 percent in January 2011 to 24 percent in December 2011. The total number of deposit accounts held in financial institutions is estimated to be just over 1.7 million (out of a population of about 34.6 million – July 2011 estimate), or about 35 percent of the total number of households. The higher funding costs resulted into higher lending rates.[22].

The insurance industry is small, with a very low penetration rate. It accounts for only 0.6 percent of GDP and covers only about 3 percent of the adult population.[23] Despite the small market, there are a total of 22 insurance companies currently operating in Uganda. Motor third party insurance, worker's compensation, and national social security contributions for all formal companies with at least 5 employees are all compulsory. The National Social Security Fund (NSSF) forms the largest class of business, followed by motor insurance. The majority of insurance business in Uganda is sold to corporate clients, hence retail sales are minor. Generally, there is remarkably low use of formal insurance services. This is allegedly due to widespread lack of insurance knowledge, low disposable income levels, other preferred forms of informal insurance and safety nets and general mistrust, skepticism, as well

21 Bank of Uganda, 2011

22 Ibid

23 Finmark Trust, 2009

as negative image and reputation caused by malpractice by some insurance companies (e.g. not paying claims). In some rural areas, informal forms of insurance, such as funeral and health policies, have emerged and are estimated to cover about 20 percent of the adult population. These forms of insurance appear to be increasing in popularity due to affordable premiums, simpler terms and the fact that they are being managed at the community level by people known in the community. They are more common in rural areas.

Uganda has a vibrant microfinance sector. The industry has grown rapidly and in 2003 the government adopted a Central Act for Microfinance Deposit-Taking Institutions and increased the central bank's capacity to expand its supervisory powers to MFIs and to run support programs for the main institutions in the country. Based on the Ministry of Finance, Planning, and Economic Development data, there are 180 microfinance institutions and around 2,800 SACCOs. Tier IV[24] financial institutions are not allowed to take deposits and are not regulated by the Central Bank. As of December 2010, the Association of Microfinance Institutions of Uganda (AMFIU) had 122 members, which includes 86 ordinary members (MFIs) and 36 associate members (other institutions and individuals supporting micro finance activities). In spite of the high number of institutions, the Ugandan microfinance market remains very segmented. It is heavily concentrated in urban and semi-urban centers, with relatively high effective interest rates and relatively low levels of efficiency. Few organizations have been able to effectively service rural areas. In the lower market segment, where most MFIs are active, multiple borrowing is endemic because there is no uniform identification system and the credit registry recently introduced currently covers only a small percentage of the adult population.

The level of financial intermediation in Uganda is low and access to financial services remains limited. According to government data[25], while over 70 percent of the population aged 16 and above are financially served, only about 21 percent use banking and other formal services while the remainder uses informal services. About 30 percent of the population has no access to financial services at all, either formal or informal, despite the fact that banks continue to increase their networks, with the number of branches and ATMs being 455 and 637, respectively, at 2011-end.[26]

Mobile money services have registered significant growth since Celtel (today Zain) launched Uganda's first mobile network in 1995, followed by MTN in 1998. Orange entered in 2009 after buying a majority stake in the country's fifth mobile license, HITS Telecom. Mobile subscribers continue to increase as competition improves amongst the 5 mobile networks - MTN Uganda, Orange Uganda, Uganda Telecom, Warid Telecom and Zain Uganda (to become Airtel).[27] The number of registered m-money customers was close to 2.9 million in December 2011, although the number of mobile-money users is estimated to be much larger at about 10-12 million. According to government data, 87.5 million money transfer transactions were recorded in 2011, accounting for a daily volume of around USD 4 million.

24 A four-tier system for regulating and supervising institutions involved in microfinance was implemented in Uganda. Tier I consists of financial institutions, such as commercial banks; Tier II consists of non-bank financial institutions, such as credit institutions; Tier III consists of MDIs; and Tier IV consists of SACCOs and NGOs *(http://www.cgap.org/p/site/c/template.rc/1.26.13756)*.

25 Finmark Trust, 2009

26 As a way of comparison, Poland, which has roughly the same population as Uganda but is about a third larger, had 13,911 ATMs at the end of 2011. Romania, which is about the same size of Uganda's but has a much smaller population (about 22.3 million people), had 10,764 ATMs at 2011-end (Source : European ATM Security Team, 2012).

27 Ndiwalana, Ali et al., 2010

The biggest players in the market are[28]:

1. MTN, with 1,900,000 subscribers and 2000 agents, is by far the biggest operator with over 75 percent of the market. The supporting bank for deposits is Stanbic Bank, and for services Post Bank and Bank of Africa. MTN recently signed a partnership with Western Union for international transfers.

2. Airtel has 135,000 subscribers. The supporting bank is Standard Chartered but it also recently established another partnership with KCB.

3. Uganda Telecom (UTL) has 60,000 subscribers. The supporting bank is DFCU.

4. Warid Telecom entered the mobile money market in December 2011.

Mobile money services have diversified beyond m-transfers and m-financial services with MTN leading the way. Consumers can now make payments to utility providers, financial institutions, educations services, etc. A registered user can now undertake a transfer or payment as large as UGX 4,000,000 (about USD 1,600 at July 1st 2012 exchange rates).

The mobile money service was born under very little regulation but Bank of Uganda has been strengthening supervision in this area. All new customers now need to be registered, based on the *Know Your Customer* requirements and all existing users are invited to register as well. Similarly, Bank of Uganda is monitoring more closely transaction limits, complaint handling and liquidity management by agents. A simplified licensing regime has significantly reduced barriers to market entry and increased competition, which has led to lowered tariff rates across the sector.

28 Based on A2F Consulting's research

IV. Research Findings

A. Finscope Findings

According to the 2009 Finscope Survey, about 28 percent of the population aged 16 and above (thereafter referred to as *adults* or *the adult population)* has access to formal financial services – 21 percent to banks[29] and 7 percent to other formal financial institutions.[30] On the other hand, 42 percent of the adult population has access to informal financial services.[31] Therefore, about 30 percent of adults are underserved. In comparison to the findings from the 2006 Finscope survey, the percentage of unserved population has decreased considerably, from 43 percent to 30 percent, mostly due to an increase in use of informal finance (from 29 percent to 42 percent).

Results from the 2009 Finscope Survey indicate that more men (31 percent) than women (26 percent) are formally served and more men (24 percent) than women (18 percent) are banked. As expected, the usage of banks is higher in the urban (38 percent) than in the rural areas (5 percent). Similarly, higher proportions of people in urban (9 percent) than in the rural areas (7 percent) use other formal financial institutions that are not banks. However, the rural population (47 percent) uses more informal financial services than those in urban areas (28 percent). The distance to formal financial institutions, transport and time costs involved, and proximity of informal services are key factors in determining this behavior. Truly, about 47 percent of the adult population needs to travel up to 5 kms to reach a formal financial institution, while 63 percent of them can easily access informal financial services within a kilometer from their house. In rural areas, 34 percent of Ugandans are able to access a formal institution within a 5 kms distance, while 83 percent can access informal financial services within the same distance.

Based on the 2009 Finscope findings, the likelihood of being banked increases with the level of education. Indeed, 69 percent of those that have completed tertiary education are banked, followed by 34 percent of those with secondary level education. Of those who have never attended school, forty percent are financially excluded.[32] Overall, full-time and part-time public employees most commonly use formal institutions. Eighty percent of full time public employees and 45 percent of full time private workers are banked. In fact, they are often required by their employer to have a bank account to receive their salary. Ugandans tend to use multiple institutions, across the formal and informal sector. Truly, 19 percent of the adult population uses both formal and informal product.

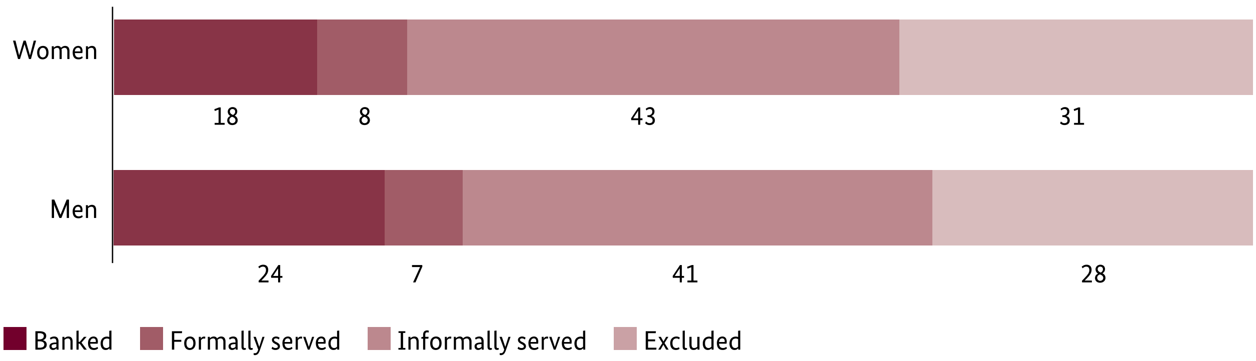
29 Banked (BOU regulated): This category includes usage of formal institutions being directly supervised and regulated by Bank of Uganda (BOU). These are commercial banks, (CB), credit institutions (CIs), microfinance deposit-taking institutions (MDIs) and mobile banking if under commercial banks or credit institutions.

30 Formal others: this includes institutions like SACCOs and other microfinance institutions, formally registered insurance companies, and NSSF. Also included are the non-banking financial institutions, like foreign exchange bureaus, money transfer services, and mobile banking.

31 Informal: this includes money lenders, Rotating Savings and Credit Associations (ROSCAs), Accumulating Savings & Credit Association (ASCAs), Village Savings and Loan Associations (VSLAs), NGOs, investment clubs, saving clubs, services by employers and other village groups like burial societies and welfare funds.

32 Finscope defines financially exluded as *Un-served: non-usage of neither BOU regulated nor other formal or informal institutions e.g. saving in a secret place or friends/relatives; borrowing from friends or family members; or money transfers using individuals.*

Chart 1: Uganda Financial Access Strand by Gender (in percentage)



Source: Finmark Trust, 2009

B. Profile of Women and Men Interviewed

As mentioned in section II, the sample of individuals interviewed is quite heterogeneous. It includes women and men of different age active in a wide array of employment sectors, as well as students and unemployed adults, with different levels of education and in urban as well as rural areas. Of the 75 interviews, 41 percent were conducted in rural areas[33] with the remainder carried out in Kampala. Women comprised 75 percent of the interviewees – rural women make up 33 percent and urban women 41 percent of the total sample.

Table 3: Interviewees by Gender and Geographical Area

	Women	Men	
Rural	33.33 %	8.00 %	41.33 %
Urban	41.33 %	17.33 %	58.76 %
	74.65 %	25.33 %	

Source: A2F Consulting Uganda Survey, 2012

The majority of women and all men interviewed are either single (50 percent of women and 63 percent of men) or married (38 percent of women and 37 percent of men). A small percentage of women are divorced (11 percent), all of them in rural areas.

Table 4: Interviewees by Gender and Civil Status

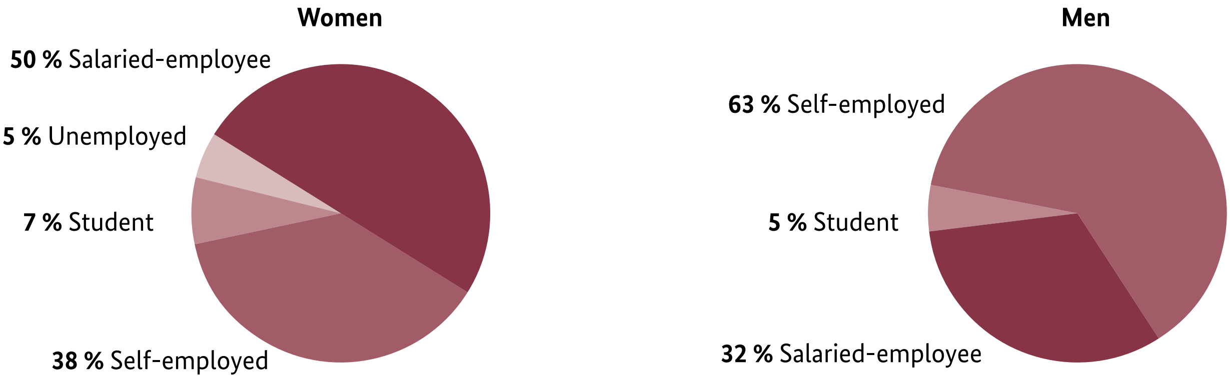
	Women	Men
Married	37.5 %	36.8 %
Single	50.0 %	63.2 %
Separated	1.8 %	0.0 %
Widow	10.7%	0.0 %

Source: A2F Consulting Uganda Survey, 2012

Over half of women interviewed have a level of education higher than secondary school, either a first (34 percent) or postgraduate degree (13 percent), or a diploma or certificate (7 percent). In the sample 26 percent of men have a first or postgraduate degree, while the majority of the male sample has completed secondary school (58 percent). On the other hand, the percentage of women that have an elementary level of education or less is higher than among men, at 27 percent and 21 percent respectively. The overwhelming majority of people with a primary level of education or less lives in rural areas.

33 Interviews were conducted in Kayange, Najjera, Mukone, and Namanze.

Chart 2: Interviewees by Occupation



Source: A2F Consulting Uganda Survey, 2012

In our limited sample of interviews, most men and a good share of women interviewed are self-employed (38 percent of women and 63 percent of men) and run businesses in a variety of sectors, from trading to services, IT and entertainment. Most of them work on their own, some have a few employees. In some cases, the businesses are more established and the number of employees is considerably higher. Half of all women interviewed are wage workers, employed in private sector firms, NGOs or private businesses, mostly in Kampala. The percentage of salaried employees among men is lower, at about a third of the sample. A small proportion of both women and men are students, and 5 percent of women interviewed are currently looking for a job. No man indicated to be currently out of work.

Table 5: Interviewees by Gender and Level of Education

	Women	Men
Postgraduate	12.50 %	5.26 %
Degree	33.93 %	21.05 %
Certificate/diploma	7.14 %	0.0 %
Secondary	19.64 %	52.63 %
Primary	23.21%	15.79 %
None	3.57 %	5.26 %

Source: A2F Consulting Uganda Survey, 2012

The difference in financial decision making across gender was quite small, with most interviewees indicating that decisions are taken jointly when both spouses work or predominantly by the income earner in case only one person works. This is in line with Finscope findings that slightly more men (83 percent) participate in decision making than women (77 percent).

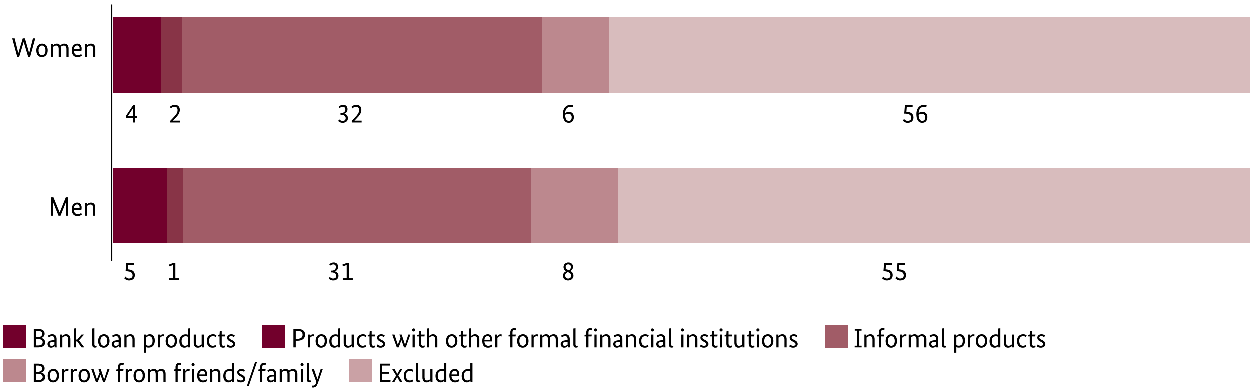
C. Usage of Credit

Based on the 2009 Finscope survey 46 percent of the adult Ugandan population are currently borrowing – 7 percent from formal financial institutions, 32 percent from informal institutions, and 7 percent from friends and family. Across gender, an equal proportion of men and women (45 percent) borrow though there is a slight difference of 2 percent of more women (36 percent) than men (34 percent) who have never borrowed.

The same percentage of men and women borrow from formal financial institutions, although men are slightly more likely to borrow from banks and women from other formal financial institutions. Men and women also seem to use informal credit services at pretty much the same rate (31 percent of men and 32 percent of women). Looking specifically at the incidence of borrowing for agriculture, Finscope found that only 8 percent of women compared to 15 percent of men borrow for this purpose. Surprisingly though, a larger proportion of women than men borrow from commercial banks to support their agricultural activities.

Sex-disaggregated data on the usage of financial services by institution is hard to come by. Different sources provide partial and sometimes apparently contradictory information. Findex data indicate that men are slightly more likely to have a loan from a formal financial institution. The MIX website contains a small number of selected institutions, both regulated and non-regulated, which indicate their percentage of women borrowers as part of their total loan portfolio. Based on this sample, about 45 percent of borrowers from regulated financial institutions are women while this percentage goes up to close to 70 percent if including non-regulated financial institutions. The only commercial bank included in this sample is Centenary Bank, where women make up about half of its total number of borrowers.

Chart 3: Uganda Borrowing Strand by Gender (in percentage)



Source: Finmark Trust, 2009

A recent study on eight Savings and Credit Cooperatives (SACCOs)[34] found that only 35 percent of all members are female. In addition, there are fewer women on SACCO boards and management, which affects their participation in decision making across the institutions. Among the identified barriers for female participation at the membership level are: gender division of roles at family level that assigns financial management to men; male control of women's use of financial services; men interfering in women's income generating activities that drives women to avoid using SACCOs in order to hide their financial dealings; women's lack of collateral; inadequate understanding of products, policies and procedures; fear and mistrust of SACCOs due to illiteracy and low self-esteem; and lack of business skills.[35]

Our limited sample of interviews has found that a higher percentage of women (18 percent) than men (5 percent) borrow from banks. This might be due to the fact that a higher percentage of women interviewees than men is well-educated and works in the wage sector, both factors which increase the likelihood of borrowing from banks. On the contrary, a slightly higher percentage of men (58 percent) than women (50 percent) borrow from other formal financial institutions. Of those women that

34 GIZ, 2010

35 Ibid

have a formal loan, only 32 percent live in urban areas, although this percentage goes up to 80 percent if we consider bank loans only. Similarly, the majority of men with loans from other formal financial institutions are in rural areas, although the opposite is true when it comes to bank loans only. This corresponds to the findings from the Finscope survey, which indicates that the incidence of borrowing or having debt is higher among the rural population (46 percent) than in the urban areas (43 percent). It also corresponds to the findings that banking institutions are most likely to be used by the population with a tertiary (17 percent) or secondary (5 percent) level of education. As in our sample a higher percentage of women than men has a university of a postgraduate degree, this might explain why more women are banked.

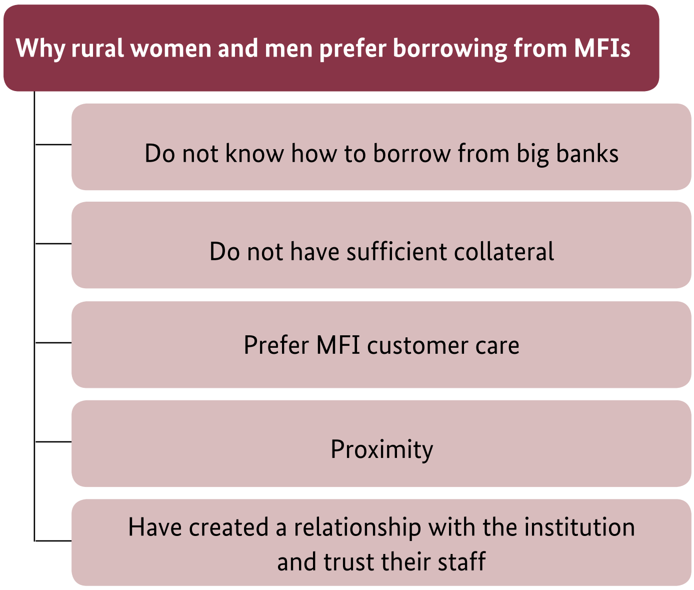
For salaried employees, borrowing from commercial banks seems to be relatively easy, although additional collateral is requested for large loans. Since all salaried employees interviewed have a high level of education, they seem to be comfortable and more familiar with banking requirements and documents, although some mentioned that forms can still be quite confusing. This corresponds to the Finscope findings that the formally employed population mostly borrows from banks. Since in our sample more women than men are salaried employees, this might help explain the gender differences in access to bank loans. Urban women borrow mostly either to invest in their business or for home construction.

Among the reasons mentioned by rural women and men for choosing to borrow from microfinance institutions rather than from banks are: a) do not know how to borrow from big banks; b) do not have sufficient collateral; c) prefer their customer care; d) proximity, and e) they have created a relationship with the institution. Similarly, consultations with local women's organizations revealed that a key reason why women might borrow less from banks than men is that more women than men are lacking the required collateral, such as land or property titles. In Uganda, land is traditionally inherited by sons. Also, when couples buy land, it seems more common to register it in the man's name, with the exception of households with well-educated women who are more aware of their rights and might insist on joint titling – as found through our research. Our survey also seems to show that more women, mostly well-educated women in urban areas, are now buying land as this is still the traditional collateral required by banks. Another factor is that, apart from those who are better educated, many women tend to be less well-informed and/or confident in dealing with banks and might get quickly discouraged when applying for loans, particularly those that do not own fixed assets. This can be explained with the fact that less women than men are able to read and write (62 percent versus 76 percent, respectively, of Ugandans aged 16 and above), and that less women than men feel comfortable with basic numeracy skills, such as multiplication and division.[36]

The majority of our interviewees were of the opinion that in general men borrow more from banks, as they tend to have larger businesses and therefore require bigger loan amounts. Similarly, it is widely believed that men are more ambitious and aggressive in pursuing their businesses and that drives them to borrow more. Men tend also to possess more hard collateral, such as real estate, than women, even in urban areas, and tend to have more than one business. Indeed, even men who are salaried employees tend not to rely only on their salaries but to also have side businesses to generate additional income. Truly, available literature on the use of finance in several Southern and Eastern African countries, confirms that firms with female ownership participation tend to be of smaller size, and smaller firms have, on average, less access to external finance. Additionally, there is some limited evidence that women-owned businesses tend to enter more likely sectors, such as retail and food production, that, on average, are characterized by more

36 Finmark Trust, 2009

Chart 4: Reasons for the Rural Population's Preference for MFIs rather than Commercial Banks



Source: A2F Consulting Uganda Survey, 2012

limited use of external finance (i.e. average number of companies with bank accounts).[37] Nation-wide statistics indicate that women tend to score lower when it comes to level of education, formal employment, level of income, as well as other factors, such as being head of household.[38] It is also to note that gender stereotypes might have affected interviewees' responses, as some of the findings mostly mentioned in relation to men – such as having a business in parallel with a wage job - seem to be true for women too.

A small number of interviewees mentioned that banks might trust men more and see them as better investors than women. However, there were also conflicting accounts that institutions preferred to lend to women because women repaid their loans better than men. In general, however, women, especially the young, educated in Kampala, did not think there are any substantial differences between men and women's experiences in borrowing from commercial banks. The requirements are the same and what counts is the level of income.

A number of women running entrepreneurial activities on either a full-time or part-time basis indicated they would not want to borrow from banks due to the high interest rates and the risk of losing their assets in case of failure. Instead they prefer using their savings or leveraging friends and family support at no interest rates to grow their businesses, even though this meant a slower or more modest growth. In this regard, women seem to be more risk averse than men.

Also, convenience, easy and quick processing were repeatedly mentioned as important factors in deciding where to apply for a loan. The simpler and easier requirements at a microfinance institution or, in emergency cases, of a moneylender can make these options more attractive than applying for a loan at a microfinance bank, even taking into consideration the higher interest rates. This can be an important factor in explaining gender differences in the type of formal credit used, particularly as women tend to be more time-poor than men so that quick processing would be seen as more valua-

37 World Bank, 2011a

38 Ibid

ble to them. In case of emergencies, even women that have outstanding loans with formal financial institutions, might borrow informally, often from loan and savings clubs, to have fast access to funds. With very few exceptions, the sample interviewed was aware that interest rates are lower at commercial banks than at microfinance institutions so whenever possible they would try to access formal finance for amounts other than very small ones, or apart from emergency cases.

Case Study: Golden Choice Limited
Ruth Nduhukire Tumwesigye runs Golden Choice Limited, a food processing company established in Kampala in 2008 together with her husband.

Previously employed in the insurance sector as head of sales for a South African company, she decided at some point to switch careers and venture into business. In 2009, she applied for a loan at Bank of Africa to buy a plot of land, about 80 kilometers out of Kampala. Thanks to some real estate owned by her husband, and their salaries, it was not difficult to provide the required collateral to secure this loan. She admits that without real estate, she would have been able to borrow only a much smaller loan.

With that first loan, she set up a small farm, bought cattle and acquired a cold truck to transport packaged meat. She was lucky to find out about the Incubation Center at Makerere University, part of a presidential initiative to support entrepreneurs, which allows her to use a cold room, and meat processing, cutting and packaging equipment at no charge for a period of three years. Without the free use of these facilities, it would have been difficult for her to find the capital to acquire her own equipment, estimated at about USD 125,000.

Ruth distributes about 150 kg of meat per day through three distributors, which sell the products to schools and low-end supermarkets. Her experience with bigger and more established supermarkets has not been easy, as she was paid only every 45-60 days while requested to make weekly deliveries. Thus, for the time being she prefers to work with smaller players until she builds enough reserves to work with the larger ones. However, she still supplies large supermarket Tusky's with small quantities of ghee, a new product that she produces at home and that she is currently testing on the market. Should demand for this product pick up, she is planning to move production to selected villages and work with local women who have traditionally been involved in ghee production. Ruth is also planning to expand her farm's milk production from the current 50 liters a day to 500 liters, as well as to open her own retail shop, as she sees a strong demand for good quality meat shops.

While busy running and expanding her food processing business, Ruth requested another loan from Bank of Africa to purchase real estate with her husband. She finds this a better way to secure for her future than simply keeping savings in a bank.

The field research found that in households where both spouses work it is quite common to share expenses based on traditional gender patterns. Specifically, women pay for what are considered smaller items, such as grocery shopping and clothing while men take care of bigger expenses, such as rent, and utilities bills. With the planned extension of the credit bureau services to incorporate information provided by utility services, this behavior at the household level might disadvantage women as they won't be able to build their credit history as much as their male partners.

Case Study: Spice Up Africa
Monica Malega runs Spice Up Africa, a small agro-processing company with 6 employees established in Kampala in 2010. Monica also works as a full-time advocacy officer at the Uganda Women Entrepreneurs Association.

She decided to start her own business to supplement her income and a way to invest for the future. As she identified a high demand for fish in Kampala, she first ventured into a fish supply-delivery business, where she would buy fresh fish from fishermen in Gabba by the Lake Victoria and supply it to hotels and restaurants in Kampala. While the profit was good, she quickly realized that the supply of fresh fish was not sufficient to meet the demand and that she could not provide her clients with the desired quantities on a regular basis.

Instead, she decided to invest into a business where she could control directly the quantity produced and opted for investing in chickens. Initially, she started renting chicken houses and hiring trucks to deliver chickens, managing the whole operation herself. Later on, she used her savings to buy a small piece of land in Jinja and put up chicken houses and storage facilities. She avoided asking for a bank loan due to fear of losing her property in case of business failure.

Her business is going well and she imports chicks from South Africa and The Netherlands. Every week she sells 2000 chickens and buys 2000 new chicks. In March 2012, she also started getting chickens to produce eggs.

Monica now exports her products to South Sudan through a distributor every two weeks. She also sells to clients in the Democratic Republic of Congo on an ad hoc basis.

As her business is expanding, she has now applied for a UGX 20 Million loan (about USD 8,000) at dfcu Bank to be able to import more poultry. As collateral, in addition to her salary, she was asked for her land title.

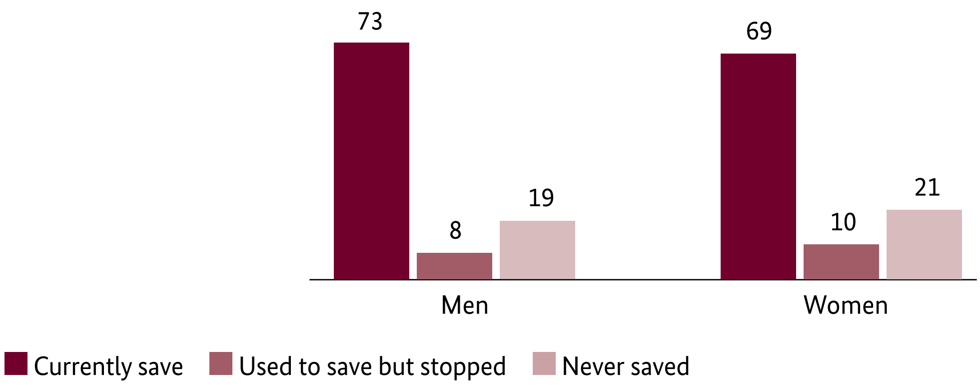
Our research has shown that mobile banking, or m-money, is widely used to send and receive money to family, relatives and friends, as well as to and from customers and suppliers. No gender differences were found in the small sample interviewed, however databases such as Findex indicate that men have taken up usage of m-money more than women. Specifically, 29 percent of men versus 20 percent of women use mobile phone to receive money, and 25 percent of men as compared to 14 percent of women use mobile phone to send money. When asked if they would prefer to deal with female m-money sales agents, women indicated this would not make much difference to them. Mobile services have become popular particularly because they ease sending money to rural areas on a more timely basis than banks and formal financial institutions.

D. Usage of Savings

According to the 2009 Finscope survey, 71 percent of all Ugandans aged 16 and above save – 21 percent in formal financial institutions, 31 percent in informal financial institutions and 19 percent in secret places or with friends. In comparison to the 2006 survey, the biggest change has been in the increase in people that save with informal financial institutions, which rose from about 18 percent to 31 percent.

Specifically, the incidence of saving and investing is relatively higher among men (73 percent) and urban areas (74 percent) as compared to women (69 percent) and rural areas (70 percent). Indeed, more of the men (27 percent) than women (21 percent) save or invest with banking institutions. Similarly only 16 percent of women as opposed to 22 percent of men save in other formal institutions. The Findex data supports these findings and indicates that overall men are more likely to save than women, including saving at a financial institution. In our sample of interviewees, however, more women than men (61 percent versus 58 percent) saved in formal financial institutions. As in the case of usage of credit products, this might be related to the higher level of education among the women interviewed.

Chart 5: Uganda - Incidence of Saving by Gender (in percentage)



Source: Finmark Trust, 2009

Also, more women than men indicated they save informally, through loan and savings associations at work or with friends. This is considered a convenient and easy way to access money quickly if needed. Some women also use it as a way to manage their expenses and cash flow as the pay-outs are used to pay for household expenses.

The top reasons for saving for both men and women are: to meet household basic necessities, for school fees and to guard against any contingencies and emergency situations such as death and medical services. In both cases, women are slightly more likely to save for these reasons than men. Saving for education is the same for men and women, while saving to buy land is slightly more common among men than women (13 percent versus 11 percent, respectively).

In general, our research found a strong awareness among women about the importance of saving although this might be biased by the high level of education of our female interviewees. Single women save to invest in a business, for personal development, and for any future needs that might arise. Married women seem to save not only for emergencies and personal expenses, but also as a safety net in case things turn sour with their spouses and to secure some level of independence from their partners. It was often mentioned that it is important for women to save, as in case of divorce or their husband's death, they might lose everything to his relatives unless they have sufficient resources to engage a lawyer.

While the majority of the individuals interviewed save in a formal financial institution, many indicated that they prefer investing a good share of their savings, either in their own businesses or in partnerships with others. Overall, interviewees expressed the view that investing their money in businesses or assets that will appreciate overtime is a better way to put their money to work rather than leaving it idle in a bank, as interest rates tend to be low. Similarly, this was considered a better option to avoid spending as many receive frequent demands for support coming from family or the community. Also, there seems to be a considerable level of mistrust of banks as many remember the Ugandan banking crisis of 1998-99 when several banks had to close. For this reason, most of the interviewees that save formally use more than one bank. This is also in response to the different terms and conditions offered by the different banks, and their perceived comparative advantage. For example, KCB, Standard Chartered and Barclays were mentioned as good options for people that travel within the region, as they provide VISA cards; Bank of Africa, for its shorter lines and waiting time; dfcu Bank for its good rates for students and good customer service.

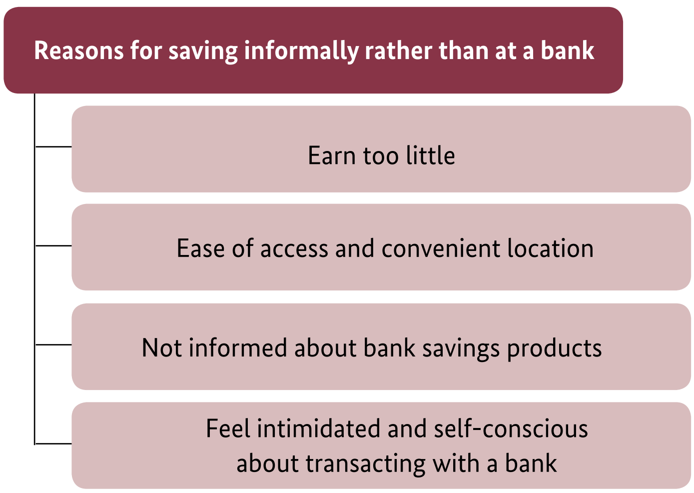
Our findings indicate that differences in income and education levels determine where people save. Well-educated individuals as well as those with a regular income prefer to save in formal financial institutions, and tend to diversify their saving options across two or more banks, as mentioned above. The overwhelming majority of women interviewed claimed that women earn less than men. This was indicated as one of the reasons why some women might not consider opening and paying for a formal savings account if the amounts saved are small.

Whether men or women save more as a percentage of their income, and who spends more for household expenses, was subject of much debate and different opinions. In rural areas, most married women and/or women with children indicated that they took charge of households and children's expenses and therefore were not able to save much of their incomes, while their husbands could save more due to their limited contribution to family expenses. In urban areas, three possible scenarios for married/cohabitating partners were highlighted: a) the man takes care of all major expenses and women can save most of their income; b) the man does not contribute much to household and family expenses so that women have to bear such costs and have little left to save; and c) couples share expenses. The last option was the most common among well-educated and salaried women.

Overall, the most common view was that married women and/or women with children are more cautious about their spending than their male partners and try to make sure they save at least part of their earnings. Most single, employed women save too.

Ease of access is a big factor in determining where to save, as well as being sufficiently informed about the different products available on the market. Women tend to be more time-poor than men, and particularly in rural areas where the network of deposit-taking formal financial institutions is weaker, they might prefer to save at a more convenient location, easily accessible in case of need. Similarly, having less time available than men means that it might be more difficult for women to visit FIs on fact-finding missions to gather information on their services. Therefore, unless financial institutions market their products widely, those individuals that live further away from their branches, tend to be less aware about their services. To overcome these challenges, Centenary Bank and PostBank use mobile vans to serve the rural areas in Western Uganda and this has helped them increase their outreach to low-income people outside the main urban centers. Unfortunately, this service is only available in selected areas of the country. In rural areas, it was also mentioned that less-educated women might feel intimidated and self-conscious about transacting with a commercial bank, while somehow men seem to be more comfortable in doing so.

Chart 6: Reasons Why some Women Prefer Saving Informally



Source: A2F Consulting Uganda Survey, 2012

A close and convenient location was also repeatedly mentioned among the urban population as an important criterion for choosing where to save. This is particularly relevant as few of the women interviewed own a car and would therefore have to rely on public transportation to reach their financial institution. Also, while withdrawing at ATMs is fairly common, many still visit their branches regularly for deposit and withdrawal operations. This was often due to the small maximum amounts that can be withdrawn from ATMs on a daily basis. Indeed, ATM is the main mode of withdrawal for only 42 percent of women and 41 percent of men in Uganda.[39]

An interesting finding from our research is that secret savings accounts, unknown to their spouses, seem to be common for both men and women. Truly, it seems widely accepted that couples are not fully transparent about their level of earnings and expenses, and that people tend to understate how much they earn. When it comes to married women, this was considered important to be able to save in case of divorce, as mentioned above. Also, some women might understate their income as allegedly most men would feel uncomfortable with a woman that earns as much or more than them.

Case Study: Apiwo, Incubation Center at Makerere University

Apiwo works as a full-time program coordinator at the incubation center by Makerere University. She is well-educated and has no dependents. She has three savings accounts at three different banks, one requested by her previous employer to deposit her salary, and the other two for her personal transactions. She chose where to bank based on the terms offered, the convenience, and the level of customer service.

As bank savings rate tend be low, she prefers investing a good share of her savings to increase her return. So far she has ventured into two businesses: one group fund with a few friends, which was supposed to be used as seed money for business start-ups but did not work out; and a poultry business, which she acquired but was managed by a relative. The poultry business was initially successful but later failed due to adverse economic conditions that increased their operation costs. Apiwo is planning to invest again, either in poultry or other sectors.

She has never borrowed from a financial institution and she does not intend to as long as she can avoid it. Instead, she prefers using her savings to support her business activities.

E. Usage of Insurance

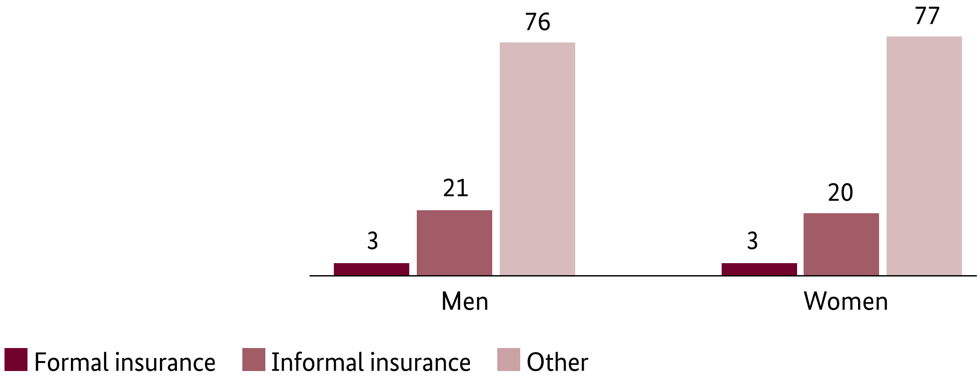
Based on the 2009 Finscope survey, about 3 percent of adult Ugandans have formal insurance, while this percentage goes up to about 25 percent if we include informal insurance, such as burial society and welfare funds. Of those that use formal insurance, about 80 percent have either Motor Third Party Liability or National Social Security Fund insurance. Only 13 percent have life insurance, and 12 percent have loan protection. Men and women access formal insurance at the same rate (3 percent) while men are slightly more likely to use informal insurance (21 percent versus 20 percent for women).

39 World Bank, 2011

In comparison to the data collected in 2006, the share of people using formal insurance has remained the same but those using informal finance have gone up considerably, from 3 to 22 percent. This corresponds with the information provided by the Uganda Insurer's Association, which indicated that informal insurance schemes are increasingly gaining in popularity, particularly in the rural areas. This is due to a combination of affordable premiums, simpler terms, and the fact of being managed within the community by individuals known to the policyholders.

The two top reasons identified by Finscope for not having formal insurance are cost and knowledge of available products. Our research indicates that there is also considerable mistrust towards insurance companies due to cases of malpractice (failed claim payments). Generally, there is remarkably low use of formal insurance services due to widespread lack of insurance knowledge, low disposable income levels, other preferred forms of informal insurance and safety nets and general mistrust, skepticism and negative image and reputation partly caused by malpractice by some insurance companies. Given the high inflation environment combined with high premiums, several people indicated that instead of purchasing insurance, they prefer investing in real assets that will appreciate in value over time as a form of security for the future.

Chart 7: Uganda - Incidence of having Insurance by Gender (in percentage)



Source: Finmark Trust, 2009

Insurance companies do not collect sex-disaggregated data thus it was not possible to cross-check the data collected through the Finscope survey. Other databases, such as Findex, collect very few indicators on the insurance sector. Specifically, based on Findex Uganda, less than 1 percent of adult Ugandans paid personally for health insurance, with the percentage of women that did so being half the percentage of men. Similarly, the common view among stakeholders consulted as well as the interview group is that men use insurance at a higher rate than women. About a quarter of women interviewed have insurance, in comparison to 38 percent of men.

The perceived disparity in usage of insurance products between men and women were explained by the following:

1. Insurance is usually marketed to the corporate sector and men make up a majority of corporate sector workers;

2. Car ownership is more common among men than among women. For couples with only one car, our findings indicate that it is usually registered in the man's name so that the corresponding motor third party insurance will also be in the man's name;

3. Salary loans are insured and there are more men than women among salaried employees. About 20-23 percent of the workforce is composed of salaried employees.[40] Based on Finscope data, there are more men than women employed in the formal sector.

According to anecdotal evidence collected during our research, more women currently buy life policies. This might be linked to the fact that traditionally women bear the responsibility for the care of children and elderly family members. Truly, women tend also to borrow more for health or emergencies than men.[41] This might be one possible explanation for the Finscope results, which indicate similar usage of insurance for men and women despite what our research found.

40 World Bank, 2011a

41 World Bank, 2011

V. Conclusions and Proposed Interventions

As discussed in this report, available literature as well as our survey have found that one has to look beyond simple gender comparison and focus on those specific factors that affect men and women's usage of formal finance. First of all, firms with female ownership participation tend to be of smaller size, and smaller firms have, on average, less access to external finance. Additionally, women-owned business might tend to enter more likely sectors that, on average, are characterized by more limited use of external finance (i.e. average number of companies with bank accounts).[42] As individuals, women tend to score lower when it comes to level of education, formal employment, level of income, as well as other factors, such as being head of household.[43] In this regard, interventions to expand access and usage of formal finance by women, would need to go well beyond the realm of the financial sector to include efforts in the areas of education, stronger economic participation of women, cultural sensitization to break negative gender stereotypes and discrimination against women in inheritance matters, a more balanced division of family and household responsibilities in rural areas, etc.

For the purpose of this report, which is to inform policy makers and financial sector stakeholders on possible reasons for some of the gaps in women's use of formal financial services, we will focus exclusively on financial sector interventions that have the potential to address some of women's current challenges in accessing formal finance.

The following is a framework to reinforce the women's access to finance work currently undertaken in Uganda:

Table 6: Proposed Policy Recommendations Framework[44]

Target group	Type of intervention
Financial institutions/ Policy makers	• Support improved market intelligence • Support branchless banking to increase outreach to rural areas • Invest in research and development of high-potential financial products • Encourage staff training and a gender-sensitive strategy
Women	• Promote the regular provision of targeted capacity building • Explore promoting financial literacy courses for girls/young women

1. Support improved market intelligence

This would include both the collection of sex-disaggregated data from specific financial institutions as well as overall data on women's access to finance markets to gain a sound understanding of the sector at the national level and guide stakeholders' interventions. Our research has revealed that collecting disaggregated data from financial institutions, even those that seem to be more active in reaching out to women clients, is very difficult. When available, the information is also extremely limited, providing only a partial picture on women's financial behavior and usage of finance.

A full set of data would include: key gender-disaggregated personnel indicators relating to current work force statistics, recruitment, retention, promotion and professional development, as well as gender-disaggregated portfolio data by loan size, geographical area, new/repeat clients, portfolio at risk, type of product; and number of training days received by training type, as a minimum.

Having this data and making it visible is a crucial step toward understanding men and women clients' behaviors and attitudes and it is important that internal reporting systems are structured in

42 World Bank, 2011a

43 Ibid

44 Our research highlighted men as being more confident than women in their usage of formal financial services. For this purpose, none of the proposed policy recommendations targets men as a key priority.

such a way as to capture and provide insights on specific women's financial patterns, and guide FIs in developing appropriate products and services. This could help introduce new products, such as supplier finance, where financial institutions could explore the option of negotiating preferential conditions and making payments directly to suppliers' accounts. This would likely have an immediate positive impact in expanding qualifying women entrepreneurs' access to finance. Simply providing data on the percentage of women borrowers as a total of an institution's loan portfolio is not sufficient to do so.

Similarly, improving market intelligence is key to developing a better understanding of the market and to advise development partners in prioritizing interventions. Practically, this effort would require liaising with other development partners and organizations active in the region to possibly join efforts and/or raise funds for gender baselines and other relevant gender finance studies. Market segmentation studies and efforts to quantify women's economic contribution in Uganda would be particularly useful.

2. Support branchless banking to expand financial institutions' outreach to rural areas

Our recommendation would be to support branchless banking and innovative delivery models as a way to reach out to women, particularly in rural areas.

Mobile banking is already very popular among the urban and rural population and authorized agents from the main provider, MTN, are a common sight even in remote rural areas. By promoting a wider use of mobile banking to transact directly with financial institutions (for example, to repay loans or make deposits), those in rural areas that wish to use financial services, will have a convenient way to do so. This might be particularly advantageous for women, as there is some international evidence that women would strongly favor the use of mobile banking, not only to save time and avoid commuting, but also because it enables them to transact discreetly and privately. In the case of Uganda, this was confirmed by the popularity of *secret savings accounts* among both women and men.

Another option to consider is to expand the use of mobile vans to serve rural customers in remote locations more conveniently as well as to carry out sensitization campaigns for the underserved. As mentioned above, Centenary Bank and PostBank are using mobile vans in some areas in Western Uganda, to collect deposits and for marketing purposes. This has the potential to be very effective in extending financial services in rural areas, as distance to branches and unfamiliarity with banking products were among the key reasons mentioned by the rural population for shying away from commercial banks. It might be particularly useful to increase usage of formal savings, as currently the rural population has limited options on where to place their savings, given that most microfinance institutions are not licensed to take deposits and deposits into SACCOs are not guaranteed.

3. Invest in the research & development of high-potential financial products

While the development of financial products for women is left to financial institutions' own strategic business considerations, it is recommended that policy makers and development partners explore investing in the research and development of those selective products that are considered to be of particularly high-potential for women in the region.

Our findings as well as available literature suggest that there might be positive demand and scope for further investment in new savings and microinsurance products. As the banking sector becomes more competitive in Uganda, several banks have introduced new savings products for children's education. It seems though that the majority of women interviewed are not making use of these special accounts, which seems to indicate that either they are not marketed well or that their terms are not attractive enough to the general public. In rural areas, further cooperation with SACCOs is recommended to introduce savings products that better respond to women's needs. As mentioned above, all women interviewed in rural areas indicated that they took responsibilities for paying their children's school fees.

Similarly, insurance and specifically health insurance has been increasing in popularity in rural areas mainly through informal service providers. There is therefore much scope to learn more about how these insurance schemes work and how they could be improved to specifically support women's needs. Rather than using insurance, people currently depend on their family networks, their own savings, selling assets, and loans from family and friends, financial institutions, and moneylenders to manage financial emergencies. Insurance can be a useful tool to manage long-term, predictable expenses such as children's education, which tend to fall under women's responsibilities – at least in rural areas and for single mothers - and draw down their revenues or savings. Also, as insurance companies have mostly been unable to reach out to the low-income population in urban areas, there might be lessons learned to draw from the experience of informal insurance providers in rural areas. The insurers' association mentioned that developing microinsurance and agricultural insurance products is among their strategic priorities. Our cursory research of the sector has highlighted that besides the need for promotion and education to familiarize clients with insurance products, it is also crucial to design better products at more affordable prices that can be appealing to the general public beyond the corporate sector.

4. Encourage Financial Institutions' staff training and gender-sensitive initiatives to improve their understanding and ability to serve the women's market well

It is recommended that development partners encourage their partner financial institutions to adopt a gender-sensitive approach to improve their services to women clients. This suggestion is particularly relevant for those financial institutions targeting low-income women or women in rural areas, as these are the groups where the widest gender gaps in accessing finance were found. In the capital city, our research has shown that most well-educated women are comfortable dealing with banking institutions.

A gender-sensitive approach would need to be fully understood and incorporated within the financial institution itself, and staff properly trained. It is therefore recommended that all the staff, but particularly Heads of Business Units, HR and client-facing staff, receive gender-sensitive training to familiarize themselves with the needs of their female and male clientele and learn the most appropriate way to meet those needs. It is advisable to hire staff from local communities, who can better understand the local context, and invest in comprehensive customer service training programs.

Additionally, any training provided to staff (customer service, credit, loan recovery, etc.) should be gender-sensitive and encourage balanced gender participation. To do so, trainings would need to include women trainers or be delivered exclusively by women trainers to ensure more comfort in discussing sensitive issues, when this is deemed more appropriate for a female audience. Also, the training modules would need to be developed in such a way that would allow the participation of trainees with different levels of education and experience, so that women, who in rural areas tend to have lower education levels, are not disadvantaged or excluded. Our consultations and survey indicated that commercial banks in Kampala seem to have a good share of female staff at the junior and mid-levels. However, the presence of women at senior levels seems to be much more limited. The personal development of female staff would need to be supported through targeted efforts, such as leadership training, and other initiatives, such as promoting mentoring and networking among female staff to share experience and career advice, particularly among staff of different seniority levels. In larger institutions, a good initiative would be the creation of women's employee networks.

5. Promote the regular provision of gender-sensitive capacity building for women clients

For those financial institutions interested in increasing their outreach to women, it is recommended that regular financial training and business development services be provided to women clients in order to improve their familiarity with financial services offered and make them more *bankable*. This could also be extended to potential clients as a business development initiative. The training would need to be adapted to the specific clients' needs, and take into account factors such as their level of education, familiarity with financial management, and size of business.

Among the training needs identified are: a) *demystifying* the financial institution and familiarizing clients (and potential clients) with their products and services to address the *fear of approaching financial institutions* that has been highlighted during focus groups discussions with women entrepreneurs; b) increasing women's ability to budget, book-keep, prioritize and make business decisions; c) breaking negative stereotypes when it comes to women's ability to manage businesses and finances; d) bring awareness among women of the legal framework on inheritance and marital property, as well as their options; and e) mentoring and networking opportunities, where women can share their experiences, learn from others, and develop valuable business contacts.

It is recommended that the training courses be provided in close coordination with, and possibly (co-) sponsored by, financial institution to ensure that courses are tailored to their clients and their specific policies and practices. At the same time, in rural areas it is essential that financial institutions engage key players within the local community, such as church groups, women's associations, and other female community leaders, to devise the most appropriate delivery models and to ensure reaching out to a wider number of women. This will also help finding suitable trainers that women can trust and to whom they can relate.

It is also recommended to adopt innovative and creative models both when it comes to delivering training as well as for any marketing and promotion targeting women clients. In rural areas, a preference for oral communication together with the low, average literacy levels of the target group, as well as the challenges to reach a large number of target participants and deliver training in remote areas, are all factors to be taken into consideration. To overcome such challenges, options such as the use of technology (video, radio, etc) and visuals instead of conventional brochures should be explored to maximize efficiency and outreach. Also, the use of radio shows, television, drama, role plays and exhibitions might be a strong instrument for reaching out to the rural population to disseminate information and increase awareness on specific topics, such as to promote female role models and initiate rethinking of gender stereotypes.

In addition to specific training programs for women entrepreneurs, international experience has shown that promoting regular networking and mentoring opportunities for women can be an effective way to support women in business. Truly, these events offer an opportunity for women entrepreneurs to exchange experiences, consult and get advice on common business challenges, and establish valuable business connections. They might be particularly effective in urban areas, where on average women run larger businesses than in rural areas. Organizing such events is also relatively easy, either at headquarters and/or at key branches, and can be leveraged by financial institutions as an additional marketing opportunity.

6. Explore promoting financial literacy courses for girls and young women

Another area to explore would be the provision of financial literacy courses for girls and young women. About 54 percent of girls and young women aged 15-24 are employed in Uganda. As they accumulate and manage money, they might be interested in learning how to better accumulate assets and manage risks, and most likely they would want to know where they could save their money in a safe way. It is thus important that they are equipped with the proper knowledge and tools to do so from the onset. This might also help break gender stereotypes and instill more self-assurance in their business and earning abilities from a young age hence preventing some of the confidence issues that our research has highlighted, particularly in rural areas.

No public data is currently available on the amount of money managed by girls and young women in Uganda. They represent nonetheless a pool of potential clients for financial institutions and extending financial literacy courses to this group would be a first step to understand this segment better and decide whether to further invest in it.

Trainings could be delivered in schools, starting from as low as primary level education. For the delivery of training to girls and young women in rural areas, it is advisable to follow the same *community-based approach* suggested for training of adult women, to be able to identify the most appropriate channels and modalities to effectively target this group. As in the case of capacity building for adult women, it is recommended that training for girls and young women include a gender awareness and self-esteem component, aimed at breaking negative stereotypes regarding women's ability to manage businesses and finances, as well as promoting positive female role models. It is recommended that, when delivered in schools, training modules are somewhat adapted to encourage boys' participation. For example, the gender awareness component could be folded within a more general literacy course aimed at both boys and girls.

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