A RESEARCH REPORT BY TMS FINANCIAL FOR *MicroSave*

~ An In-Depth Quantitative Assessment of the Ugandan Microfinance Environment ~

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MicroSave – Market-led solutions for financial services

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1. INTRODUCTION

1.1. BACKGROUND:

During the course of 2002 TMS Financial and *MicroSave* undertook strategic marketing assessments of MFIs (micro-finance institutions) in Central and East Africa. The main objective of the project was to ascertain the prevailing levels of strategic marketing sophistication within *MicroSave* 'action research partner' MFIs. Through doing so enabling the identification of appropriate supportive intervention requirements.

The research undertaken as part of this initiative served to highlight the enthusiasm with which most the MFIs have embraced *MicroSave* and the organisation's associated support processes.

It is in the field of market research where *MicroSave* has experienced a great deal of success in developing action research partner awareness, understanding and associated appreciation of market dynamics. Given that accurate and up-to-date market intelligence forms the backbone of any successful marketing strategy, this bodes well for the future success of the participating MFIs.

While profiling the strategic marketing activities within the Ugandan MFIs, and in particular context to the research function, the TMS Financial / *MicroSave* project team noted that following;

1) There is a void of market related information accessible and available to operating MFIs and donors. The net result being that many strategic decisions are being made off assumptions and gut feel, which can only but beckon higher failure rates.
2) Although the MFIs appreciate the value of generating accurate market intelligence, there is a shortage of appropriate skills in generating such.
3) The cost implications of individual MFIs generating market intelligence is also clearly a limiting factor.
4) Donor funded research is often treated as proprietary information by the participating MFIs.

It was therefore decided to undertake a quantitative market and competitor environment research based assessment in Uganda, this being funded by *MicroSave* / DFID. The rest of this document provides a background to this study, explains how this quantitative assessment compliments the other research activities being undertaken *MicroSave* in Uganda and details the research findings to the study.

1.1.1. The Research Programme

The current research programme of *MicroSave* comprise three complementary components:

1. Longitudinal study through the development and finalisation of the Competition Matrices
2. A Qualitative study of clients' behaviour in the competitive market
3. A Quantitative study of clients' profiles, needs and use of financial services

The key issues from these components will be synthesised into a brief report highlighting the lessons to be learned from the Ugandan competitive environment.

Each of these components is now described in slightly greater detail.

1.   Longitudinal study

For nearly two years now **MicroSave** has conducted periodic competition analyses reviewing the financial landscape in Uganda using the "8Ps" as an analysis framework. The competition analysis focussing on:

- ➢ savings products
- ➢ short-term loans
- ➢ longer-term loans

The competition analysis matrices generated are to be validated with clients to assess perceptions/understanding of the products on offer and how these vary from the actual products being offered.

Finally the study report will review the evolution of the competitive market in Uganda highlighting the significant changes that have occurred over the last 2 years. This report will then provide important input into the synthesis report to be produced to summarise and consolidate the key findings from the three studies.

2.   Qualitative Study

Objectives of the Qualitative Study

The study seeks to:

- ➢ Understand why and how clients make the various choices to use different financial service providers in the main markets in Uganda,
- ➢ Understand how and why clients have moved between financial service providers,
- ➢ Understand how clients are using the many options available to them (including accessing financial services from several sources simultaneously) and
- ➢ Assess the implications for the MFIs operating in these markets and donors funding them.

Geographic Coverage

The qualitative study covers Jinja, Mukono, Masaka and Kampala..

Research Tools and Strategy

The team has interviewed clients and non-clients of different financial institutions, including FCBOs, applying the range of research techniques as listed below:

- a) Focus Group Discussions
- b) Individual In-Depth Interviews
- c) Participatory Appraisal Techniques drawn from the **MicroSave** "Market Research for MicroFinance" toolkit including:

  - a. Financial Sector Trend Analysis (to be used in combination with simple ranking)
  - b. Venn/Chapati Diagrams
  - c. Relative Preference Ranking
  - d. MFI Usage Over Time (a PRA tool first used in Bangladesh in 2000)

Quantitative Study

Objectives Of Quantitative Study

The overall objective of the research is to develop an accurate and up to date platform of market intelligence to support the strategic marketing activities of Ugandan MFIs and the investment decisions of donors.

The generic study objectives are detailed below.

a) Market Analysis:

- ➢ Existing and potential market sizing through extrapolation from research findings with population / census estimates.
- ➢ Identify and prioritise motives for finance / banking service product uptake.
- ➢ Assess associated product usage trends and patterns.

- ➢ Establish baseline data on degrees of cross indebtedness (people having loans from more than one financial institution) and over-indebtedness (indicated for the purposes of this study either as people reporting difficulty paying back loans, or people using one loan to pay back another).
- ➢ Identify and prioritise key motives behind supplier selection:
  - o *Do persons 'shop around' and if so upon what factors are the different supply offering evaluated?*
  - o *How important are referrals and word of mouth promotion in the supplier selection decision?*
  - o *What role does convenience of location play in the process?*
  - o *How price sensitive are buyers of financial products & services?*
  - o *Etc.*
- ➢ Profile awareness levels and understanding pertaining to banking products and services.
- ➢ Identify prevailing perceptions towards financial institutions.
- ➢ Document indications of changes in loan use over time with successive loans, particularly shifts in loan use out of investment into consumption, or vice versa.
- ➢ Profile market awareness of, familiarity with and propensity to use alternate the different channels of product / service delivery.
- ➢ Produce a demographic profile of the market and associated segments.

b) Competitor Analysis:
- ➢ Profile market awareness and usage levels pertaining to the suppliers of financial products & services.
- ➢ Identify of key selection drivers.
- ➢ Assess relative perceptual positioning of financial institutions.
- ➢ Etc.

Methodology of Quantitative Study
The methodology applied included the following activities:
- ♦ Research design;
- ♦ Information gathering (secondary as well primary using qualitative as well as quantitative)
- ♦ Compilation and feedback;

Each of the project components is now described in more detail.

Research Design
The research design phase was characterised by inputs and contributions by both the research team and prospective participating MFIs. As a starting point TMS Financial developed a draft questionnaire for information gathering purposes. The content of this questionnaire was thoroughly workshopped and the structure and content enhanced to a point that it was piloted in field. In response to the outcome to the pilots slights amendments were made and subsequently the questionnaire finalised.

Information Gathering
The use of one-on-one personal interviews constitute the primary means of information gathering for the quantitative element. Marketing students were recruited from a Kampala university for interviewing purposes. These students underwent an upfront training and mentorship process before initiation of the in field research. An output of this activity is the capacity within the Ugandan microfincance industry to carry out similar studies in the same sites in the future, or in additional sites.

In terms of the sample, 1794 personal interviews were conducted in the major metropolis of Mbale, Jinja, Mokono, Kampala, Masaka and Mbarara. Interview sites comprised areas or nodes of high pedestrian traffic. The intention being to target the economically active portion of the adult population and therefore the assumption was made that such persons are typically mobile. As is reflected in the 'sample structure' section of the report, this assumption proved to be accurate.

The sample was structured in terms of gender (50/50 split), thereafter respondent selection was undertaken on a random basis.

Compilation and Feedback

The compilation and feedback consisted of the following phases:

Data analysis – Back-checks, coding of open-ended responses and data capture was undertaken by a Ugandan based research firm called Wilsken. Support given to Wilsken by TMS Financial where required.

Analysis of data to support report and presentation generation has been undertaken by TMS Financial.

Presentation & Report – As part of the intelligence dissemination process TMS Financial developed and delivered a key research findings presentation to MFIs, donors and GoU representatives in Uganda. This took on the form of an interactive workshop enabling discussion and debate on the project outcomes.

This document constitutes the final feedback report detailing the full research findings gathered through the interview process.

The research database has also undergone a data 'cleaning' and refining process, and will be made available by Wilsken for more detailed data run requirements.

ABOUT TMS FINANCIAL

Banking & Financial Related Experience

The TMS Financial project team has conducted an extensive number of studies in the African banking industry. Our experience covers the corporate, the commercial, the SMME, the professional and retail banking markets. Among others, the team has conducted research such as:

➢ Financial needs analyses in the above markets, looking at aspects such as product usage and opportunities for cross selling.

➢ Feasibility studies of new investment products and research into substitution effects between investment products (i.e. unit trusts, money-market related products or savings schemes);

➢ Benchmark and tracking studies in the corporate, commercial, SME, professional and individual banking sectors;

➢ In-depth and detailed assessments of asset based finance, property finance, treasury, international trade, ATM and professional financial services markets;

➢ In-depth banking related assessments of regional markets such as that of Namibia and Malawi.

TMS Financial Client Base

Institution	Nature of Services Rendered
Common Wealth Development Corp.	Market feasibility study
Nedbank	Market research related services, focussing on the full spectrum of business banking markets.
First National Bank	Market research related services, focussing on the business banking markets.
Standard Bank of South Africa	Market research related services, focussing on the retail and full spectrum of business banking markets.
Commercial Bank of Namibia	Market research related services, focussing on the business banking markets.
Fincom (Malawi)	In-depth financial product & service needs assessment of the market.
Teba Bank	Market research related services, focussing on the low-income retail market within the mining sector.
Khula Finance Enterprise Limited	Marketing strategy development re. wholesale financing in the SMME sector.
MicroSave	Market research & strategic marketing support focussing on MFI action research partners.

MicroSave - Market-led solutions for financial services

1.2.   ABBREVIATIONS USED IN THE REPORT & 'OTHER' POINTS TO NOTE

1. 'n' – this letter is always accompanied by a numeric value e.g. "n=215", and simply pertains to the size of the sub-sample (or sub-sample population) with reference to the analysis in question i.e. 215 respondents provided input to the analysis.

2. The generic bank and financial institution abbreviations applied in the Ugandan market are also applied in the text of this report.

3. In some instances where the research findings represent a split, the summed values may not sum to 100% exactly. This is attributable to decimal "rounding-off", and so as not to weight or misrepresent any of the individual values, the values have been left 'as is'.

4. Output to many of the open-ended research questions is shown in the form of 'Verbatim Coded' analyses. What TMS Financial has done in these analyses is group responses into relatively broad, descriptive categories. The 'Frequency of Response' value in each row of the Verbatim Coded analysis table represents the summed responses within that category. Please note that an individual response to a question can be split into more than one coded category, therefore the sum of the coded responses often exceeds the number of respondents providing input to the analysis (the 'n' value).

5. TMS Financial would like to draw to the reader's attention the 'n' values representing the number of respondents contributing to sub-sample analyses shown in the report. TMS Financial would like to warn that for low 'n' values, and particularly where the 'n' value drops below 30 for a particular sub-sample, the research findings, although still probably indicative of the trend, do not command statistical relevance.

6. When figures in tables and figures are contained in brackets, they are absolute values (i.e. a frequency of response) and not percentages.

7. When the term 'current' is used in referring to specific research findings, it is in the context of when the interview was undertaken (i.e. 'current' at the time of interview).

8. The following definition was applied to the term 'financial institution' within the scope of the research;

   "banks, MFIs (micro-finance institutions), SACCOs (savings & credit co-operative organisations) or any other type of financial institution"

2.   KEY RESEARCH FINDINGS

⇒ From a demographic perspective, 55% of the research sample are self-employed. Given that 5% of the sample have no form of employment one can deduce that around 56% of the economically active adults are self-employed. The high ratio of self to formally employed persons has and will continue to play an important role in financial product design and roll out, particularly regarding loans.

Although lending risk associations with self-employed individuals tend to be higher, it is evident that the volume potential for financial services in Uganda resides within the self-employed market segment.

⇒ From a market 'awareness' perspective, UCB and Cerudeb, followed by Pride, are the most widely known institutions within the scope of the study. However, although awareness levels pertaining to UCB are the greatest, Cerudeb has a stronger penetration commanding a 26% usage level within the sub-sample making use of financial institutions.

⇒ Baroda and Standard Chartered Bank command distinctly lower usage levels compared to the institutions' relative awareness levels, this potentially comprising an opportunity for these two players to enhance uptake levels.

⇒ Within the research sample the level of 'savings' product usage is almost double that of 'borrowing / loan' product usage. With regard to the latter product category, Pride is distinctly stronger than the competitors from a share (penetration) perspective.

⇒ In assessing the key influencing factors in supplier selection, 'word of mouth' is undoubtedly the most dominant driver behind selection of a specific institution. This finding highlighting the importance of customer service delivery on both retaining and growing financial institution market share.

⇒ Levels of multiple financial institution usage are approximately twice as high in the savings product market (~28%) compared to the borrowings market (~14%). Although it is recognized that institutional forced savings in order to access credit does have a buoyant effect on the 'savings' figure.

Where customers do have multiple loans, this is most commonly due to the need for additional credit.

⇒ Financial institution churn levels within the Ugandan market are higher than those of more established markets, comprising both a threat and opportunity to players in the financial services sector.

  o Savings churn (14% over 2 years) is driven most commonly by 'financial institution perceived instability' and thereafter poor service related factors.
  o Loan churn (16% over 2 years) is driven most commonly by price, then poor service related factors.In assessing the role of product 'pricing' on financial institution selection and usage, the research showed strong awareness as to minimum opening balance requirements on savings, but noticeably lower awareness as to on-going and / or transactional fee structures and charges. The market appears relatively price insensitive to interest rate yields on positive balances.

In terms of fee pricing structures, the research findings do reflect a market preference toward 'simplicity'.

⇒ On borrowings price sensitivity is slightly more noticeable, but even in this product category only a very small percentage of loan 'users' actually 'shop around' on a pricing basis. Less than 10% of those respondents that had loans at time of interview have changed supplier in the past 2 years based on price (although price is the most common driver of churn)

⇒ TMS Financial predicts that as competitor activity levels intensify on the supply side of the financial services sector, combined with raised levels of customer education, pricing will play an increasingly more important role in future differentiation and supplier selection processes.

⇒ From a lending methodology perspective, it is evident that group lending practices still dominate the market, although preference from the demand side is strongly with individual loans.

The widely applied weekly repayment schedule was also extensively criticized within the research base, with the market preferring a monthly repayment period. Many of the respondents, particularly those using loans for income generation, explaining that the weekly repayment schedule affords little time to realize a return on the funds borrowed.

In terms of financial institutional collateral requirements, the majority of respondents recognise that requiring 'forced savings' is an acceptable practice.

There is also a preference among loan users toward longer-term borrowings with smaller, often described as 'more manageable' monthly repayments, compared to shorter term borrowings with higher monthly repayments. Awareness and / or sensitivity levels pertaining to the likely accumulative interest implications of longer-term borrowings are evidently low.

⇒ Approximately a third of the total research sample has never used a financial institution, although the vast majority of these respondents are eager to. The perceived entry-level barriers (minimum opening balances, forced savings etc.) preventing the majority of these prospective customers from acting upon their desires.

Only 3% of these persons that have not used a financial institution have actually applied to one for a loan and had the application refused. This potentially reflecting upon the perceived 'inapproachability' of the banks and similar institutions.

However, the keenness of the 'non-user' sample to learn more about financial products and services certainly highlights the receptiveness of the market toward development in this regard.

3.   THE DETAILED RESEARCH FINDINGS

The report to follow comprises the following sections;

Section 3.1 – Respondent Information
This section of the report details & profiles the sample structure by attributes such as age, region, employment status, income levels, expenditure behaviour and so forth.

Section 3.2 - Background to Financial Institution Awareness & Usage
This section details the market's level of awareness pertaining to the different players in the financial services sector, and also profiles current levels of financial institution usage.

Section 3.3 - Analysis of Respondent Sub-Sample with a Savings Account(s)
Having identified the extent to which respondents were using financial institutions, the questionnaire structure served to route respondents to appropriate sections for completion. The first routing pertained to respondents that were 'currently' (at time of interview) using a savings account (or had done so in the past year) and explored issues pertaining to their experiences in opening & using the savings account facility. The associated research findings are therefore detailed in this section of the report.

Section 3.4 - Analysis of Respondent Sub-Sample with a Loan Account(s)
As with savings, respondents that were 'currently' (at time of interview) using a loan account (or had done so in the past year) were routed into a more in-depth analysis of the loan account facility. The associated research findings are therefore detailed in this section of the report.

Section 3.5 - Assessment of More Generic Issues Among 'Users' of Financial Institutions
This section of the report details the research findings to more generic financial institution usage questions pertinent to the users of both savings & loan facilities.

Section 3.6 - Review of Financial Product & Service Supply Related Issues among 'Non-Financial Institution Users'
This section of the report details the outcome to the questions and issues explored with respondents that were not at time of interview using a financial institution and focuses on prevailing views and perceptions toward the financial services sector.

Section 3.7 - Financial Institution Image Assessment

This is the final section of the report and details financial institution / bank image related issues within the total research sample (i.e. both current 'users' and 'non-users' of financial institutions).

3.1.   RESPONDENT INFORMATION

The proceeding section reflects on the structure of the total research sample.

3.1.1.   Sample Split by Region
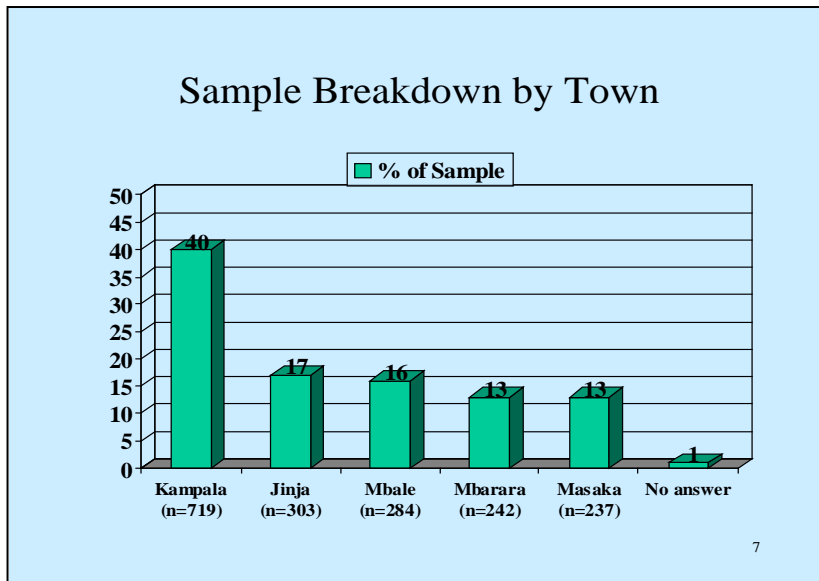
Within each town, the sampling was undertaken on a basis that ensured a representative spread from a geographical perspective. The town splits by further area detail are shown below.

Kampala Areas	**% Split**	**Mbale Areas**	**% Split**	**Jinja Areas**	**% Split**	**Mbarara Areas**	**% Split**	**Masaka Areas**	**% Split**
Kamokya	7	Industrial area	16	Jinja Central	19	Kakoba	11	Mbirizi	25
Kisenyi	7	Mooni	10	Mpumude	17	Ruharo	14	Kimanya	25
Kabalaga	7	Malukuba	15	Waluku	16	Ibanda	12	Nyendo	25
Kibuye	7	Kiteso	11	Bugembe	17	Kinoni	13	Lukaya1	25
Ntinda	6	Namunsi	2	Mafubira	16	Ruti	12		
Nakawa	7	Mbale Central	13	Buwenga	16	Kabereb	12		
Kasubi	7	Nakaloke	11			Kamukazi	25		
Nakulabye	7	Namataz	14						
Natete	8	Nkoma	8						
Wandedeya	7								
Mukono	7								
Bwaise	7								
Gaba	8								
kalerwe	8								

3.1.2. Sample Split by Respondent Home Language

Sample Breakdown by Home Language
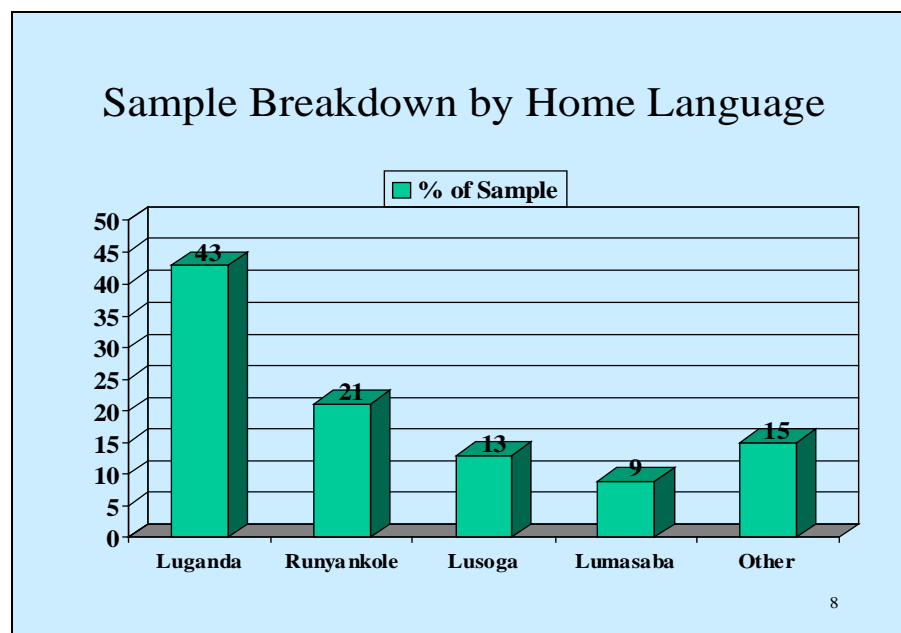
3.1.3.   Sample Split by Respondent Gender

Sample Breakdown by Gender

% of Sample

50   50

■ **Male** ■ **Female**

9
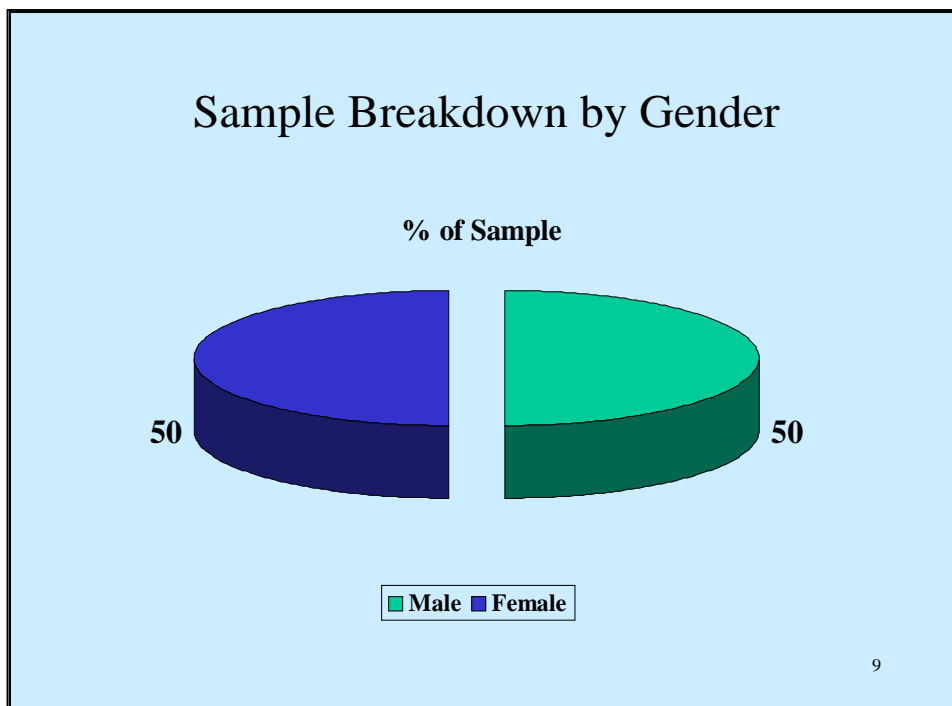
3.1.4.   Sample Split by Employment Status

Sample Breakdown by Employment Status

% of Sample

12   5

28   55

■ **Self-empl** ■ **Full time empl.** □ **Part Empl** □ **Unempl**

10
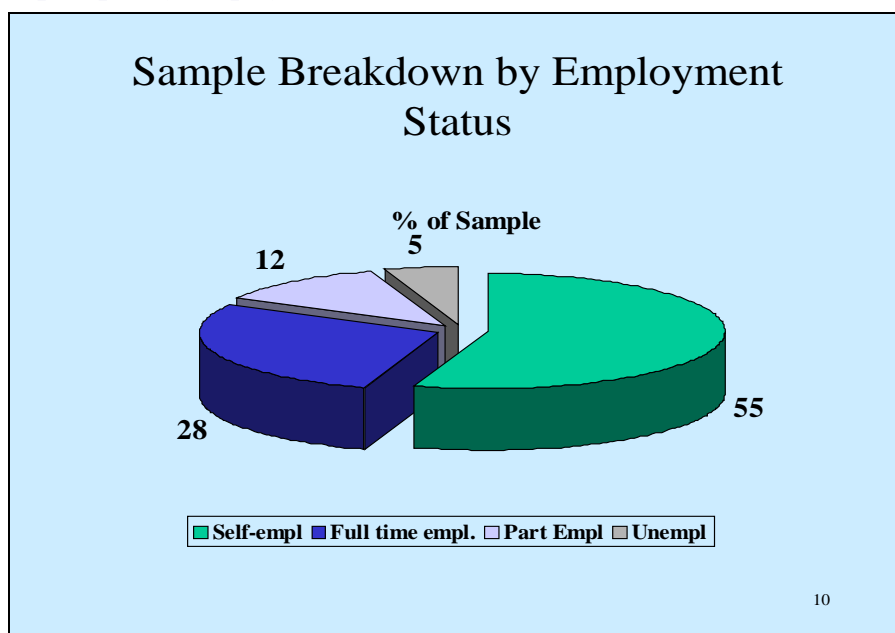
The most commonly applied types of economic activity undertaken are listed below in decreasing order of popularity.

1. Trader / retailer
2. Government employee / teacher
3. Farming / agriculture
4. Consumer, social & personal services (e.g. hairdresser, dress maker etc.)
5. Technician / mechanic / carpenter

6. Driver / transport
7. Construction

3.1.5. Sample Split by Respondent Age Profile

Sample Breakdown by Respondent Age

% of Sample

8

21

37

35

▪ **18-25** ▪ **26-35** ▫ **36-50** ▫ **51-65**

11
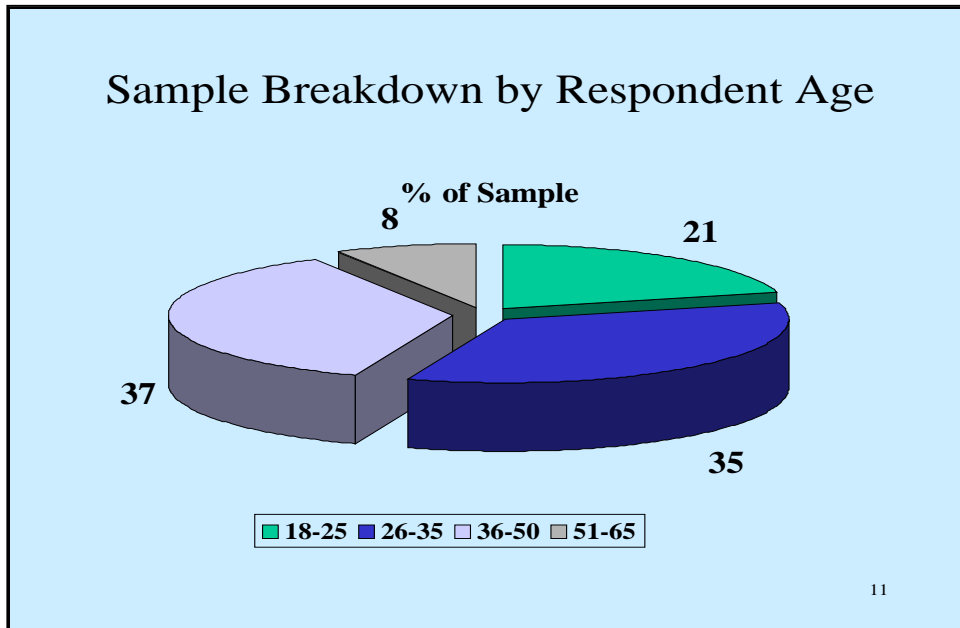
3.1.6. Sample Split by Respondent Marital Status

Sample Breakdown by Marital Status

% of Sample

5　7

28

60

▪ **Single** ▪ **Married** ▫ **Divorced** ▫ **Widow/er**

12
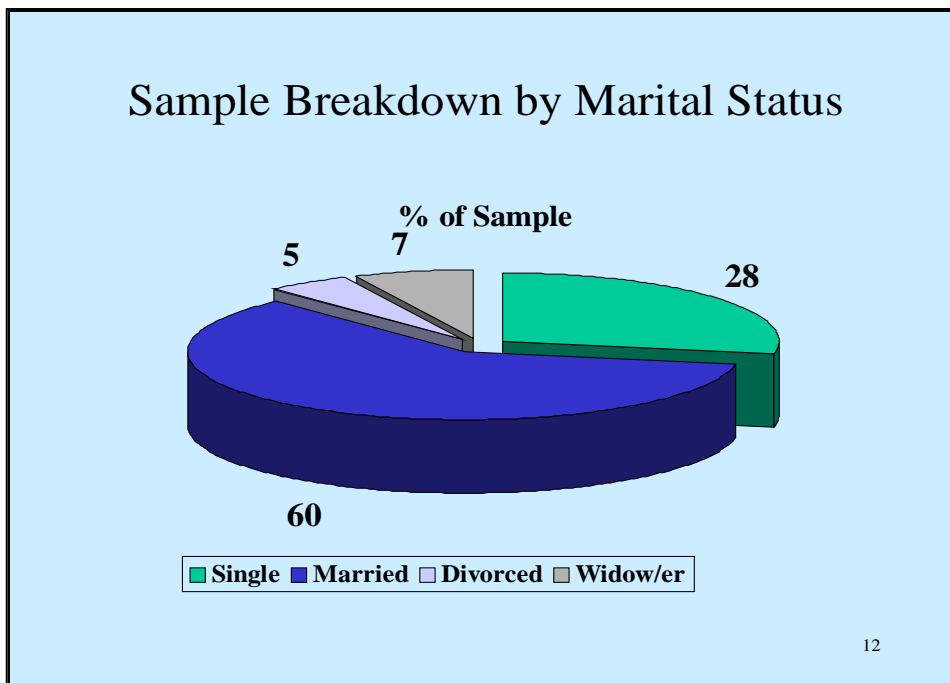
3.1.7.   Sample Split by Respondent Education Level
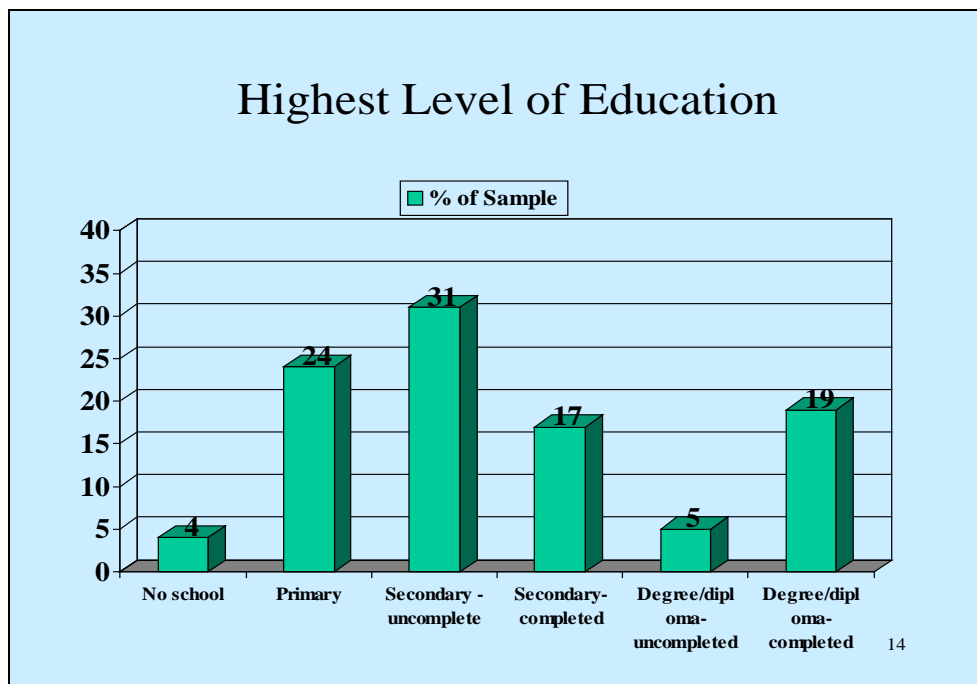
3.1.8.   Sample Split by Number of Children Respondents have (or are financial guardian of)
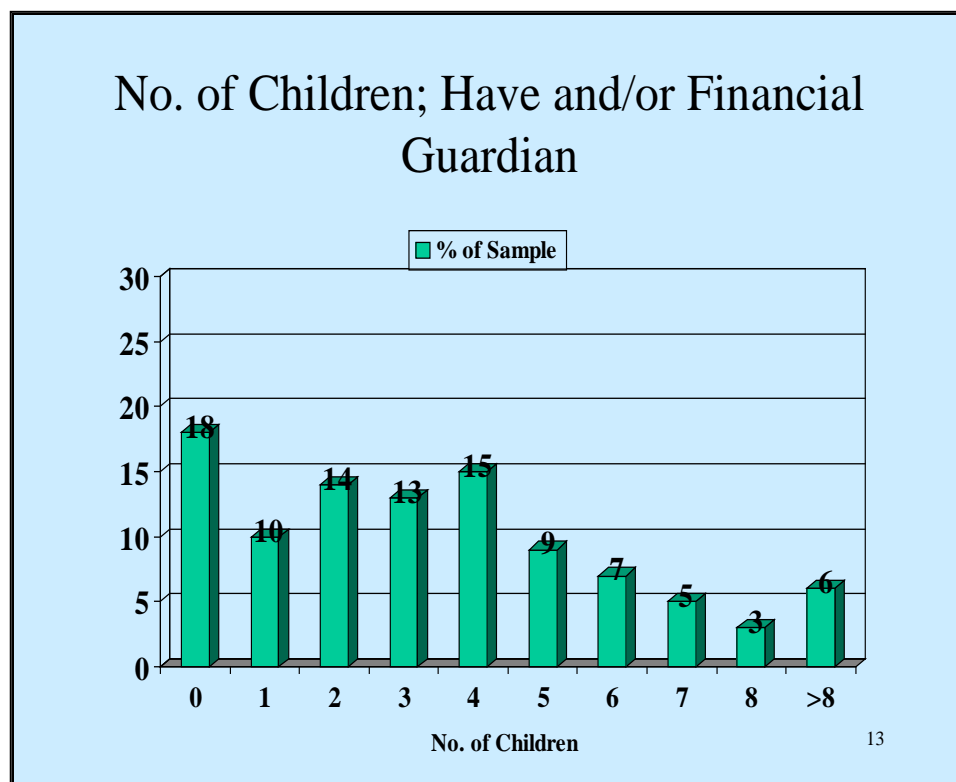
3.1.9.   Sample Split by Telephone Ownership

Extent to which Respondents have a Cell or Fixed Line Telephone

% of Sample

27

2

71

☐ **Cell Phone** ☐ **Fixed Line Phone** ☐ **Neither**

15
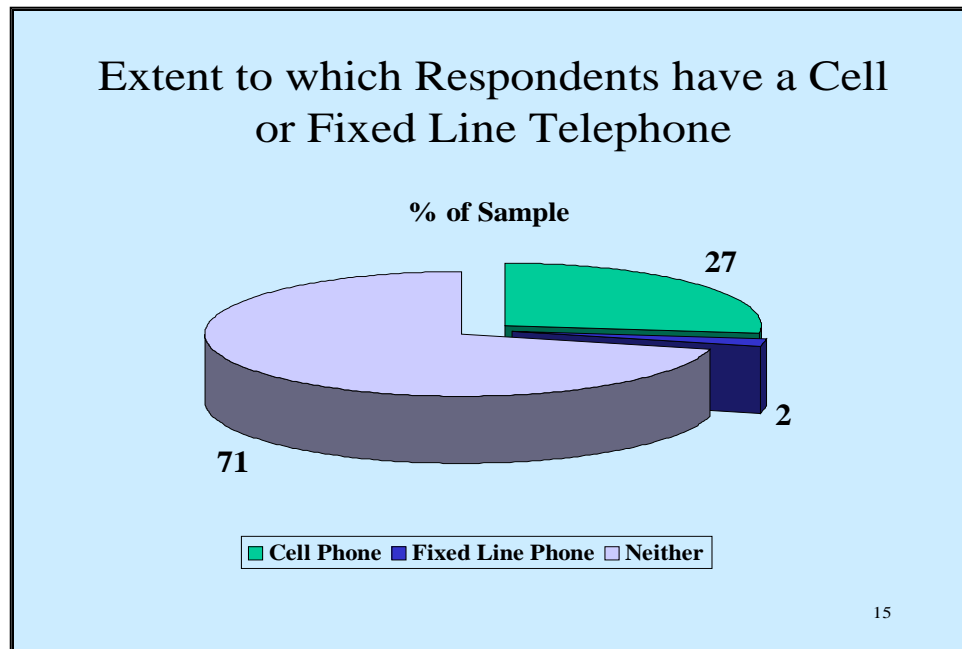
3.1.10.   Average Personal & Family Income Profile within the Sample

In assessing the figure shown below, TMS Financial envisages it safe to assume that the majority of respondents interviewed represent single income families given the common modes and medians in personal and household average income.

Average Income

- Personal monthly income;
  - ➢ Average = 209 410
  - ➢ Mode = 150 000
  - ➢ Median = 200 000

- Household monthly income;
  - ➢ Average = 275 691
  - ➢ Mode = 150 000
  - ➢ Median = 200 000

16
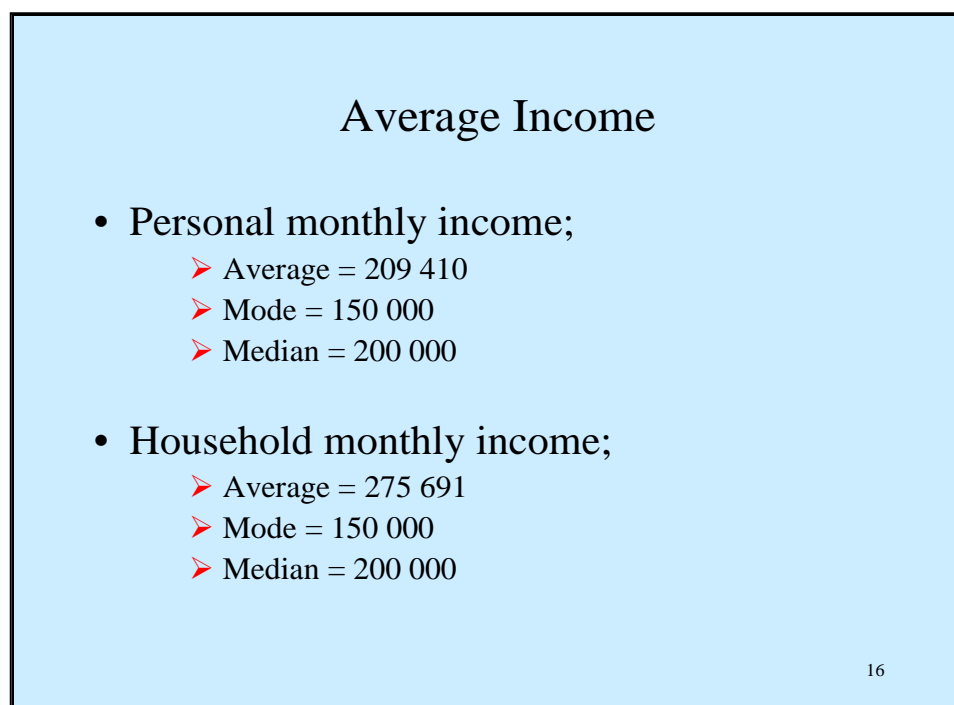
3.1.11.   Average Personal Monthly Expenditure Profile within the Sample Base

As reflected in the figure below, the average personal expenditure figure does exceed the average personal income figure.

Personal Monthly Avr. Expenditure Profile

➤Average monthly expenditure of 220 000.
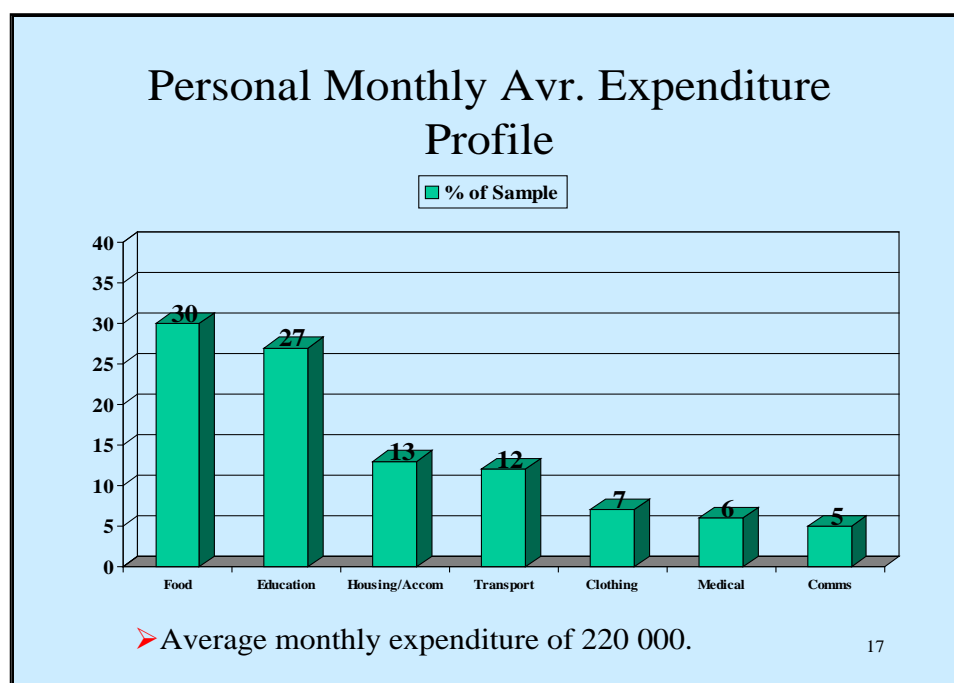
3.2. BACKGROUND TO FINANCIAL INSTITUTION AWARENESS & USAGE

3.2.1. Financial Institution Awareness Assessment

Each respondent was asked as to which financial institutions he/she had heard of or know of on an unprompted and prompted basis. The amalgamated total sample findings are contained in the table below and proceeding graphs. The financial institution awareness levels segmented by region are also reflected graphically.

Financial Institutions	% of Sample			
	Spontaneous Awareness *(unprompted)*		Aided Awareness	Total Awareness
	First Mention	*Other Mention*		
Centenary Rural Development Bank	22	48	23	**93**
Uganda Commercial Bank	27	57	14	**98**
Post Bank Uganda	3	25	50	**78**
DFCU (Development Finance Co. of Uganda)	1	7	25	**33**
Standard Charted Bank	2	30	42	**74**
Commercial MicroFinance Ltd	2	8	26	**36**
Baroda Bank	4	37	40	**81**
Crane Bank	3	24	41	**68**
Orient	1	10	33	**44**
Nile Bank	3	27	41	**71**
Uganda MicroFinance Union (UMU)	1	7	22	**32**
Barclays	2	18	41	**61**
FINCA	5	20	32	**57**
PRIDE Uganda	9	31	24	**64**
Faulu	2	8	21	**31**
Uganda Women Finance Trust	2	18	39	**59**
UWESO	1	9	46	**56**
MedNet	0.4	4	14	**18**
Ugafode	0.4	5	18	**23**

Stanbic	1	12	31	**44**
FOCCAS	1	6	16	**23**
Housing Finance Co.	1	4	22	**27**

Financial Institution Spontaneous Awareness – First & Other Mention; Total Sample (n=1794)

Total Spontaneous Awareness by Town
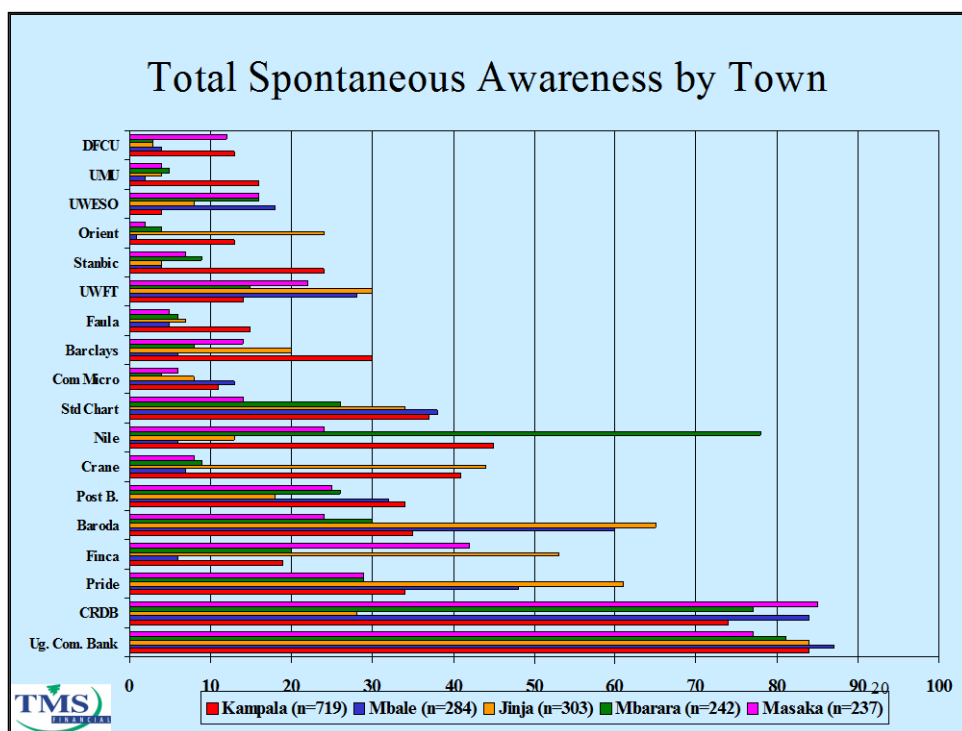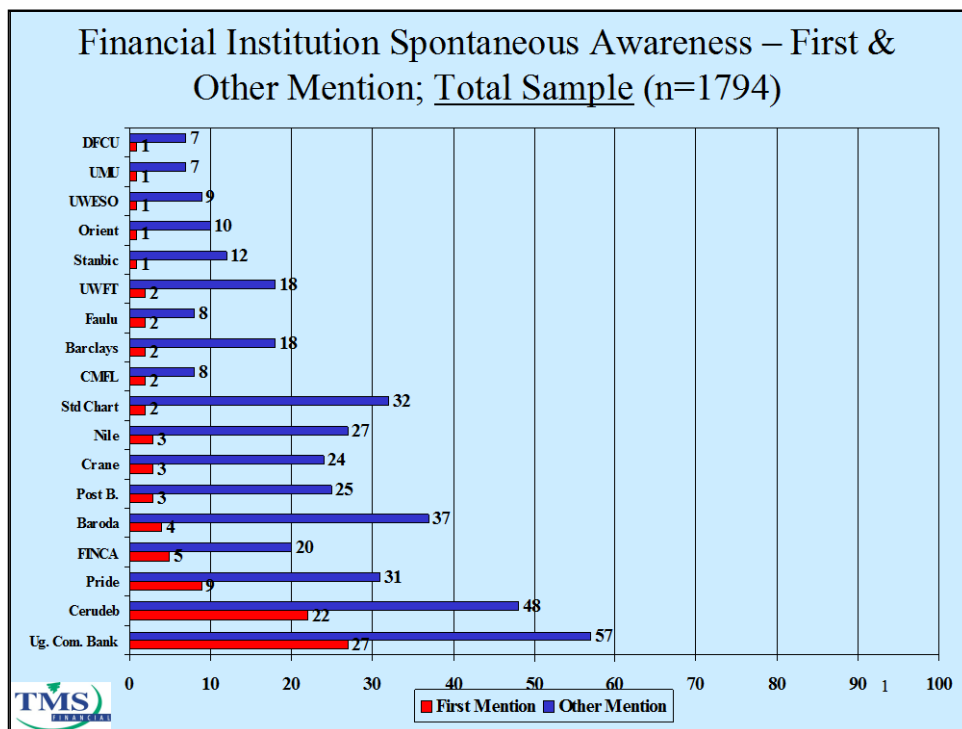
3.2.2.   Extent of Financial Institution Usage

Respondents were asked as to whether they had made use, within the past 12 months (1 year from time of interview), of any "bank, MFI, SACCOs or any other type of financial institution" *(other than for making deposits into other peoples accounts).* As reflected below, just over half the total research sample had used a financial institution. The findings also being shown at a regional level.

MicroSave - Market-led solutions for financial services
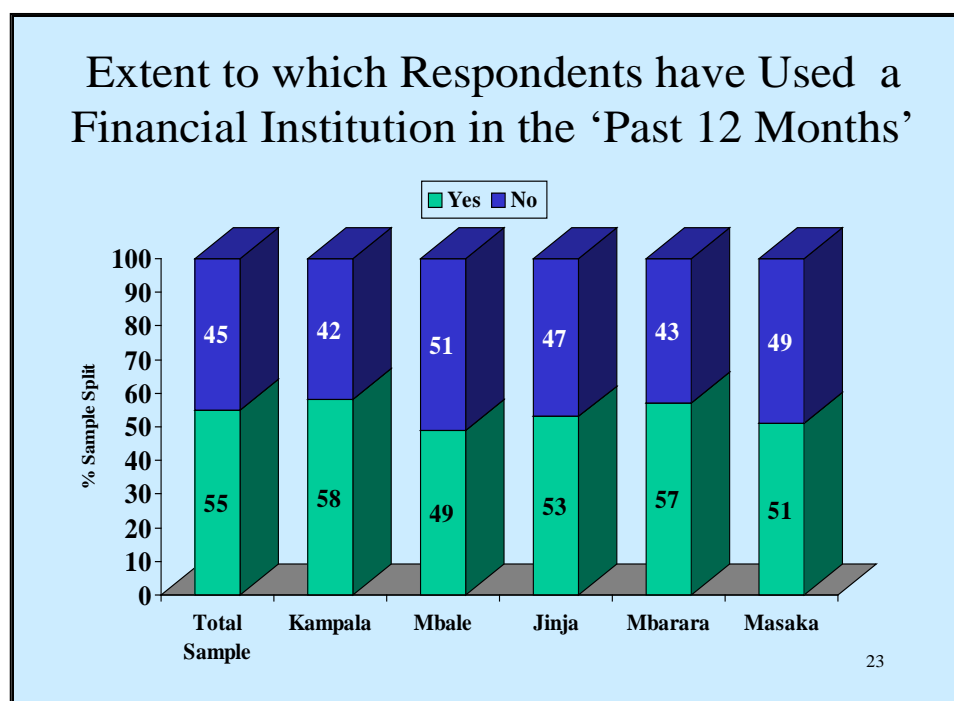
3.2.3. Financial Institution Usage Assessment

Respondents that were currently using a financial institution or had done so within the past year were asked which and for what product type(s). The total sample findings are contained in the table below, which are then illustrated in the proceeding graphs together with the institutional usage by region.

Financial Institutions	% of Total Sample Inst.	% of Sample by Product Type	
		Savings	*Loans*
Centenary Rural Development Bank	**26**	24	5
Uganda Commercial Bank	**19**	18	1
Post Bank Uganda	**13**	13	1
DFCU (Development Finance Co. of Uganda)	**1**	1	0
Standard Charted Bank	**2**	2	1
Commercial MicroFinance Ltd	**3**	2	2
Baroda Bank	**4**	4	1
Crane Bank	**4**	4	0.2
Orient	**2**	2	0.3
Nile Bank	**7**	7	0.4
Uganda MicroFinance Union (UMU)	**1**	1	1
Barclays	**2**	2	0
FINCA	**6**	4	5
PRIDE Uganda	**17**	11	16
Faulu	**2**	1	2
Uganda Women Finance Trust	**4**	4	3
UWESO	**2**	1	2
MedNet	**1**	1	1
Ugafode	**1**	1	1
Stanbic	**1**	1	0.1
FOCCAS	**1**	1	1
Housing Finance Co.	**1**	0.1	1

Financial Institution Usage; Total Sub-Sample (n=979)

Institution	% of Sample Using
DFCU	1
UMU	1
UWESO	2
Orient	2
Stanbic	1
UWFT	4
Faulu	2
Barclays	2
CMFL	3
Std Chart	2
Nile	7
Crane	4
Post B.	13
Baroda	4
FINCA	6
Pride	17
Cerudeb	26
Ug. Com. Bank	19

Financial Institution Usage; By Town Sub-Sample

Kampala (n=719) ■ Mbale (n=284) ■ Jinja (n=303) ■ Mbarara (n=242) ■ Masaka (n=237)

Financial Institution Product Usage; Total Sub-Sample (n=979)
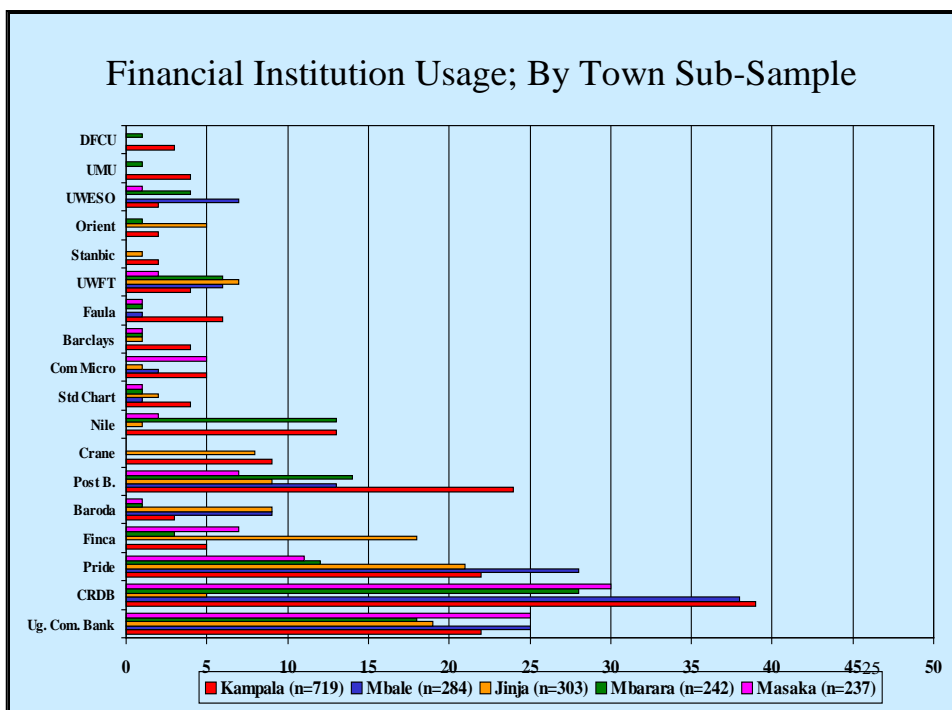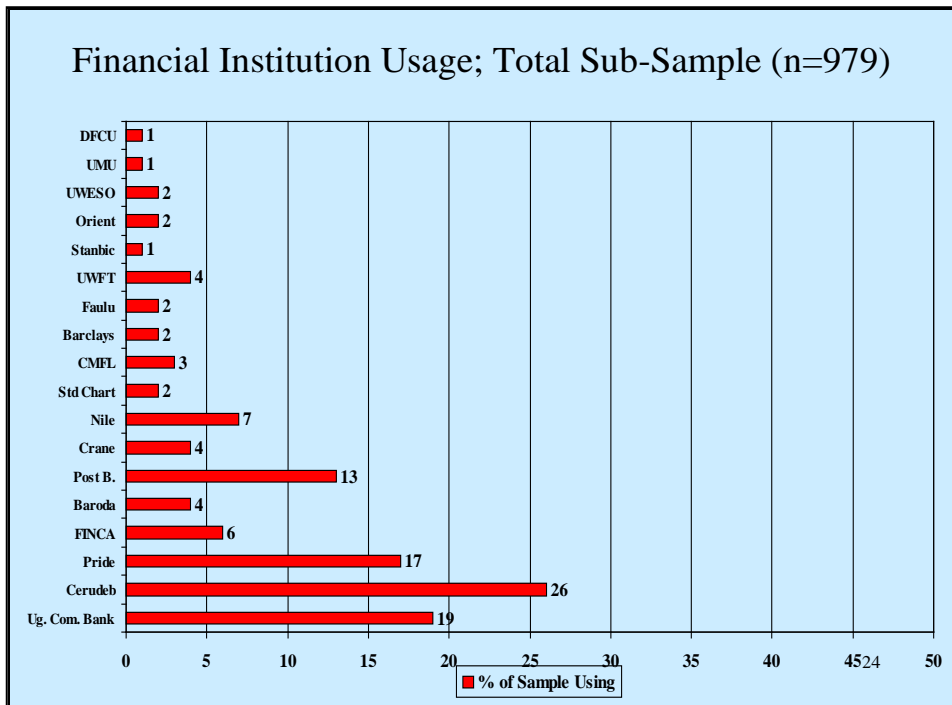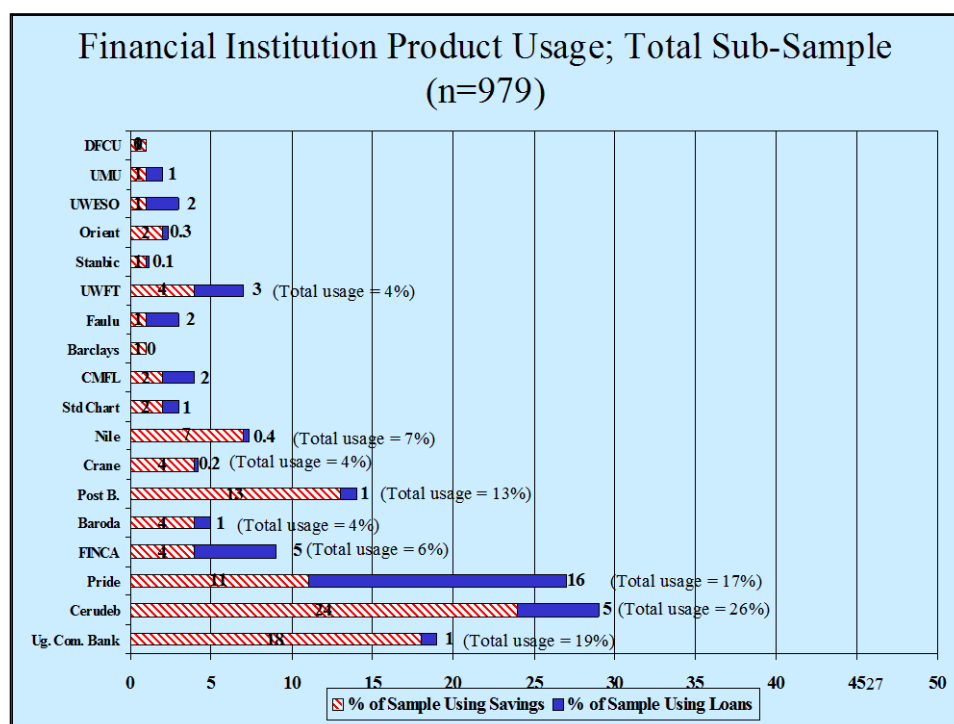
Motivation for multiple financial institution usage on savings

Respondents using multiple financial institutions for savings were asked their motive for adopting this approach. The responses by the 168 respondents to whom this question applied have been coded and summed and are reflected in the below verbatim coded analysis.

Verbatim Coded Responses	Frequency of Response
Wanted other services / access to ATM services	93
To acquire a loan / forced to open savings to acquire a loan	70
To save	27
Anticipated closure of bank / spread savings / don't like to keep all eggs in 1 basket	26
Flexible services	11
Need to open a new - additional account for salary deposits	9
Less congestion / affords a choice if one bank has congestion - is busy, is closed etc	6
For accessibility to savings in different area - geographical locations	4
For my privacy	3
Changed bank	2

Motivation for multiple financial institution usage on borrowings

As with savings, respondents using multiple financial institutions for borrowings were asked their motive for adopting this approach. The responses by the 49 respondents to whom this question applied have been coded and summed and are reflected in the below verbatim coded analysis.

Verbatim Coded Responses	Frequency of Response
To access more funds / can't get enough needed from 1 institution	44
Better services	6
Changed banking institution / to try a new institution / ease of application with institution	4

3.3. ANALYSIS OF RESPONDENT SUB-SAMPLE WITH SAVINGS ACCOUNT(S)

The output to this section of the report pertains specifically to questions posed and issues explored among respondents that had, at time of interview, a savings account at a financial institution.

3.3.1. Respondent Motive for Opening a Savings Account

The reasons why individuals have opened a savings account are reflected in the below verbatim coded analysis.

Verbatim Coded Responses	Frequency of Response
Future plans / no specific reason but may need money in the future / save for a better future	275
For children's fees / school fees	178
For money custody / safer than keeping money in the house / for security reasons / keep money safe	163
For business purposes / to start a business / to grow the business / to buy products to sell / to buy seed, fertilizer etc.	94
For emergencies / illness / medical expenses etc.	67
To buy - build a house / plot	62
To access bank services such a paying other people, ATM etc.	61
To prevent over spending - spending of money - misuse of money	38
To deposit my salary	33
To access a loan / have to have savings to access loan	31
Was convenient to set-up the facility	19
To buy a car / bicycle / transport	15
For retirement	5

Value of Money 'Currently' Saved with Financial Institution(s)
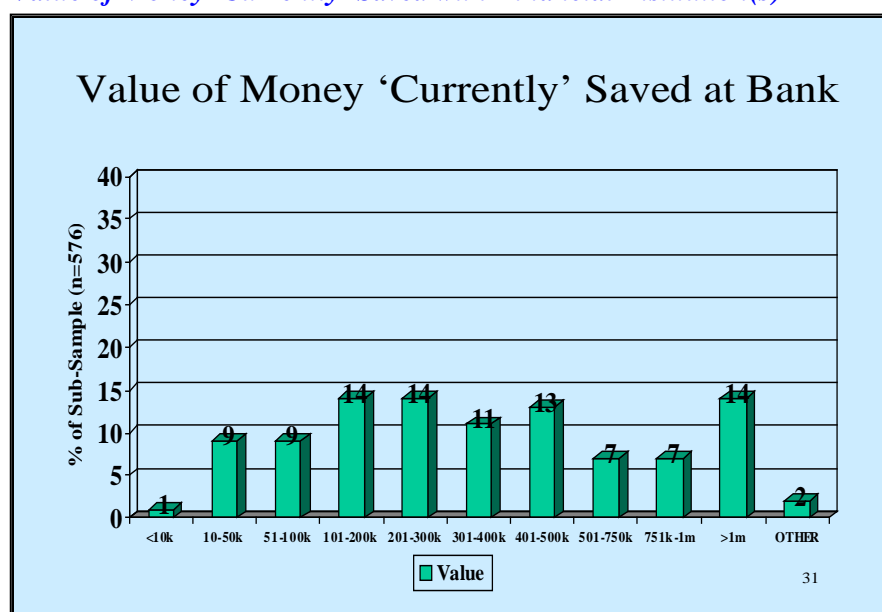
3.3.2. Assessment of Savings Account Features & Charges

Extent to which a Minimum Opening Balance was Required

> ➢ 91% of the sub-sample (n=639) were aware of having to have such
> ➢ 4% said this was not required and 5% did not know.

Those savings account users that were aware of having to have a minimum opening balance citing the following values:

Extent to which an Opening Fee was Charged On Opening the Savings Account

Extent to Which a Minimum Opening Balance was Required for the Savings Acct.

Chart — Y-axis: % of Sub-Sample (n=584), Legend: Value

Category	Value
DK	4
5000	3
10000	51
15000	3
20000	13
25000	2
30000	1
50000	13
100000	4
Other	6

32

Extent to Which an Opening Fee was Charged on the Savings Acct.

➢ 54% of the sub-sample (n=636) were charged an opening fee
➢ 32% said this was not the case and 14% did not know.
➢Those that were charged an opening fee citing the following values;

Chart — Y-axis: % of Sub-Sample (n=342), Legend: Value

Category	Value
DK	16
1000	7
2000	6
3000	5
5000	34
10000	11
150000	3
20000	3
Other	15

33

Extent to which a Fee is Levied for Deposits Into & Withdrawals from the Savings Account
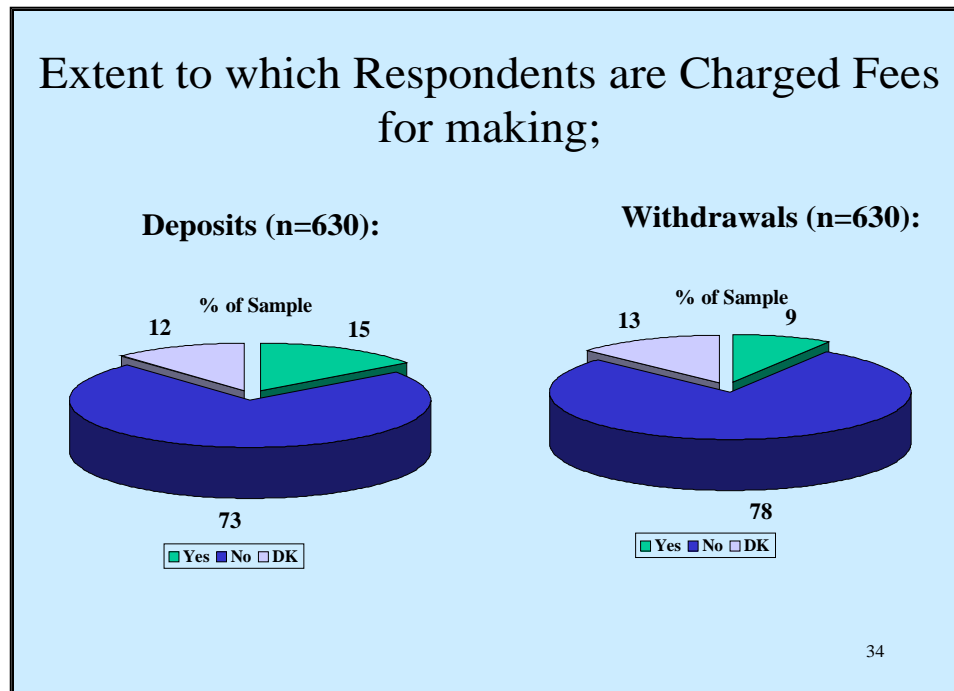
Respondents that were aware of or perceive they pay a fee on deposits & withdrawals were asked as to whether this is a fixed fee (i.e. the same fee for each & every transaction) or a sliding scale fee (i.e. the fee increases or decreases depending on how much you withdraw or deposit). The outcome to this enquiry being;

 ➢ 46% of the sub-sample (n=94) indicating that a fixed fee is paid,
 ➢ 23% perceiving a sliding scale fee is paid, while,
 ➢ 31% of the sub-sample 'did not know'.

While on this topic respondents were asked which would be their favoured choice if they were required to pay transactional fees, either a fixed or sliding scale fee approach.

If Are or Were to be Charged a Transaction Fee, which is Favoured;

% of Sample (n=635)

45

55

◻ Sliding Scale Fee ◻ Fixed Fee

35
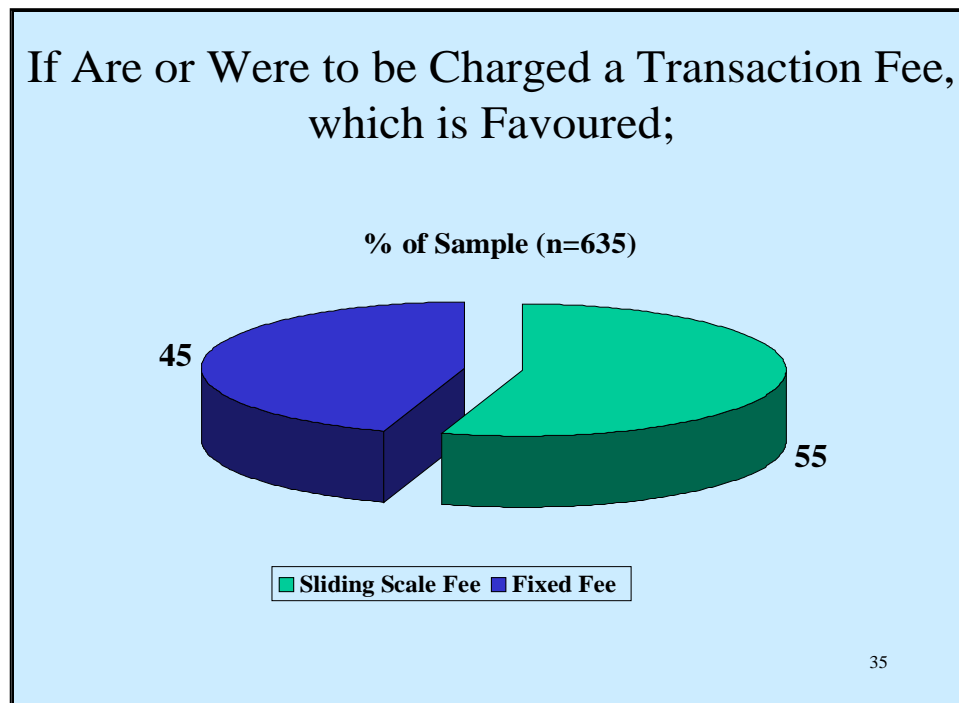
As shown above, there appears to be no distinct market preference toward either one, with the sliding scale fee option being favoured to a slightly greater extent. The most common reasons provided by respondents for their preference bulleted below.

Key Reasons for Favouring a Fixed Fee:
  ➢ Fixed fee doesn't fluctuate with deposits – withdrawals / doesn't discourage frequent usage (n=160)
  ➢ Fixed fee easy to understand / calculate / know in advance what to pay (n=152)
  ➢ Controls expenditure /manageable / convenient and cost effective (n=36)
  ➢ Don't feel cheated (n=6)

Key Reasons for Favouring a Sliding Scale Fee:
  ➢ Good because it depends on the business transacted / fees depend on the size of the transaction (n=162)
  ➢ Doesn't affect people with little deposits / small amounts of money (n=88)
  ➢ Fair to all both poor and rich / doesn't feel cheated (n=31)
  ➢ Acts as a control on deposits and withdrawals (n=10)
  ➢ Easy to understand / can know what is left in the bank (n=10)

Extent to which Respondents Pay an On-Going Service Fee in Association with the Savings Account
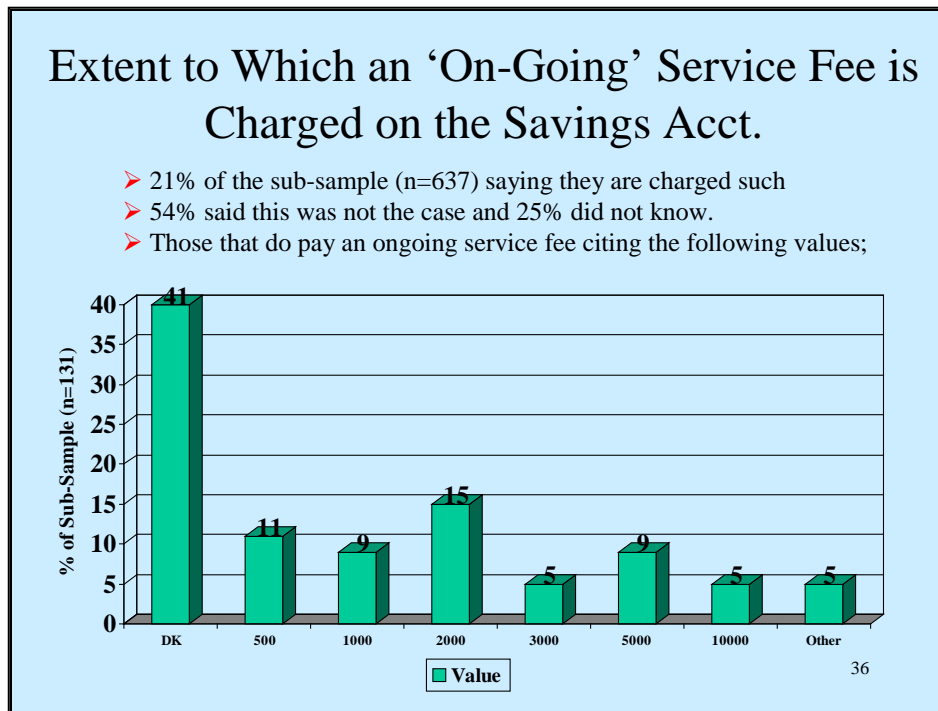
Market Preference toward a Monthly Service Fee or Transactional Fee

Respondents were asked if they had a choice, but had to have one or the other, which they would prefer; to pay a fee every time they made a withdrawal or deposit, or instead just pay a set monthly fee that didn't change no matter how many withdrawals or deposits one made. Unfortunately the findings below do not reflect any distinct preference either way.
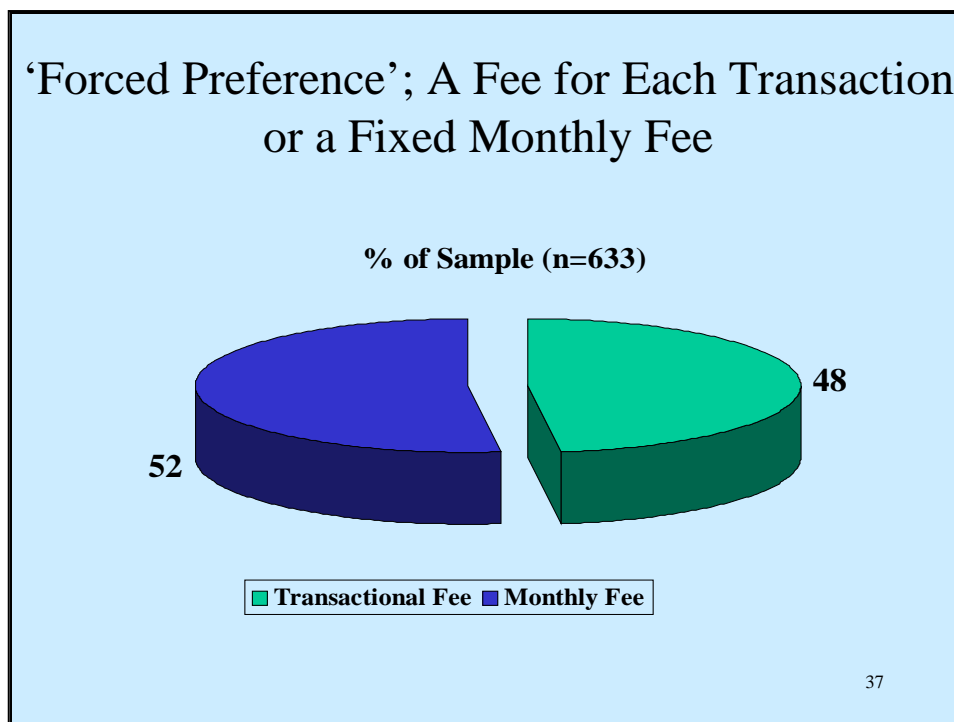
Extent to which ATMs have been Used in Association with the Savings Account
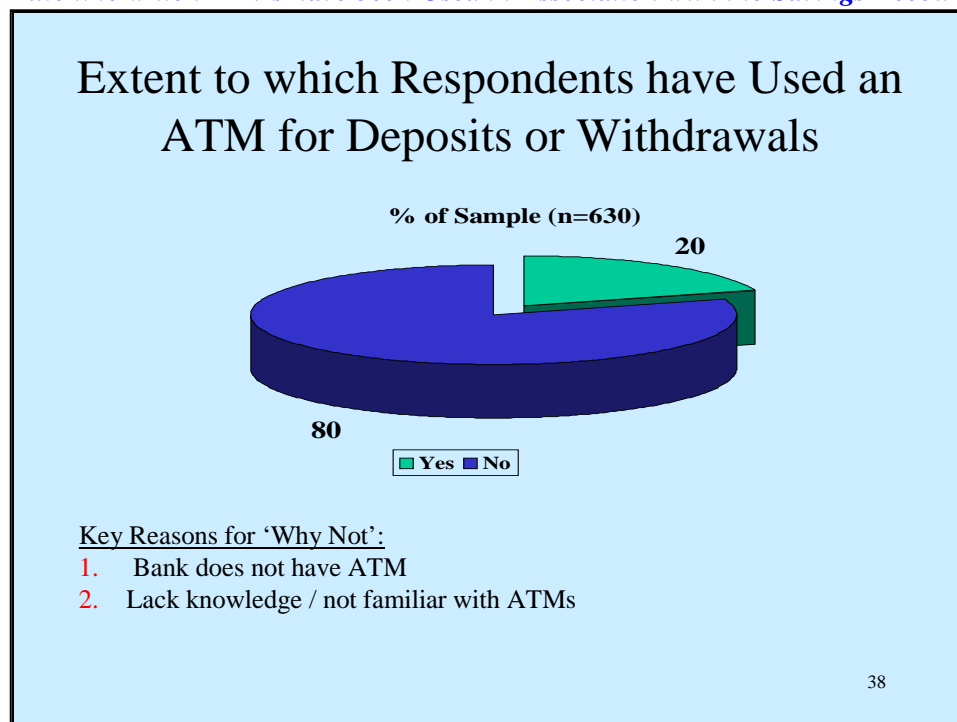
As reflected below, only a minority of savings account users have made use of an ATM for deposits or withdrawals. The primary reason cited for having not used an ATM being inaccessibility due to the financial institution not having such.

Transactional Product Associated with Savings Account
The figure below shows the extent to which respondents have / use a pass book, pass card, plastic card or cheque book with their savings account.

As reflected above, only 15% of the savings account sample use a plastic card to facilitate transactions. The 'non-plastic card' users were subsequently asked whether they would be happy to use this product if requested to do so by their financial institution. As illustrated in the pie chart below, the vast majority of 'non-plastic card' users are receptive to the application of the product. What is also evident through the respondent reasoning in favour of plastic cards is the strong perceptual affinity between plastic cards and ATM usage.

Transactional Product Associated with Savings Account

% of Sample (n=631)

7   1

15

18

59

Legend: ■ Pass book ■ Pass card □ Plastic card □ Cheque book ■ No answer

39

Extent to which Respondents Not Using a 'Plastic Card' would want to

% of Sample (n=531)

3

27

70

Legend: ■ Yes ■ No □ No Answer

<u>Key Reasons For:</u>
1. ATM card is convenient, handy, money is more accessible (n=416)
2. Long lasting / durable (n=12)

<u>Key Reasons for Against:</u>
1. Safety / security fears
2. No knowledge / not familiar
3. 'Hinders' savings / money 'too' accessible

40

3.3.3.   Savings Account Churn Assessment

Respondents were asked as to whether they had, in the past two years, changed the financial institution used for their savings account *(i.e. they stopped using one and started using another financial institution instead);*

• Approximately 14% of those using savings accounts had changed bank in past 2 years. The banks having lost accounts being;

➢ UCB / Standbic (n=21)
➢ Post Bank (n=12)
➢ Cerudeb (n=9)
➢ Greenland (n=7)
➢ Cooperative (n=5)
➢ Std Chartered (n=5)
➢ Barclay (n=3)
➢ Baroda (n=3)
➢ Pride (n=2)
➢ Issia (n=2)
➢ Sembule (n=1)
➢ Tropical Bank (n=1)
➢ Micro Finance (n=1)
➢ Housing Finance (n=1)
➢ Nile (n=1)
➢ UWESO (n=1)

• The key drivers of churn being:
1) Bank closed / doubt over bank's future / liquidity rumours / image problems (n=24)
2) Congestion in branches / slow service (n=17)
3) Customer changes location / new institution more accessible / better location (n=16)
4) High charges / fees (n=8)
5) Rude staff / impolite staff / lack of customer orientation (n=7)
6) Influence of employer / new employer (n=5)

3.4.   ANALYSIS OF RESPONDENT SUB-SAMPLE WITH LOAN ACCOUNT(S)

The output to this section of the report pertains specifically to questions posed and issues explored among respondents that currently had a loan from a financial institution or had taken one out within 1 year of time of interview.

3.4.1.   Respondent Motive for Borrowing

The reasons why individuals have taken borrowings through financial institutions are reflected in the below verbatim coded analysis.

Verbatim Coded Responses	Frequency of Response
For business purposes / to grow business / to buy business / to buy stock / to buy seed, fertilizer etc.	290
For school fees / education related expenses	55
Property needs / construction / to buy a house / to buy a plot	27
To buy another asset - appliance - furniture	9
For travel expenses / transportation expenses / to buy a bicycle etc.	7
To settle other debt / pay off another loan	5
Help Relatives	2

3.4.2.   Background to Respondent Loans / Borrowings

Opening Value of Loans Currently Active
As illustrated in the figure below, the most common loan size being in the 200-300 000 shilling category.

Opening Value of Loan 'Currently' Held
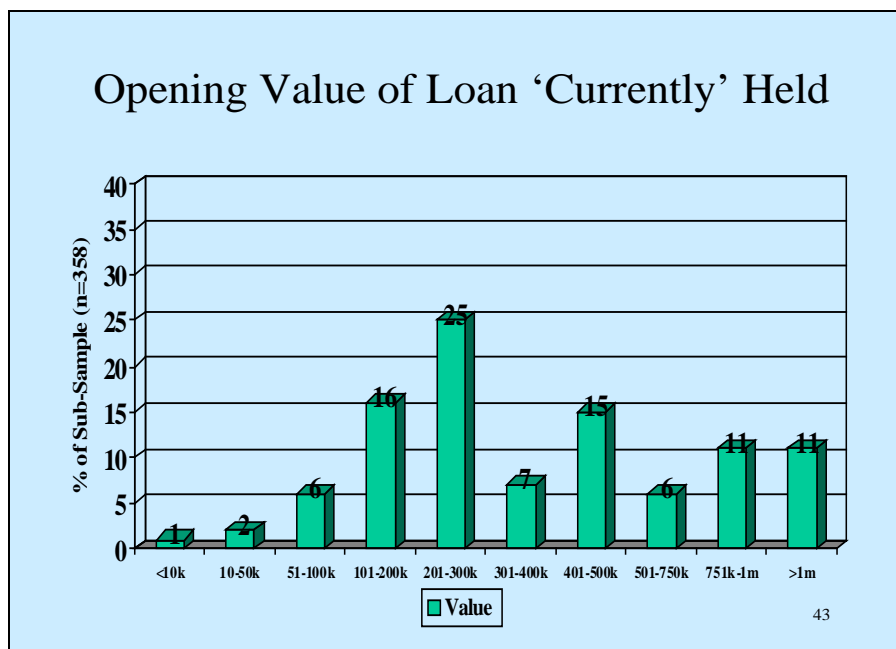
Number of Loans Held

Respondents were asked as to whether they have multiple loans held at different financial institutions. As shown in the below figure, it would appear the vast majority of respondents have only one loan.

No. of Loans Respondents 'Currently' Have with Financial Institutions
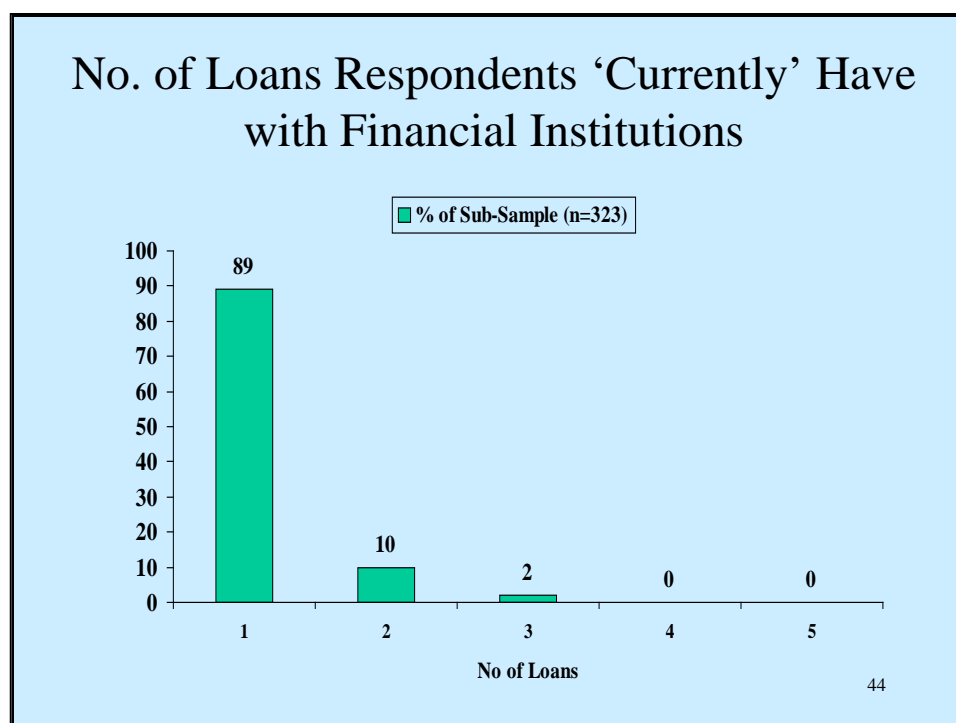
> Of the 37 respondents with 'current' multiple loans at time of interview, 9 (~24% of this sub-sample) had taken out one loan to pay off another.

> However, the majority of persons with multiple loans having gone this route to acquire a higher level of credit.

Extent to which Respondent Spouses Also have a Loan

As reflected below, the majority of 'spouses' do not have a loan. Of the 36 respondents whose spouses do have a loan, 83% have only one loan, 9% two loans, 6% one loan and 3% did 'not know' how many loans their spouse had.
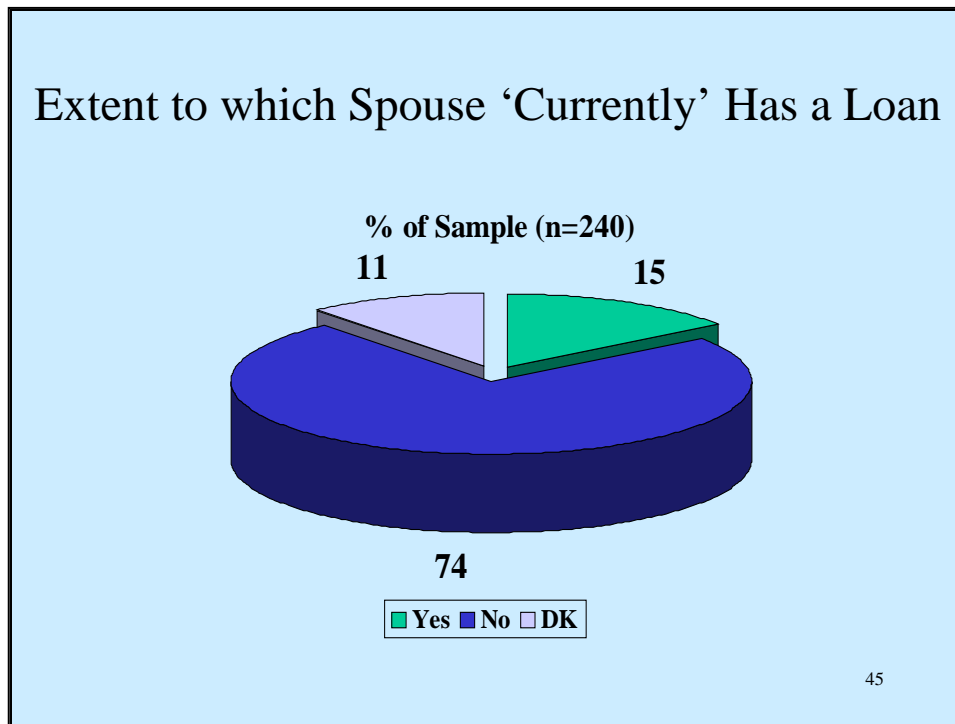
3.4.3.   Assessment of Loan Product Features & Charges

Group Loans Versus Individual Loans

The figure below reflects the extent to which respondents' current borrowings are as part of a group loan scheme or have been taken out on an individual loan basis. As can be seen, close to two-thirds of the total sample have borrowed on a group basis.

At a regional level, the group lending methodology appears to dominate in Jinja. Mbarara being the exception where the split is in favour of individual based lending.

MicroSave - Market-led solutions for financial services
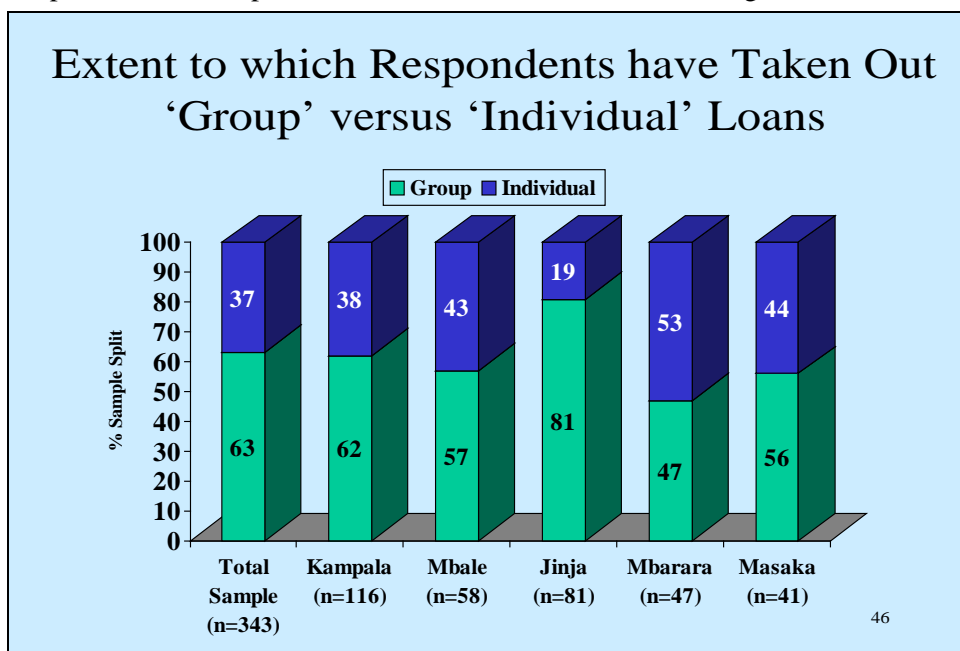
To assess the perceived appropriateness of the two dominant lending methodologies, respondents were asked which they perceive to be the 'best', group or individual. As shown in the pie chart below, there is a strong market preference toward individual based borrowing.

Which is Perceived to be the Best;

% of Sample (n=347)

19

81

☐ **Group** ☐ **Individual**

Key Reasons for Individual:
1. Risk of members defaulting / being reliant on other persons etc.
2. Prefer individual responsibility

Key Reasons for Group:
1. Easy to manage
2. Support of group members / can "bail" me out

47
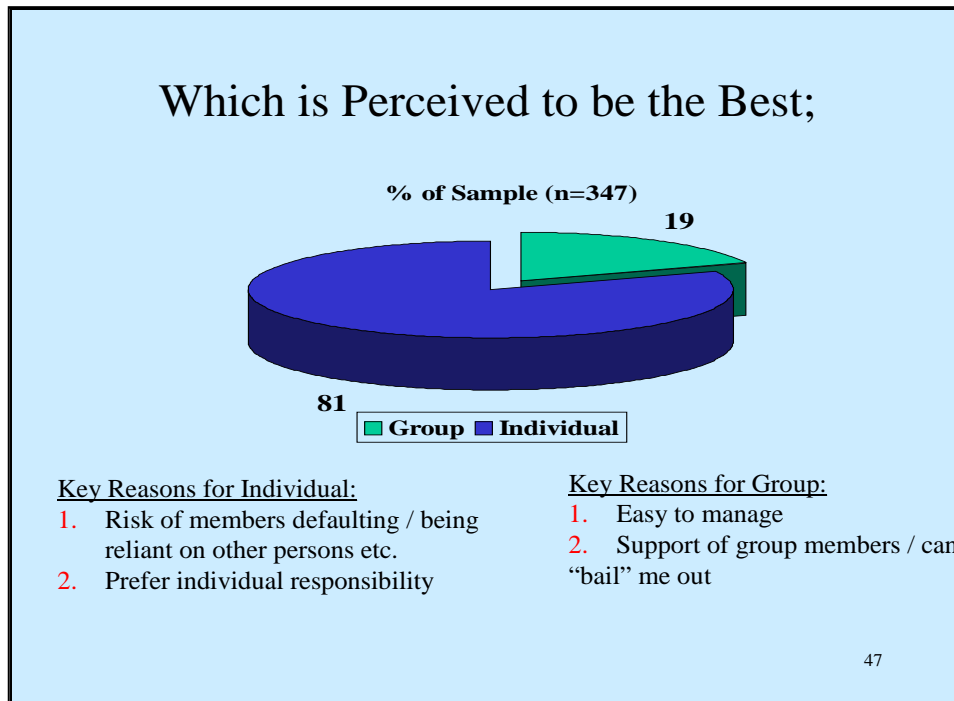
Term of Current Loans

The term associated with the loan(s) respondents currently have is shown in the figure below. As could be anticipated, the individual based loans are associated with a 'longer' term profile.

Term of Current Loan

☐ < month   ☐ 1-2 months   ☐ 2-4 months   ☐ 4-6 months   ☐ 6-9 months
☐ 9-12 months   ☐ 1-2 year   ☐ > 2 years

	Total Sample (n=343)	Group Loan Sample (n=216)	Individual Loan Sample (n=127)
	3	2	3
	14	11	19
	18	19	17
	33	30	37
	18	21	14
	2	1	3
	12	16	0

% Sample Split

48
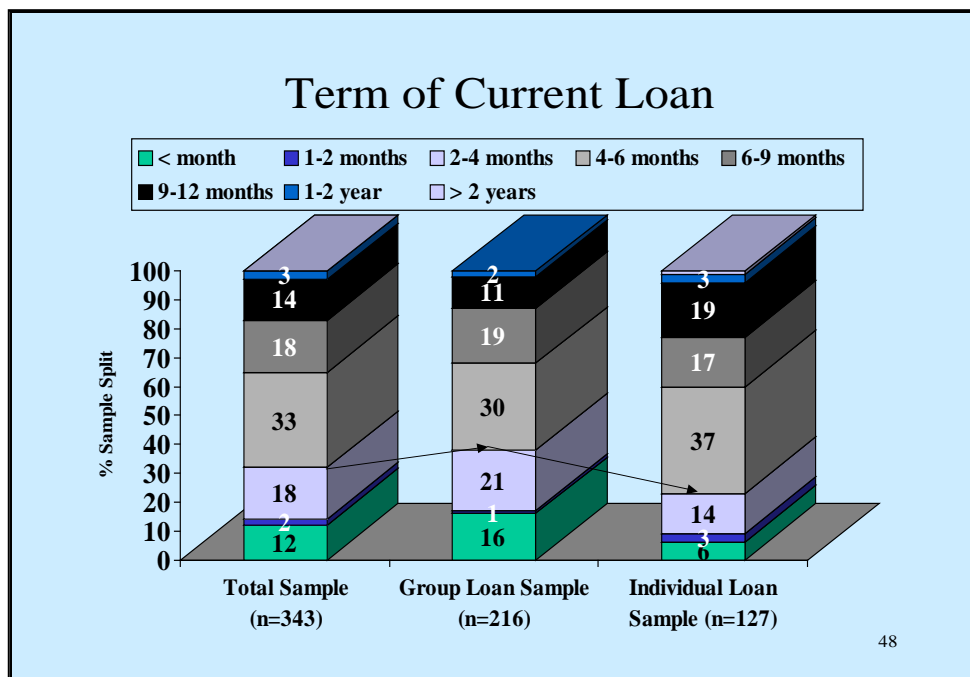
Weekly versus Monthly Repayments

The extent to which respondents currently make weekly versus monthly repayments on their borrowings is reflected in the figure below, together with what respondents perceive to be the 'best'. As can be seen, in terms of current practice the weekly repayment option dominates to a far greater extent with group loan schemes compared to individual loans. However, in both sample segments, the monthly repayment

option is by far the most preferred. Most of these respondents indicating that the monthly repayment (longer period) is required to leverage growth / a return on the money borrowed. This sentiment explained through the fact that the majority of the sample are self-employed and most commonly borrow money to finance business related activities.
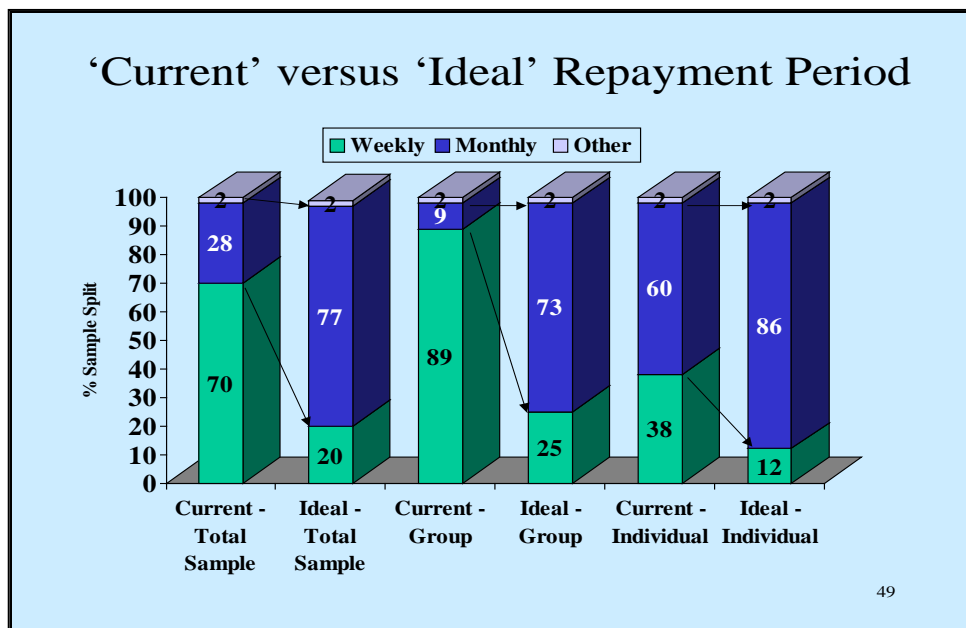
Respondent Preference toward Term & Associated Interest Repayment Implications
The question was posed to respondents, which they think is 'better' when paying off a loan of the same size;
   a) Making payments over a longer period of time, but having smaller monthly amounts to pay in, or,
   b) Making payments over a shorter period of time, but having bigger monthly amount to pay in.

As is shown in the figure below, the vast majority of respondents would prefer to take the loan over a longer period with smaller repayments. This perceived to be beneficial in that smaller repayments are 'easier' / more manageable.

Few respondents showed awareness or understanding as to the higher cost of capital (greater cumulative interest) associated with the second option above.
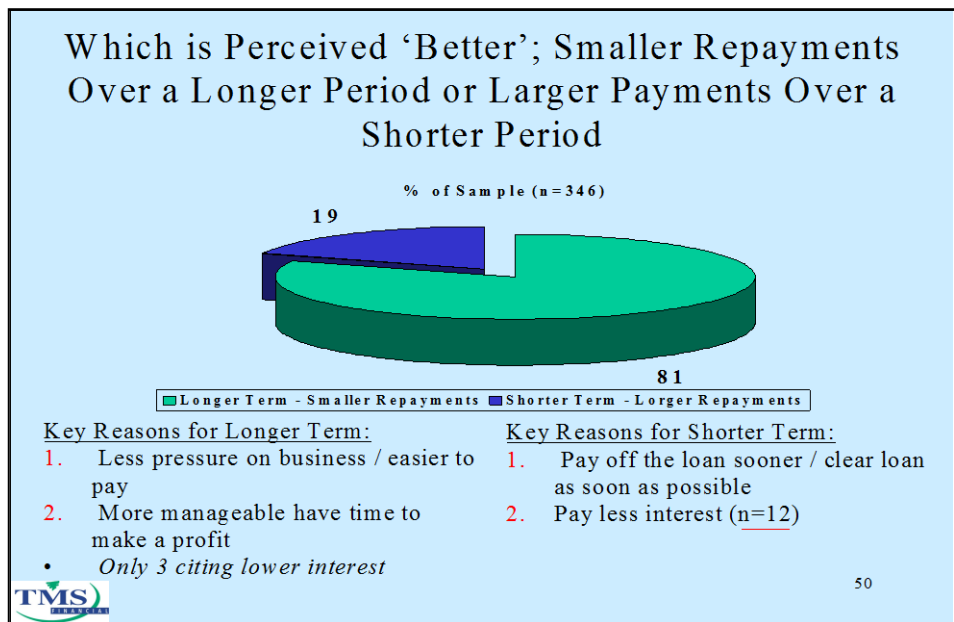
Extent to which an 'Opening Fee / Application' was Charged on the Loan Account

As shown below, the majority of respondents were charged an opening / application fee on the loan. However, of those aware of having to pay this, close to a fifth could not recall what the actual fee was.

While on the topic of 'applying & opening' the loan facility, the research respondents were asked as to whether the financial institution(s) applied to explained and made the respondents aware of all the intere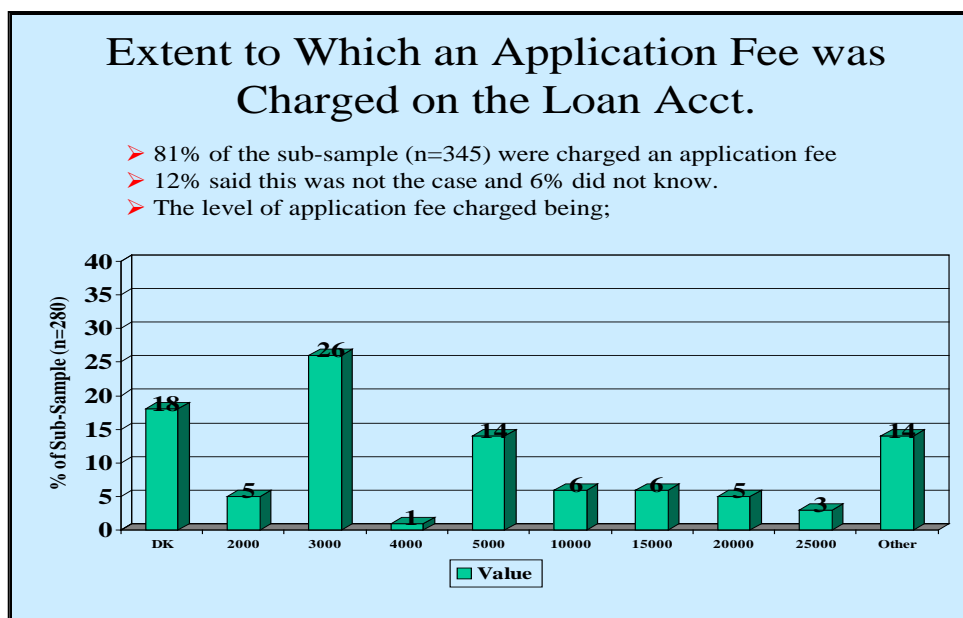st and fees that was to be borne by themselves on the loan facility. In addition, the respondents were asked as to whether the institutions used have been 'transparent & honest' regarding fees and interest. The outcome to this enquiry is summarised below and does reflect positively on the communication efforts of the financial institutions.

> * 95% of the sample said that the bank(s) used did make them aware of the interest & fees they had to pay on the loan.
> * 71% believing the institutions used over past the 3 years have been transparent & honest regarding fees & interest.

Extent to which Respondents were Required to have Savings Prior to being Awarded Loan

% of Sample (n=346)

17

83

☐ Yes ☐ No

52
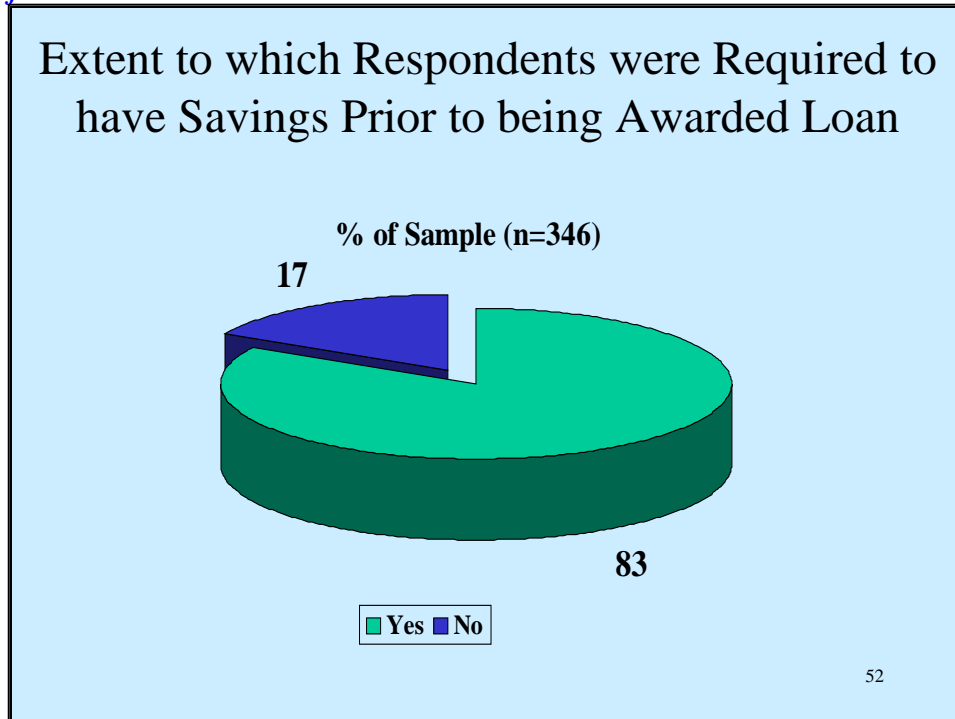
As illustrated above, the majority of respondents were required to have savings before the financial institutions used 'allowed' them to borrow. Asked as to whether they perceive this to be 'fair', interestingly 79% of this sub-sample did. It widely accepted that the savings is required as a form of security for the financial institution. A number of respondents also saying that the forced savings are necessary as this reflects on the commitment of the customer.

Extent to which the Financial Institutions Retained a Portion of the Loan Value Applied for

Extent to which Institution Providing the Loan Retained a Portion of the Loan as Security

% of Sample (n=346)

22

78

☐ Yes ☐ No

53
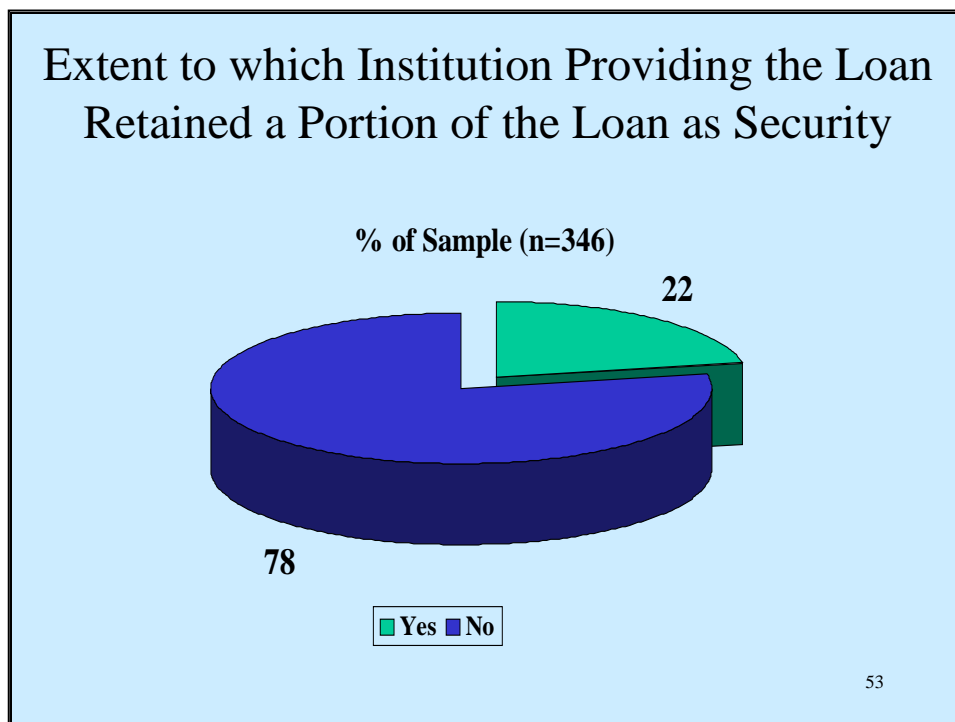
As reflected above, in the majority of instances the financial institution providing the loan did not retain a portion of the amount applied for as a form of security / collateral. Those respondents indicating that they were required to do this were asked as to whether they perceive this to be fair?   The majority indicating 'not'.

3.4.4.   Loan Account Churn Assessment

Respondents were asked as to whether they had, in the past two years, changed the financial institution used for your loans *(i.e. stopped using one and started using another instead);*

• Approximately 16% of the 'loan users' had changed bank where loan account is held. The banks having lost accounts being;
Pride (n=8)
UWFT (n=4)
Cerudeb (n=4)
Faulu (n=3)
Finca (n=3)
Foccas (n=3)
Med Net (n=2)
Village SACCOs (n=2)
UWESO (n=2)
Ugafode (n=1)
Cooperative Bank (n=1)
Feed the Children (n=1)
FSA (n=1)
Other 'non specified' (n=4)

• The key drivers of churn being;
   1) Interest rates (n=12)
   2) Group loans – unfavourable (n=9)
   3) Changed location / other institution more accessible (n=4)
   4) Unrealistic payment policy / stringent loan conditions (n=3)

Extent to which Credit Users 'Shop Around' when Applying

As illustrated in the pie chart below, the vast majority of loan users approached only one institution when applying for the current facility. Where respondents did 'shop around' (n=39), 56% indicating this was done to get the best rate, 30% in case the one application was refused, 8% applying to more than one institution to obtain additional funds and 8% for 'other' personal reasons.

Extent to which Respondents Approached Multiple Institutions on Latest Loan

% of Sample (n=346)

11

89

☐ Yes ☐ No

55
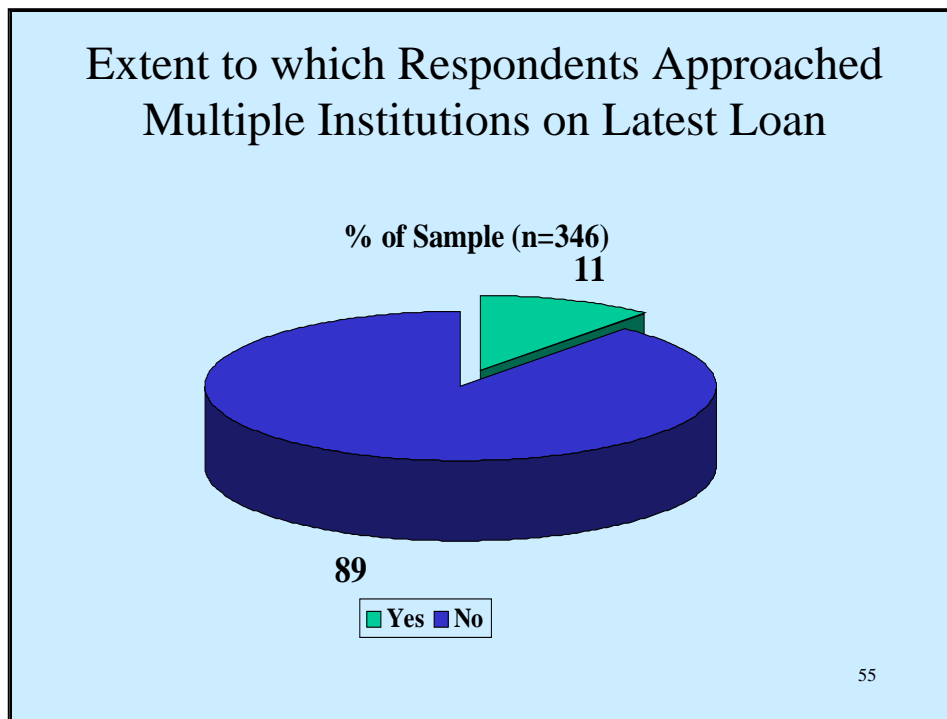
Extent & Nature of Difficulties Experienced by Respondents in Paying Off the Loan

> ➢ 39% of the sub-sample that currently have an active loan indicated that they have experienced problems in repaying the loan. The common causes for the problems experienced prioritized below, together with the extent to which the problem experienced (per category) was or is HIV related.

Extent to which Problems have been Experienced in Repaying the Loan

Category	Value	HIV note
Other	2	
Adoption of children	11	(67% of these HIV related)
Funeral fees	12	(44% of these HIV related)
Medical expenses	25	(38% of these HIV related)
Loss of family income	25	(18% of these HIV related)
Loss of personal income	31	(15% of these HIV related)

0   5   10   15   20   25   30   35   40   45   50

☐ % of Sub-Sample (n=134)

56
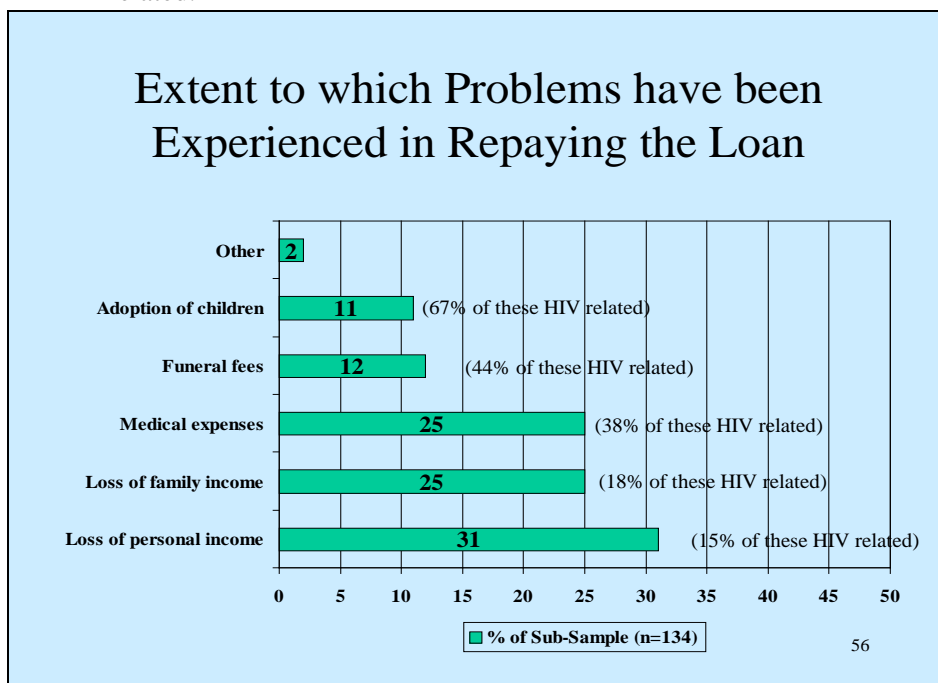
3.5   Assessment of More Generic Issues Among 'Users' of Financial Institutions

The following section details the outcome to questions pertinent to the users of financial institutions, irrespective as to whether these are savings or loan clients.

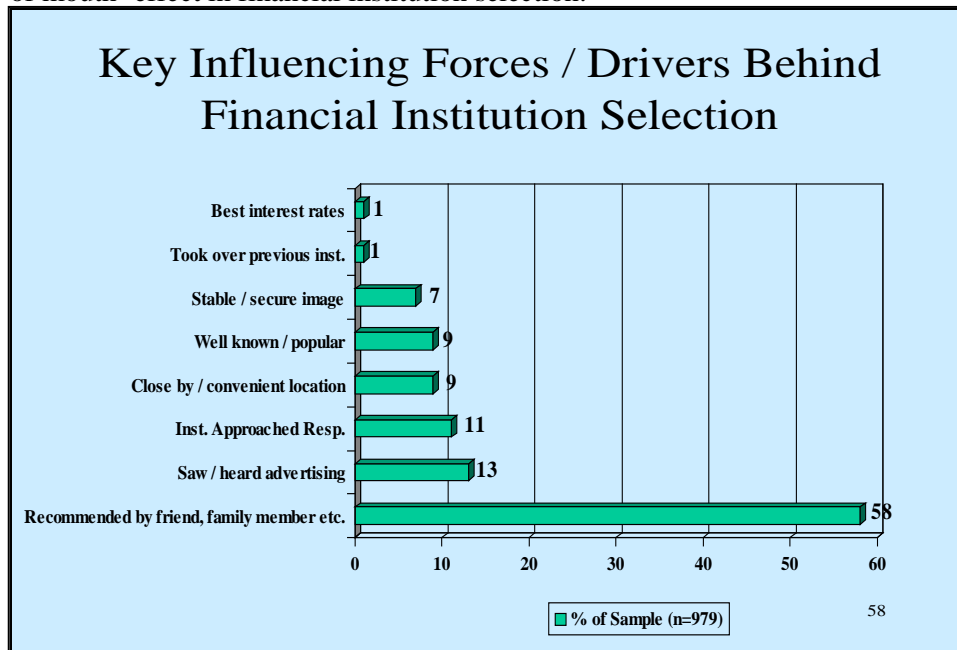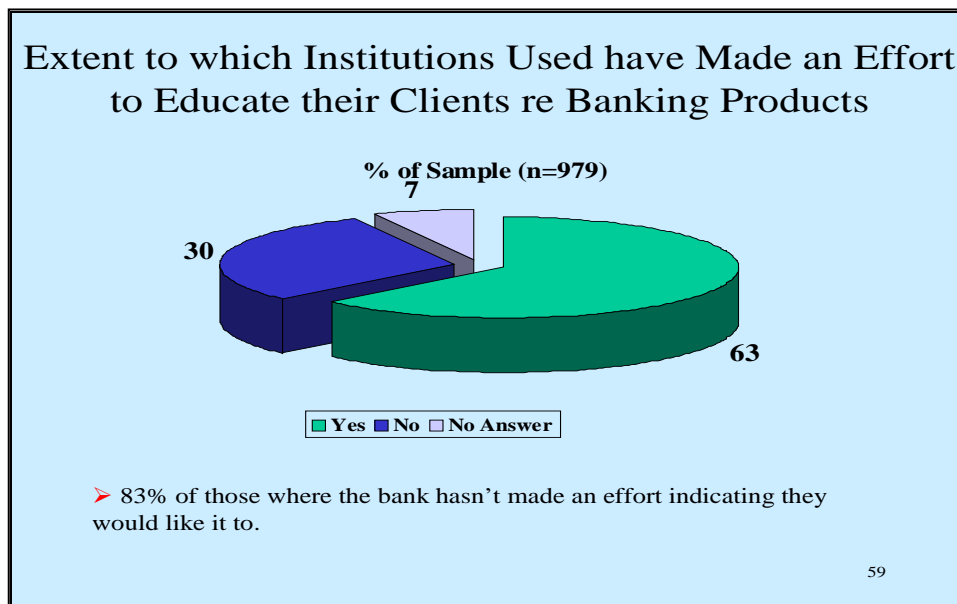### 3.4.5.   Key Drivers in Financial Institution Selection

Respondents were read out a list of reasons that may have originally impacted on their selection & usage of the financial institution(s) used and thereafter were asked to indicate which **ONE** best applies to them. The outcome to this question is graphically illustrated below and highlights the dominance of the 'word of mouth' effect in financial institution selection.

Key Influencing Forces / Drivers Behind Financial Institution Selection

Driver	% of Sample (n=979)
Best interest rates	1
Took over previous inst.	1
Stable / secure image	7
Well known / popular	9
Close by / convenient location	9
Inst. Approached Resp.	11
Saw / heard advertising	13
Recommended by friend, family member etc.	58

58

3.4.6.   Extent to which Financial Institutions Focus on Customer Education

Respondents were asked as to whether their financial institutions(s) has made an effort to build their (the customer's) knowledge and understanding of banking products. As shown below, just less than two-thirds of the 'user' sample indicating that their institution(s) has made an effort in this regard. In terms of those persons where the institution has not made an effort to educate, the majority of this sub-sample would like the banks to provide educational support.

Extent to which Institutions Used have Made an Effort to Educate their Clients re Banking Products

% of Sample (n=979)

7

30

63

Yes ■ No □ No Answer

➢ 83% of those where the bank hasn't made an effort indicating they would like it to.

59

3.4.7.   Experiences of Respondents in Using Financial Institutions

The below verbatim coded analysis reflects on respondent experiences in using financial institutions.

Verbatim Coded Responses	Frequency of Response
Has efficient services / fast / good / reliable / customer friendly / less congestion	271
Inefficient/poor service / congestion / poor customer service / slow	218
Good for loans/ low security / accessible and favourable loans	203
Induces or encourages savings / instils financial discipline and management	190
Has ATMs / easy cash / withdrawal and banking anytime	75
Reputable / good image / trusted / stable and secure	69
Fairly good service but there are areas of improvement	60
Expensive and high interest rates	49
Accessible/good infrastructure / convenient / can withdraw from any part of the country	38
Dissatisfied with group loans	32
No interest on savings / deduct savings/high charges and expenses	32
Better interest rates and low charges	28
Many requirements / bureaucracy	23
Poor image / untrustworthy/unstable financially	18
Have little knowledge to comment	14
Caters for all categories of clients even the poor	13
Learnt to use banking services and products/good customer orientation	13
Poor infrastructure / few branches / inaccessible	12
Limit withdrawals/give little or no interest	12
Doesn't cater for all classes of people/segregate	10
Short payback period / weekly payments	6
Confiscate property	2
Bright future / upcoming	1

3.4.8.   Extent to which Problems have Been Experienced in Opening Accounts

➢ 7% of respondents with savings accounts did experience problems when opening the account. The most common types of problems experienced cited as the following;
- o Reference requirements / letters from employee / getting referees / identity requirements etc. (n=32)
- o Slow processing / bureaucratic application procedure/account opening/long queues etc. (n=9)
- o No proper guidelines / ignorance of procedure / poor customer service – communication (n=4)
- o Group formation problems (n=1)

➢ 24% of respondents with loans did experience problems when opening the facility. The most common types of problems experienced cited as the following;
- o Loans are delayed/Slow processing/bureacratic application procedure/account opening/long queues etc. (n=30)
- o Excessive collateral security needs / guarantee requirements / references etc. (n=26)
- o Group formation problems and related problems (n=18)
- o No proper guidelines / poor customer service – communication (n=5)
- o Application fees / high opening charges (n=2)
- o Unfavourable loan terms – conditions (n=1)

3.5.   REVIEW OF FINANCIAL PRODUCT & SERVICE SUPPLY RELATED ISSUES AMONG 'NON-USERS' OF FINANCIAL INSTITUTIONS

This section of the report details the outcomes to issues explored with respondents that were not at time of interview using a financial institution or had done so within the past year (the 45% of the total research sample).

3.5.1.   Extent to which Financial Institutions have been Used in the Past

As mentioned above, respondents that had not used a financial institution within the past year were considered 'non-users' and were required to answer a different set of questions that focussed more on their financial behaviour and views toward the financial services supply sector. However, prior to initiating this questioning process and to gauge levels of familiarity, respondents were first asked as to whether they had ever used a financial institution in the past.

➤ 26% of this sub-sample (n=827) had used a financial institution previously (but more than 1 year before time of interview). As such, only about a third of the total research sample, comprising predominantly economically active individuals, have never used a financial institution.

➤ The most widely used financial institutions being (in descending order of usage);
 1) UCB
 2) Greenland
 3) Co-operative
 4) Post Bank
 5) Cereudeb
 6) Pride
 7) Finca
 8) Baroda
 9) Saccos
 10) UWESO

The key reasons for respondents stopping usage of financial institutions being;

 1) Financial problems / lack of funds / business failure etc.
 2) Branch / institution closed
 3) Respondent changed location
 4) High bank fees / charges
 5) Group failure
 6) Achieved target / obtained goal sought in usage of the financial institution

3.5.2.   Extent to which Respondents that have Never Used a Financial Institution have Considered or Wanted to

Extent to which Respondents that have Never Used a Fin. Inst. Have Considered or Wanted to

% of Sample (n=610)

29

71

■ Yes ■ No

63
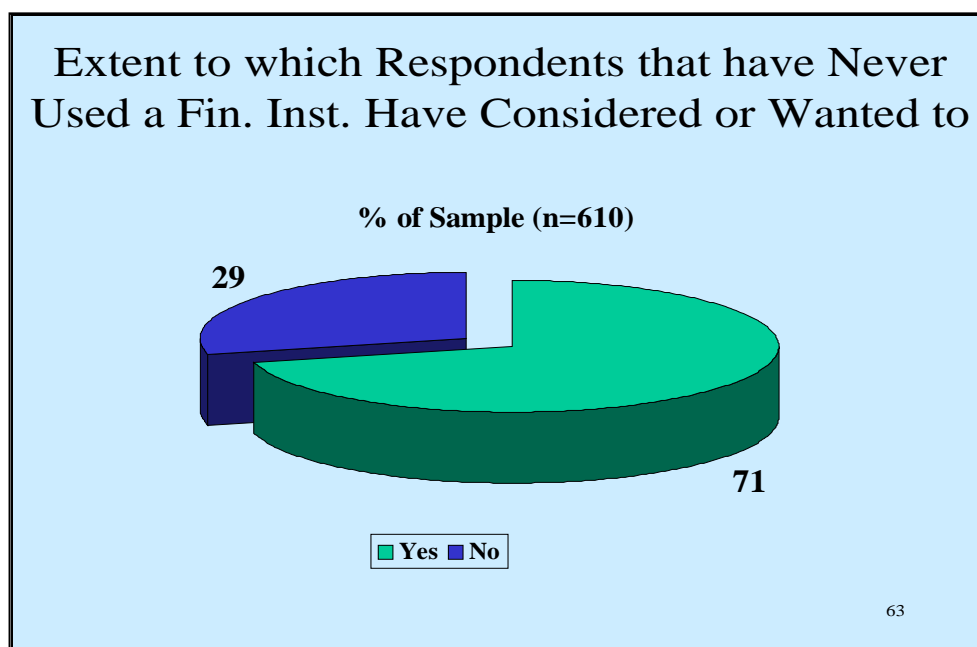
As reflected above, the majority of the sample that has never used a financial institution (n=610) have considered or wanted to. The key reasons as to why respondents have never considered using a financial institution being;

1) Not enough money / don't qualify etc.
2) Fear of harassment / poor loan recovery methods
3) Fear of institution closureDistrust in financial institutions
5) Ignorance / lack of knowledge as to how to go about using financial institutions

The most frequently cited motives for wanting to use a financial institution were;

1) To save for the future
2) To obtain a loan for business development / asset acquisition
3) For the safe keeping of money

And the key reasons given for respondents not following through with their desire to use a financial institution being;

1) Insufficient money – income / no money / no business
2) Lack of understanding regarding banks / not familiar with banks / need more info / intimidated by application process – procedures
3) Uncertain as to ability to repay loan / fear consequences of defaulting

Interestingly only 15 out of the 432 respondents (~3%) that have wanted to use a financial institution have actually applied to a financial institution for a loan and had this refused.

Respondents were asked as to what they think are the key reasons as to why other people use financial institutions. The output provided is summarised in bullet form below;

➢ They are employed / have an income / require a bank to deposit salary
➢ For safe keeping of money / prevent theft
➢ To get loans / access finance
➢ To invest money & earn interest

3.5.3.   Extent to which Respondents that Are Not Using Financial Institutions have Heard 'Bad' Things about them
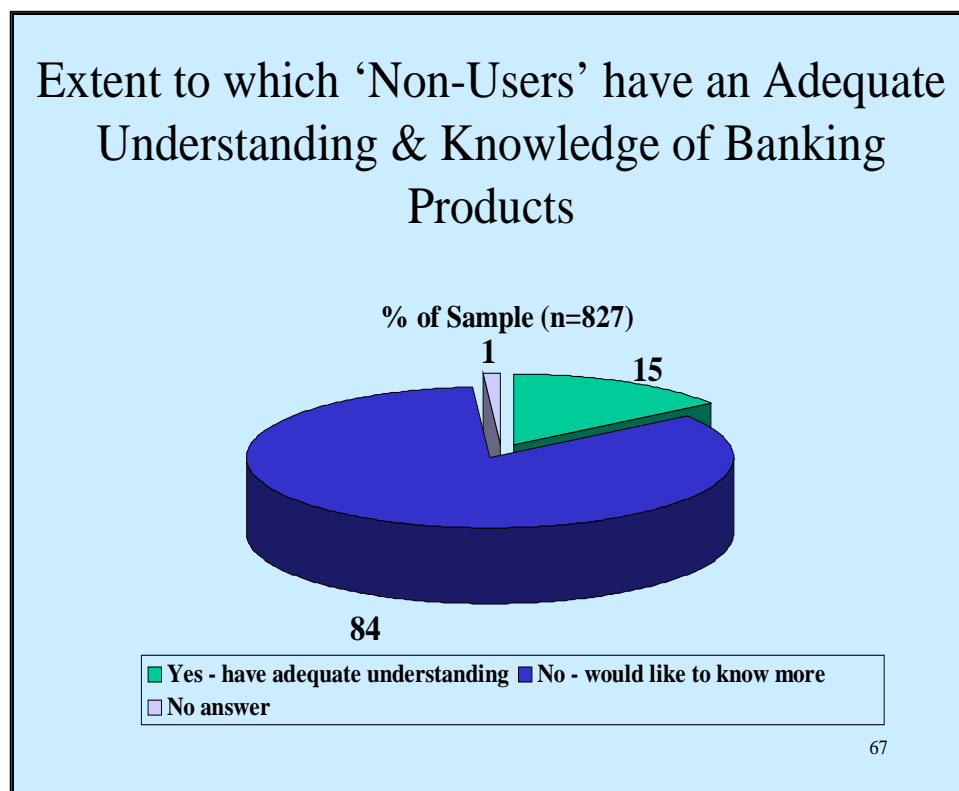
➢ 62% of the 'non-users' (n=827) have heard such. The most widely cited negative 'things heard' being;

1) Closure / liquidation etc. – loss of savings
2) Harsh recovery methods, confiscation of property etc.
3) High interest rates, fees & charges
4) Poor customer service / slow services
5) Exploitation of customer / profiteering etc.
6) Corruption / bribery
7) Short payback periods on loans / stringent loan payback conditions
8) Stringent loan application assessment criteria / requirement of excessive collateral – security
9) High minimum opening balance requirements
10) Neglect the 'poor' / not orientated to serving the lower end of the market
11) Collective punishment of groups / unfair group lending policies

3.5.4.   Extent to which Respondents that Are Not Using Financial Institutions have Heard 'Good' Things about them

➢ 85% of the 'non-users' (n=827) have heard such. The most widely cited positive 'things heard' being;

1) Lend funds / provide loans / enable people to develop through loans / facilitate business opportunities / create employment
2) Safe keeping of funds
3) Interest on savings
4) Help people to save / empower customers through saving / encourage investment
5) Banking services / access to cash through ATMs / money transfers etc.

3.5.5.   Extent to which 'Non-Users' Believe they have an Adequate Understanding & Knowledge of Banking Products & Services

The research finding to this question, illustrated in pie chart below, highlights the task facing the financial services sector in raising levels of understanding and knowledge regarding banking products & services. Fortunately the recognised need (within the market) to improve levels of understanding is indicative of the market's likely receptiveness to potential bank efforts in this regard.


Extent to which 'Non-Users' have an Adequate Understanding & Knowledge of Banking Products

% of Sample (n=827)

1

15

84

■ Yes - have adequate understanding ■ No - would like to know more
■ No answer

67

3.5.6.   Extent to which Persons have Borrowed Money within the Past Year

Respondents comprising the 'non-user' sub-sample were asked as to whether they have borrowed money from anyone (other than the formal financial institutions) within the past year. As detailed in the figure below, just over half the sample have borrowed from other persons in the past year. The most common sources of borrowings being 'friends' and then 'family members'.
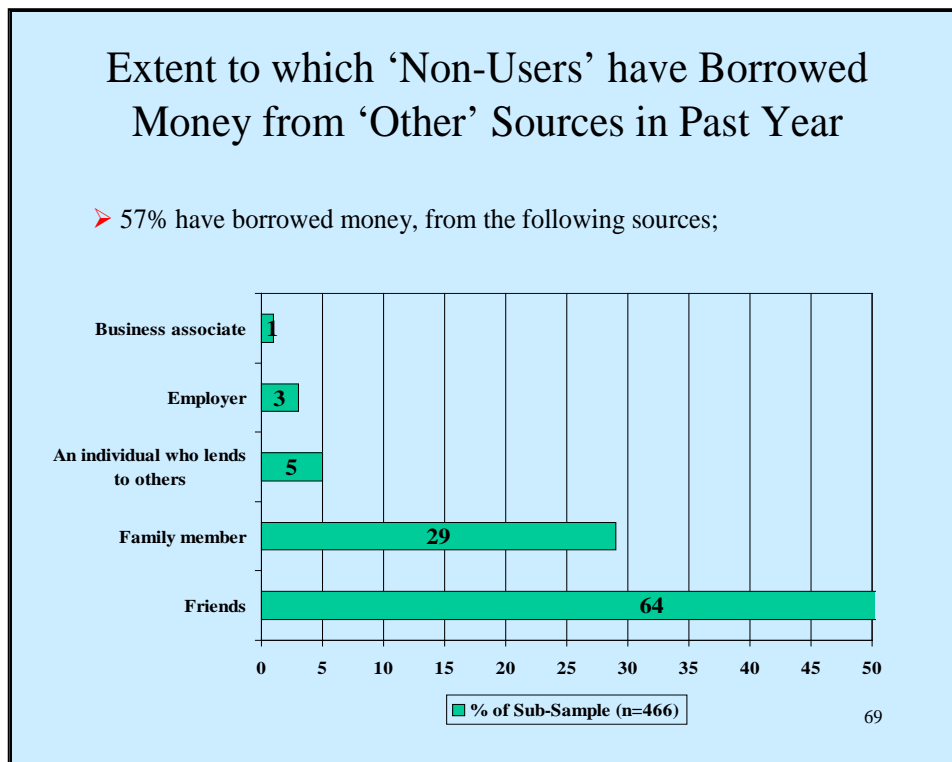
In terms of the value and frequency of the loans, the figure below shows the typical lower values compared to borrowings taken through the formal institutions and profiled earlier in the report.
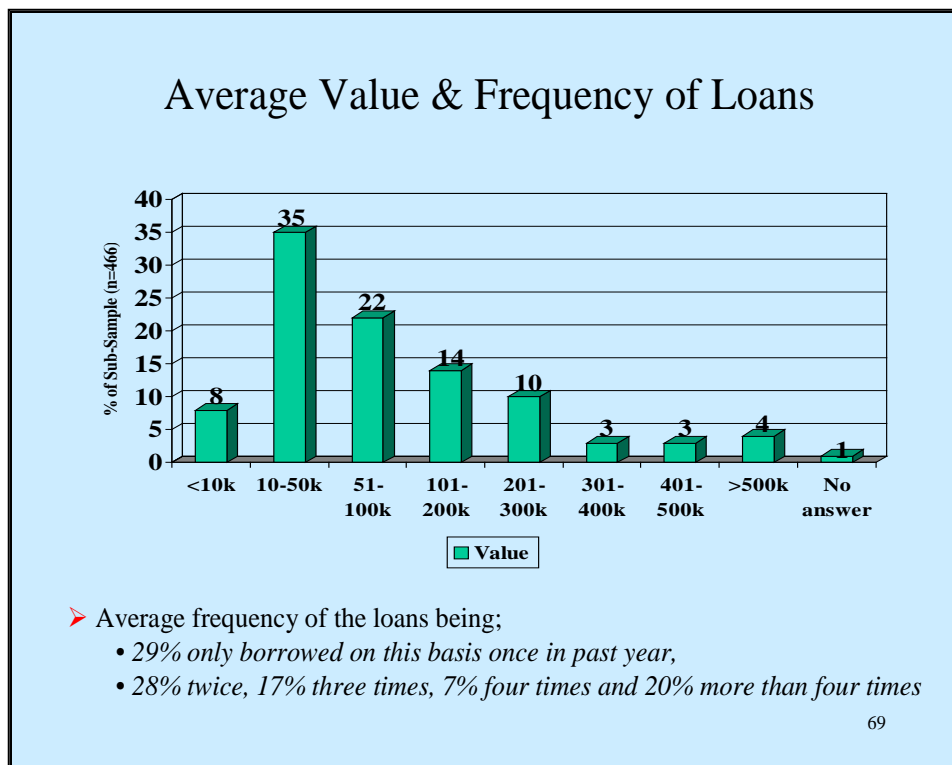

The key reasons as to why the 'non-users' have borrowed from friends, family and so forth being;

1) Capital for business / business needs
2) Medical costs
3) School fees / education

4) Domestic expenses e.g. food, rent etc.
5) Personal 'upkeep', entertainment, clothes etc.
6) Asset acquisition
7) Transportation costs
8) Support relatives, family, friends etc.
9) To buy house / property / plot
10) Funeral / burial expenses

3.5.7. Extent to Which Respondents would Like to Use Financial Institutions in the Future

As shown in the figure below, the majority of respondents in the 'non-user' sample are eager to use financial institutions. This high degree of receptiveness toward the financial services supply sector highlights the potential for banks and financial institutions in the 'lower end' of the Ugandan the market.

Extent to which 'Non-Users' would Like to Use Financial Institutions in the Future

% of Sample (n=827)

17   2

81

Yes ■ No □ No answer

71
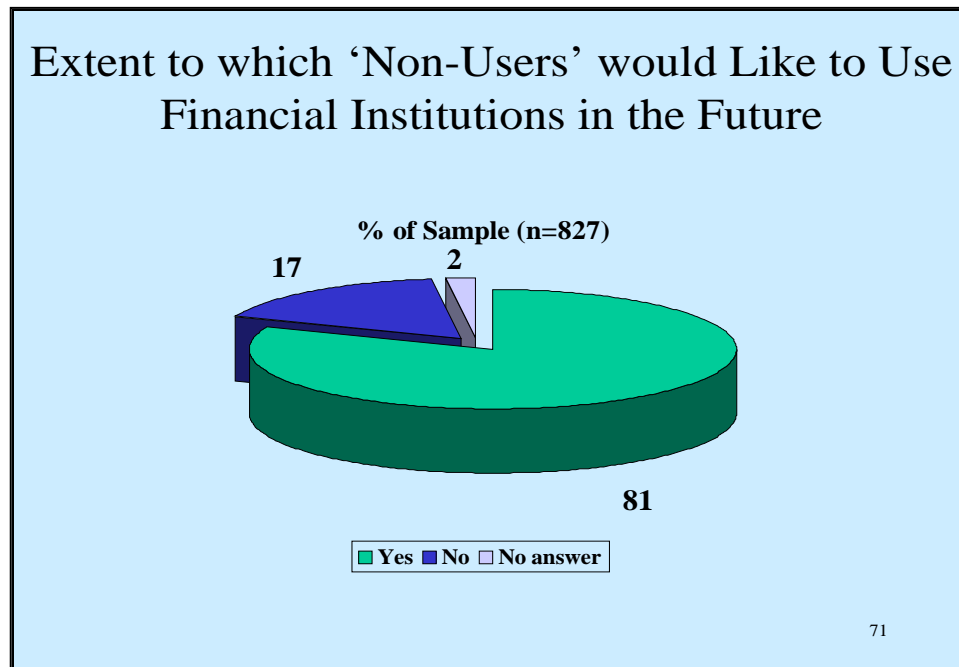
The key reasons why respondents don't want to use financial institutions in the future being;

1) Perceived inadequate income / insufficient income / no employment etc.
2) Fear of bank closures / lack of confidence in the banks / bad experiences of the past
3) Fear consequences of defaulting on loans
4) Perceived high bank charges, fees etc.

3.6. FINANCIAL INSTITUTION IMAGE ASSESSMENT

The final section of the report explores some financial institution / bank image related issues within the total research sample (i.e. both current 'users' and 'non-users' of financial institutions).

3.6.1. Financial Institutions Respondents would Never Consider Using

Respondents were asked as to whether there any 'banks, MFIs, SACCOs or any other financial institutions' that you would not consider using in the future. The outcome to this enquiry is illustrated below and does not bode well for the likes of UCB and Pride, and to a lesser extent Finca, Standard Chartered and Cerudeb.
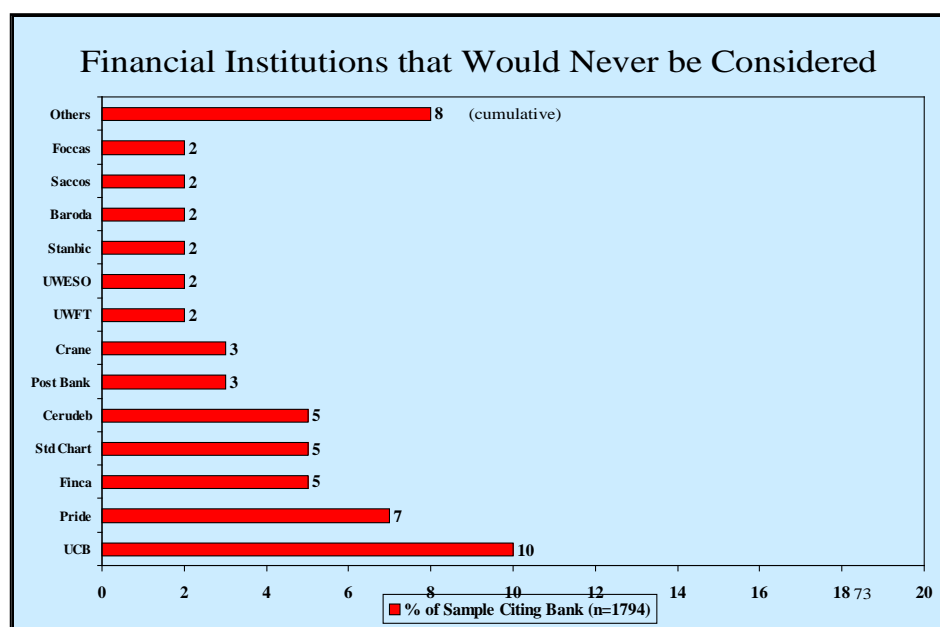
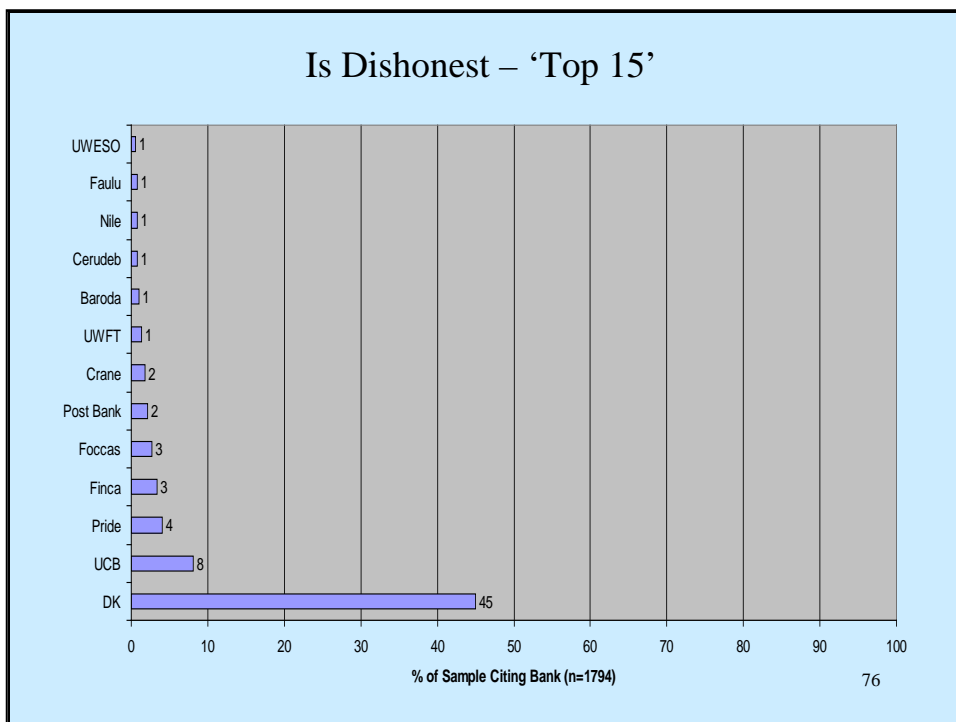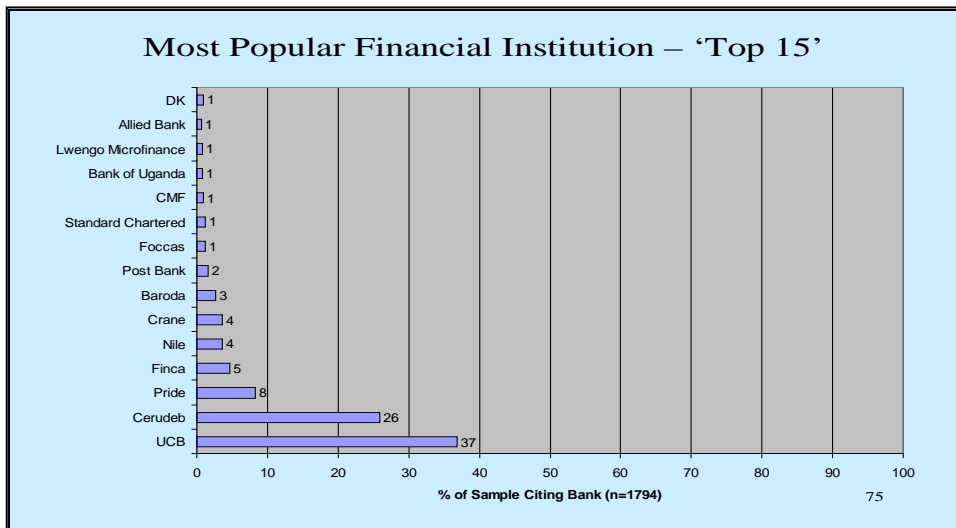*The key reasons for respondents 'not considering' the institution in the future being:*

1) Poor service / lack of customer care / congestion / inefficient service
2) Fear of closure / insolvency / liquidity rumours
3) High deposit – opening balance requirements
4) Don't cater for local – poor people
5) 'Harsh' loan recovery processes
6) Dishonest / exploit customers
7) Unfavourable loan repayment conditions / weekly loan repayments
8) High interest rates on loans
9) Poor management / no confidence in management
10) Stringent loan qualification criteria
11) Foreign owned financial institution
12) Apply group lending policy / negative implications of group loans

3.6.2.   Attribute Association Assessment

In concluding each interview a 'top of mind' attribute association was undertaken with respondents. In carrying out this analysis respondents were read out a statement that could be associated with the financial services sector and / or particular institutions. The list of statements shown in the table below. Having been read each statement respondents were requested which **ONE** financial institution, in their opinion, stands out above the others with regard to that statement.

Statements
Is the most popular financial institution in your town or area
Is dishonest
Cares about its customers
Is expensive
Gives very quick service
Gives very slow service
Is the easiest to get a loan from
Offers the best interest rates on loans i.e. the cheapest for loans
Is the safest bank for savings (i.e. your money is safe with them)
Has ATMs
There is congestion in the branches

The output to this analysis showing the most commonly cited banks / financial institutions against each attribute being graphically illustrated in the proceeding graphs.

Cares About Its Customers – 'Top 15'

Bank	% of Sample Citing Bank (n=1794)
UWESO	1
Stanbic	1
CMF	1
UWFT	1
Allied Bank	1
Barclays	2
Post Bank	3
Finca	3
Crane	5
Baroda	5
Standard Chartered	6
Nile	6
Pride	7
UCB	11
DK	15
Cerudeb	22

% of Sample Citing Bank (n=1794)

77

Is Expensive– 'Top 15'

Bank	%of Sample Citing Bank (n=1794)
Foccas	1
DFCU	1
Finca	1
Cerudeb	2
Pride	2
Nile	2
Crane	2
Stanbic	4
Baroda	6
Barclays	8
UCB	15
DK	23
Standard Chartered	28

%of Sample Citing Bank (n=1794)

78

Gives Quick Service – 'Top 15'

Bank	% of Sample Citing Bank (n=1794)
Orient	1
UWFT	1
Stanbic	1
CMF	1
Allied Bank	1
Finca	2
Post Bank	2
Pride	4
Barclays	4
UCB	6
Baroda	7
Crane	8
Standard Chartered	11
Nile	11
Cerudeb	12
DK	19

% of Sample Citing Bank (n=1794)

79

Gives Slow Service – 'Top 15'

Bank	% of Sample Citing Bank (n=1794)
UWESO	1
Crane	1
Foccas	1
UWFT	1
Finca	1
Baroda	1
Pride	4
Post Bank	10
Cerudeb	12
DK	30
UCB	31

% of Sample Citing Bank (n=1794)

80

Is Easiest to Get a Loan From – 'Top 15'

Bank	%
Ugafode	1
Feed the Children	1
Baroda	1
DFCU	1
FSA	1
Faulu	1
CMF	2
UMU	2
UWESO	2
Foccas	2
UCB	2
UWFT	3
Finca	7
Pride	17
DK	24
Cerudeb	27

% of Sample Citing Bank (n=1794)

81

Offers Best Interest Rates on Loans – 'Top 15'

Bank	%
Nile	1
Ugafode	1
Feed the Children	1
Foccas	1
UMU	1
UWFT	1
Faulu	1
UWESO	2
UCB	2
Finca	3
Pride	9
Cerudeb	17
DK	49

%of Sample Citing Bank (n=1794)

82

MicroSave - Market-led solutions for financial services

Safest for Savings – 'Top 15'

% of Sample Citing Bank (n=1794)

83

Has ATMs – 'Top 15'

% of Sample Citing Bank (n=1794)

84

Congestion in Branches – 'Top 15'

% of Sample Citing Bank (n=1794)

85

~~~~~~~~~~~~~~~~~~~~~~~~~~~~ THE END ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~