

A Pathway to Financial Inclusion: Mobile Money and Individual Savings in Uganda

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Abstract : This study provides a micro perspective on the impact of mobile money services on individual's saving behavior using the 2013 Uganda FinScope data. Results show that although saving through the mobile phone is not a common practice in Uganda, being a registered mobile money user increases the likelihood to save with mobile money. Saving using mobile is more prevalent in urban areas and in Kampala and Central region compared to other regions. This can be explained by: first, rural dwellers tend on average to have lower incomes and thus have lower to saving compared to the urban counterpart. Similarly, residents of Kampala tend to have higher incomes and thus high savings compared to residents of other regions. Secondly, poor infrastructure in rural areas in terms of lack of electricity and poor telecommunication network coverage may limit the use of mobile phones and consequently the use of mobile money as a saving mechanism. Overall, the use of mobile money as a saving mechanism is still very low and this could be partly explained by limitations in the legislation that does not incorporate mobile finance services into mobile money. The absence of interest payments on mobile money savings may act as a disincentive to save through this mechanism. Given the emerging mobile banking services, there is a need to create more awareness and the need for enhanced synergies between telecom companies and commercial banks.

Keywords : financial inclusion, mobile money, savings, Uganda

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