



AGENT BANKING IN NORTHERN UGANDA

An impact analysis

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Acronyms

ABC:	Agent Banking Company
UBA:	Uganda Bankers' Association
VSLA:	Village (Voluntary) Savings and Loans Association
PRUDEV:	Promoting Rural Development in Northern Uganda
FGD:	Focus Group Discussions
SABS:	Shared Agent Banking Service
KCB:	Kenya Commercial Bank
CCTV:	Close Circuit Television

Executive summery

Since 2018, the GIZ partnered with Uganda Banker's Association (UBA) to support the implementation of agent banking with the goal of improving the agriculture-based development in ten selected districts in northern Uganda. Over the last five years, UBA through its subsidiary the Agent Banking Company (ABC), has executed this mandate by driving awareness and sensitization around agent banking, agent recruiting, and agent quality control. The GIZ – UBA collaboration came to an end in February 2023. To analyze the impact of the joint intervention on improving access to demand-driven financial services and in improving the agriculture-based development of the rural economy in northern Uganda a study was conducted. This study applied a mixed-method approach, drawing on a survey with respondents selected from 580 registered banking agents, focus group discussions, and key informant interviews. The study's findings indicate that:

Impact of agent banking on improving access to financial services

- Agent banking has enhanced access to financial services by increasing the number of distribution points (average distance from user to agent has decreased from 6.8km to 1.8km), enhanced the volume and value of transactions and improved consumer experience through convenience and reduced transaction cost. However, despite all these, there persists a rural-urban gap: there are significantly fewer agents in rural areas, and these agents offer fewer financial services than their urban counterparts. Particularly in the rural setting there seems to be an unaddressed demand for credits. Agent banking has formalized transactions of non-bank financial services such as SACCOs and VSLAs thus improving financial record management and enabling the documentation of transaction digital trails that are essential for future access to credit. Besides, it has initiated a synergy between financial institutions and financial consumers through the shared agent banking platforms and enabled mindset change among rural farmers.

Impact of agent banking on the development and deepening of the rural economy in northern Uganda

- In terms of development of the rural economy, agent banking has led to increased employment opportunities in northern Uganda and to growth of previously existing businesses as well as the emergence of new ones. Its other impact include enabling an improvement in the level of financial literacy of the last mile users through sensitization activities such as radio shows and financial advice given by the agents. However, the participation of women as agents is still marginal (across Uganda 10% of the agents are female) as fewer women own registered businesses, a key requirement. All in all, agent banking seems to be substituting the usage of cash while being complementary to mobile money

Role of UBA/ABC and financial institutions in further promoting agent banking in northern Uganda

- UBA through its subsidiary the ABC was instrumental in running successful mass sensitization on agent banking, stakeholder engagement, and agent trainings. The involvement of Bank of Uganda was essential in building public confidence in the innovation as well as triggering interest from potential agents. UBA trainings on agent banking have been effective in improving the performance of agents.

Depth and reach of communication channels deployed by UBA/ABC to reach the target audience

- UBA and ABC used a number of approaches to reach out to the target audience. These included radio talk shows, Information Education and Communication (IEC) materials, and roadshows. Radio was the most successful channel in reaching the target audience and the use of local languages was crucial. Moving together with representatives of known financial institutions helped gain the confidence of the local population. Findings further indicate that while for female agents “friends and family” are the most important source of information, “bank staff” is the most important source of information for male agents.

Conclusions

The overall experience of expanding agent banking in northern Uganda indicates a possibility for growth as long as it continues to make economic sense to the agents who stand out as the cog in the spinning wheel of this model. However, whilst consumer engagement through targeted campaigns has yielded positive attitude towards agent banking, the true test of the model lies in its long-term potential to deliver on popular services such as efficient savings services, withdrawal, and credit all based on a reliable ICT infrastructure. In the short to medium term the cash-in-cash-out component of the economy will continue but ultimately digital transactions will predominate future businesses. Financial institutions should continue investing in awareness creation as well as enforcing a stable business environment for all stakeholders.

Recommendations

The following recommendations are key in the realization of the above objectives:

- To reduce the limiting effect of high cost of initial investment on agency bank establishment, financial institutions should be encouraged to provide credit facilities to new agents. This may entail adoption of a differentiated criteria for initial agent bank establishment for different locations such as remote rural locations or adjusting the recovery period of the POS Machines based on agent capacity.
- Financial institutions should find suitable compensations or incentives for agents’ initial investments such as cost waivers, while the government could be lobbied on tax waivers.

- There is need to build on transforarional services beyond cash, for instance insurance services, provide rural consumers with investment opportunities such as investing in treasury bills, strengthen the remittance component of agency bank business and focus the next phase of agent banking to achieve real transformation through continuous ploughing back investments into the agncy business to make it more viable.
- Agents should be encouraged to form associations to enbale them engage consciously on how to make the business more successful for all stakeholders.

Introduction and background to the report

Uganda Bankers' Association (UBA) is the umbrella body for commercial banks in Uganda and was founded in 1981. Its current membership comprises of 25 commercial banks and one development bank. UBA's mandate includes financial literacy and education, stakeholder engagement and advocacy, research and innovation, and promotion of best banking practices and sustainability of the banking sector. As one of its initiatives it supported the Financial Institutions Amendment Act (2016), which enabled commercial banks to engage in agent banking, bancassurance and Islamic banking. The regulations to operationalize agent banking were passed by the Bank of Uganda in 2017. In the same year UBA also realized that there was a need to set up infrastructure to manage agent banking across its members. After discussions with technological providers, a special purpose vehicle called the Agent Banking Company (ABC) was established, responsible for running the Shared Agent Banking System (SABS).

At the same time, the GIZ program *Promoting Rural Development in Northern Uganda* (PRUDEV) was commissioned in 2017 with the aim of improving the agriculture-based development of the rural economy of 10 selected districts in northern Uganda. PRUDEV's interventions are geared towards an improvement of agriculture-based, climate-smart, and local economic development. The ultimate goal of the intervention is to increase productivity, create new jobs, and boost the income of the rural population in northern Uganda. Since its beginning, the program has taken a multi-level and multi-actor approach in five complementary areas. Access to finance, being the third component, plays a central role since it also influences the success of the other four components¹. The main goal of the finance component is to improve the access of demand-oriented financial services for farming enterprises upstream and downstream of agriculture.

In order to realize this goal, in December 2018, GIZ partnered with Uganda Banker's Association (UBA) through a series of four local subsidies to support the implementation of agent banking. Over the past five years, the collaboration strategically focused on driving awareness and sensitization around agent banking, agent recruiting, and agent quality control. More specifically, the activities supported by GIZ and implemented by UBA through its subsidiary Agent Banking Company (ABC) include sensitization meetings across the nine districts, agent quality management monitoring visits to agents, community activation drives across the districts, training of agents in the focal districts in Acholi and Lango sub-regions, development of shared agent banking manual, development of information communication and education materials, radio programming, capacity building on data protection for UBA/ABC, project coordination support, and project monitoring. Furthermore, UBA facilitated the implementation of agent banking through a shared agent platform project with a country wide inter-

¹ 1) strengthening capacity for local economic development and mainstreaming climate-smart agricultural practices in local planning processes 2) increasing the market and entrepreneurial focus of MSMEs 3) enhancing awareness and capacities on monitoring reporting and verification of greenhouse gas emissions 4) water for agricultural production and water resource management

operable agent network and agent banking system that connects all UBA member banks across the country. Geographically, the intervention focused on Lango, Acholi and Teso sub-regions, particularly on the districts of Otuke, Amolatar, Oyam, Dokolo, Pader, Agago, Kitgum, Gulu, and Lira.

The PRUDEV program, and consequently also the GIZ support in the form of a local subsidy, came to an end in February 2023. This report presents findings on the impact the intervention had in the designated districts and on financial inclusion in general.

Purpose

The purpose of this report is to present the findings of the study conducted on the impact of agent banking on improving access to demand-driven financial services and in improving the agriculture-based development of the rural economy in selected regions of northern Uganda (Acholi and Lango sub-region). The specific objectives are the following:

- **Research objective 1:** Evaluate the impact of agent banking on improving access to financial services
- **Research objective 2:** Evaluate the impact of agent banking on the development and deepening of the rural economy in northern Uganda
- **Research objective 3:** Evaluate the role of the UBA and financial institutions in further promoting agent banking in northern Uganda
- **Research objective 4:** Gauge the depth and reach of communication channels deployed by UBA to reach the target audience

Methodology

To investigate the impact of agent banking and the effectiveness of the UBA interventions in the nine selected districts, a mixed-method study approach was deployed. Qualitative and quantitative methods have been used to collect and analyze data in the study's nine selected districts in northern Uganda: as a quantitative research method semi-structured questionnaires were distributed to banking agents and users, and as a qualitative research method Focus Group Discussion (FGD) were conducted in the communities. The findings of the two approaches were triangulated afterwards.

At the time of the study (October 2022) 580 banking agents had been registered on the shared agent banking platform in northern Uganda². Although only 434 of them were active, the sample size for the survey was drawn from the 580 registered agents (since an agent inactive today may be active tomorrow). Slovin's Formula was used to determine a representative sample size to be interviewed. It is computed as $n = N / (1 + Ne^2)$ as shown in the table below³. In order to cater for incompleteness, inaccuracy, or errors, the sample size was readjusted to 220 banking agents.

Table 1: Distribution of respondents across districts

² Uganda Bankers Association report .. Nathan kindly obtain the date

³ To calculate the sample size (n) given the population size (N: 580) and a margin of error (e), with a 95% level of confidence (CI) and a 5% margin of error.

District (Scope)	No. of Agents from the sampling frame	Sample Size	Adjusted Sample Size
Otuke	7	3	7
Amolatar	3	1	3
Oyam	32	12	12
Dokolo	24	9	9
Pader	19	7	7
Agago	21	8	8
Kitgum	58	21	22
Gulu**	222	80	81
Lira	194	70	71
Total	580	210	220

***Gulu was not included in the survey at the end*

The study was conducted by a team of six research assistants with local knowledge and experience. The research assistants received half-a-day training before the start of the research to allow for a reliable execution of the survey. For the analysis of the quantitative data SPSS has been used. Furthermore, some of the qualitative findings will be presented with the use of word clouds.

The research outcomes was presented and discussed in a learning workshop in February 2023.

Presentation of findings

The survey outcomes will be analyzed following the structure of the four objectives presented in the previous section on the purpose of the study. Furthermore, they will be enriched with insights from the Focused Group Discussions (FGDs). The findings will

Category	Target population	Population sample	Sampling technique
Active Bank Agents	434	210	Stratified random sampling
Active Bank agents	580	220 (Adjusted sample size)	Stratified random sampling
Users at agent points	Undefined quantity	108 (6 per day for 3 days per person)	Purposive sampling
Users at communities	Undefined quantity	81 (one focused group discussion a 9 people per district)	Focused group discussion

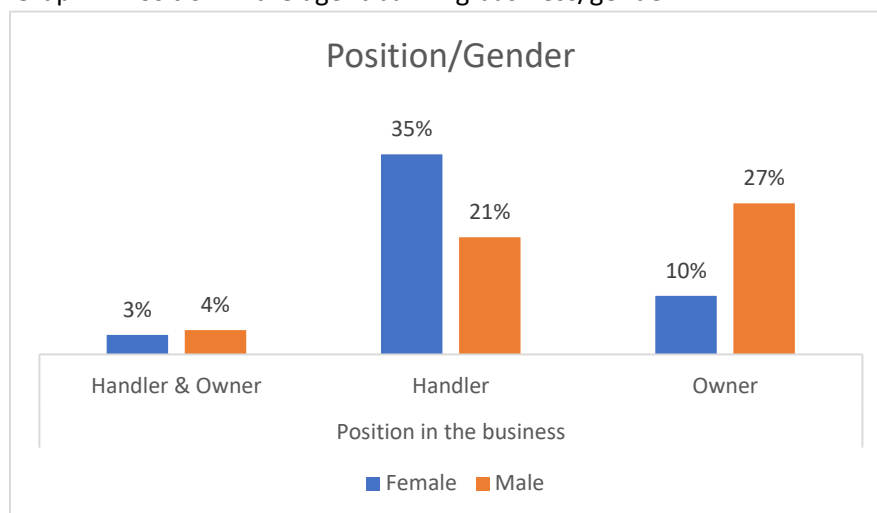
then be merged into recommendations in the last part of this report. The following paragraphs are structured as follows: firstly, the demographics will be illustrated, and secondly, the findings of the two survey and the FGDs will be presented. Thirdly, the findings will be discussed, and recommendations will be developed. In the last section, the reader will be provided with a conclusion of the report.

Demographics

Banking agents

In total, 117 agents participated in the survey. 49% of the respondents are female and 51% are male. The age distribution of the respondents during the survey is as follows: 25% of the agents are between 18 and 24 years old, 50% are between 25 and 34 years old, 21% are between 35 and 44 years old, 3% are between 45 and 54 years old, and 1% is older than 65 years old. Furthermore, the geographical distribution of the respondents across the nine focus districts is the following: 13% are from Agago, 8% are from Amolatar, 9% are from Dokolo, 10% are from Kitgum, 36% are from Lira, 5% are from Otuke, 10% are from Oyam, and 9% are from Pader. Gulu has been excluded from the survey since it has not been the focus of the PRUDEV program until recently, and accordingly, due to the short time-horizon of the intervention, Gulu's inclusion could have skewed the data and outcomes of the survey. Furthermore, on average, the agents who answered the survey have been involved in the agent banking business for at least two years. 37% of the respondents of the survey indicated that they are the owner of the businesses, 55% indicated to be the handler (those involved in the daily operation of the business, whether as employee or assistance but do not own the business), and 8% indicated to be owner and handler at the same time. Strikingly, women are significantly less likely⁴ to be business owner than men, as can be seen in the following graph.

Graph 1: Position in the agent banking business/gender



Additionally, 2% of the banking agents that answered the survey completed primary school, 43% completed secondary school (O level), 6% finished secondary school (A level), 10% have completed tertiary education, 19% hold a diploma, and 20% hold a university degree. Among all the respondents, 19% are active as an agent for less than

⁴ 10% significance level

half a year, 14% are active for a time span between 7 and 12 months, 4% for 13 to 18 months, 25% for 19 to 24 months, 21% for 31 to 36 months, and 17% for more than 37 months.

Users of the Services

In total, 87 users responded to the survey. 37% of the respondents are female and 63% are male. The age distribution of the respondents is the following: 18% are between 18 and 24 years old, 45% are between 25 and 34 years old, 19% are between 35 and 44 years old, 13% are between 45 and 54 years old, 3% are between 55 and 64 years old, and 2% are 65 years or older.

Furthermore, the geographical distribution is the following: 8% are from Agago, 17% are from Amolatar, 26% are from Dokolo, 9% are from Kitgum, 8% are from Lira, 7% are from Otuke, 15% are from Oyam, and 10% are from Pader. Again, Gulu has been excluded from the research since it has not been the focus of the PRUDEV program until recently, and, again, the data from Gulu could have skewed the data. The achievements of the users in formal education of the users look like the following: 1% completed preschool, 12% completed primary school, 26% completed secondary school (O level), 8% finished secondary school (A level), 21% completed tertiary education, 21% obtained a diploma, 10% count with a degree, and 1% never attended any formal education.

Research objective 1: Evaluation of the impact of agent banking on improving access to financial services

Banking agents

98% of the banking agents support the statement that agent banking has increased the usage of financial services in their respective areas. An earlier survey had equally pointed that the average distance from agent to user had reduced from 6.8 kilometres to 1.8 kilometres due to the intervention. One participant of a FGD in Amolatar describes agent banking as a tool that “brings banking services closer to the community, [...] rendering services to communities that are far away from town and bank branches” and another participant describing an agent as “a small bank that is in our community”.

The financial services offered by the banking agents who have responded to the survey are the following:

- 100% indicate that they offer money deposit
- 96% indicate that they offer cash withdrawals
- 91% indicate that they offer making payments
- 72% indicate that they offer account opening
- 51% indicate that they offer sending money
- 14% indicate that they offer credits or loans

There is no significant difference between men and women in which services they are able to offer nor is there any observable influence of the level of the agent's education

or the time of being a banking agent. Furthermore, between the different districts there are no notable differences between the services offered, save for Oyam where more loan offers were registered.

At the same time, 68% of the agents pointed out that their customers demand services that they are unable to offer. Despite the existing demand...

- 5% indicate that they are unable to offer the service of making payments
- 5% indicate that they are unable to offer the service of sending money
- 8% indicate that they are unable to offer cash withdrawals
- 24% indicate that they are unable to offer the service of account opening
- 32% indicate that they are unable to offer credit/loans

There is no observable difference between men and women nor is there an influence of the level of schooling or time, being active as a banking agent. Strikingly, however, one can observe a clear trend in the data in the agent's inability to offer demanded services according to the urbanization of the district: the more urbanized a district, the less likely there are demands for services that the agents are unable to meet (e.g., in Lira, 55% of the agents indicate that there is no demand by clients that they are unable to meet, this compares to 6% in Agago or 10% in Dokolo). Nevertheless, the strong (and unmet) demand for credit is also confirmed by many of the participants of the FGDs. For example, one participant from Dokolo claims that "most businesses depend on loans these days in Dokolo district. We need financial institutions to give us loans, the banks need to empower their agents to approve and offer loans in our community".

Users of the Services

While 94% of the users state that agent banking has increased the number of financial services that they use, 97% indicate that agent banking has increased their banking hours. This finding is confirmed by one participant of the FGD in Amolatar who points out that "an agent can be accessed any day and any time" and one participant from Pader states that it reduces "time lost". Furthermore, 96% of the respondents point out that agent banking has made their accounts more easily accessible to them, and 78% say that agent banking decreased the cost of operating their accounts (i.e., costs associated with fees, transportation, opportunity costs etc.).

The participants from the FGDs point out the reductions in the transport costs as the most important reduction in the cost of operating their accounts. For example, one participant from Agago explains that "before agent banking, I would spend 15,000 UGX for moving from my village to the bank, but now the agent is very near, so I do not need to spend anything". Moreover, 95% of the users agree with the statement that agent banking allowed them to save their money in a safer way. One participant of the FGD in Amolatar illustrates this point with a personal anecdote: "I still remember in 2017 when my uncle was ambushed by some thieves on his way from town, where he had gone to sell his rice. They attacked him at 6:30pm and stole 2 million. I am very happy now because of mobile money and agent banking, it saves us from being

assaulted by robbers [...] because we do not need to travel with money for a long distance”. One participant from Pader adds that “agent banking saves our money from risks like fire, theft, and robbery since I used to keep my money at my house”. In addition, 65% believe that agent banking made VSLAs more efficient with regard to both safety and management of bulk cash. While only 28% of the respondents put forward that agent banking decreased their usage of mobile money (43% answered with “neutral”), 79% of the respondents point out that agent banking decreased their usage of cash. Lastly, at the time of the survey, 91% of the respondents indicate that they have a bank account. This compares to 26% for VSLAs, 3% for SACCOs, 6% for microcredit institutions, and 56% for mobile money. For all these findings there are no significant differences between men and women, different districts, and age.

Research objective 2: Evaluation of the impact of agent banking on the development and deepening of the rural economy in northern Uganda

Banking agents

98% of the agents indicated that agent banking has increased the employment opportunities in their community. Confirming this point, one participant of the FGD in Amolatar expresses that she is “very happy that agent banking is creating employment opportunities for young people in our community”. The same number of respondents claim that agent banking has increased their financial knowledge. Moreover, 89% of the agents point out that agent banking increased their income as well as their savings. At the same time, 74% indicate that agent banking increased the income of their previous business. Furthermore, 94% of the respondents say that agent banking has made their business activities more efficient and 88% indicate that agent banking allowed them to explore new business opportunities. Most importantly, an overwhelming 95% of the agents point out that agent banking improved their quality of life/wellbeing. There are no significant differences between women and men, the different districts, and the duration of being an agent.

The large majority of the agents indicated to count with 1 to 3 employees (1 employee: 14, 2 employees: 59, 3 employees: 28, 4 employees: 7, 5 employees: 3, 6 employees: 3, 7 employees: 1). This results in a total employment of 284 jobs. Once again, Lira being a business-hub in the region, stands out as the districts with the highest presence of agent banking business with a larger number of employees (27% of the businesses have 3 employees or more in Lira, this compares to 8% in Kitgum, 9% in Oyam and 0% in all other districts).

Gender and duration as a banking agent do not have a significant influence on the number of employees. Furthermore, 12% of the employees work part-time (20 hours), 12% work full-time (40 hours), and 76% work more than 40 hours per week. On a monthly basis 47% earn between 100,000 and 200,000 UGX, 21% earn between 201,000 and 300,000 UGX, and 12% earn 301,000 UGX or more. There was a small proportion of agents (20%) who acknowledged they had not yet been paid by the time of the survey. Moreover, 22% of the agents indicated that they experienced an increase in employees since their active in agent banking. Out of these 25 agents, 10

employed 1 new employee, 12 employed 2 new employees, 2 employed 3 new employees, and 1 employed 4 new employees, resulting in a generation of 44 new jobs. Out of these 44 new employees, 20 employees are male and 24 are female.

Also, findings from the study reveal that women are significantly less likely to experience an increase in their number of employees than men (14% among women compares to 28% among men)⁵. Additionally, there are also regional differences. While in Dokolo and Oyam 50% of the businesses experienced an increase in employees since they are active as banking agents, this number amounts in Lira to 29%, in Otuke to 17%, in Amolatar to 11% and in Agago, Kitgum, and Pader to 0%. Lastly, the longer an agent is already active as a banking agent, the more likely he or she is, to have experienced an increase in the number of employees (while 45% of the agents who are active as an agent for more than 3 years have employed additional personnel, this number only amounts to 10% for agents who are active for half year or less).

Moreover, 20% of the agents have started an additional business since they are active as banking agents. Most typically, these agents have opened a mobile money business, an additional agent banking business, or a general merchandise/grocery shop. Lastly, 40% of the banking agents indicated that they receive on estimate 0-50 clients per week, 26% receive 51-100 clients per week, 13% receive 101-150 clients per week, 7% receive 151-200 clients per week, 7% receive 201-250 clients per week, and 7% receive more than 251 clients per week. There are no observable differences between the different districts.

Users

87% of the users confirm that since the introduction of agent banking new businesses emerged in their communities. Along similar lines, 92% of the users point out that agent banking has increased the employment opportunities in their communities. While 91% of the users indicate that agent banking allowed them to explore new business opportunities, 68% say that agent banking allowed them to expand their business. As one participant of the FGD in Dokolo stresses, “agent banking makes traders catch up with business opportunities that require quick response since we can easily access our money at any time from the agent that is located in our community”. Furthermore, 85% of the users state that agent banking allowed them to save more money, and 79% say that agent banking increased their monthly income. As one participant of the FGD from Kitgum pointed out, “I do not spend money to go to Kitgum town because financial services are now close to our community” and one participant from Amolatar underlined that “agent banking reduces transportation costs”. Additionally, a participant from Amolatar claims that agent banking is “promoting saving culture among members of the community” because it now also makes financial sense to deposit smaller amounts at the bank. Lastly, 86% of the respondents state that agent banking has increased their financial knowledge and skills, and 63% claim that agent

⁵ 10% significance level

banking increased their financial independence. At the same time, the users seem to be interested in learning even more about finances. As one user from Amolatar points out, people in his community would like to be “trained on financial literacy”. For all these findings there are no observable significant differences for gender or district.

When asked about negative impacts of agent banking in their community, 47% of the users answered that they could not identify any. Negative impacts that have been pointed out are an increase in theft, one woman answered that her husband can track her savings now more easily, distrust towards agents, and quicker use of savings due to easy accessibility. Additionally, when asked about risks associated with agent banking, 21% of the users cannot identify any risks in their communities. The biggest risk (45%) identified by the users is theft on their way to and from the agents or at the agent’s business, followed by financial losses due to network problems (12%), and fraud (5%).

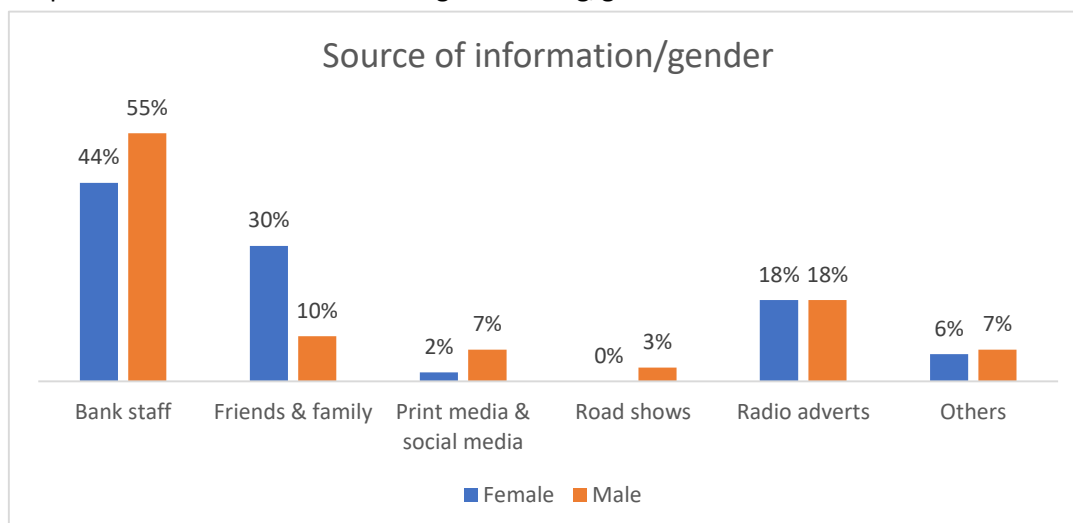
When the users were asked about suggestions for the improvement of agent banking, they gave very diverse answers. Some reoccurring themes were network improvement, increased sensitization, “being more careful” or improved privacy requirements, and more security at agent businesses. As expressed by one participant of a FGD in Dokolo, the issue of poor network has direct implications for agents as well as users: “I want you to know that these agents are not making money because of poor network that is associated with agent banking. There was a day when I waited the whole day for the network. That really discouraged me a lot from using agent banking, and I think this is also the case for other people”.

Research objective 3: Evaluation of the role of UBA and financial institutions in further promoting agent banking in northern Uganda

Banking agents

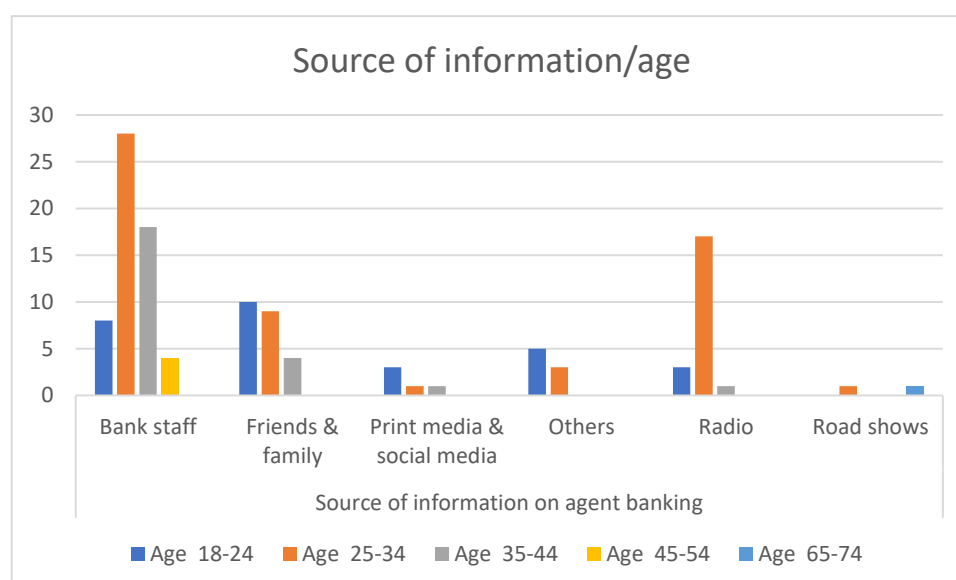
50% of the banking agents have received their information about agent banking from bank staff, 20% have received it from friends and family, 18% have received it from radio advertisement, 4% from print and social media, and 1% from road shows. 7% have received it from other sources.

Graph 2: Source of information on agent banking/gender



When segregated by gender, it becomes striking that there is a difference in where men and women get their information from. While for men bank staff has been the most important source of information, for women it has been friends and family. There is no significant difference between the different districts on where the agents get their information from. Comparing the different age groups, it becomes clear that for the agents between 18 and 24 friends and family have been the most reliable source of information, for the agents between 25 and 34 bank staff and the radio, for the agents between 35 and 44 as well as between 45 and 54 also bank staff, and lastly, the agent about 65 has received the information from a road show.

Graph 3: Source of information on agent banking/age



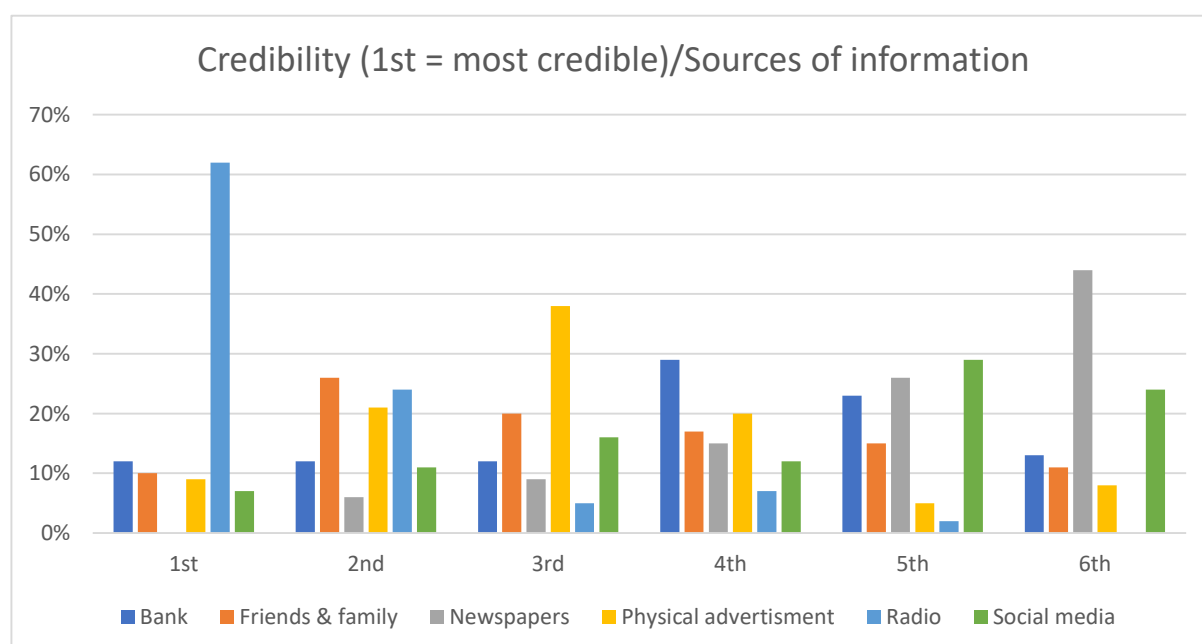
Furthermore, 29% of the agents who have responded the survey attended at least one UBA/ABC training. When asked about how to improve these trainings, this is what they answered⁶:



Users

For the users, radio is by far the most credible source of information, in contrast to newspaper, which are assessed as the least credible source. While friends and family as well as physical advertisement are assessed as comparably credible, newspapers and social media are evaluated as comparably uncredible. There are no significant differences between men and women observable. In line with these findings, 97% of the Users' state that radio is the most effective medium to increase awareness about agent banking.

Graph 4: Credibility/source of information on agent banking



As outlined in the introduction of this report, UBA has launched a Shared Agent Banking platform to accelerate the role out of agent banking across Uganda. In order to

⁶ The bigger a word, the more agents have mentioned it.

investigate how knowledgeable the users are about the shared agent banking platform, the survey included one question that asked the respondents to list all the banks on the shared agent banking platform that they are aware of:⁷ 13 named Centenary Bank, 10 named DFCU, 8 named Stanbic Bank, 7 named Equity Bank, 6 named Post Bank, 3 named Bank of Africa, 3 named ABSA, 2 named KCB, 1 named Opportunity Bank, 1 Vision Fund⁸, 1 Housing Finance, and 1 UBA. Furthermore, when the users were asked about which financial products they can access on the shared agent banking platform, 8 mentioned withdraws and deposits, 6 mentioned making payments, 2 mentioned sending money as well as account opening, 3 mentioned loans, and 1 mentioned checking account balance. Despite the limited data in response to this question, the findings can be complemented with statements of the users from the FGDs: One user from Kitgum described the shared agent banking platform as a network “where banks like Centenary, Equity, DFCU help the government to gather more revenue”, one user from Agago described the shared agent banking platform as a platform “where you can withdraw from any bank but on a higher charges”, and one user from Pader explains that the on the shared agent banking platform “different banks join hands together to bring their banking services closer to us”.

Research objective 4: Gauge the depth and reach of communication channels deployed by UBA to reach the target audience

Banking agents

69% of the agents agree with the statement that the radio shows convinced them to become a banking agent, and 75% of the agents state that they found the radio shows to be informative. While there is no significant difference between men and women in the effectiveness of the radio shows of convincing them to become agents, women appear to be more likely to evaluate the radio shows as informative than men⁹.

The following table (Table 3) indicates how useful the agents perceived the different provisions from UBA¹⁰:

	Not useful at all	Slightly useful	Somewhat useful	Very useful	Extremely useful
Manuals	12%	0%	16%	45%	27%
Advertisement material	0%	0%	20%	49%	31%
Signs	0%	0%	14%	51%	35%

⁷ Unfortunately, during the study design there was an issue with the software, so the answers to this question can only be taken as indicative (14 valid responses).

⁸ Vision fund was probably mentioned out of lack of understanding by respondents that it is a non-Tier 1 institution although they are aware that it is one of the financial institutions operating in their midst.

⁹ Almost significant at 10% confidence level

¹⁰ When agents rated one item as ‘not useful at all’ it is in all cases due to the reason that they have not received this specific item.

Caps	18%	0%	17%	45%	20%
Pens	19%	0%	18%	43%	20%

The following word cloud summarizes the answers given by the agents on how to reach people in their communities who are still unaware of agent banking:



The following word cloud summarizes the answers given by the agents when asked on how to improve the radio shows:



When asked about their motivation to be a banking agent, 66% indicate that they are motivated by providing financial services for the community, 59% indicate that they are motivated by money and profit, and 26% indicate that they are motivated by income diversification.

Users

82% of the users explain that the radio shows convinced them to use agent banking, while 82% indicate that the radio shows increased their trust in agent banking. Lastly, 87% say that the radio shows were informative and 83% state that the radio shows were easy to follow and understand. There are not observable differences between the districts or gender. 97% of the users state that according to them it makes sense to keep doing radio shows to increase awareness about agent banking. The following word cloud summarizes the answers given when the users were asked how to further increase



awareness in their communities:

One participant from Dokolo summarizes this word cloud well: “You see my son; most people did not study but they are not deaf. So, if you want them to know about any program, just go to the radios and make them play radio adverts. Secondly, you can also come with your big speakers and do physical adverts in our community. This will make even those on the fields and trading centers hear what you have to say”. Another participant proposes T-shirts as a further option for physical advertisement: “When you provide us with T-shirts, we shall be moving around well-dressed in our T-shirts to Sunday service and many people will be asking about agent banking”. Nevertheless, one participant from Amolatar expresses that the low uptake of agent banking in Uganda is due “to limited access to information due to poor advertisement. I only hear adverts being played on radio stations, instead, banks and GIZ should be coming to the community and sensitize us”. Moreover, one participant from Amolatar stresses that “sensitizing local leaders who will pass the information through their local meetings” would be an effective mean to reach people who could not be reached by radio. Lastly, one participant from Pader explains that “sensitizing savings groups and VSLAs about agent banking could also help since most VSLAs do not have accounts with banks”.

Additional findings

In addition to the defined research questions the survey also investigated other areas of interest for analyzing agent banking in northern Uganda. Firstly, the agents were asked about the technological, knowledge, infrastructural, capital, demand, security, and registration challenges that they face in their operations. Secondly, they were asked about the solutions they propose to these challenges. Thirdly, they were asked about what kind of support they expect from financial institutions, and fourthly, how they would change agent banking. Lastly, their marketing strategies were investigated.

Challenges and their solutions

Technological challenges and proposed solutions

91% of all the agents indicated that poor/erratic network connectivity is their biggest technological challenge. Other challenges that were mentioned are the functionality of the machines, management of cash and float, and fraud.

To solve the network problem, the agents hope that the service provider will improve the network, so that it becomes more reliable, and request for alternative network provider with sufficient data. With regards to the machine issues the agents hope for more technical assistance.

Capacity and knowledge challenges and proposed solutions

56% of the agents indicate to not have any capacity- or knowledge-related challenges. The agents who expressed that they do have some gaps have very specific areas of interest, such as tax payments, float liquidation, reversal processes, business communication skills, commission structure, how to repair the machine, or account opening. The agents who have identified challenges would like to receive further trainings on the topic or financial support.

Infrastructural challenges and proposed solutions

51% of the agents state that they do not face any infrastructural challenges. Infrastructural challenges that were mentioned are high rent (14%), high transportation costs to the next bank (6%), and lack of an adequate building/office (9%). Proposed solutions by the agents are a change in the commission structure to finance the rent, banks providing the remote agents with float/cash or employing more super agents, increased investment in roads by government, or moving the office to a cheaper place.

Capital challenges and proposed solutions

29% of the agents claim that they do not face any capital-related challenges. 68% indicate that limited capital is their biggest capital-related challenge, where access to float seems to be of particular concern. Proposed solutions by the agents are receiving a loan on favorable terms from the banks, adding more capital themselves, and an increase of commission rates by the bank.

Demand challenges and proposed solutions

34% of the agents state to not have any demand-related challenges. 33% indicate that a significant challenge from them is the demand of customers for services that they are unable to offer (particularly, services from other banks, account opening, ATM machines, and loans). Furthermore, 14% of the agents indicate that low/seasonal demand presents them with challenges. Lastly, 4% indicate that lack of trust and information of their (potential) customers poses a challenge to them. This last finding is also confirmed by one participant of an FGD who expresses that “most people in villages fear banks because they think banks are for educated people. The information [about agent banking] should be broken down and simplified for any local farmer to

understand”, and one participant from Amalotar adds that people “believe that banks cheat them”. Another participant from Dokolo points out that “as Africans we have our own system of keeping money in the house or underground” and one participant from Kitgum adds that “within the community people have no broader knowledge on how to save money”. Importantly, participants of various FGDs point in the importance it has for them that they know the agents from before (i.e., members of the community), and that they speak the local language. Lastly, one participant from Amalotar expresses the concern that the costs associated with agent banking are still high for his community: “I want you to know that 1,000 UGX is a lot in our lives, especially during these hard economic times. I fear high charges from the agent banking and so I rather save my money at home instead of taking it to be saved at a cost.”

The agents propose as solutions to their challenges increased sensitization of their (potential) customers, further trainings in order to be able to provide the additional services, and financial support for periods of low demand.

Security challenges and proposed solutions

51% of the agents state that they do not face any security challenges. However, 33% identify theft as their biggest security threat, while 5% identify fraud as their biggest threat. Further security threats mentioned are the transport of cash from the business to the bank and agent banking network failure. The agents observe that as solutions to their security issues they have learnt to close their businesses earlier during the day, employing security personal, trainings by the banks on fraud, and installation of CCTV cameras.

When asked about risks associated with being a banking agent the agents answered largely the same as for the security challenges. Next to the examples already provided they added the risk of receiving fake money, transaction errors, and losing customers due to poor network. In order to minimize these risks, the agents plan to have a machine to check for fake money, network improvements, and employing security guards and installing CCTV cameras.

Registration challenges and proposed solutions

The biggest challenges during the registration process identified by the agents are the paperwork, high costs associated with buying the machines, and delays in being approved. One participant of the FGD in Dokolo points out that in his community they “are very disappointed of most of the banks because they have very complicated requirements and conditions attached to becoming a banking agent, as if we are not in developing country like Uganda” and another user states that “the banks are setting too many conditions on agent registration, for example the audit report, a certified copy of an incorporation certificate and 1,000,000 UGX deposit. They should begin requesting for LC1 recommendation letters and only a copy of the national ID for registration”. The agents propose to reduce the initial costs of the machines, reduce the initial requirements to become an agent, and speed up the process of being approved as an agent.

Support expected from financial institutions

13% of the agents indicate that they do not expect any additional support from the financial institutions. 40% point out that they would hope for financial support, the most desired support are favorable loans, followed by the possibility of an interest-free bank overdraft. Additionally, 8% hope that the financial institutions will improve the network. 7% hope to receive more training. Furthermore, it has been mentioned that they hope to receive special treatment by the banks, i.e., that they can skip lines when at the bank or have a separate phone service line. Similarly, in the FGD in Dokolo also the users requested a preferential treatment for agent banking users: “I request that banks should assign a separate customer care attendant to handle issues concerning agent banking, otherwise people will run away, back to saving their money at home or putting it on mobile money”. Lastly, it was indicated that they hope for some support during the registration process, e.g., financial support to buy the machine or a simplification and speeding up of the process in general. This last hope is also expressed by one participant of the FGD in Dokolo, in saying that “mother banks should simplify their registration process to allow more people from our community to apply and become agents. We want more agents in our community”. Lastly, users in Amolatar expressed that they wish to have a list of registered and trusted banking agents in each community so that the community knows where to go and where not to go.

How to change agent banking

37% of the agents say that if they would change something about agent banking, they would engage in more community sensitization. Furthermore, 19% point out that they would work on an improvement of the network. 4% would like to see trainings for the community and 3% would like to have more training for the agents. Lastly, 3% would like to have more branding for agent banking.

When asked about how financial institution could create a better business environment the agents pointed the same aspects as when asked about what kind of support they expect and how they would change agent banking.

Marketing strategies

99% of the agents claim that they have some sort of marketing strategy in place to expand their customer base. While 80% say that they use posters and brochures to attract new customers, 53% indicate that they use their clients to spread the message, 24% use radio and social media to expand their customer base, 12% go to community events to attract new customers, and 3% do road shows.

Discussion of findings

Building up on the presentation of the findings in the previous section, in this section, findings that can be translated into recommendations are discussed and systemized.

Gender lenses

As outlined by the National Development Plan III by the Ugandan government, one strategic goal of the government is to reduce the gender gap index from 0.523 in 2017 to 0.8. This aim is backed up by the International Labor Organization (ILO, 2022): according to the ILO, integrating gender concerns into employment promotion can contribute to more effective boosting of productivity and economic growth, human resource development, sustainable development, and reducing poverty. Consequently, if there is a gender strategy in place, agent banking can be one important piece of the puzzle to decrease gender inequality in the labor market and beyond, and therewith, increase quality of life for all in the rural setting.

As the presentation of the findings has shown, 49% of the 117 agents are women, indicating a similar direct job creation through agent banking among men and women. Nevertheless, as the further analysis on the type of job has shown, women are significantly less likely to be owner of the agent banking business than men. The female agents are also significantly less likely to experience an increase in the number of employees than men. Contrastingly, but proving the same point, out of the 44 new employees by the banking agents, the majority (24) are female – again, women are employees, not employers. This comes with important implications. For example, the trainings offered by UBA are only oriented towards the owners of the business, and consequently, excluding the women who are not the owners. This increasing knowledge gap has the potential to reproduce gender inequalities, with men being in the position of power, instead of reducing them. Lastly, as the research has shown, there is a difference between female and male agents on where they get their information about agent banking from: While for women friends and family are the most important source of information, for men, bank staff is the most important source of information. This has to be considered when trying to increase awareness about agent banking among women.

Awareness creation

When the agents were asked how they would change agent banking, most of them answered that they would further increase sensitization about agent banking as their first priority. When asked about how they would increase sensitization, the large majority of the agents mentioned radio, followed by community meetings, and physical advertisement. When the same question was asked to the users, they firstly responded radio, followed by physical advertisement. Furthermore, in the FGDs, using local leaders as a multiplier was mentioned several times. When the agents were asked on how to improve the radio shows, they pointed out that there should be more advertisement for the shows, and they should take place more frequently. Other points mentioned were that it is important that they are offered at different times of the day so different people can attend, and that the language used is a simple one. Additionally, by the users, radio was evaluated as the most credible source of information. Remarkably, however, although the agents pointed out the importance of radio in increasing awareness, the majority of them received their information about agent banking from bank staff. Furthermore, signs, advertisement material, and manuals were evaluated by the agents as the most helpful provisions. Lastly, when the agents were

asked about their marketing strategies, only 12% of them indicated that they are attending community events to attract new customers – while, at the same time, events like market days or church events have been identified by the FGDs as potential customer recruitment events.

Unserved demand

The agents identified various challenges related to the demand. One of their biggest challenges identified include the inability to offer certain services. While only 14% of the agents offer loans and credits, 51% offer the service of sending money, and 72% offer the service of account opening. As the research has shown the demand particularly for credit is immense, at the same time, only few agents can offer the service. Further demand-related challenges among the agents include low or seasonal demand as well as lack of trust and information among the (potential) customers. There is also a strong correlation in the data between the degree of urbanization of a district and the number of demanded services that agents are (un)able to offer: the more urbanized a district, the more services the agents can offer their clients. To close this gap between urbanized and rural districts, and to achieve the goal of agent banking to extend financial services to rural areas, presents another challenge for financial institutions. Furthermore, the agents expressed a demand for training on network challenges, on account opening, and on customer care. Especially the network issues, as shall be discussed in the section about technological challenges, presents the agents with many hurdles. According to the agents, the network problem leads to losses for the agents but also to a lack of interest among the users, decreasing the demand for their services. The users also expressed the demand to receive financial literacy training from financial institutions.

Technological, registration, and other challenges

Agents complained about disruptive technology by way of replacement of old technology in a short period of time before recovery of investments in old technology, as well as poor network being a key challenge for both agents and users. It decreases the operating hours of the agents (and therewith potential income) and it reduces the trust and interest of (potential) users in the service.

Agents and users largely agree on challenges during the registration process: paperwork, initial costs of buying the machines, and delays in being approved as a banking agent.

Other challenges that have been discussed in this report are knowledge, technological challenges, capital challenges, and security challenges. One challenge cuts across the three different areas: transportation of cash to the banks or the need to go to financial institutions to receive new float. Due to the remoteness of some of the agents, the financial institutions are oftentimes far away. According to the agents this comes with important capital challenges (costs for transportation) and security challenges (risk of being robbed when carrying large amount of cash). Further security risks include fraud and theft at the business, and an additional infrastructural challenge are high rent payments. Further support that agents hope for from financial institutions are a special

treatment by the banks (e.g., having separate phone lines for customer care only for agents) and more support during the registration process. Furthermore, users requested a public list of registered banking agents.

Conclusion

The agency banking is a business and for it to continue to make sense to the agents it has to be profitable. There is therefore need for continuous awareness raising even beyond the GLZ subsidy for this to work.

Digitization of financial inclusion in Uganda is a gradual process. In the short to medium term, the cash in-cash out component of the economy will continue to dominate but this will subsequently transition in favour of digital transactions as time goes by. This will be largely driven by convenience, risk mitigation and the realization that one doesn't have to carry cash all the time.

Since digital inclusion is likely to shape the future of financial transactions, it is prudent for financial institutions to invest substantially in the sector. However, the issue of poor network remains a key challenge that requires negotiation with service providers and other stakeholders.

It is clear that further growth of agency banking is likely to make the money transfer market more competitive and drive mobile money companies to push down their rates thus eventually benefiting the last-mile consumer even more.

Recommendations

- To address the gender gap, it is recommended that UBA and financial institutions develop a strategy on how to recruit more female banking agents. In an interview with a representative of one bank active on the shared agent banking platform, it was expressed to the researchers that no such strategy is in place at their institution. An increase in female banking agents will ultimately also benefit the banks themselves (as has been outlined in the beginning of this paragraph, more gender equality leads to economic growth and reduction in poverty, which will lead to more potential customers for the banks). When trying to recruit new female agents, UBA and other financial institutions should bear in mind where women primarily get their information from: friends and family. In the meantime, it is recommended that UBA reevaluates their approach of only inviting businesses owners to the trainings. Instead, they should encourage every banking agent comes with one employee to ensure knowledge transfer. Additionally, further research needs to be done on the quality of employment, i.e., if there is any difference in, e.g., working hours or salary, between male and female employees.

Radio shows are identified by users as well as agents as the main road to further sensitization, consequently, it is recommended to keep on doing radio shows (while having the gender-perspective in mind and recognizing that for women

friends and family are more important source of information). At the same time, most of the agents received their information from banking staff, offering an accessible and cheap point of intervention for financial institutions. Since the clients come to the bank anyways, the financial institutions need to capitalize on that contact point and recruit agents when they are visiting the bank. For example, bank offices with a high customer flow could install an information stand on agent banking. Furthermore, agents should be encouraged during UBA/ABC trainings to not passively wait for new customers to arrive, but to go out to their community and recruit new users themselves (e.g., at markets or after church). Moreover, it has been shown that the awareness of agents about the different banks at the shared agent banking platform varies greatly – it will be the responsibility of the banks to increase their awareness about their own bank at the shared agent banking platform. Lastly, UBA could consider offering information sessions for local leaders for awareness raising in the communities.

- UBA and financial institutions should put a focus on agents in rural areas when designing their trainings. Assuring that rural agents participate in trainings on, e.g., account opening or credits, will allow the urbanized/rural service gap to be closed. For the case of loans in particular, banks should ensure a timely turnaround time in loan processing. The issue of lack of trust/information can be addressed with the recommendations proposed in the previous section about awareness creation. Next to that, the agents point out how important it is that the agents are from the area and speak the local language for the (potential) customers to trust them. In order to respond to the demand by users to be further educated in financial literacy, train-the-trainers approach could be piloted with some agents like the one Centenary Bank did in Kitgum and Oyam. By providing them with training and information material for their communities they can expand their potential customer base and educate the population about basic financial skills and agent banking.
- Banking agents should be encouraged to engage in sensitization and marketing themselves. While only 12% of the agents indicated that they go to community events to attract new customers, this marketing approach has an important potential to attract new female customers (as they indicated that they receive their information primarily from friends and family).
- While hoping for improvement in the network quality, agents demand trainings to learn how to deal with network challenges to not run the risk to make losses or lose their customers.
- The selection criteria for banking agents are, particularly for the rural (female) population hard to fulfill. In the rural areas, where there is large number of informal business, having an official business for more than one year and a formal bank account for more than six months are criteria that for a large share of the rural population are hard to live up to. One possible relaxation of these regulations would be, e.g., to recognize mobile money statements as a sufficient proof of financial reliability. Furthermore, it would be a major step forward, if in combination with mobile money statements, also informal businesses would

be recognized. This could be done, e.g., with the help of LC1 confirmation or recommendation letters.

- The transportation of cash and traveling to the banks is associated with high costs and security risks for the agents. Since banking agents are greatly beneficial for the expansion of the customer base of the banks, it is recommended that the banks should take more responsibility for the security of the agents. This could be done by, e.g., by delivering new cash/float to the most remote agents once per week with a secured bank vehicle. This would not only increase their security but also relax their budget since they would need to spend less on transportation and would have more money available to pay their rent. Furthermore, the agents would like to receive trainings on how to detect and deal with fraud. Lastly, in order to relax their capital limitations, agents request to receive loans on favorable terms by the banks. To which extent this is feasible needs to be clarified by the financial institutions.
- To make the agency business more attractive for agents, initial investment cost should be reduced by the banks; for instance, acquisition of the POS machine should be reduced with its payment on installment basis to make it easier for agents with small capital.
- There is need to implement a win-win approach to the establishment of an agency banking unit whereby financial institutions find a way of compensating agents for their initial investments. A modality needs to be put in place to ensure some of the profits realized also trickle down to agents since they are at the core of the business.
- Beyond their current mandate of supporting financial transactions, agency banking needs to engage in other transformational services beyond cash such as insurance and investment in bonds. This will go a long way in improving customer experience as well as deepening the financial sector especially when it becomes possible to connect it with cash remittances such as money being sent up-country.
- Agents are the closest linkages to customers therefore they should be encouraged to form area-based associations for better coordination and engagement.
- Policy and regulatory frameworks should be guided by the unique circumstances of agents, such those operating in hard-to reach areas.
- Low levels of liquidity remains a major challenge for agents: Financial institutions should find ways of boosting liquidity of agents to ensure customer confidence in the system. This could be partly achieved by expanding the capacity and mandate of super-agents.