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# SAVINGS HABITS, NEEDS AND PRIORITIES IN RURAL UGANDA



**September, 2005**

This publication was produced for review by the United States Agency for International Development. It was prepared by Rich Pelrine and Olive Kabatalya, Rural SPEED, for Chemonics International Inc.



# Rural SPEED

Rural Savings Promotion & Enhancement of Enterprise Development

## SAVINGS HABITS, NEEDS AND PRIORITIES IN RURAL UGANDA

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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Rural SPEED  
A USAID-funded project  
Contract No. PCE-I-00-00003-00 TO 826

**TABLE OF CONTENTS**

	Page
List of Definitions and Abbreviations	I
Executive Summary	II
Introduction and Methodology	1
Current Rural Savings Methods	4
Potential Capacity for Rural Savings	9
Rural Savers' Challenges and Priorities	13
Conclusions	20
Annex I (Qualitative Report on Rural Savings, Needs, Habits and Priorities Study)	28
Annex II (Questionnaire)	57
Annex III (Map of Surveyed Areas)	62

**List of Definitions and Abbreviations:**

<b>Client</b>	Individual who saves and/or borrows from a micro finance institution, micro deposit taking institution or savings and credit cooperative.
<b>Exit Client</b>	Individual who saved and/or borrowed from a micro finance institution, micro deposit taking institution or savings and credit cooperative but for some reason no longer does.
<b>Non-Client</b>	Individual who has never saved and/or borrowed from a micro finance institution, micro deposit taking institution or savings and credit cooperative.
<b>ASCA</b>	Accumulating Savings and Credit Association. This is an unlicensed (non-formal) and self-managed group of individuals that save together according to a predetermined schedule and may lend the accumulated savings to individual group members under predetermined terms of repayment. ASCAs normally exist for a fixed time period, after which the ASCA is dissolved and its accumulated cash is distributed to the members based on contribution and predetermined rules for distributing profits and losses.
<b>MDI</b>	Micro Deposit Taking Institution. This is a formal, licensed institution, supervised by the Bank of Uganda, entitled to provide financial services, including various types of loans and various types of savings to qualifying clients. For purposes of this study, reference made to clients of MFIs implicitly includes MDI clients.
<b>MFI</b>	Micro Finance Institution. This is a formal, licensed institution, though unsupervised, entitled to provide financial services, especially various types of loans, to qualifying clients. MFIs are not entitled to collect or intermediate client savings. However, MFI clients are usually obliged to deposit compulsory savings, to be used as collateral against loans, with licensed institutions authorized to collect and intermediate savings. For purposes of this study, reference made to clients of MFIs implicitly includes MDI clients.
<b>RFI</b>	Rural Financial Intermediary. An MDI, MFI or a SACCO that conducts business in the rural areas of Uganda. This definition excludes non-formal associations such as ASCAs and ROSCAs.
<b>ROSCA</b>	Rotational Savings and Credit Association. This is an unlicensed (non-formal) and self-managed group of individuals that save together according to a predetermined schedule. As adequate cash is accumulated, each contributor to the ROSCA is entitled to a loan under predetermined repayment terms and based on a predetermined order until all contributors have received a loan. After all contributors have borrowed, the rotation of borrowing begins again.

**Rural SPEED** Rural Savings Promotion & Enhancement of Enterprise Development. Rural SPEED is a USAID project.

**SACCO** Savings and Credit Cooperative. This is a formal, licensed institution, registered with the Department of Cooperative Development under the Ministry of Trade and Tourism, entitled to provide financial services, including various types of loans and various types of savings to share owning members of the institution in accordance with the institution's internal regulations and bylaws.

**USAID** United States Agency for International Development.

**UGX** Uganda Shilling. At the time of writing, **US\$1 = 1,825 UGX**

## **Executive Summary**

The USAID funded Rural Savings Promotion & Enhancement of Enterprise Development project (Rural SPEED), recently conducted a nationwide survey of rural Ugandans' savings habits, needs and priorities with the goal of providing financial intermediaries' insights into developing market demand driven savings products, policies and strategies. The quantitative survey was conducted in Western, Eastern, Central and Northern Uganda and questionnaires were administered to 852 respondents. In addition, there was a qualitative survey conducted with focus groups and rural savings practitioners in the same four regions. The resulting data was analyzed to review trends in 1) Current Rural Savings Methods, 2) Potential Capacity for Rural Savings, 3) Rural Savers' Challenges and Priorities, and 4) Conclusions recommending strategies, policies and products.

The study revealed that 80% of rural Ugandans save in cash or in kind. Most rural Ugandans save in both formal and non-formal organizations though no organizational form has a dominant position. Furthermore, there is much more saving in cash and in kind than there is organized saving. There are clear seasonal trends mirroring the agricultural seasons for saving. The most common reasons for saving are planning for medical emergencies, school fees and unforeseen problems.

With respect to potential capacity, the study revealed that 80% of rural Ugandans have an income generating activity. The dominant activities were farming, livestock rearing and wholesale/retail trade, in that order. Significant expenses for rural Ugandans were transport, medical care, food, school fees and rents, in that order. Monthly income was variable but the majority of respondents tended to be either less than 50,000 UGX or between 50,001 and 200,000 UGX. Monthly expenditures tended to be less than 100,000 UGX. Most respondents earned income either daily or monthly and most respondents had daily expenses.

In terms of savers' challenges and priorities, the greatest challenge to saving was low income as stated by 81% of respondents. Beyond this, other significant impediments were high fees, high minimum deposits and lack of personal interest in saving. The significant service priorities for savers and would be savers were security, accessibility and convenience. Most respondents prefer making monthly or quarterly withdrawals while weekly or monthly deposits were preferred. Amounts that respondents were able to save on a monthly basis varied widely and were also very different regionally. Low opening minimum balances were a high priority to motivate savers. Preferred time spent and distance traveled to save was less than 30 minutes and up to a kilometer, respectively, for the majority. Eastern Uganda, interestingly, was willing to spend more time and effort to save. The majority of respondents preferred tracking their savings with a passbook versus paper receipts.

Conclusions of the study revolve around the overlap between what respondents would like versus what institutions can sustainably deliver. Recommendations are made for: linking formal and non-formal organizations to mobilize smaller deposits; targeting male clients (revealed to be good savers); actively promoting savings and educating would-be savers; introducing saving-up products; expanding services in Northern Uganda; managing liquidity for seasonality; setting appropriate monthly saving

amounts based on region; keeping fees low; building services around security and access; keeping opening balances low; developing open access products; developing school fees products; developing medical saving products and developing time deposits.

Following the conclusions, a qualitative study is presented which reinforces the quantitative data and provides some deeper insights. Also annexed are the questionnaire, and a map indicating the areas surveyed.

## I. INTRODUCTION and METHODOLOGY

Uganda has one of the lowest domestic savings rates (saving as a percent of Gross Domestic Product) in the world. For the years, 2001, 2002 and 2003, the domestic savings rates in Uganda were 5.2%, 4.4% and 5.9%, respectively<sup>1</sup>. For the same period in Kenya the rates were at least double, or 11.9%, 12.7% and 13.6%, respectively<sup>2</sup>. This is troubling because development relies on investment. High rates of investment are usually built on high rates of savings. Without aggressive savings, higher cost sources of funds, such as borrowing, must be used for investment and because interest costs are higher, effective investment is lower. This is true at all levels of an economy beginning with the smallest household and ending with the largest firm or government. Low savings rates have the greatest negative impact on the rural poor as they are least able to pay interest on borrowing and have the lowest access to sources of borrowing.

The USAID funded Rural Savings Promotion & Enhancement of Enterprise Development Program (Rural SPEED) undertook a study of rural savings needs, habits and priorities in order to facilitate the development of savings products and strategies that meet the needs of financial institutions' clients resident in the rural areas of Uganda. This study is especially relevant as no such study has previously focused on rural Uganda though some effort has been put into understanding Uganda's urban and peri-urban saving culture. This is particularly important at this time because there is a strong push from both the Government of Uganda and private sector financial intermediaries to move financial services deeper into the rural areas.

The study itself was both quantitative and qualitative. Both approaches reach the same conclusions through independent means. The thrust of the main report is the quantitative study as numeric results are more actionable than opinions. The qualitative report is annexed to provide the readers of this study a deeper and wider understanding of the data collected.

### **Quantitative Data Collection Methodology**

#### **Sampling:**

Rural SPEED engaged the services of a Uganda-based consulting firm, The Steadman Group, to collect the qualitative data. The survey documents used for collecting the data were prepared by Rural SPEED in collaboration with MicroSave and tested by the Steadman Group.

The survey sample represented four geographical regions of Uganda (East, West, North and Central). The sample size, calculated using the formula below, was meant to achieve the 95% level of statistical significance.

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<sup>1</sup> These statistics were provided by the Bank of Uganda research department, September 14, 2005.

<sup>2</sup> IMF Press Release number 03/201, November 21, 2003



$$n = \frac{deff \times \left[ Z_{1-\alpha} \sqrt{2P(1-P)} + Z_{1-\beta} \sqrt{P_1(1-P_1) + P_2(1-P_2)} \right]^2}{(P_2 - P_1)^2}$$

Level of Significance = 0.95

Power of the Test (b) = 0.80

P1 = 50% (0.50)

P2 = 40% (0.40)

P = (0.50 + 0.40)/2 = 0.45

Z<sub>1-a</sub> = 1.96

Z<sub>1-b</sub> = 0.84

Design Effect (deff) = 2

$$\text{Numerically, Sample size } N = \frac{2 * [1.96\sqrt{(0.9*0.55)} + 0.84 \sqrt{(0.5*0.5) + 0.4*0.6}]^2}{0.1*0.1}$$

This results to N = 774 that was then increased by 10% to cater for incidences of non-response. Therefore, the resulting sample was 774+77.4 = 851.4 or 852 respondents.

Sampling was distributed across the regions and in the respective administrative units using Proportion to Population Size based on the Uganda Bureau of Statistics Census figures. The eventual sample split across districts is shown below.

District	Population size	% of sample population	Estimated No. of interviews by PPS
Mbarara	1,089,051	16%	136
Arua	855,055	13%	107
Masaka	767,759	11%	96
Lira	757,763	11%	95
Mbale	720,925	11%	90
Iganga	716,311	11%	90
Bushenyi	723,427	11%	90
Mubende	706,256	10%	88
Luwero	474,627	7%	59
<b>Total</b>	<b>6,811,174</b>	<b>100%</b>	<b>852</b>

### Questionnaires:

The survey questionnaire contained questions covering rural peoples' business activities, spending patterns, savings methods, savings habits and priorities for savings product features and terms. The questionnaire used is annexed to this study.

Questionnaires were administered to clients and exited clients of MFIs (including MDIs) and SACCOs, as well as to individuals who have *never* received services from such institutions (referred to as *non-clients*). Respondents were 100% rural and included residents of rural towns, trading centers and villages surrounding trading centers. These locations were targeted because they are economically active and therefore expected to respond positively to appropriate savings services. The localities

included Busowobi, Nakigo, Nakavule and Nakasoko in Luwero district; Rwemigina, Nyabuhama, Buremba in Mbarara district; Kimanya, Kako, Kyabakuza and Butego in Masaka district; Kasana, Bamutoto, Namanyonyi in Mubende district; and, localities of similar characteristics in Iganga, Mbale, Arua and Lira.

### **Data Analysis and Results:**

Rural SPEED received the quantitative data from The Steadman Group and, based on the raw data, compiled graphical comparisons from which conclusions can be drawn. In this process, certain data were found to be insignificant or based on poorly worded questions and were excluded. Over the following pages key results are presented as follows: 1) Current Savings Methods and Habits, 2) Potential Capacity for Rural Savings, 3) Rural Savers' Priorities, and 4) Savings Product Features Priorities. Following these results conclusions recommending broad savings mobilization strategies, regional savings strategies, policies and procedures, and recommended savings products are presented. As mentioned above, a separate qualitative report is annexed as well as the original survey questionnaire.

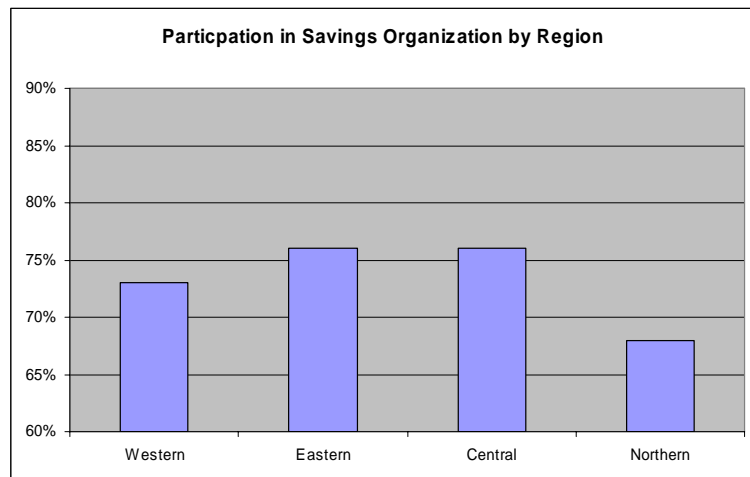
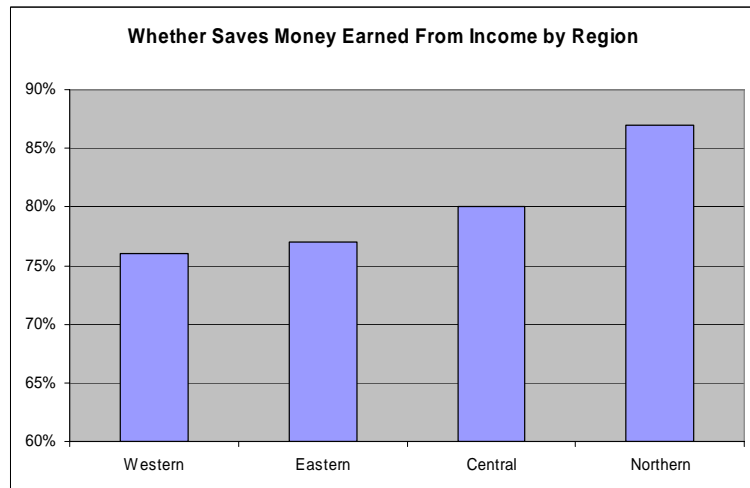
## II. CURRENT RURAL SAVINGS METHODS

The purpose of this chapter is to explore if rural people save, how they save, when they save and why they save. Overall it was revealed that 80% of all respondents in the surveyed areas actively save in some way (with formal institutions, with non-formal associations, in cash or in kind). The following graphs, each with its own explanation, attempt to explain more clearly how these savings habits are practiced in each region. Additional graphs explain habits on the basis of gender and/or client status. Additional graphs are only included if they add significant information to the regional trends.

### Saving Participation:

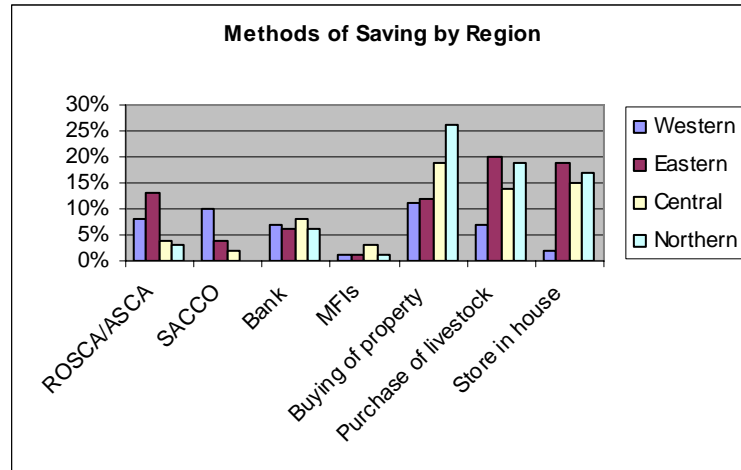
The two graphs at right, *Whether Saves Money Earned from Income by Geographical Region* and *Participation in Savings Organization by Region* should be viewed together. The second graph was based whether or not respondents saved with *any* savings organization (including both formal institutions and non-formal associations).

It is interesting to note that among those interviewed in the North, while 87% reported that they are active savers but only 68% stated that they are saving with an organized saving scheme. However, in Western, Eastern and Central Uganda those interviewed who stated that they are active savers are similar in number and percent to those who stated that they participated in an organized saving scheme. This indicates that while there is a relatively strong saving culture in the North, few RFIs capture those savings. It is further interesting to note that there are many more active savers in the North versus the other geographical regions surveyed.



### Saving Methods:

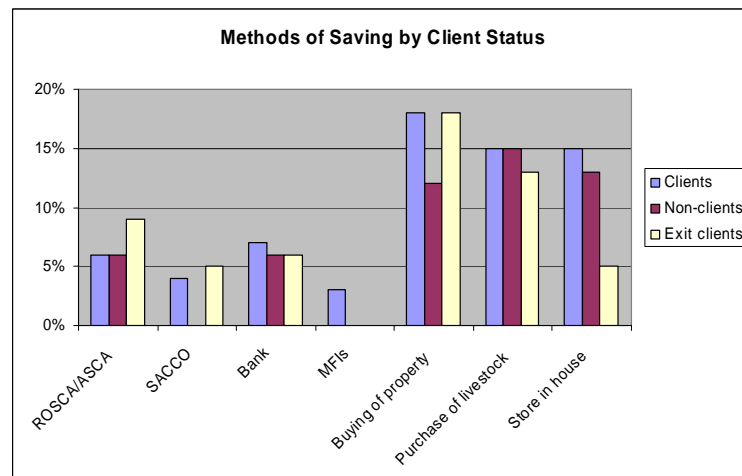
These graphs attempt to explain specifically *how* those interviewed save their income. These graphs disaggregate savers by Region, Gender and Client Status.



Relating these to the previous section, it is again clearly reflected that while those in the North are saving actively, they tend to save their income through individual means. These include, most significantly, purchasing livestock, property and/or keeping their money as cash in their houses. Further, among those interviewed in the North, the most common organized savings methods stated were more on the side of non-formal organizations such as ASCAs, and ROSCAs. Almost insignificant among those interviewed in the rural North were the numbers of people participating in MFIs and SACCOs.

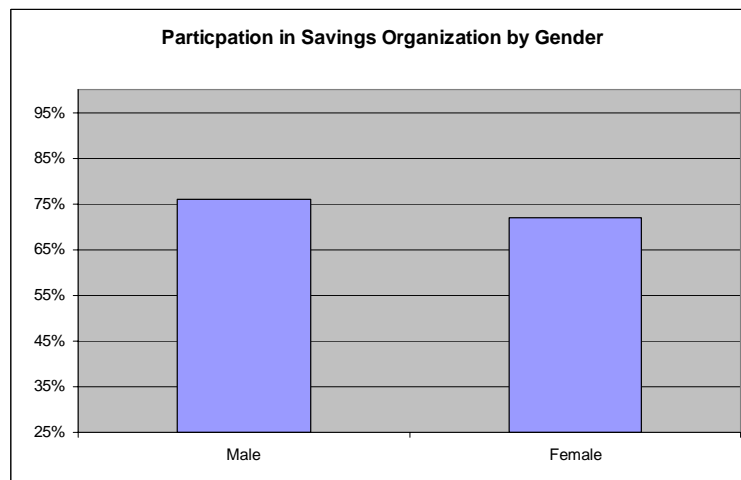
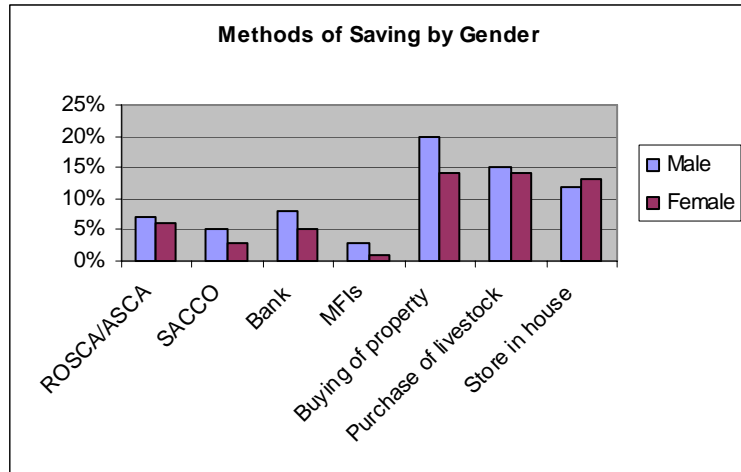
Among the regions, formal and non-formal savings methods differed. Clearly, SACCOs are a common savings method in the West though not so in other regions. In the East, ASCAs and ROSCAs play a more important role than in other regions interviewed. Very interestingly, MFIs (including MDIs) were, at the time of this survey, insignificant in mobilizing rural savings.

The *Methods of Saving by Client Status* graph also presents some interesting observations. The first is that while financial institution clients save with their institutions, they also save much greater amounts in property and livestock as well as cash in their homes. The graph also depicts that these same clients save



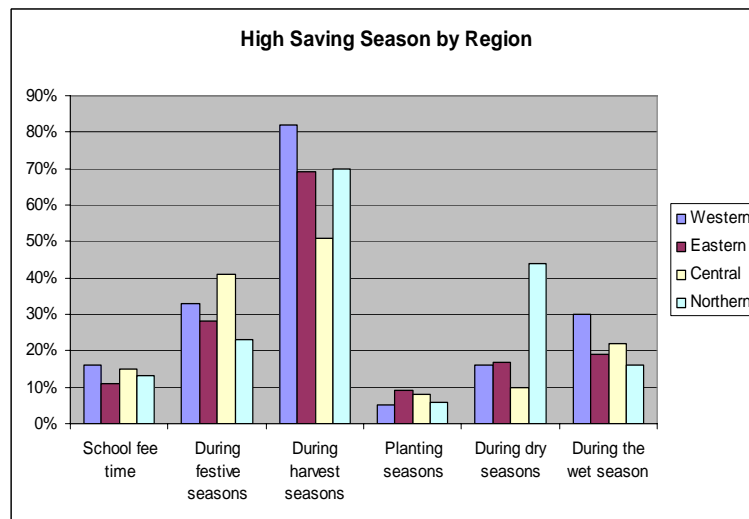
with commercial banks to a greater extent than they save with SACCOs and MFIs. This may be explained by the trend that many MFIs, particularly, send their clients to banks to deposit their savings as they are not authorized by the Bank of Uganda to collect, secure and on-lend savings. It is finally interesting to note that clients who exited from MFIs save more commonly with ASCAs, ROSCAs, Banks, SACCOs and in property. One possible explanation of this may be that formal savings schemes are more difficult to manage than these non-formal schemes. Perhaps better product design for MFIs would change this.

The *Methods of Saving by Gender* and the *Participation in Savings Organizations by Gender* graphs are very interesting. The reader should note that for the second graph, *participation* refers to participation in both formal and non-formal RFI's. Conventional wisdom has for some time been that women are more active savers than men. This may simply be an assumption building on the conventional wisdom that women are superior at repayment of loans versus men. However, these graphs show that among those interviewed, men are actually very active savers. The raw numbers demonstrated that men are the more active savers though a difference of 4% may not be statistically significant. Realizing that the gender aspect of savings may not be the same as the gender aspect of lending may well be a first important lesson in savings product design for MFIs working in rural Uganda.

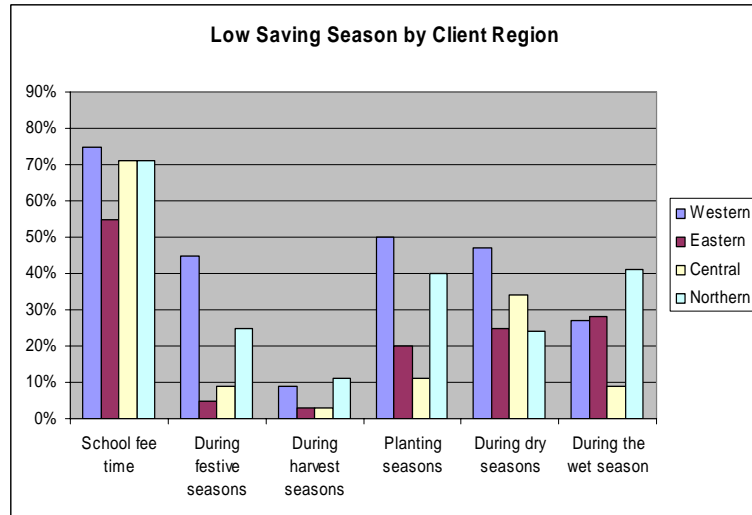


**Saving Seasons:**

The following two graphs, *High Saving Season by Region* and *Low Saving Season by Region* can be viewed together to understand the complete story. Almost without exception, the period of highest savings are during the harvest seasons. This strongly indicates the prevalence of agriculture as rural Uganda's principle economic activity. It is further interesting



to note that, again almost without exception; the most significant periods of low savings are during times when school fees are due. The second significant low savings period is during planting season when cash is needed for labor and agricultural inputs. For purposes of managing liquidity, rural financial intermediaries should be



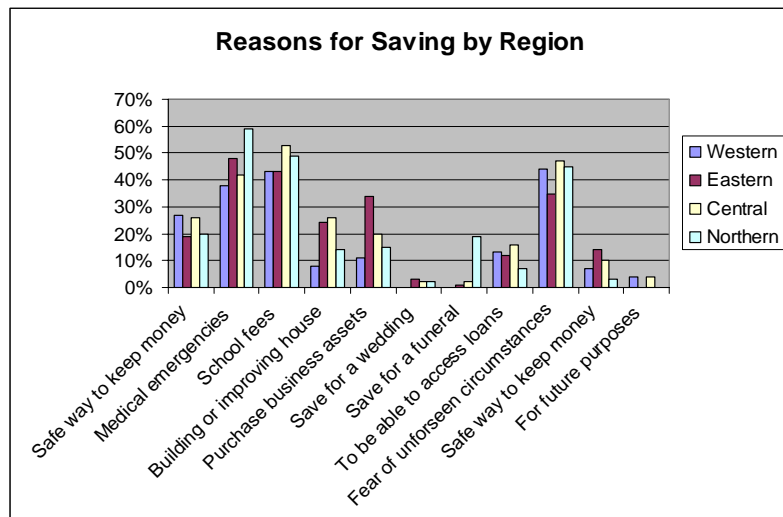
keenly aware of these trends so as not to jeopardize their reputation through the inability to meet the demand for savings withdrawals.

It is also important to note that during other periods of the year, festive seasons, dry seasons and wet seasons; there are both instances of high and low savings depending on the economic activity of the saver. For those savers who are in the business of trading, their savings increase when those engaged in agriculture must purchase goods from them. This occurs during planting seasons when agricultural inputs are necessary. Traders also save more during festive seasons when more items are purchased for consumption.

It is also interesting to note that the Northern region, exhibits a relatively high savings period during the dry season. This can be explained by the fact that the principle crops (cotton, tobacco, sesame, etc.) are harvested and marketed during the dry seasons of the year which is unlike the agricultural patterns in the other regions.

**Reasons for Saving:**

In answering this survey, many reasons for savings were enumerated by those interviewed. The graph on the right, *Reasons for Saving by Region*, reflects similar priorities throughout rural Uganda. Clearly the highest priorities for rural Ugandans are: medical emergencies, school fees and fear of unforeseen circumstances.



It is also worth noting that those interviewed in Northern Uganda put much higher priority on saving for medical emergencies and funerals relative to the other regions. This may be related to the insecurity that has affected the North. Also, significant numbers of those interviewed in the East save up for purchasing business

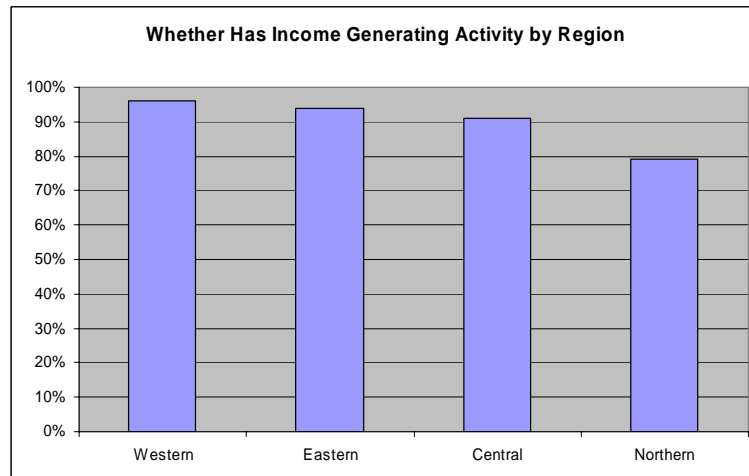
assets. Rural financial intermediaries should take careful note of peoples' savings priorities when designing savings products and planning savings mobilization strategies.

### III. POTENTIAL CAPACITY FOR RURAL SAVINGS

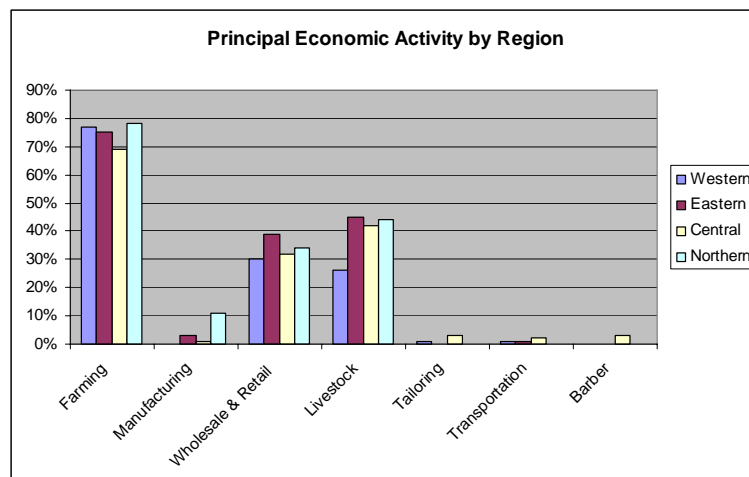
The purpose of this chapter is to explore the potential capacity of rural Ugandans to save. This is achieved by categorizing prevalent economic activities, the average income from those activities, expenses of income earners, and the timing of income and expenses. Overall it was revealed that at least 80% of all respondents in the surveyed areas have an income generating activity. This correlates well with the fact that 80% of rural Ugandans surveyed are engaged in some formal or non-formal saving activity. The following graphs help explain how the patterns of income and expense determine potential savings.

#### Income Generating Activities:

Clearly from the graph on the right, *Whether has Income Generating Activity by Region*, most of rural Ugandans interviewed have some income generating activity. Of the total sample for all regions, 90% of those responding stated they had some activity from which they received cash.



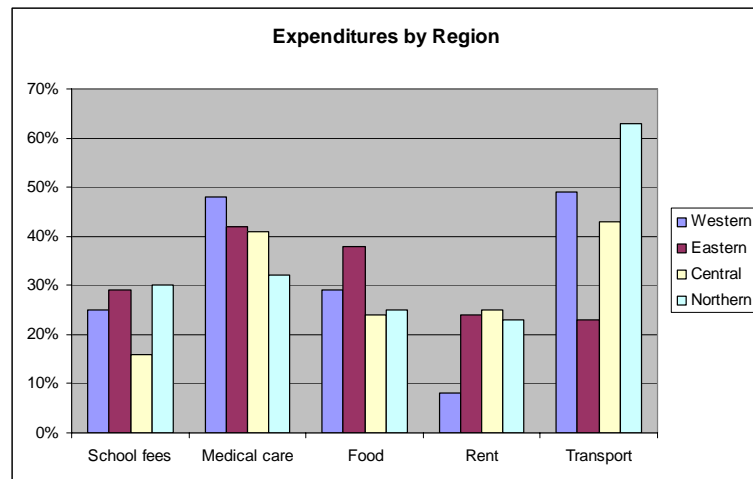
The next graph, *Principal Economic Activity by Region*, indicates the relative importance of the various economic activities respondents engage in. As is predictable, farming is by far the most significant activity in all four regions. This is followed by livestock rearing and wholesale & retail trade. While other activities are undertaken, they are much less significant. Any economic activity that was reported by over 3% of the respondents has been graphed. As agriculture and livestock rearing are the dominant activities, this clearly reinforces the seasonal nature of savings, as was explained in the previous chapter.





### **Prioritized Expenditure Patterns:**

Rural Ugandan's relative priorities for how income is expended are presented in the *Expenditures by Region* graph. The differences in spending priorities are quite remarkable. Surprisingly, for all regions except Eastern Uganda, transport was perceived as the largest most significant expense.



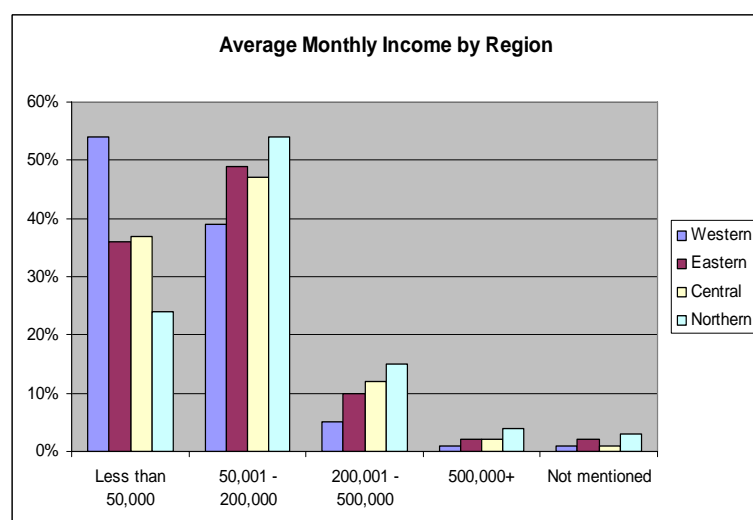
This will be further explained in *Chapter IV, Rural Savers' Challenges and Priorities*, where rural Eastern Ugandans revealed that distance to a financial intermediary was a relatively low impediment to saving. This is perhaps due to lower transport costs in Eastern Uganda.

It should also be observed that, as mentioned previously, that a low savings season is when school fees are due. However, overall, school fees are perceived as a relatively low cost for rural Ugandans when compared to other expenses. This is probably because while other expenses are continuous, school fees are periodic and therefore not a high priority at all times.

Finally, the reader will clearly observe that rent and food may seem strange as an expense for rural Ugandans whose principal activity is agriculture. However, when comparing this to the *Principal Economic Activity by Region* graph in the section above, it is clear that 30% to 40% of rural Ugandans are engaged in wholesale and retail trade, as well as agriculture, which necessitates business space and food purchases in rural trading centers.

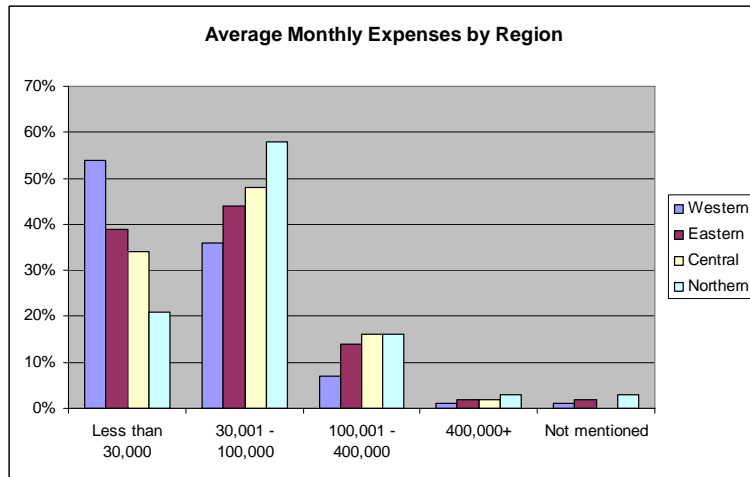
### **Monthly Income and Expense:**

The following two graphs *Average Monthly Income by Region* and *Average Monthly Expense by Region* should be reviewed together. Both of them reveal a very similar pattern. The vast majority of respondents earn less than 200,000 UGX per month and the vast majority of respondents also spend less than 100,000 UGX per month. This reveals a very high potential for saving.



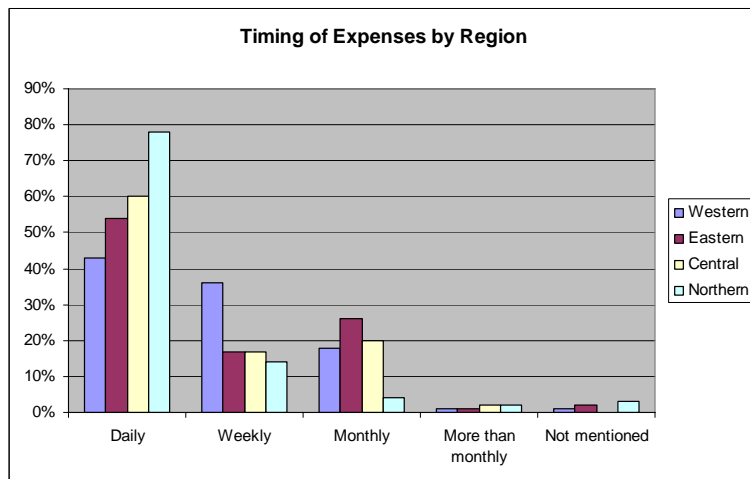
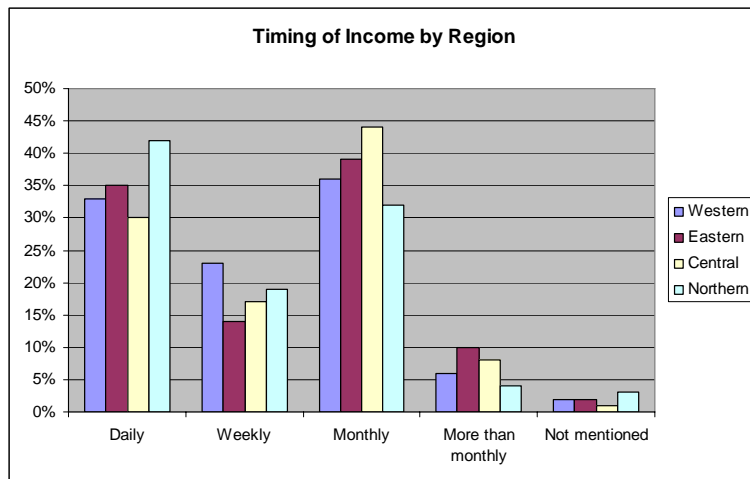
It is also worth observing that the income and expense patterns are practically identical for all four regions of rural Uganda.

In terms of relative income and expense, it is wise to observe that in the North respondents reported the highest monthly income and highest monthly expenses. Whereas in the West, respondents reported the lowest monthly income and lowest monthly expenses.



**Timing of Income and Expenses:**

The following two graphs, *Timing of Income by Region* and *Timing of Expenses by Region* should also provide insight on the timing of respondents' cash flows. In terms of income, it was most common among all respondents to earn either daily or monthly. Roughly one third of all earners stated they had daily income and roughly one third stated they had monthly income. However, this same trend was not reflected in expenditure patterns. Most expenses were daily. Further, this was quite pronounced for those interviewed in rural Northern Uganda. This might be resulting from the presence of internally displaced persons who, because of the inability to plan ahead, must expend cash on a daily basis to meet their basic needs.



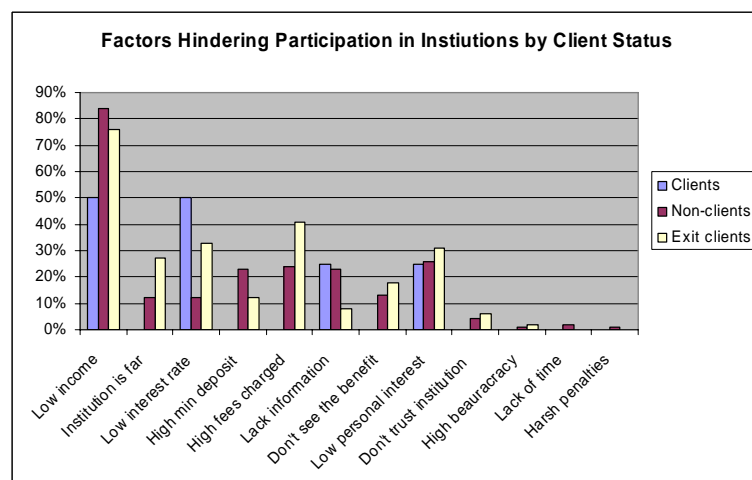
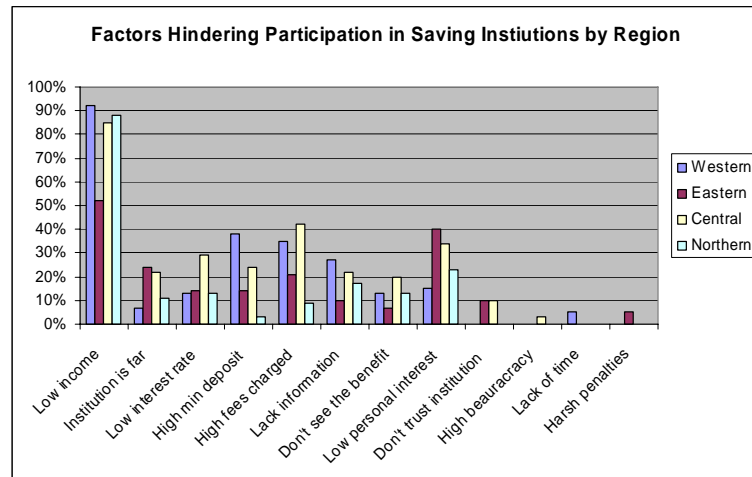
Financial intermediaries, when developing savings products and savings mobilization strategies should take into account these income and expense patterns. Savings that are deposited monthly seem most appropriate and this will be further elaborated in the following chapter.

#### IV. RURAL SAVERS' CHALLENGES AND PRIORITIES

The purpose of this chapter is to review in order, the hindrances impeding those interviewed from saving, the relative priorities they attach to savings' services; respondents' preferences regarding institutional terms and conditions; and other factors (such as income and distance) influencing respondents' ability to save. As an initial observation, the most common reason stated for low savings was low income. This was expressed by 81% of all respondents interviewed. However, beyond this obvious impediment, many other factors were expressed, and are explored in the following graphs and text.

##### Hindrances to Saving:

As stated above, the two following graphs, *Factors Hindering Participation in Savings Institutions by Region* and *Factors Hindering Participation in Savings Institutions by Client Status* both demonstrate clearly that low income is the single largest perceived barrier to savings among those interviewed. Setting this important factor aside, as it is obvious; many other issues also influenced respondents' desire and ability to save. First, high fees charged by the financial institutions were stated as the second most significant factor. This was reinforced by the



qualitative part of this study where respondents reported that, "nothing is more discouraging than depositing money on one's saving account and finding a balance lower than the deposit even when one did not withdraw" (see annex). What was further interesting was that low interest rate paid on savings was a relatively insignificant impediment to savings (ranked fourth). This indicates that clients would rather have low or no fees versus having positive return on savings. This is critical to observe when considering product design. It should be further noted that though clients find interest rates too low, they nonetheless remain clients as this is not enough of a disincentive to cause them to exit.

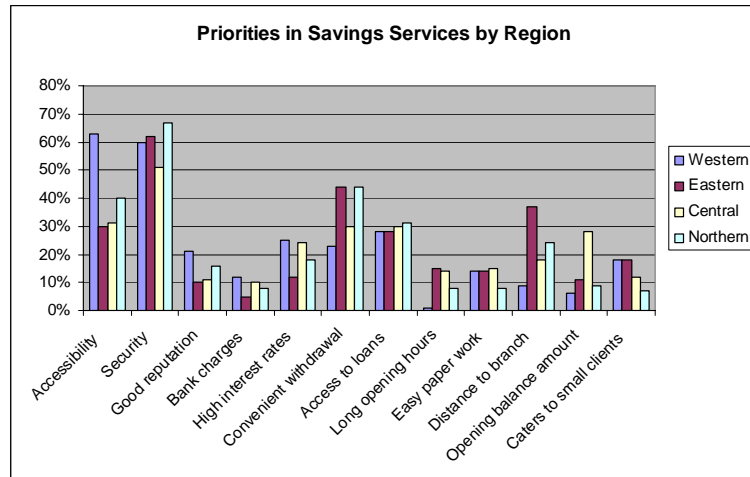
Another important issue to realize is that many respondents stated that they had low personal interest in saving. This was the third most important impediment to saving.

Clearly, there will be a large role for promotion and education to improved savings mobilization and understanding of the value of saving in rural Uganda.

Beyond the points raised above, there are many interesting regional trends that explain hindrances to saving. These observed regional hindrances should be used to influence saving product design.

### **Priorities for Saving Services:**

The *Priorities in Savings Services by Region* graph demonstrates trends in priorities that influence the respondents' choice to save with a given institution. Clearly the most significant factor for the respondents was the security of their

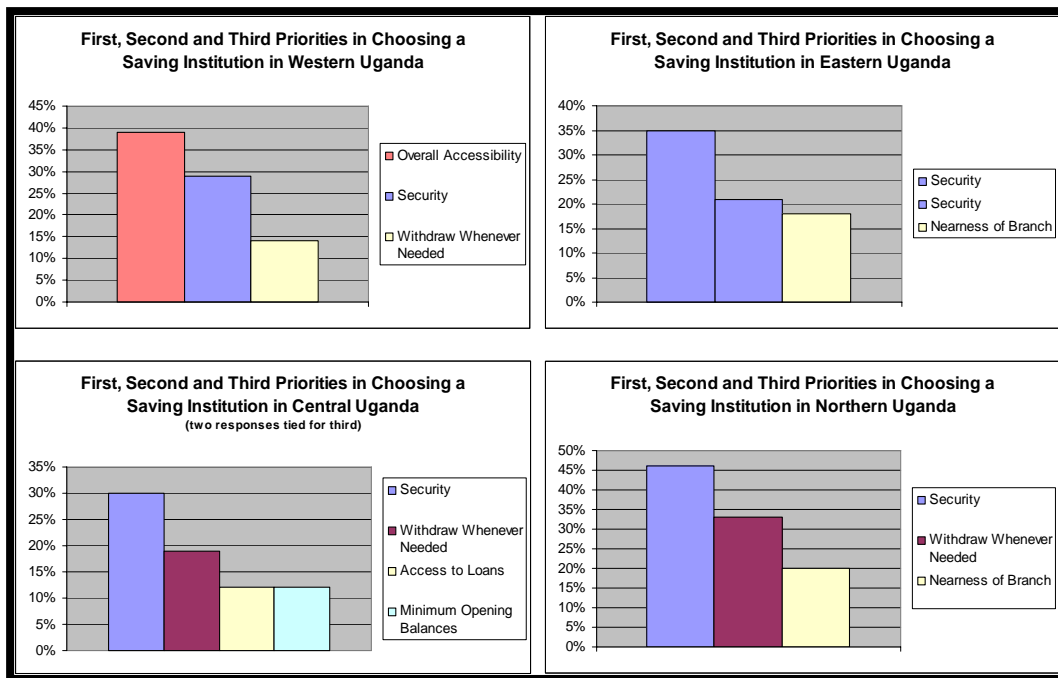


savings. Overall, accessibility to the financial institution and ease in withdrawing (another aspect of accessibility) were also very high priorities among those interviewed. Note that convenient withdrawal refers to the time and effort needed to access the financial institution, as well as, to the ability to withdraw at any time the depositor wishes.

Perhaps surprisingly, access to loans was not one of the top priorities for choosing a saving institution. While in all regions, about 30% of the respondents stated “access to loans” as a reason to choose an institution, other factors were clearly more important. This could be interpreted as a meaningful desire to save, rather than borrow, on the part of rural Ugandans. This reinforces international conventional wisdom that savings led approaches to rural finance are both more appropriate and often more desired.

### **Relative Ranking of Savers Priorities in Choosing an Institution:**

The following graphs reinforce the findings above. In order to clarify true priorities in why a saver would choose one institution over another, the rural respondents were asked to rank their priorities first, second and third. These answers are compiled by region. Note that of all the responses the most common response for first, second and third priorities is what is graphed. For example, in Eastern Uganda security was the overall first priority by percentage of respondents and it was also the overall second priority by percentage of respondents.



Clearly from the responses, security was the overall most important aspect in choosing a savings institution. The exception to this was Western Uganda where overall accessibility was more of an issue but, again, security was their second overall priority.

Overall accessibility and aspects of accessibility (ease of withdrawal, nearness of branch, etc.) were also a very clear priority in all regions. These were the first and third priorities in rural Western Uganda, third priority in rural Eastern Uganda, second priority in rural Central Uganda and both second and third priorities in rural Northern Uganda.

What again is also very interesting is that access to loans was a listed priority only once and then it was a tied as a third priority in Central Uganda.

The list of potential considerations regarding a savings institution that respondents could rank first, second and third was quite extensive. In addition to those responses that respondents actually ranked first, second or third, possible responses included: reputation, bank charges, interest rates, opening hours, ease of paperwork, required opening balance, transaction speed, central bank license, free access to funds, accommodating small clients and transaction fees on savings. Given the possible range of responses it is clear that security and accessibility are rural respondents' highest concerns. This also reiterates what was observed in the previous section.

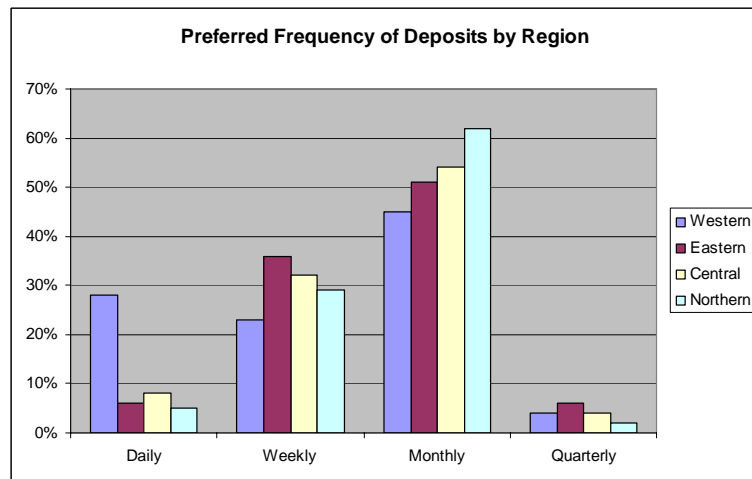
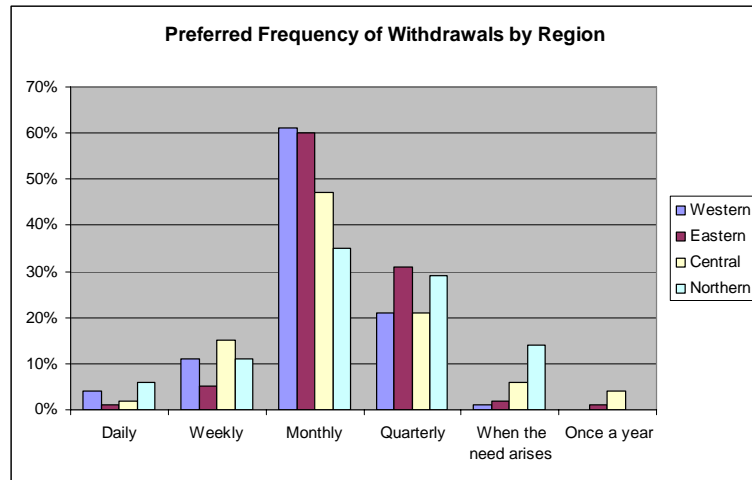
### **Timing Preferences for Depositing and Withdrawing Savings:**

The following two graphs *Preferred Frequency of Deposits by Region* and *Preferred Frequency of Withdrawals by Region* can be viewed together to provide a complete picture of timing preferences by region.

Overall, most of the respondents felt that access to depositing their funds on a monthly basis was preferred for all regions. This was followed by those interested in

depositing weekly. Only in Western Uganda was there a significant interest in depositing on a daily basis.

Considering the respondents' perceived priorities in depositing, what are more interesting are their perceived priorities for withdrawal savings. Though many in all regions would like to deposit weekly and significant numbers of those in the West daily; all respondents expressed a strong preference for monthly withdrawals followed by quarterly withdrawals. Only in the North were there a significant number of people desiring to withdraw on short notice (i.e. when the need arises).



Clearly, this has deep implications. First, it may be interpreted as a meaningful desire to save. Respondents want to deposit frequently but to withdraw less frequently. Secondly, this information significantly serves the needs of institutions entitled to on-lend savings, such as MDIs and SACCOs, because clients will likely appreciate term deposits, which give the financial institution greater flexibility in making longer term loans.

**Preferred Saving Amounts:**

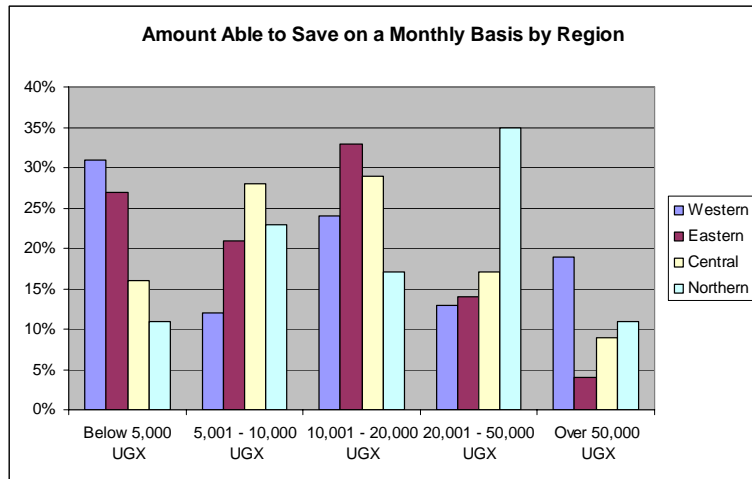
The following four graphs, *Amount Able to Save on a Monthly Basis by Region*, and *Amount Able to Save on a Monthly Basis by Client Status*; and *Preferred Opening Minimum Balance by Region* and *Preferred Opening Minimum Balance by Client Status* clarify the relative amounts that the rural respondents stated they were willing and able to save.

The *Amount Able to Save on a Monthly Basis by Region* is remarkable, because the trends between the different savings categories are *not* normally distributed with the exception of the Central region. In other words, only in the Central region, was there a trend where most respondents preferred to save between 5,001 and 20,000 UGX, monthly with fewer interested in saving more than this and fewer interested in saving

less than this amount. In the other regions it was not clear what an ideal monthly saving amount would be for the majority of clients.

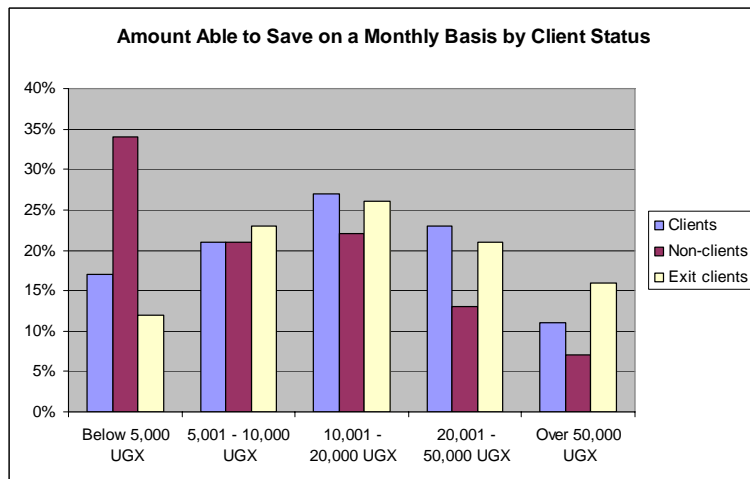
It is interesting to note that there seems to be a large potential for saving higher amounts of money in the North. 35% of the respondents in the North reported that they were able and willing to save between 20,001 and 50,000 UGX per month.

It is further remarkable that in the West there were a significant number of respondents (19%) who stated that they were able and willing to save over 50,000 UGX per month. The West also had the largest percentage of respondents (31%) who preferred to save less than 5,000 UGX per month.

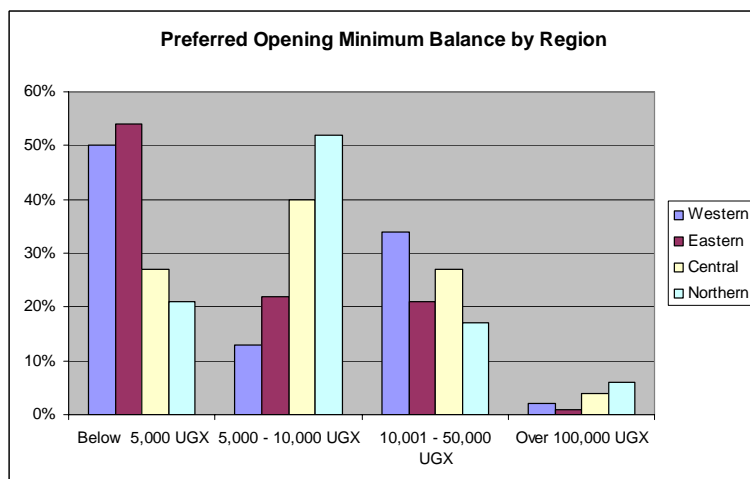


In the *Amount Able to Save on a Monthly Basis by Client Status* graph, all of the responses are normally distributed with the majority of responses falling between 10,001 and 20,000 UGX per month. The noteworthy exception to this is many non-clients (34%), stated that they were only able to save below 5,000 UGX per month.

This perhaps explains why they *are not* clients and perhaps an innovative product, where high volume compensates for low saving amounts may be able to capture the savings available in this category.



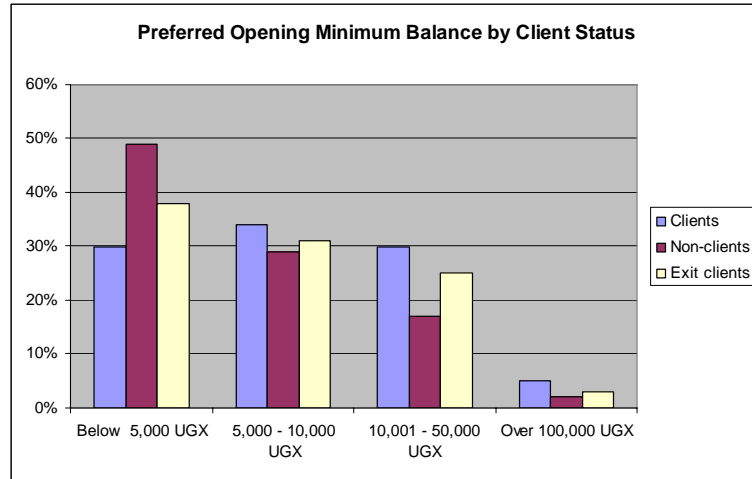
When viewing the *Preferred Opening Minimum Balance by Region* graph the reader should note that the 50,001 to 100,000 UGX categories are not displayed. This is because there was insignificant response to these categories. Again, this graph shows





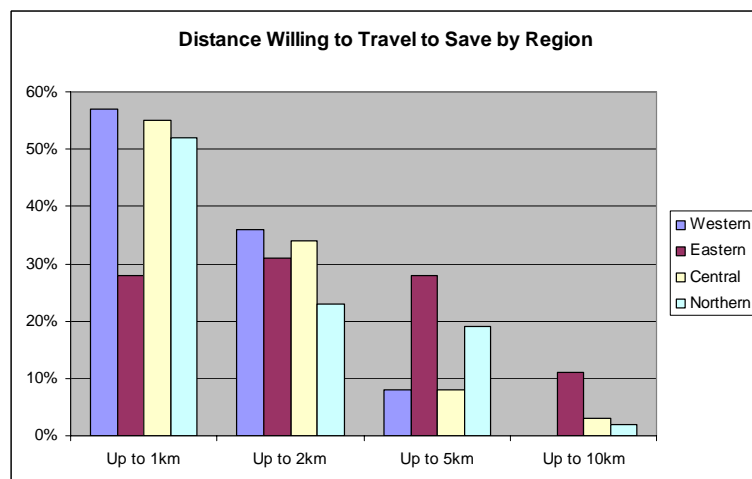
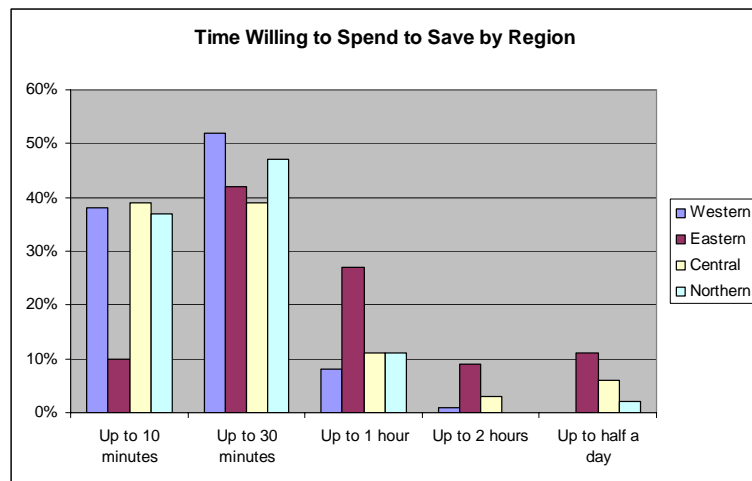
remarkable regional differences and remarkable differences in the distribution of the preferences. Clearly in the West and East, most rural respondents would prefer to open an account with less than 5,000 UGX. While in the Central and Northern regions the preference clearly falls between 5,001 and 10,000 UGX.

Also when viewing *Preferred Opening Minimum Balance by Client Status* graph the reader should again note that the 50,001 to 100,000 UGX categories are not displayed because there was insignificant response to these categories. The majority of non-clients (49%) stated that their preferred opening minimum balance is below 5,000 UGX. This corroborates the earlier graph that demonstrated that non-clients prefer lower monthly savings amount. Again, this may be an opportunity for an innovative product design to capture the savings of small savers.



**Ease of Using Savings Services:**

The two graphs, *Time Willing to Spend to Save by Region* and *Distance Willing to Travel to Save by Region* also reveal some interesting conclusions. In all regions, the majority of respondents clearly prefer to spend up to 30 minutes making a savings transaction. However, significant percentages of respondents in Eastern Uganda were willing to spend up to 1 hour and some even stated that up to half a day was reasonable. This may reflect a real lack of access to saving services complimented by a real

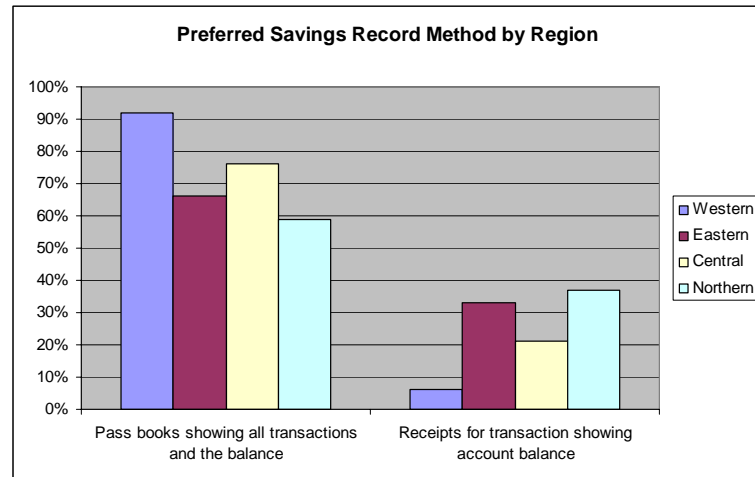


desire to save. This trend is also reiterated by the trend in the longer distances respondents from the East and North are willing to travel to save.

### **Preferred Method of Tracking Savings Balances:**

Recently, in the micro finance industry, there has been much discussion about lowering costs for savings mobilization by replacing passbooks with simple paper receipts. The survey asked a question to

determine if this was appropriate for rural clients. While there was no remarkable difference between women's and men's preferences nor were there real differences among the different client status groups, the graph shows the results of the regional preferences. Clearly, it was strongly preferred to keep track of savings with a passbook in rural Western Uganda. In other regions passbooks were also significantly preferred.

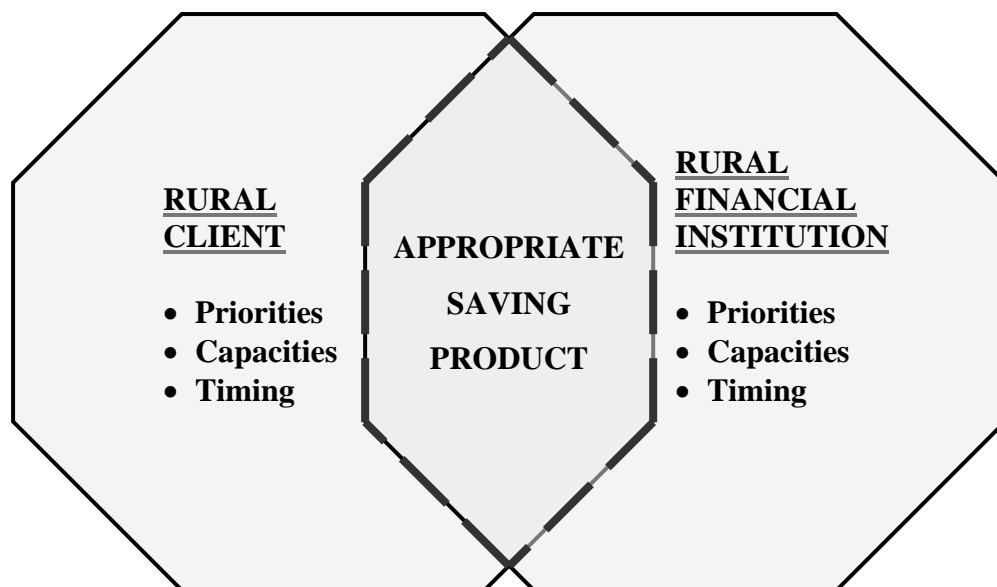


## V. CONCLUSIONS

Based on the previous pages, some clear trends have been revealed for consideration in designing strategies, policies, procedures and products for mobilizing savings in rural Uganda. The purpose of this chapter is to address each of these areas with specific recommendations in turn. First, however, some considerations for appropriate saving products will be briefly discussed.

### **Considerations for Appropriate Product Design:**

All decisions to introduce or change the aspect of a product or service must be predicated on sound business reasoning. Sound business reasoning is a function of supplying a product that fits the supplier institution's existing capacities and meets an effective demand expressed by clients.



This study revealed clear preferences for client priorities, capacities and timing with respect to saving. Now, the challenge for financial institutions is to consider its own priorities, capacities and timing to ensure that both the demanders' and suppliers' needs are concurrently met. An appropriate product is a product that meets both the financial institution's needs and the client's needs at the same time.

In considering this the following four sections recommend broad strategies, regional strategies, policies and procedures and savings products that meet rural savers stated needs. Financial institutions should review these sections through the lens of what meets their own needs.

### **Broad Strategies:**

- A. Linking institutions authorized to mobilize and intermediate savings with non-formal saving associations.**

The data presented in the previous chapters clearly indicated that there are a high percentage of small savers who were not saving with formal institutions. Eighty-five percent of all informants stated that low income was their greatest impediment to saving. This is reinforced by the fact that thirty-five percent of non-clients in rural Uganda reported that could only save under 5,000 UGX monthly and forty-nine percent of non-clients in rural Uganda reported that they required an opening balance of less than 5,000 UGX to be able to open a savings account.

Of all rural informants, only two percent stated they saved with MFIs (and MDIs) and four percent saved with SACCOs. Approximately seven percent of respondents save with non-formal associations such as ASCAs and ROSCAs. This is likely due to the relatively saving amounts that these savers can manage are too low to enable them to join MFIs and SACCOs.

It is reasonable to expect that while individuals cannot save large enough amounts to justify the costs by MFIs and SACCOs to manage their savings, group accounts for ASCAs and ROSCAs may well be an effective way for MDIs and SACCOs to secure small savers' excess liquidity, provide them a service and vastly increase the savings they hold in rural areas.

#### **B. Targeting male clients.**

This study disagreed with the conventional wisdom that women are better savers than men. In fact, the study revealed that men in rural Uganda are actually a bit more active in savings than women. Financial institutions may wish to revisit their dominant lending strategy of targeting women clients when they consider developing savings products. It seems prudent to cater equally to both men and women when considering savings mobilization.

#### **C. Actively promoting the advantages of saving.**

Rural respondents, in all regions, revealed that most of their savings are held as cash or in kind. Even those who save with formal or informal institutions hold much more of their savings outside of those institutions. Further, former clients who exited MFIs and SACCOs showed a strong preference for saving in kind.

When asking the priorities of rural savers when choosing a saving institution, the vast majority of respondents stressed the importance of security and accessibility. It can be inferred therefore that the lack of secure and accessible savings institutions is a major impediment to saving for rural people and a major impediment to savings mobilization for rural financial institutions.

Finally, when asked for reasons why respondents don't save with saving institutions, in addition to the problems of low income and difficulty of accessibility, there was a clear point that many respondents lacked awareness or education regarding the benefits of saving. Regarding this, 20% of all respondents stated they lacked information about how and why to save; 14% of all respondents stated they didn't see the benefit of saving; and, 27% stated they had no personal interest in saving.

There is a clear picture, of the fact that respondents could save a much greater proportion of their wealth in institutions, the fact that their priorities are security and accessibility; and the fact that many simply have not been made aware of the benefits of saving. It is therefore clear that a first step strategy for rural institutions should be active promotion of the benefits of saving. This should be supported by developing and promoting services and products that pay careful attention to ensuring security and accessibility.

#### **D. Clients *saving up* is preferable to clients to saving in order to borrow**

Much as loans have for a long time been perceived as a ‘carrot’ to induce people to save, the study has revealed that a meaningful desire to save exists among rural Ugandans. This desire is further proven by the fact that low interest rate paid on savings as an impediment to saving was ranked quite low. This means therefore that rural people can *save up* if encouraged to and this disclosure calls for the development of attractive savings products that will effectively tap this desire and potential to save. Such products should have features that address the reasons the respondents brought out as the strongest drivers to saving which included medical emergencies, school fees and fear of unforeseen circumstances.

#### **Regional Strategies:**

This study revealed that different regions of rural Uganda had remarkably different potentials, needs and priorities with respect to saving. This section, is meant to provide some guidance for institutions on how to inform their strategies based on the region where they work.

#### **A. Expanding access to saving in Northern Uganda.**

Of all regional opportunities, what the data showed most clearly was the high potential for increasing savings in Northern Uganda. 87% of all respondents in Northern Uganda reported that they saved some of their income. Respondents in Northern Uganda also reported the highest average monthly incomes where 54% of the respondents reporting income between 50,001 UGX and 200,000 UGX, 15% reporting income between 200,001 UGX and 500,000 UGX and 4% reporting income above 500,000 UGX. The highest percentages of rural Uganda reporting daily income and daily expenses were also in the North which indicates relatively higher usage of liquid cash.

Relatively few respondents in the North participated in organized savings. Only 68% of those interviewed belonged to a saving scheme when compared to 73% in the west, and 76% in either Eastern or Central Uganda. None of the respondents were members of SACCOs and relatively few (30%) stated that belonging to an MFI was a saving option they were *aware of*.

Clearly, Northern Uganda seems to be, relative to other regions, an area with a high potential for mobilizing savings, as well as, providing other financial services. For RFIs with the capacity to expand, this region seems to be the most obvious short term opportunity.

## **B. Seasonality must be respected to manage liquidity adequately.**

As expected, this study showed that saving is directly interconnected to income and expenditure patterns of the would-be savers. Highest income periods were observed to be the highest savings periods just as the highest expenditure periods were found to be the lowest savings periods. This trend or pattern must be taken into consideration when designing savings products that meet the needs and conditions of savers. As pointed out in a previous chapter, different rural locations have different high and low income periods. While savings products' features in all the rural areas surveyed should target the harvest season (for farming savers) and festive season (for trading savers), the dry season, as the study showed, should be a target for farming savers in Northern Uganda.

It is further necessary to remain aware that seasonality affects not only depositing behavior but also withdrawing behavior. Savings products features should not only target deposits during the high saving periods but should also ensure accessibility to savers' deposits during periods of low savings.

## **C. Monthly amounts that rural people can save differ regionally.**

In order to facilitate the design of ideal savings products, the table below shows the results of what respondents stated their monthly saving amount preference to be region-by-region. It is useful to view these trends in a table because the regional trends and preferences are vastly different.

Preferred Saving Amount	West	East	Central	North
< 5,000 UGX	31%	27%	16%	11%
5,001 – 10,000 UGX	12%	21%	28%	23%
10,001 – 20,000 UGX	24%	33%	29%	17%
20,001 – 50,000 UGX	13%	14%	17%	35%
> 50,000 UGX	19%	4%	9%	11%

Some clear conclusions can be drawn from the data. In the West and the East, a small amount saving product (perhaps offered as a group product or an ASCA account as mentioned above) may be most appropriate. However, this may not be as interesting for a financial institution operating in the Central or Northern regions. Offering a product in the 5,001 UGX to 10,000 UGX range seems to be appropriate in the East, Central and Northern regions. Offering a product in the 10,001 UGX to 20,000 UGX range seems appropriate in all regions. There is significant demand for a 20,001 UGX to 50,000 UGX product in all regions (given the size of the monthly deposit) and especially in the North. Finally, offering a product with a 50,000 UGX minimum deposit seems feasible in the west and to a degree in the Central and Northern regions.

In analyzing the appropriateness of offering a given product the financial institution should consider the monthly amount of the product and the volume of the product. If a high percentage of savers are able and willing to save only a small amount, the volume will compensate the small value. If a small, but significant, percentage of savers are able and willing to save very large amounts, the value will compensate the small volume.

## **Policies and Procedures:**

Policies and procedures that pertain to a product delivered by a financial institution play a very important role on the responsiveness of the product to its intended recipients. This section is meant to help define policies and procedures that will help an institution to address the priorities and needs of both its actual clients and its potential clients.

### **A. Fees should be low.**

High fees on savings accounts charged by financial institutions were named as a big deterrent to saving. The biggest outcry came from exited clients and non-clients of financial institutions which indicates that institutions have an opportunity to attract these categories of individuals if they charged lower fees. Much as the financial institution should plan to introduce viable savings products, such plans should focus more on improving internal efficiencies to minimize costs of savings mobilization, setting the right interest rate spread, designing simple savings products, offering no interest on low balance accounts etc., rather than reducing the savers deposits directly through fees. This becomes even more important the deeper in the rural area the saver is. The negative perception of high fees among those interviewed was much more significant than the negative perception of low interest. Therefore, rural financial institutions should endeavor to charge low fees on savers' deposits in order not to discourage potential savers.

### **B. Security and Access are potential clients' high priorities.**

The data gathered from respondents clearly indicated that client's high priorities are security for their savings and convenient access to their savings. Based on complementary data, access is not necessarily referring to withdrawal whenever required but rather refers to the time and effort required to withdraw or deposit. From a policy perspective, it is therefore prudent for financial institutions to prioritize these two aspects above other, less crucial client concerns, which are often assumed to be higher priorities such as interest rates and access to loans.

Respondents further clearly indicated that they hold larger percentages of their cash in their homes or in kind than they do in financial institutions. If a financial institution can offer convenient access (in terms of time and distance) and clear and obvious security for savings, clients will likely be far more motivated to save with that institution.

### **C. Low opening balances are important.**

One very important policy issue calling for careful attention is the required savings account opening balance because this is the door to creating savings relationships between RFIs and potential clients. The overall lesson from the study is that rural Ugandans prefer a low opening balance to open savings accounts. This is by no means a surprise because the study also revealed that their monthly income levels are low.

The vast majority of the respondents who expressed this preference are non-clients of financial institutions showing that high opening balance requirements must be deterring them from saving with formal financial institutions. Financial institutions therefore should require as policy low saving minimum balance in order to eliminate this barrier to saving facilities for rural Ugandan households.

**D. Respondents preferred passbooks as a record keeping method.**

One potential cost saving measure explored by this study was the use of paper receipts (which could be generating by hand held computing devices or simply written). Not surprisingly, respondents expressed a clear preference for passbooks versus paper receipts. Any financial institution interested in using paper receipts must consider the costs of educating and/or convincing clients to understand and accept this lower cost record keeping method.

**Products:**

**A. Open access savings can attract a lot of cash stored in homes and in kind.**

Results of the study indicated that respondents in all the regions of the country ranked overall accessibility and convenience to withdraw savings, second and third priorities after security. It was also revealed that a good number of respondents store significant cash in their homes and these respondents included RFI clients. This indicates that rural Ugandans have a strong desire to have unlimited access to their savings. Financial institutions should therefore develop and introduce 'open access' savings products in order to meet this need of their clientele and potential clientele. International practice has proved that individual and voluntary open access savings accounts have been very successful in attracting savers and therefore increasing savings outreach and faster growth of deposit base.

**B. Rural savers may appreciate a school fees saving product.**

Both the quantitative and qualitative surveys found that a large and periodic expense for rural Ugandans is school fees. This expense may have similar timing to other seasonal expenses depending on the particular region of Uganda, its harvest season, planting season, etc. Further, 69% of all respondents stated that their low savings season was when school fees were due. It is may therefore be reasonable that financial institutions design a saving product that can be contributed to regularly and only withdrawn at the time that school fees are due. Based on other data gathered by this study (the fact that rural respondents appreciated regular deposits and infrequent withdrawals, particularly) it would seem that this product could provide a welcome service to existing and potential clients as well as provide better management of liabilities for RFIs.

**C. Rural savers may appreciate a medical savings product and/or insurance.**

Respondents in all the regions the study was conducted revealed that one of their highest priorities for saving is medical emergencies. Financial institutions may therefore wish to design savings products that address this crucial need or consider a product that would be a hybrid of a savings/insurance product.



**D. Rural savers may appreciate a time deposit savings product.**

Significant numbers of respondents stated that withdrawing monthly or even quarterly was adequate for their needs and purposes. This may, of course, present a good opportunity for an RFI to offer a time deposit savings product that would have a quarterly maturity and enable the RFI to better manage its liquidity and liabilities.

**Annexes**

- 1. Qualitative Report on Rural Savings, Needs, Habits and Priorities Study.**
- 2. Questionnaire used for quantitative survey.**
- 3. Map indicating surveyed areas.**



Market & Social Research Division

**QUALITATIVE REPORT ON  
RURAL SAVINGS, NEEDS, HABITS AND PRIORITIES STUDY**

**June 2005**

**Prepared for:**

**RURAL SPEED**

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**1) TABLE OF CONTENTS**

<b>1.0 BACKGROUND INFORMATION</b>	<b>31</b>
1.1 INTRODUCTION	31
1.2 RESEARCH OBJECTIVES	31
1.3 METHODOLOGY	31
1.4 DATA PROCESSING AND REPORTING	33
<b>2.0 EXECUTIVE SUMMARY</b>	<b>34</b>
2.1 SAVINGS METHODS	34
2.2 PURPOSE OF SAVING	34
2.3 BARRIERS TO SAVING	35
2.4 MEASURES TAKEN BY RFIs TO HARNESS SAVINGS	36
2.5 RFIs MEMBERSHIP REQUIREMENTS AND BENEFITS	37
2.6 INCOME, EXPENDITURE AND SAVINGS PATTERNS	38
2.7 RECOMMENDATIONS FOR IMPROVING SAVINGS	39
<b>3.0 DETAILED FINDINGS</b>	<b>40</b>
3.1 SAVINGS METHODS	40
3.2 PURPOSE OF SAVING	44
3.3 BARRIERS TO SAVING	47
3.4 RECOMMENDATIONS FOR IMPROVING SAVINGS PRODUCTS	51
3.5 STEPS TAKEN BY RFIs TO MOBILISE SAVINGS	54
3.6 MEMBERSHIP REQUIREMENTS AND BENEFITS OFFERED	55

**Acronyms and Specialized Vocabulary**

<b>ASCA:</b>	Accumulating Savings and Credit Associations
<b>Exit Clients:</b>	Respondents who ceased to use Micro-finance Institutions
<b>Kikalamu:</b>	Fine levied in groups
<b>Nigina:</b>	Contributions to household items according to the members' needs
<b>Non-Users:</b>	Those who do not use and have never used, but may be using other methods of savings other than MFIs
<b>ROSCA:</b>	Rotational Savings and Credit Associations. These may also be referred to as Cash rounds or Merry-go-rounds
<b>RFI:</b>	Rural Financial Intermediary
<b>SACCOs:</b>	Saving and Credit Co-operative
<b>UFT:</b>	Uganda Finance Trust
<b>FINCA:</b>	Foundation for International Community Assistance
<b>UMU:</b>	Uganda Micro-finance Union
<b>BIBINA:</b>	Groups

## **1.0 BACKGROUND INFORMATION**

### **1.1 INTRODUCTION**

Rural Savings Promotion & Enhancement of Enterprise Development Project (Rural SPEED) wishes to understand the saving habits, needs and priorities of rural Ugandans and therefore commissioned a study to systematically interview rural Ugandans to collect this information. Rural SPEED will use the results of this study to assist rural financial intermediaries (RFIs), stakeholders in rural finance to understand rural savers and hence develop innovative products and strategies to increase RFI capacity in savings mobilization.

### **1.2 RESEARCH OBJECTIVES**

The principle objective of this survey was to provide Rural SPEED with an understanding on the saving habits, needs and priorities of the rural Ugandans to facilitate a new savings products design for the rural population.

### **1.3 METHODOLOGY**

#### **1.3.1 Overview**

To address Rural Speeds' objectives, qualitative and quantitative approaches were used. This report contains findings from the qualitative phase consisting of both mini-groups and in-depth interviews.

A qualitative phase was adopted as an explorative research technique to answer the research questions of *what, why, when, and how*.

The quantitative approach gives the numerical data facilitating ideological supremacy.

The study purposely selected respondents who were aware of savings. From this sample, high quality and actionable information was obtained from which hypotheses were generated and tested in the quantitative design. In the controlled qualitative environment, the respondents give more detailed information.

Qualitative designs include focus groups, in-depth interviews, observations, mini-groups and in-depth interviews. Mini-groups were adopted for the qualitative stage of this survey. A mini-group is essentially the same, as a traditional focus group except it will consist of 4 participants

Mini groups have the benefits of being a cost-effective research approach, faster since they are easier to compose, and with properly recruited respondents, the moderator is more able to tap and exhaust on all the respondents ideas. Further, the atmosphere in mini-groups is freer owing to the fewer numbers ensuring that the respondents can express themselves freely.

### 1.3.2 Mini-groups Composition

The mini groups were composed of clients (Exited and Non-existent), of different MFIs & SACCOs, while the in-depth interviews targeted managers and heads. Respondents were all recruited from the rural areas of the respective districts sampled and were between 18 years and 45 years of age. The gender composition was 50-50.

### 1.3.3 Sample areas

The table below summarizes the areas where the qualitative study was conducted.

<b>Region</b>	<b>Mini Group</b>	<b>Location</b>
North	Male Client	Lira
	Male Non-Client	Arua
	Male Exit Client	Lira
	Female Client	Arua
	Female Non-Client	Lira
	Female Exit Client	Arua
East	Male Client	Tororo
	Male Non-client	Iganga
	Male Exit Client	Tororo
	Female Client	Iganga
	Female Non-Client	Tororo
	Female Exit Client	Iganga
West	Male Client	Bushenyi
	Male Non-Client	Mbarara
	Male Exit Client	Bushenyi
	Female Client	Mbarara
	Female Non-Client	Bushenyi
	Female Exit Client	Mbarara
Central	Male Client	Masaka
	Male Non-Client	Bombo
	Male Exit Client	Mubende
	Female Client	Bombo
	Female Non-Client	Masaka
	Female Exit Client	Bombo

### 1.3.4 In-depth interviews

These were face-to-face in-depth interviews conducted among the managers and heads of MFIs and SACCOs. The areas and categories sampled are summarized in the table below.

	District	SACCOs	MFIs
1	Nebbi	Paidha Co-operatives	FINCA
		Nebbi Women's Development Association	UFT
2	Mbale	Mbale Women Savings and Credit Society	UMU
		Bugisu Teachers Savings and Credit Society	
3	Mbarara	Ankole Farmers Traders	UFT
		Shuuku Co-operative Savings and Credit	FINCA
4	Lyantonde	South Buganda	
5	Lira	Oribing	FINCA
		Arukicope	UFT
6	Arua		FINCA
7	Tororo		UMU
			UFT
8	Iganga		FINCA
9	Masaka		UFT
			UMU
			FINCA
10	Mubende		UMU
11	Bombo		UMU
12	Kisoro		UMU
13	Adjumani		UMU

## 1.4 DATA PROCESSING AND REPORTING

All mini-group discussions were audio recorded for purposes of data analysis and reporting. Also present was a secretary who noted the key points during the group proceedings. The audiotapes were later transcribed and data was analyzed by the various sample splits to bring out differences across gender, region, clients, non-clients and exit clients on one hand; and, RFI practitioners on the other.

The principal findings presented include descriptive and analytical comments on each of the issues that were discussed in the groups. In each section, supporting quotations (in italics) from the interview transcripts demonstrate the tone of the discussion.



## 2.0 EXECUTIVE SUMMARY

### 2.1 SAVINGS METHODS

Saving can take two forms: *in cash* and *in kind*.

**Cash savings:** Respondents saved cash through formal, semi-formal and informal methods. Formal savings include banks, MFIs and SACCOs. The key reason for using these institutions is because the respondents felt their savings were secure. The semi-formal savings were through ROSCAs (also referred to as merry-go-rounds), and ASCAs. Others mentioned saving through informal methods citing accessibility and absence of charges as reasons.

The frequently cited informal methods of savings were:

- Keeping money in boxes, bottles and other containers such as pots.
- Contributions to purchasing household items according to the members' needs.
- Under the bed, in the ceiling, as well as keeping it underneath their clothes (most often with the female).
- Saving with friends (in some communities).

However, respondents were aware that informal methods of saving are prone to loss through various ways such as theft and growth of mould on damp currency.

RFI Practitioners from MFIs and SACCOs confirmed that the majority of those who save in cash mainly keep it at home in pots, while few save in MFIs and SACCOs. The practitioners further confirmed that many in cash rural savers formed ASCA groups known as cash rounds among themselves.

**In Kind Savings:** Buying of property, and reselling at a later date upon appreciation. This method is perceived to be simpler, easier and a source of pride and prestige amongst the rural communities. Other forms of in kind savings are: houses/rental buildings, livestock and produce such as coffee, tea, bananas, groundnuts and maize.

To some respondents, investment in the education of their children is also regarded as saving. They expect remittances and family support after the children's' studies.

### 2.2 PURPOSE OF SAVING

There were several reasons cited by respondents in mini-groups as to why people save. These included:

- Education: The rural people consider education a valuable investment and hence save to provide for their children's education. The related costs include school fees, books and other scholastic materials.

- Healthcare: Medical bills are a key priority and rural people will save to manage the medical bills. Medical bills especially during the rainy season when there is increase in malaria were said to be inevitable.
- Purchase of capital assets such as land and buildings is considered long-term investment, which more often than not requires accumulation of savings.
- Capitalizing businesses: This requires mobilization of savings for both initial capital and reinvestment capital.
- Acquisition of loans from financial service providers: Some MFIs and SACCOs have it as a requirement that a loan applicant should have savings with them to qualify for a loan.
- To be able to meet the financial requirements during ceremonies and cultural events such as weddings, circumcision and religious occasions such as Iddi and Christmas.
- To mop up excess liquidity and avoid the temptation of misusing cash by saving using formal methods.
- Purchase of household capital assets such as radios, televisions and basic needs like food and clothes. This not only raises the social status of the individual in society, but also improves the living standards of the people.
- Future eventualities like old age and unexpected problems like famine.

### **2.3 BARRIERS TO SAVING**

People fail to save due to several reasons including the following:

- Low incomes as a result of long drought spells in the rural farming communities and poor returns from the businesses. The RFI managers also noted that decline in prices for agricultural produce has limited the communities' ability to save.
- High consumption habits in the communities. Consumption patterns have over time been affected by inflation. The RFI managers felt that poor planning with some spending virtually all their income was another reason for not saving. However, it was further observed that in some cases this could be attributed to increased domestic responsibilities.
- In rural communities the families are mostly large (extended family structure) and it is difficult to save since there is high expenditure on school fees, food, clothes, medical care among others.
- Bank charges and withdrawal penalties.
- The solidarity groups penalize or deduct members' savings for late coming or failure to attend a group meeting.
- Semi-formal savings schemes forfeiting one's savings when a member of the group fails to meet the repayment installment or completely defaults, other members' savings are deducted to cater for the defaulters.
- Limited or inconvenient hours of banking operations.

- Long queues especially in the formal saving institutions.
- The rural communities also find it difficult to raise the minimum balances in banks.
- Savings policies and procedures that are not explained. According to the MFI clients, there is ignorance on how the institutions function, coupled with inaccessibility to adequate reading materials on product features. Clients are unaware of the savings product advantages due to total absence of communication or lack of explanation about the products.
- The financial service providers are located far from the communities. This is further complicated by the costs of transport, added expenses such as meals as well as time.
- Insecurity, as in the case of the northern part of the country where the insurgency has forced many people to stay in Internally Displaced Persons camps (IDPs) which cause people to be mobile.
- There is lack of confidence in the institutions and their leadership among some rural communities who feel supervision and regulation of the financial institutions in the country is weak.
- The rural population has experienced collapse of some banks in the past. The fear of closing banks with subsequent loss of the savings as it happened in the case of the Co-operative Bank and Greenland Bank.
- Poor methods of savings, such as keeping the savings at home, expose potential savings to the risk of theft and loss. In addition, money saved through these methods is within clients' reach and in most cases prone to misuse.

#### **2.4 MEASURES TAKEN BY RFIs TO HARNESS SAVINGS**

The RFIs Practitioners indicated that to increase their savings portfolio, the financial institutions have among other things:

- Intensified training and mobilisation of the rural communities, in a bid to encourage people to save with them.
- The RFIs have also conducted product promotions to create awareness and enhance usage of products and services. RFIs have introduced incentives such as T-shirts, caps, calendars etc.
- Offered interest on savings to ensure client retention.
- Salary earners have been mobilised and encouraged to join by opening up savings accounts.
- Segmented the market by for instance allowing clients to belong to certain grades or schemes depending on their financial capabilities.
- Created partnerships with the government and other stakeholders like the Micro-finance Support Centre that provides funds to give as agricultural loans and the clients are encouraged to save.
- Attached a compulsory 10% savings of what the clients intend to borrow.
- Diversified the products in the saving and loan/borrowing categories products.
- Some organisations that traditionally used to target women have now enlarged their target market to include men as well as the children.

- There is a lot of sensitisation going on by the field personnel encouraging and educating the rural masses on the need to save, and the eventual benefits.
- Customer care has been enhanced to build client confidence in the financial institutions.
- Loans proportionate to the amount of savings are now being offered.
- To build confidence, institutions have conducted training on a wide range of subjects such as business management, saving and the impact of HIV/AIDS.

#### **2.4 RFIs MEMBERSHIP REQUIREMENTS AND BENEFITS**

Below are some of the requirements by RFIs for someone to be a member of a Rural Financial Intermediary that the RFI practitioners highlighted.

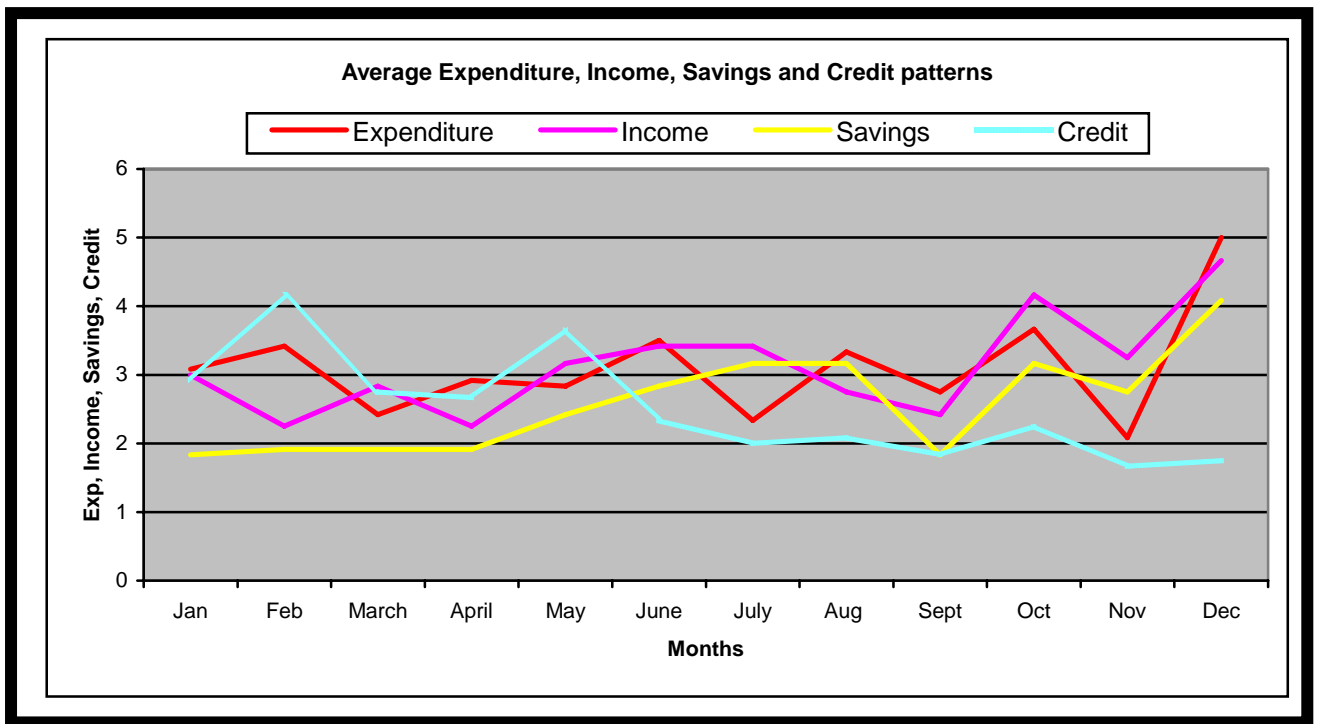
- a) Open up an account with a minimal compulsory saving
- b) One referral by an existing member
- c) Passport photographs
- d) Must be residents of the area
- e) A recommendation letter from either the local authorities or the current employer

Once a member, clients access the following products and services:

- Free sensitisation and training on saving
- Potential shareholder
- Exchange visits with more established SACCOS or MFIs
- Incentives for prompt loan payers and clients
- Money transfer services like Western Union
- Opportunity to save with the institution
- Participation in the Village phone project
- Opportunity to be elected as a board member
- Provision of a passbooks
- Access to loans

## 2.6 INCOME, EXPENDITURE AND SAVINGS PATTERNS

The graph below shows monthly analysis patterns of Income, Expenditures, Saving and Credit among the rural communities in the sampled districts.



**Fig.1 – Seasonality of income, expenditure, savings and credit**

**Quarter 1** - January, February, March

**Quarter 2** - April, May, June

**Quarter 3** - July, August, September

**Quarter 4** - October, November, December

- In the figure above, expenditure is higher in the month of February, June, August, October, and December. Except from December, the four months are back to school periods hence focused expenditure on school fees, books, scholastic materials and any other school requirements for their children. Spending on entertainment, food and clothing characterize December - the festive month. It can also be noted that the least expenditures are in the month of March, July and November as these months have the least economic activities and are therefore utilized for planning.
- Respondents get lowest incomes during the 1<sup>st</sup> quarter of the year as this period is characterized by heavy expenditures on school fees and other requirements such as: purchase of farming seeds and tilling of land. In addition, the declining incomes are as a result of expenditures during the festive season like Christmas and end of year); the business community experiences the main income in this period. The end of the 2<sup>nd</sup> quarter experiences a rise in income, which is as a result of the harvest seasons of April and May.
- Savings are also lowest in the 1<sup>st</sup> and 2<sup>nd</sup> quarters of the year as a result of the low income and high expenditures on school fees and school requirements in February and May; land clearing, buying inputs, resulting in low savings. A rise is experienced in the last part of the 2<sup>nd</sup> quarter as a result of the relative income from the sale of harvest. The rise is continuous until the 3<sup>rd</sup> quarter where it experiences a slump in

September, which is the back to school period. The last quarter enjoys relative growth in savings, which peaks in December.

- Credit periods are mainly in the 1<sup>st</sup> and 2<sup>nd</sup> quarter of the year, climaxing in the month of February and May. There is little borrowing in the 3<sup>rd</sup> and 4<sup>th</sup> quarter.

### 1<sup>st</sup> and 2<sup>nd</sup> Quarter

- High borrowing as result of low incomes and accumulated debts.
- Low savings.
- Moderate income and relatively high expenditures.

**Suggested product:** School fees product (to tap into high marginal propensity to borrow in first quarter).

### 3<sup>rd</sup> and 4<sup>th</sup> Quarter

- High expenditures on Christmas celebrations and an increase in commodity costs.
- Reduction in borrowing.
- Increase in revenue as a result of the harvest seasons, lots of food for domestic use and sale.
- Savings level off, experience a slight drop in September, but immediately gain momentum in the last quarter.
- High revenue from food production and purchases for Christmas benefit the business communities.

**Suggested product:** Fixed deposit products. To promote it, introduce incentives like - *win Christmas shopping, school fees* (to tap the savings and higher income).

## 2.7 RECOMMENDATIONS FOR IMPROVING SAVINGS

To address the barriers highlighted, various suggestions were put forward. These include:

- i. The opinion of most respondents in all categories was that in order to address the information gaps, it is important that the financial institutions (MFIs, Banks, SACCOs, etc.):
  - Clearly communicate features and terms of the savings products they offer. The RFI managers suggested measures that could help educate and sensitise the community on savings and savings products.
  - Transparently explain any changes on savings (e.g. deductions/charges).
  - Regularly educate the rural communities on the requirements for one to save money with them.
- ii. Both the clients and RFI managers further suggested that financial institutions should:
  - Pay sufficient interest on the savings.
  - Open for longer hours to enable clients to deposit their savings conveniently.
  - Roll out branch networks to enhance accessibility and reduction on costs related to travel and time spent in search of offices/branches.
- iii. The clients and exit clients alike recommended that regulation and supervision by the government (through the Central Bank) be improved to ensure the security of clients' savings.

- iv. Both clients and exit clients recommended insurance for the financial Institutions to provide security of the members' savings.
- v. The financial institutions should also enhance security by deployment of security guards in all their outlets.
- vi. The RFI managers recommended regular field checks by the institution's field officers for purposes of update on any impending problems clients may be facing.
- vii. The view of the clients is that their leaders and the management of SACCOs and ROSCAs in particular, should have a clean working record, be competent and have a decent reputation in the community to create rapport and confidence.
- viii. Clients suggested that the institutions train their officers on customer care to boost the quality of service. Currently it was felt that this is lacking and the staff were said to treat clients with 'arrogance and rudeness'.
- ix. The RFI practitioners suggested designing products that meet the needs and priorities of the rural community.

### 3.0 DETAILED FINDINGS

This section contains detailed findings of the survey. It includes analytical and descriptive comments on each of the issues that were discussed in the groups. In each section supporting quotations (in italics) from the interview transcripts are presented to demonstrate the tone of the discussion.

#### 3.1 SAVINGS METHODS

Findings indicate that saving in communities is low. The general perception amongst the rural population is that one needs to have a lot of money to save, though some appreciate saving the little that they have.

Saving in the rural communities takes two forms: in cash and/or in kind. Cash saving methods may be classified as formal, semi-formal and informal.

##### 3.1.1 Cash saving methods

###### (a) Formal cash saving

Formal saving in cash is through the banks, MFIs and SACCOs. There was a feeling amongst respondents that through this method, security of savings is guaranteed.

*"You see why they choose to save money in banks is because they feel banks are safe." (Male exit client - Mubende)*

*"There is a lot of security. When you keep it in a bank it is well kept." (Female client - Mbarara)*

*"When you are a group, you still can open up an account, bank money as a group and even borrow some money." (Female client - Mbarara)*

Formal saving also has the benefit of convenience. The institutions are said to allow withdrawals at the convenience of the client. With banks, clients open accounts, which simplifies the withdrawal process, while the SACCOs are perceived to be less bureaucratic.

*“Others can acquire an account in the bank and save the money there.”  
(Female non-client Tororo)*

*“In a bank if you get a problem, you can easily rush there and get money.”  
(Female non-client Bushenyi)*

*“In SACCOs, there are no inconveniences like filling in of forms and it helps people to buy property easily.” (Female non-client - Bushenyi)*

### **(b) Semi-formal cash saving**

Semi-formal saving with ROSCAs (merry-go-rounds or cash rounds) and ASCAs was said to be accessible because in most cases these organisations operate within the vicinity of the communities.

*“Thank you very much, we save in these groups, when you want the money you get it there and then.” (Male exit client - Mubende)*

*“Yes some of the people save their money in what they call groups cash rounds. The money is collected and given to one as others wait for their turn, the money goes on circulating in the involved group.” (Male exit client - Mubende)*

The ease of forming/joining the group is also a motivator to saving. The feeling is that the members in the associations reside within the same area and are aware of each member's financial capacity and commitment.

*“People get into a group of 8-10 people and meet every week to give one of the members money and it continues until all the members have received money.” (Female non-client - Bushenyi)*

In addition, there are no charges or costs incurred by saving in this way when compared with the formal service.

*“And with the groups, if you are in a problem the fellow members help you out with out any interest that you have to pay back.” (Male exit client - Mubende)*

*“To save at home there are some organizational groups, which lend out money.” (Female non-client - Masaka)*

*“Another thing about money in cash round is that this money is from the area so there are no problems of travelling long distance.” (Female non-client - Masaka)*

### **(c) Informal cash saving**

Findings indicate that majority of the rural population save through informal methods. The most cited were: saving money in boxes, bottles and other containers such as pots, under the bed, in the ceiling as well as keeping it underneath their clothes, as in the case of women. The key advantage of saving money through the informal methods was the convenience of accessing the money any time.



*“The box has no problem you just have to make sure that it is near you so that you can maintain and watch over it.” (Female non-client - Masaka)*

*“Putting money in small boxes called safes.” (Female non-client - Arua)*

*“Now in this community people get wooden boxes such that one throws in any amount they have say 200/=, after like 5 months, they break it and use that money.” (Female client - Masaka)*

RFI practitioners confirmed that the majority of those who save in cash keep it at home in pots, while a few save in MFIs and SACCOs. The practitioners further confirmed that rural cash savers formed ASCA groups among themselves (also known as cash rounds).

### **3.1.2 Saving in kind methods:**

This mode of saving is through purchase of property such as land, houses/rental buildings, livestock and produce such as coffee, tea, bananas, groundnuts and maize. The property is owned for a period of time, and then resold when the value has appreciated. This method is perceived to be simpler, easier and a source of pride and prestige amongst the rural communities.

*“I save by buying house properties.” (Female client - Iganga)*

*“Land gains value everyday. Land bought at Shs 100,000 can be sold at Shs 150,000 tomorrow. In addition, land can be used for crop growing and security in case you need a loan.” (Male client - Bushenyi)*

*“A building is long lasting, and it has a guarantee for many years.” (Female client - Iganga)*

*“You buy a radio to listen to, but that’s saving because if you get a problem you can easily sell it.” (Female client - Iganga)*

*“You can save maybe by buying land or building a house, that is a sure deal, I mean there is no way you can lose this money as the building is yours.” (Female client - Mbarara)*

*(Female client - Mbarara)*

*“They build a house and rent it out and at the end of the month or after three months they pay you your money.” (Female non-client - Bushenyi)*

*“Buying household equipment such as radio, bicycles and many more others.” (Female clients and exit clients - Arua)*

To some respondents in some communities, investment in the education of their children was also regarded as a saving. They expect remittances and family support after the children’s studies. In old age these educated children are expected provide financial support.

*“Paying school fees; that’s how we are saving in them by giving them fees its like you are giving them capital.” (Female client - Iganga)*

*“When you are paying school fees you really want your child to study and you have hopes that when the child finishes school, and gets a good job, he or she can help you when you are old.” (Female client - Iganga)*

*“Another thing is, in case I am saving in school fees. I always want to see that my children are studying especially girls because they are likely to bring better returns.” (Female client - Mbarara)*

### **3.1.3 Limitations on saving methods**

*Formal Cash saving:* Limited usage of formal institutions among the rural Ugandans is attributed mainly to high charges related to transactions, ledger fees or monthly fees. The formal institutions were said to be inaccessible to people in villages and that

they have procedures that are cumbersome and restrictive. They further mentioned that banks are associated with long queues and big crowds, which causes inconveniences. Exit clients in Mubende noted that some people are illiterate which makes it hard for them to use banks.

*“In fact the charges involved in withdrawing the money is also too much.”*

*(Male exit client - Mubende)*

*“That’s why I hate saving in the bank, its because of the charges.” (Female client - Iganga)*

*“The other thing is that people don’t know how to write and even read, things in the banks are complicated, now when I want to withdraw 50,000 I need to know how they write it in words which is not the case when I save the money in physical items.” (Male exit clients - Mubende)*

*“Lining up when you have gone to get your money and by the time you leave the bank, your legs are hurting. That is why people keep in their houses.” (Female client - Iganga)*

*“You go to the bank and give the teller your money and depositing sheet she tells you have written badly go and correct your mistake yet you have been in the queue for long. You are tired they ask you, why have you used a black pen? When you don’t know that you are not supposed to use it, so you end up not getting your money because they don’t assist us.” (Female client Iganga)*

*Semi-formal cash saving:* The major limitation to this saving method is lack of security and confidence that one will get the money back. It was said that with time a number of people have lost trust in the leadership of such institutions and among the members themselves. It is said that leaders of such associations abscond with the members’ contributions, whilst group members on the other hand fail to remit their contributions.

*“The problem is that some people are unscrupulous that they take all the money that is meant for the group.” (Male exit clients - Mubende)*

*“Sometimes when you have gathered the money and given it to one person, that person disappears with the money.” (Female non-client - Bushenyi)*

*“There is no security. You find that you have given one person money and you are four people but by the time you reach the fourth person, some people have already disappeared and you make a loss.” (Female non-client - Bushenyi)*

*Saving cash informally:* Respondents were aware that informal methods of saving are prone to loss through various ways such as theft. It was noted that the bank notes easily gather mould and could even be destroyed by dampness.

*“The only problem is that the house may get burnt or even the box may be stolen.” (Male exit client - Mubende)*

*“But the problem with this method is that still money could get destroyed. Not until recently when we have started building houses instead of putting all the money in pots.” (Female client - Bombo)*

*Saving in kind:* The setbacks with this method is that sometimes tenants fail to pay rent; land can be repossessed with absence of title deeds, vehicles are prone to destruction or loss through accidents, theft, livestock may fall sick, and subsequently die.

*“The only problem is when you give a tenant your house at times when you go there you find that she vacated without paying.” (Female client - Iganga)*

*“You can get people to rent out the houses but they don’t pay you the money in the end, so you get a loss and some run away with the money.” (Female non-client - Bushenyi)*

*“The other problem is that when we save in the physical items like animals say goats you find that the animals are attacked by diseases.” (Male exit client - Mubende)*

*“You could buy cows say and they are stolen or they get lost because some break free and run off hence you lose money you invested.” (Female client - Mbarara)*

*“In case the animals die then you lose out. Or even they may steal the animal.” (Female non-client - Tororo)*

*“Keeping cows in the camp is difficult and when you take them out of the camp, rebels take them.” (Male client - Lira)*

Farming is affected by the problem of diseases and long spells of drought. Respondents further mentioned that price fluctuations and poor seasons also affect the produce.

*“The other problem is that when we save in the physical items like growing crops you find that diseases destroy.” (Male exit client - Mubende)*

*“You may buy either beans or millet at Shs.5 000, but when you are selling, you sell at Shs.2 000, so you are making a loss” (Female client - Mbarara)*

*“Sometimes the season is really bad i.e. it could be raining or there could be too much sun.” (Female non-client - Bushenyi)*

### **3.2 PURPOSE OF SAVING**

There were several reasons mentioned by respondents in different communities.

*Education:* Some respondents attach a lot value to educating their children, and save to afford the costs. These costs cover school fees, registration fees, stationary and books, school uniforms among others.

*“One can save in order to pay for school fees that’s why we save.” (Female client - Iganga)*

*“Like you pay school fees and if the child is joining may be University you can get that money you saved and start from that.” (Female client - Iganga)*

*“You can also save money for school fees payment and other school materials.” (Female non-client - Tororo)*

*“You can save money and later it helps you to pay school fees for the children.” (Female non-client - Bushenyi)*

*“And paying for children school fees.” (Female client - Masaka)*

*“Like you pay school fees and if the child is joining may be University you can get that money you saved and start off from that.” (Female client - Iganga)*

*Medical fees:* Paying medical bills especially during the rainy season when there is an increase in incidences of malaria.

*“For example I may fall sick or any one of my family members or even any problem can arise and I use the money I saved to solve the little problem that has come up say for medical bills.” (Male exit client - Mubende)*

*“For problems like sickness, at least when you have something saved, you just withdraw and it helps you to meet the medical bills.” (Female non-client - Tororo)*

**Buying capital assets:** Respondents also save as a way of accumulating capital assets such as land and buildings. These assets generate income through sale as well as consumption. Not only are the assets used to generate an income for the owner, but also are occasionally used as collateral when borrowing.

*“Like if you want to build you can take your money in the bank and keep on saving. When it accumulates, you can get it and may be buy a plot and start building a house for your family.” (Female client - Iganga)*

*“For example to buy seeds, insecticides or to help you hire oxen to plough your land.” (Female non-client - Tororo)*

**Acquisition of loans:** Some respondents save to qualify for loans from financial institutions, since most financial institutions lend money to clients who save with them. Others will save in shares of SACCOs where they may obtain loans proportionate to their shares. Another reason is because it is mandatory for clients of micro finance institutions to have in savings, for instance, 10% of the principal amount borrowed.

*“If you keep money in the bank after sometime they can give you a loan so that’s motivating people to learn to keep in the bank.” (Female client - Iganga)*

*“That means you are saving with the micro finance institution so that whenever you want a loan they can always give it to you as you save.” (Female non-client - Tororo)*

*“People save money because they expect to get a loan from the micro-finance institutions because if you don’t have money or security they can’t give you a loan.” (Exit client - Tororo)*

*“You can easily get a loan from a bank when you have an account with them than when you do not have an account with them.” (Female non-client – Bushenyi)*

*“The micro-finance institutions tell us that each time you deposit money, you have to save this helps you in a way.” (Female non-client - Masaka)*

*“Others choose to do so because we hear that if you save money in the bank after sometime they can give you a loan, and that’s motivating people to learn to save in the bank.” (Female client - Iganga)*

**Capitalizing businesses:** Saving money and then using the money to start up a business or re-invest in the business.

*“I save money in order to expand my business.” (Female non-client - Bushenyi)*

*“For example, if you have a business and there is need for restocking, you keep your money until when you are able to buy in bulk.” (Female client - Bombo)*

*“Sometimes it’s to start something new like a business, I am a cameraman but I would like to buy some goats, such that in case of any problems I can sale off the goats to clear the problem.” (Female client - Luwero)*

*Security* is a very important aspect as to why people save. Saving money especially through banks enhances security of the money from theft, and loss through incidences like fire.

*“If they get to know that you are someone who doesn’t keep money in the bank, the thieves can easily raid your home and you will be at a loss, so basically in the bank, one is sure that the money is secure.” (Male non-client - Bushenyi)*

*“Banks are very secure.” (Non-client - Arua)*

*Purchase of basic needs:* The respondents also agree that to afford household assets and other accessories, one has to pool resources together. Therefore, saving will be necessary to meet the basic needs of food, housing and clothing. Other household items such as radios and televisions improve standards of living.

*“Saving can improve on your standard of living or development.” (Male non-client - Bushenyi)*

*“You can buy cows, land and any time you need money, and you sell them.” (Male non-client - Bushenyi)*

*“There are times when I want to buy certain things in the house, I will definitely save for them.” (Male client - Lira)*

*Eventualities:* Future eventualities like old age, and unexpected problems like famine or long spells of drought necessitate saving.

*“For me I think they are saving for the future. I mean in the future when one can no longer work (old age), they get some money then that money is used.” (Female client - Mbarara)*

*“Not only that but also when one knows that he has to grow old he has to save not to suffer in future, it is like already made money that one kept.” (Male exit client - Mubende)*

*“People save money for future use, so if you get a problem like sickness you have somewhere you can be able to get some money.” (Female non-client - Tororo)*

*“Yes for old age. Savings can help when you are old and cannot do any work.” (Female non-client - Bushenyi)*

*“For future purpose like old age when you have grown old and you have built a house, you can rent it out and get money.” (Female non-client - Bushenyi)*

*Festivities and cultural events:* Events and festivities such as marriage, circumcision and religious occasions also require saving to manage the associated costs. In addition, respondents save to facilitate celebration of festive seasons like Christmas, Iddi or Easter.

*“We also save for development purposes, say improvement in our day life and mostly when I have an introduction (bride price) to make I have to present my goats or cows, also for to development in building houses, which is why we decide to save.” (Male exit client - Mubende)*

*“We also save in preparation of cultural events such as when there is an introduction (bride price) to make.” (Male exit client - Mubende)*

*“Some times we save for the big days to come, for example Christmas or Easter for which we buy some things like clothes, food for the big days.” (Male exit client - Mubende)*

**Avoid temptation of misuse:** Excess liquidity creates temptation for misuse of funds hence some respondents will opt to save.

*“Well, cash even if it is Shs.1M, if you just keep it in the house without saving and you just keep removing a bit to spend, it will not last, it will get finished.” (Female client - Mbarara)*

*“You can become extravagant and use the money to buy things you should not have bought but once you take it into a bank, you can’t misuse it.” (Female non-client - Bushenyi)*

*“So that they don’t misuse money by just spending but keep it for something useful because if one has excess money on him, he will spend aimlessly.” (Male non-client - Mbarara)*

### 3.3 BARRIERS TO SAVING

There are a host of factors that affect saving among the rural population in Uganda. These include high bank charges, lack of information on options and products available for saving, poverty, low interests on deposits, limited access to financial services, instability of some banks and uncertainty about especially the future in Northern Uganda.

**Bank charges:** High bank charges on withdrawals and ledger fees hinder saving among the rural population.

*“There are bank charges which the bank deducts for keeping your money there.” (Female client - Luwero)*

**Poverty:** Low incomes as a result of long drought spells and price fluctuations in the rural farming communities. The business communities also noted that business is slow in the rural area. These factors affect the incomes and diminish their power to save.

*“Mainly the farm products don’t have good markets and also their prices keep fluctuating, which makes it impossible for farmers to get profit.” (Female non-client - Masaka)*

*“According to my low income I don’t save like by the time I make my blocks I have already spent the money.” (Male non-client - Iganga)*

*“For a long time we have experienced drought, what then can one save?” (Male exit client - Lira)*

**No interest earned on savings:** Respondents noted that in addition to banking charges, the financial institutions do not offer any interest on their savings.

*“Still people do not enjoy saving, this is because there is no interest given on the money we save.” (Female non-client - Masaka)*

*“This one has talked about bank charge of 2000 but I mean the charges per transaction or the monthly charge and when my money is in their hands they are loaning it to other people and making interest out of it and they don’t give me any interest but only deducting my money. I deposited 10,000 and when I went back it was 6000 and they don’t tell you why they did that.” (Female client - Iganga)*

The clients and non-clients in the mini-groups suggested that financial institutions should pay sufficient interest on their clients’ deposit.

*“All we know is that banks used to give interest on money kept there, but since nowadays they do not give, people are unwilling. So they should adopt the system of giving some interest on the savings.” (Male non-client - Luwero)*

*“They should provide reasonable interest rates because they also earn from the savings.” (Male client - Lira)*

**Unstable banking sector:** Lack of confidence coupled with fear of closing banks with subsequent loss of savings as it happened in the case of the Co-operative Bank and Greenland Bank.

*“I feel even the banks are somehow corrupt. You can learn that they have closed abruptly even before you withdraw your money so in that case you lose out.” (Female non-client - Tororo)*

*“We had our bank here in Bushenyi and the government closed it, the Co-operative Bank. Some of us who had accounts with it couldn’t get our money.” (Female non-client - Bushenyi)*

*“When banks close you find that you lose a lot, or they slash your money by half.” (Male client - Tororo)*

*“In case the bank closes, it’s clients lose out for example when Greenland bank closed most of it’s customers were never compensated so banking sometimes has it’s own risks.” (Female client - Luwero)*

*“At one time members of this community used to have their local bank and they were keeping their money so a thief came and stole the money that’s why they now don’t have the trust in the banks.” (Female client - Masaka)*

*“You know, those organizations are a bit difficult because the leaders are not trustworthy.” (Female client - Luwero)*

In addition, the respondents’ felt that there is lack of proper regulation by the Central Bank, and as a result inhibits savings, thus eroding trust in the institutions.

*“In this area we do save only that these days there has been a reduction since at one time members of this community used to have their local bank and they were keeping their money in that bank so a thief came and stole the money that’s why they now don’t have the trust in the banks. Because they still believe that it was conspiracy by the leaders to steal their money.” (Male client - Masaka)*

**Non-remittance of contributions:** Forfeiting savings when a member of the group fails to meet the repayment installment or completely pulls out of the group also discourages rural population from saving.

*“In addition to that, when operating in those groups, you may decide to save when your friends are not saving so at the end of the day when you come to collect money, you may find that it has been deducted to compensate the loss which your fellow members caused when they did not save so you end up losing.” (Female client - Luwero)*

*“You will find that today they may give one person money, and then the next time another person may get half then by the time we reach the last person, he may not get any money And this is simply because some people within the organizations are not faithful.” (Female client - Bombo)*

*“There are times when some fellow group members fail to pay their contributions. So your money is held to compensate for the person who failed to pay. That is the main reason why people have started abandoning these money-leading groups.” (Female non-client - Masaka)*

**Poor agricultural output prices:** The RFI managers and some non-clients in Masaka noted that the decline in prices for agricultural produce has limited the communities’ ability to save.

*“Low prices for agricultural products which affects the income of the farmers.” (SACCO, Nebbi)*

*“In most cases, farm products are sold at low prices, and as such, those who deal in such a business will be affected by this.” (FINCA, Masaka)*

*“Prices for agriculture products are low.” (SACCO, Apac)*

*“Mainly the farm products don’t have good markets and also their prices keep fluctuating, which makes it impossible for farmers to get profit.” (Female non-client - Masaka)*

**Opening hours:** Limited or inconvenient hours of banking operations also hinders saving among the rural population. Respondents would wish to have access to their money at all times, as opposed to keeping it in banks which have limitation on opening and closing hours.

*“Again with banks, they have time limits in which they operate, they open at around 8:30 am and close at 3:00 pm so this limits one who wants to use them past 3:00 pm.” (Male non-client - Mbarara)*

*“You can get a problem and you rush to the bank and you find it closed like at 4:30 but when you have your safe, you can easily solve the problem because the money is available anytime.” (Female non-client - Bushenyi)*

*“One may go to bank and find that the bank has already closed thereby end up not getting money so the banks also have problems.” (Female client - Bombo)*

*“Its should be in a way that I get my money whenever I need it so the opening hours should not be limited, they should have longer working hours.” (Female non-client - Masaka)*

**Long queues:** In most cases, long queues result in crowding, a situation that is undesirable among the rural population.

*“While in banks it takes a long process. There is a lot of lining up and sometimes the bank is over crowded that is why people don’t like saving in banks.” (Female non-client – Bushenyi)*

*“Lining up when you have gone to get your money and by the time you leave the bank your legs are hurting that’s why people keep in the house.” (Female client - Iganga)*



**Minimum balance:** RFI managers confirmed that the inability to raise the minimum balances hindered the local population from saving.

*“It is difficult for them to raise bank minimum balance.” (SACCO, Nebbi)*

**Lack of information:** According to the clients and exit clients, there is lack of knowledge on how the institutions function as well as inaccessibility to adequate reading materials on product features. The latter was a comment made by the literate respondents who feel that such information would be adequately utilised if made available. Clients are unaware of the savings product attributes because of lack of information. The rural population felt that they lack information about the different banking and MFIs products and the various options through which they could save.

*“Some may not want to keep in the bank because the bank processes are long and when you want your money you do not get it so one may use a business.” (Male non-client - Mbarara)*

**Limited access:** The financial service providers are located far from the communities, sometimes as far as 20 kilometers. The RFI managers quoted the related costs of transport, meals and the time spent as factors that inhibit saving among such communities.

*“Saving is a problem because the micro finance institutions are very far, like here in Kiwangala we are (20 km) from the main road and yet the Micro-finance is in Masaka town so we have to walk long distances which is expensive.” (Female non-client - Masaka)*

**Insecurity:** As in the case of the northern part of the country where the insurgency has forced many to live in Internally Displaced Persons camps (IDPs) which are often mobile. This creates uncertainty and inhibits saving. Respondents are not sure of tomorrow so they fear to lose their money and property in saving.

*“For example here in Lira, people are ever on the move, yet others are staying in IDPs, do you think you can have the time and the guts to keep your money with any institution.” (Female non-client - Lira)*

*“We would save but in most cases we are uncertain of the security in the area.” (Female exit client - Lira)*

**Over expenditure:** It was further observed that increased domestic and other responsibilities like paying school fees and meeting the financial requirements of the household hinder saving. This is mainly attributed to the big size of families that the respondents have to look after. High consumption habits among the communities also prevent them from saving. It is a common practice among the respondents, of high spending on entertainment, drinking alcohol and purchase of new clothes particularly during the festive seasons like Christmas.

Another factor raised was the concern on inflation resulting in high commodity prices subsequently affecting saving.

*“Of late, we have been experiencing high prices for commodities, with all those expenditures, one may not have an opportunity of saving.” (Female client - Lira)*

*“My family is large, so when I think of saving, then the family may not have what to feed on, let alone the children attending school.” (Female client - Iganga)*

*“If you are living in a camp there is no way you are going to save.” (Female non-client – Lira)*

**Poor management of income:** The view of the RFI managers was that poor planning hindered saving with a high percentage of the rural population spending virtually all their income.

*“People do not plan for their money well.” (SACCO, Nebbi)*

**Poor saving methods:** Poor methods of saving, such as keeping cash at home, expose the savings to the risk of theft. The dampness of storage containers could facilitate growth of mould on paper currency; aspects that are beyond the control of the savers. On the other hand these savings are within reach and could be misused. The view of the respondents was that while they found it convenient to keep money at home, they also acknowledged the risk of spending it.

**Loss of savings:** Owing to the unreliability of the informal saving schemes, a member of a scheme may lose their savings should a member of the group fail to meet the repayment installment, completely default or pull out.

*“Ok there are times when some fellow group members fail to pay and yet you, endeavoured to save so your money is captured to compensate for the person who failed to pay that’s why people have started abandoning these money leading groups saving.” (Female non-client - Masaka)*

### 3.4 RECOMMENDATIONS FOR IMPROVING SAVINGS PRODUCTS

**a) Communication:** Respondents were concerned about lack of information and communication about the policies and procedures as well as terms and conditions of the savings products. Some save but are unaware of the withdrawal charge.

It is important that these financial institutions (MFIs, Banks, etc.) communicate features and terms of the savings products offered.

*“People need more sensitization about the importance of saving especially in the village so as to stop saving in those uncertain ways.” (Male non-client - Luwero)*

*“Yes, people should be taught about the need to save in better places.” (Male exit client - Tororo)*

*“I would put it clear to the customers or clients and make them understand all the requirements necessary to either become a member to join, then to explain all the charges made on their savings.”(Female client - Luwero)*

The opinion of the RFI managers on measures that could assist in educating and sensitizing the rural community on savings and savings products include publicity and mobilization at the grass root level using the local media channels such as the local FM stations.

**b) Higher interest rates on savings:** It is the opinion of the respondents that financial institutions do not give interest on savings, and when they do, it is too minimal a percentage

to justify savings. The respondents suggest that these financial institutions should offer interests given that their savings are at the same time utilized by the institutions.

*“All we know is that banks used to give interest on money kept there, but since nowadays they do not give, people are unwilling. So they should adopt the system of giving some interest on the savings.” (Male non-client - Luwero)*

*“They should provide reasonable interest rates because they also earn from the savings.” (Male client - Lira)*

*“What I would want to see is that when I save money, when I come back it is as it is or with interest, not this business that we are saving and the next time I come to see it has reduced.” (Male exit client - Mubende)*

*“A good product is one that will help me get interest at the end of it, so that I am able to develop using the accrued profits like build a house or pay fees.” (Male non-client - Mbarara)*

**c) Opening hours:** The other incentive that respondents suggested would be to open up the institutions for longer hours so as to facilitate access to the services across the day and avoid congestion.

*“The bank should also operate within timings that are appropriate for us to take our savings, like open from 8:00 am up to 4:00 pm.” (Female non-client - Masaka)*

*“Its should be in a way that I get my money when even I need it so the opening hours should not be limited, they should have longer working hours.” (Female non-client - Masaka)*

**d) Education and sensitization:** It was the opinion of the respondents in all groups that they are not saving simply because they are not knowledgeable about the saving opportunities available to them. To reduce this information deficit, there is need for the players in this sector, (government and financial institutions) to come up with a strategy of sensitizing the masses on the benefits of savings and how they can get involved.

*“I think that these organizations should sensitize the people in the village on saving.” (Male exit client - Bushenyi)*

*“People do not know how to save, so please try and devise methods so that we all know how to save because currently, the savings we are making is not beneficial.” (Male non-client - Luwero)*

*“Yes, people should be taught about the need to save in better places.” (Male exit client - Tororo)*

*“We actually need to be enlightened on the importance of saving.” (Male client - Tororo)*

*“Like my colleague said, government should educate people so that they can save.” (Male non-client - Luwero)*

*“What we need now is not a bank, but what we want is that if we can be educated on how to run the businesses so that we get money that we can save, but right now we lack capital and a work plan.” (Male non-client - Iganga)*

**e) Roll out of branch network:** Given that most institutions are not located within these communities, the respondents find it difficult to travel long distances as this has a cost implication. Therefore, the view of the respondents is that institutions are brought nearer to their community to avoid costs and to make the service more convenient.

*“The MFIs and the banks should open rural bank systems in rural areas where everybody gets opportunity to use them and reduce on the distance to the institutions.” (Male exit client - Lira)*

*“They should open up small branches in the villages.” (Male exit client - Lira)*

*“They should also penetrate villages, because most of them are located in the urban areas.” (Male exit client - Tororo)*

*“To extend the services in the villages.” (Male non-client - Iganga)*

**f) Regulation of the sector:** For the respondents to exude confidence in these institutions, it was suggested that a regulatory mechanism be put in place to oversee the activities particularly the MFIs. This regulatory body should ensure that all the institutions are fully registered and operate within the framework, as well as take responsibility for ensuring the welfare and concerns of the members are safeguarded.

*“Then also it should be well registered so that in case money is lost, then we know from where to start.” (Non-client - Masaka)*

**g) Security:** Because of the fear of losing savings, respondents suggested that institutions be fully registered and insured, including the deployment of day and night guards.

*“Also the bank is too open as you line up there, so even thieves can see and know you have withdrawn the money. It should not be located in the street and not exposed for everyone to see.” (Male client - Lira)*

For SACCOs and merry go-rounds, it was recommended that members of the groups are familiar with each other with their leaders residing within the area for ease of communication. This would greatly reduce mistrust that may arise if leaders of the institutions resided in different areas.

*“May be if you get people who only know each other and they must have property as security such as animals so that when they fail to pay, they just sell their goats.” (Male exit client - Bushenyi)*

**h) Customer care:** Clients suggested that the institutions train their officers on Customer Care to enable friendly working relationships.

*“Sometimes they are rude, they just shout at you and send you away. So there is need to educate these officers on how important we are.” (Male client - Lira)*

**i) Co-operative Movement:** The idea of reviving unions was suggested particularly in Lira among the female non-clients, who argued that the co-operative unions are beneficial as they serve two purposes. One, they can provide for savings option and two serve as a selling and marketing platform for the farmers’ produce.

*“They should introduce or revive the co-operative unions so that we save with them and also help us in marketing our produce.” (Female non-client – Lira)*

**j) Simpler procedures:** Respondents feel that they are taken through numerous procedures while joining the MFIs; they suggest that the institutions should adopt simpler procedures to allow the clients understand the product fully and join with ease.

*“Services should easily be accessed and not involve so many steps, come today, wait there they are still verifying this or that. So it really takes long and yet after that they tell you that you have not satisfied them.” (Male exit client - Mubende)*

**k) Qualified leaders:** The opinion of the rural population is that leadership of such institutions should be reputable within the community and with proven working records, as this would eliminate doubt and would motivate the clients to save with them.

*“I also think that for some one to be in charge of our money he should be a resident of the area and also that person should be available all the time and should be with a proven clean working-record then we can trust that person with our money.” (Female non-client - Masaka)*

### 3.5 STEPS TAKEN BY RFIs TO MOBILISE SAVINGS

To mobilize savings and enhance their operations in the market, RFIs have undertaken various measures. These include the following:

- a) Micro-finance institutions and SACCOS have sought financial support from organizations such as the Uganda Co-operative Alliance, Micro-finance Support Center and the Ugandan government. These organizations lend money to micro-finance institutions and SACCOS, which extend loan services to their respective members.

*“We have looked for partners in government.” (SACCO, Mbale)*

*“Organizations get funds from Micro-Finance Support Center.” (SACCO, Nebbi)*

- b) MFIs and SACCOS have engaged in recruitment drives aimed at expanding their client base. For example, UFT have opened up to a wider target market that includes men and children, while others have begun to target salary earners and the business community. Among the SACCOS, members have been encouraged to purchase shares; giving an automatic increase in savings with the growth of membership.

*“Have mobilized members to join the financial institutions.” (SACCO, Masaka)*

*“The organizations encourage even men and children to join.” (UFT, Tororo)*

*“We work hand in hand with the CAO (Chief Administration Officer) at the district so that salaries are dispatched in time.” (SACCO, Lyantonde)*

- c) The institutions have also introduced a minimum balance deposited by any client opening an account. Some groups save money whenever they have group meetings, which have basically helped to improve savings in the community.

*“There is a fee deposited whenever one is opening an account that is not supposed to be withdrawn.” (SACCO, Mbarara)*

- d) Conditions on loan application have been put in place such that every borrower has to have at least an equivalent of 10% of the principal loan amount as savings, before they qualify for a loan. In addition, the organizations have become more stringent in vetting the loan applications.

*“Borrowers should first maintain at least 10% savings for the loan to be borrowed.” (SACCO, Nebbi)*

*“Mobilize more people for loans.” (UMU, Kisoro)*

- e) The staff and field officers have sensitized the rural population on the benefits of saving money with the RFIs and discouraged cash savings in the home.

*“Discourage the culture of keeping money at home.” (UMU, Kisoro)*

- f) Incentives, which include items, like T-shirts and calendars have been distributed to clients as well services such as good customer care.

*“Confidence building through good customer service.” (Uganda Finance Trust, Masaka)*

*“Give material gifts to clients.” (UMU, Kisoro)*

- g) The RFIs have organized free training for members which encompasses business management, saving, health, HIV and education.

*“Free training which includes health, education, saving.” (SACCO, Apac)*

### **3.6 MEMBERSHIP REQUIREMENTS AND BENEFITS OFFERED**

#### **3.6.1 Requirements for membership**

The conditions and requirements for membership in RFIs vary from one RFI to another. Among the conditions are:

**Reference:** In order for one to become a member, the micro-finance institutions require that an existing client act as a referee to a prospective client. Some RFIs will rely on reference from their own field staff working in the area where the potential client resides while others will require an introduction letter from either the local council official or employer for those in formal employment.

*“Talk to a group leader who then introduces the person into the group.” (FINCA, Iganga)*

**Opening deposit:** Require one to voluntarily open an account, with a deposit, which ranges between Shs.5, 000 to Shs.30, 000. This amount includes registration fee, minimum balance or ledger fees.

*“Open an account and save at least 10,000.” (UMU, Tororo)*

*“One needs to open an account and start saving.” (Uganda Finance Trust, Masaka)*

**Photographs:** Every new entrant is required to hand in 2-3 passport photographs and an identification card.

*“3 passport photographs and a recommendation letter from L.C or employer.” (UFT, Mbarara)*

**Residential status:** One is required to be a resident of the particular area before they can become members of any micro-finance institution or SACCO.

*“You have to be a resident of the area.” (Finca, Lira)*

#### **3.6.2 Benefits offered**

Once one has been approved as a member of the organization they stand to benefit from the following products and services:

- Saving is the key benefit that a RFI member gets from the organization.
- A member of a saving scheme is also eligible for a loan. The loans are intertwined with saving. A member will borrow from an organization; invest to get enough money to cater for their needs and boost their saving potential.

- Free sensitization and training on saving: RFIs have initiated programmes through which they sensitize members of the rural communities on a range of issues ranging from savings products and services to business practices, health and HIV among other social issues.
- Most members become shareholders in the respective organizations that they save with.
- Exchange visits with more developed SACCOS or MFIs. Such visits are used as forums and case studies through which members are educated on the importance and benefits of saving organizations.
- Incentives for prompt loan payers and clients: For borrowers who service their loans faithfully.
- Added services: As the institutions grow, so does their capacity and ability to offer a wide range of services such as money transfer. This is the case with some of the more developed MFIs and SACCOS (e.g. CERUDEB, FINCA, UFT) that are now agents for the global network of Western Union and Money Gram money transfer.
- Projects: Some of the saving groups/schemes have income generating projects that members benefit.
- Some of the RFIs will stimulate the sense of ownership through electing some of their members into leadership positions not exempting a position on the management board.

## Questionnaire

SAVINGS, HABITS, PRIORITIES SURVEY					
Questionnaire Code	<input type="text"/>	Call commenced	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interviewer's Name	<input type="text"/>	Call completed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Date	<input type="text"/>	Checked by interviewer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DAY	<input type="text"/>	Back checked by supervisor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Respondent's Name	<input type="text"/>	Edited by supervisor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Homestead of	<input type="text"/>	Postal Address	<input type="text"/>		
<b>Randomly selected household</b>					
<b>Region</b>	<b>District (record)</b>	County	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Western	<input type="text"/>	Sub-county	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Eastern	<input type="text"/>	Parish	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> Central	Code <input type="text"/>				
<input type="checkbox"/> Northern					
<i>(Draw a map of actual location behind the questionnaire)</i>					
<b>Good Morning/ Afternoon/ Evening</b>					
My name is ..... from Steadman Research Services, An independent market and Social research company. We conduct studies into consumer opinions on various products and services available in Uganda. Today we are asking people on savings. This will help us to find out the savings habits, needs, and priorities of the rural people as a basis of developing appropriate savings products for rural people. May I ask you a few questions					
<b>DEMOGRAPHICS</b>					
<b>D.1 GENDER</b>	<b>D.2 HOUSEHOLD SIZE</b>	<b>D.3 HOUSEHOLD STATUS OF RESPONDENT</b>			
<input type="checkbox"/> Male	Record the number of people in each age groups in your household.	Head of household	<input type="checkbox"/>		
<input type="checkbox"/> Female	Include yourself, spouse, children, other relatives, lodgers and servants.	Wife of household	<input type="checkbox"/>		
		Son/Daughter	<input type="checkbox"/>		
		Other relatives	<input type="checkbox"/>		
<b>D.4 SOCIAL CLASS</b>	No. of people	<b>D.5 What is your occupation i.e what type of work do you do?</b>			
A/B <input type="checkbox"/> Terminate	5 & below <input type="checkbox"/>	Respondent	<input type="text"/>	Code <input type="text"/>	
C1 <input type="checkbox"/> Terminate	6 - 12 <input type="checkbox"/>	Head of household	<input type="text"/>	Code <input type="text"/>	
C2 <input type="checkbox"/>	13 - 20 <input type="checkbox"/>				
DE <input type="checkbox"/>	21 - 30 <input type="checkbox"/>				
	31 - 40 <input type="checkbox"/>				
	41 - 60 <input type="checkbox"/>				
	61+ <input type="checkbox"/>				
<b>D.6 AGE OF RESPONDENT</b>					
18-24 <input type="checkbox"/>	25-34 <input type="checkbox"/>	35-45 <input type="checkbox"/>	Over 45 years <input type="checkbox"/>	Terminate <input type="checkbox"/>	
<b>SCREENING</b>					
S.1	<b>Are you a permanent resident of this place ?</b> <input type="checkbox"/> YES <input type="checkbox"/> NO ....> Terminate record as contract				
S2	Before I proceed, I would like to know, do you or any member of your household, or close friend work for any of the following organisations				
	Market Research Company <input type="checkbox"/>	Close	<b>why is this being asked?</b> <b>For fear that such people may share out information or disclose it to any third party.</b>		
	Micro finance institution <input type="checkbox"/>	Close			
	Bank <input type="checkbox"/>	Close			
	None of the above <input type="checkbox"/>	Continue			



<b>MAIN QUESTIONNAIRE</b> <b>SECTION 1: BUSINESS ACTIVITIES</b>																																																														
<p>1.1 Do you have any income generating activity that you do?                      Yes <input type="checkbox"/> No <input type="checkbox"/></p>	<p>1.2a What kind of economic activity are you mainly engaged in? <b>(Single response)</b>                      1.2b Which other activities are you engaged in? <b>(Multiple responses)</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: center;">1.2a (Main)</td> <td style="width: 20%; text-align: center;">1.2b (Others)</td> </tr> <tr> <td>Farming</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Manufacturing</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Wholesale &amp; Retail</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Live Stock</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Others (sp)</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>_____</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>_____</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table>				1.2a (Main)	1.2b (Others)	Farming	<input type="checkbox"/>	<input type="checkbox"/>	Manufacturing	<input type="checkbox"/>	<input type="checkbox"/>	Wholesale & Retail	<input type="checkbox"/>	<input type="checkbox"/>	Live Stock	<input type="checkbox"/>	<input type="checkbox"/>	Others (sp)	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>																																			
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<p>1.3 On average what would you say are your monthly sales in Uganda Shillings?</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Less than 50,000</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>50,000-200,000</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>200,001-500,000</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>500,000+</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table>	Less than 50,000	<input type="checkbox"/>	50,000-200,000	<input type="checkbox"/>	200,001-500,000	<input type="checkbox"/>	500,000+	<input type="checkbox"/>	<p>1.4 Thinking about your total income (bulk), how would you describe the way you earn it? Would you say it is;</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Daily</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Weekly</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Monthly</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>More than Monthly</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table>			Daily	<input type="checkbox"/>	Weekly	<input type="checkbox"/>	Monthly	<input type="checkbox"/>	More than Monthly	<input type="checkbox"/>																																											
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<p>1.5 About how much are your monthly expenses?</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Less than 30,000</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>30,000-100,000</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>100,001-400,000</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>400,000+</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table>	Less than 30,000	<input type="checkbox"/>	30,000-100,000	<input type="checkbox"/>	100,001-400,000	<input type="checkbox"/>	400,000+	<input type="checkbox"/>	<p>1.6 What is the pattern of your expenditure?</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Daily</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Weekly</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Monthly</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>More than Monthly</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table>			Daily	<input type="checkbox"/>	Weekly	<input type="checkbox"/>	Monthly	<input type="checkbox"/>	More than Monthly	<input type="checkbox"/>																																											
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<p>1.7a When you earn your money how do you spend it? <b>(Spontaneous)</b>                      1.7b Which of the following items do you spend your money on? <b>(Prompted)</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 35%; text-align: center;">1.7a</td> <td style="width: 35%; text-align: center;">1.7b</td> </tr> <tr> <td>School fees</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Medical care</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Food</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Rent</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Transport</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Others (sp)</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>_____</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>_____</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table>		1.7a	1.7b	School fees	<input type="checkbox"/>	<input type="checkbox"/>	Medical care	<input type="checkbox"/>	<input type="checkbox"/>	Food	<input type="checkbox"/>	<input type="checkbox"/>	Rent	<input type="checkbox"/>	<input type="checkbox"/>	Transport	<input type="checkbox"/>	<input type="checkbox"/>	Others (sp)	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	<p>1.8 Of the things that you spend money on which three things do you give priority to?</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">School fees</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Medical care</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Food</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Rent</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Transport</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Others (sp)</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>_____</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>_____</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table>			School fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Medical care	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Food	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Transport	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Others (sp)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Page 2



SECTION 3: SUGGESTED PRODUCT IMPROVEMENTS																																																																																																																																																					
<p>3.1 What do you consider to be the three most important factors to you in choosing an organisation or scheme for savings. List them in order of importance</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 5%; text-align: center;">1st</th> <th style="width: 5%; text-align: center;">2nd</th> <th style="width: 5%; text-align: center;">3rd</th> </tr> </thead> <tbody> <tr><td>Accessibility</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>security</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Reputation of organisation</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>High bank charges</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>High interest rates on deposits</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Withdraw when I need</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Ability to access a loan</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Long opening hours</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Less paper work</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Nearness of the branch</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Minimum Opening balances</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Caters primarily to small earners and microenterprises</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Waiting to make a transaction</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Licensed by BOU (with deposit insurance up to 3 million UGX)</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>No restrictions on access to funds</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Low (or no) transaction fees for savings transactions</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </tbody> </table> <p>3.3 What is the most you would be willing to pay as minimum opening balances if you were to open up a savings account?</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td>Shs 5000-10,000</td><td><input type="checkbox"/></td></tr> <tr><td>Shs 10,001-50,000</td><td><input type="checkbox"/></td></tr> <tr><td>Shs 50001-100,000</td><td><input type="checkbox"/></td></tr> <tr><td>Over 100,000</td><td><input type="checkbox"/></td></tr> </tbody> </table> <p>3.5 How frequently would you like to make deposits into your savings account?</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td>Daily</td><td><input type="checkbox"/></td></tr> <tr><td>Weekly</td><td><input type="checkbox"/></td></tr> <tr><td>Monthly</td><td><input type="checkbox"/></td></tr> <tr><td>Quarterly</td><td><input type="checkbox"/></td></tr> <tr><td>Other(sp).....</td><td><input type="checkbox"/></td></tr> </tbody> </table> <p>3.7 How would you like to keep track of your savings balance</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td>Passbook showing all transactions and the balance</td><td><input type="checkbox"/></td></tr> <tr><td>Receipts for transaction showing account balance</td><td><input type="checkbox"/></td></tr> <tr><td>Receipts for transaction but not showing account balance</td><td><input type="checkbox"/></td></tr> </tbody> </table> <p>3.8 Do you own a mobile phone</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>		1st	2nd	3rd	Accessibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Reputation of organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	High bank charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	High interest rates on deposits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Withdraw when I need	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ability to access a loan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Long opening hours	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Less paper work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Nearness of the branch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Minimum Opening balances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Caters primarily to small earners and microenterprises	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Waiting to make a transaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Licensed by BOU (with deposit insurance up to 3 million UGX)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No restrictions on access to funds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Low (or no) transaction fees for savings transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shs 5000-10,000	<input type="checkbox"/>	Shs 10,001-50,000	<input type="checkbox"/>	Shs 50001-100,000	<input type="checkbox"/>	Over 100,000	<input type="checkbox"/>	Daily	<input type="checkbox"/>	Weekly	<input type="checkbox"/>	Monthly	<input type="checkbox"/>	Quarterly	<input type="checkbox"/>	Other(sp).....	<input type="checkbox"/>	Passbook showing all transactions and the balance	<input type="checkbox"/>	Receipts for transaction showing account balance	<input type="checkbox"/>	Receipts for transaction but not showing account balance	<input type="checkbox"/>	<p>3.2 What would be the longest distance you are willing to cover to deposit your savings at an institution?</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td>Up to 1 km</td><td><input type="checkbox"/></td></tr> <tr><td>Up to 2 km</td><td><input type="checkbox"/></td></tr> <tr><td>Up to 5 km</td><td><input type="checkbox"/></td></tr> <tr><td>Up to 10 km</td><td><input type="checkbox"/></td></tr> <tr><td>Over 10 km</td><td><input type="checkbox"/></td></tr> </tbody> </table> <p>3.2.b What would be the most amount of time you are willing to spend to complete a savings transactions (ie/ go there, transact, come back)?</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td>Up to 10 minutes</td><td><input type="checkbox"/></td><td>Up to half a day</td><td><input type="checkbox"/></td></tr> <tr><td>Up to 30 minutes</td><td><input type="checkbox"/></td><td>Up to one day</td><td><input type="checkbox"/></td></tr> <tr><td>Up to 1 hour</td><td><input type="checkbox"/></td><td></td><td></td></tr> <tr><td>Up to 2 hours</td><td><input type="checkbox"/></td><td></td><td></td></tr> </tbody> </table> <p>3.2.c What would be the most amount of money you are willing to spend to travel back and forth to complete a savings transaction?</p> <table style="width: 100%; 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<p>4.1 Do you have children of your own?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>4.2 In which age group are they?</p> <p>4.3 How many of these are currently staying with you?</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td>0-6 months</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>7-11 months</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>1-2 years</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>2-5 years</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>5-8 years</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>8-14 years</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>15-17 years</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>None</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </tbody> </table>	0-6 months	<input type="checkbox"/>	<input type="checkbox"/>	7-11 months	<input type="checkbox"/>	<input type="checkbox"/>	1-2 years	<input type="checkbox"/>	<input type="checkbox"/>	2-5 years	<input type="checkbox"/>	<input type="checkbox"/>	5-8 years	<input type="checkbox"/>	<input type="checkbox"/>	8-14 years	<input type="checkbox"/>	<input type="checkbox"/>	15-17 years	<input type="checkbox"/>	<input type="checkbox"/>	None	<input type="checkbox"/>	<input type="checkbox"/>	<p>4.4 Which of these statements best pply to you working life?</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td><input type="checkbox"/> Working full-time</td><td><input type="checkbox"/> Self employed</td></tr> <tr><td><input type="checkbox"/> Working part time</td><td><input type="checkbox"/> Not working</td></tr> <tr><td><input type="checkbox"/> Housewife</td><td><input type="checkbox"/> Unemployed</td></tr> </tbody> </table> <p>4.5 How many people in this household earn money?</p> <p><input type="text"/> <input type="text"/> <b>Write in</b></p>	<input type="checkbox"/> Working full-time	<input type="checkbox"/> Self employed	<input type="checkbox"/> Working part time	<input type="checkbox"/> Not working	<input type="checkbox"/> Housewife	<input type="checkbox"/> Unemployed																																																																																																																						
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<p>4.6 Please tell me which of the following best describes the <b>TOTAL (GROSS) MONTHLY HOUSEHOLD INCOME</b></p> <p style="text-align: center;"><b>WHERE ARE THE QUESTIONS??? Represented in the column below for Family income</b></p> <p>4.7 Please tell me which of the following best describes your <b>PERSONAL TOTAL (GROSS) MONTHLY INCOME.</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Ushs</th> <th style="width: 35%;">Q4.6 FAMILY</th> <th style="width: 35%;">Q4.7 PERSONAL</th> </tr> </thead> <tbody> <tr><td>Less than 100,000</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>100,000-200,000</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>200,001-400,000</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>400,001-600,000</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>600,001-800,000</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Over 800,000</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>QNA/DK</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr><td>Not earning</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </tbody> </table>				Ushs	Q4.6 FAMILY	Q4.7 PERSONAL	Less than 100,000	<input type="checkbox"/>	<input type="checkbox"/>	100,000-200,000	<input type="checkbox"/>	<input type="checkbox"/>	200,001-400,000	<input type="checkbox"/>	<input type="checkbox"/>	400,001-600,000	<input type="checkbox"/>	<input type="checkbox"/>	600,001-800,000	<input type="checkbox"/>	<input type="checkbox"/>	Over 800,000	<input type="checkbox"/>	<input type="checkbox"/>	QNA/DK	<input type="checkbox"/>	<input type="checkbox"/>	Not earning	<input type="checkbox"/>	<input type="checkbox"/>																																																																																																																							
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Page 4

4.8 **LITERACY 1: What is the highest level of education you personally attained?**

No formal education	<input type="checkbox"/>	Some high school(S.5-S.6)	<input type="checkbox"/>
Some Primary	<input type="checkbox"/>	Completed A-LEVEL	<input type="checkbox"/>
Complete primary	<input type="checkbox"/>	College(Di/Certificate)	<input type="checkbox"/>
Some secondary(Less than o-level)	<input type="checkbox"/>	Completed University	<input type="checkbox"/>
Completed O-LEVEL	<input type="checkbox"/>	QNA/DK	<input type="checkbox"/>
		Others (sp)	<input type="checkbox"/>

4.9 **LITERACY 2: Can you read any language?**

Can read       Can't read

*Thank respondent and close interview*

Page 5

**Map of Surveyed Areas**

