

Reaching beyond existing demand: A study on the influence of mobile phone money transfer on market development in Uganda



Management

KEYWORDS : Market development, mobile phone money, phenomenological study, Uganda

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ABSTRACT

In Uganda, roughly 80 percent of the population has no access to banking services, and mobile phone money, a financial service and transaction made on a mobile phone could address this financial gap. This phenomenological study explored the influence of mobile phone money on market development in Uganda, from the experiences of 4 Mobile Network Operators, 8 agents, and 19 users in Kampala. The main question for this research was: What is the influence of mobile phone money on market development in Uganda? Key findings revealed that mobile phone money had significant impact on the lives of individuals and on market development. The most used mobile phone money service was transfer of money to relatives and friends. Mobile phone money has provided a more efficient channel for financial transaction and inclusion in Uganda. Over 2 million adults who were previously unbanked are accessing financial services using their mobile phones.

INTRODUCTION

The convergence of mobile telephony and financial services have the potential to significantly expand access to financial services for individuals at the base of the pyramid. According to the World Bank, 75 percent of the 3 billion poor people in the world do not have a bank account. Roughly 67 percent of the poor who do not have a bank account cite poverty as the obstacle to financial access. While about 33 percent blame the cost of opening and maintaining an account or the banks being too far away (World Bank, 2012). Mobile Phone Money Transfer (MMT), a financial service and transaction made on a mobile phone, could significantly fill this financial gap among the unbanked, especially in Africa (Must & Ludewig, 2010; United Nations, 2012).

In Kenya, where Safaricom Mobile Phone Company is believed to have been one of the first to start Mobile Phone Money, popularly known as "M-PESA," the relatively more stable socio-economic environment as well as the positive regulatory stance of the Central Bank of Kenya (CBK) has been instrumental in fostering faster Mobile Phone Money market development (IFC, 2011). Since its launch in March 2007, Safaricom M-PESA is used by roughly 15million people, which is about 36 percent of total Kenyan population. Reports from recent studies indicated that 84 percent of Kenyans say they would be worse off if M-PESA did not exist (Suri & Jack, 2011). Where the financial sector is very strong, like in Thailand and Japan with extensive bank coverage to rural areas, ATM cards tend to be the most preferred channel (IFC, 2011). In countries where there is poor banking network, such as in most developing countries, Mobile Phone Money plays a very crucial role in bringing financial services to the unbanked (USAID, 2009; Kaseeah & Tandrayen-Ragoobur, 2012).

According to studies on Mobile Phone Money, Mobile Network Operators (MNOs) tend to grow their agent network in tandem with new customers to avoid diminishing agent incentives and causing drop-outs. Building agent networks from existing airtime resellers is one of the most successful approaches to Mobile Phone Money market development (Mas & Ng'weno, 2010; Kaseeah & Tandrayen-Ragoobur, 2012). For example, the extensive agent's network that is visible at almost every street of Nairobi in Kenya is one of the many reasons behind the success of Safaricom's M-PESA (Suri & Jack, 2011). Thus, Mobile Phone Money business built on a viable agent network model produces and maintains profitable growth for Mobile Phone Money offering beyond the existing demand.

Similarly, small stores reselling airtime are ubiquitous in many developing countries. These are potentially strong channels, partly because they are already receptive to mobile technologies. According to Heyer and Mas (2009), working with these

retailers is better than partnering with post office branches, which may be corrupt or mismanaged, and larger retail franchises, which may provide a good platform, but generally lack outreach in poorer villages. In countries where retailer coverage is low, there is usually a slow down in MMT growth, especially to the low income rural population (Olga & Pickens, 2009).

From recent studies on Mobile Phone Money service fees, it is important to price the products and services appropriately to encourage client uptake, particularly if they are being introduced in a country for the first time (Mas & Ng'weno, 2010). Safaricom's pricing for M-PESA was designated to encourage customers to experiment: free and quick registration, free deposits, and the ability to send money to any mobile phone subscriber. Safaricom's profit margin is loaded on person-to-person (P2P) and, increasingly, person-to-business (P2B) transfer fees, not cash-in/cash-out fee, reflecting that customer willingness to pay seem to be higher for remote payments where alternatives are weakest. For example, Safaricom's M-PESA is only available to Safaricom subscribers (Suri & Jack, 2011). Consequently, if there is no credit on the SIM card, M-PESA does not work.

According to Global Mobile Statistics (2012), eight branchless banking providers, namely;

Safaricom M-PESA in Kenya, Banco Postal in Brazil, FINO in India, Globe GCash and Smart Money in Phillipines, Vodacom M-PESA in Tanzania, WING in Cambodia, and WIZZIT in South Korea, had 3.73 million active registered users, of which 1.39 million (or 37 percent) were previously unbanked. M-PESA in Kenya, the biggest success story in the world of mobile banking, demonstrates that branchless banking can reach low-income and unbanked people on a grand scale and offer them access to valuable financial services. The economics of M-PESA reveals that between 2007 and 2009, the percent of M-PESA users who were unbanked doubled from 25 to 50 percent and the number living in rural areas also increased from 29 to 40 percent (Jack & Suri, 2011; Muwanguzi & Musambira, 2012). M-PESA users are not just using the service to send money, 81 percent of the customers now use M-PESA for savings, for example. Most importantly, 91 percent of the Kenyans said their lives would be impacted negatively if they no longer had access to M-PESA (Global Mobile Statistics, 2012). In terms of national revenue stream, Safaricom's M-PESA contributed 15.8 percent (or US\$ 1.44 billion) to the Kenya's annual revenue for the financial year 2011/12 (Safaricom Annual Report, 2012). This was twice what SMS would earn, making Mobile Phone Money a big potential revenue earner for a country. All these is achieved without needing a bank account, bank card or a smartphone, because M-PESA works on all handsets.

In Uganda, Mobile Phone Money transfer is a new phenomenon brought about by advancements in computer and telecommuni-

cation technologies. This has resulted in marked expansion in Mobile Phone Money over the last four years in a country where about 80 percent of the population lacks access to financial services (Ndiwalana, Olga, & Popv, 2010). Recent data show there are 30 banks in Uganda with a penetration of only 10 percent of the population (Bank of Uganda Annual Report, 2010/2011). Further, the communications infrastructure in Uganda in regards to Bank Automated Teller Machines (ATMs) is unreliable. Many clients using ATMs have often been robbed of their funds through stealing of ATM Personal Identification Number (Bank of Uganda Annual Report, 2011/12). Thus, ATMs are being perceived to be unreliable.

In March 2009, the Central Bank gave Mobile Telephone Network (MTN), a mobile phone company in Uganda, a license to operate Mobile Phone Money. This was a positive step, given that Uganda has close to 80 percent of the population without access to financial services (Ndiwalana et al., 2010). Thus, there is a huge untapped potential for Mobile Phone Money. Currently, there are four Mobile Phone Money operators in Uganda, with MTN being the largest. Of the over 6 million Mobile Phone Money users, MTN has a market share of about 4 million with 7,336 MTN mobile money agents, Uganda Telecom (UTL) has 520,000 users with 3,500 M-Sente mobile money agents, Airtel has 120,000 users with 120 Zap mobile money agents, and Warid Telecom has 2 million users with 44 Pesa mobile money agents (Ministry of ICT status reports, 2012). According to Ministry of ICT status reports for 2012, overall daily Mobile Phone Money transfer in Uganda hit Ushs50billion (or US\$20million) by June 2012 up from Ushs30billion (US\$12million) in early 2011, signifying the important place Mobile Phone Money has in the financial market deepening in Uganda. This research will attempt to provide evidence in support of the influence of Mobile Phone Money on market development in Uganda.

In Uganda, there is no study that investigated the influence of Mobile Phone Money transfer on market development. Studies that have been conducted tended to concentrate on actual usage of Mobile Phone Money rather than on its influence on market development (Ndiwalana et al., 2010; Kyeyune, Kituyi, & Miiro, 2012). While the influence of Mobile Phone Money in Uganda could be substantial, there is no consolidated literature around this new world (Ndiwalana et al., 2010). Lack of available data and research efforts on the influence of Mobile Phone Money on market development are some of the main challenges facing policy makers and researchers in Uganda. Even from studies on Mobile Phone Money transfers in the developing world, only a few tended to base their analyses on the actual influence of Mobile Phone Money transfer on market development (Must & Ludewig, 2010). A few that did so mainly looked at Mobile Phone Money in a more broad sense; models used in mobile money transfer, different MNOs involved in mobile money transactions, and usage. So far, such studies in the developing world have been done in Sri Lanka, Brazil, Thailand, Nigeria and Kenya (IFC, 2011). While the results of these studies will help to guide this research, the current research will go further to address additional areas not covered in the previous studies. These areas include; the contribution of Mobile Phone Money transfer to the bi-directional remittance flow and youth employment.

This research is a strategic move to make Mobile Phone Money transfer more compelling to policy makers as mobile phone services including Mobile Phone Money transfer accounted for 63 percent of the telecommunications revenue, contributed Ushs 215 billion (US\$ 120 million) in tax revenue, making it the number one source of revenue for Uganda in 2011 (Uganda Communications Commission Market Review Report, 2012). Because Value Added Tax (VAT) is embedded in the cost of sending Mobile Phone Money, roughly 80 percent of the Uganda's unbanked population will be contributing to revenue generation and financial market development through using Mobile Phone Money services. It will also shape the policy environment that has propelled rapid growth in the Mobile Phone Money sector elsewhere in the world (Yabs, 2010; IFC, 2011), and help Uganda's leaders to move from strategy to effective implementation of Mobile Phone Money. Thus, a qualitative phenomenological

research study that explores how Mobile Phone Money transfer influences market development in Uganda could address the problem. Thus, the general purpose of this research is to generate a phenomenological study. Specifically, the purpose of this research is; to bring into light the role of Mobile Phone Money transfer as an enabler of financial access and mobile commerce for a developing country; and to contribute to a body of knowledge of mobile commerce that serves as a basis for reference by researchers and policy makers. The main question this research intends to answer is: What is the influence of Mobile Phone Money on market development in Uganda? Specifically, this research intends to answer the following sub-questions: What makes Mobile Phone Money distinct to credit or other forms of payment in Uganda? What are the key drivers for Mobile Phone Money market development in Uganda? What are the impacts of Mobile Phone Money on market development in Uganda?

This study is guided by Kim and Mauborgne's concept of Blue Ocean Strategy (Kim & Mauborgne, 2005) with focus on untapped market space, demand creation, and opportunity for highly profitable growth. Guided by this concept, this study will provide only practical analytics for the influence of Mobile Phone Money transfer and its capture of the untapped financial market in Uganda. This research does not provide a historical account of Mobile Phone Money development, nor does it provide a detailed account of Mobile Phone Money transfer services. Instead it focuses more narrowly on the influence of Mobile Phone Money transfer on market development in Uganda, and particularly on the lived experiences of users with Mobile Phone Money.

MATERIALS AND METHODS

Research Design

A qualitative phenomenological research design was adopted for this study. A research applying phenomenology is concerned with the lived experiences of the people involved with the issue that is being researched (Caelli, 2001; Casey, 2000; Ehrich, 2005; Groenewald, 2004; Mason, 2010; Nitta, Holley, & Wrobel, 2010; Rinyka, 2012; Robson, 2002). The purpose of a phenomenological approach is to illuminate the specific, to identify phenomena through how they are perceived by the actors. Using this design, multiple data collection techniques can be used, including; interviews, conversations, participant observation, document research, analysis of text (Groenewald, 2004), and presentation of multiple realities with the researcher as the instrument of data collection, with a focus on participants' views. Adding an interpretive dimension to this research through the phenomenological approach enables results to be used as a basis for practical theory, allowing it to inform, support or challenge policy and action.

Study Location

The study was conducted in Kampala district in central Uganda. Kampala district was chosen as the study location not only because it has the largest number of Mobile Phone Money agents and users, but also diverse socio-economic characteristics and distributions of Mobile Phone Money operators, agents and users in the country, making it a best choice for this study. All the four Mobile Phone Money operators have their head offices in Kampala. According to the Uganda Bureau of Statistics (UBOS, 2009), Kampala has a population of 1,705,900 people, roughly 37 percent of the about 4.6 million people living in urban centres in Uganda. The population of the males and females are 820,300 males and 902,900 females, respectively. Micro enterprises make up the largest share (92.4%) of the total number of businesses in Kampala, followed by small enterprises at 5.3 percent, and least being large enterprises at 0.2 percent (UBOS, 2009). This indicates that a greater population of Kampala district is largely of low income earners. The large proportion of low income earners presents a huge opportunity for Mobile Phone Money operators to extend this relatively cheap financial service to this group through Mobile Phone Money.

Research Questions

The main question this research intends to answer is: What is the influence of Mobile Phone Money on market development in

Uganda? Specifically, this research intends to answer the following sub-questions: What makes Mobile Phone Money distinct to credit or other forms of payment in Uganda? What are the key drivers for Mobile Phone Money market development in Uganda? What are the impacts of Mobile Phone Money on market development in Uganda?

Selection of Participants

The participants for this phenomenological study consisted of Mobile Phone Money operators, Mobile Phone Money agents, and Mobile Phone Money users, selected using criterion sampling (Creswell, 2007). According to Creswell, criterion sampling works well for phenomenological studies because it is essential for all participants selected to have experienced the phenomenon that is under investigation. In this study, experiences with Mobile Phone Money dictated the method, including even the type of participants.

Sample size

A purposive sampling was used, described by Groenewald (2004) as the most important kind of non-probability sampling to identify the primary participants for a phenomenological study. The study sample for this study was selected based on the researcher's judgment and the purpose of the research, looking for those who have experiences with Mobile Phone Money phenomenon to be researched. Use was made of Internet searches and physical inquiry to the MNOs' offices to identify Mobile Phone Money shop locations and the right people to interview about Mobile Phone Money. Interviews were arranged with these people. These interviews are the primary units of analysis (Groenewald, 2004), with 'informed consent' (p. 9). In order to trace additional participants, particularly Mobile Phone Money agents and users, sign posts were used, as on the streets of Kampala City one would not walk past the next street without seeing a post: "Mobile Money Services Available here." At the Mobile Phone Money agent's shops, opportunity was used to select users for interviews. The criterion used for selecting participants for this study were as follows: (a) Mobile Network Operators (MNO) which were currently offering platforms for Mobile Phone Money transfer in Uganda, (b) Mobile Phone Money agents who were currently offering Mobile Phone Money services, and (c) Users who were currently using Mobile Phone Money services. To meet this criterion, the MNO must be licensed to provide Mobile Phone Money services; the Mobile Phone Money agents must have an agreement with MNO (i.e. registered, has a premise, and trained in Mobile Phone Money offerings and procedures). MNOs, Mobile Phone Money agents and Mobile Phone Money users who met this criterion were selected to participate in this study. Based on the above arguments, Mertens and McLaughlin (2004) suggested that the appropriate number of participants for a phenomenological research is six. Creswell (2007) suggested 10 participants as adequate for a phenomenological research. While, Morse (2000) and Salkind (2005) on the other hand suggested 30 participants. In this study, the sample size went up to 31 participants because the researcher wanted to capture the significant experiences of the participants with the four Mobile Phone Money platforms. Thus, it was important to draw experiences in involvement of participants with all the four Mobile Phone Money platforms, viz; Mobile Telephone Network (MTN) Uganda, Airtel, Uganda Telecom (UTL), and Warid Telecom. That explains the slightly higher number (i.e. 31) of participants for this study than that suggested by Mertens and McLaughlin (2004) and Creswell (2007). Four MNOs, 8 Mobile Phone Money agents and 19 Mobile Phone Money users were therefore selected to participate in this study.

Research Instruments

For phenomenological studies, the researcher is often the sole person responsible for data collection and for the design of the instruments that will be used to collect data. In this study, the researcher was also the research instrument, especially where he played the role of a data collection instrument during research participants' observation. Data was collected from individuals. According to Colin Robson (2002), individual interviews are generally the principal source of data collection for phenomenological studies. By using interviews, a deeper understanding

of the lived experiences of the participants with Mobile Phone Money emerged.

Data Collection Procedures

The interview questions were directed to the participants' experiences, feelings, beliefs and convictions about Mobile Phone Money. According to Caelli (2001), Davidson (2000) and Groenewald (2004), this technique is called bracketing when the research is performed from the perspective of the research participant. Bracketing in this study entailed asking MNOs, Mobile Phone Money agents and users to share their lived experiences with Mobile Phone Money based on the open-ended interview guides. Open-ended interviews were also conducted to obtain data about how Mobile Phone Money agents and users think and feel in the most direct ways about Mobile Phone Money. The data collection was focused on what goes on within Mobile Phone Money agents and users about Mobile Phone Money and got them to describe the lived experience with Mobile Phone Money.

Informal interviews were used to find out more information about the setting of the Mobile Phone Money agents and users. In this study, both the researcher and the Mobile Phone Money agents and users were engaged in the dialogue that generated information on their feelings about Mobile Phone Money. The number of informal questions varied from one participant to another because it was like an interchange of views between two persons conversing on a common theme.

In addition, memoing was used in data gathering in this study. Using this technique, field notes recording were taken of what the researcher heard, observed, experienced, and thought in the course of collecting data and reflecting in the process. This was very important as the researcher sometime got absorbed in data collection process and could have lost track of certain events if these notes were not written. And because there were multiple realities, the research questions kept on being modified in the process (Robson, 2002, p.27). Data collection interviews continued until the topic was exhausted or saturated that is when interviewees introduced no new perspectives on Mobile Phone Money. This was also a form of data validation.

Data Storage

Field notes are a secondary data storage method and crucial in qualitative research to retain data gathered. Field notes were written in the evening of the same day that field interviews were conducted to avoid memory loss. The method of field note taking followed the model described by Groenewald (2004) as: Observation notes (ON) - 'what happened notes' deemed important enough to the researcher to make. This emphasizes the use of all the senses in making observations in a Mobile Phone setting. Theoretical notes (TN) - 'attempts to derive meaning' as the researcher thinks or reflects on experiences of the research participants. Methodological notes (MN) - 'reminds, instructions or critique' to oneself on the process of data gathering. Analytical memos (AM) - end of a field day summary or progress reviews.

Data Analysis

From a phenomenological research perspective, it is important to recognise that field notes written during field interviews and observations are already a step toward data analysis. Groenewald (2004, p. 16) comments that since field notes involve interpretation, they are properly speaking, "part of the analysis rather than data collection." There is usually no need to analyse them further. According to Groenewald (2004), the term 'analysis' usually means breaking into parts, and therefore often means a loss of the whole phenomenon, and should be used carefully in phenomenological studies. Besides, there is no one software package that will do the analysis in itself (p. 17). Accordingly, the data analysis method used in this phenomenological research followed that described by Groenewald (2004, p. 17), which included; bracketing and phenomenological reduction, that is not allowing the researcher's meanings and interpretations or theoretical concepts to enter the unique views of the research participants. Delineating units of meaning from

those statements from the research participants or documents that were seen to illuminate the researched phenomena were extracted or isolated; clustering of units of meaning to form themes; summarizing each interview, validating it and where necessary modifying it; extracting general and unique themes from all the interviews and making a composite summary. When all the processes had been done for all the individual interviews, the researcher looked for the themes common to most or all of the interviews as well as the individual variations. The themes were the basis for data description, analysis, and interpretation based on the main research question and sub-research questions posed for this phenomenological study.

RESULTS AND DISCUSSION

Although a number of Mobile Phone Money payments have emerged in Uganda, few have reached a significant scale. Overall, Mobile Phone Money uptake is still limited when contrasted with its apparent promises of reaching the unbanked and underserved, of servicing existing banking clients, and of being a means for redeeming a cashless society.

The study examined the following in more detail: Key drivers for Mobile Phone Money market development in Uganda, with reference to: regulatory environment, existing access to financial services and mobile phone market, agent networks, and role of the retailer sector in Mobile Phone Money transfer in Uganda. The study also examined the access to Mobile Phone Money, in particular, with regards to: payment system, perception of users about Mobile Phone Money. Besides, the study looked at the impact of the Mobile Phone Money on users and the economy. The main research question guiding this report is: What is the influence of Mobile Phone Money transfer on market development in Uganda? The specific research questions are: What makes Mobile Phone Money distinct to credit or other forms of payment in Uganda? What are the key drivers for Mobile Phone Money market development in Uganda? What are the impacts of Mobile Phone Money market development in Uganda?

Socio-economic context

Uganda is described by the World Bank as one of the poorest nations in the world, with about 12.4 million people (or 38 percent) living on less than US\$1.25 a day. About 14 percent of Ugandans live in urban centres; in other East African countries, Kenya and Tanzania, about 41 percent and 30 percent of the population, respectively, lives in urban centres (Mas & Olga, 2008). About 4 million (or 33 percent) of Uganda's adult population have a bank account. About 80 percent of Uganda's population that live in rural areas are excluded from financial services (see Table 1), and about 80 percent of the labour force works in agriculture.

Table 1

Selected socio-economic data for Uganda

Total GDP (US\$ billion) (2011)	16.81
GDP per capita (US\$) (2011)	477
Average annual Economic Growth Rate (2009-2011)	5.6%
Land Size (km ²) (2011)	236,040
Total population (2011)	33 million
Population/km ² (2011)	137.1
Exclusion from financial services (2009)	80%
Value of domestic money transfer (2009)	Ushs132.5 billion
Phone subscription market share (fixed & mobile) (2009)	31%
Owned mobile phone prior to launch of mobile money (2009)	9,336,630
Registered Mobile Money users (2009)	552,047
Mobile Money Agents Network (2009)	600

Sources: Bank of Uganda Annual Report 2010/11. UBOS Population Projections 2009.

Demographic Statistics

The profile of the Mobile Phone Money respondents is shown in Figure 1. The Mobile Phone

Money user respondents can be summarised as follows: slightly more than 50 percent are female; 96 percent are between 18-30 years of age. This is the age range for people regarded as youth in Uganda. None of the respondents was younger than 18 years. In Uganda, a person below 18 years is regarded as a child, and employing such a person amounts to child labour (UBOS, 2009). About 44 percent have a university degree, and slightly more than 40 percent are still students. More than 30 percent are employees of private businesses; and family business make up slightly more than 40 percent of the occupation of Mobile Phone Money users. This is not surprising as research indicates that family businesses have been some of the drivers of the world's most developed economies, such as the USA, India and China (Awis & Zongjun, 2010).

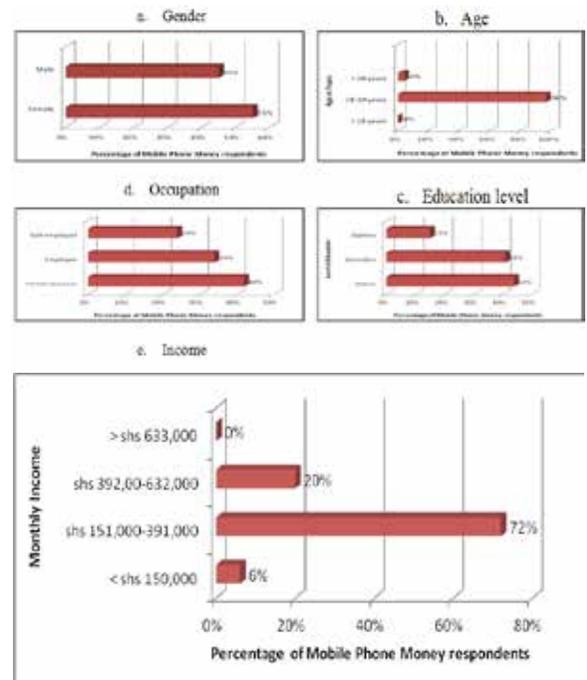


Figure 1: Demographic Characteristics of Mobile Phone Money Users

Source: Mobile Phone Money Transfer Study 2012

This study was not intended to be a statistically significant sample of Mobile Phone Money users in Uganda. Its purpose was to provide an in-depth qualitative analysis of the access of users to Mobile Phone Money, their perception of use, impact of the Mobile Phone Money on individuals, organisations and government. The study involved face-to-face interviews with 27 Mobile Phone Money agents and users in Kampala City and its suburbs, and the 4 major Mobile Phone Money Operators (MMOs) in Kampala (i.e. MTN Uganda, Airtel, Warid Telecom, and UTL). Respondents were interviewed in 6 locations in and around Kampala City (i.e. Nakasero, Kampala Road, Ntinda, Nakawa, Kirekka and Kyaliwajjala). Nakasero, Ntinda, Kampala Road, and Nakawa represented the urban setting, while Kirekka and Kyaliwajjala represented the semi-urban setting. This ensured a good representation of the socio-economic background of the respondents. Areas where interviews were conducted included; market areas, business areas, trading centres, petrol stations, as well as those areas close to supermarkets, and banks.

In Uganda, the main use of Mobile Phone Money is for remittances to relatives or families, provided by Mobile Phone Money and additional access channel for people with existing bank accounts. Non-bank account holders use Mobile Phone Money mainly for Person-to-Person (P2P) transfer. The proportion of the unbanked (28 percent) is slightly smaller (Figure 2) given that the semi-urban centres where this study was conducted have been influenced into use of banking by being near Kampala City.

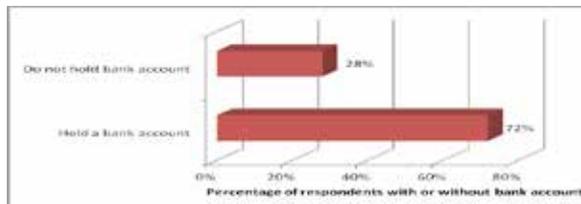


Figure 2: Ownership of Bank Accounts among users of Mobile Phone Money

Source: Mobile Phone Money Study 2012

Distinctiveness of Mobile Phone Money

Mobile Phone Money has taken a distinct place in mobile commerce because the device – the mobile phone is owned by more people than a bank account, ATM cards or other payments cards. Besides, a phone is an interactive device. Using the same phone, you can access news or listen to radio or music. You can access internet through the phone. Similarly, you can send short messages (SMS), you can watch games, as well as send and receive money. Recognition of the multi-faceted use of the mobile phone that includes Mobile Phone Money is evident in the user’s awareness of Mobile Phone Money: *“With a mobile phone, I can communicate, send and receive money anywhere there is network coverage, and listen to radio or music. These many uses of the mobile phone make it a cheaper alternative channel for me to access money from distant relatives as well talk to them. It is convenient as you need not worry about where you will access money from unlike banks which have restricted locations.”* The mobile phone provides avenue for other functions, such as communication compared to a card’s key purpose as a money payment instrument.

The multiple use of the mobile phone involving many features is very enticing to the youthful generation as well as the old alike. For a rural based person, Mobile Phone Money presents the most affordable means to receive remittances from distant relatives in town. Moreover, Mobile Phone Money allows remote, non face-to-face payment without an additional device. The phone is the mobile bank. There is no account opening and maintenance costs and, no bureaucracy common with banks. The only other requirement is your mobile phone number.

While Uganda’s commercial banks open at 0830hrs and close at 1700hrs from Mondays to Fridays, and from 0830hrs to 1200hrs on Saturdays, Mobile Phone Money operates seven days a week and up to 1900hrs daily; some operate for 24hrs a day. Further, recognition of the distinctiveness Mobile Phone Money as compared to ATMs or banks was evident from the statements of employees of Warid Telecom and UTL Mobile Phone Money Operators (MMOs): *“Bank branches are scarce and located in big town centres, but Mobile Phone Money can be accessed from any location there is network coverage, any time and there is no long queuing common with banks or filling forms to access money common with banks or Western Union money transfers. The maximum time one spends on sending any amount of money is just 2 minutes using Mobile Phone Money. With banks in Uganda, customers can wait up to 2 hours to access money because of limited bank branches and long queues.”* Moreover, when customers use ATMs to deposit money, this deposit is not instant like Mobile Phone Money. A human being at some point has to verify the deposit and make a complete entry on your account, which normally takes 2 working days for that deposit to be reflected on your account in a bank.

Positive regulatory environment

Uganda was the first developing country to liberalise the communications sector. In 1996, the government established a telecommunications policy to guide the liberalized sector. The Uganda Communications Commission (UCC), a regulatory body of the communications sector in Uganda was established in 1998 with the mandate to license, monitor, inspect, and regulate the communications sector in Uganda. Bank of Uganda has less regulatory control over MNOs other than MNOs using the banking system for liquidity management. This is similar to what the Central Bank of Kenya did to Safaricom’s M-PESA (Mas

& Ng’weno, 2010). Like the Central Bank of Kenya, the Central Bank of Uganda allowed Mobile Phone Money to start and operate outside the provisions of the existing banking laws, as it continued to work out laws and rules to control this branchless banking. This allowed free competition with commercial banks and thus enabled Mobile Phone Money to spread rapidly in Uganda, with 552,047 users in 2009 to about 6 million users by August 2012, a ten-fold increase over a period of 4 years. Accordingly, Uganda’s communications sector is one of the fastest growing in Africa. To-date, the number of mobile phone subscribers stands at about 17 million; almost half of Uganda’s 33 million people have a phone, compared to the fixed line market with slightly over 400,000 customers. The teledensity, a composite of mobile and fixed lines stood at 52.1 percent compared to 41.4 percent in 2010 and 31 percent in 2009 (Table 2).

Table 2
Uganda Telecommunications Sector Key Statistics, 2009-2011

Description	Period		
	2009	2010	2011
Total population	31,000,000	31,783,953	32,940,194
Fixed Phones Subscriptions	263,370	327,114	464,849
Mobile Phone Subscriptions	9,336,630	12,828,264	16,696,992
Teledensity/Fixed & Mobile Phone Penetration (%)*	31%	41.4 %	52.1%
Teledensity/Mobile Phone Penetration (%)*	30%	40%	50%

Source: UCC Annual Review Report 2012. *Derived as total number of phone subscriptions divided by total population x 100%.

Low level of financial inclusion

An estimated 67 percent (or 8 million) adult Ugandans lack access to formal financial services (Bank of Uganda Annual Report, 2010/11). Banks reason that it is economically unattractive to deploy banking infrastructure and staff bank employees in poor and rural areas. Bank branch penetration averages only 4 branches per 100,000 adult persons compared with 33 in the richest countries. ATMs are no better, with an average of 5 ATMs per 100,000 adult persons compared with 67 in the richest countries by end of 2011 (Bank of Uganda Annual Report, 2010/11; Global Mobile Statistics, 2012).

The 30 commercial banks are located in major towns in Uganda, with few branches (Table 3). The banks are making money in transaction fees, exorbitant interest rates and penalties. Taken together, high bank fees are pushing people away from formal banking. Consequently, with very limited access to formal banking infrastructure, poor households who have little money to begin with, are left only with informal financial opportunities which are often risky, though convenient. While there is considerable work to be done in Uganda in regards to financial access that better meet the needs of the unbanked and the rural poor, financial exclusion is fundamentally a distribution problem. These poor are comfortable with easy to use technology that is cheap and convenient. The branchless Mobile Phone Money service delivered through mobile phones is undoubtedly the surest means to address this unmet financial need of the rural-based population, as evident by the statement from the MNOs: *“There are now more people registered on Mobile Phone Money in four years than Ugandans with bank accounts in over five decades, even if banks have many more products to offer.”*

Table 3
Key Financial Sector Access Indicators

Financial data	Period			
	2008	2009	2010	2011
Number of Bank branches	301	363	393	455
Number of Bank ATMS	-	480	598	637

Money Remitters	-	91	149	173
Number of Micro Finance Deposit Institutions (MDI)	-	76	83	98

Source: Data derived from Bank of Uganda Annual Report 2010/11.

Access to mobile phones

About 17 million Ugandans own a mobile phone handset, which is about 52 percent of the population of about 33 million people, and equal to the sub-Saharan average (World Bank, 2012). The emergence of value added services (VAS) on the mobile phone like Mobile Phone Money and mobile banking has changed the way people use the phone. Some of these solutions make a basic phone perform functions just like any other smart or hi-tech phone. Besides, the poor distribution network of the Uganda Post & Telecommunications Corporation (UP&TC) services in the country side has given mobile network operators a virgin field to play on. Mobile phone use and expansion has also been driven by country-wide marketing by the mobile phone companies in Uganda (Figure 3).

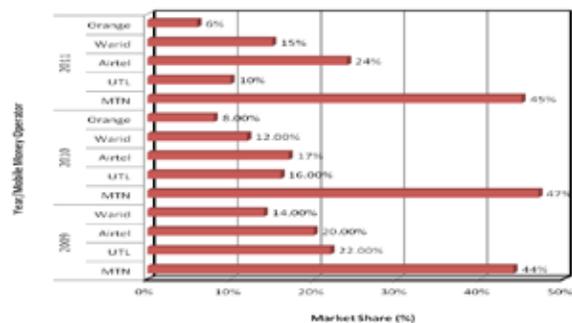


Figure 3: Growth in Mobile Phone Money Market Share in Uganda 2009-2011

Source: MNO Websites

Desk research revealed important revelation from MNOs about the rapid growth in the mobile phone ownership in Uganda: *“The fast adoption of mobile phone applications like broadband internet, mobile money, agro-market applications, health packages, election monitoring tools, and others, has spurred renewed growth in mobile phone ownership. Besides, the mobile phone is no longer just a tool to communicate, but a means to create jobs and livelihoods, enhance lifestyles, access to business information and open markets. For government, they are a means to enhance service delivery and citizen feedback.”* These statements corroborate well with messages obtained from interviews with agents and MNOs about the distinctiveness of the mobile phone and the multiplicity of its use. Moreover, observations along the streets of Kampala City and its suburbs reveal that all MNOs are capitalising on the use of agents to widen their market coverage. Similarly, desk research and interviews with MNOs indicated wide distribution of agents for all MNOs across the country side.

Agent Networks

Agents are nonbank entities such as retailers (either MNOs own retail centres or another retailer such as rural centre store) that handle customer registration and liquidity needs for the Mobile Phone Money users, on behalf of the MNO. In short, the MNO

Table 4
Mobile Phone Money Deployments in Uganda 2009-2011

Launched in March 2009		Launched in March 2010		Launched in July 2011		Launched in Dec 2011	
Promotor	Brand Name	Promotor	Brand Name	Promotor	Brand Name	Promotor	Brand Name
MTN Uganda	MTN Mobile Money	Uganda Telecom	M-Sente	Airtel Uganda	Zap	Warid Telecom	Warid Pesa

Source: MNO Websites

Payment system in Mobile Phone Money

Most mobile telecoms now use Mobile Phone Money as a competitive tool. By leveraging the real time communication system, neither the scheme nor the customer needs to worry about store or retail shops running away with their cash because

acts as agent, using its own retail distribution network. Agent’s locations are observed at almost every business point on the streets of Kampala City and in the outskirts of the City, providing very good accessibility for customers to cash in and cash out. There were about 11,000 Mobile Phone Money agents across Uganda by August 2012 country-wide, with MTN registering 7,336, agents, UTL registering 3,500 agents, Airtel registering 120 agents, and Warid Telecom registering 44 agents.

The primary role of an agent is to accept and disburse cash, ultimately providing cash-in and cash-out services from the customer’s mobile handset. In this role, the agents serve as branches for the MNOs and act as the primary contact point for customer relationship. As the liaison between the MNO and the consumer, the agent bears responsibility for account opening, customer due diligence, and Know-Your-Customer (KYC) programme compliance. To attract credibility, agents have been trained in Mobile Phone Money operations, including Mobile Money technology, financial management and anti-money laundering (AML). Training manuals downloaded from MTN website cover these topics.

Retailer Sector

Retail sale stores and airtime resellers are typical candidates for Mobile Phone Money transfer agents because they tend to have sufficient liquidity to satisfy consumers’ needs to deposit and withdraw cash. This network of local retail sale stores has expanded Mobile Phone Money operator’s reach to rural areas in order to achieve a higher level of penetration in unbanked markets where there is no physical bank presence. Retail sale stores typically provide liquidity with funding from other business activities including selling airtime in addition to general merchandise. In almost any shop in Kampala where commodities are being sold, there is likely airtime services provided. You would also likely find Mobile Phone Money services advertised. This retail system has enabled Mobile Phone Money services to operate outside the traditional bank-led model, and thus has enhanced access to financial services through Mobile Phone Money.

Mobile Phone Money Deployments

The first Mobile Money operation was launched in March 2009 and has become the most famous and probably the most successful implementation of Mobile Phone Money service to date. By December 2011, thirty-six months after the launch, Mobile Phone Money transfer in Uganda had reached 2,879,968 registered customers and almost 6,000 agents. By August 2012, forty-one months after the launch, Mobile Phone Money had gained over 6 million registered customers and had over 11,000 agents (an average of 109 Mobile Phone Money agents per district) spread across Uganda compared to the banks’ 455 branches (or average of 5 bank branches per district). Banks traditionally have to set up a branch. All MNOs have to do is to set up a Tower; the relationship with the customer is already in place. Since 2009, there has been successive deployment of Mobile Phone Money, with MTN being the first to add Mobile Phone Money to its phone services, followed by Uganda Telecom, Airtel and Warid Telecom (Table 4). MTN Mobile money is by far the most successful mobile money deployment in Uganda. Since its commercial launch in March 2009, it has been adopted by over 4 million customers, corresponding to 51 percent of the 7.7 million MTN mobile phone subscriber base and 23 percent of the 17 million total mobile phone subscriptions in Uganda.

stores must pre-purchase electronic value from the issuing mobile operator or bank (Mas & Ng’weno, 2010). The transaction is settled by the time the customer walks out of the door. And this system can be propagated cheaply because both customers and stores increasingly have mobile phones of their own (Suri

& Jack, 2011). There is no need to distribute bank cards among poor customers and point of sale terminals among small retail shops since the mobile phone is functionally equivalent to these two pieces of equipments. Perhaps, this is one reason for the lowered pricing in Mobile Phone Money transfer.

Pricing

Because of the short transaction process involved in Mobile Phone Money transfer, the platform has become a very attractive investment for retailer shops and users. As there are no entry and re-entry barriers to establish a retail outlet, stiff competition amongst the MNOs has led to price differentiation. Some MNOs have lowered the price of sending and withdrawing money to attract and retain customers to the network by applying costs reduction in the value chain system (Kim & Mauborgue, 2005). Desk research, brochures obtained from MNOs and observations of the price lists posted on the wall of the agents shops showed there were different tariffs for sending (cash-in) and withdrawing (cash-out) money. This was seen with MTN Mobile Money, UTL M-Sente and Airtel Zap non-registered users not being charged any fee for withdrawing money from any of their network of agents (Table 5). This exemption was posted on all the walls of the stores operated by the three Mobile Phone Money operators. Thus, MNOs are combining the strategy of pricing and target group to retain existing customers and reach more unbanked customers with Mobile Phone Money services at a target cost (Kim & Mauborgue, 2005).

Table 5
Consumer Tariffs of the four Mobile Phone Money providers in Uganda

1. MTN Mobile Money	Sending (cash-in) to:		Withdrawal (cash-out) by:	
	Registered Subscriber	Non-Registered Subscriber	Registered Subscriber	Non-Registered Subscriber
Transaction tiers				
Ushs	Ushs	Ushs	Ushs	0
500-5,000	400	800	300	0
5,001-30,000	800	1,600	700	0
30,001-60,000	800	2,000	1,000	0
60,001-125,000	800	3,700	1,600	0
125,001-250,000	800	7,200	3,000	0
250,001-500,000	800	10,000	5,000	0
500,001-1,000,000	800	19,000	9,000	0
1,000,001-2,000,000	800	36,000	17,200	0
2,000,001-3,000,000	800	64,000	31,200	0
3,000,001-4,000,000	800	64,000	31,000	0
2. UTL M-Sente	Sending (cash-in) to:		Withdrawal (cash-out) by:	
	Registered Subscriber	Non-Registered Subscriber	Registered Subscriber	Non-Registered Subscriber
Transaction tiers				
Ushs	Ushs	Ushs	Ushs	0
5,000-30,000	700	1,500	700	0
30,001-60,000	700	1,900	900	0
60,000-125,000	700	3,500	1,500	0
125,000-250,000	700	6,800	2,900	0
250,001-500,000	700	9,000	4,900	0
500,000-1,000,000	700	18,000	8,900	0
1,000,001-2,000,000	700	35,000	17,000	0
2,000,001-4,000,000	700	0	0	0
4,000,001-10,000,000	700	0	0	0

3. Airtel Zap	Sending (cash-in) to:		Withdrawal (cash-out) by:	
	Registered Subscriber	Non-Registered Subscriber	Registered Subscriber	Non-Registered Subscriber
Transaction tiers				
Ushs	Ushs	Ushs	Ushs	0
500-5,000	300	300	250	0
5,001-30,000	800	1,600	700	0
30,001-60,000	800	2,000	1,000	0
60,001-125,000	800	3,700	1,600	0
125,001-250,000	800	7,200	3,000	0
250,001-500,000	800	10,000	5,000	0
500,001-1,000,000	800	19,000	9,000	0
4. Warid Pesa	Sending (cash-in) to:		Withdrawal (cash-out) by:	
	Registered Subscriber	Non-Registered Subscriber	Registered Subscriber	Non-Registered Subscriber
Transaction tiers				
Ushs	Ushs	Ushs	Ushs	
500-15,000	700	800	700	1,600
15,001-30,000	800	900	700	1,700
30,001-60,000	800	900	1,000	2,100
60,001-125,000	800	900	1,600	3,800
125,001-250,000	800	900	3,000	7,500
250,001-500,000	800	900	5,000	10,000
500,001-1,000,000	800	900	9,000	19,000
1,000,001-2,000,000	1,200	1,300	14,000	30,000
2,000,000-3,000,000	2,000	2,100	22,000	38,000

Source: MNO Websites

Mobile Phone Money Services Used

From interviews with agents and observations of research participants at the Mobile Phone Money shops, the top four Mobile Phone Money services used by research participants are; fund transfer to friends and relatives, cash withdrawal, and payment of water and electricity bills (Figures 4 & 5). The results from these findings are consistent with those from studies on Mobile Phone Money use in other African countries. Fund transfer was also the most used service with M-PESA in Kenya (Mas & Ng'weno, 2010), MTN in Nigeria and TrueMoney Express (TMX) in Thailand (IFC, 2011). This confirms the important role Mobile Phone Money can play in facilitating access to financial services for the unbanked in developing countries, as well as reaching beyond existing demand with financial services (Ndiwalana, Olga, & Popv, 2010; Kasseeah & Tandrayen-Ragoobur, 2012).

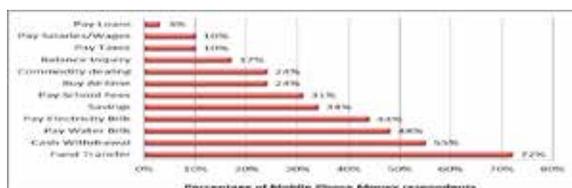


Figure 4: Profile of Mobile Phone Money Use in Uganda
Source: Mobile Phone Money Study 2012

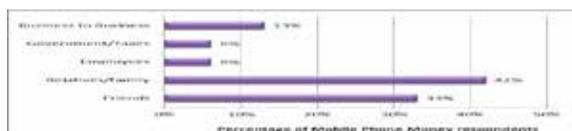


Figure 5: Kinds of Mobile Phone Money transfers in Uganda
Source: Mobile Phone Money Study 2012

User Perception of Mobile Phone Money

All users of Mobile Phone Money expressed that mobile money payments are completed in real time. As such customers can verify the security of the system instantaneously by calling the other party to confirm receipt. With this feedback, customers do not need to understand how the service works as long as their money has reached its destination. Figure 6 shows the perception among users of the benefits of Mobile Phone Money. As can be observed, accessibility to financial services is a key characteristic that Mobile Phone Money promoters have exploited. Customers like convenience, and that might explain why Mobile Phone Money has taken off rapidly in Uganda. Because of the convenience of this service, users continue to flock into Mobile Phone Money shops even if there is a frustrating scenario such as frequent network breakdown that affects accessibility to the service. Thus, starting with ease of payments allows customers to build trust by completing several basic transfers quickly. And, gradually this trust can be extended to savings and inter-temporal products.

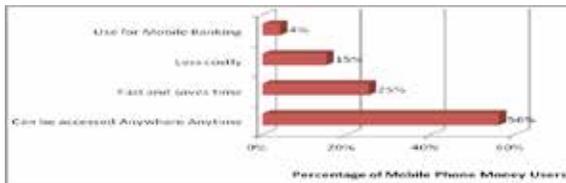


Figure 6: Perceived benefits among Users of Mobile Phone Money

Source: Mobile Phone Money Study 2012

**Impact of Mobile Phone Money
Greater access to financial services**

Data derived from field interviews and observations, and desk

Table 6
Key Mobile Phone Money Financial Access Data

Financial data	Period			
	2009	2010	2011	2012**
Registered Mobile Phone Money Agents/Outlets	600	4,340	7,664	11,000*
Registered Mobile Phone Money Users	552,047	1,683,713	2,879,968	6,000,000*
Adults transferring money using Mobile Phone Money	4%	14%	43%	46%*
Mobile Phone Money Transfer (Ushs billion)	123.5	962.7	3,752.9	1,000,000*

Source: Bank of Uganda Annual Report 2010/2011. * Conservative estimates from MNOs Websites and Brochures. ** Data presented up to August 2012.

In reshaping the financial business architecture, mobile commerce has emerged as an infrastructural enabler of business. Even with banking entering Uganda way before independence, they did not have the same impact on the financial market that Mobile Phone Money is creating. Early banks like Standard Chartered and Bank of Baroda are older than Uganda as a state. While the banking institutions have in the past few decades been joined by another 20 banks, making 30 banks with 455 branches country-wide, there has been very little impact on financial deepening. Data from Bank of Uganda showed that just about 33 percent or 4 million adult Ugandans have a bank account (Bank of Uganda Annual Report 2010/11). Even with the 455 bank branches country wide, about 80 percent of the population still lacks an avenue through which to carry out transactions like sending, receiving and depositing money.

Compared, banks have been in Uganda for over five decades and have reached 33 percent of the 12 million adult Uganda population to-date; Mobile Phone Money has been in operation in Uganda for just four years and has reached almost 50 percent (6 million people) of the 12 million adult population. The simplicity in Mobile Phone Money use addresses the real financial needs of the poor and the unbanked, and subsequently it has had the fastest influence on rural financial deepening in Uganda.

research indicated that Mobile Phone Money is the most popular financial platform for money transfer in Uganda with 46 percent of all adult Ugandans using the service by mid 2012 (Table 6). By mid 2012, there were about 6 million registered users of Mobile Phone Money shared between the 4 Telco's (MTN, Airtel, Warid, and UTL) (Table 6). Just four years after its launch, Uganda is second to Kenya in the number of people that use Mobile Phone Money transactions compared to other money transfer modes in sub-Saharan Africa (United Nations, 2012). The branchless Mobile Phone Money service delivered through mobile phones has undoubtedly had impact on the lifestyles of users, particularly in addressing the unmet financial need of the population, as evident by statements from MTN Corporate Affairs Manager in Uganda: "The most important aspect to note here is the positive impact of Mobile Phone Money on the population. We have empowered Ugandans to transact with ease at their preferred locations at all times." By mid 2012, about 46 percent of Ugandans that made domestic remittances used Mobile Phone Money services (see Table 6). In Kenya, 66 percent of the people used the service in the same year (United Nations, 2012). Moreover, data from Bank of Uganda also showed a dramatic increase in domestic remittances using Mobile Phone Money transfer; from Ushs123.5billion in 2009 to Ushs962.7billion in 2010 and, reaching Ushs 3,752billion by December 2011, to an estimated Ushs 1 trillion by August 2012 (Table 6).

While it is only in Kenya where there is a financial survey available before and after the M-PESA launch (Camner, Pulver, & Sojoblom, 2011), in Uganda such a survey has not been conducted and it is only possible to show trends rather than use a benchmark comparison. Nonetheless, the proportion of adults sending domestic remittances through Mobile Phone Money showed a marked increase; from 4 percent in 2009 to 14 percent in 2010 and 43 percent in 2011 to 46 percent by August 2012 (Table 6).

Moreover, trends on money transactions using ATMs and Mobile Phone

Money showed that the volume and value of Mobile Phone Money transactions grew faster than the volume and value of ATM transactions in a period of 12 months (Figures 7 & 8).

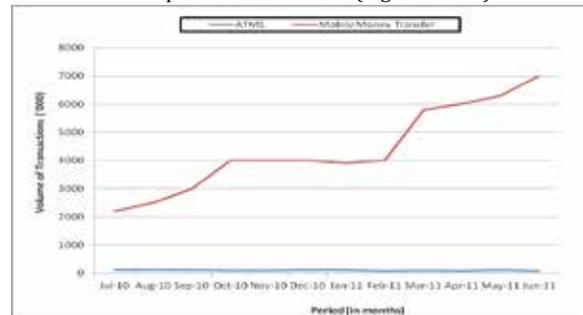


Figure 7: Volume of ATMs Deposits and Mobile Phone Money Transfer in Uganda 2010-2011

Source: Data for graph derived from Bank of Uganda Annual Report 2010/11.

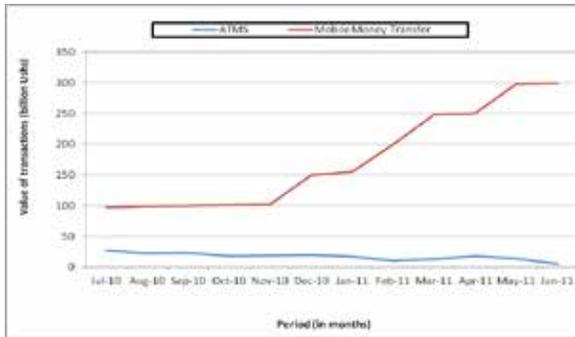


Figure 8: Value of ATM and Mobile Phone Money Transfer in Uganda 2010-2011

Source: Data for graph derived from Bank of Uganda Annual Report 2010/11.

Expanded national revenue base

Statistics from Bank of Uganda indicated that by June 2012, monthly transactions on the Mobile Phone Money services were close to Ushs 1trillion, which is one-tenth of the Uganda's national budget for the financial year 2012/13 (MoFPED Background to the Budget Report, 2012/13). In June 2012 alone, 19.2 million Mobile Phone Money transfers were made on the four Mobile Phone Money platforms (MTN Mobile Money, UTL M-Sente, Airtel Zap and Warid Pesa), totaling Ushs904 billion. MTN, the giant in the Mobile Phone Money game moved Ushs600 billion in August 2012 alone, while over 4 million of its customers were using Mobile Phone Money. By August 2012, there were nearly 6 million Mobile Phone Money subscribers, accounting for half (50 percent) of the adult Ugandan population. About 33 percent (i.e. 2 million adult Ugandans) of the 6 million adult Mobile Phone Money subscribers do not have a bank account and Mobile Phone Money is reaching beyond this existing demand and increasing financial deepening among the unbanked.

The tax paying platform through the mobile phone initiated by MNOs also now makes it easier for the Uganda Revenue Authority's (URA) push to e-tax, which, according to observers, is going a long way in formalizing the large informal Mobile Phone Money sector, but also growing the Uganda tax base. By the end of 2011, URA collected about Ushs90 billion from e-taxes through Mobile Phone Money. It is likely that this will see an upward trend should annual statistics on taxes for 2012 be released in mid 2013.

Employment market development

Uganda is a youthful country, with about 21 percent of the population between 18-30 years of age (UBOS, 2009). This category of people needs a youthful mobile brand which is easy to use. An average of 256,700 youth who graduate from college every year do not find a job (UBOS, 2012), and Mobile Phone Money through a network of mobile money agents is filling part of this gap. There are about 11,000 MNOs agents in Uganda. This is equivalent to 11,000 Mobile Phone Money agents country-wide. From the demographic data presented earlier, the age range of 18-30 years make up about 96 percent (or 10,560 youth) of the people employed as mobile phone money agents. Mobile Phone Money is therefore helping to create employment for about 4 percent of the 256,700 youth who would not have been employed. Thus, Mobile Phone Money is a potential contributor to employment and expanded tax revenue in Uganda.

Lowered financial transaction costs

Four years ago, Post Bank was dominating the services of sending and receiving money but at a relatively high price. With Mobile Phone Money transfer services, you pay nothing if you are receiving money and also pay as little as Ushs800 if one is sending Ushs5,000 to a registered user and for the same amount, one will pay Ushs1,600 if he is sending money to a non-registered user. Subscribers are sending an average of Ushs50,000 each transfer, which means low-income people are using the service most. Since Mobile Phone Money can turn fixed costs such as;

staff salaries and banking infrastructure, this dramatically reduces the revenue threshold needed to establish a viable transactional outlet. In this case, revenues no longer have to cover the cost of building and maintaining a bank and paying staff salaries; they only need to be enough to encourage the shopkeeper to promote the service alongside his other products.

Bi-directional remittance flow

When Mobile Phone Money was launched in Uganda in 2009, the concept was that it would address the question of financial flow from urban centres to the rural poor who largely live on agriculture, and have been excluded from financial services. In Uganda, the agricultural sector represents the third largest contribution to GDP with 18.9 percent after the services sector (52.4 percent), and industrial sector (25.4 percent) in 2011/12 (MoFPED Background to the Budget Report, 2012/13). The rapid growth in the agricultural sector in recent years (14.9 percent of the GDP in 2008/9 to 18.9 percent of the GDP in 2011/12) has created a significant amount of wealth in rural areas (MoFPED Background to the Budget, 2009/10 & 2012/13). With the increasing need to pay fees for children schooling in urban centres, the rural based persons who largely live on agriculture and related agricultural trade are now using Mobile Phone Money to remit cash to their children who attend school in urban centres. While there are no reliable statistics to show how many of the rural Mobile Phone Money users are involved in Mobile Phone Money transfer to urban centres, this study estimates that about 26 percent of the rural-based Mobile Phone Money users (or 1.6 million) could be remitting money to town centres to meet financial needs of either their relatives or to buy goods. Thus, Mobile Phone Money is not only addressing the previously endemic inefficiency in the financial services in rural areas in Uganda, but now flowing bi-directionally from urban centres to rural areas as well as from rural areas to urban centres.

Shift in mobile phone market leadership

Mobile Phone Money has opened a new wave of competition among telcos in Uganda. With liberalisation, trade barriers have been dismantled and information on mobile products and prices are becoming instantly and locally available to competitors. MTN joined the mobile phone business in 1995, two years after Celtel, now Airtel. It launched MTN Mobile Money in 2009, and has surpassed Airtel which was a giant in the industry 5 years ago. While it is struggling to recapture the mobile phone market, Airtel has failed to come back as a mobile phone market leader in Uganda. MTN developed a clear-cut and compelling tagline: "MTN Everywhere You Go." Even the most proficient ad from a particular Telco would have difficulty reducing the conventional offering MTN delivers. Since its launch in March 2009, MTN Mobile Money use has been adopted by over 4 million users with speed.

CONCLUSIONS

As outlined previously, mobile phones are advancing the adoption of Mobile Money transfer services beyond the existing traditional banking demands. It has provided a more efficient channel for financial transaction and inclusion in Uganda. This study also reveals that possession of the mobile phones will increase access to Mobile Phone Money as already roughly 17 million Ugandans now use a mobile phone, a conduit for Mobile Phone Money transfer. Mobile Phone Money transfers are becoming increasingly popular in Uganda, which confirms the influence of this branchless banking. As this study reveals, Mobile Phone Money also reaches the poor, as over 2 million Ugandans who are previously not banked are accessing informal financial service using their mobile phones. In a bid to support increased financial inclusion that Mobile Phone Money brings to the economy, regulators, policy makers, and other stakeholders with interest in this trade should work together and share information about the service development and consider addressing potential gaps in regulations.

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