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More Than Just Accessibility: What Explains the Choice Between Mobile Money and Internet Banking among Consumers in Uganda (IMTFI Blog)

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Authors

Tugume, Howard
Kobusinge, Justine
Nanteza, Justine

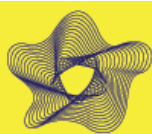
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More Than Just Accessibility: What Explains the Choice Between Mobile Money and Internet Banking among Consumers in Uganda

By IMTFI Researchers *Howard Tugume, Justine Nanteza, and Justine Kobusinge*

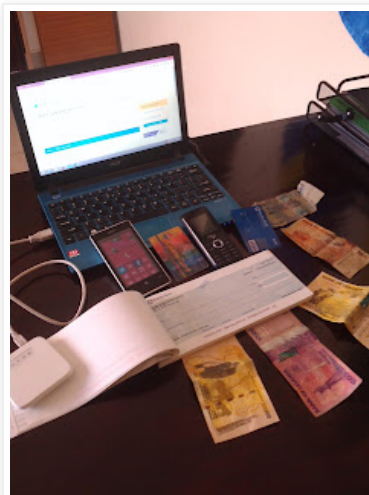
Uganda is predominantly a cash-based country although the last five years have seen an increase in the use of mobile money services. As opposed to commercial banks, mobile money (simply defined as money saved on the phone) is considered an all-inclusive package that can be used by most communities including the illiterate, the rural and the poor as long as they have access to a phone. Innovations and later adoption based on mobile phones have grown fast as expected by earlier studies. Indeed in 2013 alone mobile money services grew by more than 100% (BOU report, 2012/2013).

However, in contrast, the majority of people in Uganda have not embraced bank based payment innovations as fast as they have embraced mobile money. ATMs were introduced in 1997, Bankom a local electronic financial transaction Services Company in Uganda introduced Phone Based Banking services in 2004 (Kanyegirire, 2004) and Bank of Uganda introduced an electronic fund transfer (EFT) in July 2007. All these innovations were in a bid to improve the payment system and reduce cash transactions but adoption is still low. An earlier study on a local commercial bank showed that 80% of the bank customers (owning ATM cards) still transacted at the counter, a practice that has seen continuous existence of longer queues in the banking halls similar to periods prior to internet banking (Tabaza, 2006).

Payment innovations in Uganda date back to the 1990s, and mobile money is more recent in Uganda. In our survey of the National Water and Sewerage Corporation (NWSC) we found that customers have adopted the use of mobile money as a payment option much faster than direct bank transfers. However, the former was introduced earlier than the latter, and both can be accessed by smartphones which are commonly used by the respondents that participated in this survey. The question still remains as to why people have adopted mobile money more and faster than bank based payment innovations.

Previous research on determinants/drivers of adoption of such technologies has pointed to consumer attitudes with no concrete conclusions. Lack of security and privacy has also been mentioned as a hindrance to adoption that affects choice. Trust and perceived risk are also critical drivers of adoption.

In this study we surveyed 238 domestic customers of the NWSC in the districts of Kampala, Luwero, and Mukono. The major aim was to explore the drivers of consumer choice in payment methods among these respondents. Unfortunately, multinomial regression models could not be used to analyze customers' choices because most



The payments methods that NWSC customers use to pay for water bills (Photo by the authors)

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A man decides to use ATM instead of mobile money as another does the opposite on Luwumu Street in Kampala

payment methods did not have enough representation in the data collected. Only mobile money could be analyzed using a logit model. Insights were drawn about other payment methods based on descriptive analysis of the data, but even so only two payment methods--mobile money and bank transfers--are comparable because the other method (cash payments) was being phased out, while almost all people used cash deposits at the bank.

Results show that 42% of the respondents reported using mobile money to pay for water bills, and barely 1% used bank transfers. They were further asked to give an attribute that explained or defined the choice that they made, and 64% of mobile phone users said that mobile money was fast while 50% of bank transfer users said that this method was easy. Looking at these two attributes--"fast or easy"--leaves a gap in explaining why only 1% would adopt bank transfers as compared to 42% for mobile money. One might conclude that it is because mobile money uses a phone, but bank transfers can also be made with a phone, even a smartphone. Though not recorded in this survey, smartphones were not strange to many of the survey respondents, and therefore the accessibility attribute did not exhaustively explain the wide gap of adoption between these two payments innovations. Another attribute that played a role in explaining choice and benefits was "safety." Whereas only 4% of mobile money users said that it was safe, 30% of bank transfer users said the same. How cost effective the methods were never played any role among these respondents.

The potential use of electronic payments for business transactions in Uganda is high and will increase even more. Although the study results are representative of a small group of electronic payment users – i.e. the National Water and Sewerage Corporation, those that use the systems find them fast, easy, safe and convenient. We speculate that the future use of electronic transactions especially mobile money for utility bill payments in Uganda will generally grow, especially with the increased acquisition of mobile phones and accessibility to internet. However factors like affordability, security and accessibility will create differences in its adoption rates by different people based on social economics and geographical locations. For instance, daily use of mobile money for bill payments may accrue high transaction fees and may become unaffordable. Past experiences will also likely play a big role in the adoption of electronic payments in the future. The people who have used mobile money payments to pay for their water bills for example will most likely choose the same payment method to pay for other services because they are more aware of the cons and pros of the system.

We still could not conclude as to why people use mobile money and fail to use bank transfers, and we would recommend a concerted study on this question. However, based on the existing literature it looks like mobile money is more advertised, and people have good perceptions of it. Moreover, bank based innovations are not very well known, not even among bank customers.

Click here to see their final report:

[The physical and electronic payment interface and its influence on consumer payment choices and informal/fraudulent practices: A case study of the national water and sewerage corporation \(NWSC\) Uganda.](#)

Posted by TSF at 9:47 AM



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