# RESEARCH PEARLS | FEDU PEARL #23

*The FEDU research, or Financial and Energy Diaries Uganda, interviewed the same group of about 600 respondents from beginning of October until early April. During each interview the respondents were put a number of the same questions about savings and many other topics. Through these repeat questions L-IFT can form a detailed picture about people's savings patterns over time.*

## Savings deposits

The majority of our respondents, 88.42%, have said that they saved at least once during the period of research. Only one in eight respondents does not report any savings at all. On average, respondents report to have saved in 6.21 interviews (the median was reporting savings for six interviews).

People use many different tools for saving money. The most common amongst our respondents include, in order of popularity, savings groups, keeping money at home, mobile money and on the body/in clothes/in wallet. This can be seen in the graph below, which shows which savings tools were reported most and during which biweekly:

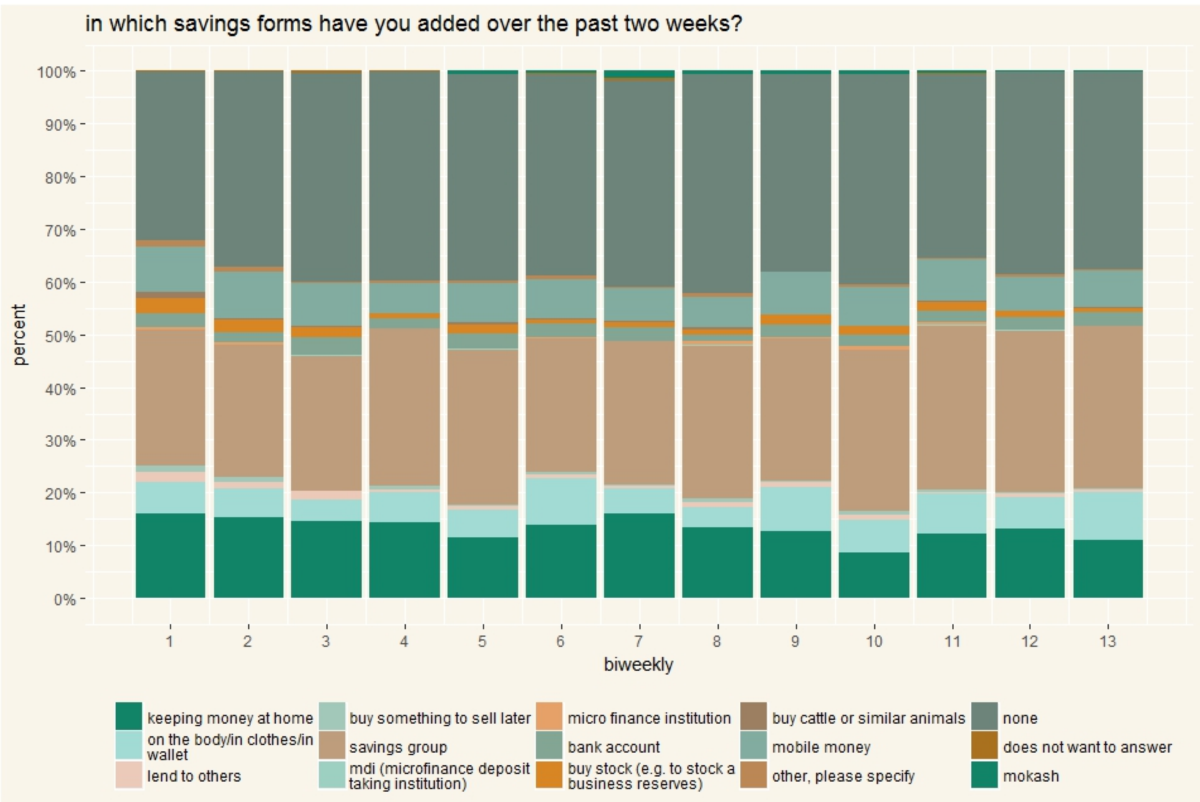


Figure 1: Saving tools

The graph below shows savings habits as per their wealth distribution. There is a trend that the wealthier respondents (upper poor and above) report to have saved more than the very poor (you can see this by the grey space "none" decreasing as wealth increases).

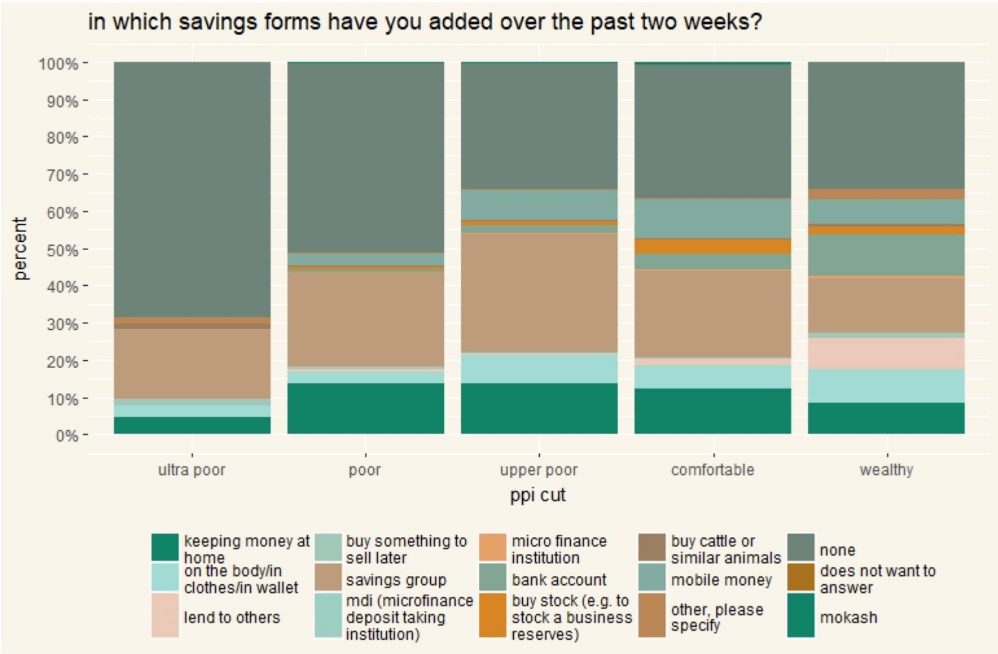


Figure 2: Saving habits by wealth distribution

L-IFT has conducted several diaries research previously in which the categories "keeping money at home" and "on the body/in clothes/in wallet" were always the two most commonly used forms of savings. Therefore, it is remarkable that in this sample, "savings group" comes out as the most significant form of saving in terms of frequency of use.

For both men and women, the most common form of savings is also "savings groups", though it is more common for women than men. Men save more in mobile money than women and 'on the body/in clothes/in wallet'.

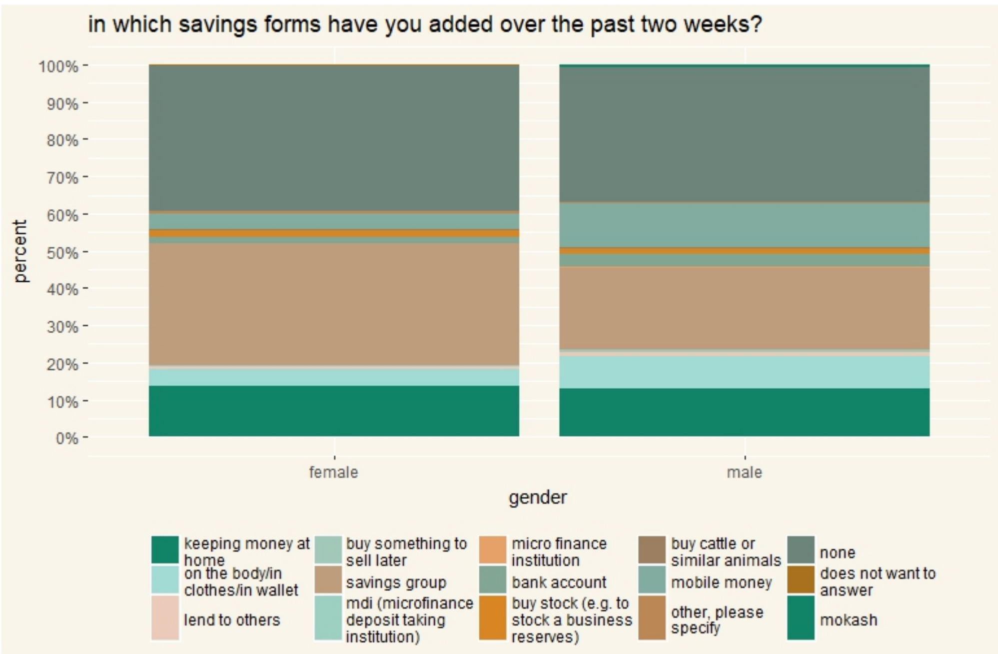


Figure 3: Saving habits by wealth distribution

**Amounts of savings deposited**

As for the amounts, for the most common savings tools used, the total value deposited over the course of six months' interviews are shown below (amounts in UGX).

| Question | mean | median | max | min |
|---|---|---|---|---|
| Keeping money at home | 40,177 | 20,000 | 1,164,000 | 50 |
| On the body/in clothes/in wallet | 99,362 | 50,000 | 1,438,000 | 500 |
| Savings group | 25,818 | 14,000 | 1,200,000 | 500 |
| Mobile money | 65,232 | 30,000 | 2,300,000 | 1,000 |

This means that "savings group", while the most common form of savings, actually receives the lowest value of deposits during the course of six months, with an average of just about 25,000 UGX (roughly 7 US$) and a median of just 14,000 UGX (4 US$). The highest value of deposits was in "on the body/in clothes/in wallet". This may be due to frequent movement in and out of this most liquid savings form. "Keeping money at home" receives a little bit more than "savings groups" while "mobile money" has roughly 2.5 times the deposits of "savings groups", both in mean and median value. This may be partly due to "mobile money" being used more by men who have higher values to deposit.

While 160 of the respondents (almost one third) save using only one savings tool, on average, they use two different forms alongside each other. The most forms of savings any respondent had throughout the research period was eight. This distribution can be seen in the graph below.

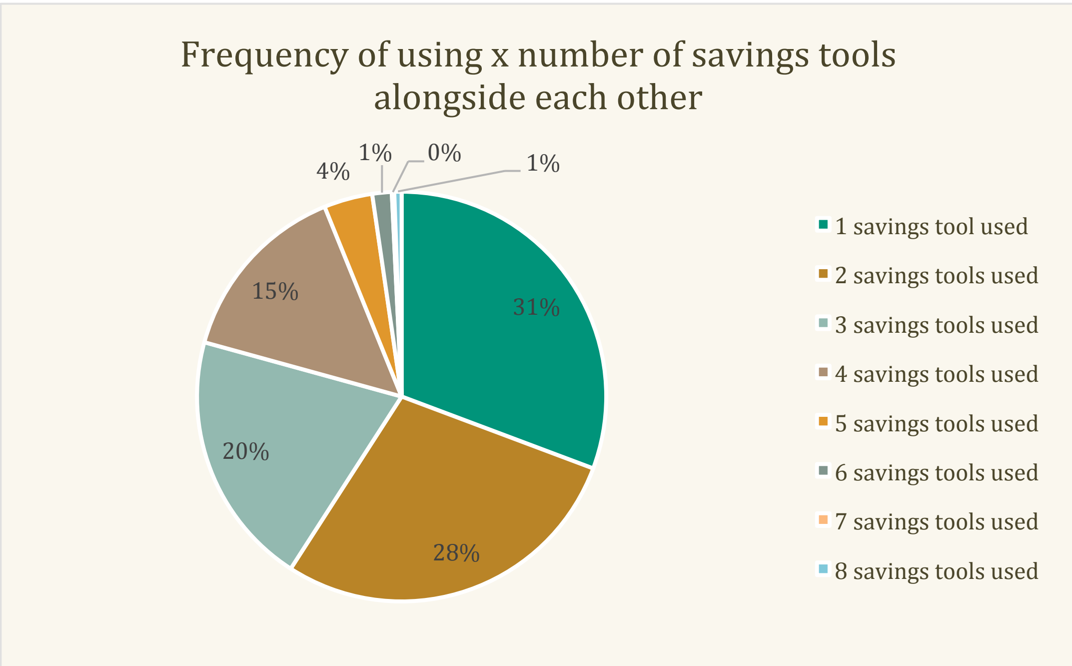


Figure 4: Frequency of using saving tools

**Savings withdrawn?**

Most respondents, 81.43%, have withdrawn savings *at least once* during the research period, from a combination of savings tools. In most biweekly interviews, around 30 to 40% of our respondents say that they have withdrawn savings. The most common source of savings withdrawn is from keeping money at home, mobile money, and on the body. This means that withdrawals come from the four most common forms to deposit savings. Only "savings groups" is large for depositing and rare for people to withdraw savings which reflects that savings groups typically do not allow withdrawal until share-out day which is usually only once in eight to twelve months.

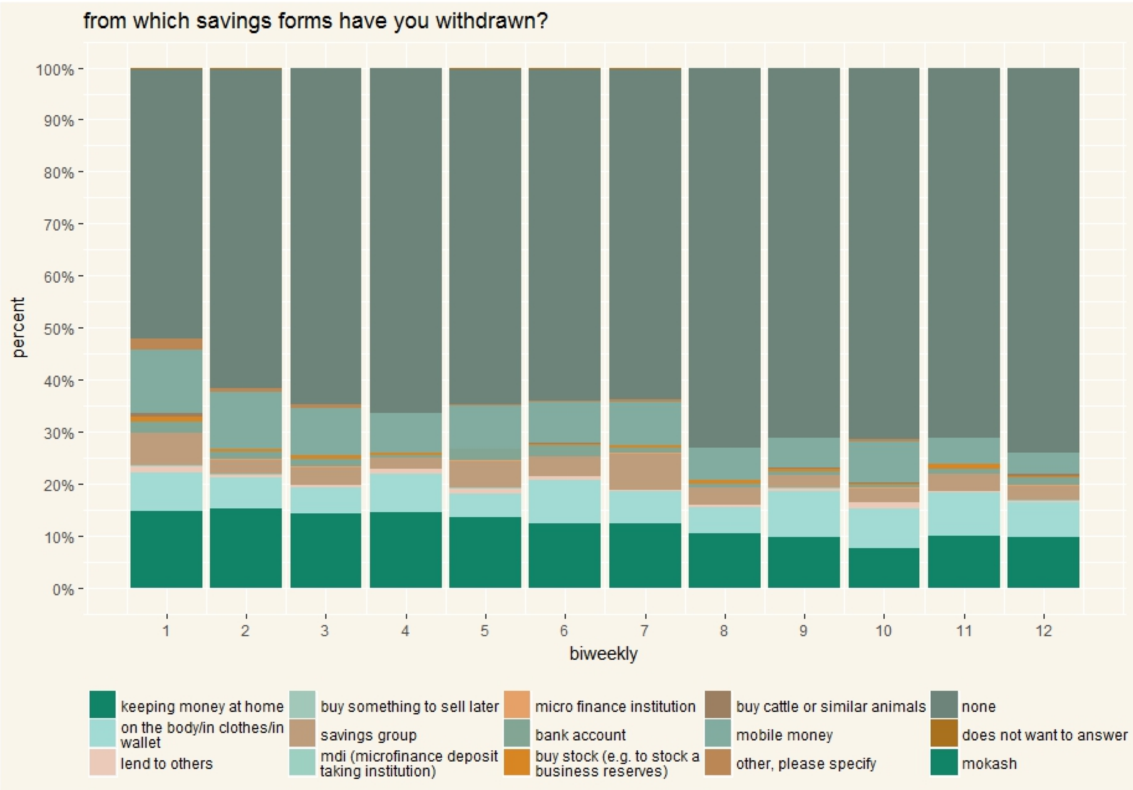


Figure 5: Savings withdrawn

There does not seem to be a big difference between genders, though men are slightly more likely to withdraw using mobile money.

**Reason for withdrawing**

The most common reason for withdrawing savings is by a large amount for "daily expenses", for all three methods mentioned above. "Emergencies" is the next most common reason given for withdrawing savings, followed by "other" and last "school expenses". Among "other", the most common reasons to withdraw savings was for the festive season, followed by it being the "end of the savings cycle" such that they all split their savings.

**Amounts withdrawn**

Over the course of the research period (6 months) roughly two-thirds to of the median amount deposited is withdrawn again with a slightly higher rate of withdrawal for "mobile money" (amounts in UGX).

| Question | mean | median | max | min |
|---|---|---|---|---|
| Keeping money at home | 36,377 | 15,000 | 2,000,000 | 200 |
| On the body/in clothes/in wallet | 81,482 | 35,000 | 1,500,000 | 2,000 |
| Savings group[1] | 257,868 | 50,000 | 19,750,000 | 1,000 |
| Mobile money | 54,516 | 30,000 | 1,000,000 | 500 |

**Key findings**

The FEDU research demonstrates that saving depositing as well as withdrawing is very wide-spread. Only a small portion of the respondents do not participate in any form of savings.

During one biweekly period, between 20 – 30% more respondents add savings than withdraw and the total amounts of savings deposited over the course of the research is about 20 to 40% higher than the amount withdrawn. However, the maximum amounts taken out at one time are most of the time higher for savings withdrawn (so people accumulate small amounts of savings but withdraw at once a larger amount).

Savings is mostly for short term financial management. A large portion of the savings deposited over the course of six months is already withdrawn within this period. This demonstrates that people frequently have to use their savings and rarely are in a position to allow savings to accumulate over a longer period of time.

The one exception is the savings in "savings groups" from which respondents withdrawn seldom, likely due to the rules of the savings groups, which allow members only to take loans and withdrawing savings typically only takes place once a year, at "share-out".

For L-IFT it is the first time to encounter that the most common form of depositing savings is "savings group". It is also the first time for a L-IFT research that "mobile money" was the third most common form of savings. Savings on "mobile money" also displayed large average and mean values. The only saving tool that had higher total value deposited and withdrawn was "on the body/in clothes/in wallet".

[1] The mean and median total amount of savings withdrawn from savings groups over the six months is considerably higher than total amount deposited over six months. There may be two causes for this difference: a. Most savings groups have their share-out around the end of the year, just before Christmas, which was within the six months of our research. So for most respondents the savings withdrawn reflected the entire amount of savings withdrawn for the year, while the deposits only reflected half a year's deposits. b. The savings deposited in a savings group are lend out to group members with an interest rate. So for each shilling saved savings group members expect to receive them back with interest. Since the interest rates used by savings groups can be 5% per month, the accumulated interest rate can add up to a substantial increase in value of the savings.

**Implications for Financial Service Providers**

The FEDU data clearly demonstrates that in Uganda there is a shift from the very informal highest-risk forms of savings ("at home" and "on the body/in clothes/in wallet") to two relatively new and fast-growing forms of saving "savings groups" and "mobile money".

This development may indicate that people welcome more formal forms of savings and may wish to reduce their usage of high-risk, informal savings forms as long as the savings are easily and locally accessible.

We clearly did not see a shift towards saving in banks or microfinance deposit taking institutions.