

Insights from Financial Diaries Baseline

Findings illustrate high demand for financial inclusion among refugees in Uganda

Supporting Refugees in Uganda to Develop Resilient Livelihoods

Poverty is widespread in Uganda, and refugees are disproportionately affected. Over 1.4 million refugees reside in Uganda, making it the largest refugee host state in Africa.¹ In a country where just above one quarter (27%) of the population lives below the poverty line,² 80% of refugees are living in poverty.³ A significant portion of these refugees have arrived in the past four years, mainly due to instability in the nearby countries of Burundi, Democratic Republic of the Congo (DRC), and South Sudan. Many of these refugees are still highly dependent on humanitarian assistance. The main challenges preventing both refugee and host communities from developing resilient livelihoods include low capital and productive assets, weak financial management and vocational skills, and reliance on cash, which presents security risks.⁴ All of these are challenges faced disproportionately by women.⁵

Opportunity International U.K. (Opportunity) launched the Refugees: Innovation, Self-reliance & Empowerment (RISE) project in June 2019. The project addresses the main barriers to livelihood generation faced by refugee and host communities with a three-pronged approach:

- 1. Design financial products for refugee and host communities** to increase income earning potential and control over finances
- 2. Equip refugees and hosts with financial skills** to effectively manage household finances
- 3. Provide loans and digital cash transfer options** to stimulate merchant activity and enable refugees to purchase necessary goods—strengthening market linkages

This project is being implemented in two main refugee settlements: Nakivale and Kiryandongo.

Nakivale is a remote, semi-arid location on the Tanzanian border in Southwestern Uganda, suited to animal husbandry and limited cultivation of crops like sorghum and millet. One of the oldest refugee settlements in Uganda (established in 1958), its population swelled from 15,000 in 2006 to 115,000 in 2020, with refugees originating from multiple countries including Burundi, DRC, Eritrea, Rwanda, and Somalia. Kiryandongo is a newer settlement in the Western Region of Uganda, re-opened in 2014 and hosting just over 60,000 refugees—most of whom are from South Sudan. Kiryandongo is a fertile agricultural area, located close to a critical North-South road, and has strong agricultural potential. In both communities, Opportunity's RISE programme is implemented by well-established and mission-driven financial institutions: Opportunity Bank of Uganda, Limited (OBUL) in Nakivale and FINCA Uganda in Kiryandongo. Opportunity has partnered with PHB Development to conduct human-centred research for the development of financial products and services tailored to the unique needs of refugee and host communities, and to track client outcomes.



Fatuma fled Somalia with her seven children. She receives food aid and has a small plot with a house, but isn't sure how she would survive without her business selling tea, chapati, and beans.

Financial Diaries: A Client-Centred Approach to Product Development and Client Outcome Tracking

To gain an in-depth understanding of target refugees and to track client outcomes over time, Opportunity is using human-centred research methodologies, including financial diaries.⁶ This methodology uses frequent touch points—typically once every two weeks—to gather reliable, detailed data depicting the flow of household income and expenses over time. To deepen trust and funnel more resources back into the community, Opportunity’s RISE project has hired researchers from within the refugee and host communities to conduct the surveys. This brief summarises findings from the baseline survey that launched the financial diaries work in October 2019. Although this data was collected prior to the global pandemic, it constitutes a very useful “before” picture, and many data points—such as household characteristics and history of financial access—will not change. Since this survey, financial data has been gathered regularly (including during the pandemic) and will be made available in a series of forthcoming publications.

Baseline Sample

Survey respondents were randomly sampled from adult household representatives in the two refugee camps using a geographic approach. From this sample, 200 respondents agreed to participate in regular financial diary data collection. Programme participants are selected using a separate process, so some of the respondents in the baseline survey will eventually participate in the programme, and some will not. In this brief, “respondent” and “participant” are used synonymously.

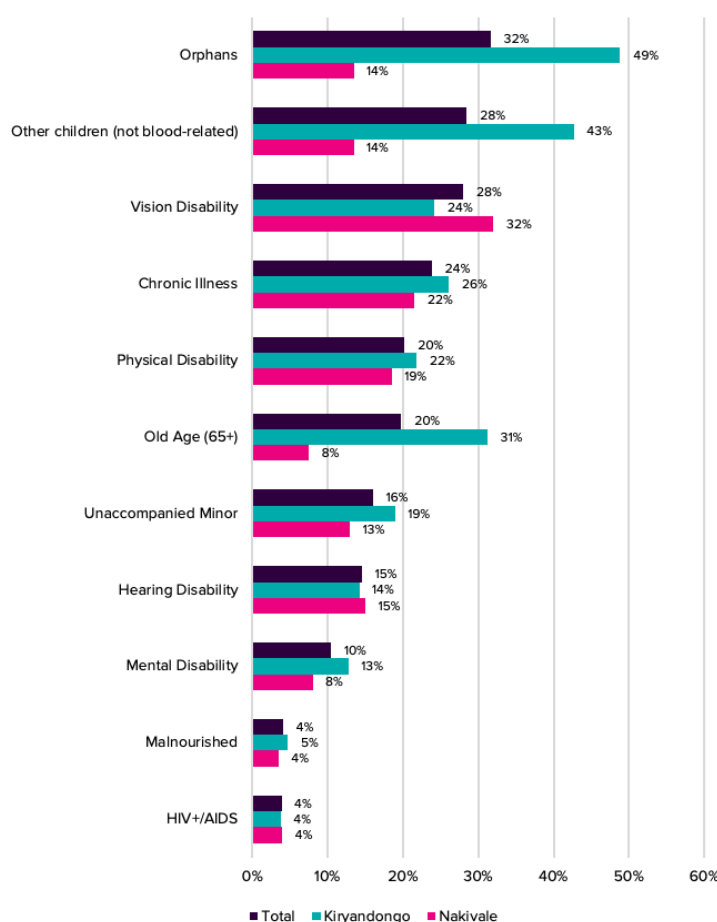
Baseline Survey Findings: High Demand and Capacity for Financial Inclusion

The baseline survey was the RISE programme’s first examination of the financial lives of target refugees. It documented key characteristics of target households and homes and established a baseline for sources of income, skill sets for income earning, and financial service usage. Further, the study validated the demand for financial inclusion, estimated the extend of unmet demand for particular financial services among target clients, and assessed potential client capacity for digital finance. This data helped inform programme design and establish metrics for the programme and partner financial service providers.

Families are splintered, taking in orphans and leaving relatives behind, and usually have at least one member with special needs.

- ▶ Just over half of the survey participants are women (54%).
- ▶ A small majority of participants (56%) are under the age of 35 and in Kiryandongo 31% of survey participants are between 18 and 25 years old.
- ▶ Most families (82%) of households have at least one member in a Person with Special Needs (PSN) category.
 - Roughly one third of families (32%)

Portion of Respondents Reporting They or a Family Member Fall into a PSN Category



are home to orphans or other children (28%) that are not blood relatives.

- Other common categories of special needs include vision impairment (28%), chronic illness (28%), and physical disability (20%). Old age is more common in Kiryandongo (31%) than Nakivale (8%).
- ▶ Many households left family members behind in their place or origin, or other locations: 53% in Kiryandongo, and 36% in Nakivale.

Most participants constructed their own home on property they do not own; solar energy has high penetration for lighting.

- ▶ On average, the families surveyed lived with more than seven people in a three-room house.
- ▶ The majority (73%) built their homes themselves. Most lived in a standalone structure (78%) with 2-4 rooms (89%). These homes are usually constructed out of home-made bricks with mud flooring and either a corrugated tin or grass roof.
- ▶ Half of refugees surveyed reside on plots allocated by the national government of Uganda, 25% reside on land owned by someone else, and 15% own or are purchasing their land, with the balance being unsure of the ownership status of their plot.
- ▶ Most refugees seek to improve their homes, with almost 70% in Kiryandongo wanting to build a new home and 55% in Nakivale wanting to improve their home.
- ▶ Wood and charcoal are the two most common energy sources for cooking in both camps, although charcoal is more common in Nakivale (71% vs. 45%) and wood is a more common source in Kiryandongo (54% vs. 26%).
- ▶ Solar energy is the most common light source in most camps (57%). Battery (23%) and torches, including phone torches, (18%) are the next most common category.

Over half of respondents (61%) earn some kind of cash income, and frequently from multiple sources. Looking forward, a majority (74%) would prefer running a business to being employed.

- ▶ The majority of refugees surveyed (61%) earn some kind of cash income, although with an 80% poverty rate this does not mean the income is substantial.
- ▶ Just under half (43%) generated income from a business. The most common business was retail, which occupied 25% of participants.
- ▶ Less than half of respondents (46%) were employed—with over one quarter (27%) of respondents in Kiryandongo earning wages of some kind.
 - Most employment was in the form of casual labour (18%) on farms, in households and businesses.
- ▶ Over half (of respondents (64%) were engaged in some form of agriculture, with 12% earning some cash income and the remainder (42%) only producing for consumption.
 - Of these, the vast majority are engaged in staple crop production (92%), with around one third (34%) producing horticultural crops, and 15% raising livestock.
 - Common crops include maize (99%), greens (82%), root crops (42%), followed by cassava (29%), and beans (24%).
- ▶ Nearly three-quarters (74%) of respondents would prefer to own their own business over having steady employment.
 - When given the option to both own their own business and be steadily employed, half (51%) still choose their own business, while 37% would prefer a combination.

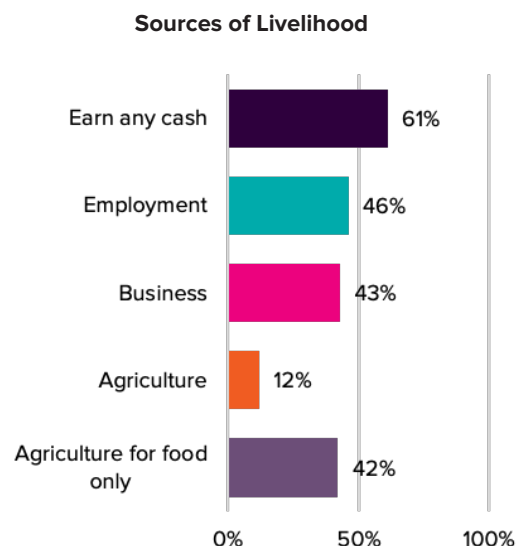




Photo: Kate Holt

“I want to set up a business because to live here without anything to do is not a good enough, especially if you have children and have to pay school fees. Also, it is boring.”

Odetta came to Uganda from Burundi ten years ago. She now lives in Nakivale, where she sells produce, including green peppers, spinach, basil, and beans. Odetta has experience running a small shop from when she lived in Burundi, and wants to open another shop to help cover expenses when seasonal challenges like heavy rain affect her business. Odetta’s main barrier to opening her own business is a lack of capital. Her biggest hope for the future is to pay her children’s school fees and ensure a good life for them.

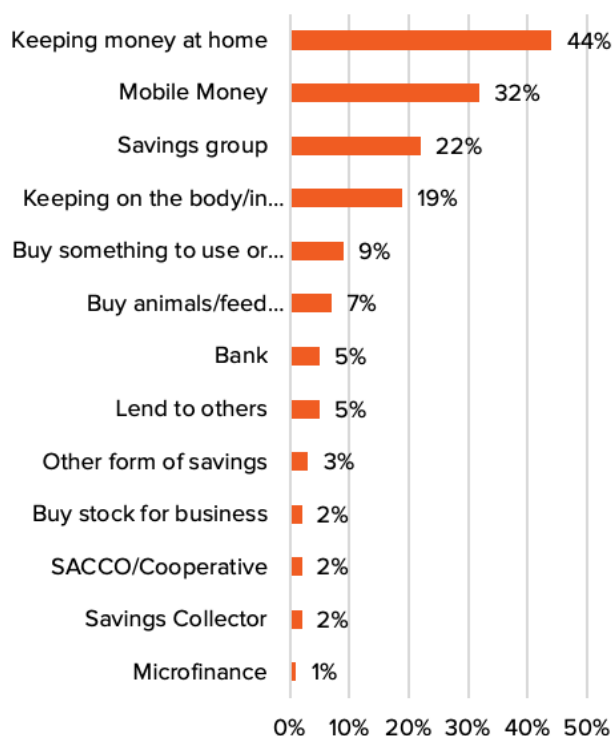
The main hindrances to a viable economic livelihood were no financial track record and high cost of living. Respondents report high skills in business, agriculture, trades and mobile phone usage.

- ▶ Respondents reported high or basic skill levels in running a business 84% and agriculture (staple crops, 79%; horticulture, 62%; livestock, 73%).
- ▶ Almost half of participants (47%) rate themselves as highly skilled and 78% having basic skills in a trade such as tailoring, carpentry, baking, hairdressing, car repair, driving, or computers.
- ▶ Most respondents know how to use a cell phone, with 94% reporting high or basic skills with a basic phone and 65% reporting high or basic skills with a smartphone.
- ▶ Not having a financial track record (24%) and the cost of living (23%) were the most commonly identified hindrances to earning an economic livelihood as a refugee.
 - Other significant categories included not having the right papers, not speaking the language, and not having a network.
 - Less than 6% mentioned being in their location temporarily as their main hindrance.

While formal financial inclusion is low (roughly 32%), participants have extensive financial experience and formal finance is valued. For example, 76% of respondents want to open formal savings accounts.

- ▶ Roughly one third of participants used formal finance, with the majority (32%) using mobile money, 5% saving with a bank, and only 2-3% borrowing from a bank or microfinance institution.
- ▶ However, nearly all (86%) of respondents practiced some form of savings. Among savers, saving at home (44%) was the most common form of savings, followed by mobile money (32%).
- ▶ Nearly three-quarters (73%) of respondents had taken out a loan before. The most common sources of capital among those who had taken a loan before were friends (48%), neighbours (29%), and savings groups (26%). Very few respondents

Percent of Savers Using Each Savings Method



had borrowed from a microfinance institution or bank before (2% and 3%, respectively).

- ▶ When asked about the perceived usefulness of various financial services, the most frequently perceived as very useful were savings accounts (76%), health insurance (67%), and current account (54%).
- ▶ The gap between the perceived usefulness of formal savings accounts (76%) and the portion of respondents using such accounts (5%), represent an extensive unmet demand for savings accounts.

Implications for the RISE Project

The baseline survey affirms RISE's focus on meeting the high demand for formal financial services, financial education, and strengthening the livelihoods opportunities of target refugees.

- ▶ Target refugees are economically active, which implies demand for financial services: 61% of households earn cash income, 43% are involved in a business and 12% in commercial agriculture.
- ▶ They are also active savers, with 78% practicing some form of savings. The gap between the perceived usefulness of formal savings accounts (76%) and the portion of respondents using such accounts 5%, represent an extensive unmet demand for formal savings accounts: 70% of participants.
- ▶ Respondents report high or basic skill levels in running a business 84% and agriculture (staple crops, 79%; horticulture, 62%; livestock, 73%), and have a history of borrowing (78%), which indicates strong capacity to borrow. Only 5% borrow from a financial institution, indicating unmet demand.
- ▶ Distinctions between the settlements should drive a differentiated approaches.
 - For example, the high portion of households involved in agriculture in Kiryandongo, a fertile area on a direct road to Kampala, compared to Nakivale, indicate the potential for agricultural finance there.
 - Additionally, the high portion of people cultivating for food only, indicates a high unmet demand for agricultural support and linkages for cash production.
- ▶ Respondents' high interest in constructing or improving their homes (70% in Kiryandongo and 55% in Nakivale) indicate potential demand for housing finance.
- ▶ Locational divides among household members imply a high demand for mobile money or other forms of remittances; mobile money is the most common form of formal finance in use (32%).
- ▶ Although formal financial inclusion is low (32%), formal finance is valued and participants have extensive financial experience. This implies very high demand for formal financial services, with some 70% of respondents wanting to open formal savings accounts.

¹ United Nations High Commissioner for Refugees, 2020.

² Uganda National Household Survey, 2016.

³ Uganda Country Refugee Response Plan 2019-20. 2018.

⁴ Finscope Uganda 2018 Survey Report. 2018.

⁵ DCED Research and Evidence Update – August 2019: Special Feature on Women's Economic Empowerment. 2019

⁶ Collins, D., Morduch, J., Rutherford, S., & Ruthven, O. Portfolios of the Poor: How the World's Poor Live on \$2 a Day, Princeton University Press, 2009.

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