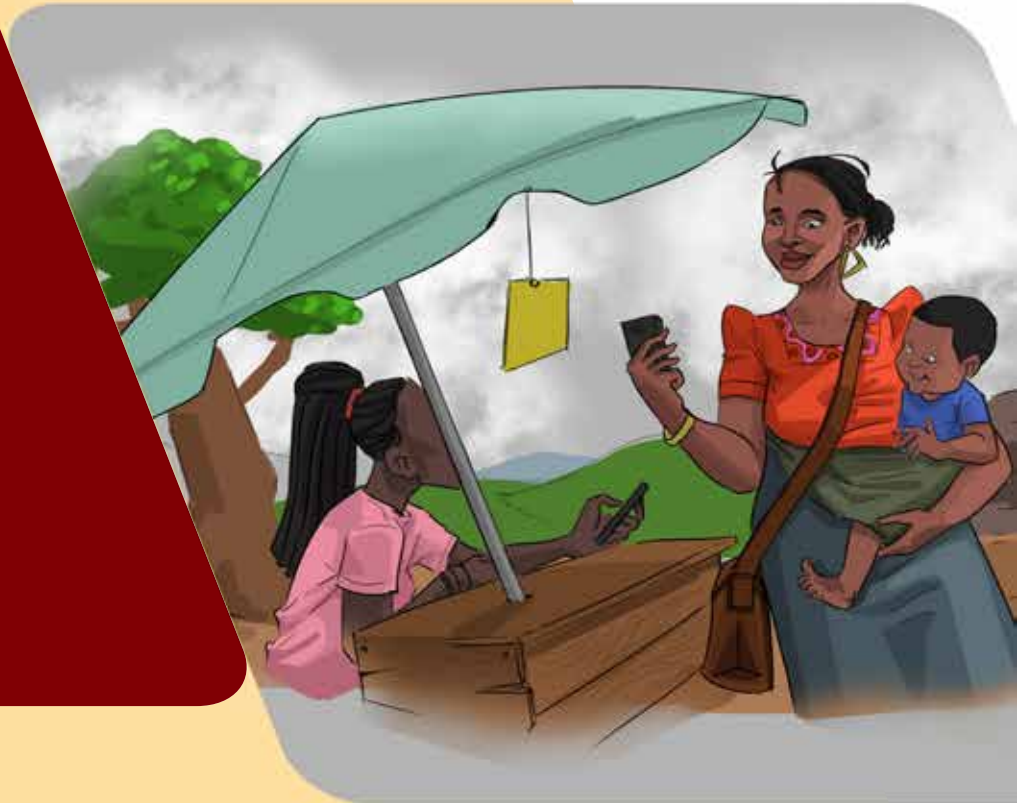


2022 Addendum

DIGITAL FINANCIAL LITERACY (DFL) MODULE



Strategy for Financial Literacy in Uganda



CONTENTS

1. Introduction	.Pg. 1
2. What is Digital Financial Literacy?.	.Pg. 2
3. What are the key objectives that DFL should address?.	.Pg. 3
4. What are the key challenges of DFS that DFL addresses in Uganda?.	.Pg. 4
5. What is a Digital Financial Service (DFS)?.	.Pg. 5
6. What are the benefits of DFS?.	.Pg. 6
7. What are the various Digital Financial Services Channels?.	.Pg. 7
8. What are the various financial services that can be accessed digitally? .	.Pg. 7
9. How are Digital Financial Services accessed? What devices are used to access DFS?.	.Pg. 8
10. What are the various DFS channels, related services, risks and risk management? .	.Pg. 9
11. What are the main risks and challenges that consumers experience in using digital financial services?.	.Pg. 11
12. What are the various systems that enable Electronic payments? .	.Pg. 15
13. How are Digital Financial Services Regulated?.	.Pg. 16
14. How can consumers protect themselves from the risks?.	.Pg. 17
15. What are the rights and responsibilities of the digital financial consumers? How are complaints handled?.	.Pg. 18
16. What are the key aspects to note in regard to DFL?.	.Pg. 18
17. How can a consumer access DFL information?.	.Pg. 19

DIGITAL FINANCIAL LITERACY (DFL) MODULE

Strategy for Financial Literacy in Uganda

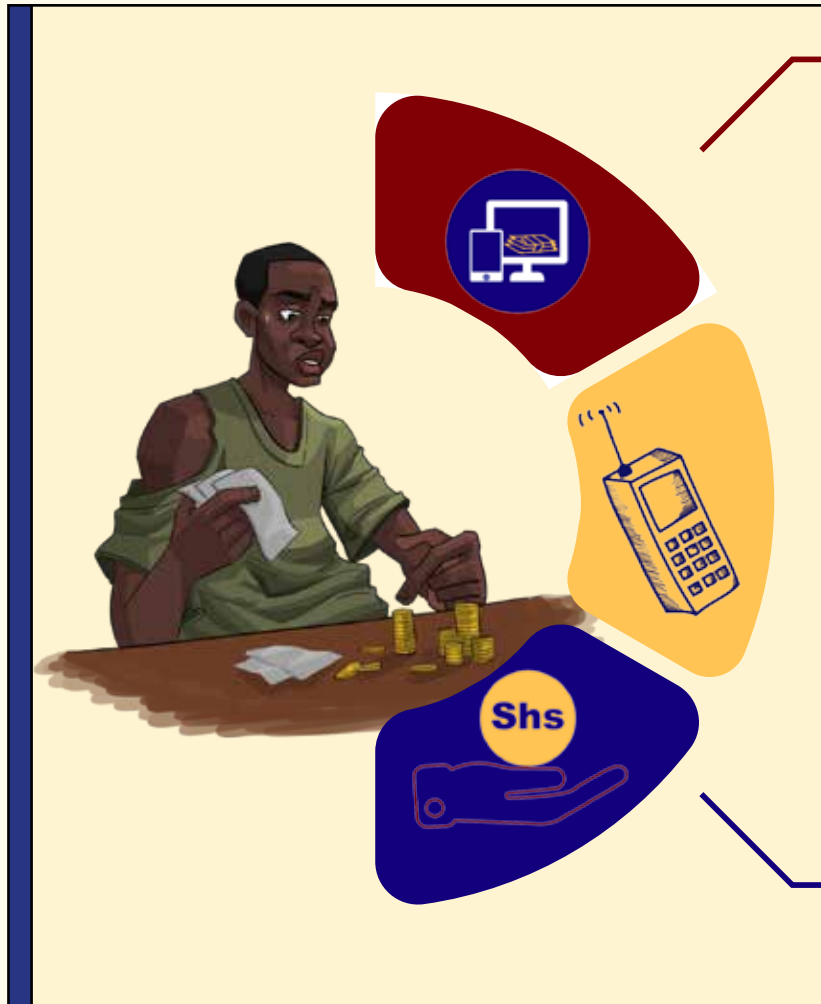


INTRODUCTION

Bank of Uganda and other stake holders have been implementing initiatives to improve financial literacy levels, under the Strategy for Financial Literacy in Uganda 2019 - 2024. In the Strategy, Digital Financial Literacy (DFL) is a key focus area that requires public awareness and understanding to empower digital financial consumers to access and use digital financial services safely. Digital Financial Services (DFS) increase access to finance in the rural, far to reach areas, and the vulnerable communities, thus contributing to Financial Inclusion. The increased usage of DFS, over the past few years, calls for increased DFL efforts.



WHAT IS DIGITAL FINANCIAL LITERACY?



Digital Financial Literacy (DFL)

DFL refers to having the knowledge, skills and capability to safely use digitally delivered financial products and services. Digital Financial Literacy (DFL) is commonly linked to digital literacy and financial literacy.

Digital literacy

Refers to the knowledge, skills and capability to access and use digital content, products and services such as mobile phones, tablets, or internet .

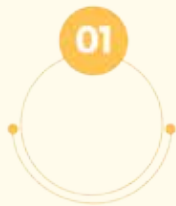
Financial literacy

Refers to having the knowledge, skills and confidence to manage money well taking into account one's economic and social circumstances.

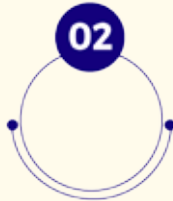


WHAT ARE THE KEY OBJECTIVES THAT DFL SHOULD ADDRESS?

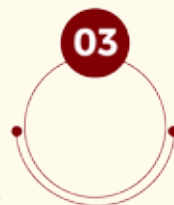
DFL is important in enhancing the safe and efficient usage of DFS. The key objectives that DFL addresses are:



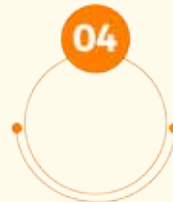
To create awareness of the various DFS options.



To promote responsible access and safe usage of DFS.



To increase awareness and management of DFS related risks.



To increase awareness of DFS consumer rights and responsibilities.



WHAT ARE THE KEY CHALLENGES OF DFS THAT DFL ADDRESSES IN UGANDA?

There are a number of challenges that hinder ease of use of DFS, these include:



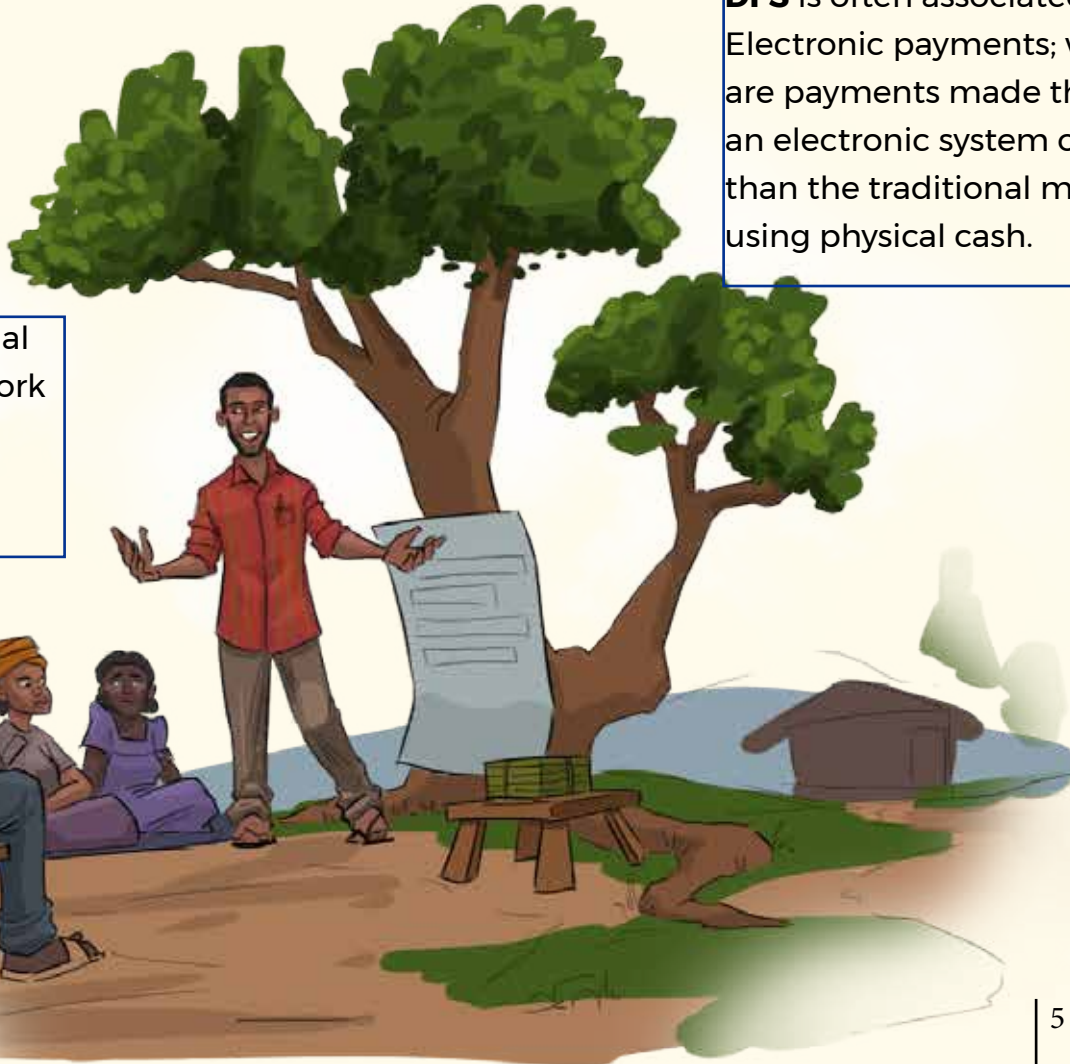
5

WHAT IS A DIGITAL FINANCIAL SERVICE?

DFS refers to a broad range of financial services accessed and delivered through digital channels, including; payments, investment, saving, insurance, credit and remittances.

DFS are provided by supervised financial institutions like banks, by Mobile Network Operators (MNOs) and Fintechs. Digital financial services are timely, safe and efficient.

DFS is often associated with Electronic payments; which are payments made through an electronic system other than the traditional means of using physical cash.



6

WHAT ARE THE BENEFITS OF DFS?

CONVINIENCE

Convenience to transact easily, anytime anywhere.

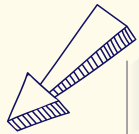


Increased security / safety due to reduction of the risk of handling cash

INCREASED SAFETY

REDUCED COSTS

Reduced cost of transactions given the access to affordable financial services.



Increased tracking of customer transaction records can enable better access to credit.

CREDIT ACCESS

BETTER ACCESS

Access to new financial services and products like digital/ electronic loans, insurance, mobile wallet, e-payments, etc



EMBRACE DIGITAL FINANCIAL SERVICES.



Saves time for the customer as they can transact faster.



SAVES TIME

Access to more options to transact than relying on physical cash payment.



TRANSACTION OPTIONS



WHAT ARE THE VARIOUS DIGITAL FINANCIAL SERVICES CHANNELS?

Digital Financial Services can be accessed through the following channels;



Mobile Money / E-Money



Mobile Banking



Internet Banking



Cards



Remittance platforms

WHAT ARE THE VARIOUS FINANCIAL SERVICES THAT CAN BE ACCESSED DIGITALLY?



The following financial services can be accessed digitally depending on the innovation trend by a given financial service provider;



Loans

Utility bill payments eg:
water, electricity,
internet bills



Operating Bank Accounts



Savings

Insurance



Investment



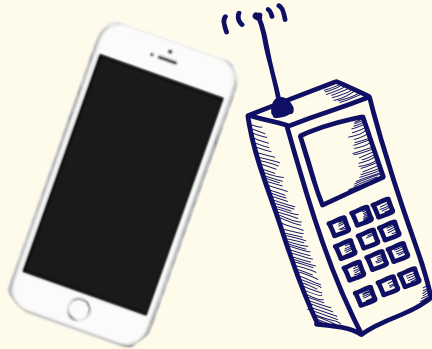
Retirement products



HOW ARE THE DIGITAL FINANCIAL SERVICES ACCESSED? WHAT DEVICES ARE USED TO ACCESS DFS?

Access to DFS is through digital devices preferably with access to an Internet Protocol address.
Some Digital devices include;

Mobile phone (Basic phones (USSD enabled) or Smart phones)



Smart watch



Laptop / computer / tablet



10

WHAT ARE THE VARIOUS DFS CHANNELS, RELATED SERVICES, RISKS AND RISK MANAGEMENT?

CHANNEL



**Mobile Money (MM)/
E - Money**
Device
- Phone (Basic or Smart)

Internet Banking



Device
- Smart Phone
- Computer/ tablet(Online)

FINANCIAL SERVICES

1. Payments

- Utilities (water, electricity, tv
- Goods and services.
- Entertainment
- Fees and taxes.
- School fees

2. Save

- On Mobile money account

3. Loans

- Apply and receive
- Repayment

4. Insurance

- Personal
- Business

5. Transfer

- Bank transfer
- Mobile money
- Airtime top up

6. Investments

- NSSF
- Government Securities
- Unit trusts

1. Payment

- Utilities
 - Taxes and fees
 - Goods and services
 - School fees
 - Entertainment
- #### 2. Deposits
- #### 3. Transfers
- Same Bank
 - Interbank (between Banks)
 - International

4. Insurance

- Personal
- Business

5. Investment

RISK / INCIDENT (OF THE CHANNELS)

- Losses due to errors during the sending process.
- PIN theft / forgetting PIN
- Poor network
- Loss of device
- Fraudsters

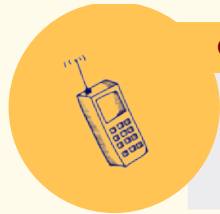
- Hacking of banking details.
- Lack of adequate information from service providers.
- **Fraud**
 - Scamming
 - Pharming
 - Virus attacks
 - Fraudulent
- Network challenges which cause losses due to delays in transaction completion.
- Errors in system which also causes losses.

RISK MANAGEMENT

- Keeping the PIN secret
- Being alert for fraudsters
- Report any fraud suspect to service providers, regulators and police.
- Changing PIN periodically

- Installation of anti - virus.
- Seek adequate information from service providers.
- Avoid sharing Bank details/ credentials.
- Report of any fraud suspect.
- Create a strong password for your internet account.
- Frequently change password.

WHAT ARE THE VARIOUS DFS CHANNELS, RELATED SERVICES, RISKS AND RISK MANAGEMENT?



CHANNEL

Mobile Banking Device
- Phone (Smart and Basic (USSD))

FINANCIAL SERVICES

1. Payments

- Utilities (water, electricity, e.t.c)
- TV
- Goods and services.
- Entertainment
- Fees and taxes.
- School fees

2. Loans

- Access (apply and receive)
- Repayment

3. Insurance

(same as internet and MM)

4. Transfers

(same as MM and internet Banking)

5. Investment

(same as MM and Internet Banking)

RISK / INCIDENT (OF THE CHANNELS)

- Loss of device
- Transacting error
- Hackers
- Fraudsters

RISK MANAGEMENT

- Report loss of device immediately.
- Be careful with your phone and sim card.
- Confirming correct mobile app.
- Guard your password.
- Avoid unsecured/ suspicious websites.



Cards
(debit or credit/ATMs/ POS.

1. Payments
2. Withdrawals
3. Deposit
4. Transfers

- Poor networks
- Insufficient / few service providers / points of service.
- Loss of card
- Forgetting /exposing PIN
- Unofficial / unexplained charges at POS.

- Keep the card in a safe place
- Keep the PIN secret
- Keep the card and PIN separately
- Seek information from service providers.

11

WHAT ARE THE MAIN RISKS AND CHALLENGES THAT CONSUMERS EXPERIENCE IN USING DFS?

The main risks faced by consumers relate to cyber security, identity theft, personal safety risk, Confidentiality risk, Operational risk, Reputational risk, and general fraud by fraudsters. The examples of digital financial risks and respective descriptions are as illustrated in the table below;



WHAT ARE THE MAIN RISKS AND CHALLENGES THAT CONSUMERS EXPERIENCE IN USING DFS?



Cyber bullying

The use of cell phones, instant messaging, e-mail, chat rooms or social networking sites such as Facebook and Twitter to harass, threaten or intimidate someone.



Pharming/Scams

In which malicious code is installed on a personal computer (PC) or server, misdirecting users to fraudulent websites.



Key-logging

The use of a computer program to record every keystroke made by a computer user, especially in order to gain fraudulent access to passwords and other confidential information.



Rouge security software

A type of malware that pretends to have found an infection on the victim's computer. In some cases, the cybercriminal's objective may only be to scare the victim.



Non-transparent transaction costs

Hidden transaction costs from the consumer and cannot be regulated or controlled

WHAT ARE THE MAIN RISKS AND CHALLENGES THAT CONSUMERS EXPERIENCE IN USING DFS?



Fraudulent transactions

The unauthorized use of an individual's accounts or payment information. Fraudulent transactions can result in the victim's loss of funds, personal property, or personal information.



SIM card swap

When scammers contact your mobile phone's carrier and trick them into activating a SIM card that the fraudsters have.



Failed transactions with no refund.

Transactions fail and do not automatically reverse payments in a timely manner



Insufficient security mechanisms on DFS Platforms.

This creates stress related to worrying about the hackers accessing personal data. Extra time spent resolving issues caused by the breach, such as canceling credit cards or bank accounts. Fraudulent credit card activity or lost money. A lower credit rating, resulting from fraudulent credit card activity.



Delayed transactions eg: reversing a transaction.

Delay of a refund or reversal when a customer has a legitimate problem with a purchase made.

WHAT ARE THE MAIN RISKS AND CHALLENGES THAT CONSUMERS EXPERIENCE IN USING DFS?



Ignorance or limited knowledge on DFS usage responsibilities.

Inappropriate use of company equipment and the internet on your work computer network.



Delayed, missed and inaccurate notifications

Inadequate receipt of or inaccurate notifications information at transaction settlement, to facilitate informed decision making



Delayed support from service providers/ Poor customer care service

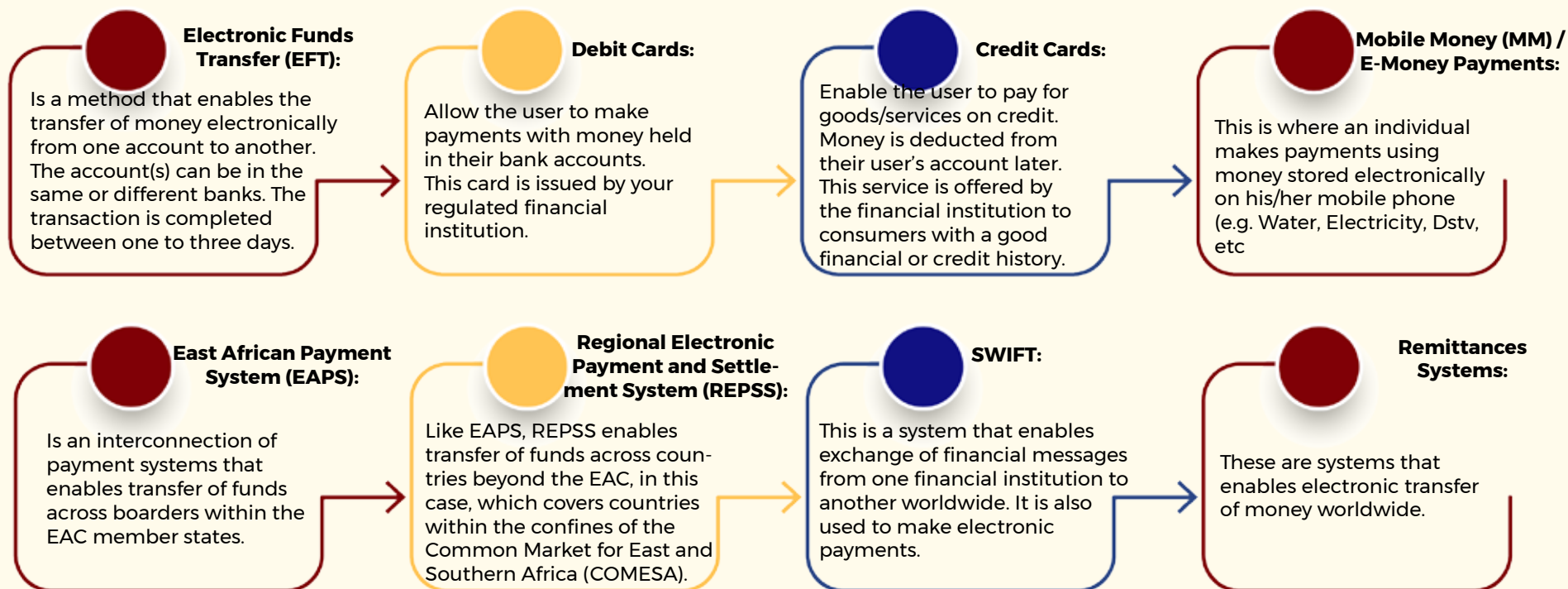
Poor attention to customer queries and technical support requests

12

WHAT ARE THE VARIOUS SYSTEMS THAT ENABLE ELECTRONIC PAYMENTS?

Electronic Payments (as part of DFS) are enabled by various systems. These systems can be accessed through regulated financial institutions. The main types of Electronic Payment Systems used in Uganda include;

Real Time Gross Settlement(RTGS):
Is a system that enables the transfer of **high value funds** between accounts in different financial institutions. RTGS was implemented in 2005 and facilitates safe, secure and real-time transactions.



13

HOW ARE DIGITAL FINANCIAL SERVICES REGULATED?

Digital Financial Services in Uganda are regulated by Bank of Uganda (BOU). The Uganda Communications Commission (UCC) regulates the communications infrastructure and operations through the Uganda Communications Act, 2013.



Other Financial Services Regulators include; Insurance Regulatory Authority (IRA), Uganda Micro Finance Regulatory Authority (UMRA), Capital Markets Authority (CMA), and Uganda Retirement Benefits Regulatory Authority (URBRA), among others.



14

HOW CAN CONSUMERS PROTECT THEMSELVES FROM RISKS?

- Consumers are advised to safeguard their digital payment instruments. DO NOT share PINs or other personal financial information such as bank account numbers, signatures, etc. Keep your PIN separate from your digital device.
- Personally follow up with your financial service provider when replacing a lost or damaged card, or when seeking advice on access to a digital financial service.
- Understand the various costs or charges of using a given digital financial service. Ask your digital financial services provider of the various costs and implications.
- Customer should also be careful not to talk to strangers about their financial transactions. Send and receive money across countries via licensed money remitters. Be aware of online digital services fraud. When conducting online transactions such as shopping through websites:
 - *Check the payment options and use the ones that are verified and trustworthy.*
 - *Never give out your personal information on online shopping sites*
 - *Buy from trusted websites. Known websites are a great place to start.*
 - *Also, shop from sites that have an 'https' on the URL and that have a padlock icon on the address bar. These are indicators of a secure website.*
 - *Never click on pop up ads, some of these are phishing schemes*

15

WHAT ARE THE RIGHTS AND RESPONSIBILITIES OF THE DIGITAL FINANCIAL CONSUMERS? HOW ARE COMPLAINTS HANDLED?

Financial consumers need to know their rights and responsibilities. The consumer has the right to complain, to be treated with respect, fairly, reliably and transparently by the DFS provider. In turn, the consumer needs to be responsible; honest, careful and informed as they access DFS.

Customer inquiries and complaints should be channelled to the digital services provider. If the response is considered unsatisfactory, the customer can forward the matter to the respective regulator.

16

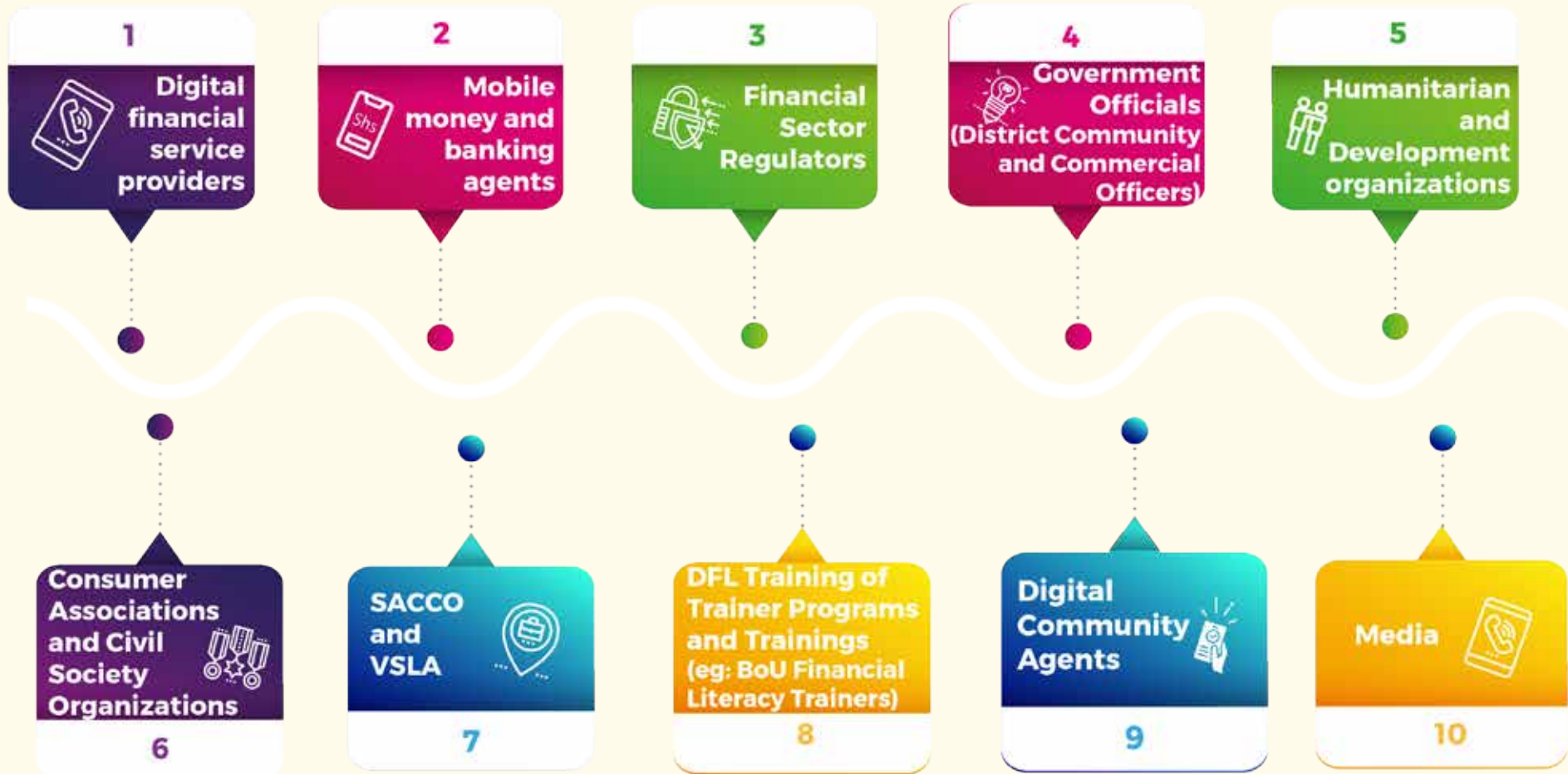
WHAT ARE THE KEY ASPECTS TO NOTE IN REGARD TO DFL?

- Ⓘ Pricing needs to be displayed for the consumer to be able to make an informed choice. Or decision.
- Ⓙ The consumer needs to be aware of the various DFS options and compare to select what suits them.
- Ⓚ Various DFS options have a cost implication. Compare the options and make an informed decision.

17

HOW CAN A CONSUMER ACCESS DFL INFORMATION?

For more information about DFL you can access it from;



More information can be accessed from the DIGITAL LITERACY TOOLKIT developed in collaboration with UNCDF and Hive Colab.

