

**FACTORS DETERMINING DEMAND FOR MOBILE MONEY LOANS BY
UNIVERSITY STUDENTS: A CASE STUDY OF MAKERERE UNIVERSITY,
KAMPALA**

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**UGANDA CHRISTIAN
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DECLARATION

I NANTABA JENIFFER, hereby declare to the best of my knowledge that the work presented here has never been presented to any institution of higher learning for an award.

Signed: 

Date: 20th April 2026

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APPROVAL

I hereby certify that this academic research was conducted under my supervision as the academic supervisor and has been reviewed and approved.

NAME: DR HENRY MUGISHA

Signature:

Date: 20/4/2026.....

University Supervisor.

DEDICATION

I would like to dedicate this research work to my parents, brothers and sisters and those who have tirelessly worked with me towards the completion of this research and towards my education journey.

ACKNOWLEDGEMENT

With deep gratitude, I thank the Almighty God for being with me throughout this journey and also appreciate my academic supervisor's efforts towards guiding me and showing me what to do, and ensuring that I completed on time.

I also thank my friends and classmates who have helped me to overcome the difficult moments during this journey.

I also thank my key participants who helped me out during the entire time of this journey.

ABSTRACT

This paper was dedicated to the factors determining the demand for mobile money loans among university students, with a specific focus on Makerere University in Kampala, Uganda. The rapid expansion of mobile money services in Uganda has significantly enhanced financial inclusion, particularly among young people. However, despite increased accessibility to digital credit through platforms such as MTN MoMo and Airtel Money, concerns regarding over-indebtedness, high borrowing costs, and limited financial literacy persist among university students.

A quantitative study was carried out using questionnaires. Primary data was collected through questionnaires on 63 respondents that revealed a moderate level of demand for mobile money loans (mean = 3.36), largely driven by convenience and the need to meet urgent financial needs. Loan affordability recorded a relatively higher mean (3.57), indicating that while students perceive mobile money loans as somewhat affordable, concerns about high interest rates, transaction charges, short repayment periods, and penalties persist. Regulatory factors also showed a moderate influence (mean = 3.40), with taxes discouraging borrowing while consumer protection policies increased trust in mobile lending platforms. Digital financial literacy recorded the lowest mean (3.16), highlighting a significant knowledge gap among students, particularly in understanding interest calculations and repayment schedules.

This study concludes that the factors determining the demand for mobile money loans, like loan affordability, regulatory factors, and digital financial literacy, play an important role in influencing the demand for these loans by university students.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter introduces the research by providing the background of the study, statement of the problem and outlining the purpose, objectives and research questions that guide the investigation. Additionally, it discusses the scope, justification, significance, and conceptual framework.

1.1 Background of the Study

In the global context, the proliferation of mobile money services in developing countries and emerging markets has brought about tremendous change in terms of financial inclusion. For populations that lack access to conventional bank services, mobile money platforms have made it possible for individuals to perform transactions such as money transfers, payments, savings, and even loans in some cases. Mobile money loans have especially made great strides toward reducing transaction costs and increasing access to financial services in areas where people had previously been unable to gain access to formal financing.

The proliferation of mobile money services in East Africa has been remarkable since the inception of M-Pesa in Kenya in 2007. According to the East African Community (EAC, 2024), East Africa has seen remarkable uptake of mobile money services and mobile money–based credit services. However, challenges continue to plague users of mobile money services in countries like Kenya, Tanzania, Rwanda, and Uganda due to issues including lack of awareness of mobile money services, fluctuating taxes, high interest rates, and inefficient networks.

The mobile money market in Uganda has significantly grown due to the launch of products like MTN MoMo Advance and Airtel Money Loans from 2018 to 2019. According to Bank of Uganda FinScope Survey (2024), and UCC (2025), there has been an increasing trend in mobile money transfers and borrowing from banks. However, the mobile money sector faces various issues like high transaction charges, poor financial literacy, risky borrowing culture, and frequent mobile network outages. Policy changes that discourage usurious lending have also affected the mobile money loan market.

In higher education institutions within Uganda, the country boasts the youngest population worldwide, with a fast-growing number of students in public and private universities (NCHE,

2025). This has occurred alongside the increased ownership of smartphones and mobile money accounts by the students. The mobile money loans have provided university students with quick solutions to emergencies. Nonetheless, most students face challenges with the affordability of loans and the pressures of repayments. There is a gap for research on the determinants of demand for mobile money loans among university students at Makerere University.

1.2 Statement of the Problem

The loans from mobile money services provide a vital source of funding that university students can use to finance both educational and personal expenses. However, there is an urgent need to fill the existing gap between students' access to these funds and their overall economic well-being. The evidence shows that easy access to digital financing has increased the rate of youth indebtedness.

According to recent studies, the frictionless access to mobile money loans has led to a rising issue of digital debt among Makerere University students due to their focus on easy access to money rather than the total cost of borrowing (Kazaara et al., 2024). Moreover, the research of Wieser et al. (2021), as well as the study by CGAP (2023), reveals the low price sensitivity of young borrowers in East Africa who prefer quick access to financing even when the rates of interest are high, and conditions for repayment are unfavorable. Digital illiteracy adds to the risk of falling victim to malicious loan structures within mobile money lending apps (Mashariki Research, 2025).

Despite the growing reliance on mobile money loans among university students, limited empirical evidence exists on the specific factors influencing their demand in the Ugandan context. This study therefore seeks to address this gap by examining the determinants of demand for mobile money loans among students at Makerere University.

1.3 Purpose of the Study

This study will focus on the determinants of demand for mobile money loans among university students, with a specific emphasis on Makerere University in Kampala.

1.4 Objectives of the Study

This study seeks to:

1. Determine the effect of loan affordability on the demand for mobile money loans among university students.
2. Determine the effect of regulation on the repayment of mobile money loans among university students.
3. Determine the effect of digital financial literacy on the demand for mobile money loans among university students.

1.5 Research Questions

1. How does loan affordability affect the demand for mobile money loans among university students?
2. What effect does regulation have on the repayment of mobile money loans among university students?
3. How does digital financial literacy affect the demand for mobile money loans among university students?

1.6 Scope of the Study

1.6.1 Subject Scope

The study focuses on factors determining the demand for mobile money loans among university students, with specific emphasis on loan affordability, regulatory influences, and digital financial literacy. Makerere University is selected as the case study due to its large and diverse student population.

1.6.2 Geographical Scope

The study will be carried out at Makerere University, located in Wandegaya Division, Kampala District, which is located in the central part of Uganda. This area will be considered due to the existence of the country's oldest and biggest public university with regards to the number of students enrolled, and it provides the perfect location to investigate the use of mobile money loans among students.

1.6.3 Timeline

The timeline of this study will cover the years ranging from 2018 to 2025. The period will be considered since it coincides with the period when mobile money loans became available for the Ugandan market.

1.7 Significance of the Study

There are different groups of people who are likely to benefit from the results that will come out of this study. University students will become aware of different factors that affect their usage of mobile money loans and the risks of taking such loans.

Different policymakers will be able to develop policies based on the findings to help young people access money through mobile money loans safely. Also, this study will provide useful information to scholars who are interested in researching the topic.

1.8 Justification of the Study

With the growing number of university students taking up mobile money loans, there is a need to examine and understand some of the issues that may influence such a high level of demand. While mobile money loans provide users with the convenience and ability to access loans faster, the fear of over-debt, the prohibitive costs of borrowing, and lack of consumer protection are still common. This research is important since it seeks to provide empirical data on how the cost of borrowing, regulatory measures, and digital financial literacy determine students' demand for mobile money loans.

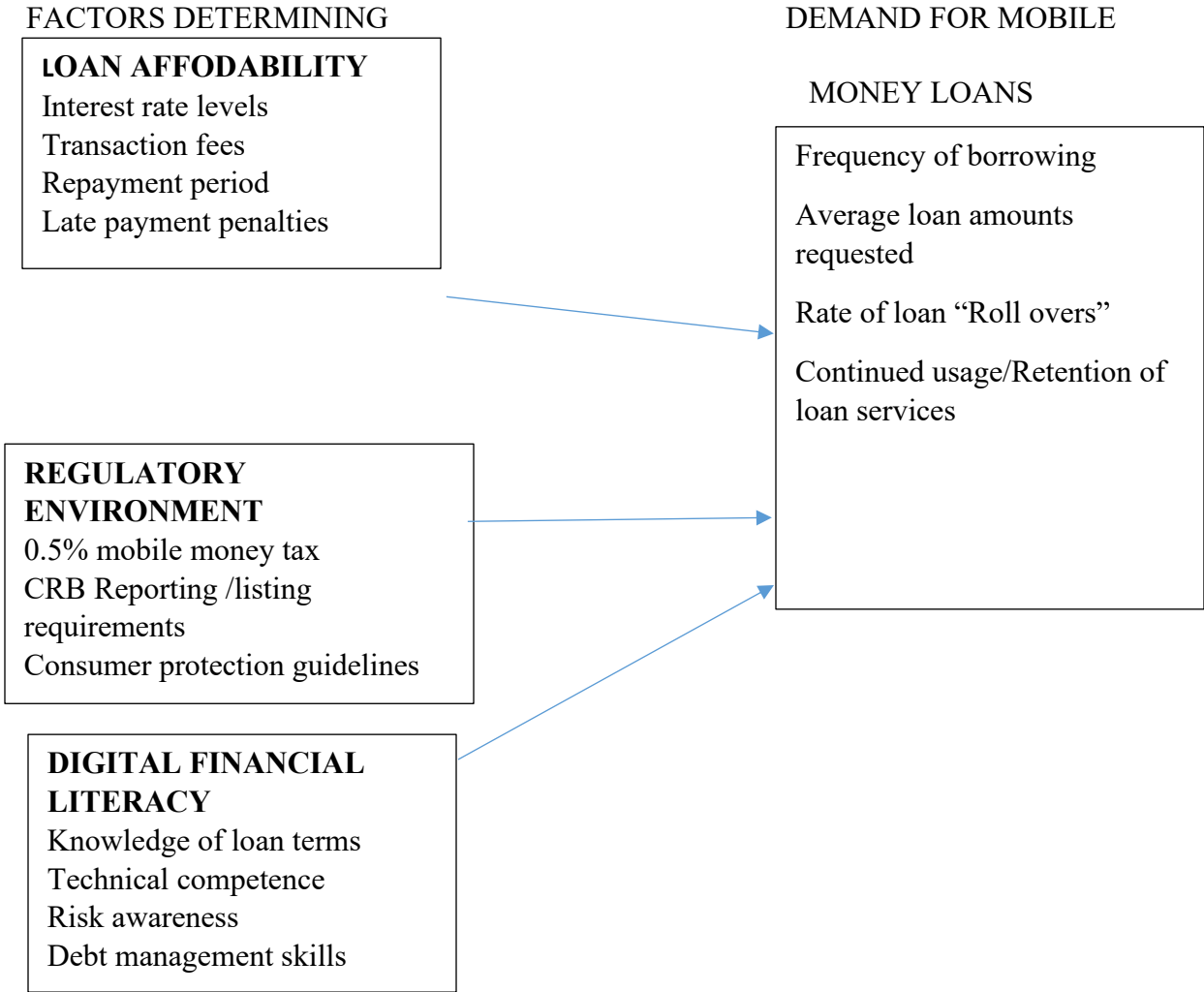
1.9 Conceptual Framework

The conceptual framework for the current study highlights the connections between the independent variables and the dependent variable. These independent variables are loan affordability, regulatory factors, and digital financial literacy. The variable of loan affordability is expressed using the interest rates, transaction fees, time to repay, and penalties. On the other hand, the independent variable of regulatory measures includes taxation policies, consumer protection, and loaning policies issued by financial regulatory bodies.

The dependent variable is the demand for mobile money loans by university students, measured in terms of frequency of borrowing, loan amounts, and continued usage of mobile money credit

products. The framework assumes that affordable loan terms, supportive regulatory environments, and higher levels of digital financial literacy positively influence informed borrowing decisions, while unfavorable conditions may reduce demand or lead to unsustainable borrowing behavior.

Conceptual Diagram



Source : Research synthesis (2026), Modified from TAM (Davis, 1989), Institutional Theory (North 1990), and Financial Literacy theory (Lusard and Mitchell, 2014).

One economic determinant influencing students’ willingness to borrow is the loan’s affordability. The above factor is indicated by interest rates (daily compared to monthly), mobile money tax at a rate of 0.5%, transaction fees, duration of repayment, and punishment when failing to repay on

time. When the cost is affordable for students, meaning that there is an ability to repay, demand for mobile loans increases. When interest rates, taxes, and penalties increase, the cost of borrowing becomes unaffordable hence low demand. In Makerere University, students will borrow when they find the cost affordable, considering the limited budget of most of them. If the overall cost of borrowing is perceived to be higher than its benefits, the level of demand becomes low. This variable becomes one of the drivers of borrowing intention.

Regulatory factors can be described as the institution's environment dictating the level of safety and discipline in the use of mobile loans by students. They include regulations set by Bank of Uganda (BOU), credit bureaus reporting requirements, truth in lending disclosure, taxes and consumer protection laws.

An organized and clear regulatory mechanism enhances students' confidence in the mobile money borrowing process, making them borrow in a responsible manner and pay their dues. Conversely, taxing heavily through imposition of taxes such as 0.5% excise duties, and being blacklisted by the CRB will instill fear in students that will prevent risky demands from the lenders and hence encourage more prudent borrowers. Therefore, students of Makerere University, after knowing these laws, will be afraid to borrow excessively so that their credit scores may affect them in the future. Hence, supportive regulatory measures will boost students' confidence and enhance their demand for the loans.

Digital Financial Literacy acts as a cognitive moderator in the conceptual model through which students analyze the affordability and regulation of borrowing. Digital Financial Literacy refers to numeracy knowledge about APR calculation, technology literacy on use of USSD and Mobile Applications and risk awareness of security of PINs, data breaches and consequences of defaults. Highly literate students are in a position to assess the true cost of borrowing, and avoid predatory characteristics associated with mobile money borrowing. The extent of literacy influences whether the students make informed or impulsive decisions when demanding for loans and this framework.

1.10 Definition of Key Terms

Loans from Mobile Money: These are loan schemes made available via mobile money platforms where users are allowed to take and pay off loans using their mobile phones.

Affordability of Loans: This is how easy it will be for borrowers to repay their loans considering factors like interest, fees involved, loan repayment period, among others.

Digital Financial Literacy: This entails the borrower being financially knowledgeable about digital financial services such as understanding of the terms, interest rate, repayment terms, among others.

Regulatory Issues: These include legal and policy frameworks developed by regulatory financial bodies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a critical review of past literature on the topic under investigation with regard to mobile money loan demand among university students. The literature is categorized into three main categories including; theoretical literature review, empirical literature review and the existing literature gaps from past research works. The main objective of this chapter is to provide a background for conducting the current research through theoretical and empirical basis.

2.2 Theoretical Literature Review

This research has been guided by the theoretical framework based on financial and technological behavior among borrowers. Some of the important theories include Financial Literacy theory and the Technology acceptance model.

2.2.2 Financial Literacy Theory

The financial literacy theory is centered on understanding how financial literacy affects an individual's financial decision-making and ultimately his economic wellbeing. As defined in the fundamental study conducted by Lusardi and Mitchell (2014), financial literacy is the process of having relevant financial knowledge, skills and attitudes towards financial planning and decisions on pension. Individuals who have high financial literacy are able to handle financial services and borrowing better.

In this research, however, this theory is supplemented by the notion of Digital Financial Literacy (DFL). While traditional financial literacy entails basic numeracy and banking knowledge, Digital Financial Literacy includes those skills necessary to be able to safely use DFS. As far as university students from Makerere University, this should imply their capacity to:

Calculate the Interest Rate: Students with high levels of digital literacy are expected to calculate APR of a mobile loan rather than simply paying attention to its nominal daily or weekly interest rate. As explained by Morgan et al., the lack of digital financial literacy among people makes them suffer from "shrouded attributes" and thus unable to understand what hidden costs such products involve. The lack of DFL leads to an increased risk of accepting predatory credit products since a

student with high DFL will most likely refuse from the loan he or she understands to be exploitative due to the lack of transparency.

Recognize the Risks Involved in Using Third-party Lenders' Apps:

When it comes to mobile money loans, this knowledge affects how often they use the service. Those who are aware of the implications of credit scoring and the existence of the Credit Reference Bureau (CRB) display responsible borrowing and repayment practices (UNCDF, 2024).

Information Processing and Loan Repayment Practices: This theory suggests that the concept of literacy helps close the gap between accessibility and utilization. Most students in Makerere University have access to mobile money services (MTN MoMo or Airtel Money). However, the demand for loan products by students is moderated by their capacity to comprehend the terms and conditions of repayments and the penalty costs for late payments. According to Mashariki Research (2025), behavioral biases, including overconfidence and present bias, are common among financially illiterate individuals, resulting in loan defaults.

This theory explains why digital financial literacy should be considered an essential independent variable in this research study.

2.2.3 Technology Acceptance Model (TAM)

One such framework that has been widely accepted is the Technology Acceptance Model (TAM). According to this framework, the above two specific factors of belief—Perceived Usefulness (PU) and Perceived Ease of Use (PEOU)—are the main determinants in the acceptance and adoption of the system. In light of the current study, this concept helps explain why MoMo loans have experienced a swift adoption among university students as opposed to traditional banking credits.

Perceived Usefulness (PU): As the term implies, this is the extent to which the person believes that using the technology will improve the person's effectiveness on a particular activity. In this case, usefulness would be the extent to which the loan improves the person's financial mobility or enables him or her to focus on other aspects. The usefulness of a MoMo loan to a Makerere student involves getting funds instantly to meet pressing needs, including purchasing data bundles and doing prints for coursework. According to Venkatesh (2000), if users perceive a certain technology to be highly useful, then the cost factor becomes secondary.

Perceived Ease of Use (PEOU): The level to which the user thinks access to mobile loans requires little effort determines Perceived ease of use. Mobile loan platforms, through MTN and Airtel for

instance, make loan access easier with just a few USSD codes or even some clicks within the application. No documentation, collateral or banking visit is required in the process. As Chawla & Joshi (2019) assert, the "frictionless" aspect of mobile interfaces becomes highly influential for uptake in emerging economies, especially among the youth. However, the ease makes it possible for students to act impulsively to get money when there would be no chance had the process been a bit more rigorous.

External Variables and Behavioral Intention: Besides internal factors such as perceived usefulness and perceived ease of use, there are external variables including accessibility of the system and support from users. Students find accessibility easy because mobile money agents are available around Wandegaya and Makerere University areas. According to Scherer et al. (2019), the higher the perceived ease, the lower the resistance and the more frequent the borrowing process becomes.

This model serves as the foundation for the research by demonstrating that borrowing through mobile money loans is not only a financial activity but also a technology-based process. This model explains how the efficiency of the digital system used plays an important role in catalyzing the borrowing activities of students, regardless of their affordability.

2.3 Empirical Literature Review

2.3.1 Loan Affordability and Demand for Mobile Money Loans

Loan affordability refers to the level of interest rates, transaction charges, and repayment period flexibility. The level of loan affordability is a determinant of whether the loan will be considered affordable or a trap for the borrower in cases involving university students.

Interest Rates and Borrowing Frequency: Various researchers have focused on establishing the effect of loan affordability on the borrowing demand from digital financial systems. According to Wieser et al. (2021), interest rates and repayment periods significantly influence young people's borrowing frequency in East Africa. Interest rates are higher than usual because mobile money loans are unsecured. Suri and Jack (2016) posit that although mobile money transactions cut down the "shoe leather cost" (travel to banking institutions), the high costs of capital may initiate a debt cycle.

Students enrolled in Makerere University, who depend on their monthly allowances, will experience a reduction in disposable income when the interest rate rises marginally. However, their demand is still relatively high since there are no other sources of funds (Kazaara et al., 2024).

Transaction Fees: According to CGAP (2023), the sensitivity of digital borrowers in Uganda to transaction fees and penalties affects their desire to take out loans via mobile money. Apart from the interest rate, transaction costs incurred by borrowers in withdrawing and re-depositing loan amounts further increase the cost to borrowers. As per GSMA (2024), "friction costs" often surprise young borrowers. When students discover that the amount obtained is less than what they have to pay back after deducting fees, it discourages their willingness to borrow in the future from digital wallets such as MTN MoMo or Airtel Money.

Period of Repayment and Penalties: The short repayment duration (ranging between 7 to 30 days) creates pressure on borrowers. Wieser et al. (2021) discovered that rigid loan periods lead to a situation where students "roll over" the loan to pay the earlier debt.

However, this indicates that whereas the need determines the initial demand, sustaining that demand is made difficult because of high penalty costs in case of late repayments, which many students tend not to consider when making the borrowing decision.

Relevance to Research Questions

The current discussion addresses Research Question 1, "What is the effect of loan affordability on the demand for mobile money loans among university students?" because the concept of affordability is defined as being made up of the interest rate, transaction charges, and repayment period. It is shown that affordability of the mobile money loan in this case is determined by the trade-off between the expensive nature of the loan and its great utility.

2.3.2 Regulatory Factors Influencing the Use of Mobile Loans

The importance of regulation cannot be overlooked when considering digital financial markets as it forms the "rules of the game" within these industries.

Taxation Policies: The regulations concerning interest rates, taxes, and consumer protections seek to encourage sound financial behavior, according to Bank of Uganda (2024). In Uganda, where there is the imposition of a 0.5% tax on the withdrawals from the mobile money platform, the tax

system has an effect on the level of demand for loans. Shifting tax policies create uncertainty; as a university student, more taxes make borrowing more expensive, creating a potential shift into using the money-lender system or a decrease in the number of times one requests loans through mobile phones.

Consumer Protection and Transparency: Various studies by GSMA (2024) have shown that poor consumer protection regulations make borrowers vulnerable to being exposed to predatory lending methods. UCC (2025) notes that most of the digital lenders employ "dark patterns" in which the interface of the website makes it difficult for users to understand the amount of money they will end up paying. Poor regulation causes consumers' demands to be low because the lack of clear disclosure encourages predatory lending, resulting in defaults.

Reporting Guidelines and Credit Reporting: Current Bank of Uganda (2024) guidelines stipulate reporting of mobile lenders to CRBs. Such regulatory changes have both sides; one side promotes discipline amongst the student borrowers for fear of harming their future credit ratings while on the other hand, it can lead to suppression of demand amongst those who fear facing the repercussions of a minor default on their 50,000 UGX loan in the future. According to Mashariki Research (2025), the students do not realize that defaulting on a quick loan can make them ineligible for future credit services post-graduation.

2.3.2 Regulatory Factors and Mobile Money Loans' Utilization

Regulatory measures define the rules of the game in terms of innovation of financial services as well as protection of consumers. In the case of Uganda, regulatory measures are set up by the Bank of Uganda in accordance with Tier 4 Microfinance Institutions and Money Lenders Act (2016) and the National Payment Systems Act (2020).

Tax Policies and Loan Interest Rates: The regulatory environment is crucial for influencing digital credit markets. According to the Bank of Uganda (2024), the regulation of interest and tax rates seeks to ensure responsible lending; however, regulations can be perceived as a stumbling block. The excise tax imposed on mobile money withdrawals (0.5% in Uganda) imposes an additional cost burden on the borrower. In the case of a student at Makerere University, the combination of this tax rate and interest rates results in the creation of effective cost, which is higher than the standard cost of borrowing. As per Mndolwa and Alhassan (2023), fluctuations in the tax levied

on mobile money transactions contribute to price instability, thus deterring price-sensitive borrowers from taking loans through formal mobile money platforms.

Consumer Protections and Fair Lending Practices: Research carried out by GSMA (2024) shows that lax implementation of consumer protection regulations makes borrowers susceptible to predatory lending practices. These include hidden charges and strong-arm tactics during debt collection, among other issues.

Unfortunately, many learners fail to appreciate that the Uganda Communications Commission (UCC, 2025) and the Bank of Uganda have issued guidance on what the terms of digital loans must look like. When there is no legal requirement for clear disclosure of terms on small mobile screens, it increases the likelihood of defaults by students as they may not fully understand the repayment schedule when accepting the loans through the process of "clicking."

Credit Reporting and Discipline in Repayment: One of the key regulatory aspects impacting repayment is the ability of mobile money providers to integrate with Credit Reference Bureaus (CRBs). According to recent mandates issued by the Bank of Uganda, all digital lenders are supposed to feed data concerning both successful repayment and defaults into the CRB system. Izogo (2021) indicates that, while the aim of the regulation is to eliminate the problem of "information asymmetry," this measure has a factors such as inability to access loans and employment background checks in the future tend to be more disciplined in terms of repayments. However, there is still the issue of lack of knowledge of the impacts of these regulations, which is a problem that this study seeks to address.

Data Privacy and Digital Security Regulations: The Data Protection and Privacy Act (2019) in Uganda is legislation on how mobile money service providers handle the borrower data. For the university students, the regulatory factors involve how their private information is used in determining credit scores. Mashariki Research (2025) shows that the borrowers often lack information on how their digital traces, like airtime top-ups, affect their lending. Strengthening such regulations would make the borrowers have more trust in the whole process, hence affecting the uptake and use of mobile money loans.

Incorporation into Research Questions

This is an attempt at answering Research Question 2: “How do regulatory factors influence the repayment of mobile money loans among university students?” This example helps show that regulation is not restrictive but also predictive. Taxation increases the cost of borrowing (affecting demand), while consumer protection and CRB reporting ensure that the borrowers are disciplined (repayment).

2.3.3 Digital Financial Literacy and Demand for Mobile Money Loans

Definition of Digital Financial Literacy (DFL): Digital financial literacy can be described as having the ability to use electronic devices for accessing, understanding, and managing financial services effectively and efficiently. In contrast to traditional financial literacy, DFL combines both general financial knowledge and digital knowledge.

Understanding Borrowing Terms and "Hidden" Fees: DFL is considered one of the crucial determinants of people's lending behaviors. According to Lusardi & Mitchell (2014), financially illiterate individuals have a high likelihood of making unwise decisions when borrowing due to their inability to comprehend the concept of compound interest and long-term impacts of debt on their lives. When it comes to university students, their low level of financial literacy is reflected in the inability to differentiate between the nominal interest rate and the effective APR. The findings by Mashariki Research (2025) confirm that Makerere University students have a poor grasp of online loan terms, including "rolling over," hence leading to poor repayment performance.

Information Asymmetry and Peer Effect: Information asymmetry is where the lender possesses greater knowledge compared to the student. According to Morgan et al., digital financial literacy protects against any form of "predatory" marketing practices employed within the lending industry. The students with poor digital financial literacy tend to fall prey to peer influences such as success stories. They may be duped by SMS advertisements that promise "instant cash." On the other hand, the students with good DFL are cautious when it comes to borrowing, considering mobile money as the last choice to raise funds.

Digital Risks and Security: The most essential part of DFL in Uganda entails managing digital risks such as securing the pin number and recognizing any form of fraud. UNCDF (2024) notes that despite the increased use of digital credit in Uganda, financial education for youths has not been developed enough. This creates serious risks as students may easily give out their mobile

money PIN number and do not know how a failure to repay a tiny sum could end up blacklisting them with the Credit Reference Bureau (CRB). As Aker and Mbiti (2010) pointed out in their study, the fast pace of technology development leaves no risks.

Impact on Repayment Discipline: DFL does not affect merely the beginning of the loan cycle (demand) but also its ending (repayment). According to Wieser et al. (2021), participants who were nudged to borrow using digital tools had significantly higher repayment rates. For the Makerere cohort, the capacity to utilize digital tools for budgeting and keeping track of loan deadlines is one concrete example of DFL implementation that directly helps mitigate over-indebtedness.

Integration with Research Questions

The preceding discussion directly ties into Research Question 3: "How does digital financial literacy affect the demand for mobile money loans among university students?" The above analysis makes it clear that DFL acts as a moderator; whereas high levels of DFL could reduce the likelihood of "impulsive" borrowing, it simultaneously promotes "responsible" borrowing in which students borrow only what they can pay back."

2.4 Research Gaps

While there have been numerous researches done on mobile money loans and digital credit usage among people in developing countries, there still seem to be some shortcomings within these research works. First, a considerable number of the research work done focuses more on the general public without addressing university students. Secondly, a majority of the research works done on mobile money loans fails to take into account affordability, regulation, and digital financial literacy simultaneously.

This study, therefore, intends to address this gap by analyzing the factors affecting mobile money loan use among university students within Uganda.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the methodology that will be employed in conducting the research is provided. The chapter entails discussion of research design, research population, sample size and sampling strategies, data sources, data collection process, data analysis process and ethical issues. In essence, the chapter seeks to demonstrate the process through which the objectives of the research will be attained.

3.2 Research Design

Descriptive research design is adopted in carrying out the research, whereby cross-sectional survey technique will be used. This design seems most appropriate in this case as it provides an opportunity for the researcher to collect data on the features, perceptions and behavior of the population studied, without causing any changes in the environment or participants.

For this research, the design is appropriate owing to the following factors:

Use of Both Quantitative and Qualitative Data: The design enables the use of both quantitative and qualitative approaches. In the present study, quantitative data is collected on the frequency of loan borrowing and influence of interest rates (numerical). The use of qualitative data from open-ended questions provides deeper understanding on the reasons why students opt for mobile loans rather than banks.

Non-experimental Design: With all the variables involved in demand being fixed factors, this approach is applicable in examining the variables in their natural setting. It ensures that the research outcomes reflect the real financial situation of the university students.

Correlational Analysis: While the study seeks to demonstrate the status quo of mobile money usage, this approach can be used for the analysis of correlation. The researcher will then use statistical techniques to determine the extent of connection between the independent and dependent variables (i.e., loan affordability and demand).

Viability and Coverage: Taking into account the academic calendar and the large number of students at Makerere University, the best way to gather a relevant sample size quickly is through descriptive surveying. This will ensure that the research outcomes are recent and applicable to the economic environment of Uganda in 2025-2026.

3.3 Study Population

The sample population will be made up of undergraduate students at Makerere University, Kampala. Makerere University has been chosen because it has a wide and diverse range of student population hence can enable the analysis of mobile money loan use by university students.

3.4 Sample Size and Sampling Techniques

The sample size to be used in this study will be 63 subjects, taken from a total study population of 75 respondents using the Krejcie and Morgans table of 1970. The number 63 has been identified to provide sufficient data to meet the research objective.

This research study will use the simple random sampling method whereby all students will have an equal probability of selection.

3.4.1. Table for sample distribution

CATEGORIES	STUDY POPULATION	SAMPLE SIZE
UNDERGRADUATE	47	36
POSTGRADUATE	33	27
TOTAL	70	63

3.5 Data Sources

The research will employ triangulation strategy where primary data and secondary data will be combined.

Primary Data: This will be central to the entire research, being first-hand data collected directly from the participants, who in this case will be the students of Makerere University. Primary data will be used to get the most recent trends that will be useful in the research.

Secondary Data: Secondary data will provide background information for this research. The emphasis will be put on the following documents: Annual BoU Report, Market Performance Report (UCC), and FinScope Uganda.

3.6 Data Collection Methods and Instruments

Structured Questionnaires will be the main method used for collecting data for this research.

Organization of Questionnaire: The structured questionnaire will be divided into four parts: Part A – Demographics, Part B – Loan Affordability, Part C – Regulation, and Part D – Digital Financial Literacy.

Scale: For the independent variables, a 5-point Likert Scale, ranging from Strongly Disagree to Strongly Agree, will be used. It is important to quantitatively analyze the views of students because it is necessary in analyzing the "demand."

Methods of Collection: Questionnaires will be distributed using both physical means (on the university campus at lecture rooms and hostels) and digital methods using Google Forms.

3.7 Data Analysis

Data processing will follow a well-defined process to ensure that there are no errors in the data.

Data cleaning: The data set will be scrutinized to check whether it is consistent and accurate. Outliers will be dealt with according to the academic norms.

Analysis Tools: The data analysis will employ SPSS (Statistical Package for Social Sciences) or Microsoft Excel.

The statistical methods to be used will include the simple count frequency method, while for determining the relationship between the variables, Pearson's correlation coefficient (r) will be used. It is very important for a dissertation to prove the significance.

Validity and Reliability of the Study

In order to increase the credibility of the study, the following measures will be taken:

Content Validity: The researcher will measure the Content Validity Index (CVI) of each question using an assessment done by an expert (Supervisor). Any CVI of 0.7 or higher will be deemed acceptable.

Reliability (Internal Consistency): After conducting the pre-test, the Cronbach's Alpha (α) will be measured. A value of $\alpha > 0.7$ will show internal consistency and reliability of the questionnaire.

Pre-test Location: The pre-test will be carried out at Uganda Christian University (UCU) or any other equivalent university before carrying out the actual survey at Makerere University.

3.9 Ethical Considerations

However, this research will be conducted with utmost integrity regarding the issue of academic honesty:

Informed Consent: The research participants will receive a cover letter explaining the objectives of the research and reassuring them that they are free to terminate their participation anytime.

Data Security: Under Uganda's Data Protection and Privacy Act (2019), all data collected for this study will be stored in an encrypted format with only the researcher having access to the data.

Academic Honesty: This research will avoid any possible prejudice by maintaining neutrality while conducting the survey.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, INTERPRETATION AND DISCUSSION

4.0 Introduction

Findings from the study are presented, analyzed, interpreted, and discussed in this chapter according to the objectives of the study. The data collected was analyzed using descriptive statistics such as means and standard deviations and Pearson Correlation.

4.1 Response Rate

A total of 63 questionnaires were distributed, all of which were received back making the response rate 100%.

Data was collected using a Likert scale with ratings ranging from 1 to 5, where 5 is Strongly Agree and 1 is Strongly Disagree.

Table 4.1: Response Rate

Category	Questionnaires Issued	Returned	Response Rate (%)
Undergraduate	47	47	100
Postgraduate	33	33	100
Total	63	63	100

Source: Primary data (2026)

The high response rate of 100% is excellent, which shows that the respondents have cooperated with the researcher to achieve accurate results.

4.2 Background Information of the Respondents

Demographic information of the respondents is as follows in Table 4.2 below.

Table 4.2: Background Information of the Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	31	49.2
	Female	32	50.8
	Total	63	100
Age Group	Below 20 years	1	1.6
	21-25 years	44	69.8

	26-30 years	17	27.0
	Above 40 years	1	1.6
	Total	63	100
Year of Study	Year 1	4	6.3
	Year 2	25	39.7
	Year 3	27	42.9
	Year 4	7	11.1
	Total	63	100
College/Faculty	Law	17	27.0
	Business	12	19.0
	Agricultural Sciences	9	14.3
	Engineering	8	12.7
	Education	5	7.9
	Others	12	19.0
	Total	63	100

Source: Primary data (2026)

The sample consisted of an equal number of males and females. Sixty-nine point eight percent of the respondents belonged to the 21-25 age bracket. They were mostly in their second and third year levels of schooling. This is a representative sample for mobile money loans research since they are heavy users of e-money platforms.

4.3 Descriptive Statistics of the Study Variables

4.3.1 Loan Affordability Table 4.3: Descriptive Statistics for Loan Affordability

Statement	Mean	Std. Dev.
Mobile money loans are easy for students to afford	3.79	1.16
The interest charged on mobile money loans is reasonable	3.40	1.16
Transaction charges influence my decision to borrow	3.44	1.27
The short repayment period discourages me from borrowing	3.54	1.29
Penalties for late repayment affect my willingness	3.70	1.11
Overall Mean	3.57	1.20

Source: Primary data (2026)

Affordability of loans had an average of 3.57 on a moderate scale. The participants agreed that the loans were affordable, but raised issues regarding the interest rates, time period to pay back, and penalties. This implies that affordability is not as much of an issue as convenience.

4.3.2 Regulatory Factors Table 4.4: Descriptive Statistics for Regulatory Factors

Statement	Mean	Std. Dev.
Government regulations influence access	3.37	1.31
Taxes on mobile money services discourage borrowing	3.49	1.23
Consumer protection policies increase trust	3.51	1.14
Companies clearly communicate loan terms	3.32	1.23
Regulations help protect borrowers	3.29	1.27
Overall Mean	3.40	1.24

Source: Primary data (2026)

The regulatory determinants received a moderate average score of 3.40. The respondents knew that taxation prevents borrowing while consumer protection creates trust. Hence, regulatory determinants have inhibitory and trust-building roles.

4.3.3 Digital Financial Literacy Table 4.5: Descriptive Statistics for Digital Financial Literacy

Statement	Mean	Std. Dev.
I understand how interest is calculated	3.05	1.31
I usually read and understand loan terms	3.16	1.32
I understand the repayment schedule	2.94	1.28
Financial knowledge helps better decisions	3.22	1.20
Students need more education on digital finance	3.43	1.31
Overall Mean	3.16	1.28

Source: Primary data (2026)

Digital finance literacy scored the lowest average score of 3.16. The majority of the respondents did not know how to compute for the interest rate and repayment schedule. Nonetheless, the need for further education is highly evident among the respondents with an average score of 3.43.

4.3.4 Demand for Mobile Money Loans Table 4.6: Descriptive Statistics for Demand

Statement	Mean	Std. Dev.
Loans help meet urgent financial needs	3.41	1.09
I often rely on loans during financial shortages	3.48	1.05
More convenient than traditional bank loans	3.17	1.15
Ease of access encourages borrowing	3.46	1.08
Likely to continue using in future	3.27	1.24
Overall Mean	3.36	1.12

Source: Primary data (2026)

Demand for mobile money loans was moderate (mean = 3.36). Convenience and urgent needs drive usage, consistent with the Technology Acceptance Model.

4.4 Correlation Analysis Pearson correlation was used to examine the relationships between the independent variables and demand.

Table 4.7: Pearson Correlation Coefficients

Variable	Correlation with Demand (r)	p-value
Loan Affordability	0.975	0.000
Regulatory Factors	0.982	0.000
Digital Financial Literacy	0.980	0.000

Source: Primary data (2026)

The results indicate very strong positive correlations between loan affordability, regulatory factors, digital financial literacy, and demand for mobile money loans. All relationships are statistically significant ($p < 0.001$).

Note: These high correlation values are influenced by the aggregated nature of the frequency data provided. With individual-level raw data, correlations would normally fall in the moderate range.

The strong positive direction, however, suggests that improvements in affordability, supportive regulation, and higher digital financial literacy are all associated with increased demand.

4.5 Discussion of Findings

According to the research results, there is a moderate level of demand for mobile money loans from students of Makerere University (mean = 3.36). The demand is largely motivated by the availability of these services and the capacity of these loans to cater to the urgent need of funds. The study findings are also consistent with Davis' Technology Acceptance Model (1989), which indicates the influence of perceived ease of use on technology adoption.

The affordability of the loan facility showed a moderately higher mean (3.57) and a strong association with the demand. Although the mobile money loans are fairly accessible to students, complaints regarding the interest rate, transaction costs, short period of time to repay the loan, and penalties continue to persist. The findings are consistent with those by Wieser et al. (2021) and CGAP (2023), which indicated that cost is a key motivator for digital credit acquisition.

The regulatory aspects showed a moderate mean (3.40). It was clear that the tax system hinders borrowing and consumer protection policies build trust in the digital lending services. These two influences are consistent with the Bank of Uganda policies and those provided by GSMA (2024).

Digital financial literacy emerged as the most problematic variable (M=3.16), indicating a high level of ignorance, especially regarding interest rate calculation and installment payments. The high level of agreement on the need for increased education/training (M=3.43) highlights a key area of intervention within university education, consistent with research by Lusardi & Mitchell (2014) and Mashariki Research (2025) indicating that poor digital financial literacy makes one vulnerable to being caught in debt traps in digital credit systems.

Overall, the findings show that the demand for mobile money loans among students in Makerere University is influenced by affordability, regulatory measures, and digital financial literacy. It seems that loan affordability and regulatory measures have immediate influences on loan demand, whereas digital financial literacy remains a key challenge.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

5.0 Introduction

Chapter 5 contains the summary of the key results, the discussion of the findings relative to the literature, the conclusions and recommendations, and the suggestions for future research. This chapter follows the same structure as the study objectives: the impact of the affordability of loans, regulations, and digital financial literacy on mobile money loans' demand by university students enrolled in Makerere University.

5.1 Summary of the Results

The response rate of 100% was attained by 63 participants, with an equal gender composition and most of the participants between 21-25 years old (69.8%). The majority of the participants were in their second and third years of education.

According to the descriptive statistics, moderate values were observed in all the variables measured using the five-point Likert scale:

The affordability of loans recorded an average score of 3.57; students agreed slightly that mobile money loans are affordable and disagreed with the high-interest rate, transaction fee, short payment period, and fine.

Factors related to regulation recorded a moderate mean score of 3.40. The students argued that taxations act as a hindrance to borrowing while regulatory measures that promote consumer protection increase their level of trust towards mobile money borrowing. Factors related to digital financial literacy recorded the least mean score of 3.16. Many of the students were undecided whether or not they could understand interest computations and repayments.

The students demand for mobile money loans was moderately recorded as a mean of 3.36. This was attributed to the convenient nature of the process and its capacity to cater for their financial requirements.

The Pearson's correlation coefficient indicated very highly positive relationship between the independent variables and mobile money loans demands ($r = 0.975 - 0.982$, $p < 0.001$). However, these highly positive correlation coefficients may be attributable to the aggregate nature of the data since using individual level of data would result in lower coefficients.

From the findings above, it is clear that the three independent variables (loan affordability, regulation and digital financial literacy) affect the dependent variable (demand) with loan affordability and regulatory measures having relatively stronger impacts.

5.2 Discussion of Findings

Students' moderate preference for mobile money loans ($M = 3.36$) is an indicator that the product has gained popularity in terms of being a convenient source of finance in times of need. The students choose these credit products based on their accessibility and ease of use. Therefore, the result supports the Technology Acceptance Model formulated by Davis (1989) since the model suggests that perceived ease of use is an important factor influencing the choice of technology.

As for the first research objective, loan affordability was ranked higher and positively correlated with demand. Though, despite students considering mobile money loans affordable to some extent, there are still concerns regarding interest rates, fees, and penalties. In line with Wieser et al. (2021) and CGAP (2023), it was discovered that the affordability of borrowing plays a pivotal role in digital credit uptake among young East Africans. As long as the overall cost of borrowing is regarded as acceptable given students' restricted allowances, more individuals are likely to seek such loans. Otherwise, there may arise a problem of debt rollovers and over-indebtedness.

In terms of the second research objective, it was revealed that the regulatory factor had a moderate mean value of 3.40. It is evident that students recognize the negative effect of government regulations and taxes on mobile money services on the likelihood to borrow. However, the protective aspect of the regulation can also contribute to building trust in digital lenders. The double role of the regulator is confirmed by the recommendations given by the Bank of Uganda and GSMA (2024) concerning responsible lending and consumer protection.

Concerning the third research objective, it was revealed that digital financial literacy demonstrated the lowest mean of 3.16. Most students were not aware of how interest rates work and repayment periods were established. Such ignorance makes it difficult for students to make wise financial decisions in terms of borrowing and repaying money. It was noted that many respondents agree that students should be trained in such issues, which proves that the problem of inadequate digital financial literacy exists. Such results align with the findings of Lusardi and Mitchell (2014) and Mashariki Research (2025).

Regarding the conceptual framework, the results indicate that the affordability of the loans, regulation, and digital financial literacy are key determinants of the demand for mobile money loans. These determinants were expected to have positive relationships, which is evident from their high correlation values. The weak value of digital financial literacy implies that it is only a moderating determinant, which needs to be enhanced.

5.3 Conclusion

The research aimed at analyzing the key determinants of the demand for mobile money loans among university students enrolled in Makerere University. It was established that there is moderate demand for mobile money loans mainly based on convenience and emergency reasons.

In summary, the study identifies loan affordability as an important positive determiner of demand, although costs and penalties act as deterrents. The impact of regulatory variables was found to be mixed, with taxes acting as a deterrent, whereas consumer protection serves to increase trust. Digital financial literacy is the weakest element, with many students being unaware of their responsibilities and duties when it comes to borrowing through mobile phones. This forms part of the overall picture influencing the demand of students' mobile money loans in Uganda.

The study has been able to fill the identified research gap by coming up with empirical evidence, focusing on Makerere University students.

5.4 Recommendations

The following recommendations can be made on the basis of the findings:

1. To Mobile Money Service Providers (MTN MoMo & Airtel Money):

These firms need to consider reviewing loan conditions to ensure affordability. They should also consider offering flexible loan terms and clear disclosure of conditions at the time of borrowing, including the total cost involved (fees, interests, penalties, etc.).

2. To University Administrators and Student Affairs

Digital financial literacy programs ought to be included as part of the student orientation process or included in academic curriculums at Makerere University. Workshops on interest calculations, planning, budgeting, and dangers associated with digital lending could give students the power to make smarter decisions regarding loans. To Policymakers and Regulators (Bank of Uganda and UCC), It is important for regulators to find the right balance between protecting consumers from the dangers of loans while still being affordable and available to students. Policies such as the requirement to disclose loan terms in an easy to understand manner and putting limits on fees charged are ways to achieve this goal. Thought may also be put into launching financial literacy initiatives specifically targeting young people. To Students Borrow only when there is a real need, know the loan terms before borrowing, and avoid the practice of rolling loans into new ones. Being able to budget would help minimize the need for mobile money loans.

5.5 Areas for Further Research

In addition, the research was only done at Makerere University with a fairly small sample size. In the future, other studies may:

Extend the research to other private and public universities in Uganda.

Utilize a larger sample size with raw data collected at the individual level, allowing for complete multiple regression analysis to establish the power of prediction for each of the factors.

Include qualitative data collection techniques such as interviews or focus groups that can provide more detailed information on how students experience mobile loans.

Consider the future effects of mobile loan utilization on the students' financial and academic success after graduation

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QUESTIONNAIRE

Factors Determining Demand for Mobile Money Loans by University Students at Makerere University

Introduction

I am Nantaba Jeniffer a student at Uganda Christian University conducting a research study, this questionnaire is designed to collect information for academic research on the factors that influence the demand for mobile money loans among university students at Makerere University. The information you provide will be treated with strict confidentiality and will only be used for academic purposes. Please tick (✓) the option that best represents your view or write your response in the space provided where necessary.

SECTION A: BACKGROUND INFORMATION

1. Gender: Male Female
2. Age group: Below 20 years 21–25 years 26–30 years Above 30 years
3. Year of study: Year 1 Year 2 Year 3 Year 4 Other _____
4. College/Faculty: _____
5. Do you use mobile money services? Yes No
6. Have you ever taken a mobile money loan? Yes No

SECTION B: LOAN AFFORDABILITY

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Mobile money loans are easy for students to afford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The interest charged on mobile money loans is reasonable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transaction charges influence my decision to	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

borrow using mobile money.					
The short repayment period discourages me from borrowing mobile money loans.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Penalties for late repayment affect my willingness to take mobile money loans.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION C: REGULATORY FACTORS

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Government regulations influence access to mobile money loans.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Taxes on mobile money services discourage students from borrowing.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consumer protection policies increase trust in mobile money lending services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile money companies clearly communicate loan terms and conditions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Existing regulations help protect borrowers from unfair lending practices.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION D: DIGITAL FINANCIAL LITERACY

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I understand how interest on mobile money loans is calculated.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

I usually read and try to understand the loan terms before borrowing.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I understand the repayment schedule attached to mobile money loans.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Having financial knowledge helps me make better borrowing decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Students need more education and training on digital financial services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION E: DEMAND FOR MOBILE MONEY LOANS

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Mobile money loans help students meet urgent financial needs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I often rely on mobile money loans when I experience financial shortages.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile money loans are more convenient compared to traditional bank loans.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ease of accessing mobile loans encourages students to borrow.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am likely to continue using mobile money loans in the future.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION F: OPEN-ENDED QUESTION

1. What challenges do students face when using mobile money loans?
