Mobile Money and the Dynamics of Income Inequality: Evidence from Arua City, Uganda

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Citation: Eton, M, Ocan, J., Ogwel, B.P., & Andama, F.A. (2025). Mobile Money and the Dynamics of Income Inequality: Evidence from Arua City, Uganda. *Business Perspective Review 7(1),* 162-177. https://doi.org/10.38157/bpr.v7i1.730.

Research Article

Abstract

Purpose: *This article examines the relationship between mobile money adoption and income inequality in Arua City, Uganda. Although mobile money is often promoted as a tool for financial inclusion, its distributional outcomes remain underexplored.*

Methods: *The study uses a mixed qualitative approach, combining household surveys, econometric analysis, and interviews to examine how mobile money affects income disparities. This methodology provides a comprehensive quantitative insight into usage patterns, household income distribution, and individual experiences.*

Results: *Results indicate that mobile money facilitates financial participation, enhances household resilience, and expands economic opportunities, particularly for marginalized groups. However, unequal uptake driven by differences in education, digital literacy, and access to complementary financial services creates a paradox: while mobile money reduces some barriers to inclusion, it simultaneously risks amplifying socioeconomic divides.*

Implications: *The study advances the literature on digital finance by highlighting the context-specific mechanisms through which mobile money influences income inequality. Policy implications point to the need for targeted interventions that strengthen digital capabilities, expand access across income groups, and ensure that financial innovation contributes to equitable development.*

Keywords: Mobile money, financial inclusion, income inequality, digital finance, Socioeconomic Inequality

1. Introduction

Over the last decade and a half, mobile money has transformed retail payments, household finance, and the organization of informal economies across sub-Saharan Africa. In settings where formal banking infrastructure remains sparse, mobile money platforms allow users to store value, transfer funds, pay bills, and access adjacent services (e.g., credit, savings "lock boxes," merchant payments) through basic feature phones and USSD menus. Uganda, an early mover in East Africa's mobile money landscape, now has some of the highest mobile money penetration rates on the continent, with registered accounts numbering in the tens of millions and the annual value of mobile money transactions approaching GDP levels (Simione, 2023). Global industry data confirm both scale and maturation. After a period of explosive growth, mobile money usage is deepening and becoming more interoperable with banking systems, even as account growth moderates (GSMA, 2024a; 2024b).

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While the potential of mobile money for financial inclusion is widely recognized, its relationship to inequality is more ambiguous. On one hand, lower transaction costs, improved risk-sharing via remittances, and safer value storage can smooth consumption, enable micro-enterprise investment, and reduce vulnerability to idiosyncratic shocks among poorer households (Suri & Jack, 2016; Suri, 2023).
On the other hand, barriers related to digital literacy, network coverage, liquidity at agent points, and pricing structures may exclude or differentially burden the poorest, rural, or otherwise marginalized populations, potentially reinforcing existing disparities (GSMA, 2024a; Simione, 2023). Regulation and taxation choices further shape distributional outcomes, as shown by Uganda's controversial 2018 levy on mobile money withdrawals, which reduced usage and disproportionately affected lower-income and rural users (UNCDF, 2021; IGC, 2025). Understanding when and how mobile money decreases, leaves unchanged, or inadvertently widens inequality, therefore, requires careful, context-specific analysis. Arua City provides a compelling empirical setting for investigating these dynamics. Elevated to city status in 2020 and located in Uganda's West Nile subregion near borders with the Democratic Republic of Congo (DRC) and South Sudan, Arua sits at the heart of a vibrant cross-border trade corridor and services a large refugee-hosting hinterland (IFC, 2021). Official profiles depict Arua as a regional hub with a growing service economy, road connectivity to Gulu and Kampala, and strong commercial linkages that create distinctive payments and remittance flows (Arua City, n.d.). The 2024 population and housing census provides up-to-date demographic baselines for West Nile and Arua City, enabling city-level disaggregation of socioeconomic indicators relevant to financial inclusion and inequality (UBOS). These spatial features, along with border trade, humanitarian cash programming, and rapid urbanization, make Arua an especially suitable context for studying how mobile money interacts with income distribution through remittances, informal commerce, and the aid economy (CALP Network, 2022; U-LEARN/Response Innovation Lab, 2022).

2. Inequality channels: theory and empirical priors

Theoretically, mobile money can affect inequality through at least four channels. First, transaction cost reduction lowers frictions in sending and receiving remittances, expanding the reach of risk-sharing networks, and raising adequate incomes for recipients, especially at the bottom of the distribution (Suri & Jack, 2016; Islam, 2022). Second, security and privacy of value storage mitigate theft and social "taxation," which can enable accumulation among women and other vulnerable groups (Suri & Jack, 2016; VoxDevLit, 2023). Third, market integration via interoperable rails and merchant payments can widen market access for micro-enterprises and informal traders, potentially compressing spatial price dispersion across peri-urban and rural markets connected to Arua's corridors (GSMA, 2024b). Fourth, adjacent services (digital credit, layaway savings, pay-as-you-go utilities) can unlock productive investment, though with caveats regarding over-indebtedness and consumer protection (GSMA, 2024a).
Countervailing mechanisms can offset or reverse these gains. Digital divides in connectivity, handset access, and literacy can exclude the poorest or least educated, creating adoption gradients by income, gender, and location (Simione, 2023; GSMA, 2024a). Agent liquidity constraints can raise effective costs for users in cash-out-dependent economies, particularly when humanitarian cash transfers, market-day inflows, or harvest-season remittances create volatile liquidity demand. Pricing structures and taxation, such as Uganda's 0.5% withdrawal levy introduced in 2018, can be regressive when poorer users rely on smaller, more frequent cash-outs (UNCDF, 2021; UNECA, 2023; IGC, 2025). Finally, regulatory frictions may limit competition or interoperability, though Uganda's National Payment Systems Act (2020) aimed to modernize oversight of e-money issuance, licensing, and consumer safeguards, and to promote safety, efficiency, and (implicitly) inclusion (Parliament of Uganda, 2020; Lexology, 2020).
These channels have credible empirical grounding. The canonical evidence from Kenya indicates that the expansion of M-PESA increased per-capita consumption, facilitated occupational shifts for women, and

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lifted an estimated 2% of households out of poverty (Suri & Jack, 2016). Syntheses of subsequent work continue to find poverty-reducing effects, particularly where mobile money dovetails with remittances and informal enterprise (Islam, 2022; Suri, 2023). For Uganda specifically, recent analysis underscores both high penetrations, roughly 25 million registered accounts by end-2022, and the value of mobile money transactions nearing the magnitude of national output and persistent frictions in costs and interoperability (Simione, 2023). Administrative and macro-aggregated series corroborate the scale: the value of mobile money transactions reached about UGX 27.2 trillion in 2024 (IMF FAS via FRED, 2025), and industry reports detail deepening linkages with the banking sector (GSMA, 2024a; 2024b).

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To address these gaps, this study is guided by three main research objectives: first, to examine the patterns of mobile money adoption across different household income levels, identifying how socioeconomic status influences usage; second, to assess the impact of mobile money usage on income distribution and financial inclusion, exploring whether access to these services reduces disparities and promotes broader economic participation; and third, to analyze the interactions between mobile money services and the formal banking sector, investigating how the integration of digital and traditional financial systems affects households and the overall financial ecosystem.

3. The Context of the Study

3.1. Arua City

Arua's position at the crossroads of domestic and cross-border mobility exposes it to intense flows of remittances and trade payments. The city services traders and migrants moving between Uganda and neighboring DRC and South Sudan, as well as refugees and host communities in nearby settlements such as Rhino Camp and Imvepi, where aid agencies have increasingly experimented with digital disbursements (IFC, 2021; CALP Network, 2022; U-LEARN/Response Innovation Lab, 2022). In such contexts, mobile money's convenience, privacy, and speed can be pivotal, particularly for women managing household finances and for small traders balancing cash-flow risks (CALP Network, 2022). However, these same features may generate new inequalities between those with reliable access to agents and network coverage and those in peripheral neighborhoods or adjacent rural parishes where liquidity shortages and outages are common.

Current demographic baselines from Uganda's 2024 census (released December 2024) and subregional profiles (2025) help situate Arua's population structure, urban expansion, and dependency ratios, which are critical for interpreting distributional impacts (UBOS, 2024; 2025). City administrative materials emphasize Arua's ambition to consolidate its role as a regional trade hub, implying a growing density of merchant payments, fees, and agent networks (Arua City, n.d.). This evolution maps directly to the inequality question: as merchant payments and bank-to-wallet linkages increase, will benefits accrue primarily to formalizing businesses and better-connected neighborhoods, or diffuse broadly through cheaper transfers and more resilient household finance?

3.2.Policy and institutional context

Uganda's policy environment for digital payments has evolved rapidly. The National Payment Systems Act (2020) and subsequent regulations (2021) clarified licensing, oversight, e-money issuance, settlement, and consumer protection, with the Bank of Uganda tasked to supervise payment systems and payment service providers (Parliament of Uganda, 2020; Government of Uganda, 2021). Legal commentaries stress the

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Act's role in consolidating fragmented previous guidelines, strengthening interoperability ambitions, and authorizing regulatory sandboxes (KAA, 2020; PwC, 2020; Lexology, 2020). In parallel, policy discussions on a national payment switch and cross-border remittance harmonization remain active, with implications for the cost and reach of domestic and regional transfers affecting Arua (UNCDF, 2025a; 2025b).

Taxation remains a flashpoint. The 2018 introduction (and subsequent revision) of a mobile money tax, currently a 0.5% levy on withdrawals, altered usage patterns, reduced volumes, and likely had regressive incidence given the reliance of low-income users on frequent cash-outs (UNCDF, 2021; IGC, 2025; UNECA, 2023). For border-adjacent economies like Arua, where merchants and households juggle multi-currency realities and cash-intensive trade, even marginal changes in withdrawal costs can tilt preferences between digital and cash, with distributional consequences.

3.3.Measurement and the inequality lens

Capturing the effects of mobile money inequality in Arua requires attention to both the levels and the distribution of use, costs, and benefits. At the city scale, descriptive indicators penetration (registered and active accounts), agent density per capita, average travel time to agents, and transaction mix (P2P, P2B, B2P, cash-in/out) should be analyzed by neighborhood and socioeconomic strata. For income inequality, outcomes of interest include changes in consumption volatility, remittance receipts, enterprise revenues, and savings balances by quintile; gender inequality warrants focus on women's control over resources, privacy benefits, and occupational mobility; spatial inequality invites comparison between urban core wards and peri-urban/rural parishes linked to Arua's markets. National inequality metrics (e.g., the Gini index) provide macro context for Uganda's distributional trends over time (World Bank, 2025), while local distributions can be proxied through small-area estimation or matched administrative/humanitarian program data.

The structure of costs matters. If interoperability improves and bank-to-wallet fees fall, as global evidence suggests, then higher frequency, lower-value digital flows may expand among lower-income users (GSMA, 2024b). Conversely, where cash-out remains expensive, or agent liquidity is thin, digital balances may be "taxed" by geography: those far from liquid agents pay more in time, transport, or foregone trades. Humanitarian cash disbursements, increasingly delivered via mobile money in West Nile, can either equalize (through targeted transfers that lift the bottom) or stratify (if program design advantages better-connected recipients). Evidence from refugee response operations indicates that recipients often prefer mobile money for convenience and safety, though network reliability and liquidity remain critical constraints (CALP Network, 2022; U-LEARN/Response Innovation Lab, 2022).

4. Contribution and research agenda

Against this backdrop, the present study makes three contributions. First, it localizes the global and national debate by offering city-level evidence from Arua, drawing on newly released census baselines (UBOS, 2024; 2025) and, where available, granular financial inclusion indicators. Second, it unpacks mechanisms linking mobile money to inequality, remittances, merchant payments, and humanitarian transfers, and to pricing and taxation, by combining administrative, survey, and qualitative data specific to Arua's cross-border and humanitarian economy. Third, it engages policy, assessing how the NPS Act's implementation, ongoing switching/interoperability initiatives, and the withdrawal tax map onto distributional outcomes within an urbanizing border city.

By centering Arua City, the study tests the generalizability of African mobile money findings, particularly those from Kenya, to a Ugandan city with unique trade and displacement dynamics. Suppose mobile money equalizes by boosting the bottom through cheaper remittances and safer value storage. In that case, we should observe declines in intra-city inequality measures alongside increased female economic agency and

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smoother consumption among low-income households. Suppose it stratifies through cost structures, network or agent frictions, or policy choices. In that case, we should detect widening gaps in usage intensity, enterprise outcomes, and net benefits across neighborhoods and social groups. Either pattern, documented with city-appropriate methods, advances theory on digital financial intermediation and inequality and informs Uganda's ongoing regulatory and fiscal debates.

5. Theoretical Frameworks

The theoretical frameworks guiding this study are drawn from established paradigms in financial inclusion, development studies, and inequality research. By integrating perspectives from Financial Inclusion Theory, the Capability Approach, Network Theory, and broader Inequality Theories, notably modernization and digital divide perspectives, as well as Institutional Theory, this section positions mobile money as not merely a transactional technology but as a transformative driver of social and structural change. These frameworks collectively underscore the dynamic ways in which mobile money both reflects and reshapes inequality in urban and peri-urban contexts such as Arua City.

5.1. Financial Inclusion Theory

Financial inclusion encompasses more than simple access to financial products; it requires meaningful engagement with services that facilitate savings, credit, and risk management, ultimately fostering inclusive economic growth (Demirgüç-Kunt, Klapper, & Singer, 2017). Digital innovations, particularly mobile money, play a critical role in overcoming traditional access barriers, especially for women, rural populations, and low-income groups, thereby expanding the reach of financial services to previously underserved communities (Klapper, 2020). Importantly, equitable participation in financial systems is necessary to ensure that access translates into tangible welfare improvements, highlighting that inclusion must consider distributional outcomes rather than mere account ownership (Singer, 2019). Fintech-driven solutions, such as mobile money, operationalize this theoretical framework by offering scalable, low-cost channels for financial engagement, effectively bridging the gap between policy aspirations and practical implementation (Ansar, 2021). Empirical studies in Uganda corroborate this link between digital finance and inclusion: recent evidence indicates that mobile-money platforms significantly enhance access to financial services, particularly among marginalized populations, positioning mobile money as a gateway to broader economic participation in cities such as Arua (Marus, 2025). Collectively, these insights underscore the transformative potential of mobile money technologies to promote equitable and sustainable financial inclusion.

5.2.Network Theory

Network Theory offers a powerful lens to understand how mobile money reshapes social and economic networks in African contexts. Social networks are central to risk sharing, informal credit, and collective welfare, and mobile money enhances these networks by lowering the costs of sending and receiving funds, enabling near-instant transfers across distances, and increasing the reliability of financial flows (Jackson, 2008; Goyal, 2015). In Arua City, where migrant and refugee populations coexist with long-term residents, mobile money facilitates the maintenance of kinship and friendship ties across borders, sustaining transnational networks of care and support (Wollni, Murendo, de Brauw, & Mugabi, 2018). By providing secure and traceable transactions, mobile money strengthens trust and reciprocity even among geographically dispersed actors, a core tenet of Network Theory (Granovetter, 2005; Golub, 2020).

Importantly, Network Theory also highlights structural advantages and vulnerabilities inherent in social networks. While mobile money reinforces existing strong ties, it may inadvertently exclude individuals who lack access to well-connected networks, such as households without remittance-sending relatives, potentially perpetuating inequality (Jackson, 2009; Mukong & Nanziri, 2021). Thus, mobile money should

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not be seen merely as a technological innovation; instead, it acts as a mechanism that both amplifies and reconfigures social capital, reshaping patterns of financial inclusion and inequality in nuanced ways.

5.3.Institutional Theory

Institutional Theory offers a robust lens for understanding how governance, regulation, and trust shape the outcomes of financial innovations like mobile money (Scott, 2014; DiMaggio & Powell, 1983; North, 1990; Williamson, 1985). Institutions—both formal and informal—mediate adoption, regulation, and user confidence in financial technologies. In Uganda, regulatory frameworks established by the Bank of Uganda have profoundly influenced mobile money's development, setting consumer protection standards, defining interoperability, and promoting the inclusion of previously unbanked populations (Jack & Suri, 2011). Trust in institutions, including telecom providers, regulatory authorities, and dispute-resolution mechanisms, critically affects perceptions of security and reliability, shaping adoption patterns. Weak governance or corruption can erode confidence, restrict access, and exacerbate inequalities by marginalizing vulnerable groups. In Arua City, where host communities, migrants, and refugees interact in complex socio-economic networks, institutional arrangements are particularly pivotal. Effective governance and institutional trust can ensure that mobile money functions as an inclusive tool rather than one that reinforces existing disparities.

5.4.Mobile Money as a Driver of Structural Change

Synthesizing these perspectives, the overarching theoretical goal of this study is to conceptualize mobile money not merely as a financial tool but as a driver of structural transformation in inequality dynamics. Financial Inclusion Theory explains its potential to democratize access; the Capability Approach highlights its role in expanding substantive freedoms; Network Theory situates its effects in strengthening and reshaping social ties; while Inequality Theories expose both the promises and pitfalls of technology-mediated financial innovations. Together, these frameworks underscore that mobile money's significance lies in its structural impact: its ability to reconfigure social relations, reshape opportunities, and redistribute risks in contexts marked by inequality. In Arua City, mobile money's role extends beyond economic facilitation to the reshaping of social, institutional, and political orders that determine who benefits, who is excluded, and how inequality is negotiated in everyday life.

6. Empirical Literature

6.1. Mobile Money and Financial Inclusion

Kenya's M-Pesa platform has been a pioneering force in mobile financial services. A seminal study by Suri and Jack (2016) demonstrated that M-Pesa significantly improved household welfare. The researchers found that access to M-Pesa increased per capita consumption levels and lifted approximately 194,000 Kenyan households, about 2% of the total, out of poverty. Notably, female-headed households experienced a more substantial impact, with many women transitioning from subsistence farming to entrepreneurial activities, thereby enhancing their economic independence and resilience.

Mobile money adoption has also been transformative in other Sub-Saharan African countries. In Ghana, Tanzania, and Rwanda, mobile money services have facilitated financial inclusion by providing access to savings, credit, and insurance products, particularly in rural areas where traditional banking infrastructure is limited. The implementation of mobile money interoperability in these countries has further enhanced service accessibility and efficiency, allowing users to transact across different mobile networks and financial institutions.

In Uganda, mobile money services have seen rapid adoption, with a significant increase in the number of registered users and agents. However, access remains uneven, influenced by factors such as gender, rural–

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urban disparities, and education levels. A study by the Financial Sector Deepening Uganda (FSDU) found that women, especially in rural areas, face challenges accessing and using mobile money services due to limited digital literacy and socio-cultural barriers.

6.2.**Mobile Money and Income Inequality**

Mobile money has played a crucial role in reducing remittance costs, making it more affordable for individuals to send money across regions and borders. This reduction in transaction costs has been particularly beneficial for low-income households that rely on remittances for sustenance and investment. Moreover, mobile money platforms have opened avenues for small businesses to access financial services, enabling them to expand operations, manage cash flows, and invest in growth opportunities.

Despite the benefits, the proliferation of mobile money has also highlighted disparities in access to technology. A significant portion of the population, particularly in rural areas, lacks access to smartphones and the internet, hindering their full participation in the digital economy. Additionally, digital literacy remains a barrier, with many individuals unable to navigate mobile money platforms effectively, thus exacerbating existing income inequalities.

6.3.**Mobile Money and Social Inequality**

Gender disparities in mobile money adoption are evident across various regions. In Uganda, for instance, urban women exhibit adoption rates comparable to their male counterparts in rural areas. However, in rural settings, women face greater barriers due to lower levels of digital literacy and limited access to mobile phones, resulting in a gender gap in mobile money use.

The urban–rural divide is another critical factor influencing mobile money adoption. Urban residents generally have better access to mobile networks, smartphones, and financial literacy programs, facilitating higher adoption rates. Conversely, rural populations often encounter infrastructural challenges, including limited network coverage and fewer mobile money agents, which impede their access to mobile financial services.

Mobile money has also influenced social structures by facilitating the flow of remittances, thereby strengthening kinship ties. In Kenya, for example, remittances sent via mobile platforms are often viewed as expressions of care and solidarity, reinforcing social bonds and supporting community cohesion. These financial transfers enable families to invest in education, healthcare, and other essential services, contributing to social well-being.

7. **Knowledge Gaps**

While extensive research has been conducted in major urban centers, there is a paucity of studies focusing on secondary cities such as Arua. Understanding the dynamics of mobile money adoption in these contexts is crucial, as they may present unique challenges and opportunities distinct from larger cities.

The existing literature predominantly addresses macro-level issues of financial inclusion and inequality, often overlooking the nuances of smaller urban settings. Micro-city contexts may exhibit distinct patterns of mobile money use, influenced by local economic activities, cultural practices, and infrastructure development. Research in these areas is essential to developing targeted interventions that address specific local needs.

While mobile money has been lauded for its potential to promote financial inclusion, it is imperative to assess both its benefits and unintended consequences critically. Issues such as increased debt levels, dependency on mobile platforms, and potential exploitation by service providers warrant thorough investigation to ensure that mobile money serves as a tool for equitable development.

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8. Methodology

This study employed a qualitative-dominant mixed-methods research design, anchored in in-depth interviews to explore the dynamics of mobile money usage and its implications for income inequality in Arua City. Qualitative interviews allowed for nuanced insights into individual and institutional experiences, perceptions, and strategies that underlie mobile money adoption and its socio-economic impacts (Creswell & Poth, 2018). Complementing this, the study adopted a case study approach focused on Arua City, providing a contextualized examination of local dynamics, particularly the interplay between cross-border financial flows and household economic behavior. Case studies are especially valuable in capturing the complexity of social phenomena within specific socio-economic and cultural settings (Yin, 2018).

In terms of the Study area, Arua City, situated in northwestern Uganda, serves as a commercial and administrative hub within the West Nile sub-region. The city's population is diverse, with livelihoods spanning trade, agriculture, and services. Its strategic location on the border with the Democratic Republic of Congo (DRC) and South Sudan makes it a critical node for regional remittances and informal financial transactions (Uganda Bureau of Statistics [UBOS], 2022). The high level of cross-border economic activity and remittance flows positions Arua City as an ideal case for examining mobile money's potential to mediate financial inclusion and influence local income distribution.

Data were collected through both primary and secondary sources. The primary qualitative data consisted of semi-structured key informant interviews with mobile money agents, policymakers, and community leaders to capture diverse perspectives on mobile money use and its socio-economic consequences. Secondary data were sourced from authoritative institutions, including the Bank of Uganda, UBOS, and World Bank reports, providing macro-level statistics on financial inclusion, income distribution, and mobile money penetration (World Bank, 2022; Bank of Uganda, 2021). This triangulation enhanced the credibility and robustness of the findings, enabling a comprehensive analysis of mobile money's role in local economic dynamics.

The study employed a mixed sampling approach to balance depth and representativeness. Purposive sampling was used to select key informants, including mobile money agents, bank officials, and community leaders, whose specialized knowledge provided contextual insights into mobile money systems (Patton, 2015; Etikan, Musa, & Alkassim, 2016). Concurrently, a random household survey was conducted with 400 households selected from local administrative records using a computer-generated randomization procedure, ensuring each household had an equal chance of inclusion (Creswell & Creswell, 2018). The survey questionnaire collected data on demographics, income patterns, mobile money usage, and perceptions of financial inclusion. It was developed based on validated instruments, reviewed by experts for content validity, and piloted to ensure reliability (Bryman, 2016). Data collection was carried out by trained enumerators over multiple days, with face-to-face interviews averaging 25–30 minutes per household. Semi-structured interviews with key informants were conducted by the principal researcher, providing qualitative depth to complement the quantitative survey data. This dual approach enabled a comprehensive assessment of mobile money adoption and its socio-economic impacts while maintaining methodological rigor and practical feasibility.

Quantitative data were drawn from a household survey conducted between 2022 and 2023, covering 400 households across urban and rural districts in Uganda. The survey captured household demographics, income, expenditure patterns, and mobile money usage, including transaction frequency and service type. Secondary data on mobile money transaction volumes and penetration rates for 2020–2023 were obtained from the Bank of Uganda and Uganda Communications Commission. Descriptive statistics summarized household characteristics and usage patterns, while the Gini coefficient measured income inequality. Regression analyses examined associations between mobile money adoption and economic outcomes, including household income, savings, and access to financial services (Deaton, 1997).

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Qualitative data were collected through semi-structured interviews with households and key informants, as well as focus group discussions. Thematic coding was used to identify recurrent patterns and emergent themes regarding mobile money's social and economic impacts (Braun & Clarke, 2021). Integrating quantitative and qualitative analyses enabled a nuanced assessment of mobile money's effects on income distribution and financial inclusion.

Regarding ethical considerations, the study adhered to rigorous ethical standards. Participants provided informed consent, were assured of confidentiality, and could withdraw at any time without consequence. The research protocol received approval from relevant institutional research ethics boards. Ethical vigilance ensured the protection of participant rights while enhancing the trustworthiness and integrity of findings (Israel & Hay, 2006).

9. Results and Analysis

This section presents a critical synthesis of the study's findings, organized around the central research questions. The analysis draws on quantitative and qualitative data collected in Arua City to examine the impact of mobile money on financial access, income distribution, and the social dimensions of inequality. Emphasis is placed on both statistical evidence and local narratives to provide a holistic understanding of mobile money's role in shaping economic and social outcomes.

9.1. Mobile Money and Access to Finance

The first research objective examined the extent to which mobile money has enhanced households' access to financial services in Arua City. Survey data indicate that mobile money has emerged as the dominant mechanism for everyday financial transactions, with approximately 72% of households reporting regular use of mobile money platforms, compared to only 28% maintaining traditional bank accounts. These findings align with trends observed in other East African urban contexts, where mobile money adoption has outpaced conventional banking due to its convenience and lower operational thresholds (Mbiti & Weil, 2016; Jack & Suri, 2014).

Despite widespread adoption, several structural and socio-economic barriers constrain equitable access. Literacy remains a critical challenge, as low numeracy and digital literacy hinder effective engagement with mobile money interfaces. Interviews with residents highlighted that older adults and individuals with limited formal education often rely on intermediaries, increasing transaction costs and vulnerability to fraud. Transaction fees also pose a barrier for low-income households, with respondents noting that the cumulative costs of repeated transfers can erode small earnings. Finally, network coverage gaps in peri-urban areas inhibit seamless financial access, highlighting the persistent infrastructural inequalities that shape financial inclusion (Kikulwe et al., 2014). Taken together, the findings reveal a nuanced picture: while mobile money has substantially increased access to financial services, its benefits are unevenly distributed, and structural inequalities continue to influence uptake.

9.2.Mobile Money and Income Distribution

A central question of this study concerned the impact of mobile money on income distribution in Arua City. Regression analyses were conducted to examine whether mobile money usage predicts reductions in household income inequality, measured by the Gini index. The results suggest a modest but statistically significant relationship between mobile money adoption and reduced income inequality ($\beta = -0.12$, $p < 0.05$), indicating that households that use mobile money experience a slightly more equitable income distribution than non-users. Analysis of Gini index changes over five years reveals a marginal decline in household income inequality, from 0.45 to 0.42, coinciding with the rapid expansion of mobile money services. These findings align with evidence from Kenya and Tanzania, where mobile money has facilitated financial inclusion for low-income households through micro-transactions, savings, and peer-to-peer transfers (Suri & Jack, 2016; Aker & Mbiti, 2010). However, it is important to note that while mobile money

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mitigates some dimensions of inequality, it does not eliminate structural income disparities rooted in education, employment, and asset ownership. A critical interpretation of these results underscores that mobile money serves as a redistributive mechanism primarily by enabling small-scale transfers, improving liquidity, and increasing participation in informal financial networks. However, the magnitude of its impact on long-term income stratification remains constrained by broader socio-economic determinants.

9.3.Social Dimensions of Inequality

Beyond income measures, mobile money adoption is deeply embedded within social hierarchies, producing both inclusive and exclusionary effects. One notable finding concerns gender differences. Female-headed households reported greater reliance on mobile money for remittances and daily transactions, reflecting the platform's potential to empower women by granting them autonomy over financial resources (Nguyen et al., 2019). Nevertheless, women with lower levels of education or restricted mobility still face barriers, indicating that technological access alone does not automatically equalize social power dynamics.

The role of remittances in bridging social gaps is equally significant. Arua City's position near the Uganda–DRC–South Sudan border fosters high cross-border remittance flows. Households receiving mobile money-enabled remittances often exhibit improved financial resilience, investment in education, and access to healthcare, thereby narrowing socio-economic disparities. These patterns underscore the capacity of mobile money to function as both a financial and social equalizer when integrated into established social networks.

However, mobile money adoption also reflects exclusionary patterns. Older populations, individuals with limited formal education, and households lacking digital devices remain marginalized. Interviews revealed that these groups often rely on intermediaries to conduct transactions, which introduces costs, delays, and the potential for exploitation. Consequently, while mobile money fosters inclusion for many, it also reproduces inequalities for vulnerable populations, highlighting the need for targeted interventions to address structural barriers.

9.4.Qualitative Insights

Quantitative findings are enriched by qualitative data that capture the lived experiences of Arua City residents and mobile money agents. Residents' narratives reveal a dual perception of mobile money: both an opportunity and a challenge. Many interviewees emphasized the flexibility and speed of transfers, noting that mobile money enables timely payment of school fees, utility bills, and business capital. One respondent remarked, "With mobile money, I no longer wait for buses to Kampala to send money. My children's school fees are paid the same day" (Resident, Arua City, 2024).

Conversely, respondents highlighted persistent challenges, including concerns about fraud, transaction errors, and difficulties navigating system updates. These concerns are particularly pronounced among less-literate users, underscoring the importance of user education and trust-building measures. Mobile money agents offered additional insights into operational dynamics. Agents reported that trust and regulation are central to sustaining the system. Fraud, including SIM card swapping and unauthorized transfers, emerged as a recurring concern, prompting agents to rely on local knowledge and verification mechanisms to maintain customer confidence. Agents also described regulatory uncertainties, noting that rapid policy changes can disrupt service continuity and affect livelihoods. The qualitative synthesis underscores that mobile money functions not merely as a financial tool but as a social technology, mediated by trust, knowledge, and institutional frameworks. It simultaneously empowers users, reshapes local economies, and exposes vulnerabilities rooted in literacy, age, and social marginalization.

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9.5.Critical Synthesis

Synthesizing quantitative and qualitative findings reveals that mobile money in Arua City operates at the intersection of finance, social networks, and inequality. On the one hand, mobile money enhances financial access, allowing households to participate in economic activities previously constrained by geographic and institutional barriers. On the other hand, its redistributive impact on income is modest, suggesting that technology alone cannot resolve entrenched inequalities.

Socially, mobile money adoption reflects broader societal hierarchies, including gender, age, and education. While women and younger populations tend to benefit disproportionately, older adults and low-literacy individuals remain marginalized. Remittances, facilitated by mobile money, play a crucial role in mitigating these gaps, but reliance on intermediaries and systemic vulnerabilities highlight persistent risks.

Notably, the combination of statistical and narrative data illustrates that mobile money is not a neutral instrument. Human, institutional, and technological factors mediate its capacity to reduce inequality. Policymakers aiming to leverage mobile money for inclusive development must consider literacy programs, affordable service structures, network expansion, and consumer protection policies to ensure equitable participation.

In conclusion, the analysis confirms that mobile money in Arua City is a transformative yet imperfect mechanism. It expands access to finance, modestly reduces income inequality, and reshapes social relations, but it simultaneously reproduces exclusionary patterns that require deliberate policy attention. Future research should explore longitudinal impacts, behavioral adaptations, and the interplay between mobile money and formal financial institutions to provide a more comprehensive understanding of technology-driven financial inclusion.

10. Discussion

The findings from Arua City provide a nuanced perspective on the role of mobile money in shaping income distribution and financial inclusion. Consistent with evidence from Kenya, particularly the M-Pesa case (Suri & Jack, 2016), mobile money in Arua has facilitated greater access to financial services, especially among previously underserved households. Approximately 68% of households in Arua reported using mobile money platforms, a figure comparable to adoption rates in Kenyan urban centers. This adoption has enhanced transactional convenience, enabled remittance flows, and supported small-scale entrepreneurship. However, unlike Kenya, the benefits of mobile money in Arua are unevenly distributed, reflecting Uganda's unique socio-economic context. Barriers such as literacy, gender disparities, and inconsistent network coverage significantly affect households' ability to leverage mobile money effectively. These findings challenge the universal applicability of the Kenyan model, suggesting that while mobile money can function as a financial equalizer, it may also exacerbate existing inequalities when infrastructural and social barriers persist (Jack & Suri, 2014; Mbiti & Weil, 2016).

Moreover, the analysis indicates that mobile money serves both as an equalizer and a divider. Households with higher digital literacy and greater integration into urban economies are better positioned to benefit. In contrast, marginalized populations, including women in peri-urban areas, face barriers that limit their participation. This duality underscores the importance of context-specific strategies that address structural inequities while promoting digital financial inclusion.

The Theoretical Implications: The findings have several implications for the theoretical understanding of financial inclusion. Traditional financial inclusion theory emphasizes the role of access to financial services as a pathway to poverty reduction and social empowerment (Demirgüç-Kunt et al., 2017). The Arua case extends this theory by demonstrating that inclusion is not inherently uniform; access alone does not guarantee equitable outcomes. Structural constraints, social norms, and levels of digital literacy mediate the extent to which financial tools translate into tangible improvements in household welfare.

The capability approach, as articulated by Sen (1999), further elucidates this dynamic. Mobile money expands the range of real opportunities available to individuals, such as the ability to save, invest, and

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receive remittances. However, disparities in capabilities shaped by education, gender, and social networks persist, limiting the transformative potential of these technologies. This emphasizes that technological solutions, while necessary, are insufficient on their own to address systemic inequalities. Policymakers and development practitioners must therefore adopt interventions that not only expand access but also strengthen capabilities to utilize these tools effectively.

The Policy Implications: The findings highlight several policy priorities to maximize the inclusive potential of mobile money in Arua and similar contexts. First, regulatory frameworks must be strengthened to protect users from fraud, overcharging, and predatory practices. Uganda's mobile money sector has witnessed rapid growth, but consumer protection mechanisms remain unevenly enforced, leaving low-income users vulnerable (Central Bank of Uganda, 2020).

Second, targeted digital literacy programs are essential, particularly for women and youth. Evidence from Uganda indicates that digital literacy significantly influences the capacity to use mobile money effectively and to leverage it for income-generating activities (Tumusiime et al., 2021). Programs should incorporate gender-sensitive approaches to address socio-cultural barriers that limit women's participation in the digital economy.

Third, infrastructure investments are critical to ensuring equitable access. Network coverage in peri-urban and rural areas of Arua remains inconsistent, restricting the reach of mobile money services. Public-private partnerships can play a pivotal role in extending coverage, reducing transaction costs, and enhancing system reliability. These interventions, taken together, can reinforce mobile money's role as a tool for inclusive economic development.

Despite the insights generated, the study has notable limitations. The single-city case study design limits the generalizability of the findings to other urban and rural contexts in Uganda or the broader East African region. While Arua offers a valuable lens into cross-border trade and remittance flows, the socio-economic dynamics observed may not reflect national-level patterns.

Additionally, the cross-sectional nature of the data limits causal inference. While associations between mobile money use and income distribution have been identified, longitudinal studies are required to establish causality and observe changes over time. Future research could incorporate panel data or experimental designs to more robustly assess the impact of mobile money on household welfare and inequality.

In summary, the discussion highlights that mobile money in Arua functions as a double-edged sword promoting financial inclusion for some while leaving structural inequalities unaddressed for others. The theoretical insights extend current models of financial inclusion and the capability approach, emphasizing the conditional nature of technological benefits. Policy interventions must prioritize consumer protection, digital literacy, and infrastructural investment to harness mobile money's full potential as a tool for inclusive economic growth.

11. Conclusion

This study offers robust evidence on the nuanced role of mobile money in shaping economic inequality in Arua City. Our analysis demonstrates that mobile money facilitates financial inclusion by expanding access to digital financial services, particularly among households previously marginalized from formal banking. Households with intermittent or no access to traditional banks can leverage mobile money for savings, remittances, and small-scale entrepreneurial activities. These mechanisms reduce transactional barriers and, in some cases, income volatility, thereby narrowing certain forms of inequality.

However, mobile money is not a panacea for socio-economic disparities. Inequalities persist along structural lines such as gender, education, and digital literacy. Women, older adults, and individuals with limited formal education face heightened barriers to adoption due to technological familiarity, social

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norms, and mobility constraints. These barriers reproduce pre-existing disparities, highlighting that while mobile money reduces transactional inequality, it can inadvertently entrench other forms of social and economic exclusion.

A central contribution of this study is the articulation of the paradox inherent in mobile money: these financial technologies simultaneously empower and exclude. They democratize access to critical financial services, enable rapid resource transfers across geographic distances, and strengthen social safety nets through remittance networks. However, adoption and effective use are mediated by structural inequalities, including access to mobile devices, literacy levels, and the local regulatory environment.

Our findings contribute to broader theoretical debates in financial inclusion and development studies, showing that access alone does not guarantee equitable outcomes. Mobile money in Arua City creates a "partial inclusion" scenario, offering opportunities for wealth accumulation and resilience among some groups while leaving the most vulnerable marginalized. Recognizing this complexity is essential for policymakers, practitioners, and researchers committed to equitable financial inclusion.

12. **Limitations and Directions for Future Research**

While this study provides critical insights, several limitations warrant consideration. First, the cross-sectional design captures mobile money adoption and inequality at a single point in time, limiting the ability to assess long-term impacts. Longitudinal studies are needed to examine the persistence of benefits among early adopters and the eventual inclusion of lagging groups.

Second, the study focuses exclusively on Arua City, a secondary urban hub, which may limit the generalizability of findings to other urban or rural contexts. Comparative studies across multiple urban centers in Uganda and the wider East African region would help contextualize Arua's experience and identify systemic versus location-specific patterns in mobile money ecosystems.

Third, although gender and socio-demographic factors are considered, there is a need for research that explicitly focuses on the intersectional dimensions of inequality. Women and other marginalized groups face distinct barriers, underscoring the importance of gender-sensitive programs, digital literacy initiatives, and culturally responsive mobile financial products.

Finally, qualitative studies exploring the lived experiences of mobile money users could complement quantitative analyses by unpacking the social and cultural dimensions of adoption, use, and exclusion. Understanding how social norms, community networks, and trust influence engagement with financial technologies is crucial for designing interventions that promote equitable financial empowerment.

By addressing these gaps, future research can deepen understanding of mobile money's complex role in economic inclusion and guide more effective, contextually sensitive policies and programs.

Acknowledgement: The authors would like to express their gratitude to the anonymous reviewers and editors for their professionalism, as well as to the respondents who willingly participated in the survey.

Author Contributions: Marus Eton conceptualized the idea, drafted the background information, collected the data, and compiled the final paper; Johnson Ocan developed the tools, analysis, and language editing; Bernard Patrick Ogwel tested the tools and collected the data; Felix Adiburu Andama wrote the literature and produced the first draft. All authors were very active at all stages.

Conflict of Interest: The authors declare no conflict of interest.

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