Financial Inclusion and Saving Culture of Individuals in Uganda: A Case of Central Division, Kabale Municipality

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Abstract

The study was about Financial Inclusion and savings in Uganda. A case of central division, Kabale Municipality. Financial Inclusion seeks to overcome the friction that hinders markets from expanding access to, and use of formal financial products and services to a broad number of people. The Objectives of the study were; to examine how access to financial services affects deposits made to formal financial institutions, to find out the effect of usage of financial services on deposits made to formal financial institutions and; to investigate the relationship between quality of financial services available and deposits made to formal financial institutions. The study adopted a cross-sectional survey research design. A sample size of 390 respondents from a population of 15,092 people was used. Findings of the study established a direct positive relationship between Financial Inclusion and savings. The regression results showed that savings as measured by percentage of the respondent's monthly income earnings that is saved, was influenced by Access to formal financial products and services (p=0.031), usage of formal financial products and services (p=0.015) and Quality of formal financial products and services (p=0.021). The independent variables in the regression model with positive coefficient showed a direct relationship with the dependent variable. Therefore, the study concluded that savings increases proportionately with more access to formal financial products, usage and increase in quality of formal financial products. The study also recommended that financial institutions should create financial products which are tailored to fit various individual needs. Again, these financial institutions should create many outlets through Agent Banking and this would prevent the people from saving in their homes and rather save with the financial institutions since savings do not benefit only the individuals but the economy as a whole.

Keywords: Financial Inclusion, Savings and Economy

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1. Introduction

Financial inclusion has increasingly moved to the top of the policy agenda in many developing countries, reflected in several G20 statements (most recently in 2016 in Hangzhou), establishment of financial inclusion units in Central Bank and Ministries of Finance and specific financial inclusion targets. One important aspect of formulating policy goals, however, is the ability to measure progress in achieving these goals. Over the past decade, enormous progress has been made in measuring financial inclusion across the globe. At the same time, being able to measure financial inclusion has allowed us to gauge the progress due to financial innovation and policy interventions. Critically, as more evidence becomes available on what dimensions and aspects of financial inclusion are important for individual welfare and firm growth, data collection can be and has been adjusted accordingly.

Financial inclusion is a multi-dimensional concept with the components of; access, usage and quality that are relevant for the purposeful expansion of financial products and services, such as savings, credit, insurance and remittances to a broad number of people. It is an intervention strategy that seeks to overcome the type of market friction that hinders the markets from operating in favour of marginalized groups (Aduda & Kalunda, 2012).

According to Sarma (2008), financial inclusion is a process which ensures easy access to financial services in an economy. According to the author, ease of access is measured by proxies such as number of bank branches or ATMs per 1,000 adult populations. Khan (2011) contended that promoting financial inclusion, in the wider context of economic inclusion, can improve financial conditions and uplift the living standard of the poor and the disadvantaged. According to him, financial inclusion can both improve the efficiency of intermediation between savings and investments and facilitate change in the financial system configuration.

In the view of Aduda and Kalunda (2012), financial inclusion is the process of ensuring access to financial products and services needed by all sections of the society in general, but particularly, the vulnerable, weaker sections and low-income groups, fairly, transparently at an affordable cost in mainstream institutional players. Understood in this sense, financial inclusion has continued to assume increasing interest among policy makers, researchers and development-oriented agencies, across the globe. Accordingly, countries are devising various regulatory strategies and frameworks to ensure that all populations excluded from financial services are reached and served with a view of increasing savings.

According to the World Bank (2016), the total global gross savings (percentage of GDP) were 24.39% in the year 2016. Total gross savings in the sub-Saharan Africa was at 14.83% and in Uganda the gross savings rate was at 19.36% compared to its neighbor Rwanda which stood at 11.7%. Uganda Finscope report (2013), shows that 68 percent (representing 11.4 million adults) of the adult population had savings (both formally and informally). The demand for, and use of formal saving and investment products and services is low. However, the majority of the population that saved and invested used informal means. The survey results also revealed that

formal saving products were mostly used by the urban population than those in rural arrears like Kabale municipality and the cited barriers to savings seem to point to the low financial literacy levels and low incomes, as low levels of financial inclusion.

In Africa, access to financial services mobilizes greater household savings (enabling such persons to invest in themselves and families), leverages capital for investments and expands the class of entrepreneurs. Financial inclusion offers incremental and complementary solutions to tackle poverty, promote inclusive development and achieve the UN Sustainable (Millennium) Development Goals (MDGs). It aims at drawing the unbanked population into the formal financial services so that they have the opportunity to access the whole range of appropriate financial services. It is believed that "Financial inclusion is achieved when adults have easy access to a broad range of formal financial services that meet their needs at an affordable cost" (CBN, 2011). Such financial services include, but not limited to: payments, savings, loans, and insurance and pension products. Financial inclusion, which in this research study is defined as access to appropriate, fair and affordable financial services, varies widely across the globe. This position implies that financial inclusion dictates deliberate attention to the historically excluded portions of the population from the formal financial sector due to their income levels and volatility, gender, location, type of activity or level of financial inclusion.

Globally, 2.5 billion people are financially excluded, approximately 80 percent in sub-Saharan Africa as compared to 8 percent in the high-income Organization of Economic Co-operation and Development (OECD) countries, and in Uganda, 80 percent have no access to mutually exclusive formal bank financial services (World Bank, 2014). Results from the Uganda FinScope survey of 2013 show that up to 76% of adults in urban areas in Uganda utilise either formal financial institutions (banks, Microfinance Deposit-taking Institutions (MDIs), or non-banks (mobile money, SACCOs and Micro Finance Institutions). In contrast, just 49% of adults utilised formal financial services in the rural areas of the country.

According to UBoS 2017, the number of households in Kabale municipality where any member holds a bank account were 6,569 amounting to only 56.3 percent and this is attributed to limited access to formal banking services since there are only 7 commercial bank branches, namely, Equity Bank, Barclays Bank, Bank of Baroda, Stanbic Bank, Centenary Bank, DFCU Bank and post Bank. There are only 2 Microfinance Deposit taking Institutions (MDI's), namely, FINCA Uganda Limited and Pride microfinance; all of which are concentrated in one geographical area in Central Division of Kabale Municipality.

Therefore, financial inclusion is still low, especially in the rural areas like Kabale, where penetration of bank branches, auto-teller machines (ATMs) and bank agents providing the formal financial products and services, are unavailable. This ironically leaves the rural poor segment no option but to rely on informal services which are often too costly, exploitative in nature, and at times, lack a financial resource base sufficient for all at a given time (Burlando & Canidio, 2015; Karlan & Robinson, 2013).

According to Demirguc-Kunt and Klapper (2012), survey data suggest that, even in advanced economies, almost one in five adults have no bank account or other form of access to the formal financial sector such that in many emerging and developing economies, the share of unbanked adults can be as high as ninety percent. In the same vein, in Uganda, a total of 19.2 million adults, representing 46.3 per cent of adult population, were excluded from financial services in Uganda as at 2014, out of which women, young adults (under 45years) and adults with no formal education accounted for 54.4 percent, 73.8 percent and 34 percent respectively (EFInA, 2013).

In Uganda, Financial inclusion is likely to keep expanding in the coming years, supported by economic development and initiatives of the BoU and other policymakers. These initiatives include nation-wide sensitization campaigns to enlighten the public on Financial inclusion, geospatial mapping of financial Access Points, in collaboration with the Bill & Melinda Gates Foundation, to develop a business case for service providers on expanding access points to unbanked and under-served areas was completed. Further work to be done include leveraging on the outcome of 2014 Geo-spatial mapping survey to develop a business case for service providers on expanding access points to unbanked and under-served areas. For the central monetary authority, financial inclusion matters for several reasons. Firstly, it would afford access to appropriate financial platforms which would allow the poor or otherwise disadvantaged to invest in physical assets and education, thus reducing income inequality and enhancing economic well-being. This would impact on financial development which would invariably aid poverty reduction and long-term economic growth (Burgess and Pande, 2005) and Levine (2005). Secondly, if greater financial access results in rapid credit growth or the expansion of relatively unregulated parts of the financial system, it may expose banks to financial risks as appropriate support capacity may be unavailable for the new level of operations and outreach (Nwanko, 2014).

Additionally, the Ministry of Planning Finance and Economic Development in collaboration with Bank of Uganda came up with the National Financial Inclusion Strategy 2017 -2022. This is Uganda's holistic strategy for promoting financial inclusion with emphasis on five pillars: Reduce financial exclusion and barriers to access financial services; Develop the credit infrastructure; Build the digital infrastructure; Deepen and broaden formal savings, investment and insurance usage; and Protect and empower individuals with enhanced financial capability

Therefore, this study sought to examine the impact of financial inclusion on savings in Uganda: A case of Central Division- Kabale Municipality. Specifically, it sought to; examine how access to financial services affects deposits made to formal financial institutions; find out the effect of usage of financial services on deposits made to formal financial institutions and investigate the relationship between quality of financial services available and deposits made to formal financial institutions.

2. Literature Review

2.1 Theoretical Review

The study was guided by theories which have previously been developed and that have called for more research on the subject matter over the years. Financial inclusion is a complex problem and is constructed by several factors that range from psychological, sociocultural, geographical, and economic to political issues. Variety of theories and methods are employed to describe and analyse this subject matter. Specifically, neoclassical economic theory, institutional theory and political economy theory are among the theoretical perspectives that have been used to examine the complex financial inclusion phenomenon.

Buckland (2012) highlights the key theories that have been used to analyze financial inclusion. The theories can be determined by identifying the key assumptions that they make by placing them within two broad categories, namely economic (i.e., neoclassical economic theory and new-keynesian theory) and interdisciplinary theories (i.e., behavioural economics, institutional theories, political-economy theories, poverty and community-based analyses, geographic spatial analyses, and household economy). The two key assumptions are pertaining to human rationality and the role of institutions. Buckland (2012) mapped those theories onto rationalist institutional 'space as depicted in Figure 2.

Beginning with the north-west quadrant, we observe theories that assume that humans are rational and at the same time, institutions (i.e., whether they are rules, norms, clasess, genders or nations) play an essential role in explaining financial inclusion. Demand-and-supply theory, new institutional economics and political economy are included in this corner. Moving clockwise to the north-east, new-Keynesian economics can be seen where the human rationality assumption hold, however more concerned is also put in institutions. Further clockwise, there are theories that hold onto human rationality and assume that social reality is best acknowledged as a series of frictionless markets. In this category, neoclassical economics school fits well. Moving further clockwise, we find space for bounded rationality, starting from behavioral economics, which due to dropping the assumption of individual rationality, opens up the economy to sizeable social friction.

2.2 Financial Inclusion

The United Nations and the World Bank, (2017) define financial inclusion as access to a wide range of financial products and services that are affordable or provided at reasonable cost, useful and able to meet the needs of households and businesses and provided in a responsible and sustainable manner. The World Bank classifies financial products and services as transactions, payments, savings, credit and insurance.

The definition which agrees with the majority of the definitions earlier developed and used in various studies is one developed by The Centre for Financial Inclusion (CFI), 2013. CFI, (2013, p.3.) referred to Financial Inclusion as "a state in which all people who can use financial services

have access to a full suite of quality services, provided at affordable prices, in a convenient manner, and with dignity for the clients." This particular definition attributes great importance to sustaining the true concept of Financial Inclusion presently and in future research. The definition therefore, regardless of the indicator, further highlights the Financial Inclusion discourse focusing also on the importance of the financial services to the user or financial consumer.

The Banking Association of South Africa, (2015) defines financial inclusion in a broader sense as access and usage of a broad range of affordable, quality financial services and products, in a manner convenient to the financially excluded, unbanked and under-banked; in an appropriate but simple and dignified manner with the requisite consideration to client protection. Accessibility should be accompanied by usage, which should be supported through the financial education of clients.

Financial inclusion, therefore, can be regarded as the process of promoting equitable access to an affordable and unbiased distribution of financial resources, products and services. All programmes related to financial inclusion are meant to facilitate access as well as to encourage a deepened use of relevant financial products and services for the benefit of all individuals (United Nations, 2016)

An all-inclusive definition of financial inclusive is given by Chakravarty and Pal, (2013) described as a process of promoting or ensuring access to appropriate financial products and services needed by all sections of the society and the vulnerable groups such as the lower income groups, the SMEs. Chakravarty and Pal, (2013) viewed an inclusive financial sector as one that ensures access to credit for all bankable people and firms.

Finscope Uganda, (2018) defines Financial Inclusion as the proportion of adults who have or use financial services provided by a formal financial service provider. Financial service providers are those institutions who are regulated or supervised, that is, commercial banks, microfinance institutions (including deposit taking institutions), savings and credit cooperatives (SACCOs), credit institutions, cooperatives, mobile money service providers, insurance service providers, pension funds, capital markets, forex bureaus and money transfer institutions such as Western Union and MoneyGram.

2.2.1 Dimensions of Financial Inclusion

The World Bank Global Financial Development Report, (2014) identifies the adoption of a multidimensional approach to define and operationalise Financial Inclusion. This is vital because it helps to overcome the often-mistaken supposition that Financial Inclusion will only be achieved by simply offering enough access points savings products. To address this anomaly towards achieving complete inclusion, issues of frequency of use by individuals, and quality of financial services towards effectively meeting their needs should give better results and perspectives. Therefore, including usage and quality in the definition and measurement of FI besides simple access is believed to prove more useful for analytical explanation to FI.

Massara and Mialou, (2014) postulated that the notion of Financial Inclusion be advanced through its three dimensions: access, usage and quality of financial services. Accordingly, Serrao, Sequeira, and Hans, (2012) argue that measurement of FI should be able to monitor levels of Financial Inclusion and secondly, deepen understanding about factors that associate with Financial Inclusion that enables the testing of hypotheses between Financial Inclusion and other variables. These studies argued that Financial Inclusion is often measured through the three dimensions;

The access dimension, which measures the physical and breadth of financial services, and individuals' ability to use the available financial products and services at a service point. They further state that shortage of financial service points is predominant in the rural locations compared to those individuals in the urban locations. Secondly is the usage dimension, which measures an individual's ability to derive permanent purpose and utility from a particular financial product or service. Thirdly, is the quality dimension which measures the relevance of the financial products or services in the day-to-day needs of the financial consumer.

King, (2013) explains that Access and usage of formal financial services like; credit, savings, insurance, payment facilities are essential to enhancing household and individual consumption, investment against uncertainties and adversities that the low-income segment of the population experience. A number of studies have laid emphasis on credit as the most important product to improve access to finance. However, it is imperative to note that a broader concept of Financial Inclusion should incorporate savings, remittances (Anzoategui, Demirgüç-Kunt, & Martínez Pería, 2014).

In Uganda, Katoroogo (2017) confirmed that financial inclusion is multi-dimensional in nature comprising of access, usage and quality which carried close to equal total variance in explaining financial inclusion. The study therefore provided a true reflection of how financial inclusion is perceived and measured from a demand side perspective in the districts of Uganda, a developing country context.

2.2.2 Determinants of Financial Inclusion.

Several other studies looking at factors that determine financial inclusion have been done at either the household or individual level. The likelihood of owning a bank account and using a bank account to save or borrow has been used by various studies as an indicator to measure access to financial products and services. Socioeconomic and locational characteristics have been identified as factors affecting financial inclusion.

In regard to the determinants of financial inclusion, a few studies have found out that robust explanatory variables of access to formal financial services are varied by income level and its distribution stand out. Using Honohan (2009) access indicators, Park and Mercado (2016) found out that a higher per capita income increases financial inclusion. In this study an indicator of financial inclusion is constructed for 37 Asian countries using macro data from the World

Development Indicators. These findings are corroborated by a similar study by Demirguc-Kunt and Klapper (2013), which investigated the financial inclusion in multiple countries. They established that a higher-income quintile was associated with deeper penetration of financial services.

Therefore, empirical findings predict a positive relationship between income and financial inclusion, although studies on the distributional aspects of income show a completely different scenario. Education for households has remained a big challenge despite the existence of a clear relationship between educational achievement and financial inclusivity (Atkinson and Messy 2013). Education accomplishment has been shown to rise linearly in relation to consumption of financial services. This view is supported by Camara and Tuesta, (2015) who analysed a nationally representative sample in Peru using the probit models and found out that education plays a significant role in financial inclusion.

A Peruvian study by Clamara et al, (2014) identified socioeconomic and locational factors that characterize households that use the formal financial system. Estimation findings indicated that characteristics such as gender (being female), low education level, low income, marital status (being single), wages as source of income, and residence in a rural area or small town reduce the likelihood of using financial products and services. Owning a house increases the likelihood of using banking services. Meanwhile, their findings also suggested that households with financial needs are more likely to use banks than those having capacity to save. Interestingly, having capacity to save is not a significant factor for financial inclusion in their study.

3. Methodology

3.2 Research Design

The study adopted a cross-sectional survey research design which involved collecting data at a particular point in time that is useful in obtaining facts and perceptions of respondents. A cross sectional survey is also useful in making statistical explanations and inferences about the key variables of the study (Saunders et al., 2011). This type of research design enables the researcher to make inferences about key variables of the study (Saunders et al., 2011). Specifically, statistical relationships between financial inclusion and household savings was examined. Cross-sectional studies are perceived to be relatively inexpensive, faster and easier to do, and useful for generating and clarifying hypotheses and can lay the groundwork for decisions about follow-up studies (Sekaran, 2000).

3.3 Study Area and Population

The study population included all adults (above 18 years) within the Central Division of Kabale Municipality provided by the Uganda Population and Housing Census, 2014 (UBOS 2017). Therefore, the research study was carried out in central division which has a total population of 15,092 according to the Uganda National Housing and Population Census Report of 2014.

3.4 Study Sample

The sample size was determined by adopting Yamane (1973)'s sample size selection approach. According to Yamane's formula, sample size is determined by:

$$\mathbf{n = \frac{N}{1+N\,(e)^2}}$$

Where: n- is a sample size;
N- Is total population; and
e- Is tolerable error.

Given the total population of 15,092, and the margin of error of 5%, the sample size can be calculated as below.

$$n = \frac{15{,}092}{1 + 15{,}092 * 0.05^2}$$

$$n = \frac{15{,}092}{1 + 15{,}092 * 0.0025}$$

$$n = \frac{15{,}092}{1 + 37.73}$$

$$n = \frac{15{,}092}{38.73}$$

$$n = 389.7$$

$$n = 390$$

Therefore, a sample size of 390 was selected. Yamane's sample selection approach was preferred because it yields a fairly representative sample.

3.5 Sampling Procedure

The sampling technique and procedures used were based on simple random sampling principles where individuals were randomly sampled from the target population. The respondents were randomly selected by use of probabilistic sampling where every individual had an equal chance of being selected.

Stratified sampling was used since it is a probability sampling technique where the researcher divides the entire population into different subgroups or strata, then randomly selects the final subjects proportionally from the different strata. The population was divided in parishes, that is, Butobere Ward, Central Ward, Kigongi Ward and Nyabikoni Ward. This ensured that all households are represented. Simple random sampling was also used. Simple random sampling provides equal chances for all the respondents to be selected and thus avoids biasness (Mugenda, 1999). Simple random sampling thus enabled the researcher pick from the respondents for research implying that each had an equal chance to be selected at any given point in time. This

sampling method is preferred for its reliability, generalizability and representativeness of the population as per Sarantakos (1998).

3.6 Data Types and Collection

The study used primary data. Primary data was got from the field by the researcher. Primary source of the study was collected by means of questionnaires.

Secondary data was also collected from internet, journals textbooks, reports, and publications of previous research data concerning research problem.

3.7 Data Analysis

3.7.1 Descriptive analysis

The individual characteristics were analyzed using elementary statistical inferential techniques such as frequency tables, mean, standard deviation, variance and other descriptive statistics. Various measures of central tendency were applied to an ungrouped set of data to include the mean, median, and mode.

3.7.2 Bivariate Analysis

This is the simultaneous analysis of two variables (attributes). It helped to explore the concept of relationship between financial inclusion and savings, through the variables of access, usage and quality of formal financial services; whether there exists an association and the strength of this association, or whether there are differences between two variables and the significance of these differences. This was done through ANOVA tests and Pearson square tests.

3.7.3 Multivariate Analysis

Ordinary least squares (OLS) was utilized for the multivariate regression models to analyze the data. This ensured a comprehensive analysis of the relationships between the dependent and independent variables. Therefore, multivariate regression analysis was conducted to establish the relationship between financial inclusion and savings.

3.8 Model Specification and Estimation

This study adopted a multiple regression model

$$Yi = \beta 0 + \beta X1 + \beta X2 + \beta X3 + \ldots + \beta Xn + \varepsilon$$

Where

Y= Dependent variable is (Savings)

X= Independent variable (Financial inclusion) whereby as measured by the various indicators of financial inclusion, i.e, measures of access, usage and Quality of formal financial products and services

X1=access to financial services,

X2= usage of financial services,

X3= quality of financial services,

β0= Constant term

β0= Slope of the regression measuring the amount of the change in Y associated with a unit change in X

ε= Error term within a confidence interval of 5%

From the model, Savings is the dependent variable and was measured by the percentage of the respondent's monthly income earnings that is saved. Financial inclusion is the independent variable and this was measured by the parameters of access, usage, and quality of formal financial institutions. Access was determined by the ease through which the participants have availability to formal financial institutions, ATM's, Mobile money outlets, as well as Agent banking shops. Usage on the other hand was determined by the extent to which the participants use the formal financial services available to save. And finally, the Quality perspective looked at the effectiveness of the formal financial services available.

The Ordinary Least Square (OLS) estimation methods was used for testing some of the hypotheses in the study. The application of OLS was subjected to the assumptions underlying the classical linear regression models (CLRM). OLS deals with relationship between Y and X

4. Results and Discussion

4.1 Descriptive Analysis

Table 4.1 Gender of Respondents

Gender	Frequency	Percent
Male	148	37.9
Female	242	62.1
Total	390	100.0

Source: Field data, 2019

From the responses collected and presented in table 4.1 above, it is evident that majority of respondents were female, that is, 242 (62.1%) compared to 148 males contributing to 37.9% of the sample. This clearly shows that Female participants were more in number compared to male participants and thus the research interprets the above collected data that females are more engaged in financial activities compared to males in Kabale Municipality.

Table 4.1: Marital status of respondents

Marital Status	Frequency	Percent
Single	70	17.9
Married	215	55.1
Divorced	40	10.3
Widowed	65	16.7
Total	390	100.0

Source: Field data, 2019

Data above presents the marital status of respondents. According to data collected from the field in table 4.2 above, majority of the respondents are married, that is 215 amounting to 55.1% of the total sample. This was followed by 17.9% of respondents who are single amounting to 70 in number, then 16.7% who are widowed, i.e. 65, and lastly 10.3% who are divorced, that is, 40. Thus it is clearly indicated that majority of the respondents who participated in the study were married and minority were divorced according to the findings.

Table 4.2: Age of respondents

Age	Frequency	Percent
Below 26	82	21.0
26-35	120	30.8
36-45	109	27.9
46 and above	79	20.3
Total	390	100.0

Source: Field data, 2019

The above data shows the age of respondents. Majority of them were between 26-35 years of age category, that is, 120 contributing to (30.8%) of the total sample. This was followed by 109 (27.9%) who fall in 36-45 years category, then 82 (21%) who are below 26 years of age. The rest of the respondents 79 (20.3%) had 46 years and above. This clearly shows that majority of people between the age of 26-35 are financially included and they also carryout savings with their respective financial institutions. This is because majority of them have sources of income, whether from business or gainful employment.

Table 4.3: Education level of respondents

Education level	Frequency	Percent
Never went to school	2	.5
P7	10	2.6
UCE	40	10.3
UACE	65	16.7
Certificate/Diploma	90	23.1
Degree	120	30.8
Post graduate	63	16.2
Total	390	100.0

Source: Field data, 2019

Table 4.4 above presents education level of respondents. From the findings, majority of the respondents, 120 (30.8%) had degree qualification. This was followed by 90 (23.1%) who had diploma/certificate qualification. Then those of UACE were 65 (16.7%) and for post graduate were 63 (16.2%), followed by UCE 40 (10.3%), P7 were 10 (2.5%) and lastly 2 (0.5%) were those who never went to school before. Therefore, it is clearly indicated that majority of the

respondents who participated in the study were degree holders and minority never went to school. This can be attributed to the utilization of Government programmes such as Universal Primary Education (UPE) and Universal Secondary Education (USE).

Table 4.4: Current monthly earning of respondents

Monthly Earnings	Frequency	Percent
Below 200000	82	21.0
200000-390000	100	25.6
400000-590000	132	33.8
600000-790000	60	15.4
Above 800000	16	4.1
Total	390	100.0

Source: Field data, 2019

From the data presented in table 4.5 above, majority of the respondents clearly stated that they earn between 400,000/= to 590,000/= which contributed to 33.8%. This was followed by 25.6% of respondents who stated that they earn between UGX 200,000/= to UGX 390,000/=, then 21% who earn below UGX 200,000/=, 15.4% who earn between UGX 600,000/= to UGX 700,000/=. The rest of respondents were earning above UGX 800,000/=, that is, 4.1%, hence research interpreted the above findings in table 4.5 that majority of the respondents were earning an average between UGX 400,000 to UGX 590,000/=, a factor that shows improved income earnings for people in Kabale Municipality.

Table 4.5: Average percentage of respondents' monthly savings

Monthly savings	Frequency	Percent
Do not save at all	30	7.7
1%-9%	67	17.2
10%-19%	100	25.6
20%-29%	50	12.8
Above 30%	43	11.0
Not sure	100	25.6
Total	390	100.0

Source: Field data, 2019

When asked about average percentage of respondents' savings; majority, 25.6% of respondents were not sure how much they were saving. Also 25.6% were saving between 10% to 19% of their monthly earnings. This was followed by 17.2% who stated that they save between 1% to 9%. 12.8% were saving between 20% to 29% of their monthly income, 11% were saving above 30% of their monthly earnings. Therefore, findings can interpret the above results that most people in Kabale Municipality do not take statistical accountability of their monthly income and

expenditure. This is because they can hardly compute the average percentage of their monthly earnings that they save.

4.2 Access to Financial Services and Deposits Made to Formal Financial Institutions

Table 4.7: Descriptive statistics on Access to Financial Services and Deposits Made to Formal Financial Institutions

Statements	SD F (%)	D F (%)	N F (%)	A F (%)	SA F (%)	M	Std. Dev
There is usable access road	6 (9.4%)	10 (15.6%)	10 (2.6%)	360 (92.3%)	20 (5.1%)	4.7	0.880
The nearest commercial bank is less than 5km from my home	30 (7.7%)	45 (11.5%)	132 (33.5%)	100 (25.6%)	83 (21.3%)	4.3	0.967
There are a number of banking agent services that services that I can easily visit near my home	60 (15.4%)	10 (2.6%)	15 (3.8%)	137 (35.1%)	168 (43.1%)	4.9	0.689
I live within 1km of an ATM that I can easily visit to access my bank account	35 (9.0%)	40 (10.3%)	130 (33.3%)	100 (25.6%)	85 (21.8%)	3.8	0.812
There is a place near my home where I can easily send and receive money	4 (1.1%)	5 (1.3%)	15 (3.8%)	30 (7.7%)	336 (87.2%)	4.8	0.832
I have the money required to run a savings account	30 (7.7%)	10 (2.6%)	27 (6.9%)	280 (71.8%)	43 (11.0%)	4.6	0.867

Source: Field data (2019)

N= 390

Key: F = Frequency, SD= Strongly Disagree, D = Disagree, N= Neutral, A = Agree, SA = Strongly Agree, M = mean and Std. Dev = Standard Deviation.

When respondents were asked about whether there is a usable access road, majority (92.3%) agreed that they have road access in their area of residence. This was followed by minority of respondents who strongly agreed (5.1%) and 2.6% who were not sure. This was supported by a slight higher mean of 4.7 and standard deviation of 0.880

When respondents were asked whether nearest commercial bank is less than 5kms from their home; majority (33.8%) of them were not sure as some of them were on record saying they don't actually know how many kilometers were from their home to the nearest commercial banking. This was followed by 25.6% of them who agreed with the statement. The rest 21.3% strongly

agreed with the statement that they get access to commercial bank in less than 5km distance. This was followed by 21.3% who strongly agreed with the statement that there is a commercial bank stationed in a 5km distance. 11.5% disagreed with the statement and lastly 7.7% strongly disagreed with the statement. The statement was supported by a mean of 4.3 and standard deviation of 0.967.

Respondents' views on whether there are a number of banking agent services that respondents can easily visit near their homes, Majority (43.1%) strongly agreed with the statement, 35.1% agreed with the statement, while 15.4% strongly disagreed. The rest 3.8% and 2.6% were not sure and also disagreed respectively. This was represented by mean of 4.9 and standard deviation of 0.689

When respondents were asked whether they live in less than 1km of an ATM spot; a biggest percentage (33.3%) of them were not sure, 25.6% agreed with the statement, 21.8% strongly agreed with the statement, 10.3% disagreed, and lastly 9% of respondents strongly disagreed with the statement. This was supported by mean of 3.8 and standard deviation of 0.812

From table 4.7 above, when respondents were asked whether there is a nearest place from their home where they can send and receive money, majority strongly agreed with the statement, as some of them were on record saying "there are some mobile money outlets near my home residence which enable me to send and receive money across the country". This was stated by 87.2% of the respondents. 7.7% of them also agreed with the statement while 3.8% were not sure about whether there is any nearest place around their home where they can send and receive money. The rest of respondents (1.3%) disagreed with the statement. This was represented by highest mean of 4.8 and standard deviation of 0.832

When respondents were asked whether they have the money required to run a savings account, a biggest percentage (71.8%) of them agreed with the statement, 11% also strongly agreed, 7.7% strongly disagreed, 6.9% of them were not sure, and lastly 2.6% disagreed with the statement. This was supported by the second highest mean of 4.6 and standard deviation of 0.867.

Therefore, basing on the above findings, researcher can clearly interpret the above data that at least majority of the people in Kabale municipality get access financial outlets located near their area of residence which shows that they can easily make transactions on their accounts (mean=4.8). Research also interpreted the above findings in table 4.2.1 that majority of people in do not have access to ATM located nearest them to enable them transact their financial transactions. (Mean=3.8).

4.3 Usage of Financial Services and Deposits Made to Formal Financial Institutions

Table 4.8: Descriptive statistics showing Usage of Financial Services and Deposits Made to Formal Financial Institutions

Statements	SD F (%)	D F (%)	N F (%)	A F (%)	SA F (%)	M	Std. Dev
I am aware of the formal financial products and services	30 (7.7%)	35 (9.0%)	70 (17.9%)	200 (51.3%)	55 (14.1%)	4.3	1.024
I have used my savings account to save for any emergencies	7 (1.8%)	45 (11.5%)	38 (9.7%)	90 (23.1%)	255 (65.4%)	3.9	0.589
I have used my savings account to save for future expenses	10 (2.6%)	5 (1.3%)	45 (11.5%)	180 (46.2%)	150 (38.5%)	4.6	0.768
I have ever used mobile banking to deposit money on my bank account	130 (33.3%)	100 (25.6%)	40 (10.3%)	70 (17.9%)	50 (12.8%)	4.2	1.106
I have ever used my bank account to receive my salary	26 (6.7%)	74 (19%)	50 (12.8%)	100 (25.6%)	140 (35.9%)	4.9	0.912
I have used my bank account to transfer money	100 (25.6%)	120 (30.8%)	113 (29.0%)	50 (12.8%)	7 (1.8%)	2.8	1.272
I am able to utilize a variety of formal financial services offered	70 (17.9%)	100 (25.6%)	160 (41.0%)	40 (10.3%)	20 (5.1%)	4.0	1.042

Source: Primary data, 2019

N= 390

Key: F = Frequency, SD= Strongly Disagree, D = Disagree, N= Neutral, A = Agree, SA = Strongly Agree, M = mean and Std. Dev = Standard Deviation

From table 4.8 above, when respondents were asked whether they are aware of the formal products and services, majority (51.3%) agreed with the statement, 17.9% were not sure, 14.1% strongly agreed with the statement, 9% disagreed with the statement, and lastly the least of respondents 7.7% strongly disagreed with the statement. This was supported by mean and standard deviation of 4.3 and 1.024 respectively.

On the respondents' views on whether they have used their savings accounts to save for any emergencies. Majority (65.4%) of them strongly agreed with the statement, this was followed 23.1% who stated that they agree with the statement. 9.7% of them were not sure. 1.8% of the

respondents strongly disagreed. This was also represented by mean of 3.9 and standard deviation of 0.589.
When asked whether respondents had used their accounts to save for future expenses; a biggest percentage (46.2%) agreed with the statement, this was followed by 38.5% who strongly agreed with the statement. However, 11.5% of the respondents were not sure, 2.6% strongly disagreed, and the rest 1.3% of them disagreed. This was supported by mean of 4.6 and standard deviation of 0.768.

On the question of whether respondents have ever used mobile banking to deposit money on their bank accounts, respondents had this to say; majority (33.3%) of them strongly disagreed with the statement, 25.6% of them disagreed with the statement while 17.9% agreed with the statement. The rest 12.8% of respondents strongly agreed with the statement, while 10.3% of them were not sure. Mean is 4.2 and standard deviation is 1.106.

Respondents' views on whether they have used their bank accounts to receive salary payments. Majority (35.9%) of them strongly agreed with the statement, this was followed by 25.6% who agreed with the statement, then 19% who disagreed, 12.8% were not sure, and lastly 6.7% strongly disagreed. Mean for the above statement is 4.9 and standard deviation is 0.912.

When asked whether respondents have used their bank accounts to transfer money, they had this to say; majority (30.8%) disagreed with the statement, 29% were not sure, 25.6% strongly disagreed, 12.8% agreed, and lastly 1.8% strongly agreed with the statement. Mean is 2.8 and standard deviation is 1.272.

Data collected from the field on the question about whether respondents are able to utilize a variety of formal financial services offered by banking institutions, majority (41%) were not sure about whether they do utilize them. This was followed by 25.6% who disagreed with the statement. 17.9% strongly disagreed with the statement. The rest 10.3% and 5.1% agreed and strongly agreed respectively. This was supported by mean of 4.0 and standard deviation of 1.042.

Therefore research can interpret the above data findings that majority of people in Kabale Municipality use their savings accounts to save for future expenses and thus this shows that they are financially included. (Mean=5.1), and majority do not use their bank accounts to transfer money (Mean=2.8).

4.4 Quality of Financial Services and Deposits Made to Formal Financial Institutions

Table 4.9: Descriptive statistics showing Quality of Financial Services and Deposits Made to Formal Financial Institutions

Statements	SD F (%)	D F (%)	N F (%)	A F (%)	SA F (%)	M	Std. Dev
I am assured of getting customer support on the use of formal financial services	20 (5.1%)	50 (12.8%)	46 (11.8%)	194 (49.7%)	80 (20.5%)	4.9	0.638
I find the staff in the formal financial institutions friendly and helpful	6 (1.5%)	24 (6.2%)	50 (12.8%)	140 (35.9%)	170 (43.6%)	4.8	0.890
When I experience a problem with my transactions, I get help quickly	56 (14.4%)	70 (17.9%)	122 (31.3%)	100 (25.6%)	42 (10.8%)	4.8	1.104
I am certain of the safety of my transactions when using formal financial services	15 (3.8%)	64 (16.4%)	160 (41.0%)	111 (28.5%)	40 (10.3%)	4.6	1.005
Imposing service charges is fair to the bank customers	130 (33.3%)	114 (29.2%)	75 (19.2%)	40 (10.3%)	31 (7.9%)	3.4	1.043
I am sure of the confidentiality of my bank account transactions	70 (17.9%)	30 (7.7%)	75 (19.2%)	120 (30.8%)	95 (24.4%)	3.8	0.830
There is available banking infrastructure such as ATMs in my area	69 (17.7%)	10 (2.6%)	14 (3.6%)	200 (51.3%)	97 (24.9%)	4.1	1.007
I am able to carry out my transactions because the banking hours are convenient	120 (30.8%)	142 (36.4%)	59 (15.1%)	29 (7.4%)	40 (10.3%)	2.9	1.272
I receive prompt information regarding my transactions through SMS alerts	70 (17.9%)	89 (22.8%)	40 (10.3%)	180 (46.2%)	11 (2.8%)	4.0	0.614

Source: Primary data, 2019

N= 390

Key: F = Frequency, SD= Strongly Disagree, D = Disagree, N= Neutral, A = Agree, SA = Strongly Agree, M = mean and Std. Dev = Standard Deviation

Respondents' views on whether they are assured of getting customer support on the use of formal financial services, majority 49.7% agreed with the statement, this was followed by 20.5% who strongly agreed with the statement, then 12.8% disagreed, 11.8% not sure, and lastly 5.1% strongly disagreed. This was supported by mean of 4.9 and standard deviation of 0.638.

Respondents' views on whether they find the staff in the formal financial institutions friendly and helpful. They had this to say; majority (43.6%) strongly agreed with the statement, this was followed by 35.9% of respondents who said they agree with the statement, then 12.8% of them were not sure about the statement. 6.2% and 1.5% of the respondents disagreed and strongly disagreed with the statement respectively. This was also indicated by mean of 4.8 and standard deviation of 0.890.

Data findings on the question about whether respondents get quick help when they experience a problem with their transactions, a biggest percentage (31.3%) of them were not sure about the statement. This was followed by 25.6% who agreed with the statement, then 17.9% who disagreed with the statement, 14.4% who strongly disagreed, and lastly 10.8% who strongly agreed with the statement. Mean was 4.8 and standard deviation of 1.104.

Respondents were asked whether they are certain of safety of their transactions. Majority (41%) said they are not sure, this was followed by 28.5% who agreed with the statement, then 16.4% disagreed, 10.3% of them strongly agreed, and lastly 3.8% strongly disagreed. Mean for the above responses was 4.6 and standard deviation of 1.005.

When asked whether imposing service charges is fair to the bank customers, respondents had this to say; majority (33.3%) of respondents strongly disagreed with the statement. This was followed by 29.2% who disagreed with the statement, then 19.2% who were not sure. The rest 10.3% agreed with the statement and lastly 7.9% who strongly agreed with the statement. This was represented by mean of 3.4 and standard deviation of 1.043.

Findings on the question about whether respondents are sure of the confidentiality of their bank account transactions. Majority (30.8%) of respondents agreed with the statement. This was followed by 24.4% of the respondents who strongly agreed with the statement. 19.2% of the respondents were not sure. This was followed by 17.9% who strongly disagreed with the statement and lastly 7.7% who disagreed with the statement. Mean for the above question was 3.8 and standard deviation of 0.830.

Respondents' views on whether there is available banking infrastructure; a biggest percentage (51.3%) of them agreed with the statement, 24.9% strongly agreed with the statement, 17.7%

strongly disagreed, 3.6% were not sure, and lastly 2.6% disagreed with the statement. Mean was 4.1 and standard deviation was 1.007.

Respondents reacted when asked whether they are conversant with the banking hours in their banking institutions; majority (36.4%) disagreed with the statement, 30.8% strongly disagreed with the statement, 15.1% were not sure, 10.3% strongly agreed with the statement, and lastly 7.4% agreed with the statement. This was represented by mean of 2.9 and standard deviation of 1.272.

Data collected from respondents on the question about whether they receive prompt information regarding their transactions through SMS alerts. Majority (46.2%) of them said they agree with the statement, 22.8% disagreed with the statement, 17.9% strongly disagreed with the statement, 10.3% were not sure, and lastly 2.8% strongly agreed with the statement. Mean was 4.0 and standard deviation of 0.614.

From the findings above, research can therefore interpret it that various staff in different banking institutions has greatly helped their clients concerning queries about their bank accounts. (Mean=5.4). However, a few clients of various banking institutions are able to carry out banking transactions because banking hours are convenient to them (Mean=2.9).

4.5 Correlation Analysis

As shown in the table below, none of the predictor variables had coefficient of correlation between themselves more than 0.5 hence all of them were included in the model. The matrix also indicated high correlation between the response and predictor variables that is savings, Usage of formal financial products and services, and Quality of formal financial products and services.

Table 4.10: Pearson Correlations

	Savings	**Access**	**Usage**	**Quality**
Savings	1.000			
Access	1.00	1.000		
Usage	0.536	0.812	1.000	
Quality	0.752	0.731	0.118	1.000

Source: Researcher 2019

From the table above, it is very clear that there is a very high positive correlation between access to financial services and savings made people in Kabale Municipality (0.812). There is also moderate positive correlation between usage of formal financial products and services and savings (0.536). Finally, the findings of the study revealed a high positive correlation between Quality of formal financial products and services and savings (0.752).

4.6 Regression Analysis

Table 4.11: Coefficients of Regression Equation

Variables	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.903				
Access	0.035	0.028	0.018	1.021	0.031
Usage	0.016	0.021	0.013	1.115	0.015
Quality	0.017	0.024	0.016	1.018	0.021

a. Dependent Variable: Savings
b. Independent variable: Financial inclusion (as measured by Access, Usage, and Quality)

The established multiple linear regression equation becomes:

$$Yi = 0.903\beta 0 + 0.035\beta X_1 + 0.016\beta X_2 + 0.017\beta X_3 + 0.028e$$

Constant = 0.903, shows that if all the independent variables Financial Inclusion (Access, Usage and Quality) are rated as zero, Savings as measured by percentage of the respondent's monthly income earnings that is saved would be 0.903.

The level of confidence for the analysis was set at 95%. Therefore, the P- value less than 0.05 imply that the independent variable is significant. The regression results show that savings as measured by percentage of the respondent's monthly income earnings that is saved is influenced by Access of formal financial products and services (p=0.031), usage of formal financial products and services (p=0.015) and Quality of formal financial products and services. (p=0.021)

The independent variables in the regression model with positive coefficient have a direct relationship with the dependent variable. Therefore, savings increases proportionately with more access of formal financial products, usage and increase in quality of formal financial products.

These findings are in the line of thought with (Bandura & McClelland, 1977) who suggest that individuals believe that possession or acquisition of knowledge and skills regarding financial services will maximize the desired outcome, which in this case is savings.

This will consequently enable individuals to make more informed decisions regarding the use of formal financial services through improved information about the location and proximity of financial institutions, availability of banking agents to provide the saving services and consumers' awareness of the promptness of services and documentation required.

4.7 Interpretation of Findings

The research findings on the first objective of the study which sought to examine how access to financial services affects deposits made to formal financial institutions revealed that Commercial banks are the major players in the financial markets in Kabale Municipality. The study further emerged out to reveal that the financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. This is in line with an Institutional Theory. This theory rejects an analysis of financial exclusion which is based solely on consumer choice (i.e., associated with neo-classical approach), and yet serves a better picture of the structures and processes that are rooted in organizations, markets as well as policies (Buckland, 2012). Using this approach, a more complete understanding of financial inclusion can be gained through the role of savings settings.

On the second objective of the study which aimed at finding out the effect of usage of financial services on deposits made to formal financial institutions clearly revealed that On relating the effect of usage of financial services on deposits made to formal financial institutions, a large number of people in central division Kabale Municipality are still not able to access savings and credit products. However, mobile banking and other digital financial platforms have increased access and usage of credit and savings services by eliminating the costs associated with distance and time to the nearest banking institution. Research established that an appropriate business model must allow the financial institution to reach the unbanked segments of the population with relevant products to satisfy existing financial needs, while maintaining acceptable levels of profits. This is supported by Mwangi and Shem, (2013) concur that effective marketing strategies are required to enhance financial inclusion in terms of access to savings accounts and credit facilities. Marketing creates awareness on the benefits and availability of various savings and credit products, thereby facilitating inclusion.

Lastly on establishing relationship between quality of financial services available and deposits made to formal financial institutions, researcher carried out a Pearson correlation analysis where the findings of the study revealed a high positive correlation between Quality of formal financial products and services and savings. This is supported by Pande et al, (2012) who says that offering new savings products can increase both supply and demand, causing households to accumulate assets. Successful products analyzed by studies in this review reduced transaction costs for those making small deposits, and facilitated commitments to save. These findings support the view that financial services can help mobilize and pool savings, especially when combined with innovative product design. While the studies reviewed were from a specific geographic region, the underlying needs in the population and mechanisms identified suggested that such product innovations would be quite useful in other contexts as well.

5. Conclusions

The study revealed that when a staff in the formal banking sector becomes friendly and helpful to their customers, it greatly improves customer savings culture. Further, the findings of the study concluded that 33% of people in Kabale Municipality are active users of their registered financial accounts, compared to 34% in 2015. The customer journey towards financial inclusion is led by mobile money services, with close to a third of the population using the services actively. Those who use bank services are driven by the need for particular services banks provide; of those who use banks, more than eight in 10 have their own accounts. Therefore, savings increased proportionately with more inclusive access to formal financial services, usage and quality. The study findings concluded that the savings as measured by percentage of the respondent's monthly income earnings that is saved is strongly influenced by continuous access of formal financial products (coefficient 0.035) usage of formal financial services (Coefficient 0.016) and quality of formal financial services in central division, Kabale municipality (coefficient 0.017). The regression results showed that savings as measured by percentage of the respondent's monthly income earnings that is saved is influenced by access of formal financial products and services (p=0.031), usage of formal financial products and services (p=0.015) and Quality of formal financial products and services. (p=0.021).

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