FINANCIAL LITERACY OF CUSTOMERS

AND

THE PERFORMANCE OF FINANCIAL INSTITUTIONS

BY

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DEDICATION

This work is dedicated to my dear parents , Mr and mrs. ssali who have sacrificed everything they have for me to finish my studies and the confidence they ever exhibit in me, to my dear brothers and sisters for their support, to the good people of my bachelors-class for their support, inspiration, and to all those well wishers in my life.

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ABSTRACT

This study analysed the effect of financial literacy of customers and the performance of financial institutions. The study was conducted under three objectives which sought to establish the relationship between budgeting knowledge of customers and the performance of financial institutions, the effect of investment knowledge of customers on the performance of financial institution, and how savings knowledge of customers affects financial institutions' performance.

Centenary bank was chosen and used as a case study,a quantitative analysis on a sample of 36 respondents which was selected using a simple random sampling method was carried out.Data was mainly obtained by the use of questionnaires and data was analysed quantitatively.

All the data was analysed by the use of statistical package for social scientists 17.o (SPSS) programme and was interpreted by composing explanations and substantiating them using the respondents open responses.

The study found out that there is a relationship between financial literacy of customers and the performance of financial institutions. Similarly it was established that there is a relationship between budgeting knowledge of customers and the performance of financial institutions. it was also found out there is a relationship between investment knowledge of customers and the performance of financial institutions and also a relation between the savings knowledge and the performance of financial institutions was revealed, therefore the study concluded that the financial literacy of customers positively influence the performance of financial institutions.

Financial literacy along with its aspects it covers like budgeting knowledge, saving knowledge, investment knowledge greatly dictate customers efficient utilisation of funds something which impacts on the performance of the financiers.Financial institutions should strongly emphasize the issue of keeping their customers financially literate.

CHAPTER ONE

INTRODUCTION

1.0 Introduction to the study

This study aimed at assessing the effect of financial literacy of customers has on the performance of financial institutions.

Provide financial literacy to a wealth yearning folks and surely the economy will reach heights in the economic empire. Financial literacy comes with skills that one should get in order to get a smooth ride towards economic prosperity. As our country is struggling to pop off the list of the third world countries, the individual stakeholders shouldn't be neglected, as these ones' financial knowledge regarding financial matters determine the fate of financial institutions yet these are the back bone for any economic development.

Financial institutions can only operate to the expectation of the Ugandan-economy well-wishers if at all their customers at least have a minimum idea about financial issues, in other wards when their financial knowledge levels are relatively higher. An individual who is financially literate wouldn't have any problem when it comes to making decisions in regard to his resources in other wards he or she would be good at making investment decisions, the issue of saving and most importantly this would help people make use of their loans efficiently.

This chapter covers the introduction, background of the study, problem statement, purpose, objectives of the study, research questions, scope of the study, significance of the study, conceptual frame work, conclusion and the definition of terms and concepts.

1.1 Background of the study

The current dynamic financial world has brought about everyone’s need to focus his or her attention on the importance of him being both well informed about financial options and discerning financial consumers—in short, being financially literate. The reckless spending culture that most people have is one something that this skill seeks to eradicate ever since it was established, financial literacy entails various skills when it comes to decision making that any person who dreams of prospering could cling himself onto and among others include: decision regarding spending, investing saving among others.

Financial literacy is a word that contains two words namely: financial, which refers to anything pertaining to monetary receipts and expenditure, and literacy meaning the state of being able to read and write. According to bank of Uganda, it’s simply the knowledge, skills, and confidence to manage one’s finances well, taking into account one’s economic and financial circumstances.

Developing countries like Uganda are experiencing rapid growth in the financial sector, the entry of new providers and ever-more complex financial products and services, and the inclusion of new consumers to financial markets. These factors increase the importance of financial literacy for consumers in poor countries. Financial literacy is a broad concept that not only includes information but also behaviour, knowledge of financial terms and concepts don’t make one financially literate, but his or her behaviours financially can prove him so. Just like all types of education, it’s about empowering individuals so that they are better equipped with skills to analyze diverse, financial options and to take actions that further their goals. Financial literacy and education programs cover topics such as budgeting, saving, managing credit, and learning to negotiate. And for this study the definition that is going to be taken up to define the term-financial literacy is as presented by The International Bank for Reconstruction and Development.

Financial literacy is the combination of consumers'/investors' understanding of financial products and concepts and their ability and confidence to appreciate financial risks and Opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.

Financially literate consumers, it is argued, are more cautious in taking on credit they couldn't afford, rarely fall prey to unscrupulous salespeople and purchase products or services that aren't in their best interest to save their money, and usually compare financial products and ser-vices, all these in one way or another influence the performance of financial institutions.

Financial institutions are a basis on which any economy can advance forward financially, and it's upon these that various governments are putting much emphasis most especially in regard to their performance and the procedure of licensing more efficient institutions. These institutions are categorized into two in that there those that operate locally and the ones that operate internationally, and there numbers are increasing at a high rate worldwide, For the case of Uganda, the central bank issued commercial banking licenses to Finance Trust Bank Limited, formerly a microfinance deposit-taking Institution (Uganda Finance Trust (MDI) Limited) effective 11th November 2013. Additionally, Bank of Uganda approved a commercial banking license to Commercial Bank of Africa Uganda Limited effective 2nd January 2014. The new entrants brought the total number of commercial banks operating in Uganda to twenty six.

Uganda financial system is composed of formal, semiformal and informal institutions. The formal institutions include banks, microfinance deposit-taking institutions, credit institutions, insurance companies, development banks among others. The semi informal institutions include the savings and credit cooperative associations (SSAACO) and other micro finance institution, whereas the informal ones are mostly village savings and loans associations.

The economy has achieved a relatively progressive growth in the banking sector and by early 1990s, the banking sector was comprised of mainly four foreign banks and these were standard chartered, standard bank, Barclays and Baroda bank, the two large indigenous ones included banks like UCB . By the end of 2005, the system had substantially grown and was made up of a formal and informal sector.

The performance of these institutions can be measured in number of ways, some visible and others can’t be observed directly. These among others include profitability, liquidity, efficiency, innovation among others. Currently many cling of profits of the institution for a given financial year as a measure for its performance some-thing that doesn’t give a clear picture of the organization if the other factors are neglected, as such; this study focuses on profitability, growth in clientele and customer care.

1.1.1 Background to the case study

Centenary bank is a financial institution in Uganda, it’s one of the commercial Banks that was licensed by bank of Uganda, The bank was founded in 1983 under the name centenary rural development trust (CRDT), and it started extending provide financial services to the public with a license from the bank of Uganda, centenary bank is the second largest indigenous bank

The bank is a large financial service provider in Uganda, it is primarily involved in the promotion of development through loans extended to rural farmers, processors of agricultural produce, small traders, small manufacturers, importers and exporters, while engaged in all areas of commercial banking, the bank has a significant portfolio in the microfinance arena in an attempt to meet the needs of many individuals and business entities. It was an initiative of the Uganda national lay operations in 1985 and was serving economically-disadvantaged people especially in rural areas, since1993, It is fully registered as a fully fledged commercial bank. The bank's ownerships comprises the catholic dioceses of Uganda, the Uganda catholic secretariat, the international solidarity for development and investment based in France and the stichtinghivostriodosfonds in the Netherlands along with four individuals. The bank is in a bid to expand every year that goes-by and currently owns a network of sixty two branches together with one hundred linked automated teller machines in central, western, northern, and the eastern parts of Uganda. The bank has the second largest branch network in Uganda behind Stanbic bank and majority of these branches are in rural areas and their number is expected to grow each and every year that goes by.

The institution is considered as the case study for this research in a bid to find out how the financial literacy of customers can affect the performance of financial institutions. In particular the study mainly focuses on the Rubaga and Nateetebranch; this is because of the convenience and the strategic locations which enable customers to easily access the bank for their financial needs.

1.2 Problem statement

Financial institutions are central in the process of economic development and growth, as such their performance form a focal point for the country's growth, but even though that fact stands, the Ugandan financial institutions have been performing below the expectations of the Ugandan economy well wishers, a consistent progress has failed to gain ground for instance in 2013, the challenge to banks arose from credit risk with a ratio of nonperforming loans to total gross loans rising from 4.2 percent in December 2012 to 5.6 percent in December 2013, this led to the profitability decline of banks from 5.44 billion (2012) to 41.4 billion (2013) which reflected that some banks are not performing to expectations something which can be attributed to numerous factors that are both the making of the institutions and others beyond their control and among this, the financial illiteracy of their respective customers is also inclusive. Financial literacy regards one's skills and knowledge in regard financial matters; it's the platform which enables one to make informed and effective decisions when it comes to resources they own.

Financial institutions continue to perform poorly despite the fact that they have financially literate customers/ clients, this study therefore aimed at establishing the effect the financial literacy of clients has on the performance of those institutions.

1.3 Purpose of the study

To establish the effect that financial literacy has on the performance of financial institutions.

1.4 Objectives of the study

The objectives of this study were as follows:

To establish the relationship between budgeting knowledge of customers and the performance of financial institutions.

To establish how investment knowledge of customers affect the performance of financial institution.

To find out how savings knowledge of customers affect financial institution of performance

1.5 Research questions

How does budgeting knowledge of customers affect the performance of financial institutions?

How does customer investment knowledge affect the performance of financial institutions?

How does saving knowledge of customers affect the performance of financial institutions?

1.6 Scope of the study

1.6.1 Geographical scope

The study considers two branches of centenary bank and these were Nateete and Rubaga branch, all of which are located in Rubaga division Kampala district. These were selected due to their convenience; easy accessibility and the fact that they are located in the capital were people are having relative knowledge about financial matters.

1.6.2 Content scope

The performance of financial institution has quite a number of dimensions that can be looked at as a way of measuring performance among which include efficiency , innovation, profitability, but this study is only considering the institutions profitability, growth in clientele and customer care.

1.6.3 Time scope

The study is taking into consideration the period from 2005 up-to date, this is so because information obtained within this period can reflect a vivid picture about the topic in regard to the current economic situations.

1.7 Justification of the study

The performance of the financial institutions mainly depends on the performance of their customers, it should be noted that financial institutions only survive with the interests they charge on the customers say on the loans lent out to the public, savings among others, as such financial literacy of individual customers is crucial as this would help the customers say make profits with the acquired loan through knowing the priorities when it comes to investing, saving among others.

The unsatisfying performance of financial institutions currently calls for a thorough investigation into the causes of this and among them include the financial literacy of the clients to these financial institutions which the researcher suspects to be one of the major cause to the so far recorded performance of financial institutions.

1.8 Significance of the study

The study is to help gain and clearly view the effect that the financial literacy of the customers holds on the performance of financial institutions in the country.

The study is to help the government devise ways of boosting the performance of financial institutions while considering the customers in terms of their financial literacy levels

To help customers know the impact their financial knowledge holds towards the development of the economy.

The study was to set a basis for further student research in regard to financial literacy and the performance of financial institutions.

1.9 Conceptual framework

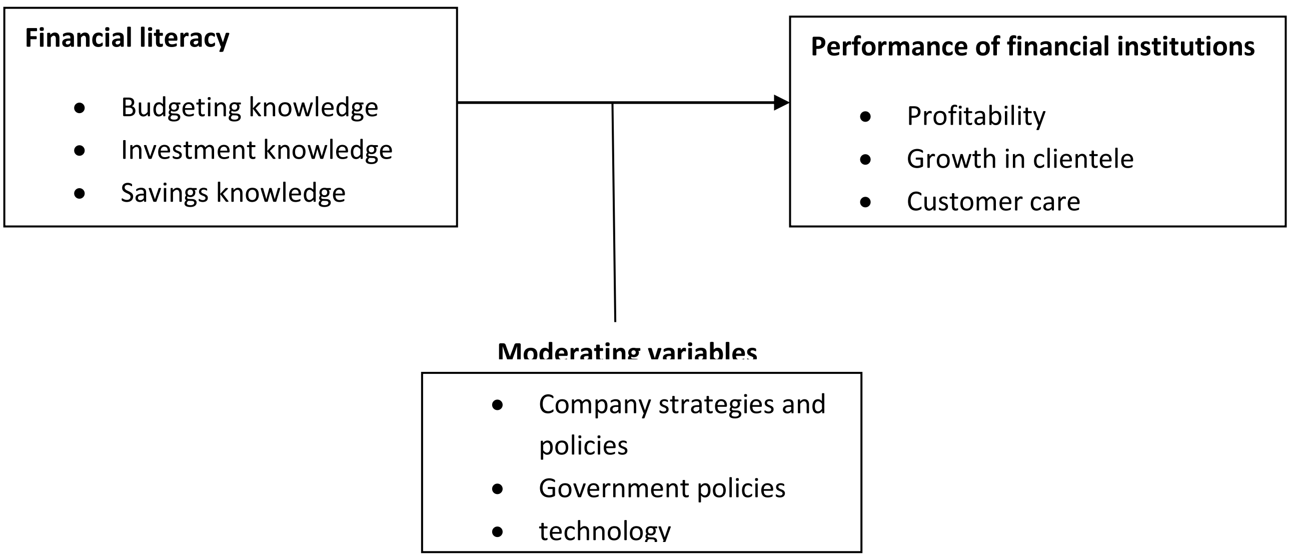
According to hung-yi-su, one of the most essential evaluation indicators of banking performance is customer satisfaction, sales performance and customer retention all of which contribute to customer care, profitability and growth in clientele respectively in financial institutions.

According to lusardi (2014), several concepts measure financial literacy lying on the root of saving and investment decisions

According to Bikker. J.A(2010), profitability and efficiency are one of the factors that can help measure the financial performance of financial institutions, and harker.p.t, he focuses on innovation and efficiency to measure the performance of financial institutions.

Figure 1: conceptual framework

Independent variable **dependent variable**



Moderating variables

Source: adopted from lusardi (2014), Bikker. J.A(2010).

According to the conceptual framework above, the independent variable (financial literacy) is conceptualized as entailing three (3) variable namely budgeting knowledge, investment knowledge and savings knowledge. It is believed that these factors can affect the performance of financial institutions like banks positively in various ways as exhibited in the dependent variable (performance of financial institutions), with its variables namely:- profitability, growth in clientele and customer care.

However, there are some factors that influence the interactions of the two variables (financial literacy and performance of financial institutions) and these include the company strategies, government policies, government policies and technology.

The company strategies and policies, this may in one way or another affect the way customer financial literacy impacts on performance of financial institutions in a way that negative, this is because the strategy contributes a share in the performance of the institutions. For instance if it's the company policy to locate its branches only in the city then this may impact on the profitability negatively as it would be missing the opportunity in say rural areas.

Government policies, this affects the relationship above in a way of hindering the direct correlation of the two factors for instance, however much the customer financial literacy may increase to unexpected levels, there would be no way to guarantee the profitability increase in financial institutions when the bank rate of the central bank remains high, this is because the borrowers would reduce as a result of high interest rates.

Technology, this affects the relationship between the dependent and independent factor numerous ways for instance, however much say the customers may be financially literate, the performance of financial institution might not change when the technology employed is relatively backward, in this century the performance of financial institutions in regard to efficiency is mainly based on say the banking software, so there is no guaranteed positive impact the increase in customer financial literacy would impact on the performance of financial institutions.

1.11 Definition of the terms and concepts

Financial literacy: financial literacy is the ability to use knowledge, skills, and experience of an individual to make effective decisions regarding the use and management of their own resources to provide lifelong financial security for themselves.

Financial performance: this is the measurement of the firm’s policies and operations in monetary terms

Clientele: this is a body of clients or customers to a given organization.

Validity: is the degree to which results obtained from analysis of the data actually represents the phenomenon under study

Financial, this refers to anything pertaining to monetary receipts and expenditure.

Literacy: it’s simply the knowledge, skills, and confidence to manage one’s finances well, taking into account one’s economic and financial circumstances.

Budgeting, this is an act of planning for your future income and expenditures which helps to act as a guideline for spending and saving

An investment, this is the purchase of goods that are not consumed today but are used in the future to create wealth.

Saving,this is the portion of disposable income not spent on the consumption of consumer goods, but accumulated or invested.

Performance: thisis the accomplishment of a given task measured against a preset known standard of accuracy, completeness, cost and speed

Customer service: this is the provision of a quality product or service that satisfies the needs/wants of a customer and keeps them coming back.

1.10 Conclusion

Financial literacy is not only important to the different individuals but the economy as a whole, as such the government ought to put much emphasis on this and as per as this chapter is concerned, an analysis has been made on the financial literacy and the performance of financial institutions and different dimensions have been developed clearly indicating the relationship between them hence setting a basis for further research about this topic.

CHAPRER TWO

LITERATURE REVIEW

2.0 Introduction

To provide a firm ground to a basis for this study, the researcher pursued a good amount of literature about the area of study. This chapter presents what other researchers have already established in the area of this research problem. The main source of data included, textbooks, magazine es, internet, publications journal, among others. The review is conceptualized under the objectives of the study and focuses mainly on financial literacy and the performance of financial institutions.

2.1Theoratical review

According to NyambogaT.O(2013) financial literacy theory argues that the behavior of people with a high level of financial literacy might depend of the prevalence of the two thinking styles according to the dual process theories, Intuition and cognition. According to Glaser,M(2013) Dual process theories embrace the idea that decisions can be driven by both cognitive process and intuitive process.

Intuition is the ability to acquire knowledge without inference or the use of reason. Intuitions provide views, understandings, judgments, or beliefs we can't in every case empirically verify or justify rationally. Cognitive on the other hand is the process by which the sensory input is transformed, reduced, elaborated, stored, recovered and used. In science, cognition is the mental process that includes the attention of working memory, comprehending and producing language, calculating, reasoning, problem solving and decision making. Cognition is a faculty for the processing of information applying knowledge and changing preferences.

According to Glaser,M(2013), Although dual-process theories come in many different forms, they all agree on distinguishing two main processing mechanisms. One of the processes can be characterized as fast, non-conscious, and tied to intuition (System 1), and the other as slow, controlled, and conscious (System 2). System 2 is responsible for analytical and rational thinking which is needed to consistently implement a financially literate investment strategy.

2.1.0 over view on financial literacy

Financial literacy is the having of the knowledge, skills and the confidence to manage one's finances well taking into account one's economic and social circumstances. This is a kind of knowledge that puts someone in the position to know all issues regarding financial matters, how money works and the amount of money to engage an investment so that more money can be made. According to Ludlum (2012), financial literacy is paramount to the success of future generations, and to him financial literacy was defined as the ability to make informed judgments and to take effective actions regarding the current and future use of management of money. The literature on personal financial planning defines financial literacy as the ability to conduct basic financial calculations like compounding interest rates, calculating real returns among others and knowledge of financial products and terms.

According to wise.T(2013), it's the ability of an individual to make informed judgments and take effective decisions in managing their finances'. Then he brings out two dimensions of financial literacy, actions and knowledge. Knowledge focuses on a person's understanding of common financial terms and products/services. Action involves the use of the financial knowledge in the following areas: budgeting, investment, financial planning, keeping of accurate financial records and the type of bank accounts kept, among others. Financial education is increasingly becoming important with economic advancement, this is not the case for only business people who engage in financial activities, its also essential for average families and an individual to decided its or his budgets, fund children's education and ensure and income when the parents retire. For developing economies like Uganda, financially educated consumers can help ensure that the financial sector makes an effective contribution to the real economic growth and poverty reduction at large.

Financial literacy entails one's ability to use knowledge and skills to manage financial resources effectively for a life time of financial well being. It should be noted that one to be a literate, he or she must have been educated in other wards, one to be financially educated, it's achieved through a process, a process by which people improve their understanding of financial products, services and concepts so that they are empowered to make informed decisions, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well being.

It should be noted that there is no definite definition of the term but rather different organizations and researchers define it differently but the key terms that ought to be much considered are (a) a specific form of knowledge (b) the ability or skill to apply the knowledge (c) perceived knowledge (d) good financial behaviour and financial experiences.

Current economic conditions have raised some concerns in different countries about their financial security. For individuals, poor savings and investment decision may carry serious implications for ling term financial security.

According to, Wise,2013 Recent papers argue that "managerial capital" or business skills (including financial literacy) are an important driver of firm growth and a key determinant of productivity, Financial literacy among youth entrepreneurs contributes meaningfully to their entrepreneurship skills.

Financial Literacy enhances the ability to effectively and the continued monitoring of financial resources for developing the economic security of a person. Financial literacy indicates awareness about financial products.(Singh, 2014), he also continued by highlighting the need for continual updating of financial literacy across all age groups because of the dynamic nature of financial products and services as well as the changing needs and circumstances of individuals with time. He observed that exposing young people to financial concepts is particularly important as they are vulnerable to the temptations of taking excessive debt, Show that the actions of individuals who are financially literate do not necessarily mean they will demonstrate good financial behaviour. And he also asserts that Financial literacy level gets affected by gender, education, income, nature of employment and place of work. (singh,2014)

According to Nyamboga T.O,(2013)he argues that financial literacy helps to inculcate individuals with the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. Proper application of that knowledge helps investors to meet their financial obligations through wise planning, and resource allocation. He also asserts that financial knowledge appears to be directly correlated with self-beneficial financial behaviour.

Such knowledge can easily improve on the performance of financial institutions most especially in regard of profitability, it should be noted that banks mainly survive through the loans they extend to the public and with the financial literacy of the customers, they can greatly benefit positively in that regard. Nyamboga T.O(2013) states that Financial literacy facilitates the decision making processes such as payment of bills on time, proper debt management which improves the credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems, and poverty reduction. It also provides greater control of one's financial future, more effective use of financial products and services, and reduced vulnerability to overzealous retailers or fraudulent schemes. According to him, it would be advisable that every bank opens a Financial Literacy and Credit Counselling Centre (FLCCCs) in where it has the lead responsibility.

According to Oseifuah (2010), as cited by wise,T 2013 the following are some
of the key elements of financial literacy skills and knowledge often cited in the literature:

● Mathematical literacy and standard literacy such as basic numeracy and comprehension skills.

● Financial understanding about the nature and forms of money, how it is used, and the consequences of consumer decisions.

● Financial competence, such as the understanding of the main features of basic financial services, attitudes to spending money and saving, understanding financial records and appreciating the importance of reading and maintaining them, an awareness of the risks associated with financial products, and an appreciation of the relationship between risk and return.

● Financial responsibility - the ability to make appropriate personal life choices about financial issues,
understanding consumer rights and responsibilities, the ability, and confidence to seek assistance when things go wrong

According to messy (2012), financial education can help to reduce the demand-side barriers to financial inclusion. Improved financial literacy can increase awareness about products and services, as well as confidenceand ability in using them. In turn, this can help to promote the demand for formal financial products andservices.

2.2.1 Budgeting knowledge

Budgeting knowledge is the one that pertains planning for ones expenditures putting in consideration the resources he or she has at a given period in time.A budget is a plan for your future income and expenditures that you can use as a guideline for spending and saving (*practicalmoneyskills.2016)* Budgeting is an estimation of the revenue over a specified period of time (investopedia.2016) .A budget is a plan for your future income and expenditures that you can use as a guideline for spending and saving. Some people routinely spend more than they can afford even though they have knowledge of a budget. The key to spending within one's means is to know your expenses and to spend less than you make. (*practicalmoneyskills,2016)*. Also according to the free dictionary, budgeting is the systematic plan for the expenditure of a usually fixed resource for instance money during a given period. Budgeting is a part of management control designed to promote the efficient use of resources and providing support for other critical function. The extent to which any budget is successful is very much dependent on its acceptance and the attitudes of workers towards it. (raghunandau,M)

Most organizations regardless of their size and many individuals depend on budgeting and budgeting system to achieve their financial goals, something that exhibit a relative level of literacy financially. The process of budgeting involves setting strategic goals and objectives and developing forecasts for revenue, costs, production, cash flows and other factors. Budgeting pulls together decisions regarding capital budgeting, capital structure and working capital. A budget is a quantitative analysis prior to a defined period of time of a policy to be perused for that period to attain a given objective. It's simply the mapping out the sources and uses of funds for future periods. One to establish a budget successfully the are procedures followed, Firstly Examining ones financial goals, Before one establishes a budget, he or she ought to examine his financial goals. Secondly, Identifying the current monthly income and expenses, then evaluating the budget, and finally monitoring it (360financial literacy, 2016) The budgeting process of an organization affects the level of performance of a firm and it is important therefore that that organization adopt efficient budgeting processes that will be able to provide more accurate results of the firm "performance in the targeted period (Maritim C Faith, 2011).

According to ONDUSO.E.O,2013, The budget acts as financial management to measure the actual and forecast against the budget throughout the planning process, it also assist in monitoring and controlling of current performance by providing early warning of deviations from the plans and analyses the anticipated versus actual results. He continues to assert that there are various types of budgets exist and can be used .Project Budget, Production Budgets, Marketing Budget, Sales Budget, Revenue Budget, Cash Flow/Cash Budgets,

According to Raghunandan (2012), Budgeting process provides a framework for implementing major strategic decisions and ensures that limited and precious resources are efficiently and effectively allocated in order to achieve specific measurable targets, and it's a form of planning.He further stipulates that Budgeting can act as motivation to an individual most especially if he was part of developing it, to stick to it, this in turn affects the performance of the organizations as asserted by Ndegwa (2013)

2.2.2 Investment knowledge

Investment knowledge is the one that one gets in regard to investing and the corresponding terms and techniques used therein. Investment is an asset or item that is purchased with the hope that it will generate income or appreciate in the future. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or appreciate and be sold at a higher price.(Investopedia,2016). According to Nyamboga T.O(2013), investment skills are also a part of financial literacy, and Proper application of that knowledge helps investors to meet their financial obligations through wise planning, and resource allocation, something that puts them In the position of influencing the performance of their common sources of funding (the financial institutions). Investment is considered crucial in this era as it has an impact when it come to economic growth, but the complex question remains, who can effectively engage in, for the case of this study, the answer remains that only those persons that are financially can, For one who is financially literate there are numerous issues he considers much as compared to any other person when it comes to investment fore instance, Risk and Return Analysis is very crucial before investing, Risk and return is a key area of financial literacy, incorporating the ability to identify ways of Managing, balancing and covering risks and an understanding of the potential for financial gains or losses across a range of financial contexts, hence paving way for the positive influence towards the performance of financial institutions indirectly. There are two types of risk of particular importance in this domain. The first relates to financial losses that an individual cannot bear, such as those caused by catastrophic or repeated costs. The second is the risk inherent in financial products, such as credit agreements with variable interest rates, or investment products.

According to Walther. T,2013,A high degree of financial literacy in general leads to “better” decisions in regard to investment, but obviously not for all subjects and not in all situations Jappelli.t says the reality is that ,many studies have provided convincing evidence that a large proportion of the adult population knows little about finance and that many individuals are unfamiliar with basic economic concepts, such as risk diversification, inflation, and interest compounding. In other-wards not fully financially literate. Jappelli.Taffirms that that people which are endowed with an initial stock of financial literacy, which they acquire before entering the labour market, and that investing in financial literacy gives access to better investment opportunities. OECD(2006) stipulates that Individuals will not be able to choose the right investments for themselves, and may be at risk of fraud, if they are not financially literate

2.2.3 Savings knowledge

This is the knowledge that pertains issues regarding saving, and this can be defined as the portion of income not spent on current expenditures. Because a person does not know what will happen in the future. According to Hailesellasie.A 2013, he defined savings as the portion of disposable income not spent on the consumption of consumer goods, but accumulated or invested – directly in capital equipment, by paying off a home mortgage or indirectly through the purchase of securities. Strong saving performance is crucial for macroeconomic balance and for the maintenance of financial (inflation) and price stability (exchange rate). Savings is beneficial for the economy as a whole and thus also for the citizens of the country. Sekgobela (2004) as cited by Hailesellasie.A, 2013, states adequate savings are important for capital formation and have a direct impact on economic growth, and as such are vital for achieving macroeconomic stability. The issue of low levels of domestic savings is a major problem in developing states due to high levels of unemployment, low wages, the engagement of a large proportion of the population in the informal sector, and poor performance of the economy, Hailesellasie.A, 2013. He continues and states that, the low level of domestic saving limits the country's rate of investment which impacting negatively on the performance of financial institutions; also restrain the rate of economic growth and make the country more vulnerable to international capital shifts. But it ought to be noted that the financial institutions have a tremendous role if at all the benefits of savings are accrue to a given country, as such this clearly shows that the savings also indirectly play a role towards the level of financial institutions performance. Among the various means Banks raise capital fore instance through providing loans, deposits, credits and other financial techniques, savings are also involved,. And this usually through the interests charged.*raise-capital.com.(n.d).* There various forms of saving and the other form of saving is through putting money aside by saving it in a bank or financial services provider, investing in a pension plan or in other forms of income – generating investments. Saving is one aspect that can be used to show that on is financially literate and correspond numerous advantages Therefore, savings ought to be regarded as crucial. Financial literacy and saving are positively correlated, Jappelli.T .Ameriks et al. (2003) and Lusardi and Mitchell (2007) as cited by Jappelli.T also provide evidence of a link between financial literacy and saving decisions.

2.3Perfomance of financial institutions

Performance is the accomplishment of a given task measured against a preset known standard of accuracy, completeness, cost and speed. Business dictionary.com (2016)

Rose P,S (2010) The key performance indicators of financial institutions are prices of common and preferred stock, return on assets, net interest margin, asset utilization ratio, nonperforming assets to equity capital ratio, book value assets to market value assets, return on equity capital, earnings per share among others. But the European central bank (2010) put much emphasis on profitability as the major measure of the performance of financial institutions, to it the *capacity to generate sustainable profitability* was considered a definition for describing banks' performance. Profitability is essential for a bank to maintain ongoing activity and for its investors to obtain fair returns; but it is also crucial for supervisors, as it guarantees more resilient solvency ratios, even in the context of a riskier business environment. Indeed, The main drivers of banks' profitability remain earnings, efficiency, risk-taking and leverage. Various stakeholders (fore instance depositors, debtor equity holders and managers) emphasize different aspects of profitability. These views need to be taken into account by market

Participants (i.e. analysts, rating agencies, consultants and supervisors) when looking at ways of measuring bank performance that meet their needs. For this, each different group of market participants has its own preferred set of indicators.

2.3.1 Profitability

Profitability can be defined as the process by which financial institutions align their financial statement income and expenses to better represent the contributors and consumers of those dollars Tom McCarthy (n.d), he continues to assert that Profitability is heart of any financial institution's long and short-term strategy, and in today's global economic climate and regulatory environment, determining its key drivers is a mission critical priority. With compressed margins and increasing competition, it is imperative for financial institutions to understand how customers, branches, channels, officers and products contribute to the bottom line. It is also beneficial to provide the appropriate information to the front-line staff at branches and lending canters so they can assess the effect on profitability of potential offerings at the customer level.

According to the European central bank (2010), Profitability is a bank's first line of defense against unexpected losses, as it strengthens its capital position and improves future profitability through the investment of retained earnings. An institution that persistently makes a loss will ultimately deplete its capital base, which in turn puts equity and debt holders at risk. Moreover, since the ultimate purpose of any profit-seeking organization is to preserve and create wealth for its owners, the bank's return on equity (RoE) needs to be greater than its cost of equity in order to create shareholder value. Although banking institutions have become increasingly complex, the *key drivers of their performance* remain *earnings, efficiency, risk-taking and leverage*.

A bank generates profit from the differential between the level of interest it pays for deposits and other sources of funds, and the level of interest it charges in its Historically, profitability from lending activities, which are one of the financial institutions' income generating sources, has been dependent on the needs and strengths of customers. In recent history, investors have demanded a more stable revenue stream and banks have therefore placed more emphasis on transaction fees, primarily loan fees but also including service charges on an array of deposit activities and other services (international banking, foreign exchange, insurance, investments, wire transfers, etc.). Lending activities, however, still provide the bulk of a commercial bank's income. In the past 10 years banks have taken many measures to ensure that they remain profitable while responding to increasingly changing market conditions..*essay.uk.com (n.d)*

According to the European central bank(2010), while it is clear that a bank must be able to generate "earnings", it is also important to take account of the composition and volatility of those earnings. "Efficiency" refers to the bank's ability to generate revenue from a given amount of assets and to make profit from a given source of income. "Risk-taking" is reflected in the necessary adjustments to earnings for the undertaken risks to generate them (e.g. credit-risk cost over the cycle). "Leverage" might improve results in the upswing – in the way it functions as a multiplier –but, conversely, it can also make it more likely for a bank to fail, due to rare, unexpected losses. There is a multitude of measures used to assess bank performance, with each group of stakeholders having its own focus of interest.

There are other factors to consider in determining profitability: the attribution of certain income and operating expenses, the assignment of capital, and a robust, multi dimensional reporting and analysis framework must all be in place to utilize profitability information in an actionable manner. Tom McCarthy(n.d), he continues to assert that profitability allows financial institutions to better understand how customers, branches, channels, officers, and products contribute to bottom line net income. In the financial services industry there are four basic components of Profitability: funds transfer pricing, expenses and income attribution, capital assignment and reporting and analysis.

2.3.2 Growth in clientele

Clientele refers the group of people who are regular customers at a particular business *reference* merriam-webster.com (n.d), customers are very crucial for the survival of the business When you're looking at increasing your business revenue, the first thing your mind probably jumps to is getting more customers. friedman. E (n.d) Customers are the heart of every successful business and therefore businesses need to more concentrate on customers more than ever. Amoako (2012). But it should be noted that the only way a company can increase on the number of clientele is through efficient customer care services. Amoako (2012) continues to cite Scott (2002), Customer service is a series of activities designed to enhance the level of customer satisfaction, that is, the feeling that a product or service has met the customer expectation. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization's products.

Interactions between customers and employees are a decisive component of service quality.**(** friedman. E n.d). she also asserts that banks ought to be careful about customers' experience as it is discovered that customers with poor experience had only a 43 percent chance of being members a year later, but those with the best experiences were likely to remain members for another six years. According to Riffkin.R (2015) some of the various techniques that can be used to increase the customer satisfaction which is key to the development of customer numbers are as follows;

Listen for Customers' Goals**,** A first step toward improving customers' financial well-being is listening for what a customer's financial goals are, or noticing where his or her financial well-being may be suffering. Coaching bank employees to listen for opportunities to take everyday interactions a step further -- while solving long-term financial well-being issues -- can go a long way toward making customers feel as if the bank cares about their financial success

Make Every Interaction Count, as more customers interact with banks online rather than in person, banks should make every person-to-person interaction count.

Present a Consistent Message**,** A key step in showing customers that the bank cares about their financial well-being is making sure what's learned in a person-to-person interaction isn't lost. Banks already have a lot of information about their customers, and knowing what the customer hopes to achieve financially is crucial to keeping those conversations consistent

Employees' Financial Well-Being Matters Too, Making sure that bank employees have high financial well-being is also important in ensuring that customers' financial goals are met. Bank employees who are struggling with debt or are unaware of the products and services the bank has to offer are unlikely to provide effective support to customers.

2.3.3Customer care

Customer service means providing a quality product or service that satisfies the needs/wants of a customer and keeps them coming back.Ogege.S (2014)**.**It is the provision of service to customers before, during and after a purchase. (Kanyandekwe.S 2014**).**He continues to assert that, customer care or service is a series of activities designed to enhance the level of customer satisfaction that is, feeling that a product or service meet the needs and wants of the customer; defective or broken goods can be exchange or swapped, often only with a receipt and within a specified time frame. Retail stores will often have a counter devoted to dealing with returns, exchanges and complaint, or will perform related functions at the point of sale. Effective customer service is the process by which an organization delivers its services or products in a way that allows the customer to access them in the most efficient, fair, cost effective and humanly satisfying and pleasurable manner possible. Effective customer service in banking is one of the most important ways to keep customers coming back .(Ogege. S. 2014)

The service is so crucial when it comes to the attainment of enviable goals and target of many firms. Customer care involves putting systems in place to maximize your customers' satisfaction with your business. It should be a prime consideration for every business - as sales and profitability depends on keeping customers happy. In recent time, customer care has become or forms an integral part of business. Customer care has long been a major training requirement for organizations which seek the so-called "sustainable competitive advantage". Any company which aims to be successful must aim at retaining its customers. The value of the "lifetime customer" cannot be undermined (Kanyandekwe.S (2014). According to him, It should be understood that the amount of importance one gives to customer service has a direct influence upon the success of a business as well as the generation of a brand name that a business requires for a prominent foot in the market. Satisfied customers would have a definite proclivity to a business that presents its best self, thus increasing the reach of the business to wider fronts. Kanyandekwe.S (2014). We ought to note that with increased competition, banks are required to become more and more customer-focused. It is very expense to get new customers than to retain old customers. Keeping customers requires customer service staff in banks to be mature and intelligence.Good customer service means much more – it means continued success, increased profits, higher job satisfaction, improved company or organization morale, better teamwork, and market expansion of services/products. (Ogege. S. 2014).He continues to say that the Opinion differs among experts in banking and finance as well as the customer service professionals as to what constitutes effective customer services in the banking sector but they all agree that it is an age long issue for which there do not seem to be any consensus in sight. The issue of how to improve customer services to boost banks profitability has a long history in the banking sector. Some elements of customer service under this study include: appearance, attitude, attentiveness, tact, guidance, systems, flexibility, anticipation, communication, organization, convenient days and hours of operation, friendly tellers that are quick and knowledgeable with good communication skills, good listening skill and problem solving abilities of the needs of the customers.

According to Kanyandekwe.S (2014) He asserts that Customer care is a leadership issue. It should be part of an overall business strategy. So it has to start at the top, and by top we mean with the leader. Genuine customer care is a by-product of internal relationships and culture. The way customers are treated is closely allied to the way staff feel about their jobs and the situation in which they do them. This atmosphere, which is a feature of every company, is reflected at all levels but is cascaded from the top. Customer satisfaction is unlikely to happen by chance. An effective leader ensures that it is never left to chance. And according to (Singh, M. 2014)The attitude of employees, their satisfaction and motivation, is a prerequisite for customer satisfaction

Another key goal of customer service is customer retention. Repeat business helps a company remain more profitable, because finding new customers is often more expensive than retaining current ones, especially due to high costs of marketing. Strong customer service tells the customer that he is valued.

Customer service has an additional objective to expand business. Because satisfied customers often tell others about their experience, excellent customer service should attract business in the form of new clients. Here again a facet of customer service helps to reduce cost; word-of-mouth by your current customers is a cheaper manner of gaining new business when compared to marketing and advertising. Moreover, a company with a reputation for outstanding customer service will have an advantage in attracting talent as well. A larger pool of potential employees puts the organization at a competitive advantage (Kanyandekwe.S 2014).

2.4 Actual review of literature

2.4.1 Budgeting knowledge of customers and the performance of financial institutions.

The fund budgeting culture truly contributes to the performance of financial institutions in various ways: Budgeting contributes to the timely fulfilment of financial obligations of one as an individual or the organization, this in turn contributes to the performance of financial instructions since this is very crucial when it comes say to loan repayment, yet, according to essay.uk, lending activities the bulk of commercial bank's income, which in turn determine the performance of the financial institutions, it should be noted that loan-default related losses are lowered. And this is true through various means as expressed, according to Arthur F. Rothberg (n.d),*one of the uses of budgeting and budgeting knowledge are as follows:*

- One can predict when cash shortfalls may occur, enabling you to plan in advance whether you will need to secure financing, tap into a line of credit or make adjustments to your payables schedule.
- One can plan large expenditures more strategically, rather than being caught unprepared when these needs arise.
- One can reduce interest expense by planning financing needs well in advance.
- and also one will have a better handle
- on your cash flow, which will increase your overall financial control
-

for companies and sometimes individuals, The budget acts as financial management tool to measure the actual and forecast against the budget throughout the planning process, it also assist in monitoring and controlling of current performance by providing early warning of deviations from the plans and analyses the anticipated versus actual results. (ONDUSO.E.O, ,2013)

It should be noted that when the customers to financial institution have knowledge about finance budgeting, they would always be in position to meet their obligations to financial institutions something that leads say to their liquidity, according to Sattar.A and Khan.W.A,2014 ,If the financial institutions have enough amount of liquidity to respond to their obligations then they can manage the situation easily, this can lead to profitability in one way or another hence impacting on the performance of the institution.

Banks profit from the difference between the interest rate paid to depositors and the interest rate banks receive from loan repayments. http://www.econtrader.com (2014). The amounts banks collect on loans is greater than the amount of interest they pay to customers with savings accounts zhen.Sthis implies that through proper fund budgeting knowledge of customers is important to banks fore instance their various means it can help the customer meet obligations to the banks like most especially loan repayment. One is put in position to meet his financial obligations and according to www.leoisaac.com. Purposes of Budgeting, among others, in this regard is usually through:

- Forecast of income and expenditure Budgeting is a critically important part of the business planning process. Business owners and managers need to be able to predict whether a business will make a profit or not. The purpose of budgeting is basically to provide a model of how the business might perform. In constructing a Business Plan, the manager attempts to forecast Income and Expenditure, and thereby profitability.
- Tool for decision making the purpose of budgeting is to provide a financial framework for the decision making process i.e. is the proposed course action something we have planned for or not.
- In managing a business responsibly, expenditure must be tightly controlled. When the budget for advertising has been fully expended, the decision on "can we spend money on advertising" is likely to be "no".
- Monitoring business performance the purpose of budgeting is to enable the actual business performance to be measured against the forecast business performance i.e. is the business living up to our expectations.

  Such uses of budgeting do not benefit the financial instructions'' customers only , but also impact on their performance since their is a direct relationship in the performance of customers and the banks.

2.4.2 Investment knowledge of customers and performance of financial institution.

Investments truly contribute to the development of the economy mainly through the way they impact on the financial institutions, and this can either be positively or negatively, people who are financially literate positively contribute to the performance of financial institutions due to the fact that they are always cautious in whatever they do, and critically analyze the prevailing factors before taking and decision. According to Nyamboga T.O(2013), investment skills are also a part of financial literacy, and Proper application of that knowledge helps investors to meet their financial obligations through wise planning, and resource allocation, something that puts them In the position of influencing the performance of their common sources of funding (the financial institutions). Investment is considered crucial in this era as it has an impact when it come to economic growth, which usually dwells on the development and performance of financial institutions.

A person whose is knowledgeable is usually keen when investing in order to minimize losses that can accrue to him or her, this in turn impact on the performance of financial institutions as the main financiers, There a number of factors one who is financially literate considers before investing, according to*budgetingincome,*for instance, a. Best use for your money, the most important factor to consider if it is the right time for one to invest **i**s to look at the best use of his money and the objective for investing, A factor that determines where to invest your money is your objective for investing, *Financial landscape is another factor to consider in investing and this one requires that one knows the dynamic's of the financial environment* and the main implications of financial contracts along with the legal system. it also entails an understanding of the consequences of changes in economic conditions and public policies, such as changes in interest rates, inflation, and taxation or welfare benefits.

It should be noted that Investors who are financially literate on their part, are able to evaluate and compare financial products, such as bank accounts, saving products, credit and loan options, payment instruments, investments, insurance coverage, so as to make optimal decisions more so these people influence the performance of financial institutions in various way fore instance .

Being a literate when it comes to investment decisions doesn't benefit the individual and the business customers of the business only, but also the financial institutions as a whole, this is due to the fact that majority are the major providers of the investment funds which are in most cases in the form of loans, are the commonest source of funding and finance used by majority (financial institutions) world wide when it comes at business operations. This can improve the performance of the institutions fore instance via profitability, as such leading to a double benefit, as one chases the investment dreams the banks also gain in form of interests charged. According to **(***raise-capital.com n.d),* it is affirmed that Banks raise capital by charging interest on these loans

Another way financial literate customers can contribute to profitability of the commercial banks is by means of entrusting their respective financial institutions to invest on their behalf. According to raise-capital.com, Banks raise capital through investment. Banks raise capital by underwriting that is; acting on behalf of clients as agents to issue securities. This opportunity given by banks to individuals, corporations and governments is called investment banking. Investment banks raise a considerable amount of capital. In investment banking the bank helps the individuals, corporations or government for mergers; it also helps in trading and providing ancillary services. Investment banks are different from other retail banks as they do not take deposits from the customer. Their main work for raising capital is trading securities either in cash or they involve themselves in securities for market making. It is further asserted that banks raise capital to sustain their operations and earn profits.

2.4.3 Savings knowledge of customers and financial institution of performance

Money is usually saved for numerous reasons and the main reason for it, is that money should be saved to cater for unexpected events or emergencies. Without savings, unexpected events can become large financial burdens.

Saving usually impact on the performance of financial institutions either directly or indirectly, for instance, Economists have always recognized savings as the source of investment that fuels an economy's long-term growth and impacting on the say the profitability of financial institutions as they the major providers of addition funds say through loans. (Elbadawi&Mwega (2000) as cited by Hailesellasie.A,2013, states that, empirical studies conducted over time have indicated that domestic saving and investment are highly correlated. It is recognized that saving as an important factor in economic development as it enables the conversion of resources into capital, and this can be possible mainly through the various financial institutions something that clearly shows that the performance of financial institution depends on the level of savings at a certain extent however, though it is crystal clear that savings are crucial, there are still low saving levels in Africa generally along with the saving culture. The continent Africa has been identified as having an unsatisfactory growth in saving rates, which slows down capital accumulation.

According to Hailesellasie.A,2013, Africa's low saving rate influences the ability of banks to lend to small enterprises due to the limited availability of capital, and with this there poor performance will never be a surprising news. It should be noted that Nations whose citizens and leaders have acted on this insight have gained powerful competitive advantage over time. Saving, in short, can ultimately translate into rising living standards and a more stable economic environment as the saving culture greatly impacts to the development of the

financial institutions positively, most especially when folks prioritize them in that regard, according to, (Friedman.J 2011) ,Most of the money that commercial banks lend out is not capital, it is debt borrowed from depositors and purchasers of a bank's bonds. This greatly indicates that people's saving culture Impacts on the performance of financial institutions
Saving culture remains one of the important financial literacy aspects,Hailesellasie.A, 2013. states that, the low level of domestic saving limits the country's rate of investment which impacting negatively on the performance of financial institutions; also restrain the rate of economic growth and make the country more vulnerable to international capital shifts.

2.5 conclusion

The emerging gap was that whereas there was gradual-relative improvement in the financial literacy rate of the public in general, it was not clear whether the performance of the financialinstitutions was improving at the expected rate. The study thus analyzed the effect of financial literacy of customers and the performance of financial institutions in centenary bank. This helped establish the effect of the literacy of customers financially on the performance of financialinstitutions

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents an overview of the methodological perspective of research study, it gives the background against which data is collected, assessed and analyzed. It describes the research design and the conceptual framework hypothesized in the study. This gives a basic plan for the study, and it includes main ideas such as strategy, sample and tools and procedures used for collecting and analysing data. This section is to cover also the study population, sample selection, and sample size, data collection instruments, validity, and reliability, data processing and analysis and measurement of variables as well as anticipated limitations of the study.

3.1 Research design

The study deployed a case study design; this is the one where a researcher uses a single company to clearly bring out evidence relating to the research, the case study helped the researcher get clearer information about the whole topic.

It was descriptive in nature Based on quantitative approaches. This is a study which is appropriate in making an in-depth understanding of the individual, group, institution, or phenomena. The combination of the approaches gives the study more accurate and reliable findings. Qualitative approaches help in the description of the research population and at a given time within a short period.

The quantitative techniques are aimed at generating quantifiable data and ascertaining the statistical linkages between financial literacy knowledge and the performance of financial institutions. A standardized questionnaire was used in this regard with static questions with limited options for the respondents.

3.2 Area of study

The study will focus on centenary rural development bank, this is a one of the big financial providers in Uganda that was primarily involved in agricultural produce, small manufacturers, small traders, importers and exporters. The bank holds a significant portion of its portfolio in the microfinance arena in an attempt to meet the needs of the many individuals and business entities

With limited means, that the bank serves. The core reason for the formation of the bank was to eradicate poverty amongst the local folks, and its because of this that the researcher found it crucial for this research and the particular branch to be considered was Nateete and Rubaga branch due to the number of people which are using the financial services there.

3.3 Study population

A population usually refers to the entire group of individual, objects or events being observed and with common observable characteristics.

The study population consisted of members who are well versed with the performance of the bank in comparison to the study, this consisted mainly of centenary bank's employees and they were forty one (40) in summation.

3.4 Sampling procedure

Sampling procedure is the technique or the procedure the researcher adopted in selecting items for the sample. The researcher used probability sampling as a procedure in selecting items for the sample. According to kombo and tromp as cited by kahwili (2014), probability sampling involves random selection of people , places or things . Each unit in the population holds an equal chance of being selected, hence a reason for the choice of this sampling method.

3.4.1 SAMPLE SIZE AND SELECTION

The sample size for the study was calculated basing on the estimated total population of forty one (41) The sample size was calculated using the slovin's formula (Ellen,2008) and supportedby the table of Krejcie and Morgan (1970), all as cited by kahwili (2014). Slovin's formula was provided as below:

$n = N= N/ (1+ Ne^2)$

where:

n = Number of samples

N = total population

e = Error tolerance.

According to this research the confidence level was 95%, hence the margin for error was 0.05

Computing the sample size:

$n= N/ 1+Ne^2$

$n= 40/1+40(0.05)^2$

n= 36.3

=36

3.4.2 Sample techniques

Sampling is the procedure of selecting a number of individuals or objects from a population such that the selected group contains elements representative characteristics found in the entire group (kombo and tromp, 2006) as cited by kahwili (2014).it is the procedure the researcher uses to gather people , places or things to study.

The researcher used simple random sampling in the due process of selecting a sample, a method that allows individuals in the defined population to have an equal and independent chance of being selected for the sample.

3.5 Data collection sources

The researcher mostly collected primary data, this is the information gathered directly from respondents. The researcher collected data through questionnaires and interviews.

3.6 Data collection tools

3.6.1 Questionnaires: The researcher employed questions in the whole process of investigating about the research topic for an in-depth that was vital for the whole process. This method used since it was difficult for the researcher to observe some critical views and knowledge. The interviewer used questionnaire that were composed of closed ended questions. Since the study was prospective and quantitative in nature, the responses were more likely to variant and subjective made data coding difficult. The questionnaires were given to the employees of this very bank with the aim of getting their opinion in regard to the topic above.

3.7 Quality control methods

Quality control was done by ensuring the right respondents are the only ones providing data, that the analysis tools are accurate and the correct conclusions are made through testing validity and reliability.

3.7.1 Validity

Validity is the degree to which results obtained from analysis of the data actually represents the phenomenon under study. it refers to the issue of whether or not an indicator (or set of indicators) that is devised to gauge a concept really measures that concept (Bryman and bell,200) as cited by kahwili(2014). It is the extent, to which the instrument measures what it purports to measure, and it is usually achieved through content validity, this pertains to the degree to which the instrument fully assesses or measures the construct of interest. Content validity is ensured through questions found in the questionnaires and interview guide.(Kahwili 2014)

The questionnaires were prepared and discussed with a number of elites before being distributed among which included colleagues supervisors among others to justify for their suitability before being distributed to respective respondents, in so doing correction were made and due additions and subtractions also followed something that helped do a way with ambiguities and simple but meaningful questionnaires developed.

As used by Namugalu(2014),the formula used for testing validity was

CVI = n/N

Where:

n = number of item related as relevant.

N = total number of items in the instrument

The CVI for the questionnaire obtained was 81.5 the instrument was considered valid because the validity was above o.70 acceptance level. Amin(2004) as cited by kankiriho (2014) observes that in the survey, at least CVI recommended should be 0.7 (or above 70%). A few adjustments were made in the instrument to make them more valid.

3.7.2 Reliability

Reliability refers to the consistency of a measure of research tools for collecting relevant data. Three prominent factors involved in considering whither a measure is reliable are stability, internal reliability and inter-observer consistency (Bryman and Bell,2007) as cited by kahwili(2014). The researcher tested internal consistency of the research work. Internal consistency measures consistency within the instrument and questions how well a set of items measures a particular behaviour and characteristics within the test. For a test to be internally consistent. Estimates of the reliability are based on the average inter correlations among all the single items within a test.

The method of testing is generally referred to as cronbach alpha (Drost,2011) as cited by kahwili. And the researcher carried out a reliability test most especially using SPSSto determine the alpha value and use it to determine the reliability of tools. Elements of independent and dependent variables were selected and tested from the scale of alpha using SPSS programme producing coefficient alpha value for each variable as indicated in the table below:

Cronbach alpha value for reliability of tools.

Variables	**Alpha value**
Budgeting knowledge	0.794
Investment knowledge	0.810
Savings knowledge	0.732
Performance of financial institutions	0..730

The table above shows the scored alpha values of tested study variables and the following are the results from respective variables, budgeting knowledge (0.794), investment knowledge (0.810), saving knowledge (0.732) and performance o f financial institutions (0.730).

The table depicts the alpha values above 0,6 when reliability test was conducted implying that the tools used to collect data were reliable as asserted by SSekaran (2003) as cited by kawhili (2012)

3.8 Data management andanalysis

3.8.1 Quantitative Data was collected by using questionnaires. Descriptive analysis of data was done by using the SPSS program (statistical package of social science) considering both uni-variante and bi-variante analyses. The uni-veriante analysis of the objectives was done to obtain descriptive data in form of mean, Frequencies and percentages. In establishing the relationship among variables, bi-variante analysis in form of correlation was used to ascertain the magnitude of the effect the dependent variable has on independent variable. The information was presented

Inform of tables, figures and charts.

3.9 Ethical considerations

The researcher observed rules and regulations of acknowledging the works of other researchers by citing and quoting them, and the following are the additional ethical considerations that the researcher observed.

The researcher ensured confidentiality; anonymity and privacy so as to safe guard the interviewees and other respondents in the whole procedure of carrying out research. This was effected through proper keeping of the results, keeping them confidential and away from all people who aren't part of the researcher.

The informed consent: the researcher made sure that all respondents were informed before they could participate in the whole proceeds with answering the respective questionnaires.

The freedom to leave the research at will. The researcher left the respondents with freedom to leave the research at will, they were left with that discretion.

3.10 Limitations of the study

There a number of problems that the researcher faced in the whole procedure of carrying out the research and among these are the following:

Respondents' non response, the researcher encountered non response from the various respondents, this was a challenge and it led to the time wastage, this was overcome through showing them that this was totally academic and nothing was revealing their personal information was an issue of their discretion.

Poor attitude: the researcher encountered poor attitude of the people supposed to provide secondary information. The researcher solved this problem through making follow ups.
Limited time for the research, the researcher faced a challenge of tine whereby the time allocated tor collecting data was not enough which was another form of inconvenience.

Financing issue, the researcher faced also a problem of finance in other wards the whole procedure required a lot of money to facilitate issues concerning transport, phone credit, printing among others something that affected the effective carrying out of the whole procedure.

Failure to get all the questionnaires answered, not all the questionnaires were answered by the respondents something that was centrally to the expectations of the researcher.

3.11 Conclusion

The methodology employed helped in collecting relevant and adequate data which were helpful in analysis of the study. Questionnaires were used and made data collection easy since they were formulated in a straight forward manner. It wasn't necessary to take a big sample size because of time. Centenary bank was taken as a representative of the whole financial institutions; body.

CHAPTER FOUR
DATA PRESENTATION AND DISCUSSION

4.0 Introduction

This chapter presents and discusses the study findings from the questionnaire collected on financial literacy of customers and the performance of financial institutions using centenary bank as the case study. It specifically presents the response rate, the background information about the respondents, results of financial performance of financial institutions (the dependent variable) presentation n and discussion of study findings in relation to the specific objectives and a conclusion of the chapter.

4.1 Response rate of this study

A total of 36 questionnaires were distributed to the respondents for sampled population but 30 questionnaires were retrieved fully filled. These were considered sufficient respondents because this was a response rate of 83.3 % as taylor-powell and Hermann (2000) as cited by kankiriho (2014), suggest that a response rate of 60% is acceptable.

4.2 Background information of the respondents

Table 4. 1: Gender Composition of the respondents

The study assessed the gender composition of the respondents and the following findings were revealed.

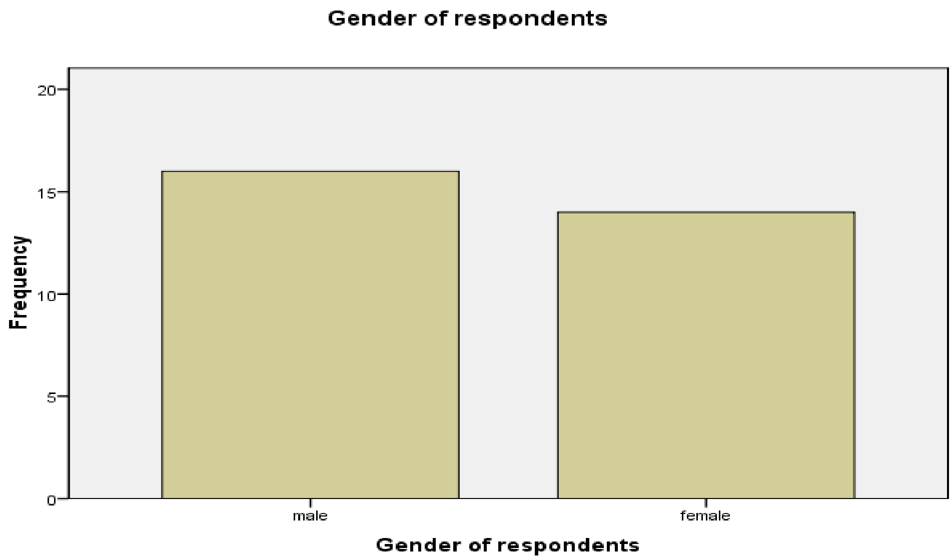
Gender of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	16	53.3	53.3	53.3
	female	14	46.7	46.7	100.0
	Total	30	100.0	100.0	

Source: Primary Data (2016)

Findings presented in table 4.1 above, 53.3% of the respondents were males and 46.7% were females. This implies that more males were used in the study respondents than females.

Figure 2: Bar chart showing the gender of respondents



Source: Primary source (2016)

Age bracket of respondents

The table below represents the age brackets of the various respondents that answered the questionnaires in the due process of carrying out research

Table 4. 2:Age bracket of respondents.

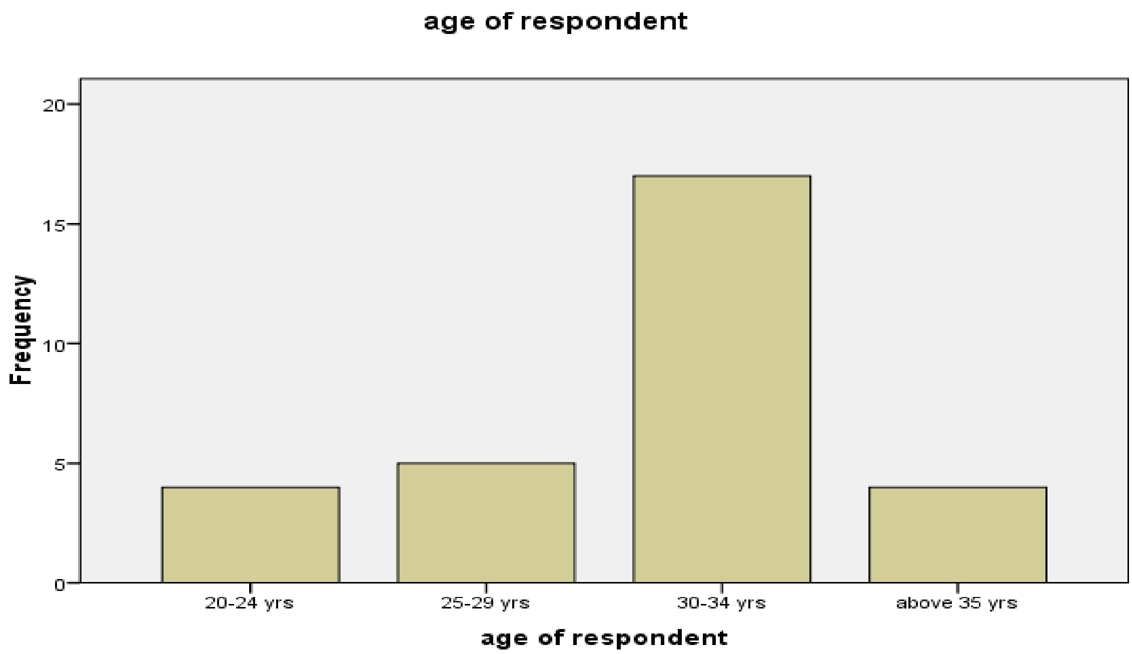
age of respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-24 yrs	4	13.3	13.3	13.3
	25-29 yrs	5	16.7	16.7	30.0
	30-34 yrs	17	56.7	56.7	86.7
	above 35 yrs	4	13.3	13.3	100.0
	Total	30	100.0	100.0	

Source: Primary Data (2016)

As exhibited in the table 4.2 above, respondent that were in the age bracket of 20-24 made up 13.3 of the total number of respondents, those with 25-29 years were 16.7%, respondents with 30-34 years made up 56.7% and those above 35 years of age were 13.3%.

Figure 3: Bar chart showing the age of respondents



Source: Primary source (2016)

Period taken by employees

The study researcher went ahead to the asses the years employees had worked with centenary bank and the following findings were revealed.

Table 4. 3: period taken working for the company

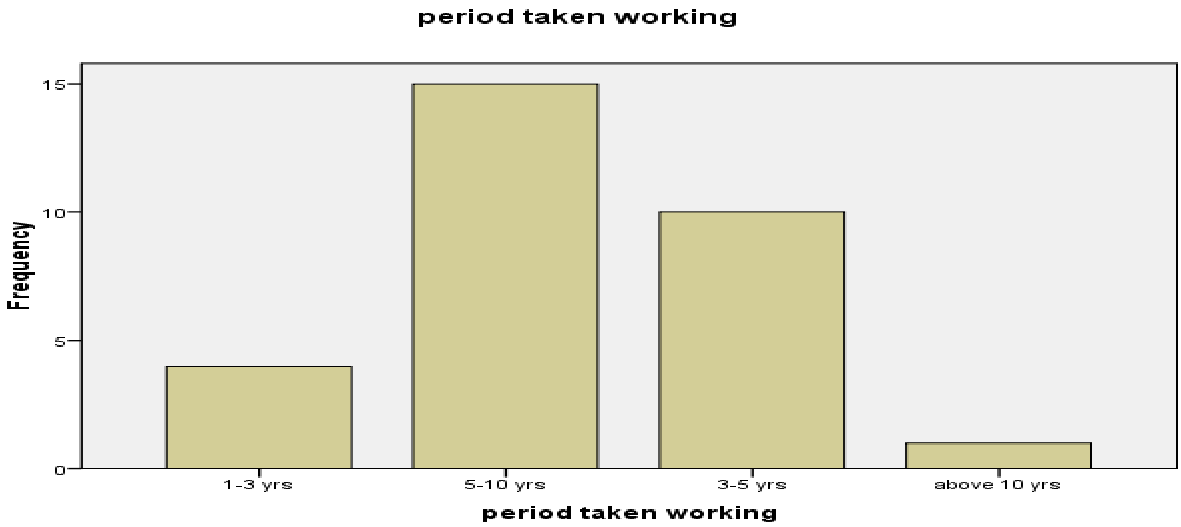
period taken working

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 yrs	4	13.3	13.3	13.3
	5-10 yrs	15	50.0	50.0	63.3
	3-5 yrs	10	33.3	33.3	96.7
	above 10 yrs	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Source: Primary source (2016)

According to the findings presented in the table above revealed that 13.3% of the respondents had served centenary bank for 1 – 3 years, 50% had worked for 5 – 10 years of service and 33.3% of the respondents had worked for 3/5 years and 3.3% for 10 and above years. This implies that all respondents used in the study had worked for enough period of time and were capable of providing valid responses to the study questions.

Figure 4: Bar chart showing the period taken by respondents working.



Source: Primary source (2016)

Position Held in Organization

The researcher also researched about the various positions that were held by the respondents and the findings were as follows:

Table 4. 4: position held by respondents in the organization

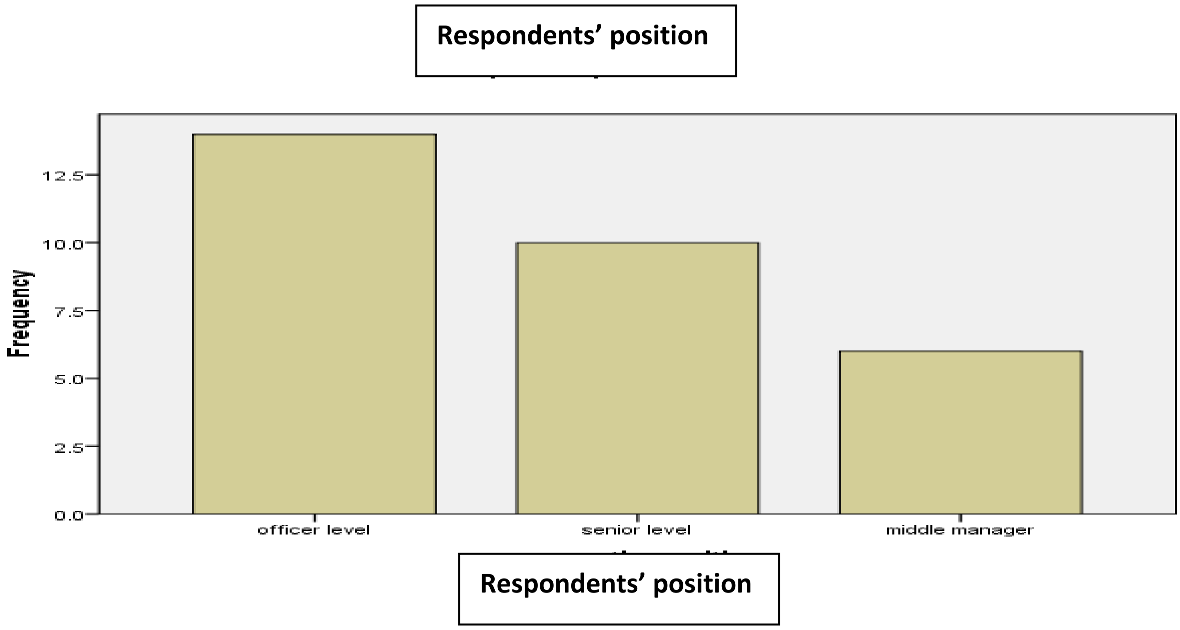
respondent's position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	officer level	14	46.7	46.7	46.7
	senior level	10	33.3	33.3	80.0
	middle manager	6	20.0	20.0	100.0
	Total	30	100.0	100.0	

Source: Primary source (2016)

The findings reflect that those that were at the officer level were 46.7%, senior level were 33.3%, and middle level were 20.0% and all these were in position to fully respond to the questionnaire that were used for the research.

Figure 5: Bar chart showing the position held by respondents.



Source: Primary source (2016)

Level of education of respondents

The researcher also researched about the various levels of education of the respondents that were held by the respondents and the findings were as follows

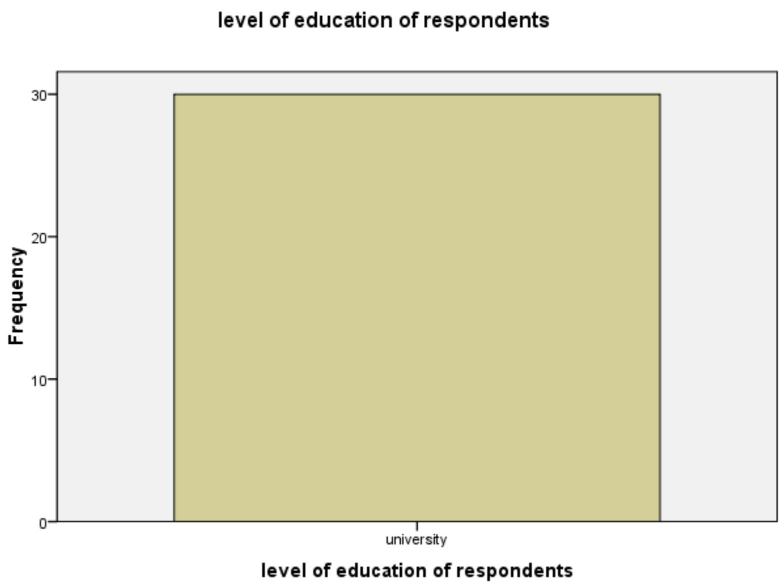
Table 4. 5level of education of respondents.

level of education of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid university	30	100.0	100.0	100.0

According to the findings, it was discovered that all the respondents reached the university level which made the percentage completely 100%, this in turn implied that all the respondents were in position to answer the questionnaires given to them satisfactorily hence an assurance to viable findings.

Figure 6: Bar chart showing the education level of respondents



Source: Primary source (2016)

4.3 descriptive statistics on budgeting knowledge

Table 4. 6: descriptive statistics on budgeting knowledge.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
budgeting knowledge helps guide customers when it comes to spending	30	4	5	4.43	.504
it helps customers stick to budgets due to positive attitude attained	30	2	5	3.77	.774
it helps customers use the acquired funds like loans for intended purpose	30	3	5	4.47	.629
it helps customers in planning	30	2	5	4.30	.702
it helps one avoid spending more than he earns	30	2	5	3.87	.900
it enables customers first set goals before spending funds they have acquired	30	2	5	4.23	.935
Valid N (listwise)	30				

Source: Primary source (2016)

Budgeting knowledge helps guide customers when it comes to spending

The findings show that the respondents were in agreement with the statement, and this is exhibited by a mean of 4.43 and a standard deviation of 0.504 exhibits the level of disagreement of the respondents in regard to the statement. This is in line with respondents with anonymity who clearly confirmed the positivity of the statement.

Budgeting knowledge helps customers stick to budgets due to positive attitude attained

According to the findings, the respondents were neutral with the statement and this is evidenced with a mean of 3.77 and there were those who were not in agreement with statement were as represented by the standard deviation of 0.774 According to Raghunandan (2012) ,Budgeting can act as motivation to an individual most especially if he was part of developing it, to stick to it, with the findings above, this is possible because the respondents never disagreed with it.

Budgeting knowledge helps customers use the acquired funds like loans for intended purpose

The researcher found out that majority of the respondents were in agreement with the statement and this is as evidenced with a mean of 4.47, it were only a few respondents that were in disagreement with the statement and these are as represented with a standard deviation of 0.629, the statement was in line with backing from respondents most especially in the loans department basing on their experience.

Budgeting knowledge helps customers in planning

The researcher really came to a conclusion that budgeting knowledge helps customers in planning as this is evidenced by majority of respondents accepting the statement as evidenced by a mean of 4.30 and it's only a few that were opposed to the statement as shown by a standard deviation of 0.702, Raghunandan(2012), who asserts that budgeting in another form of planning.

Budgeting knowledge helps one avoid spending more than he earns

The researcher also found out that the respondents were neutral when it came to budgeting knowledge help customers avoid spending more thanthat what they earn and this is evidenced by a mean of 3.87 and a standard deviation of 0.900 which represents disagreement. This in turn provides room for the stipulation of practicalmoneyskill.com, which stipulates that a budget provides a basis for one to spend within his means, is viable.

Budgeting knowledge enables customers first set goals before spending funds they have acquired

The respondents were also in agreement with this statement as evidenced by a mean of 4.23, and a standard deviation of 0.935 which represented a low level of disagreement with the statement.

According to Raghunandan (2012), Budgeting process provides a framework for implementing major strategic decisions and ensures that limited and precious resources are efficiently and effectively allocated in order to achieve specific measurable targets. This is reflected in the findings.

4.4 descriptive statistics on investment knowledge

Table 4. 7: descriptive statistics on investment knowledge

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
investment knowledge helps customers asses options before investing	30	3	5	4.30	.702
it helps one know how useful it is to invest	30	2	5	4.00	.871
it helps customers meet the bank obligations by using funds like loans profitably	30	2	5	4.10	.712
this knowledge helps one avoid losses after investing funds in a business	30	2	5	3.63	.928
it makes customers critical about prevailing factors before investing	30	2	5	4.07	.980
it induces one to learn more about various investment fields and their respective returns	30	1	5	3.93	.907
Valid N (listwise)	30				

Source: primary source (2016)

Investment knowledge helps customer's asses options before investing

With such findings, it is evidenced that investment knowledge helps customers asses the options before investing and is true with a mean of 4.30 and a minimal standard deviation of0.702, this is in line with what OECD(2006) stipulates that Individuals will not be able to choose the right investments for themselves, and may be at risk of fraud, if they are not financially literate

Investment knowledge helps one know how useful it is to invest

Majority of the respondents agreed with this statement as represented with a mean of 4.00, and a standard deviation of 0.871 which represents minimal disagreement, this proves how useful investment knowledge is. This stamen was highly supported by majority respondents who stipulated that those people who risk and invest in various ventures are the ones who have knowledge in regard to investment.

Investment knowledge helps customers meet the bank obligations by using funds like loans profitably

A mean of 4.10 exhibits that many of the respondents were in agreement with the statement and only a few opposed it as shown by a standard deviation of 0.712, this was in line with what nyamboga (2013) had said in regard to meeting the financial obligations, thus exhibiting the importance of such knowledge.

Investment knowledge helps one avoid losses after investing funds in a business

The researcher discovered that the respondents were neutral with regard to the statement as reflected with a mean of 3.63, and a standard deviation which represents disagreement recorded as 0.928. this implies that the public is not sure about the statement above or otherwise they are still taking investment knowledge for granted in regard to avoiding losses.

Investment knowledge makes customers critical about prevailing factors before investing

A mean of 4.07 represents that majority of the respondent were in agreement with the statement, it’s only a few that disagreed with it and these were represented with a standard deviation of 0.980. the statement shows that respondents as the ones who interact with people who always are in for investment funding, have practically observed the materiality of the statement, implying that people who are knowledgeable about investment are keen about prevailing factors that may affect them.

It induces one to learn more about various investment fields and their respective returns

The respondents were neutral to the statement and this is evidenced with a mean of 3.93, the ones which were in disagreement with it were represented with a standard deviation of 0.907. This implies that respondents haven't clearly discovered the role current knowledge plays in driving one to search for more knowledge.

4.5 Descriptive statics on saving knowledge

Table 4. 8: Descriptive statistics on savings knowledge

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
customers are aware of all types of saving platforms offered by the bank	30	1	5	3.20	.997
banks play a great role in boosting the savings of customers	30	2	5	4.10	.803
savings are usually part of the customers' income not spent	30	2	5	4.13	.937
customers know the interest that gain on various accounts opened	30	1	5	3.43	1.104
customers clearly know how saving enables them invest in the future	30	2	5	3.63	1.033
customers with saving knowledge find it easy to save	30	4	5	4.33	.479
Valid N (listwise)	30				

Customers are aware of all types of saving platforms offered by the bank

A mean of 3.20 shows that the respondents were neutral with the statement and its few that disagreed with it as evidenced with a standard deviation of 0.997. This leaves room of proof to what messy (2012) stipulated that improved financial literacy can increase awareness about products and services, as well as confidence and ability in using them. In turn, this can help to promote the demand for formal financial products and services.

Banks play a great role in boosting the savings of customers

A mean of 4.10 exhibits that the majority of the respondents were in agreement with the statement and it’s only a few that were in disagreement as evidenced with a standard deviation of 0.803. this was in line with confessions made by the respondents clearly asserting that the banks have played an imaginable role in that regard.

Savings are usually part of the customers' income not spent

A mean of 4.13 is a clear evidence of respondents being in agreement with the statement that savings are part of one's income not spent, this is in line with the lamentation of hailesellasie (2013) who asserts that savings a portion of disposable income not spent consumption. The viability of the statement is further backed with a minimal disagreement as represented with a low standard deviation of 0.93

Customers know the interest that gain on various accounts opened

Respondents were neutral with the statement as shown by a mean of 3.43, and those that disagreed were as represented with the standard deviation of 1.104, such a response shows that the customers to the institution may not be satisfactorily equipped with such crucial information, and this is exhibited with the of the respondent not being sure as shown in the results

Customers clearly know how saving enables them invest in the future

The respondent were also neutral with the statement as evidenced with a mean of 3.63,this leaves room to shows that the assertion of haillesellasie(2013) that the saving levels of a country can impact on the investment levels a country in the future hold some water. However there were some disagreement as exhibited with a standard deviation of 1.033.

Customers with saving knowledge find it easy to save

A man of 4.33 show a great agreement of respondents, it’s only a few that were in disagreement with this and these are represented with a standard devotional of 0.479 indeed OECD(2006) stipulates that Individuals will not be able to choose the right savings for themselves, if they are financially illiterate

4.6 Descriptive statistics on performance of financial institutions.

Table 4. 9: Descriptive statistics on theperformanceof financial institutions.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
determining the key performance drivers is important for a bank's profitability	30	3	5	4.50	.630
current bank profitability leads to future profitability due to retained earnings	30	2	5	4.10	.803
banks generate profits from the differential between the level of interest it pays for deposits and interest it charges for services	30	2	5	4.27	.785
customers are crucial for survival of the business whose objective is increasing revenue	30	3	5	4.53	.571
the only way a business can increase its clientèle is through efficient customer care	29	2	5	4.10	.900
customer experience plays a great role in retention of old customers	30	3	5	4.33	.711
customer service means providing quality service that satisfy the needs or wants of customers and keep them coming back	30	2	5	4.37	.718
it entails provision of a service to customers before, during and after transactions	30	3	5	4.43	.679
customer care is a concern of every employee working in the bank	30	2	5	4.27	.828
Valid N (listwise)	29				

Source :primary(2016)

Determining the key performance drivers is important for a bank's profitability

A mean of 4.50 reflects that majority of the respondents were in agreement with the statement that determining the key performance drivers is important just like the assertion of mcCathy (n.d). It's only a few that were in disagreement with it as reflected by a standard deviation of 0.630

Current bank profitability leads to future profitability due to retained earnings

According to the findings majority of the respondents also were in agreement with the statement as reflected in the mean of 4.10, indeed it is in line with what the European bank asserted that current profitability leads to future profitability of the bank through the investment of retained earnings. There were only a few which were in disagreement with it as represented with a standard deviation of 0.803

Banks generate profits from the differential between the level of interest it pays for deposits and interest it charges for services

As reflected in table 4.8 above, a mean of 4.27 exhibits an agreement with the statement yet it's also in line with what essay.uk (n.d) had stipulated. Such majority acceptance over shadows those which ere in disagreement with the statement as reflected with a standard deviation of 0.785

Customers are crucial for survival of the business whose objective is increasing revenue

The researcher also found out that the respondents and majority were in agreement with this statement that customers are crucial for the survival of the business just like the way friedman (n.d) had also stipulated, this is shown by a mean of 4.53, its only a few that were in disagreement with it as reflected by a standard deviation of 0.571

The only way a business can increase its clientele is through efficient customer care

According to the findings of the research, it was discovered that really the only way the business can increase its clientele is through efficient customer care as reflected with a mean of 4.10, and indeed it was also emphasized by amoako (2012), a minimal standard deviation of 0.900 was recorded representing the level of disagreement.

Customer experience plays a great role in retention of old customers

It was discovered that customer experience plays a great role in retention of old customers as represented and evidenced by the majority agreement in the questionnaires with a mean of 4.37, it's only a few that were in disagreement with the statement as represented with a standard deviation of 0.711. Thisimplies that the bank has tested and proved this, something that acts as an assurance that the bank always looks forward to improve its customers experience day by day.

customer service means providing quality service that satisfies the needs or wants of customers and keep them coming back

The statement is in line with the assertion of ogege (2014) and with a mean of 4.37, it's a reflection of majority agreement with the statement, its only a few that opposed it as reflected with a standard deviation of 0.718

It entails provision of a service to customers before, during and after transactions

The researcher discovered that customer service is provided to customers before, during and after transactions just like kanyandekwe (2014) asserted, this is evidenced with majority agreement with the statement as reflected by a mean of 4.43, the standard deviation of 0.679 reflects that its only a few respondents that were in disagreement with the statement.

Customer care is a concern of every employee working in the bank

A mean of 4.27 proved to the researcher that customer care is a concern of every employee in the organization, though the a minimal disagreement as shown by a standard deviation 0.828 was also registered, it can't rule out the fact that majority were in support of the statement. with such a response from the very employees show the viability of the statement and also proves the assertions made by some of the respondents that an employee should exhibit and maintain a high concern as per as this matter is concerned.

4.7 correlation analysis

4.7.1 Correlation between budgeting knowledge and performance of financial institutions.

To test the relationship between financial literacy of customers and the performance of financial institutions, a Pearson's correlation analysis was conducted on a 2-tailed level and findings are presented below.

Table 4. 10: Correlations matrix between budgeting knowledge and the performance of financial institutions correlations.

Descriptive Statistics

correlations

		Budgeting knowledge	Performance of financial institutions
Budgeting knowledge	Pearson Correlation	1	.524**
	Sig. (2-tailed)		.003
	N	30	30
Performance of financial institutions	Pearson Correlation	.524**	1
	Sig. (2-tailed)	.003	
	N	30	30

***. Correlation is significant at the 0.01 level (2-tailed)

Source : primary data,(2016)

The table 4.9 above shows Pearson's correlation coefficient (r=0.524, p 0.01) between budgeting knowledge and the performance of financial institutions, suggesting that there is a positive and significant relationship between the variable.

This implies that the performance of the bank is dependent on the customers use and implementation of budgets, be it individually or through the organizations they have setup, this is in line with what Ndegwa (2013) and Onduso.E.O,2013, who stipulated that the use of budgets influence the performance of the organization, yet with such improved performance the banks performance would also be affected positively as exhibited by the correlation

4.7.2 Investment knowledge and the performance of financial institutions

To test the relationship between investment knowledge and the performance of financial institutions, Pearson's correlation analysis was conducted on a 2- tailed level and the findings are presented below.

Table 4. 11: correlation matrix between investment knowledge and the performance of financial institutions

Correlations

		investment knowledge	Performance of financial institutions
investment knowledge	Pearson Correlation	1	.753**
	Sig. (2-tailed)		.000
	N	30	30
Performance of financial institutions	Pearson Correlation	.753**	1
	Sig. (2-tailed)	.000	
	N	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

Source: primary data,(2016)

The table 4.10 above shows Pearson's correlation coefficient (r = 0.753, p, 0.01) between investment knowledge of customers and the performance of financial institutions, suggesting that there is a positive and significant relationship between the variables.

Such a correlation is a clear indication that the performance of financial institutions is dependent on the ability to invest,this further reveals that the investment knowledge of customers is one of the determinants of the performance of financial institutions. The implications of these results are, the performance of financial institutions depends on the extent to which the bank's customers are knowledgeable about investment. Something which is in line with what Nyamboga T.O(2013) stipulated investment skills are also a part of financial literacy, and Proper application of that knowledge helps investors to meet their financial obligations through wise planning, and resource allocation, something that puts them In the position of influencing the performance of their common sources of funding (the financial institutions).

4.7.3 Savings knowledge and the performance of financial institutions.

To test the relationship between the savings knowledge of customers and the performance of financial institutions, a Pearson's correlation ship analysis was conducted on a 2-tailed level and the findings are presented below.

Table 4. 12: Correlation relation matrix between savings knowledge and the performance of financial institutions

Descriptive Statistics

Correlations

		Performance of financial institutions	Savings knowledge
Performance of financial institutions	Pearson Correlation	1	.268
	Sig. (2-tailed)		.153
	N	30	30
Savings knowledge	Pearson Correlation	.268	1
	Sig. (2-tailed)	.153	
	N	30	30

Source: primary data (2016)

The table above shows Pearson's correlation coefficient of ($r = 0.268$, $p = < 0.01$) between the savings knowledge of customers and the performance of financial institutions suggesting that there is a positive and significant relationship between the savings knowledge of customers and the performance of financial institutions.

This is a clear indication that the performance of the institution is as a result of their customers being knowledgeable about saving,this is in line with what Hailesellasie.A,(2013) stipulates that Africa's low saving rate influences the ability of banks to lend to small enterprises due to the limited availability of capital, such statement shows how saving plays a role in the performance of financial institutions.

4.8 Conclusion

According to the findings as exhibited in this chapter, its clearly evident that the customers performance and knowledge when it comes to such fields like investing, saving and budgeting impacts on the performance of the financial institutions, this sis so because the main source of income for such institutions is extending financing to the public, and with mismanagement of such funds, the impact would be felt by the institutions at last as exhibited in their performance scores.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

Chapter five presents a summary of findings, conclusion and recommendations of the study based on the study findings and discussions. The first section presents the summary of the study findings. This is followed by the conclusion and recommendations of the study findings in relation to the study objectives arising from chapter four.

5.1Summary of findings.

5.5.1 Budgeting knowledge and the performance of financial institutions.

The table 4.9 above shows Pearson's correlation coefficient ($r=0.524$, $p < 0.01$) between budgeting knowledge and the performance of financial institutions, suggesting that there is a positive and significant relationship between the variable.

The researcher discovered that budget play a very great role for an individual when it comes to management of funds most especially if they are gotten from financiers like the banks. Budgets help customers to use the funds in the appropriate periods and also the control of unnecessary expenditure. This affects the banks performance as always banks rely on such lent out money to sustain their operations hence impacting on their performance as they would also be in position use retain earnings to finance their operations.

5.1.2 Investment knowledge and the performance of financial institutions.

The table 4.10 above shows Pearson's correlation coefficient ($r = 0.753$, p, 0.01) between investment knowledge of customers and the performance of financial institutions, suggesting that there is a positive and significant relationship between the variables.

It was discovered by the researcher that loans on which the financial institutions rely most when it comes to accumulating profits are usually taken by individuals with the purpose of investing in viable opportunities. As such he came to a conclusion that the inadequacy of investment knowledge by the customers can greatly antagonize the payment loan repayment schedules leading to accumulation of interests, this not only affects them, but also the financial institutions from which they could have acquired the finance from hence making them get affected negatively.

5.1.3. Savings knowledge and the performance of financial institutions

The table above shows Pearson's correlation coefficient of ($r = 0.268$, $p = <0.01$) between the savings knowledge of customers and the performance of financial institutions.

The researcher discovered that not all the customers of the banks are well aware of all types of savings platforms offered by the bank, and not all the customers knew the various interest rates that correspond various accounts that could be available for the public, though the customers had some saving knowledge, such information would be so crucial if they are to be inspired to save more.

5.2 Conclusion of the study

Budgeting knowledge is one of the crucial skills if a firm basis is to be laid for the proper utilisation of funds that are provided to customers by their financial institution, as such banks should take this consciously if at all their goals of performance betterment are to be realised.

Financial institutions should not stop at only providing funding to the community without taking a step towards discovering the customer's ability to succeed via that field, or else it would be a complete waste ofresources, yet at the end of the day this would impact on the performance of the institution.

Savings levels remain generally which could be as a result of lack of savings knowledge, banks should therefore devise means of improving or reversing this situation if they are to succeed and keep constant and periodical improvement in their performance.

This study of financial literacy of customers has a significant relationship with the performance of financial institutions regardless of the location and country, as such any financial institutions institution that really wishes to boost its performance should not lag any step behind when it comes at making their customers financially literate, the benefit of this would greatly help the company do away with the adverse effects of competition in the market.

5.3 Recommendation

According to the research and findings of the researcher, the recommendations that the researcher extends are as follows.

Financial institutions should come up with clear programs and strategies for boosting the customers

Budgeting knowledge for instance through the use of brochures, leaflets, sensitization through multimedia among others, some strategies like the use of brochures and sensitization could be effected well most especially when the customers are in need of say loans urgently.

Financial institutions should make it a requirement for one to prove that he or she is well conversant with investing before accessing funds. Employees to financial institutions most especially in departments like for loans should ensure that customers are tested to check whether there well conversant in that field along with the related skills before they access the funding, and if not, sensitization takes ground.

Financial institutions should not stop at only emphasising the community to save only, they should go ahead to enlighten the public say about the interests rates they could get on various services provided among others, this would in turn attract more to learn and also to save something which would be of use in regard to performance improvement of financial institutions.

Periodical reviews of the level of financial knowledge of the customers in various periods of times would be drawn so that the company stays up to date with information regarding their customers and improve where necessary.

Programs aimed at improving the financial literacy of the customers should always be drawn in local languages of the company, this is so because the customers appreciate more the information extended to them when its communicated in their own languages.

5.4 Areas for further study.

Basing on the research that was conducted by the researchers with its objectives there in like, the effect of budgeting knowledge of the customers and the performance of financial institution, the effect of investment knowledge of customers and the performance of financial institutions, the effect of savings knowledge of customers and the performance of financial institutions, the researchers found it viable to carry out research in the following areas:

The effect of financial literacy of customers and the way and the expansion rate of the financial institutions.

Strategic decisions of the company and the rate of response to customers’ needs

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APPENDICES

APPENDIX I: QUESTIONNAIRE FOR THE RESPONDENTS

RESEARCH QUESTIONNAIRE

Dear respective respondent,

I am Ssekitoleko John Bosco, a student of Uganda Martyrs University, Faculty of Business Administration. The purpose of this questionnaire is to help the researcher obtain your opinion about the relationship that exists between financial literacy and the performance of financial institutions using centenary bank as the case study.

You have been chosen as a respondent because of the knowledge and information that you have with regard to the topic (financial literacy of customers and the performance of financial institutions). All information collected will be treated with confidentiality and secrecy.

The research is purposely academic in nature and will not be used anywhere else than academics.

SECTION A: INFORMATION ABOUT RESPONDENT

Please tick the appropriate category

Demographic information (tick where appropriate)

1. **Gender**

   Male ☐ Female ☐

2. **Age of respondent**

   Below 15 yrs ☐ 15-19 yrs ☐ 20-24yrs ☐

   25-29yrs ☐ 30-34 yrs ☐ above 35 yrs ☐

3. **Level of education**

   None ☐ primary ☐ secondary ☐ ertiary ☐

   University ☐

4. **Time taken working for centenary bank**

1-3 yrs ☐ 5-10 yrs ☐

3-5 yrs ☐ above 10 yrs ☐

5. **Position held**

Officer level ☐ Senior level ☐ middle manager. ☐

SECTION B

Budgeting knowledge:

Please tick the appropriate box

Strongly agree	agree	Not sure	disagree	Strongly disagree
5	4	3	2	1

Budgeting knowledge:

		5	**4**	**3**	**2**	**1**
B1	budgeting knowledge helps guide customers when it comes to spending.					
B2	It helps customers stick to budgets due to positive attitude attained.					
B3	It helps customers use the acquired funds like loans for intended purpose.					
B4	It helps customers in planning					
B5	It helps one avoid spending more than he earns.					
B6	It enables customers first set goals before spending funds they have acquired like loans.					

How do you think financial institutions like banks can help their customers improve their budgeting knowledge ?

………………………………………………………………………………………………

………………………………………………………………………………………………

Investment knowledge

	Details.	**5**	**4**	**3**	**2**	**1**
I1	Investment knowledge helps customers assess options before investing					
I2	It helps one know how useful it is to invest					
I3	It helps customers meet the bank obligations by using funds like loans profitably					
I4	This knowledge helps one avoid losses after investing funds in a business					
I5	It makes customers critical about prevailing factors before investing.					
I6	It induces one to learn more about various investment fields and there respective returns.					

Which suggestion would you give to any financial institution in regard to improving customers' saving knowledge?

………………………………………………………………………………………………

………………………………………………………………………………………………

Saving knowledge

	details.	**5**	**4**	**3**	**2**	**1**
S1	Customers are aware of all types of saving platforms offered by the bank					
S2	Banks play a great role in boosting the savings of customers					
S3	Savings are usually part of the customers' income not spent					
S4	Customers know the interest they gain on various accounts opened					
S5	Customers clearly know how saving enables them invest in the future.					
S6	Customers with saving knowledge find it easy to save					

In your opinion, to what extent would a financial institution help boost the customers' investment knowledge and how?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

Section E

Performance of financial institutions

	details	**5**	**4**	**3**	**2**	**1**
	Determining the key performance drivers is important for a bank's profitability					
	Current bank profitability leads to future profitability due to retained earnings					
	Banks generate profits from the differential between the level of interest it pays for deposits and interest it charges for services					
	Customers are crucial for survival of the business whose objective is increasing revenue					
	The only way a business can increase its clientele is through efficient customer care					
	Customers' experience plays a great role in retention of old customers					
	Customer service means providing quality service that satisfy the needs or wants of customers and keep them coming back					
	It entails provision of a service to customers before, during and after transactions					
	Customer care is a concern of every employee working in the bank					

In your own opinion, to what extent do you think financial literacy of customers' impact on the performance of financial institutions?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

APPENDIX II: RELIABILITY TEST RESULTS

```
RELIABILITY
  /VARIABLES=b1 b2 b3 b4 b5 b6
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

[DataSet1] G:\.Trashes\co relatioin spss mic (2).sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	30	100.0
	Excluded[a]	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.794	6

```
RELIABILITY
  /VARIABLES=i1 i2 i3 i4 i5 i6
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

[DataSet1] G:\.Trashes\co relatioin spss mic (2).sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	30	100.0
	Excluded[a]	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.810	6

RELIABILITY
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/MODEL=ALPHA.

Reliability

[DataSet1] G:\.Trashes\co relatioin spss mic (2).sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	30	100.0
	Excluded[a]	0	.0
	Total	30	100.0

Case Processing Summary

		N	%
Cases	Valid	30	100.0
	Excluded[a]	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistic

Cronbach's Alpha	N of Items
.732	6

RELIABILITY
/VARIABLES=concern provision service experience clientele customers profits profitabitlit y performance
/SCALE('ALL VARIABLES') ALL
/MODEL=ALPHA.

Reliability

[DataSet1] G:\.Trashes\co relatioin spss mic (2).sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	29	96.7
	Excluded[a]	1	3.3
	Total	30	100.0

Case Processing Summary

		N	%
Cases	Valid	29	96.7
	Excluded[a]	1	3.3
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.730	9