THE EFFECT OF FINANCIAL LITERACY ON THE ECONOMIC DEVELOPMENT OF CLIENTS OF MICROFINANCE INSTITUTIONS

CASE STUDY; HOFOKAM LIMITED KASESE BRANCH

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DEDICATION

This dissertation is dedicated to the Blessed Mother Mary for her infinite intercession, my family Dad and Mum whose support has been key to my success.

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May God bless and reward you all.

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ABSTRACT

The study was set to find out the effect of financial literacy on the economic development of clients of microfinance institutions. Balunywa (2012) alleged that microfinance institutions are indeed playing a key role in promoting financial inclusions in Uganda. The Finscope study (2013) also revealed that the development of the financial sector has not benefited all socioeconomic groups, adding that 26% of Uganda's total population does not access financial services from either formal or informal service providers. This study was meant to establish the effect of financial literacy on the economic development of clients of microfinance institutions and the objectives were to establish the effect of proper finance planning methods on the economic development of clients of microfinance institutions in Kasese district, to examine the role of personal financial management skills on the economic development of clients of microfinance institutions and to assess the effects of development of saving culture on the economic development of clients of microfinance institutions in Kasese district.

The researcher used a case study research designs, qualitative and quantitative research approaches were also used, and these provided a deeper analysis of the variables under study. The researcher used different research tools such as questionnaires and interview guides in order to acquire relevant information necessary for the study.

The research findings indicated that microfinance institutions in Kamaiba village had more female clients than the males and the difference was 8%. The findings further indicated that there was a link between financial literacy and the economic development of clients of microfinance institutions, implying that financial literacy has an effect on the economic development of clients of microfinance institutions.

Basing on the findings of the study, the researcher recommended that government should focus on programs that will increase financial knowledge among members of the public. The government should further develop policies that encourage development of saving culture across the population.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, problem statement, purpose of the study as well as the specific objects, scope, significance and justifications of the study, the conceptual framework and definition of key terms.

1.1 Background of the study

The Alliance for Financial Inclusion (AFI) estimates that more than two billion adults around the world do not have access to financial services whether formal or informal. (MFIU, 2011). Reserve Bank of India (RBI) defines financial inclusions as the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players. (RBI, 2011)

Financial inclusions as a project implemented by Bank of Uganda (BOU) with an aim of improving financial services users' livelihoods and other stakeholders has other elements, that is to say; financial literacy, financial consumer protection, financial innovations and financial services data and measurement. BOU launched financial literacy scheme to implement financial inclusions so as to stimulate the rate of economic growth as well as the quality of life of the people, this is achieved through extension of financial services to the public.

The adoption of financial literacy programs in various states across the globe is on the rise since according to CGAP (2004) Microfinance has become one of the major tools of providing financial services to the low income holders in form of micro-credits. In 2007 more than 100 poor families received microloans (Delay-Harris, 2009). Since microfinance services have come to be one of the ways poverty can be alleviated, microfinance institutions (MFIs) have become vigilant in as far as availing financial services is concerned. Services that are availed by microfinance institutions are credit, savings and finance education.

In India sustainable performance of MFIs is linked to a set of variables ranging effective staff management, reduction in costs of operations and better risk management like educating of the clients about financial management (subham, 2010). Financial management skills through financial literacy by MFIs have helped institutions expand the base for mobilizing savings, increasing clients, and increasing loan funds. (Collins et al. 2009). Financial literacy is considered to be very essential and one of the important life skills as it has been included in the curriculum of Singapore in 2010. (NIE, 2010).

Promoting financial literacy in Uganda has become one of the strategic objectives of Bank of Uganda (BOU); this was adopted after discovering that financial literacy is essential for all individuals irrespective of level of income, age, level of education and gender. This was a nationally advocated idea because it is important that every individual acquires the knowledge to formulate and implement a budget, understand the importance of saving and develop a saving culture and learning how to borrow responsibly. It was unfortunate that in Uganda people are not generally benefiting from financial products and services, so BOU has recently considered implanting financial literacy programs because of lack of knowledge on financial services and also help financial institutions expand rapidly.

The principle of Makerere university Business school (MUBS) in a microfinance workshop (2012) alleged that microfinance is a key sector in the economy, adding that it promotes financial inclusion. However the principle added there are some challenges that the sector faces ranging from interest rates, challenges with group lending, accessibility of microfinance services and products and lack of financial management skills; this agitates for the need of incorporating financial literacy into microfinance institutions services. Scott E (2012) highlights some of the significant categories of factors of financial literacy including demographic factors, psychological factors, financial actions, financial attitudes, planning actions, mortgage decisions, budgeting habits, goal planning, retirement planning, credit management, income planning, insurance planning, mortgage debt ratios, savings planning, investment planning, and financial self-control; this clearly shows that financial literacy among the clients greatly impacts on the performance of financial institutions.

Microfinance institutions have adopted client-focused programs to boost their microfinance programs. HOFOKAM Limited (HL) is one of the microfinance institutions in Uganda that has its head offices in Fort portal town in Kabarole district. HOFOKAM was founded in May 2003 as a result of a merger of three former micro-finance institutions run by the Catholic Dioceses Fortportal, Kasese and BCDF of Hoima dioceses, HL was incorporated as a company limited by guarantee on 9th July 2003 vide the Registrar of Companies certificate No. 59088. Hofokam has 3 branches namely Hoima, Fortportal and Kasese; and 19 field offices in the districts of Masindi, Hoima, Kibaale, Kyenjojo, Kabarole, Kamwenge, Bundibugyo and Kasese. HL is one of the largest rural MFI in Uganda, with coverage of about 15,000 clients. During the year ended 30 June 2006 HL was supported with grants from CRS, DFID, SUFFICE, Mercy Works Foundation and TROCAIRE. The Organization generates interest on loans advanced to clients and is used to finance the operating expenses.

1.2 Statement of the problem

Balunywa (2012) alleged that microfinance institutions are indeed playing a key role in promoting financial inclusions in Uganda. The 2013 Finscope study revealed that the development of the financial sector has not benefited all socioeconomic groups, adding that 26% of Uganda's total population does not access financial services from either formal or informal service providers. This explains why there are many Ugandans still living under the poverty line, it has become the government's obligation to alleviate poverty in the state and one of the strategies for poverty alleviation in the country is financial inclusions.

Bank of Uganda (BOU) a state financial institution launched financial inclusions project aiming at improving the standards of living of the citizens by extending financial services that ultimately improved income levels. Financial literacy is one of the strategies used by BOU to implement the financial inclusions project. Financial literacy has been used as one of the elements of financial inclusions since it involves enlightenment about financial services such as savings products, credits and loans, payment and money transfer services, insurance among others. All these services can improve people's (clients) economic growth appropriately.

Research reveals that more Ugandans still live below the poverty line in spite of the government's efforts through BOU to reduce poverty in the country. This study therefore seeks to find out the effect of financial literacy on the economic development of clients of microfinance institutions.

1.3 Objectives of the study

1.3.1 Major objective

The major objective of the study was to examine the effect of financial literacy on the economic development of clients of microfinance institutions in Kasese district.

1.3.2 Specific objectives

1. To establish the effect of proper finance planning methods on the economic development of clients of microfinance institutions in Kasese district.

2. To examine the role of personal financial management skills on the economic development of clients of microfinance institutions in Kasese district.

3. To assess the effects of development of saving culture on the economic development of clients of microfinance institutions in Kasese district.

1.4 Research questions

1. What are the effects of proper finance planning methods on the economic development of clients of microfinance institutions?

2. What is the role of personal finance management skills on the economic development of clients of microfinance institutions?

3. How does the development of saving culture affect the economic development of clients of microfinance institutions?

1.5 Scope of the study

1.5.1 Content scope

The study focused on the effect of financial literacy the performance of clients of microfinance institutions in Kasese district. The variables considered in performance of clients were increase in level of income, increase investment and sustainability. The study also focused on analyzing customer's response to financial literacy programs.

1.5.2 Geographical scope

The study was conducted in Kasese district, which is found in western Uganda bordered by Democratic republic of Congo (DRC), Bundibujo, Fortpotal and Rubirizi districts. The researcher selected Kasese since it has attracted a number of microfinance institutions like Hofokam. The increase in microfinance institutions in this region is attributed to due to increase in investments in the district. Kasese was also preferred because it is economically improving as there are several businesses culminating in the area. These activities cause need for financial services.

1.5.3 Time scope

The study focused on the period between 2011 and 2015, this time is ideal for the study because it is long enough for the researcher to study of changes in economic development among the clients of microfinance institutions. Changes in economic development involve study of other factors like quality of life, housing status, increase in investments; all these require a considerate time to be studied.

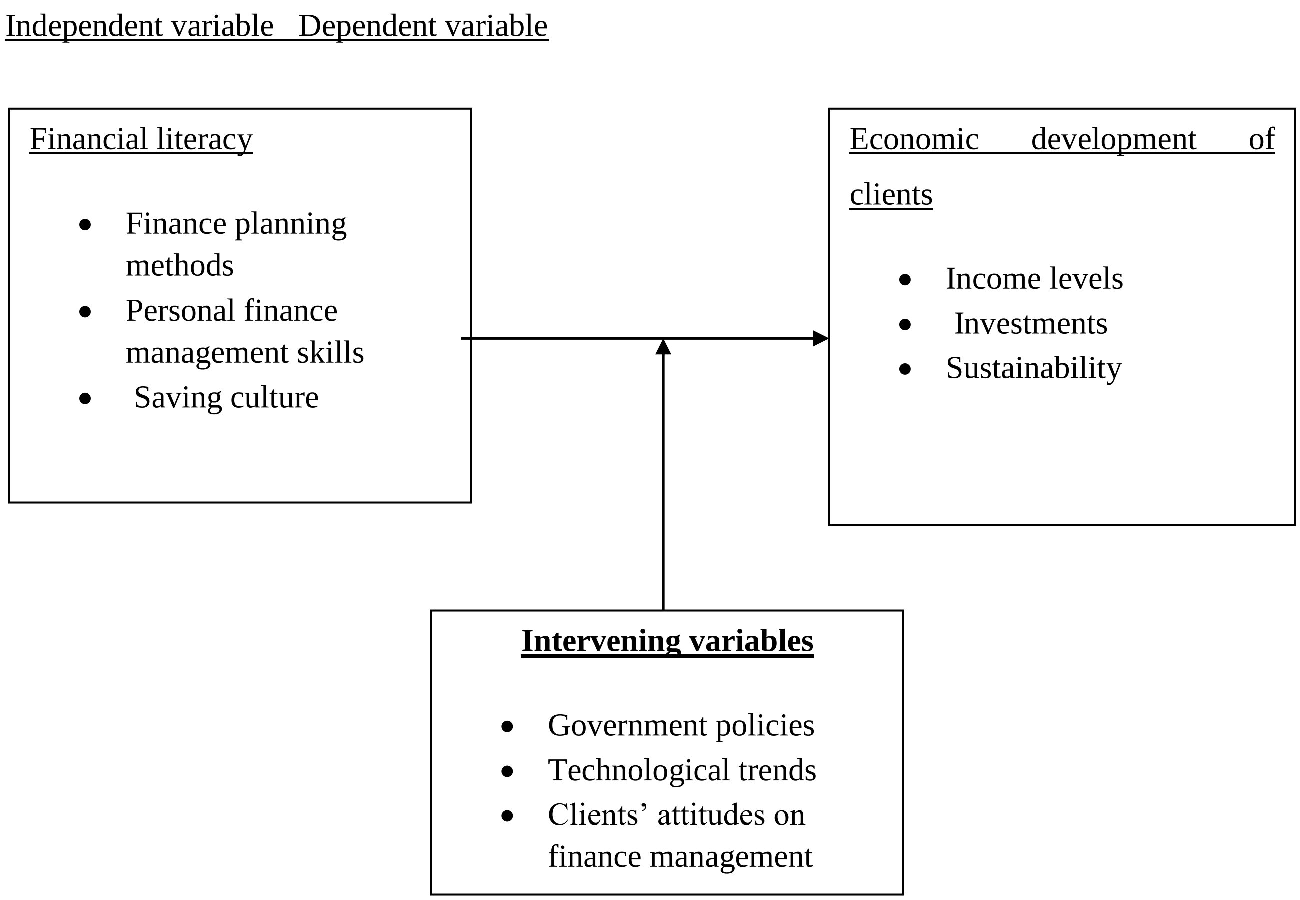
The period selected for the study is appropriate since it covers the period in which microfinance services like loans, savings and others are highly needed by the clients; the increase in the utilization of these services is due to the need for expansion of investments.

1.6 Significance of the study

The researcher intended to find out the effect of financial literacy on the performance of the clients of microfinance institutions. Financial literacy is on the rise in the economy as it is seen as one of the factors that could furnish people (clients) with finance management skills, personal financial control techniques as well as protection from exploitation by the financial institutions. Financial literacy is also seen to have the duty to provide the financial institutions with the necessary methodologies that may help them avail their financial services to the public effectively and efficiently.

This study was important because it sought to find out the relationship between financial literacy activities and their impact on the performance of clients, which results into improvement in economic activities in the country. In other wards the research tried to find out whether the activities under financial literacy are viable and necessary for the stake holders involved as well as the entire state. Micro finance institutions on the other hand of recent are playing a big role in improving the standards of living of low income earners, therefore was important that their growth and development and the elements that have led to their growth and development are highly studied, that’s why this study is important since it investigated whether financial literacy is one of the elements that have to growth of financial institutions. By finding out the effect of financial literacy on economic development of clients of microfinance institutions the study looked at the extent to which financial literacy has helped to improve the economic development of the clients of microfinance institution.

1.7 Conceptual framework



Source; Scott E (2012), as modified by the researcher.

The conceptual review explains the relationship between the independent variable which is financial literacy of the clients and the dependent which is the economic development of clients of microfinance institutions. According to the conceptual framework, economic development of clients of microfinance institutions is directly attributed to financial literacy. Whereby financial literacy is classified into the provision of financial advisory services to the clients, personal finance management skills and development of saving culture. Other factors that may influence financial literacy of the clients are government policies, technological trends and client's attitudes on financial management. This means if clients are given personal finance management skills and saving culture their income levels, sustainability and investments will change their economic status positively. The intervening variables as stated above will increase or decrease their economic development depending on how they have come in place. If favoring they will increase and if not favoring they will decrease their economic status also a change in independent variables leads to changes in dependent variable.

1.10 Conclusion

This chapter presented the introduction part of the study, the background to the study, the problem statement, and scope of the study that is categorized into content, geographical and time scope. It also presents the significance of the study and ends with the conceptual framework and the conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature related to the study, the review was guided by the objectives of the study about the effect of the financial literacy on the economic development of clients of microfinance institutions in Uganda.

2.1 Conceptual review

This subsection will mainly review the key variables of the study mainly the independent and the dependent variables thus financial literacy and economic development among the clients of microfinance institutions.

2.1.1 Financial literacy

Financial literacy is of great importance to the economic development of any economy since it equips people with skills necessary for utility maximization, proper investment skills, and consumption decisions among other benefits. Financially educated consumers make better decisions for their families, increasing their economic security and wellbeing (OECD, 2006)

Servon and Kaestner (2008) define financial literacy as a person's ability to understand and make use of financial concepts. Marty L. et al. (2012) defined financial literacy as the ability to make corrective and informed decisions regarding the present and future utilization as well as management of finances. Despite the fact that the researcher agrees with Servons and Kaestner (2008) definition of financial literacy, Marty el al. (2012) seems to present a better definition of the concept of financial literacy as he does not rule out the idea of time.

While defining financial literacy, it is prudent that one considers the concept of time since financial literacy involves acquisition of knowledge that is applied over a period of time and leads to economic changes for a period of time.

It should however be acknowledged that the two studies by Servon and Kaestner (2008) and Marty et al. (2012) highlighted ability to make financial decision in their definition of financial literacy. This implies that decision making as regards to money spending, investment decisions, personal finance planning and control are key aspects of financial literacy. These factors have an effect on the economies economic development.

Financial literacy defined in the researcher's point of view refers to the ability to use the acquired skills and knowledge about financial control to make corrective financial decisions. In fact the researcher's definition is not so much different from that of the other author's like Marty et al. (2012). The only difference is that the researcher indicates that acquiring the skills and knowledge is different from applying and implementing the specific skills in question. It is clear that it one thing to acquire the skills and it is another to apply the acquired skills to get the desired results.

According to the researcher, financial literacy can also be referred to as the understanding of finance. Many states are engaging in financial literacy since it is known to be a tool for consumers to build their money skills.

2.1.2 Economic development among clients of microfinance institutions

According to Robert S. (1956) Economic development is concerned with quality improvements, the introduction of new goods and services, the dynamics of innovation and entrepreneurship.

Economic development refers to the sustained actions of communities and policy makers that improve standards of living and economic health of a specific locality. Robert S (1956) does not ignore the concept of quality improvements, in the researcher's opinion, economic development will therefore be attached to quality of life. Improvement is economic development will be associated with improved quality of life and standards of living.

Competent and confident consumers of financial services offer prospects of improved household saving, financially independent citizens. They can also lead to a rise in competition among financial service provides such as MFIs, this leads to market efficiency in the financial markets sector. For the benefits mentioned above to be achieved, Schagen and Lines (1996) asserted that the consumers need to have the ability to make informed and effective decisions about the use and management of finance. Financial literacy is important because it equips clients of Finance service provides with ability to manage finance efficiently.

Having known the role of financial literacy on the development of the economy, governments are introducing programs aimed at extending financial services to their citizens. In Uganda the central Bank BOU lunched a project on financial inclusions having financial literacy as one of its pillars. (AMFIU, 2011). Given the fact that there is increased access to financial services like credits and loans, there is need for consumers to be sensitized about financial literacy. This is because poor financial illiteracy according to Mason and Wilson, (2000) relates to an individual's lack of knowledge to make or evaluate financial decisions and their inability to obtain the necessary information to assist in the financial decision making process. Therefore for a nation to attain economic development, it has to enforce financial literacy programs.

2.2 Effects of proper finance planning methods on the economic development of clients of microfinance institutions

Financial planning involves budgeting for the finances, during finance budgeting one analyses, how much of the finance is needed, how much is available and how much will be allocated. (Greenspan 2005). Greenspan (2005) further reveals that financial literacy promotes financial choice and socio-economic independence and enhances credit analysis and budgeting skills. As it was earlier defined, finance planning entail all the activities of finance budgeting, therefore it will not be wrong if the researcher concludes that finance budgeting can also be finance planning. Lusardi and Mitchel (2006) alleged that financial knowledge and understanding of the clients leads confidence and proper consumption of finance services. Microfinance institutions should therefore support programs like financial literacy which are directed towards proving financial knowledge to the clients, once the clients are knowledgeable about finance management they will be able to plan their finances in a proper manner thus improving economic development in the economy.

Fowdar et al. (2007) indicated that financial illiteracy implies low knowledge on borrowing and saving, moreover these two aspects were important in investment and insurance issues. This implies that fiancé literacy influences investment levels as it is seen as one of the factors that drive saving and borrowing skills. Economists do explain a positive link between marginal propensity to save and rate of investment yet increase in the investment level would guarantee improvement in economic development. The 2005 OECD report indicated that people felt they knew more about financial matters than was actually the case, this meant that some clients who are financially illiterate are not even aware because they think they know what is sufficient for them to manage their finances by themselves, this explains the poverty in the rural areas of developing countries.

Financial literacy has been implemented by different techniques such as financial advisory services; this involve provision of financial services and guidance to customers for compensation and this helps in proper fiancé planning. Dean and Martin (2010) in their journal teaching entrepreneurship alleged that a growing number of microfinance institutions are developing and adopting a system that involves developing human capital of entrepreneurs as a way of alleviating poverty which is one of the objectives of the microfinance institutions. This study will take financial advisory services to be provision of training by microfinance institutions to the clients so as to improve their utilization of their personal finances as well as developing their businesses with an aim of improving their financial positions.

2.3 The role of financial management skills on the economic development among the clients of microfinance institutions

Finance management skills is developed when one has financial capability, financial capability is when one has knowledge and understands his or her own financial circumstances. (HM Treasury, 2007). The ability to manage your finances is what is referred to as financial management skills for the purposes of this study.

Today, microfinance is one of the diverse and growing industries in the world. Many countries today are considering the microfinance subsector to be among the fastest growing in their economies this is because of recent it is attracting the attention of policy makers as well academicians. (Sinah, 2010). More people are running for its services as a means of survival, Sinah (2010) alleged that the annual growth rate of the sector between the year 2006 and 2008 was about 70-100% for most countries across the globe. This has automatically aroused the attention of the policy makers since a big number of the population was readily dealing with the sector in question. Governments have thought of equipping its citizens with the necessary skills related to financial resource utilization. Russia is one of the countries that are experiencing an increase in the demand of microcredit services and microfinance at large (World Development Indicators, 2010), in this case microcredit are considered to be consumer loans but excluding mortgage. The world Development Indicators (2010) show that the GDP increased from 1% in 2003 to 10% in 2008 thus increasing the figure from US $10 to $170 between 2003 and 2008. This and other instances of increase in demand of the microfinance services in other countries like Bangladesh, Brazil and other African countries has necessitated government and other agencies to call for fostering peoples with the necessary financial management skills.

Accion a corporation engaging in strengthening in the microfinance industry around the globe carries out different training programs in different countries like Ghana, China and India. Some of the objectives of is corporation are to sharpening participants in the knowledge concerning finance analysis and interpretation of financial statements, assess the decisions taken in regard to financial with respect to their financial position and the performance of the microfinance institution ACCION (2007). Christen and Jocelyn (2006) assume that MFIs performance depends on the microeconomic environment alleging that it must be favorable if it is to enhance good performance of MFIs.

Since there is an increase in the use of microfinance services, nations are equipping there citizens with the necessary skills to help improve their livelihood by using the services of these institutions. BOU through its financial inclusions projects aims at protecting the consumers from being over exploited by the microfinance institutions, this is portrayed in the financial institutions Act (2004)

In the consumer affairs journal, it is stated that people living without basic personal finance management skills risk not being able to plan responsibly for their financial future. (Howllet et al. 2006) this implies that financial literacy is important for individuals so that they are equipped with the necessary skills required for them to manage their future financial needs this in turn leads to financial security that boosts economic development in the long run. Back in the 2000s people used to seek financial help as means of solving economic problem, therefore financial literacy is essential in economic development of the citizens of a nation. (Cooperative Extension Service, 2000). In order to improve economic development in any nation, communities need to undergo financial training sessions so that they may not become victims of financial ignorance.

2.4 The effect of development of a saving culture on the economic development of clients of microfinance institutions

According to Miller (2009) lack of saving accumulation causes an economic crisis as it was drawn from the case of Singapore. Miller (2009) adds that family savings are important as they are used as capital which runs the economic activities, savings are also said to maintain financial stability in an economy. This scholar maintains that there is a direct relationship between savings and economic development of the citizen of a nation. In this case, it is implied that development of a savings culture can boost economic development among clients of microfinance institutions.

Consumers having a basic level of financial education and concerned about their future are said to be at an advantage since they bare a saving. This was indicated in a study by Howlett et al.

(2008) after analyzing the effects of realizing the future financial needs that arise into a need to save.

For years now financial officers are engaging in training of clients in order to help them take essential financial decisions that entirely affect the performance of both the clients and the institution. The clients and financial officers are a critical focus for training because they involve in analysis and monitoring of financial statements which they later use to come up with decisions accordingly (USAID, 2005). From this training the financial managers get the necessary skills required for good performance of the microfinance institutions. This research

Dean and Martin (2010) alleged that training of the microfinance institutions staff to some extent enhance customer relations in the institution itself. This implies that the officers' skills have an impact on the performance of microfinance institutions as it tries to attract or push away clients from enjoying the services of the microfinance institutions.

Microfinance institutions are known to offer financial servicers mainly savings and credits to basically the poor(Mara, 2003).In addition to these services the institutions also offer other services like insurance, money transfers training, group management and group formation. The fact that training is one of the services that MFIs offer with an aim of improving their financial positions as far as performance is concerned, then skilled personnel to engage in the training of clients is required, this research intended to find out whether skilled labor employed by the MFIs are also responsible for the performance of the MFIs. According to Mara (2003) saving services are offered in order to support the livelihood of the clients by helping then start businesses for sustainability. BOU regulates financial programs especially those run by microfinance institutions depending on the economy need, BOU regulates the bank rates in order to improve economic development, and this is done through consumer protection and helping then access financial services through financial inclusions projects. Therefore savings are important aspect of investments and consequently economic development among the microfinance institutions.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents research design, study population, area of the study, sample size and selection, sampling techniques, methods of data collection, data management and analysis, reliability and validity, ethical considerations and then the study limitations.

3.1 Research design

The researcher used a research design that provided a deeper analysis of the variables under investigation. The research design used entail descriptive, analytical as well as the cross sectional research design. Descriptive and analytical research designs according to Eric and Rea (2011) provide a deep understanding of the variables under the study since they involve use of percentages, ratios and averages derived from questionnaires. Cross sectional research design is suitable for this research since it makes it easy to study the different variables independently into details.

3.2 Study population

Study population refers to the group of people that the researcher intends to focus on as he or she carries out the study (Mugenga and Mugenda, 1999). Population demographics were classified into age and sex, level of education, level of income among others. This research targeted a population characterized of all the above population characteristics thus both sex male and female, the youth and the elderly, low, middle and high income earners. The population of the study consisted of mainly the clients of microfinance institutions and the employees working in these institutions. The researcher targeted a sample of 50 respondents, according to Krejcie and

Morgan (1970) in a table for determining sample size of a finite population, it is indicated that a sample 50 respondents correspondents to a population of 115 people.

Table 1: The table below shows a summary of the study population

STRATUM	Number of respondents
Management	5
Other employees	10
Clients	30
Other respondents	5
TOTAL	50

3.3 Area of the study

The research study was conducted in Hofokam Kasese Branch, it is located in western Uganda in a district that boarders the democratic republic of Congo. The study focused on a few microfinance institution clients basically those who use the services of Hofokam Kasese; however other microfinance institutions clients were involved for evaluation purposes.

3.4 Sampling procedure

The study used mainly two sampling techniques, thus stratified sampling and simple random sampling. Stratified sampling is a sampling process that involves categorizing the study population into equal clusters from which respondents will be chosen, these clusters are also known as strata thus the name stratified sampling. Simple random sampling was used to select samples from the different strata including employees of Hofokam, clients of Hofokam and other respondents.

3.4.1 Sample size

A sample is a selection of a small group, individuals, objects or even units representing a bigger portion or a whole (Amin, 2005). During the study the sample size that represented the rest of the community members was 50 and it was determined using the formula below;

$$n=\frac{N}{1+Ne^{2}}$$

Where n is the sample size; N is the total population; e^2 is the 0.05 standard error

N=115

e^2 =0.05

$n=\frac{115}{1+115^{0.05}}$ = 50people

3.4.2 Sampling techniques

Stratified sampling was used to create different cluster within the sample population. In order to select respondents without bias, simple random sampling was used to select samples of respondents. For purposes of selecting relevant respondents that are knowledgeable of the variable under study, the research used purposive sampling to obtain data that is relevant for the study.

3.5 Data collection methods

The researcher used interviews, surveys, observations and documents reviews as the main data collection methods. The data collection methods selected were easy to use and were also cheap to apply. Easy application of these data collection instruments is derived from the fact that they are easy to implement, for instance it is easy to formulate data collection instruments for these methods.

The researcher used a combination of data collection methods so as to get a deeper understanding of the phenomenon under study. Using surveys, interviews and observation the researcher obtained primary data necessary for the study. Secondary data was also obtained from reading journals, newspapers, reports and other related documents.

3.6 Data collection instruments

Having used surveys, interviews, observations and documents as data collection methods, the researcher used data collection instruments that helped her to administer the data collection methods selected.

3.6.1 Questionnaires

According to Sato (2003), questionnaires are essential for easy identification of the main concerns of the respondents by use of simple multiple choice questions. Questionnaires involve use of multiple choice answers from which respondents choose from. They are advantageous since the respondents can easily release information which they would not release in case the researcher was facing the respondents, information that is considered to be confidential such as age, salary earned maybe ascertained easily using questionnaires since it can then be categorized into groups as opposed to directly asking the questions to the respondents.

For purposes of easy analysis, the researcher attached weights that acted as measurements in the multiple choice questions. And these measure were as follows; 1=strongly agree, 2=agree, 3=not sure, 4=disagree, 5=strongly disagree. This scale was easy to understand by the respondents and indicated the respondent's opinions and feelings about particular variables. Questionnaires also enhanced data control since the questionnaires with standardized questions are administered to different respondents, in this way the researcher controls the condition under which the questions are answered.

3.6.2 Interview guides

James (1997) defines an interview guide as a direct face to face attempt to obtain valid and reliable measures in the form of verbal responses from one or more respondents. A set of predetermined questions is posed to respondents in a person to person situation. In this study the researcher set out structured questions which guided the researcher obtained the information necessary for the success of the study. An interview guide was convenient since the researcher had chance to clarify on the questions asked, it helped the researcher get relevant information and thus proper data management .

Interview guides helped the researcher obtain information from respondents who were unable to read by themselves, interview guides were also important since the researcher would observe the non-verbal behavior of the respondents.

3.6.3 Documents review

Secondary data was obtained by reading literature about the variables under study. Newspapers, journals, reports, magazines and other documented materials were important at this stage and were fully utilized. Information obtained using this instrument was equally evaluated and analyzed by the researcher and thus influenced the deductions made at the end of the study as well.

3.7 Data control methods

The researcher ensured data control by through use of standard data collection instruments such as standardized questionnaires, predetermined interview guides and others. By using these techniques, the researcher controlled the responses of the sampled respondent. The researcher used appropriate sampling techniques that were free of bias and thus helped the researcher obtain relevant information.

To ensure data control, the researcher first tested the data collection tools to check whether they will obtain the desired information for the study, this was done by administering the tools to a group of assumed respondents including friends, and also sought guidance from experienced persons like lecturers and others.

3.8 Data management and processing

After collecting the data, the researcher undertook other activities that helped her use it for further analysis. The researcher edited the collected data so that errors are minimized during data analysis; this helped the researcher obtain accurate results in the end. The researcher identified the different techniques to be used in data analysis and at this point the data was entered in the specific analysis software packages awaiting analysis.

3.9 Data Analysis

At the end of the data collection process, the researcher brought together all the findings from the field and then ensured that thorough editing is done so that the required information is only available for analysis, this was done so that the research does not divert from its main objectives or purpose of the study. On analysis of the data, the research used tables; charts to interpret the findings, specific software's Microsoft Excel and the statistical package for social sciences (SPSS) were also used in data analysis of the collected data.

Amin (2005) defines data analysis as a component of research that leads to data reduction, display of data, drawing of conclusions and making the necessary verification for the intended purpose of the study. In this study both qualitative and quantitative methods of data collection were used.

Quantitative analysis is measurable and objective in nature, it is therefore an important tool of data analysis since it offers the researcher an opportunity to interpret numerical data such that it gives meaningful information to both the researcher and other readers of the research report. Numerical data can be translated into graphs, pie charts, and other diagrammatical representations that explain trends or tendencies and size of one variable against another.

As opposed to quantitative data analysis, qualitative data analysis is useful when the variable under study entails non numerical measures; it was also used in this study since it was not easy to attach numbers to all the variables in the study.

Analyzed data was presented using tables, pie charts and graphs with the aid of computer application software especially Microsoft word, Microsoft excel and the special package for social sciences (SPSS).

3.10 Ethical considerations

During the study, the researcher aimed at maintaining the research ethical code of conduct and ensured that discipline is prevailing throughout the study. Some of the ethical issues to considered were; ensuring that the respondents are not coerced which may lead to mental stress or even bribed to give out information, citation of relevant references in order to avoid plagiarism in the research and also ensuring that the researcher keeps the respondents information confidential and only used for purposes of this study.

3.11 Study limitations

The researcher faced a number of challenges during the study and these challenges include, failure to disclose information by the respondents especially when the respondents were with their duties. Other respondents like business people who fear taxes and other government regulations also declined to disclose some of the information required for the study, however this challenge was counteracted by telling the respondents that the study was only to be used for academic purposes. Another challenge that the researcher faced was time and financial constraints, the time allocated for the research was not sufficient enough for the researcher to explore the problem intensively.

3.11 Conclusion

In this chapter, the researcher highlighted the research design that was used in the study, the area of study as well as the study population, sample size and selection, sampling techniques used, data collection methods, data management and analysis, reliability and validity, ethical considerations and the study limitations.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

Findings of the study are presented in this chapter; they are further discussed and analyzed in order to draw out the effects of the variables under study. The main purpose of the study was to examine the effect of financial literacy on the economic development of clients of microfinance institutions in Kasese district. The findings of the study are presented, analyzed and discussed below.

4.1 Response rate

Table 1; showing the response rate

	Frequencies	Percentage (%)
Number of questionnaires issued	50	100
Number of questionnaires received back	46	92
Number of questionnaires not received	4	8

Source; Primary data (2016)

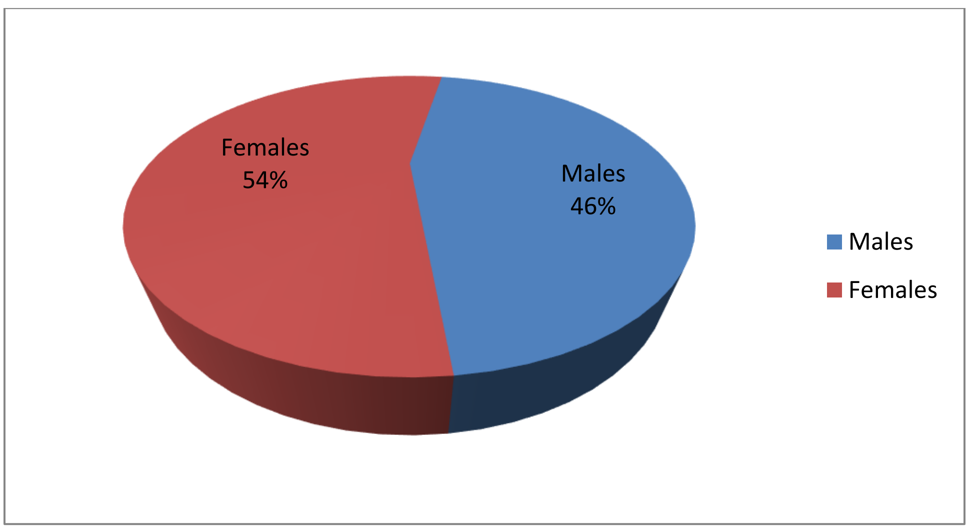
According to the table above, the response rate was very good since it is indicated that 92% of the respondents answered and returned the questionnaires. Therefore the data collected was sufficient enough for the research to draw accurate conclusions and recommendation at the end of the study.

4.2 Background information of the respondents

The background characteristics of the respondents were categorized into gender, age group, marital status and religious affiliation. The respondents were sampled from the management of the Hofokam and the clients of the Hofokam in Kamaiba village. Capturing the respondent's background information was necessary because it was useful in making comparisons on interpretation of the different variables.

4.2.1 Respondent's gender

Figure 1: A pie chart showing respondent's gender



Source: Primary data, (2016)

The pie chart above shows that the female respondents were slightly more than the male respondents by 8%. 54% of respondents were females and 46% were male, there is a small difference between the gender percentages generally because both females utilize the services of microfinance institutions than the males do.

This means that both men and women in Kamaiba village use microfinance services though there more females than the male clients, it further implies that the females in Kamaiba community are well conversant with microfinance services than the men.

4.2.2 Respondents age group

Table 2: showing Respondents age group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below 18 years	3	6.5	6.5	6.5
	18-30 years	27	58.7	58.7	65.2
	31-45 years	10	21.7	21.7	87.0
	46-60 years	6	13.0	13.0	100.0
	Total	46	100.0	100.0	

Source; Primary data (2016)

Table 2 above indicates that 6.5% of the respondents were below 18 years, 58.7% were between the age of 18 and 30 years. Respondents between the age of 30 and 45 years were represented by 21.7% and those aged between 46 and 60 years were represented by 13%. Studying the age bracket was important since perceptions and attitudes towards different variables changes depending on age.

Most respondents were aged between the age of 18 and 30 followed by 31 and 45, most respondents were between these two age groups because the respondents consisted of employees and clients of microfinance institutions who are people in the leading age brackets. This implies that the responses obtained were from the right sources of people who understand the functioning of microfinance institutions and thus can be able to give responses from which the economic development can be deduced.

4.2.3 Religious affiliation of the respondents

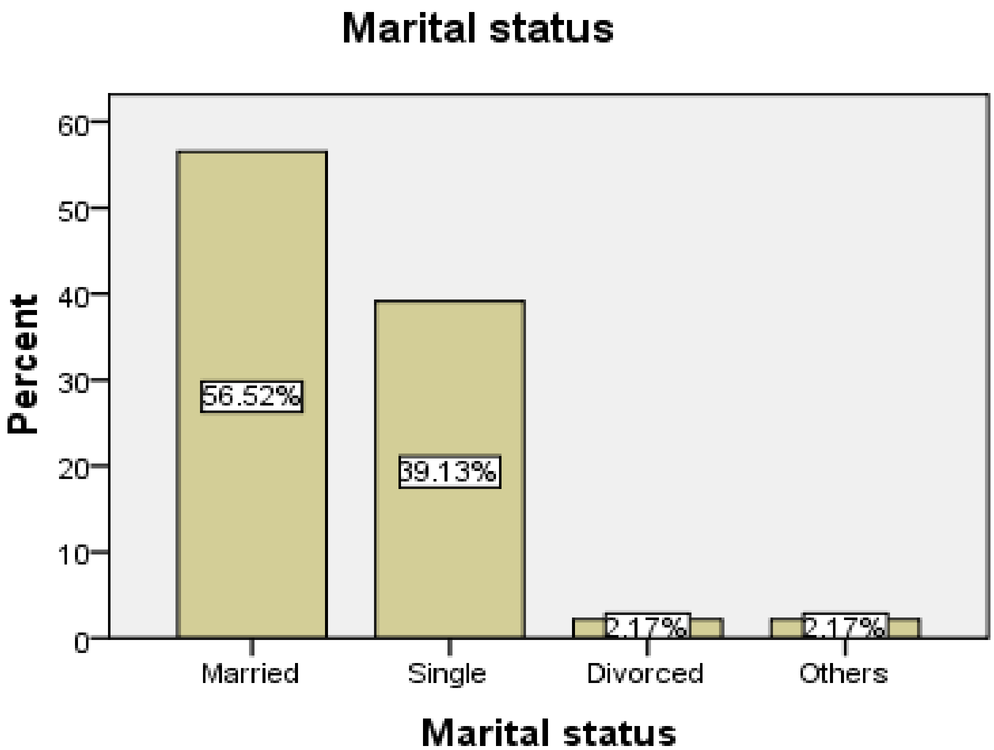
Table 3: Showing respondents religious affiliation

		Frequency	Percent	Cumulative Percent
Valid	Catholic	25	54.3	54.3
	Protestant	14	30.4	84.8
	Muslim	6	13.0	97.8
	Others	1	2.2	100.0
	Total	46	100.0	

Source; primary data (2016)

The table above shows the composition of the different religious affiliations of the different respondents. It was important to take note of this statistic since different religions have different ideologies which affect the life style of the individuals. The table above indicates that Catholics were the most represented with 54.3% followed by Protestants with 30.4%, Muslims were represented with 13% and other religions had 1%.From the findings it is indicated the Muslims were the least represented with 13%, this is because the Moslem faith condemns borrowing and lending on interest. Microfinance institutions offer micro credits at an interest rate thus they get only a few Muslims clients that is why most of the respondents are Christians.

4.2.4 Marital status of the respondents.

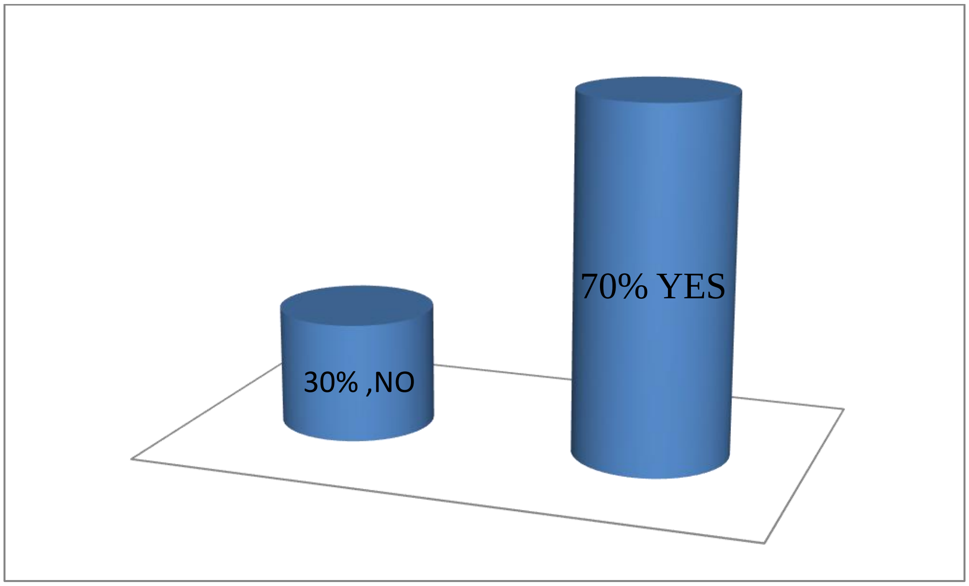


Source: primary data (2016)

The figure above indicates that the highest number of respondents were married at 56.5%, the singles were 39.1% the divorced and others each had 2.2%. The percentage of married respondents was more because many customers of the microfinance institutions are married people having family responsibilities, managing personal businesses and thus utilize finance services as they acquire resources to better their standards of living. It is implied that the married people have more financial responsibilities as they are the ones responsible for planning for the family, they therefore need more financial knowledge than any other people if economic development is to be achieved.

4.3 Responses on government's role of sensitizing its citizens on finance management related issues.

Figure 3; Chart showing findings on responses of whether government makes efforts to sensitize citizens about finance management related issues



Source; Primary data (2016)

From the chart above it is indicated that 70% of the respondents agreed that government makes efforts to sensitize the public about financial management skills while 30% of the total respondents disagreed with this hypothesis. The Finscope survey of 2013 indicated that Bank of Uganda is running programs about financial inclusions basically aimed at increasing financial accessibility and reducing exploitation of clients. The findings above indicate that its true BOU makes efforts in sensitization. There is need for government to maintain and even increase the level at which it is sensitizing the public about finance services and how best they can access financial

4.4 The effect of proper finance planning methods on the economic development of clients of microfinance institutions.

This study established the effect of proper finance planning methods on the economic development of clients of microfinance institutions. For purposes of understating whether clients knowledge on finance planning methods is a section of financial literacy, the research sought to know whether financial literacy involves training about financial planning and the findings are presented below.

4.4.1 Financial literacy involves training about financial planning

Table 4; showing findings on whether financial literacy involves training about financial planning

		Frequency	Percent	Cumulative Percent
Valid	Strongly agree	11	23.9	23.9
	Agree	20	43.5	67.4
	Disagree	6	13.0	80.4
	Strongly disagree	5	10.9	91.3
	Not sure	4	8.7	100.0
	Total	46	100.0	

Source: Primary data (2016)

From the findings in the table above, it is indicated that 23.3% strongly agreed that financial planning is a component of financial literacy, 43.5% agreed that financial literacy and financial planning are complements. On the other hand 13% disagreed, 10.9% disagreed while 8.7% were really not sure whether financial literacy and financial planning actually harmonize. The biggest percentage of the respondents agreed with the hypothesis that financial literacy involves training about finance planning. While defining financial literacy Servon and Kaestner (2008) revealed that it involves the ability to understand and make use of financial concepts. By this definition it is clear that if one is to make use of financial concepts, that person should be able to plan financial variables properly, therefore finance planning is true pillar of financial literacy. According to the findings the researcher concludes that financial planning should be priority while training clients of microfinance institutions, this can increase on the efficient use of financial resources thus leading to economic development.

4.4.2 I often get sensitized about financial planning

Table 5: showing responses on whether clients get sensitized about financial planning

		Frequency	Percent	Cumulative Percent
Valid	Strongly agree	2	4.3	4.3
	Agree	12	26.1	30.4
	Disagree	20	43.5	73.9
	Strongly disagree	8	17.4	91.3
	Not sure	4	8.7	100.0
	Total	46	100.0	

Source: Primary Data (2016

Findings in the table above show that the biggest percentage of respondents disagreed with the statement; this indicates that many client do not get sensitized about financial training. 43.5% of the respondents disagree, 17.4% disagreed. Only 4.3% strongly agreed and 26.1% agreed, another 8.7% of the respondents were not sure. These findings showed that there is a crisis of lack of sensitization among the clients of the microfinance institutions. in one Microfinance workshop (2012) the Principle of Makerere University Business school called for sensitizing of the general public about the services of MFI adding that people need finance management skills in order to improve economic development in the country. Subham (2010) alleged that educating the clients about finance planning is one of the ways of reducing risks for MFI and on the other hand boosting economic development. The findings in the table above indicate that most people don't get sensitized about financial planning, this could be one of the reasons why clients of microfinance institutions have not achieved much from services offered by microfinance institutions since they don't use the funds obtained appropriately.

4.4.3 Finance planning helps me manage my finances more effectively

Table 6: showing responses on how finance planning helps me manage my finances more effectively

		Frequency	Percent	Cumulative Percent
Valid	Strongly agree	14	30.4	30.4
	Agree	25	54.3	84.8
	Disagree	5	10.9	95.7
	Strongly disagree	1	2.2	97.8
	Not sure	1	2.2	100.0
	Total	46	100.0	

Source: primary data (2016)

30% of the respondents agreed that finance planning helps them manage their finances more effectively, 54.3% agreed while 10.2% disagreed that finance planning doesn't help them manage their effectively, 2.2 % strongly disagreed and 2.2 % were not sure whether they manage their finances more effectively due to finance planning. These findings are in line with the research done by Scott E (2012) where he aligned finance planning with finance literacy; the findings of his research however, further indicated that other factors can also be responsible for effective management of finance other than finance planning and these were; demographic factors , financial actions among others. The study findings implicated that more respondents still believed planning is a key dimension to economic development. This is because the majority represented by 50% agreed that finance planning helps them manage their finances more effectively.

4.4.4 Finance planning enlightens me on matters of finance

Table 7: Finance planning enlightens me on matters of finance

		Frequency	Percent	Cumulative Percent
Valid	Strongly agree	14	30.4	30.4
	Agree	20	43.5	73.9
	Disagree	7	15.2	89.1
	Strongly disagree	4	8.7	97.8
	Not sure	1	2.2	100.0
	Total	46	100.0	

Source: Primary data (2016)

Clearly indicated in the table of findings above, 30.4% of the respondents agreed strongly that finance planning is enlightenment to matters of finance, 43.5% also agreed with the statement. 15.2% disagreed that finance planning doesn't enlighten then on matters of finance while 8.7 strongly disagreed and 2.2% where not sure. The findings indicate that finance planning is everything needed to succeed financial wise; this is indicated by biggest percentage of respondents being in support of the tested hypothesis. Mason and Wilson (2000) indicated that finance planning needed to be appreciated by a larger section of the population if economic development was to be achieved. Mason and Wilson (2000) added that finance planning is crucial for proper finance decision making and that individual's lack of knowledge to make or evaluate financial decisions is due to inability to make finance plan which in turn lead to retarded economic development. The findings of this study are in agreement with Mason and Wilson (2000) work whereby in both finance planning is seen as a gateway to financial excellence and thus improvement in economic development. This means that all stake holders such as government, microfinance institutions and clients should consider finance planning a great tool to economic development.

4.5 The role of personal finance management skills on the economic development of clients of microfinance institutions

Table 8 below shows the results of descriptive statistics on the role of finance management skills on the economic development of clients of microfinance institutions. The analysis basically used measures of central tendency and measures of dispersion thus mean and standard deviation. These were used to draw conclusions from the findings of the study; the results are discussed under sub themes of tested statements as presented below.

Table 8: Showing descriptive Statistics on the role of finance management skills on the economic development of clients of microfinance institutions

	N	Minimum	Maximum	Mean	Std. Deviation
Financial literacy improves my finance management skills	46	1	5	2.83	1.034
Financial management skills positively influences my income levels	46	1	5	3.07	0.904
Finance management skills aid in improving my livelihood	46	1	4	3.97	0.739
Finance management skills assist me in making right consumption decisions	46	1	5	3.28	0.981
Valid N (listwise)	46				

4.5.1 Financial literacy improves my finance management skills

Table 8 above showing descriptive statistics of opinion results on whether financial literacy improves ones finance management skills reveals a mean of 2.83 this implies that the majority of the respondents agreed that financial literacy improves their finance management skills. The statistics table reveals a significant standards deviation of 1.034 implying that there are widespread variations of results concerning the same opinion. The standard deviation being too significant implies that some respondents had to disagree with the statement. The finding in the statistics table are in agreement with the work of Mason and Wilson (2000) who concentrated on personal finance management, they revealed that person financial knowledge is directly proportional to the individual's ability to succeed in the different financial decisions. The fact that majority of the respondents agreed that financial literacy improves their financial management skills implies that financial learning is important for the clients of all microfinance institutions.

4.5.2 Finance management skills positively influences my income levels

The findings in the descriptive statistical table above indicate that majority of the respondents were in agreement with the tested statement, this is revealed through the mean of 3.07 which is close to the maximum (5). The significant standard deviation of 0.901 indicates that there were slight variations in the findings implying that some respondents had to disagree with the statement. The majority of the respondents agreeing with the statement tested prove that BOU was right when it launched financial inclusion programs that had financial literacy as one of its pillars, BOU had done an earlier research and discovered that there is little access to finance services and therefore started programs of mass engagement like financial inclusions (AMFIU, 2011). This was done since BOU wanted to improve individuals finance management skills. The financial institutions Act (2004) mandates BOU to protect MFI clients from exploitation; Due to this effect programs meant to equip the public with finance management skills should be invented such that they are protected against exploitation by MFIs. BOU does sensitization in bid to protect MFI clients and also improve their financial status thus improving their income levels, therefore it is true that finance management skills positively improves the income levels among individuals.

4.5.3 Finance management skills aid in improving my livelihood

With a mean of 3.97 and a maximum of 4 it is clear that the respondents were overwhelmingly in agreement with the statement tested. The mean was tending towards the maximum this signifies a greater percentage of the respondents who agreed that finance management skills aid in improving their livelihoods. However, a standard deviation of 0.739 is also significant to indicate that there were variations in the responses; those variations imply that some few people disagreed despite of the large percentage of those who agreed. CGAP (2004) reveals that many economies around the globe are focusing on skilling their citizen on aspects of finance management skills, in Singapore a national program meant to alleviate poverty through skilling people in the finance field was adopted, this was done through incorporation of financial skills training in their curriculum. This program was meant to turn around peoples livelihoods since it was discovered that people's living standards can be improved with an improvement in the financial management skills among the population. Greenspan (2005) revealed that financial literacy promotes financial choice and socio-economic independence. Once individuals gain economic independence it is a sign of improvement in the livelihoods and thus economic development.

4.5.4 Finance management skills assist in making right consumption decisions.

The results in the descriptive statistics table indicate a mean of 3.28 and a corresponding standard deviation of 0.981. 3.28 being the mean and 5 being the maximum imply that more respondents agreed with the tested statement. 3.23 is more than half of the maximum (5) thus indicating that the majority of the respondents were in agreement with the statement that finance management skills assist in making right consumption decisions. The table further shows a significant standard deviation of 0.981, this implies that there were discrepancies in responses whereby some respondents disagreed with the tested statement. According to Howllet et al. (2006) people who understand their financial positions easily are capable of prioritizing and making good and timely consumption decisions. Howllet et al. (2006) alleges that future financial needs base on the individuals capacity to manage the finances in the present, however they add that once there poor finance management there is no financial security and the consequences are heavily felt in the future. Therefore there is a direct link between finance management skills and the right consumption decision.

4.6 The effect of development of saving culture on the economic development of clients of microfinance institutions.

The study set to find out how the development of a saving culture affects the economic development of clients of microfinance institutions. Servon and Kaestner (2008) asserts that financial literacy involves knowledge about a bout and how to use financial concepts efficiently, saving being considered among the financial concepts considered, it was subjected to the respondents to establish whether a saving culture affects the economic status of the population under study. The findings to this interest are presented and discussed below.

4.6.1 Financial literacy made leads to the development of a saving culture

Table 9: showing responses on how financial literacy makes one develop a saving culture

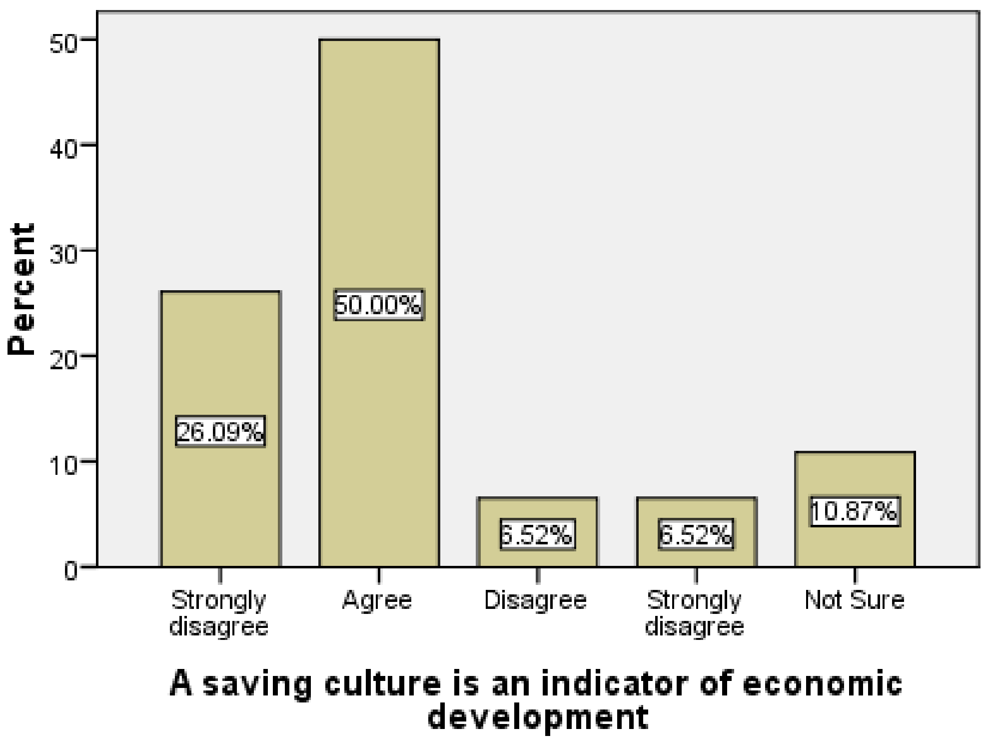
		Frequency	Percent	Cumulative Percent
Valid	Strongly agree	9	19.6	19.6
	Agree	23	50.0	69.6
	Disagree	8	17.4	87.0
	Strongly disagree	5	10.9	97.8
	Not sure	1	2.2	100.0
	Total	46	100.0	

Source: Primary data (2016)

As indicated in table 9 above, it is indicated that 19.6% strongly agreed and 50% agreed that financial literacy makes them develop a savings culture, 17.4% disagreed and 10.9% strongly disagreed while 2.2 % where neutral on the tested statement. Howllet et al. (2008) suggested that consumers with basic financial education anticipate future financial needs and therefore find it necessary to save. The findings of the study are in line with Howllet et al. (2008) since they spotted a positive relationship between financial education and the need to save, over 50% of the respondents also accepted that financial literacy leads to the development of a saving culture which is a sign of agreement. This means that most respondents believe that a saving culture can be achieved in case there is proper finance training. A culture of saving starts with sensitizing the people about the need to save, they then make saving a habit which in turn becomes a culture because they find it more necessary to save.

4.6.2 A saving culture is an indicator of economic development

In order to understand whether a saving culture can act as proof for economic development, the respondents were tasked to respond to a statement alleging that a saving culture is an indicator of economic development and the responses of the findings are presented using the bar graph below;



Source; Primary data (2016)

From the bar graph above, it is indicate that the majority of the respondents agreed that a saving culture is an indicator of economic development represented by 26.09% and 50% of the respondents who strongly agreed and others agreed respectively. However, variations in responses were noted whereby 6.52% disagreed and 6.52% strongly disagreed, 10.87% of the total respondents were not sure whether a saving culture guarantees steady economic development. The findings to the above tested statement are reflected in the work of Miller (2009) who asserted that family savings are important as they are used as capital to start family ventures hence boosting productivity and economic development; Miller (2009) also added that savings maintain economic stability in the economy. The research can thus conclude that saving culture can lead to economic development since the majority of the respondents agreed with the statement. Saving are important for economic development since they can be used for investment in profitable projects, they can be used as starting capital, savings can also be used but households in times of uncertainty to maintain steady standards of living.

4.6.3 A saving culture improves people's financial status

Table 10: A savings culture improves my financial status

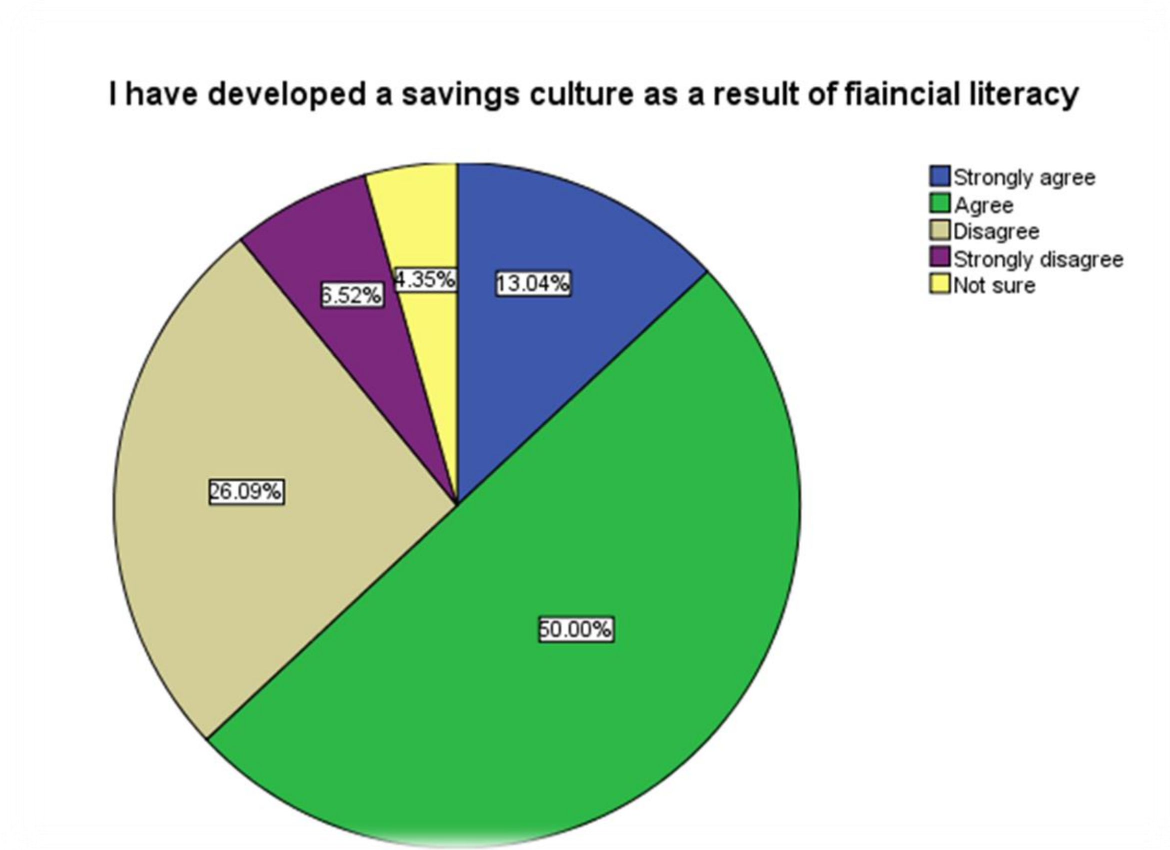
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	25	54.3	54.3	54.3
	Agree	17	37.0	37.0	91.3
	Disagree	2	4.3	4.3	95.7
	Strongly disagree	1	2.2	2.2	97.8
	Not sure	1	2.2	2.2	100.0
	Total	46	100.0	100.0	

Source: Primary data (2016)

The findings in the table above show that 54.3% strongly agreed, 37% agreed, only 4.3% disagreed, 2.2% strongly disagrees and 2.2% were not sure whether a saving culture could improve one's financial status. Miller (2009) explains how a saving culture improves and maintains a stable financial status in an economy by elaborating how savings can help one start up a business which creates a cash inflow and thus boosting ones financial status. In the same way, Mara (2003) revealed that most traditional MFIs provide financial services including savings services to the poor to help them accumulate funds that they later use to start up business, Mara (2003) says this is a move to create financial independence in developing countries. The study findings are in line with both Miller (2009) and Mara (2003) implying that development of a saving culture can actually improve the financial status of member of any given community given the prevailing favorable condition such as political stability.

4.6.4 I have developed a saving culture due to financial literacy

The researcher set to establish how much financial literacy can contribute to a savings culture and the results of the findings are presented and discussed below.



Source: Primary data

The findings as indicated in the pie chart above indicate that 50% agreed and 13.04% strongly agreed that they developed a savings culture due to financial literacy. 26.06% disagreed, 5.56% strongly disagreed and 4.35% were not sure of what exactly made then develop a saving culture. The results are in line with are in line with the literature of Paul and Steve (2008) who revealed that there are mainly four determinants influencing the level of saving namely; financial knowledge, level of income, interest rates and consumerism. Of these four factors the researcher focused the one of financial knowledge which indicates a positive relationship to financial literacy. Therefore people can develop a culture of saving due to financial literacy as the most of the respondents agreed in the findings. Obwoma and Sentamu (1998) explained that there are three major factors influencing peoples saving habits. Obwoma and Sentamu (1998) also adding that citizens with advance financial knowledge tend to save more since they are curious of their future finance needs.

4.7 Conclusion

This chapter focused on presentation, analysis and discussion of field findings. The researcher used two data collection tool thus questionnaires and interview guides, questionnaires were administered to the biggest number of respondents including a few staff of Hofokam and their clients, other Hofokam staff were interviewed. The respondents bio data was cross examined and it was found out that the female respondents were slightly more that the male respondents by 8%. Other findings were presented and discussed in accordance to the research objectives.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The study examined the effect of financial literacy on the economic development of clients of microfinance institutions. This chapter generally presents the summary of the research findings in relation to the study objectives, conclusions and recommendations made by the researcher on the basis of the findings obtained as well as suggestions for further research.

5.1 Summary of findings

The study's main purpose was to find out the effect of financial literacy on the economic development of clients of microfinance institutions in Kasese, taking a case study of Hofokam Kasese. The study's specific objectives were to establish the effect of proper finance planning methods on the economic development of clients of microfinance institutions in Kasese district, to examine the role of personal financial management skills on the economic development of clients of microfinance institutions and to assess the effects of development of saving culture on the economic development of clients of microfinance institutions in Kasese district. Below is the summary of the findings discussed in line with the research objectives highlighted above.

5.1.1 The effect of proper finance planning methods on the economic development of clients of microfinance institutions in Kasese district.

The research findings revealed that the highest number of respondents agreed that training on financial planning enhances financial literacy. 23.9% strongly accepted that there is a close relationship between financial training and financial literacy, 43.5% also agreed while the remaining percentage of respondents disagreed contending that financial literacy and training about financial planning are not related. In another test respondents were asked whether they get sensitized about financial planning, a leading percentage of respondents disagreed and revealed that they do not sensitized about financial planning these were represented by 43.5% and 17.4% who disagreed and strongly disagreed respectively. In other findings on the same objective, it was indicated that 54.3% agreed that financial literacy helps individuals manage their finances effectively, 30.4% strongly agreed while only 2.2 % strongly disagree and 10.9 % disagreed.

Basing on the findings, it is implied that proper finance planning methods positively affects the economic status and development among the people; this is evident in the responses on the statements meant to unfold the role of proper finance planning methods on the economic development of clients of microfinance institutions.

5.1.2 The role of personal financial management skills on the economic development of clients of microfinance institutions in Kasese district

Personal finance management is known to be one of the indicators of the indicators of financial elites, it is also a characteristic of a highly civilized and economically improved communities. For purpose of this study personal finance management was examined to specifically find out the level of economic development among the clients of microfinance institutions. The findings to this inquiry indicated that finance management skills are as a result of financial literacy represented with a mean of 2.85 and a significant of standard deviation of 1.034 indicating that there were variations in the findings though most respondents agreed. Another tested statement into the same inquiry which was meant to establish the relationship between finance management skills and the level of income indicated a mean of and a standard deviation of, implying that proper finance management skills and the level of income are proportionately related thus the an increase in the level of financial management skills increase the level of one's income with the same proportion.

5.1.3 The effects of development of saving culture on the economic development of clients of microfinance institutions in Kasese district.

In order to accomplish the purpose of this study, the research ventured in establishing the link between saving culture and the economic development since some scholars had associated saving culture with financial literacy. The findings revealed that there is a very close link between saving culture and economic development among the clients of microfinance institutions. Responses on whether financial literacy makes one develop a saving culture indicated that 50% agreed and 19.6% strongly agreed, these two percentages already represent the majority's opinion. 17.4% disagreed, 10.9% strongly disagreed and 2.2% were not sure on the link between the two variables.

Respondents were asked whether a saving culture improves their financial status and the findings indicated that 54.3% of the respondents strongly agreed, 37% also agreed that saving culture improves their financial status, while 4.3 of the respondents strongly disagreed and 2.2% strongly disagreed. This implies that a saving culture in an indicator of financially fit people, and there is a positive relationship between saving and economic development.

5.2 Conclusions

From the analysis and interpretation of research findings in chapter four, researcher drew the following conclusions basing of the study findings.

The finding indicate that 70% of the respondents agreed that government is trying to sensitize the public about the finance related aspects, this is also indicated in the Finscope (2013) study which reveals that Bank of Uganda which is government body is running financial inclusion programs aimed at protecting the clients of MFI. From this finding the researcher deduces that there is consumer exploitation MFIs, the researcher also concludes that MFIs determine the economic status of the country which is explained by the government attention on the financial literacy of its citizens.

Since the majority of the respondents agreed that financial planning is a component of financial literacy and that proper finance planning improves their financial standings, it therefore means that planning is an important aspect in a very field of life and in order to improve the general standards of living planning should be exercised by government and households.

Responses about whether respondents get sensitized about financial planning indicated that above 50% of the respondents disagreed. This implies that there is no mass sensitization of the public about financial planning and the role of financial planning; this could be one of the reasons why in some parts of Uganda the population is living below the poverty line because of lack of basic financial sustainment skills.

Since more than 50% of the respondents accepted that saving culture has improved their financial status, it can be concluded that there is a positive relationship between saving and the people level of income, level of saving can also be an indicator of economic development in an economy and its subjects.

5.3 Recommendations

The research findings indicated that 30.4% of the respondents agreed that a saving culture is an indicator of economic development, 47.8% agreed with the statement while the minority 6.5% disagreed. Therefore the clients of microfinance institutions should develop the spirit of saving since it has been confirmed to be a factor that improves the financial status of individuals, this can in turn create more financial independent citizens thus improvement in national economic development.

The study findings revealed that 56.3% of the respondents were married most of whom were clients of microfinance institution. Basing on this finding the stakeholders responsible for sensitizing of clients should develop special training packages for married people since the finding revealed that they are the most financially responsible people, this would increase efficiency in utilization of financial resources and services of MFIs services thus leading to economic development.

From the field findings it is evident that majority of respondents agreed that savings can lead to economic development represented by 54.3% of respondents who strongly agreed. The researcher recommends that microfinance institutions should desist from exploiting their clients; they should create amble environments that encourage savings like attractive interests on savings, this would encourage the clients to develop a saving culture and thus boosting their financial and economic development.

70% of the respondents agreed that government is sensitizing the public about financial services utilization, the government should invest more resources in mass sensitization programs aimed at equipping the general public with basic financial management and financial planning skills, since other findings indicate that financially literate individuals are capable of planning their finances and also increase their personal financial management skills, these aspects are important economic development an economy.

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APPENDICES

Appendix 1

A self-administered Questionnaire to respondents

Dear respondent, I am Muhindo Bridget, a student of Uganda Martyrs University working on a research seeking to examine the effect of financial literacy on the economic development of clients of microfinance institutions in Kasese district. You have been identified as one of the resource persons who can give information to make this study a success. I humbly request you to fill this questionnaire with honesty and I guarantee confidentiality of information you are going to give, this information will only be used for academic purposes.

Thank you for your time and co-operation.

Section A

In this section you are required to Tick the appropriate alternative ☑

(a) Sex (Please tick the appropriate alternative)

Male ☐ Female ☐

(b) Age group in years (Please tick the appropriate alternative)

Below 18 years ☐ Between18 and 30 years ☐ Between 31 and 45 years ☐

Between 46 and 60 years ☐ 60 years and above ☐

(c) What is your Religious affiliation

Catholic ☐ Protestant ☐ Muslim ☐ Others ☐

(d) Marital status (Please tick the appropriate alternative)

Married ☐ Single ☐ Divorced ☐ Others ☐

In this question you are required to choose between two alternatives thus tick YES or NO appropriately.

(i) The government through Bank of Uganda makes efforts to sensitize microfinance clients on finance management related issues.

YES ☐ **NO** ☐

Section B

In this section you are required to tick where applicable to show the extent to which you agree or disagree with the statement using the scale as illustrated below

SA=Strongly Agree**, A=**Agree**, D=**Disagree**, SD=**strongly disagree**, NS=**Not sure

A. The effect of proper finance planning methods on the economic development of clients of microfinance institutions

STATEMENT	SA	A	D	SD	NS
Financial literacy involves training about financial planning					
I often get sensitized about financial planning					
Finance planning helps me manage my finances more effectively					
Finance planning enlightens me on matters of finance					

B. The role of personal financial management skills on the economic development of clients of microfinance institutions

STATEMENT	SA	A	D	SD	NS
Financial literacy improves my finance management skills					
Financial management skills positively influences my income levels					
Finance management skills aid in improving my livelihood					
Finance management skills assist me in making right consumption decisions					

C. The effects of development of saving culture on the economic development of clients of microfinance institutions

STATEMENT	SA	A	D	SD	NS
Financial literacy made me develop a saving culture					
A saving culture is an indicator of economic development					
A saving culture improves my financial status					
I have developed a savings culture as a result of financial literacy					

THANK YOU

Appendix 2

A self-administered questionnaire to staff of Hofokam Kasese

Dear respondent, I am Muhindo Bridget, a student of Uganda Martyrs University working on a research seeking to examine the effect of financial literacy on the economic development of clients of microfinance institutions in Kasese district. You have been identified as one of the resource persons who can give information to make this study a success. I humbly request you to fill this questionnaire with honesty and I guarantee confidentiality of information you are going to give, this information will only be used for academic purposes.

Thank you for your time and co-operation.

Section A

In this section you are required to Tick the appropriate alternative ☑

(a) Sex (Please tick the appropriate alternative)

Male ☐ Female ☐

(b) Age group in years (Please tick the appropriate alternative)

Between18 and 30 years ☐ Between 31 and 45 years ☐

Between 46 and 60 years ☐ 60 years and above ☐

(c) What is your Religious affiliation

Catholic ☐ Protestant ☐ Muslim ☐ Others ☐

(d) Marital status (Please tick the appropriate alternative)

Married ☐ Single ☐ Divorced ☐ Others ☐

(f) For how long have you worked with the Hofokam microfinance limited?

At least 1 year ☐ 2years but less that 5years ☐ more than 5years. ☐

Section B

In this section you are required to tick where applicable to show the extent to which you agree or disagree with the statement using the scale as illustrated below

SA=Strongly Agree**, A=**Agree**, D=**Disagree**, SD=**Strongly disagree**, NS=**Not sure

STATEMENT	SA	A	D	SD	NS
Our Clients are increasing as a result of finance management skills					
Our clients' savings increase due to improvement in finance literacy					
Our Micro finance institution benefit more when their clients have a saving culture					
The livelihoods of our clients have improved due to improved finance management skills					
Government makes enough efforts through Bank of Uganda to sensitize our clients about finance management					

Appendix 3

Interview guide

Dear respondent, I am Muhindo Bridget a student of Uganda Martyrs University carrying out a research seeking to examine the effect of financial literacy on the economic development of clients of microfinance institutions in Kasese district. You have been identified as one of the resource persons who can give information to make this study a success. I ask you to answer the questions that am going to ask you and I beg that you ask for clarity where you have not understood for purposes of data integrity and management.

Thank you for your time and co-operation.

1. Sex?
2. What is your occupation?
3. What do you know about financial management skills?
4. What could be some of the advantages of financial literacy?
5. Does the government of Uganda organize seminars intending to equip the citizens with financial skills?
6. Are people accessing financial services in this community? If yes is it as a result of financial literacy
7. Have clients of microfinance institutions developed a strong saving culture?
8. What else can the government do to increase knowledge about financial services and their utilization?
9. Has financial literacy contributed to the development of this economy?