Individual Savings and Economic Growth in Uganda

A case study of Masaka Municipality

Uganda Martyrs University

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An Undergraduate dissertation presented to the Faculty of Science in partial fulfillment of the requirements for the award of the degree of Bachelor of Science in Business Economics of Uganda Martyrs University.

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DEDICATION

This work is dedicated to my loving parents Mr. Nelson Kayikayi and Ms. Leonce Thembo whose encouragement still rings in my ears for their prayers and endless support which made my academic journey successful, to my very special siblings; Melady, Evelyne, Axel, Suzan, Juliane and Juliet who have been a great source of love to me, to my church family and friends especially my spiritual mother Mrs. Stella Ritah Ssentamu for her love and spiritual guidance, to my friends especially Dinah, Joan, Isaac and Martha for their constant love and academic guidance and support, and to my supervisor Mr. Anthony Kakuru for his patience and constant guidance throughout this work.

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May God bless you abundantly!

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LIST OF ABBREVIATIONS

ASCAs:	Accumulating Savings and Credit Associations
BOU:	Bank of Uganda
CERUDEB:	Centenary Rural Development Bank
GDP:	Growth Domestic Product
MFIs:	Microfinance Institutions
NGOs:	Nongovernment Organizations
PAAP:	Poverty Alleviation Action Plan
ROSCAs:	Rotating Savings and Credit Associations
SACCOs:	Savings and Credit Co-operatives
UBOS:	Uganda Bureau of Statistics
UIC :	Uganda Insurance Commission

ABSTRACT

This research was basically focused on Individual Savings and Economic Growth. This study sought to investigate the relationship between individual savings and the economic growth in Uganda. The research was based on the objectives; to study the relationship between the non-financial savings by individuals and economic growth in Uganda, to analyze the relationship between informal financial savings by individuals and economic growth in Uganda, to establish the relationship between formal financial savings by individuals and economic growth in Uganda, and to assess the relationship between semi-formal financial savings by individuals and economic growth in Uganda.

The researcher used survey deign and used quantitative approach under which the responses from respondents were coded numerically for easy analysis of the relationship between Individual Savings and Economic Growth. The source of data was primary data, closed ended questionnaires were used to collect data from respondents who were residents in Masaka Municipality.

The research findindings were presented in tables, pie charts and bar graphs. These findings indicated that there is a strong relationship between individual savings and economic growth in that when individual savings increase it is highly likely that the economic growth of an economy will increase.

Basing on the findings individual savings were found to have improved the welfare of the people of Masaka Municipality as well as their financial status, this was an indicator that if Uganda as a country mobilizes its population to embrace savings starting at an individual level, there will be a great increase in its economic growth.

Therefore the government, policy makers and financial institutions should seek for ways of promoting savings.

CHAPTER ONE:

INTRODUCTION

1.0 Introduction

The understanding of the relationship between individual savings and economic growth was the core of this study. The study sought to establish the extent to which individual savings contributes to the growth of Uganda's economy, this study was carried out in Masaka municipality.

This chapter presents the background to the study, the statement of the problem, the general objective, the specific objectives of the study, the research questions, the hypotheses, the scope of the study, the significance, the justification of the study, the conceptual frame work, the operational definition of terms and concepts used in the study, the limitations to the study and the how they were overcome.

1.1 Background of the Study

Economic growth is the common goal of all nations, Barro and Sala-i-Martin (1995) argue that economic growth is the part of macroeconomics that really matters. Everybody lives with more comfort, better standards of living than ever before and holding a better welfare because of the surge in their economic growth. Governments in all countries aim at reducing the poverty level and increase the level on national income. Therefore, to achieve the main target of economic growth, governments may implement various kinds of policies such as encourage saving, stimulating investment and production in their countries.

Economics theory suggests that the saving is one of the factors affecting economic growth. A major part of the national savings are individual savings, they are the main domestic source of funds to finance capital investment, which is a major factor of a long-term economic growth.

At the macroeconomic level, individual savings benefit the entire nation. Saving has a positive impact on the economy as a whole because funds that are placed in financial assets are then channeled through financial intermediaries to fund investments by firms. Subsequently investments by firms will ultimately benefit the nation through higher productivity and economic growth.

According to Mahdzan and Tabiani (2013), saving benefits not only households but also the entire nation as they provide the base for long-term investments and infrastructure development for every country that contribute towards economic growth. There are a number of factors that affect the rate of economic growth, however in this study emphasis was put on savings, a rise in individual savings leads to a rise in real GDP in the long run.

Deaton, 2005 states that Income is an important determinant of the capacity to save. The Absolute Income Hypothesis is a theory proposed by the English economist John Maynard Keynes to examine the relationship between income and consumption as well as between income and savings. According to the theory, with a rise in current income, both consumption and savings increase, but not necessarily at the same rate (the share of consumption expenditure in income is smaller and the share of savings in income is higher). One of the alternative hypothesis presented in literature is the life-cycle model of consumption developed by Franco Modigliani. According to the theory, for each individual, it is assumed that increases in life-time resources lead to proportionate increases in consumption in all periods of life.

That means that consumption is proportional to lifetime resources. He argued also that there is a positive relation between income and saving for poor countries. (Ahmad M.H, et al., 2006).

It is widely believed that low-income people do not save. However, empirical evidence has proven this to be wrong. Once suitable financial instruments are available to this group of people, they become eager and regular savers, according to Mansell (1995) and Robinson (1992).

Due to the absence of efficient credit and insurance markets, individual savings are a crucial determinant of welfare in developing countries like Uganda. On the one hand, without savings, individuals have few other mechanisms to smooth out unexpected variations in their income, and so, shocks may leave permanent scars, such as interrupting the process of human capital accumulation at early ages. On the other hand, since savings are one of the only means to accumulate assets in the absence of credit and insurance markets, the capacity to save becomes one of the main vehicles of social mobility and of enhancing future income-earning possibilities. Additionally, although there is controversy regarding the relation between savings and economic growth, it is generally agreed that once savings start to rise, perhaps due to increases in income, they enhance the potential to finance investment, and lead to the creation of more opportunities in the economy.

In Uganda, the savings rate is only 10 percent of GDP. The fear of saving money has kept many people under abject poverty, the absence of a savings culture has put Uganda's house holds' savings low. Few institutions exist in the rural areas, and where institutions do exist they often have inappropriate products and services. The reality is most extremely poor households have neither the assets nor the skills to interact with formal institution, even those dedicated to reaching the poor. (Hendricks, 2011)

Evidence shows that poor people are looking for opportunities to save their surplus income to protect them for future emergencies, anticipated life-cycle events or harness opportunities, like undertaking larger investments without having to take a loan (Rutherford and Arora, 2009).

Masaka Municipality is located in Masaka District, central region of Uganda. The major economic activities in the region include food crop agriculture where matooke, sweet potatoes, pineapples, passion fruits, maize and tomatoes are the major crops grown, cash crop agriculture where by coffee and cotton are the main crops grown, livestock keeping where cattle, pigs, goats and poultry are kept, fishing on lake Victoria, trade which is basically retail in food products and manufactured goods, with farming being the most important activity in terms of revenue contributions to the district. Employment income contributes the second largest portion of the revenue to the district followed by trading, property income and finally cottage industry contributes the least. These contribute to the GDP figures of the country as a whole. It is from these sources of income that individuals generate savings.

Strategic Urban Development Plan for Masaka Municipality of 2010, Masaka has got a highly developed financial sector consisting of international banks, credit institutions, deposit taking micro financial institutions, savings and credit cooperative societies (SACCOs) and insurance firms, it is recommended that the Municipal council enters into an understanding with these institutions whereby residents can access credit from them on relaxed terms. Concerning the collateral needed by most financial institutions in order to give loans, it is recommended that customary land owners should be encouraged to get leasehold titles over their pieces of land, which can be used as collateral for securing loans.

Upon the above background, the researcher intended to conduct a research on individual savings and economic growth so as to find the role of individual savings in economic growth.

1.2 Statement of the Problem

The Ugandan financial sector has been faulted as having one of the lowest savings to GDP ratio in Sub- Saharan Africa, standing at 11.8 per cent of GDP with majority of the population being unbanked. With the numbers of unbanked Ugandans still high, there is urgent need to get into the financial system. A higher saving rate means less consumption, but it could also result in more capital investment and, ultimately, a higher rate of economic growth.

Uganda's youth now spends more and have more debt than ever before, In the same way, Farkas and Johnson (1994) observe that in the past, the burden of planning for the future fell primarily on such external forces as government (through Social Security and Medicare) and employers (through pension plans directed by the employer). Given the level of savings in Uganda, can Uganda rely on savings to attain economic growth?

Today, responsibility for one's financial future has shifted to the individual, the benefits of saving for households are widely acknowledged by scholars (Rutherford and Arora, 2009 and Ledgerwood, 2000); they range from acting as a buffer to shield them from future emergency expenditures (sickness and injuries), smoothening seasonal consumption needs, harnessing opportunities (investing into a new business or buying land) and financing major expenditures, such as school fees and other life-cycle events, like child-birth and funerals (Rutherford and Arora, 2009). One would wonder, does it really matter to the economy whether I save or not? Do my individual savings impact on the economic growth of the country in any way? Does it matter to the economy whether I can take care of my financial needs?

This unclear situation necessitated the researcher to undertake the study to find out the extent to individual savings are related to the economic growth in Uganda. This study therefore examined the forms of individual savings and how they are related to economic growth.

1.3 Objectives of the Study

1.3.1 General Objective

This study sought to investigate the relationship between individual savings and the economic growth in Uganda.

1.3.2 The Specific Objectives of the Study

1. To study the relationship between the non-financial savings by individuals and economic growth in Uganda.
2. To analyze the relationship between informal financial savings by individuals and economic growth in Uganda.
3. To establish the relationship between formal financial savings by individuals and economic growth in Uganda.
4. To assess the relationship between semi-formal financial savings by individuals and economic growth in Uganda.

1.4 Research Questions

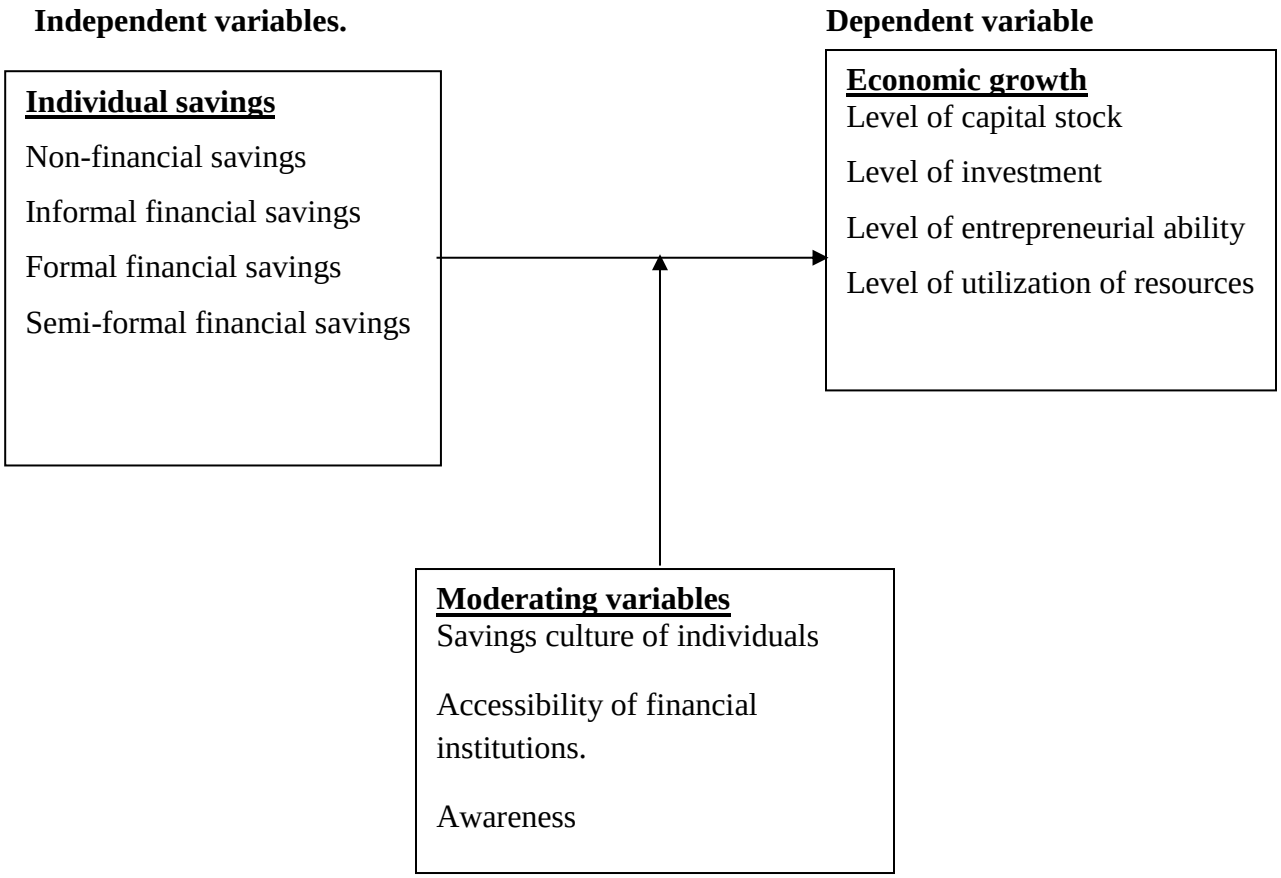
1. What is the relationship between non-financial savings by individuals and economic growth in Uganda?
2. What is the relationship between informal financial savings by individuals and economic growth in Uganda?
3. What is the relationship between formal financial savings by individuals and economic growth in Uganda?
4. What is the relationship between semi-formal financial savings by individuals and economic growth in Uganda?

1.5 Hypothesis of the Study

1. Non-financial savings by individuals affect the economic growth in Uganda.
2. Informal financial savings by individuals affect the economic growth in Uganda.
3. Formal financial savings by individuals have an impact on the level of economic growth in Uganda.
4. Semi-formal financial savings by individuals impacts on economic growth of Uganda.

1.6 The Conceptual Frame Work

The conceptual frame work below shows the measure of individual savings and economic growth.



Source: The researcher, 2015

The conceptual framework of individual savings and economic growth was well established, drawing largely on the contributions by Goldberg and White (1999) and Boehlje *et al* (1999). From the Conceptual framework above, individual savings will have dimensions; Non-financial savings, Informal financial savings, Formal financial savings, Semi-formal financial savings, economic growth measured in form of Level of capital stock, Level of investment, Level of entrepreneurial ability and Level of utilization of resources. The researcher will control the intervening variables during the study.

1.7 Justification of the Study

This study was justified because the government of Uganda is constantly seeking means of reduce poverty and increase the level of economic growth in the country.

There is great need for people of Uganda to understand the importance of individual savings to the country's economic growth therefore there is an urgent need for literature on individual savings to be increased. Uganda's demographic problems can best be solved starting from the smallest unit such as individuals and households.

The study was further justified because it would increase existing literature on individual savings and economic growth in Uganda.

1.8 Significance of the Study

The findings of this study will give the government a basis for fighting poverty and enhancing incomes of individuals as a way of attaining economic growth. The study will also help the government to develop appropriate and relevant policies that can enhance economic growth.

This study will benefit individuals who are concerned about the economic growth of their country, the findings will help them know the relevance of their individual savings in improving their economy.

This study will add on the existing literature and will help the academicians by getting more reference in future when carrying out research on similar or related topics.

The study will equip the researcher with real experience of scientific research.

This study will be vital in making the researcher eligible for the award of a Bachelor's degree in Business Economics of Uganda Martyrs University as it is an academic requirement.

1.9 Scope of the Study

This study took place in Masaka municipality in Masaka district of Uganda. Masaka Municipality is made of 3 divisions, Katwe-Butego, Kimanya-Kyabakuza and Nyendo-Senyange. The study was conducted in the three divisions emphasizing the importance of individual savings as the key to economic growth.

The study focused on non-financial savings, informal financial savings, formal financial savings and semi-formal financial savings as forms of savings by individuals in Masaka Municipality.

The study mainly focused on the period between 2014 and 2015 but references on previous years (2010-2013) were made.

1.10 Operational Definitions

A household is the basic unit of analysis comprising of several members or individuals.

Savings refer to the part of disposable income that is not spent on the current consumption of goods and services. In this study savings was the amount of money kept with a financial institution or deposited in the bank as well as the monetary value of non-financial savings of individuals.

Individual savings will refer to the amount of money kept by a person with a financial institution or deposited in the bank as well as the monetary value of non-financial savings of individuals.

Economic growth refers to the persistent increase in the volume of goods and services over a given period of time, it is measured using changes in Growth Domestic Product (GDP)

Gross domestic product, GDP, is the market value of all the final goods and services produced within in a country in a given time period. In this study it will represent the level of economic growth.

CHAPTRER TWO:

LITERATURE REVIEW

2.0 Introduction

This chapter provides the review of related literature. It specifically reviews literature on individual savings and economic growth. The literature review was conducted in accordance with the objectives, an understanding of these theories helped to explain the need for every individual to save as far as economic growth is concerned.

2.1.0 Theoretical Review

In general perception, we accept that increasing aggregate savings contributes to higher investment and leads to a higher GDP growth in the short run. It means that a higher saving rate leads to less consumption, which could also result in larger amount of capital investment and finally a higher rate of economic growth.

On the other hand, in some empirical studies suggest that when the economy grows, it would contribute to a growth in the personal income and per capita consumption expenditure. According to the theory of marginal propensity to save, savings expand from an increasing of income. As a result, following this concept it can be easily understood that when there is economic growth, the amount of saving also increases.

Thirlwall (1994) discuses that real capital formation from domestic resources requires investment and a commensurate increase in the volume of real saving. He states that in the absence of international trade and foreign borrowing, capital formation is only possible through abstinence from present consumption and when society produces a surplus of consumer goods sufficient to meet the needs of the labour engaged in producing capital. He defines voluntary savings as savings

that arise through voluntary reductions in consumption out of disposable income. On the other hand involuntary savings are savings brought about through involuntary reductions in consumption. All forms of taxation and schemes for compulsory lending to governments, are traditional measures involving involuntary reductions in consumption.

The ability to generate domestic saving is much more significant for most countries than is the ability to attract capital flow from abroad. The first is overwhelmingly great in amount than the second. One result is that stronger cross-country correlation exists between domestic saving in an economy and the amount of investment that takes place there.

In most LDC's, the largest part of domestic saving that flows into a country's capital markets is the private saving of households. House hold saving dominates the net inflows to the credit market and domestic saving is on average much greater than any foreign contribution.

Aiming to grow its economy, Uganda has had development plans which have used both saving and direct investment to stimulate economic growth.

2.1.1 Individual Savings

2.1.1.1Trends of Individual Savings in Uganda

In the last 20 years, the government of Uganda has initiated, implemented and supported various micro credit schemes aimed at fighting poverty in the country with a focus of creating revolving funds for micro credit to households at the grass roots. Such interventions include the South-western smallholder's rehabilitation project, ECS and poverty alleviation action Plan (PAP). However some of these efforts have had little success and limited impact on addressing the needs of the targeted population due to design flaws, and management inadequacies (Microfinance support Centre limited report, 2007).

2.1.1.2 The role of Savings in Economic Growth.

Winship (2002) reports that Savings are needed for unexpected occasions and eventualities including social and religious events such as weddings, pilgrimages, and Easter, etc. He states that life-time occurrences both planned and unexpected such as birth and education of children, retirement or death of a family or community member, and business related events such as building capital foe investments and for unexpected investment opportunities especially business opportunities and to provide assistance with volatile income and cash flow streams.

According to Guifold (2007) credit facilities enable impoverished persons to start businesses, rebuild after natural disasters like floods and hurricanes, and to receive both short- and long-term loans to meet their financial needs and improve their overall quality of life.

Magyezi (1999) states that savings act as collateral security for the savers to acquire more and bigger loans. He confirms that such practices promote saving culture. The extent to which savers benefit from the savings remain unclear as the credit providers attach very low interest to it. Ndora (1999b) recommends that participants in Microfinance institutions should be encouraged to save in every training session in a bid to promote clients' saving. According to him, business education and saving culture should be encouraged in every training session in a bid to promote clients' saving culture.

Technological advancement in enterprises can also be viewed as a sign of development. Enterprises will say move from the use of typewriters to the use computers or even where they have computers, to continuously upgrade their equipment. This may not be the case in the developed countries where, because of market opportunity and likely success due to environmental enabling factors, it is easier to secure new technology. Besides, this technology originates from the developed countries and unlike in the developing countries where it must be imported, it is relatively cheap (Coleman, et al, 2005).

Improved savings and economic assurance: MFIs can help people become more economically secure. Savings serve as reserves for important household expenditures (such as school fees, feeding and other emergencies), and as insurance against sudden crises (such as illness, natural disasters, or accidents) that can otherwise result in destitution for people already living at the poverty line(Cheston et al 1999). MFIs can build upon Africa's traditional savings ethics to enhance outreach and quality of services. It is important to keep in mind that for any financial service to have a lasting impact on poverty eradication, it must be flexible and innovative to adapt to the needs of its clients (Ledgerwood, 1999)

The greater the rate of increase in number of employees, the greater the likelihood of growth. MFIs help people start or improve their own small businesses, providing income generation and employment for themselves and their families (Okiocredit, 2005). Studies on CERUDEB, on MFI in Uganda, show that loans given to small farmers have resulted in substantial increases in part-time and permanent wage labor of non-clients. Expansion in scale of production leads to the development of departments and consequently increase in number of employees (Afrane, 2002).

Improvement in economic activities of the beneficiaries of MFIs will mean substantial improvements in their clothing, sanitation, feeding, housing, medical care, household property/equipment owned and ability to cover costs related to school fees, transportation and other physiological needs (Armendariz et al, 2005).

The link between financial reform, saving, investment and growth is through a number of channels. Finance mobilizes and pools savings; produces information on possible investments so that resources can be channeled to their most productive use; monitors the use of funds; facilitates trading, diversification and management of risks; and eases the exchange of goods and services (Levine, 1997 and 20004)

2.1.1.3 Enhancing Individual Saving

In spite of the above inhibiting factors, household saving can still be enhanced by well-designed government policies. Governments have the power to attack inflation, restore incentives to save including reducing the taxation of saving, and undertake the pro-saving campaigns. A major area where governments could contribute is to find a solution to the problems that banks find it expensive to manage small accounts. Banks do not like low-volume savers because it is hard to supervise their accounts. One estimate from Africa is that non-corporate lending by a bank would require 2500 accounts to cover the cost of a single employee for a year. Stimulation to save can come from institutions, such as credit cooperatives, which can build on traditional structures, in which funds are pooled by a small group of people and lent to one of them at a time in rotation.

Governments can also combine plans for insurance and saving and establish pension funds and post-office savings accounts to tap small depositors. In many countries, banks have an urban bias, to counter this governments can encourage branch making outside major urban centers, much as the result may not be overwhelming, but every little bit helps.

2.1.2 Economic Growth in Uganda

2.1.2.1 Trends of Economic Growth in Uganda

Economic growth is an increase in real GDP. This means an increase in the value of goods and services produced in an economy in a given period of time.

The GDP in Uganda expanded 3.01 percent in the third quarter of 2014 over the same quarter of the previous year. GDP annual growth in Uganda averaged 7 percent from 2005 until 2014, reaching an all-time high of 16.10 percent in the first quarter of 2009 and a record low of 0.54 percent in the third quarter of 2012. GDP Annual Growth Rate in Uganda is reported by the Uganda Bureau of statistics.

2.1.2.2 Indicators of economic growth

Level of Capital Investment

Generally speaking, investment refers to all activity which involves the use of resources to produce goods and services. Investment infrastructure is particularly important for economic growth of LDCs because infrastructure makes it possible for producers to use modern technology and by introducing modern technology to producers, infrastructure expansion directly simulates productive activities. Investment in education and training produces skilled and more productive labour. Investment in agricultural research and extension services improves and facilitates the dissemination of results of scientific researches that also increase production.(Anwer and Sampath, 1999)

An increase in the level of capital investment indicates that the economy is growing.

Level of Entrepreneurship Ability

The Earlier entrepreneurship literature suggests a plethora of different reasons as to why individuals become entrepreneurs, albeit institutions are always at the heart of the matter when the extent of entrepreneurial activities is explained. The alleged explanations of entrepreneurship comprise a mix of clear-cut economic explanations, specific attributes that are claimed to characterize entrepreneurs, as well as forces related to culture and path dependency. Sometimes they are classified according to the level of aggregation, starting at the macro level and working their way down to industry-related factors, micro-economic incentive structures and cognitive abilities of individuals. Alternatively, similar forces triggering entrepreneurship is presented in a supply and demand taxonomy. Acs and Audrestch (2003)

More recently, the research field of entrepreneurship has been defined as analyses of "how, by whom and with what consequences opportunities to produce future goods and services are discovered, evaluated and exploited" (Shane and Venkataraman, 2000).

Contemporary models of economic growth are based on investment and exploitation of knowledge as the prime source of economic development. Growth performance may however differ across countries, even though countries may have similar, albeit not identical, knowledge endowments and institutional design. Simultaneously, a frequent empirical regularity seems to suggest that economic growth is highly correlated with abundance of small, entrepreneurial firms.

In fact, an emerging empirical literature suggests that entrepreneurial startups are important links between knowledge creation and the commercialization of such knowledge, particularly at the early stage when knowledge is still fluid. About Two thirds of all empirical studies on entrepreneurship/small firms and growth reach the conclusion that there is a positive, and generally quite strong, correlation between these variables (Karlsson and Nystrom 2007).

2.1.3 Individual Savings and Economic Growth

Saving as a precaution implies that even at low disposable income levels and in the absence of attractive savings instruments, poor households need to save a substantial part of their income. This kind of precautionary saving is the main motivation for household saving in Uganda. Savings instruments for households fall into non-financial savings, informal financial savings, formal financial savings and semi-formal financial savings. The composition of the household savings portfolio determines the availability of funds for investment, and is therefore relevant to a country's development.

Generally, household savings consist mainly of physical assets and some financial savings held in the informal financial sector. Thus, only a small part is available for productive investment.

According to Ledgerwood (1999), savings mobilization has long been a controversial issue in microfinance. In recent years it has been increasing awareness among policymakers and practitioners that there is vast number of informal saving schemes and MFIs around the world have been very successful in mobilizing savings. These developments attest to the fact that low income clients can and do save.

Voluntary savings services are those in which the customer is not obliged to save as part of a contract for some other financial service, such as a loan. The client exercises the choice over whether or whether not to save, and, when a variety of saving schemes are offered, over the timing and amount of savings and withdrawals. Voluntary savings services include but are not same as "open access" savings (where customers can gain access to their savings whenever they like), since savers may deliberately choose savings instruments that tie up their savings for a period of time.

The major component is the non- loan-clients savings who keep savings accounts and time deposit accounts. Potential depositors in Uganda are farmers, traders, government employees, etc.

The first factor propelling the process of economic development is increased productivity through saving and investing a larger proportion of national income and product. Capital, whether directly productive or for social improvement, is lacking in the underdeveloped world. There is less equipment per worker, often a shortage of housing and transport, low stocks of inventory, and frequently an inappropriate level of technology embodied in the capital. The lack of capital is caused by a low level of domestic saving and investment and limited investment from abroad. Saving is more difficult when incomes are low; borrowing abroad is expensive, and foreign aid is harder to obtain in sufficient quantity. (Hogendorn, 1996)

The first key element in the development process is capital formulation through saving and investment. In the early days of the establishment, W. Arthur Lewis, Walt Rostow, and others

established the position that a stagnant economy normally saves and invests about five cents out of each dollar of national income, a savings ratio of 5%, whereas a growing economy manages to save and invest 12% to 15% of its income. They saw in that difference the essential strategy for any country desiring to develop.

The theoretical linchpin connecting capital formation to economic growth was the capital output ratio. This appealing concept of a relatively stable ratio between capital as an input and a growing output (GNP) as a result became a fixture in the literature on economic development.

Three other studies in the World Bank's saving project revisit the correlation between saving and growth. Attanasio, Picci, and Scorcu (2000) examine the dynamic relationship between economic growth, the investment rate, and the saving rate using annual time series for a large cross section of countries. Employing a variety of samples and econometric techniques, they consistently find that growth Granger-causes saving, although the effect appears to be quantitatively weak. They also find that increases in saving rates do not always precede increases in growth. Moreover, there seems to be a negative relationship between lagged saving rates and current income growth (a "saving-for-a-rainy-day" effect) when additional controls (such as dependency rates) are included in the regression specification. Deaton and Paxon (2000) reassess the association between saving and growth using household data and find that the observed correlation between both variables can be explained largely as the effect of income growth on saving if individual household members determine their consumption plans on the basis of their respective lifetime income profiles.

Finally, Rodrik examines both long-lasting and short-lived episodes of saving takeoffs, showing that sustained increases in saving typically are followed by accelerations in growth that persist for several years, but eventually disappear. In contrast, sustained accelerations in growth are associated with permanent saving hikes.

2.2.0 Conceptual Review

2.2.1 Non-financial Savings and Economic Growth

Generally, households often hold considerable diverse portfolios of non-financial assets, such as livestock, stocks of goods for trading, grain and construction materials that are acquired as stores of wealth, and are often bought or sold in such a way as to smooth consumption patterns. While the evidence is limited, studies suggest that non-financial assets represent around 80 per cent of all household assets in rural areas (Aryeetey and Udry, 2000). The accumulation of non-financial assets as saving instruments, however, can reflect rational portfolio decision in a context of high risk, uncertain financial environment and lack of access to adequate financial instruments. In this way, an improvement in access, adequacy and reliability on the part of the financial sector could trigger an increase in savings held in a financial form through substitution from nonfinancial to financial saving instruments.

In Masaka municipality many households hold their savings in form of livestock such as cattle, pigs, goats and poultry, others have stocks of goods such as coffee and grain, and land is another form of saving to some inhabitants, this kind of saving is referred to as saving in kind. Most people claim that the returns on non-financial savings are much higher than the interests one would earn from deposits in a bank.

Saving in Kind

In kind savings include savings in grain, animals, gold, land, raw material, finished goods and construction material. The line between savings, investment and consumption is not always easy to draw. For example, construction material can be stored then sold when cash is required, or used as an investment in the family's housing. Another allocation for disposable income is on lending

it to relatives or friends for either economic or non-economic returns. (Vogel and Burkett 1986; Bouman 1994; Robinson 1994)

2.2.2 Informal financial Savings and Economic Growth

This is another form of savings that can be undertaken through a wide range of saving instruments, from simple deposit collection to large, self-organized saving groups and saving pools. Mostly, savings tend to be made in small but frequent deposits that correspond to the needs of households and small businesses. Problems of access and reliability are limited in comparison to the formal financial sector as informal financial institutions operate in geographically and socially confined community settings (Nissanke and Aryeetey, 2006). In contrast to the formal financial sector, it is rare for informal sector savings to accrue interest.

Research indicates that the informal saving is far more vibrant than the formal financial saving. It draws its appeal from some of the following features (Adams and Fitchett, 1992): the range of services provided especially small daily deposits, short-term loans, and small loans, unwavering discipline because non-performance is quickly punished and borrowers have to earn their loans, The informal financial savings includes, moneylenders, pawnbrokers, deposit collectors, money guards, deposit collectors, informal insurance schemes (munno mukabi) saving at home, deposits with suppliers, supplier credit, Rotating Savings and Credit Associations (ROSCAs),and Accumulating Savings and Credit Associations (ASCAs).

Moneylenders

Moneylenders are individuals who normally offer short-term unsecured money at high interest in very local markets using intimate knowledge of customers (Adams and Fitchett, 1992). Evidence from research so far, both in rural and urban areas, indicates that there are not that many moneylenders serving the poor in Uganda. The few there are however tend to concentrate on the

middle class and richer traders. Credit terms range from one day to four months loan with interest rates of around 10% per month. Some are happy to lend on open-ended terms provided the interest is paid every month.

Money Guards

Money guards are prevalent in Uganda and include shopkeepers near markets and trusted relatives like grandparents. The important factor is trust that the saver has in the money guard, but it is also usually considered important the money guard enjoys a superior economic status since this is hoped to reduce the risk to the depositor. However, it is important to note that in some cases the poor are quick to caution that they tend not to trust rich people with their money. The other important feature was the need to have someone from whom it may be difficult to withdraw the savings until such a time as the savings target has been achieved. This reflects what Shipton (1990) calls the "illiquidity preference" – and offers protection against frivolous spending or comparatively unimportant demands from relatives. These are used mainly by the very poor and often youths and are popular both in rural and urban areas.

Deposit Collectors

Deposit collectors are private for-profit arrangements that take regular deposits (usually on a daily basis) of an amount determined by each client and return the accumulated sum (typically at the end of each month) minus one day's deposit or a fixed amount as a commission or service fee. These mobile bankers have a symbiotic relationship with micro-entrepreneurs especially market women protecting daily earnings from competing claims and ensuring working capital to restock supplies at the end of the month (Miracle and Cohen 1980; Aryeetey and Steel 1995; Rutherford, 1999).

Deposit collectors place most of their deposits in banks for safekeeping, but they sometimes extend advances to their best clients before the end of the month. The savers subsequently develop high savings rate because the dominant mode of saving, while being less expensive and more convenient, is available "on the doorstep" or at their market stall.

Informal Insurance Schemes

These groups, often known as "*Munno Mukabi*", are extremely common and popular in Uganda. There are a variety of ways in which contributions/premiums are made. The most popular is a one-time contribution followed by fixed compulsory contributions when a death occurs among the members. These self-help groups are composed of people with a common bond of either location, ethnicity, place of work, trade, area of origin etc. The most popular are centered on helping a member when faced with a death in his/her household or immediate family. This includes purchase of coffin, preparation of grave, serving mourners and catering for transport. Other *Munno Mukabi's* include celebrations like graduations and weddings. The rules vary but are normally well understood by all the members. In case there is an excess collection, it is often kept in the group treasury to finance any deficit that may occur in the future if the group has another crisis to finance. *Munno Mukabi* are often found operating as part of MFI client groups - since they meet frequently, Informal insurance groups are used by the rich and the poor. They are popular with both men and women especially in urban areas. They are of increasing importance for people that come from upcountry and find it necessary to have last funeral rites at their village of birth. These are so popular because people see a decent burial as very important and yet it is expensive. In the absence of insurance products from credible organizations, the people find these informal systems to be very versatile, requiring no paper work while at the same time enhancing social assets. Members find it convenient to run the *Munno Mukabi* activity at the same time. Mutesasira.L, et al (1998)

Informal Micro-Enterprise Insurance Schemes

According to Mutesasira. L et al, another informal insurance arrangement that is not as popular is the insurance against business loss due to theft. These are usually made up of fairly homogeneous groups – usually people in the same trade of with businesses of relatively similar sizes. A pre-determined premium of equal amount is collected every week and is deposited with the treasurer. In the event of a fire or theft the group fund is used to re-capitalize the affected business to a certain point. The scheme runs for a year, is disbanded, the fund distributed to members and the cycle starts again. During the insurance cycle, the group fund is lent out to members at interest so that at the end, when the insurance is being cashed, members receive a profit from interest earned on loans. In this respect, these mechanisms are very similar to Accumulating Savings and Credit Associations (ASCAs) which are discussed below.

Saving at Home

This is mainly in form of a box, clay pot, *kitta vvu*, *mukandala*, mattress, or whatever secret place within the house the saver thinks he/she can keep money for a long time. This is a very common savings mechanism whose importance seems to be increasing as indicated by the reported surge in sales of money boxes by many of the carpenters, especially in Kampala and its environs. This increase is mainly because people have increasingly lost faith in the formal sector financial system and do not want to put all their eggs in one basket.

This approach is used by all categories of poor people especially old women in rural areas although there is growing evidence of their use in urban areas in the face of the "crumbling" formal financial sector.

There are many risks associated with saving at home, all of which the people interviewed were well aware. Indeed, the research team often heard the interviewees bemoaning the fact that it was

effectively impossible to save at home. In addition to the risk of theft, fire and destruction of the notes by insects and animals, one of the largest problems faced was the demands placed on home-based savings by relatives and friends looking to "borrow" the fund for a while, or to simply take it to meet an emergency.

Rotating Savings and Credit Associations (ROSCAs)

ROSCAs are referred to as "cash rounds" or merry-go-rounds in Uganda. This is arguably the most popular and fastest growing form of financial intermediation among the poor especially in urban and peri-urban areas – although ROSCAs are growing in number and popularity in rural areas too. The members take a periodic collection that is pooled and given to one member in rotation until everyone has got a chance to get the lump sum. Although this is not very common, the organiser or "chairperson" is sometimes paid a fee.

There are variations in terms of sequencing "prize winners". Many ROSCAs determine sequencing by order of who signed up first so that the first to join gets the "prize" first. (To borrow accounting terminology this is FIFO method – first in first out). An equally popular method is the "lottery method", and this has two variants. The first variant is where at the beginning of the ROSCA, numbers are written on pieces of papers and each member picks one paper that bears a number. This number determines the order in which the members will receive the prize or lump sum paid out by the ROSCA. The second variant of the lottery ROSCA is where it is cast at every meeting to determine whom will get the prize. Only the members who have not yet won the prize participate until the rotation ends and everybody has got the opportunity. It is not uncommon for members to make private arrangements to swap turns with members that might have a greater need for the money at the moment. As with *Munno Makabi*, it is very common to find ROSCAs as part of the

internal arrangement of the solidarity groups promoted by MFIs. In most cases members hold a larger proportion of their savings portfolio in the ROSCA than with the MFI.

ROSCAs are set up for different purposes. Some are short term and finish quickly, while others keep going one cycle after another.

According to Baden and Sally (1996), the main reason for which ROSCAs have been established among entrepreneurs is restocking of business inventory. However, other popular purposes include buying household items, the purchase of construction materials, construction of houses, accumulating money for school fees, and even building up lump sums which are later used to open formal bank savings accounts.

It appears that ROSCAs have witnessed the greatest rate of growth in the last ten years. They usually have a membership ranging from five to fifty members. They meet or collect money every day, some every week and others once a month.

ROSCAs are used by both rich and poor people, although most seem to be among the poor. This is mainly because there are more poor people, while at the same time the few not so poor that there are have access to the more formal financial sector. ROSCAs are common as MFI client groups and the members usually use the prize for replenishing stock which is often depleted as the repayment of the MFI loan progresses. Many people belong to more than one ROSCA with each serving different financial needs - short term ROSCAs to generate small amounts and longer term ROSCAs to yield larger prizes. ROSCAs are more prevalent in urban than in rural areas, and the majority of users tend to be women although many ROSCAs also include men. Women's high level of participation in ROSCAs is partly explained by their forced savings function (Baden, Sally, 1996).

Other reasons for saving with ROSCAs and other informal arrangements are similar to those discussed by Robinson, Margaret (1994) who found that too much cash at home poses a security risk. Equally important, however, was the view that if one had cash on hand, it would be difficult to avoid having to lend it to kin and neighbors (Shipton, 1994).

Accumulating Savings and Credit Associations (ASCAs)

ASCAs are sometimes called "funds" and are similar to ROSCAs but lack the symmetry of ROSCAs (Rutherford, 1997). In a ROSCA everyone saves and borrows, whereas in an ASCA all save and some both save and borrow. Borrowers can access loans larger than their savings. Interest charges average 10% per month. ROSCAs are self-liquidating in that they end when everyone has saved, whereas ASCAs have to establish an arbitrary interval (often a year) to check on probity and distribute dividends. In return for this added complexity well-run ASCAs offer the most flexible intermediation service of all the informal sector user-owned devices. It is this complexity that makes them not as popular as the ROSCA in Uganda. ASCAs, like ROSCAs, come in differing cycles or "periodicity" of contribution so that one can join ones that required different amount of contribution on a daily, week or monthly basis. Savers who fail to keep up with the savings can withdraw their net savings. ASCA savers deposit money at regular intervals, and the fund thus generated may or may not be lent to non-members (usually at a higher interest rate) as well as members. At the end of the period the money is returned.

Participants used ASCAs because it is easier to save when there is a ritual of meeting every period to deposit a set amount, than it is trying to save alone. The ASCA's fund opens up a source of cheap credit and offers security of savings, and the meetings to make deposits are often used to exchange business information and offer mutual assistance in the technical and in some cases ASCAs use a reiterative strategy and continue for many cycles (Rutherford, 1997). This gives

users the opportunity to store savings indefinitely as the fund is rolled over into the next cycle. This is particularly important for target savers. Managerial aspects of business **(**Miracle et al., 1980).

2.2.3 Formal financial Savings and Economic Growth

The savings held in Uganda's formal financial sector generally represent a small proportion of household assets. This reflects the difficulties in access to formal saving instruments and, more importantly, the lack of trust in formal financial institutions, as well as the inadequacy of formal saving instruments to fulfill the savings needs of poorer households. In practice, banks are the principal type of formal financial institutions engaging in savings mobilization under the supervision of the BOU.

Physical distance from banking institutions is not the only limiting factor to the growth of formal financial savings. High minimum deposit and balance requirements, the time that it takes to make transactions and the administrative work involved also discourage depositors. Furthermore, the reluctance of banks to provide credit to poorer households and small businesses lessens the incentive to save in the formal sector (Wright, 1999). A study by Okurut et.al (2004) suggests providing incentives to Micro Finance Institutions so that they can extend services to the rural population.

In addition, with increased access to mobile phones, technology may be able to overcome some of the remoteness and processing-cost barriers to providing services to poor and rural areas.

The mobile phone penetration is currently estimated at 40 percent and expected to be more than 70 percent in 2014. Mobile phone banking enables banks to provide basic financial services to poor people, including in rural areas. Though it is only a recent development, mobile phone banking is already reaching thousands of customers in Uganda.

Mobilization of savings is one of the major functions of financial institutions. By mobilizing the savings of millions of savers in an economy and the channeling of same to the deficit spending units, the funds or capital needed for economic growth and development is enhanced. Saint

Commercial Banks

The activities of commercial banks as engine of growth of the economy could better be seen through the performance of their main function which include taking of deposits from the general public, providing account keeping and money transmission services and granting lending facilities (Crockett, 1970). Indeed, in an efficiently functioning financial system, the size of a bank‟s business, or that of any other financial intermediary, depends on its ability to attract funds in competition with other institutions (Crockett, 1970). This ability will depend on the attractiveness to depositors of the package of services it offers. This package will consist of the interest rate paid, security offered, convenience in account management facilities, financial advice etc.

Banks also play very important roles in the transmission of monetary policies. This is made possible by the fact that, the liabilities and assets of banks form a good part of the money supply through the money multiplier. For instance, if government intends to reduce the volume of money in circulation; the monetary authorities would achieve this by applying a set of contractionary monetary policies. On the other hand, expansionary monetary measures could be used to increase the supply of money and credits. In this respect, banks facilitate the process of macroeconomic stability in the country.

Paul (1992) identified capital accumulation as a major determinant factor in the development process in relating the growth rate of an economic output to that of its capital stock. They pointed out the dual role of capital as creating productive capacity and effective demand.

In their model, capital stock (investment) was assumed to be equal to saving that is I = S. According to Harrod, who viewed an increase in capital stock as synonymous with investment, is a dependent factor of the rate of growth of income, which determines the level of savings.

The Insurance Industry

According to the Uganda Investment and Business Environment Report of 2006, the insurance sector remains a small part of the financial system. There were 15 licensed insurance companies in 2006, all under the supervision of the Uganda Insurance Commission (UIC), a regulatory and supervisory authority for the insurance industry in Uganda. Some recent developments include the planned privatization of the National Insurance Company and the creation by the Uganda Insurers Association of a reinsurance company.

The insurance industry does not provide services responsive to micro-savers probably because of the poor reputation the industry has in the minds of most people. In the minds of most people insurance companies are not in the business of paying and have always successfully found ways of denying claimants their rightful compensation. This perception barrier has hindered the use of insurance companies as a savings service. However, the insurance industry in one case has worked in partnership with an MFI to extend life insurance to clients. The product has been considered successful so far.

2.4.0 Semi-formal Financial Savings

The semi-formal financial sector specializes in providing financial services to households and this sector is made up of institutions that, while legally registered, are not regulated as banks. These institutions mainly provide loans at very high interest rates and sometimes keep deposit for clients illegally. While this semi-formal sector could become an important factor in savings mobilization

for households, its coverage is at present too limited to respond effectively to the financial needs of many households in Uganda.

The semi-formal sector, however, holds great potential in terms of improved savings mobilization. Indeed, if semi-formal institutions succeed in offering safe and reasonably liquid savings instruments that generate positive returns for many households, there could be a substantial increase in financial savings available for profitable investments due to reallocation from both nonfinancial assets and financial assets currently held in the informal sector.

In sum, the choice of saving instrument reflects issues of access, reliability and relevance of available saving instruments to meeting households saving needs. The financial requirements of households therefore call for safe saving instruments that allow small transactions at frequent intervals.

Savings and Credit Co-operatives (SACCOs)

SACCOs are user owned and managed organizations registered under the Co-operative Act, and range in size from a handful to several thousand members. They are, in many ways, best poised for savings mobilization from the poor, but are fraught with historical problems ranging from management capacity weakness to fraud, In addition, SACCOs have generally been set up and used by reasonably affluent people with salaried employment, or small-scale coffee plantations.

In Uganda, there is a recent drive to encourage people joining Savings and Credit Organizations commonly referred to as SACCOS. Resources mobilized through saving in the informal sector are generally not used for further investment and therefore tend not to generate any income. In most cases therefore, depositors are required to pay for the saving service. The fact that poorer households save despite receiving what are in effect negative interests is testimony to the importance of saving services for poorer households and to the willingness of such households to

save. Individuals in Masaka tend to combine a number of saving instruments with different institutions, offering different deposit and withdrawal conditions. This helps them spread default risk and meet their changing need for financial resources (Wright, 1999).

SACCOs are popular with members because: They are a source of easy (and cheap) loans compared to banks whose bureaucratic requirements include long complicated application procedures; They are accessible and located near members' workplaces or homes; Some have mobile daily deposit collection services; Members are encouraged to deposit whatever amount of money they have, even as little as Ush.500; They extend quick short-term loans in less than an hour to members; These loans are used for easing the cash flow pressure during the time for payments of school fees, and The hours of operation are sensitive to the members' hours of business operation.

Among scholars who studied performance of SACCOs are Lafourcade (2005) who reported that microfinance in Africa including SACCOs are speedily growing in number and members, and their activities are increasing in most African countries. The same conclusion was made by Temu and Ishengoma (2010) and Randhawa and Gallardo (2003) who used Tanzania as case study in their works. They both added that SACCOs are the most popular microfinance institutions in the county especially in rural area. SACCOs are the distinct microfinance institutions in the economic growth and poverty reduction in Uganda.

Microfinance Institutions (MFIs)

MFIs are institutions or organizations that provide credit or savings facilities to micro and small scale business people who cannot obtain these services from the formal financial institutions because their business, saving levels and credit needs are all small. There are over 50 MFIs of varying sizes in Uganda and are by law barred from accepting deposits except forced savings.

Nonetheless, as Stuart Rutherford argues these loans are *an "advance against future savings*" and therefore can be considered as a way of saving for the purposes of this report. MFIs are used mainly by the vulnerable not-so-poor clients. They tend to save less with MFI and more with informal groups.

Risks Associated with Microfinance Institutions are related to the infancy of the industry, the ease of entry into the market, inadequate systems and controls, poor management, unclear ownership, opaque governance and the zealousness of almost every NGO to engage in microfinance. These may cost unsuspecting people their hard earned savings. It is in part for these reasons that the Bank of Uganda has proved so cautious and conservative when considering the issue of the regulation and supervision of MFIs.

Driven in part by the Microcredit Summit, and in part by the huge sums of money being made available by the Government and the donor community, there has been a push to extend Microfinance to as many people as possible. In the resulting rush, quantity has received more emphasis than quality, and blue-print replication, without reference to the local situation and environment, is the norm. The design of Microfinance systems requires a thorough understanding of the "financial landscape" in which the MFI proposes to operate. This necessitates research into the existing financial services available, who has access to them, and what additional needs and opportunities are present. The results of this research should have significant implications for both the design of the MFI's system and the financial services it offers.

2.3 Conclusion

This study was mainly concerned with finding out whether the different forms of individual savings lead to economic growth in terms of increased investments, growing businesses and other factors that indicate economic growth.

CHAPTER THREE:

METHODOLOGY

3.0 Introduction

Under this chapter the researcher presented the procedures that were followed to make the research successful. The researcher described the research design that was used, the source of data, the study population, the sample size, sampling techniques and procedures, data collection methods, data collection instruments, the validity and reliability of data, procedure of data collection, data analysis, ethical considerations and limitations.

3.1 Research Design

The researcher used quantitative design. Under this design, the responses from the respondents were coded numerically to analyze the relationship between Individual Savings and Economic Growth. This design was appropriate for this academic research because it was time bound and it made data analysis easy for the researcher. The study findings under this design can be generalized to the population about which information is required since samples of individuals are representative of the population studied.

3.2 Source of Data

3.2.1 Primary Data

The source of data under this study was primary data.

The data was collected with the help of structured close ended questionnaires for selected respondents in Masaka Municipality. Primary data was used because it gives accurate information since the researcher did not have influence on the circumstances under which the data was

collected. Primary data also helped the researcher to focus on issues that were relevant to the research and was able to control the research design.

3.3 The Study Population

According to UBOS (2009), Masaka municipality is made up of 3 divisions, Katwe-Butego, Kimanya-Kyabakuza and Nyendo-Senyange. Masaka municipality has a population of 74100 people. The subjects of the study included individuals from the three divisions of Masaka municipality. The respondents included individuals both employed and unemployed, in saving groups and those not in savings groups. These provided views and responses on individual savings and economic growth in Masaka municipality.

3.3.1 Target Population

The researcher collected data from 100 respondents from the three different divisions of Masaka Municipality. These provided views and responses on individual savings and economic growth. The researcher chose a big sample size so as to win confidence desired and make the study representative of the large study population

3.3.2 Sample Size

To determine the sample size, the researcher used the following formula:

$$\text{Sample size} = \frac{z^2 * p * (1-p)}{e^2}$$

Where: z is the Z value for the confidence interval

P is the estimated percentage of choosing a choice

e is the tolerated maximum value of error

z= 1.645, e= 0.0658, p= 0.8, (1-p) = 0.2

Sample size = $\frac{1.645^2 * 0.8 * 0.2}{(0.0658)^2}$

= 100 respondents

The researcher considered 100 respondents.

3.3.3 Sampling Techniques

Stratified Sampling was used given the heterogeneous population of Masaka Municipality. Stratified sampling was chosen because it makes sense to partition the population into groups based on a factor that may influence the variable that is being measured. Stratification was used because it generally produces more precise estimates of the population percentages than estimates that would be found from a simple random sample.

The researcher partitioned the population into groups (strata), that is the three divisions, under each division, the researcher then obtained a simple random sample from each division, here the percentage of the population of the division in terms of the population of Masaka Municipality was taken and then multiplied by the sample size to get the number of people to interview per division.

The researcher then collected data on each sampling unit that was randomly sampled from the sample selected from each division.

Table 3.1: Selecting a Sample of population size

Division	Population per division	Number of respondents per division
Katwe-Butego	19,000	26
Kimanya-Kyabakuza	23,100	31
Nyendo-Senyange	32,000	43
Total	74,100	100

Source: primary data, 2015

3.4 Data Collection Instruments

3.4.1 Questionnaires

The quantitative data was collected using structured questionnaires. The researcher designed questionnaires for the research. Likert scales utilizing the item analysis wherein a particular item was evaluated on the basis of how well it expresses how favorable or unfavorable attitude towards the given object a respondent was asked to react was used.

Respondents gave their responses on a 5-scale rating system as; strongly disagree, disagree, not sure, agree and, strongly agree; and, never, little, occasionally, often and always. This helped the researcher to get first-hand information free from interviewer bias. The respondents were also be asked to circle alternatives that best suited their situations regarding individual savings.

3.5 Measurement of Variables

3.5.1 Independent Variable

In the context of this study, individual savings was the independent variable. Individual savings in this study was looked at in terms of non-financial savings, informal financial savings, formal financial savings or semi-formal financial savings.

3.5.2 Dependent Variable

In this study economic growth was the dependent variable. This was measured by level of capital stock, level of investment, level of entrepreneurial ability or level of utilization of resources in the economy. (Ref. to Conceptual framework).

3.6 Quality of data

3.6.1 Validity and Reliability of Data

Validity is the degree to which an instrument measures what it is intended to measure and does so correctly (Amin, 2005). In order to test and improve the validity of the data collection instruments, the researcher availed the first drafts of the questionnaires to the supervisor and fellow students for constructive criticism before pre-testing.

The data collection instrument was piloted among the different categories of respondents that were not included in the study sample and modified to improve their validity and reliability coefficients.

3.7 Procedures of Data Collection

The researcher acquired a letter of recommendation from the Dean of Faculty of Science so as to go ahead to do the research. The researcher then prepared the questionnaire which was approved by the researcher's supervisor. The researcher carried out a pilot study to find out the viability of the research instruments. The researcher then distributed the questionnaires to obtain primary data

from the respondents. Data was be organized, analyzed, interpreted and presented in a research report that was be submitted to the supervisor of the researcher for approval.

3.8 Data Analysis

The data collected from the questionnaires was quantitatively analyzed. The data was analyzed by univariate analysis that is one variable at a time and then represented in frequency tables and by percentages, then the bivariate analysis was used to determine whether there was an existing relationship between individual savings and economic growth.

The Epidata software was used to analyze the data. It played a big role in tabulating results and showing the correlation between variables which helped in studying the relationship between the study variables.

The researcher also made use of inferential statistics where by the sample data collected from the process of sampling was used to derive conclusions for the whole population.

3.9 Ethical Considerations

The major ethical problem in this study was the privacy and confidentiality of the respondents, gaining access to specific information on individual savings and income which itself was an infringement on the privacy and confidentiality of the respondents. However, respondents had the assurance that the information obtained was to be treated with great care, and details such as names and physical addresses of the respondent were not included.

3.10 Limitations

The researcher faced with a limitation of inadequate time to compile the raw data amidst many academic demands, this limited the researcher from giving ample time to study as was required. This was however solved by managing the limited time and following the supervisor’s advice on beating deadlines.

CHAPTER FOUR:

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents, the findings obtained from the research on Individual savings and Economic Growth in Uganda, this chapter provides the analysis and the interpretation of the data obtained from the questionnaires that were filled by the respondents that filled the questionnaires the findings are analyzed and discussed according to the research objectives.

The findings are presented according to the objectives of the study; to study the relationship between the non-financial savings by individuals and economic growth in Uganda; to analyze the relationship between informal financial savings by individuals and economic growth in Uganda; to establish the relationship between formal financial savings by individuals and economic growth in Uganda; and to assess the relationship between semi-formal financial savings by individuals and economic growth in Uganda .

4.1 Background information

This study considered Masaka Municipality as a case study with a population size of 74,100 from which a sample size of 100 respondents were selected to take part in the study by filling the questionnaire that was prepared by the researcher.

The researcher was able to collect data on questionnaires from the intended 100 respondents, 26 respondents from Katwe-Butego division, 31 respondents from Kimanya-Kyabakuza and 43 respondents from Nyendo-Senyange division.

Table 4.1: The sex of the respondents

Sex	**Frequency**	**Percentage (%)**
Male	45.00	45.00
Female	55.00	55.00
Total	**100.00**	**100.00**

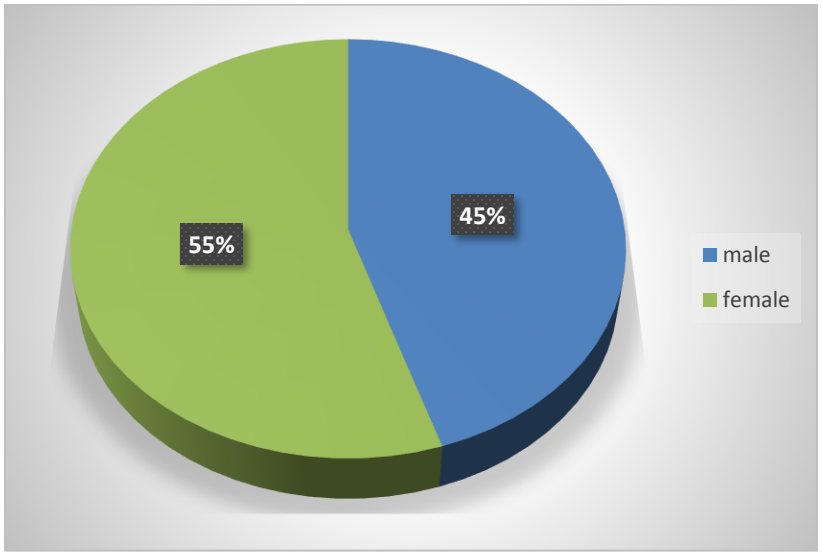
Source: Primary Research Data, 2015

Table 4.1 above shows that the respondents comprised of 55 females (55%) and 45 males (45%) which implies that there were more female respondents than male and hence the researcher confirmed that women form majority of the population of Masaka Municipality and in the same way, women contribute greatly to the economic growth of Masaka Municipality.

This was also observed by Carlton. A, et.al 2001, participation in savings helps women to protect themselves and their households against risks by rendering their enterprises more competitive, diversifying their income sources, broadening their asset base, re-stocking their business and smoothing consumption. The impact study conducted for CERUDEB (Barnes, Morris and Gaile1998) found that women clients have significantly greater positive economic impacts relative to female non-clients than do male clients over comparable non-clients.

The sex composition of the respondents is illustrated in the pie chart below;

Figure 1: Pie chart showing sex of respondents



Source: Primary Research Data, 2015

Table 4.2: Age of the respondents

Age range	**Frequency**	**Percentage%**	**Cumulative percentage**
18-25	25.00	25.00	25.00
26-35	20.00	20.00	45.00
36-45	17.00	17.00	62.00
46-55	20.00	20.00	82.00
56-65	11.00	11.00	93.00
66+	7.00	7.00	100.00
TOTAL	**100.00**	**100.00**	

Source: Primary Research Data, 2015

The researcher observed as shown table 4.2 above that 25% of the respondents were in the age group of 18-25, 20% of the respondents were in the age group of 26-35, 20% were in the age group of 46-55, 17% of the respondents were in the age group of 36-45, 11% were in the age group of 56-65 while 7% of the respondents were under the age group 66 and above. Therefore the youth that is between 18 and 35 years of Masaka are playing a great role in ensuring economic growth since they make up the largest population of the area and they are reliable.

Table 4.3: Showing the level of education of the respondents

Education level attained	**Frequency**	**Percentage (%)**	**Cumulative**
Post-graduate	8.00	8.00	8.00
Undergraduate	23.00	23.00	31.00
Diploma	25.00	25.00	56.00
Certificate	31.00	31.00	87.00
Others	13.00	13.00	100.00
Total	**100.00**	**100.00**	

Source: Primary Research Data, 2015

The table 4.3 above, shows the distribution of the respondents according to education level. From the data obtained, 31% of the respondents had attained a Certificate, 25% had attained a Diploma, 23% had attained undergraduate degrees, 13% had attained others (which happened to be no education and below Primary Seven level of education), 8% had attained post graduate degrees. From the table still, the biggest percentage had attained a Diploma or a

Certificate which is an indicator that most of the people in Masaka Municipality have attained some form of education.

Table 4.4: Showing the respondents' sources of savings

Source	**Frequency**	**Percentage (%)**	**Cumulative**
Salary/ wage	21.00	21.00	21.00
Informal trade	30.00	30.00	51.00
Crop/animal production	41.00	41.00	92.00
Others	7.00	7.00	99.00
None	1.00	1.00	100.00
Total	**100.00**	**100.00**	

Source: Primary Research Data, 2015

Table 4.4 shows that 41% obtained their savings from crop/ animal production, 30% from informal trade, 21% of the respondents derive their individual savings from their salaries/ wages, 7% had other sources of savings which included fishing, transport (commonly known as bodaboda), and transfer payments, while only 1% of the respondents had no source of individual savings.

The research findings revealed that 99% of the respondents had individual savings, this indicated that they knew what it meant to save, majority of the individuals' savings were from crop/animal production which constituted 41%, and therefore agriculture is playing a big role in the role of Economic growth in Uganda.

These findings were similar to those reported in the Strategic Urban Development Plan for Masaka Municipality of, 2010 that reported food crop agriculture, livestock keeping and poultry, fishing

on Lake Victoria, trade which is basically retail in food products and manufactured goods, and farming as the most important activities in terms of revenue contributions to the district. Employment income contributed the second largest portion of the revenue to the district followed by trading, property income and finally cottage industry contributes the least.

4.2 The Relationship between Non-financial Savings and Economic Growth

Table 4.5: The willingness of respondents to save in cash than in kind.

	Frequency	**Percentage (%)**	**Cumulative**
Strongly disagree	7.00	7.00	7.00
Disagree	12.00	12.00	19.00
Neutral	23.00	23.00	42.00
Agree	33.00	33.00	75.00
Strongly agree	25.00	25.00	100.00
Total	**100.00**	**100.00**	

Source: Primary Data, 2015

Table 4.5, shows that 33% respondents agreed and 25% of the respondents strongly agreed to preferring to save in cash form than in kind, given the opportunity, 23% were neutral, 12% disagreed, while7% strongly disagreed.

This revealed the desire of people to save in cash form, this means that the formal financial institutions should create packages that fit their demand.

Table 4.6: Saving in kind for insurance

	Frequency	**Percentage (%)**	**Cumulative**
Strongly disagree	3.00	3.00	3.00
Disagree	10.00	10.00	13.00
Neutral	22.00	22.00	35.00
Agree	42.00	42.00	77.00
Strongly agree	23.00	23.00	100.00
Total	**100.00**	**100.00**	

Source: Primary Research Data, 2015

From the research findings, 42% of the respondents agreed that saving in kind insures them against sudden and unforeseen crises such as illness, natural disasters, or accidents, 23% strongly agreed, 22% were neutral while 13% disagreed and strongly disagreed. From the research it was revealed that majority of the respondents save in kind to insure themselves against sudden and unforeseen crises such as illness, natural disasters, or accidents.

4.3 Informal Financial Savings and Economic Growth

Table 4.7: Common Informal Financial Saving tools used in Masaka Municipality

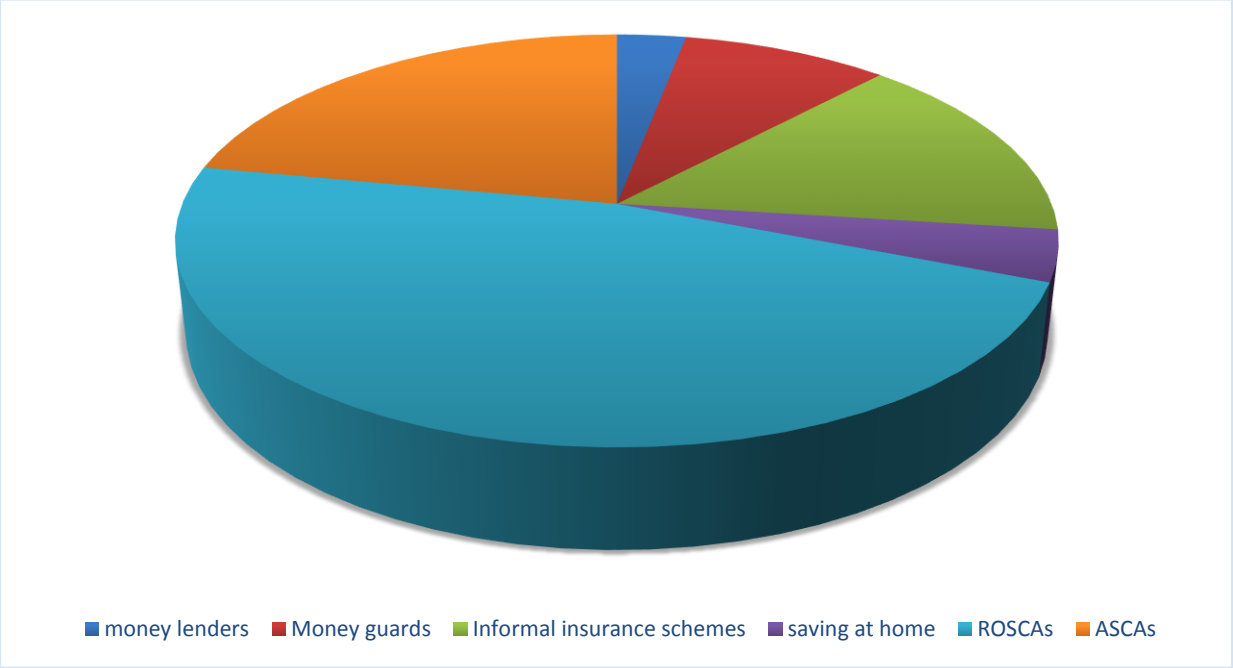
Tool	Frequency	Percentage (%)
Money lenders	3.00	3.00
Money guards	9.00	9.00
Informal Insurance Schemes	15.00	15.00
Saving at home	4.00	4.00
ROSCAs	47.00	47.00
ASCAs	22.00	22.00
Total	**100.00**	**100.00**

Source: Primary Data, 2015

Table 4.7 indicates that 47% of the respondents recognized ROSCAs as the most used informal financial saving tool used in Masaka Municipality, 22% recognized ASCAs, 15% recognized Informal insurance schemes, 9% recognized Money guards, 4% recognized saving at home while 3% recognized money lenders. This is illustrated in the pie chart in figure 2.

This reveals that ROSCAs are the popular tool of informal savings in Masaka Municipality, despite the fact that ASCAs, Informal Saving Schemes are also popular.

Figure 2: Informal Financial saving tools used in Masaka Municipality.



Source: Primary Research Data, 2015

Table 4.8: Role of ROSCAs in Masaka Municipality

	Frequency	**Percentage (%)**
Restocking of business inventory	30.00	30.00
Purchase of household items	30.00	30.00
Purchase of construction material and construction of houses	20.00	20.00
Accumulating money for school fees	13.00	13.00
Building up lump sums which are later used to open formal bank savings accounts	7.00	7.00
Total	**100.00**	**100.00**

Source: Primary Data, 2015

Table 4.8 shows that ROSCAs contribute 30% to restocking of business inventory, 30% to purchase of household items, 20% to purchase of construction material and construction of houses, 13% to accumulating money for school fees and 7% to building up lump sums which are later used to open formal bank savings accounts.

The researcher studied that ROSCAs have played an important role in restocking of business inventory, purchase of household items then accumulating money for school fees and to a few, they have helped in building up lump sums which are later used to open formal bank savings accounts.

Table 4.9: Informal financial savings support low income groups to build savings

	Frequency	**Percentage (%)**	**Cumulative**
Strongly disagree	1.00	1.00	1.00
Disagree	3.00	3.00	4.00
Neutral	10.00	10.00	14.00
Agree	39.00	39.00	53.00
Strongly agree	47.00	47.00	100.00
Total	**100.00**	**100.00**	

Source: Primary Data, 2015

The results from the data collected showed that Informal financial savings have supported low income groups in Masaka Municipality to build savings as shown in table 4.9 above.

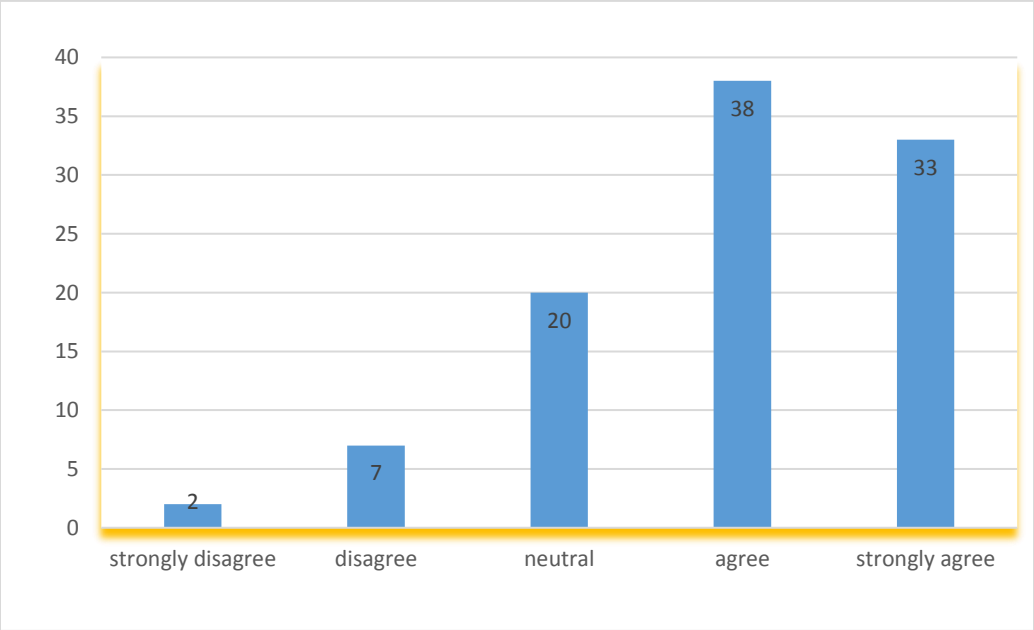
Table 4.10: ASCAs help people in Masaka Municipality in starting up businesses.

	Frequency	Percentage (%)	Cumulative
Strongly disagree	2.00	2.00	2.00
Disagree	7.00	7.00	9.00
Neutral	20.00	20.00	29.00
Agree	38.00	38.00	67.00
Strongly agree	33.00	33.00	100.00
Total	**100.00**	**100.00**	

Source: Primary Research Data, 2015

From the research findings, 71% of the respondents were able to startup businesses through the help of ASCAs, this shows how savings are an important tool in economic growth.

Figure 3: ASCAs and startup of businesses



Source: Primary Data, 2015

4.4 Formal Financial Savings and Economic Growth

Table 4.11: Formal financial savings and ability to pool resources for family members

	Frequency	**Percentage (%)**
Strongly disagree	1.00	1.00
Disagree	2.00	2.00
Neutral	20.00	20.00
Agree	46.00	46.00
Strongly agree	31.00	31.00
Total	**100.00**	**100.00**

Source: Primary Data, 2015

The study indicated that 77% of the respondents pool funds to promote a talented family member's business venture or education, through formal financial savings, 46% of the respondents agreed, and 31% strongly agreed 20% were neutral about the situation while 1% strongly disagree and 2% disagree, as shown in the table 4.11.

Formal financial services have helped in improving their ability to meet their family expenses as well as pooling resources for their talented family members, this in the long run helps in improving of economic growth.

Table 4.12 Saving in the bank has helped people meet their personal expenses

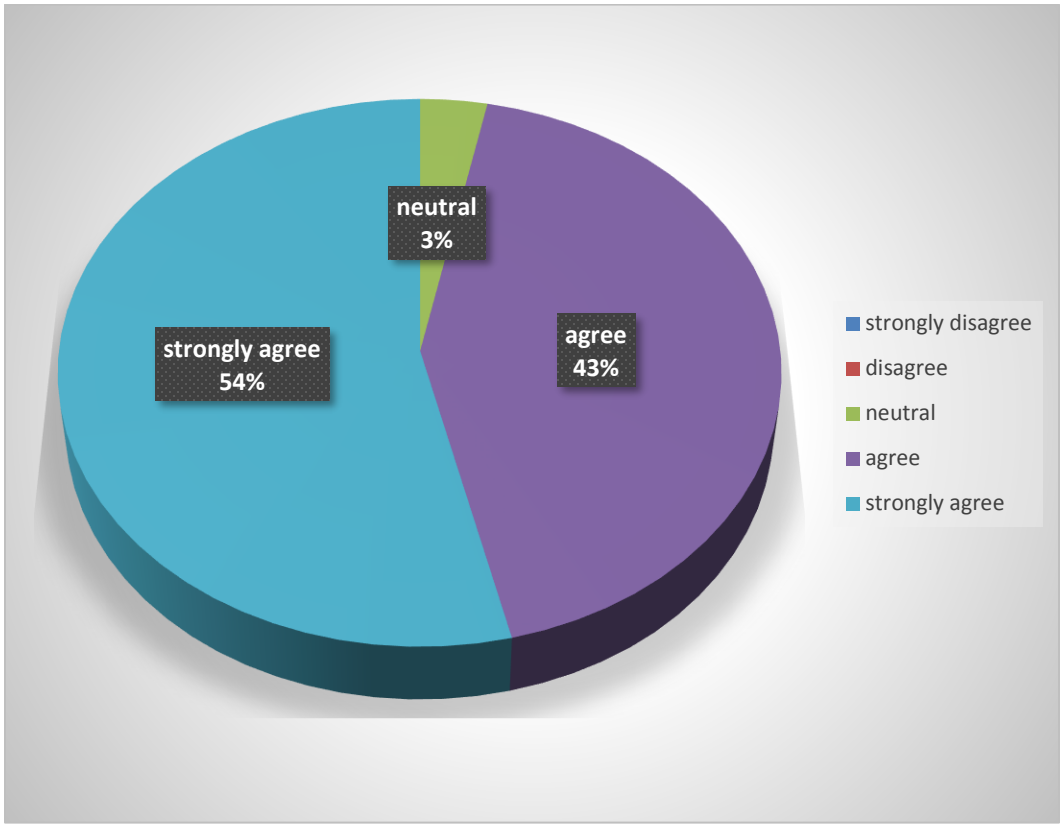
	Frequency	**Percentage (%)**
Strongly disagree	0.00	0.00
Disagree	0.00	0.00
Neutral	3.00	3.00
Agree	43.00	43.00
Strongly agree	54.00	54.00
Total	**100.00**	**100.00**

Source: Primary Data, 2015

Saving in banks has helped people in Masaka to meet their expenditure and that of their family. 54% of the respondents strongly agreed that saving in a bank had helped them meet their expenditure and that of their families, 43% agreed and while 3 were neutral, and none disagreed or strongly disagreed.

This implies that individual savings have played an important role in the meeting of individual expenditure, this improves the welfare of the people which is an indicator of economic growth. This is illustrated in figure 4.

Figure 4: Saving in banks and meeting personal expenditure.



Source: Primary Data, 20150

4.5 Semi- Formal Financial Savings and Economic Growth

Table 4.13: Contribution of MFIs to the economy

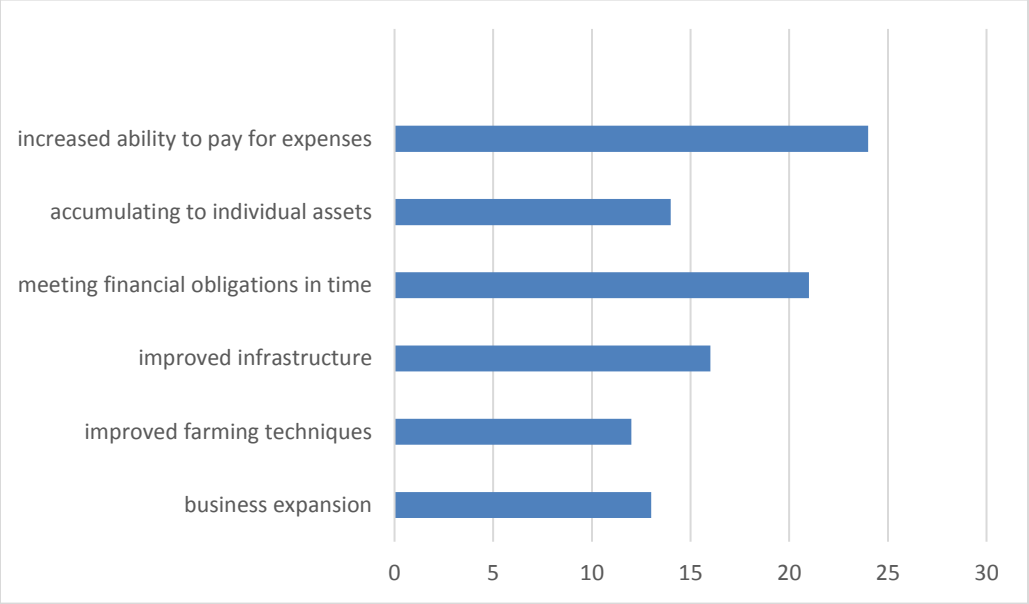
	Frequency	**Percentage (%)**
Business expansion	13.00	13.00
Improved farming techniques	12.00	13.00
Improved infrastructure	16.00	16.00
Meeting financial obligations in time	21.00	21.00
Accumulating to individual assets	14.00	14.00
Increased ability to pay for expenses	24.00	24.00
Total	**100.00**	**100.00**

Source: Primary Data, 2015

MFIs in Masaka Municipality contributed 24% were able to increase their ability to pay for their personal expenses, 21% were able to meet their financial obligations in time, 16% to improvement in infrastructure, 14% were able to accumulate individual assets and 13% to business expansion. The research findings show that Microfinance Institutions as a form of semi-formal financial savings contributes greatly to the general development of the economy.

Figure 5 below shows this clearly.

Figure 5: Contribution of MFIs to economic activity



Source: Primary Data, 2015

Table 4.14: Saving in SACCOS and MFIs builds entrepreneurial ability

	Frequency	**Percentage (%)**
Strongly disagree	4.00	4.00
Disagree	6.00	6.00
Neutral	11.00	11.00
Agree	37.00	37.00
Strongly agree	42.00	42.00
Total	**100.00**	**100.00**

Source: Primary Data, 2015

SACCOs and MFIs offer advisory services which have helped individuals to build their entrepreneurial ability, from the research 42% of the respondents strongly agreed that they had

benefited from the advisory services in entrepreneurial development, 37% agreed, 11% were neutral, 6% disagreed and 4% strongly disagreed as shown in table 4.14 above.

Table 4.15: Role of saving in improvement of financial position of individuals

	Frequency	Percentage (%)
Strongly disagree	3.00	3.00
Disagree	9.00	9.00
Neutral	18.00	18.00
Agree	47.00	47.00
Strongly agree	18.00	18.00
Total	100.00	100.00

Source: Primary Research Data, 2015

The research findings show that saving with SACCOs and MFIs has helped individuals improve their financial position to the extent that some of them have become self-employed. 47% of the respondents agreed, 23% strongly agreed, 18% were neutral, 9% disagreed and 3% strongly disagreed.

Table 4.16: Accumulating savings and the welfare of the people in Masaka Municipality

	Frequency	Percentage (%)
Strongly disagree	3.00	3.00
Disagree	6.00	6.00
Neutral	13.00	13.00
Agree	21.00	21.00
Strongly agree	57.00	57.00
Total	100.00	100.00

Source: Primary Research Data, 2015

Table 4.16 above shows that 57% of the respondents strongly agreed, 21% agreed, 13% were neutral, 6% disagreed and only 3% strongly disagreed. This therefore means that accumulating individual savings improves the welfare of the people in Masaka Municipality.

4.6 Individual Savings and Economic Growth

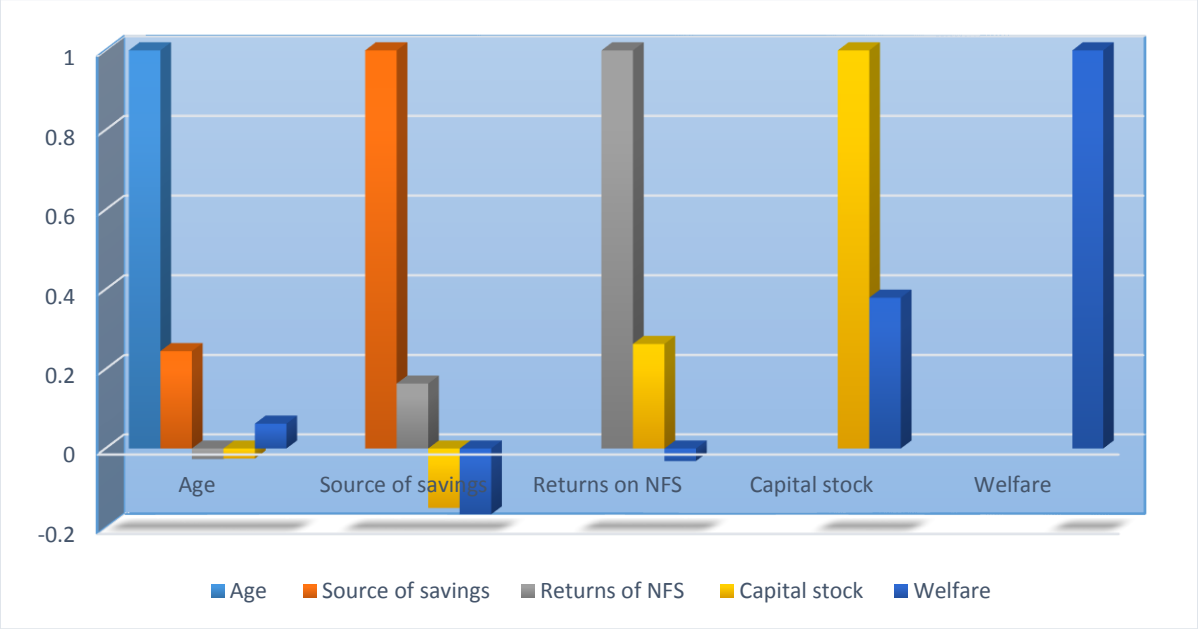
Table 4.17 Correlation between non-financial savings and economic growth

	Age	Source of savings	Returns on NFS	Capital stock	Welfare
Age	1.0000				
Source of savings	0.2454	1.0000			
Returns of NFS	-0.0265	0.1638	1.0000		
Capital stock	-0.0254	-0.1500	0.2634	1.0000	
Welfare	0.0627	-0.1659	-0.0316	0.3795	1.0000

Source: Primary Research Data, 2015

From the results in table 4.17, it was observed that the source of savings and age have a positive relationship, implying that source of savings and age of respondents affect individual savings positively, an increase in source of savings leads to an increase in Individual savings. It was also observed that the age of the respondents has a negative relationship with the returns from Non-financial savings and capital stock in Masaka Municipality. That means that returns on Non-financial savings and age have a negative impact on individual savings in relation to economic growth.

Figure 6: correlation between age, source of savings, returns on Non-Financial Savings, capital stock and welfare



Source: Primary Research Data, 2015

Figure 6 shows that there is a positive correlation between age and the source of savings, there is a negative correlation between source of saving and the welfare of the respondents, capital stock has a positive relationship with welfare, this implies that when individuals' capital stock is increased their welfare is high and hence economic development.

Table 4.18 Correlation between Informal Financial savings and economic growth

	Sex	Common tool	Building savings	Initial investment
Sex	1.0000			
Common tool	-0.0431	1.0000		
Building savings	-0.1056	-0.1886	1.0000	
Initial investment	0.0780	0.0764	0.1198	1.0000

Source: Primary Research Data, 2015

Table 4.18 shows a negative relationship between the common informal financial saving tool used in Masaka Municipality and sex of the respondents, this implies that the Informal financial saving tool used by individuals does not determine the tool used to save. The positive relationship between sex and initial investment capital for starting up business enterprises.

Building savings has a positive relationship with initial investment capital for starting up business enterprises, this implies that when individuals increase their use of informal financial savings, they are able to build more savings which they use for starting up business enterprises which lead to economic growth.

Table 4.19 Correlation between Formal Financial savings and economic growth

	Level of education	Building human capital	Meeting individual expenditure
Level of education	1.0000		
Building human capital	0.0134	1.0000	
Meeting individual expenditure	0.0509	0.0184	1.000

Source: Primary Research Data, 2015

Table 4.19 shows that there is a positive relationship between building human capital and level of education of the respondent, implying that high levels of level of education acquired by an individual increases their desire to build own human capital or that of a family member. The level of human capital development impact on the economic growth of an economy.

The table still shows that building human capital has a positive relation with ability to meet individual expenditure.

Table 4.20 Correlation between Semi-Informal Financial savings and economic growth

	Role of saving	Entrepreneurial ability	Financial position
Role of saving	1.0000		
Entrepreneurial ability	-0.2322	1.0000	
Financial position	0.0015	-0.1085	1.0000

Source: Primary Research Data, 2015

From table 4.20, it is shown that entrepreneurial ability has a negative relationship with role of saving, this implies that it doesn't require one to have entrepreneurial ability for them to save.

Saving has a positive correlation with the financial position of an individual. The table also shows that financial position has a negative relationship with entrepreneurial ability.

Table 4.21: Correlation between Individual savings and economic growth

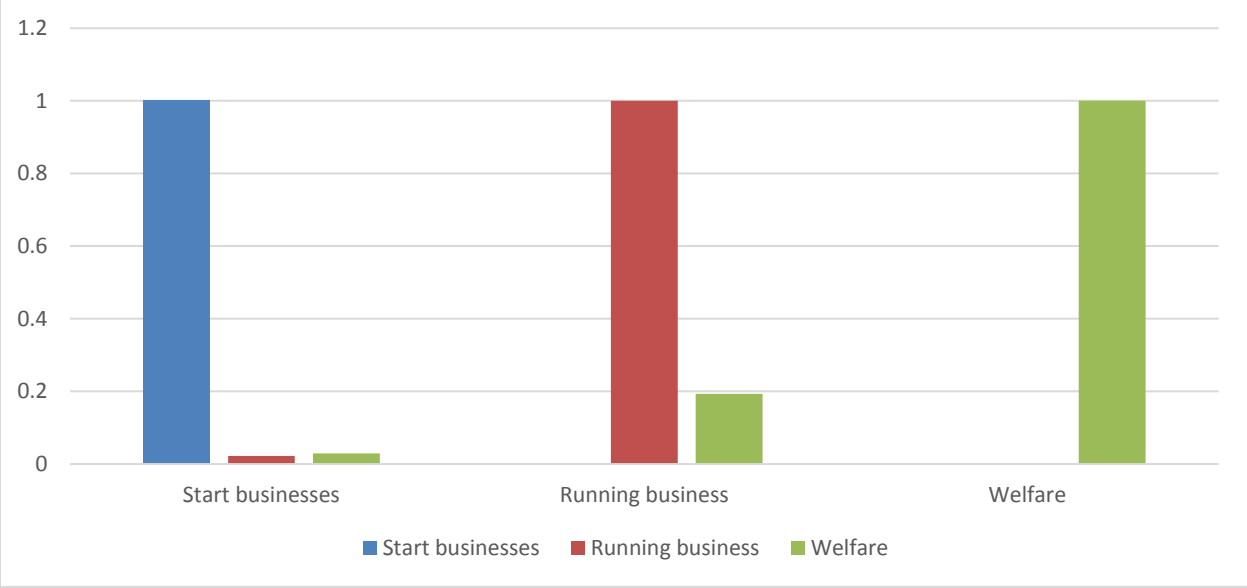
	Start businesses	Running business	Welfare
Start businesses	1.0000		
Running business	0.0220	1.0000	
Welfare	0.0292	0.1930	1.0000

Source: Primary Research Data, 2015

Table 4.21 shows a positive relationship between starting a business, running it and welfare of individuals, this implies that starting a business affects its running and its running affects the welfare of the entrepreneur running the business.

This is illustrated on the bar graph in figure 7 below.

Figure 7: correlation between starting a business, running it and welfare



Source: Primary Data, 2015

4.1 Conclusion

From the study, respondents mentioned acquisition of business related knowledge and savings skills among the most important positive results of participation in their savings programs especially SACCOs and MFIs. Many respondents also testified that they had learnt leadership and public speaking skills from participation in MFI groups. Numerous clients gave proof of this by joining wider institutions and standing for election in local councils. Participation in a credit with education program results in clients trying new health and nutrition practices and informing others about these practices

Individual savings according to the findings are key for the economic growth of Masaka Municipality and Uganda at large, therefore for Uganda's economy to grow, we need to enhance individual savings given the established relationship between individual savings and economic growth from the findings of this study.

CHAPTER FIVE:

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of findings, conclusions and recommendations. The conclusion is done in view of the overall objectives of the research which have guided the entire discussion in seeking to investigate the relationship between Individual Savings and the Economic Growth in Uganda.

The researcher analysed the relationship between Individual Savings and Economic Growth in Uganda, under the case study Masaka Municipality. The results of the study based on the data obtained from the questionnaires which were issued out to the respondents were recorded, tallied, and categorized, from these findings the researcher was able to draw conclusions and recommendations for Uganda.

5.1 Summary of Findings

The summary brings the findings presented in chapter four and takes a critical observation in order to explain whether the study proves or nullifies the research hypothesis which stated that there is a relationship between Individual Savings and Economic Growth in Uganda.

In general, the results from the research study showed that 99% of the respondents had Individual savings which were sourced from salaries or wages, informal businesses, crop or animal production, fishing and motorbike transportation commonly known as *bodaboda business.*

The findings indicated that Non-financial savings are highly used by the respondents because they find the returns on non-financial savings higher than those on financial savings but nevertheless, the respondents indicated that given an opportunity, 58% of the respondents would prefer to have

financial savings. The findings revealed the desire for individuals to save in cash rather than in kind. This shows that there is need for formal financial saving facilities to be increased in Masaka Municipality, there is also need for individuals to be helped in maximizing financial savings since they find saving in kind more rewarding than saving in cash form

Respondents indicated that Non-financial savings have helped them to accumulate capital stock, and have acted as insurance to them against sudden crises such as illness, natural disaster and accidents.

The data analysis done in Chapter Four indicates that Rotating Savings and Credit Associations (ROSCAs) are the most popular tools of informal financial savings used in Masaka Municipality, and that they have highly helped people in restocking inventory and purchase of household items. The findings also indicate that Informal financial saving services have supported low income groups to build individual savings because they require very low savings that are deposited after short intervals of time. This builds financial security of the poor. 71% of the respondents also agreed and strongly agreed that Informal saving services have provided advisory services to entrepreneurs about how to start up business enterprises.

5.2 Conclusions

The ability of individuals to insure themselves against unforeseen disaster as well as increase in capital stock, is an indicator that their welfare is improving and welfare is an indicator of economic development. This implies that non-financial savings have a relationship with economic development.

Increase in the number of business enterprise and entrepreneurial ability indicates economic growth. Therefore the hypothesis that there is a relationship between Informal savings and economic growth is verified as true.

Improved entrepreneurial ability leads to innovations and development of human capital. This is vital in eradication of poverty and hence economic growth.

The researcher then concluded that increased individual savings in form of Non-financial savings leads to increased capital stock which too is an indicator of economic growth. Semi-formal and Formal financial savings enable individuals to be in position to meet their need, their expenditure increases, because they can afford more services, this leads to increased GDP of a country hence a relationship between Individual Savings and Economic growth.

Group-based lending schemes provide clients with an opportunity to build their social assets by reinforcing reciprocal relationships and social networks. Membership of microfinance groups links individuals, households and enterprises into a vital web of business and personal relationships that enables members to better cope with the challenges of life. However, in some cases membership to groups can also become a social liability, especially where there is a consistent pattern of non-payment and mounting peer pressure. Access to financial services also allows the poor to cope with shocks or economic stress events once these take place. Clients use MFI loans to re-stock their businesses and to smooth consumption. As

Finally according to the conclusions, following the findings on Individual savings and Economic Growth, it can therefore be concluded that savings from all individuals in Uganda play a great role to the Economic growth, when more individuals save in formal financial and semi-formal financial forms, more funds are made available for local entrepreneurs, who invest to increase the production of goods and services which is the GDP of the economy.

5.3 Recommendations

The researcher made recommendation relying on the research findings in line with the study objectives as explained in the previous sections. The recommendations are addressed to the

government of Uganda, to all financial institutions, and all Policy makers who can benefit from this study.

The role of individual savings in Economic growth should not be underestimated. With rapid changes, new technologies and increased spread of financial institutions, individual savings are on the rise, secure measures should be put in place to encourage the large numbers of non-financial savings so that those savings are made available to people that need loans so as to start investments in the economy.

Individuals need to be encourage to embrace formal and semi-formal financial savings by increasing the returns on savings for example increasing interest rates on savings.

The government should create more jobs for the youth who are the majority in the Economy of Uganda so as to increase their sources of savings so as to allow them to save more. These savings in the long run lead to economic growth.

5.4 Suggestions for Further Research

The researcher suggests that further research should be carried out on financial accessibility and economic growth in Uganda because the findings of this research revealed that many people were still saving in kind because of poor access to financial institutions.

There is also need to study the role of Education in performance of small scale business enterprises.

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APPENDICES

Appendix i: Questionnaire

Dear Respondent,

I am AMANIYO NEEMA JOSEPHINE, a student of Uganda Martyrs University pursuing a Bachelor of Science degree in Business Economics carrying out research entitled "Individual Savings and Economic Growth". I am soliciting your contribution to this undertaking by requesting you to answer this questionnaire. The information you are going to give is purely for academic purposes and so will be treated and regarded as confidential. Your corporation will be highly appreciated.

You are kindly requested to circle the appropriate alternative for every question.

Section A: Background information

1. Sex
    a) Male
    b) Female
2. Age
    a) 18—25
    b) 26—35
    c) 36—45
    d) 46—55
    e) 56—65
    f) 65+
3. Level of education

a) Post-graduate degree

b) Under-graduate degree

c) Diploma

d) Certificate

e) Other (Specify)…….

4. What is your source of savings?

a) Salary/ wage

b) Informal trade

c) Crop/ animal production

d) Other (specify)……..

e) None

Section B: Non-financial savings and economic growth

5. Saving in kind especially in items such as livestock, crop production, land or other tangible individual assets yields higher returns than other financial saving systems.

a) Strongly disagree

b) Disagree

c) Neutral

d) Agree

e) Strongly agree

6. Given the opportunity, I would prefer to save in cash than in non-financial assets.

a) Strongly disagree

b) Disagree

c) Neutral

d) Agree

e) Strongly agree

7. Non-financial savings is a sure way to accumulate capital stock, leading to economic growth.

    a) Strongly disagree

    b) Disagree

    c) Neutral

    d) Agree

    e) Strongly agree

8. Saving in kind acts as insurance against sudden crises such as illness, natural disasters, or accidents.

    a) Strongly disagree

    b) Disagree

    c) Neutral

    d) Agree

    e) Strongly disagree

Section C: Informal financial savings and economic growth

9. Which of the following informal financial saving tool is commonly used in your area?

    a) Money lenders

    b) Money guards (a trusted person that keeps money for you)

    c) Informal insurance schemes (munno mukabi)

    d) Saving (money) at home

    e) Rotating Savings and Credit Associations (ROSCAs)

f) Accumulating Savings and Credit Associations (ASCAs)

10. ROSCAs (cash rounds) have helped people in Masaka municipality in:

a) Restocking of business inventory.

b) Purchase of household items.

c) Purchase of construction material.

d) Construction of houses.

e) Accumulating money for school fees.

f) Building up lump sums which are later used to open formal bank savings accounts.

11. Informal financial saving services support low income groups to build savings.

a) Strongly disagree

b) Disagree

c) Neutral

d) Agree

e) Strongly disagree

12. ASCAs or "initial investment funds" have helped people in Masaka Municipality to start up business enterprises.

a) Strongly disagree

b) Disagree

c) Neutral

d) Agree

e) Strongly agree

Section D: Formal financial savings and economic growth

13. Family members pool funds to promote a member's business venture or the education of a talented family member.
    a) Strongly disagree
    b) Disagree
    c) Neutral
    d) Agree
    e) Strongly agree
14. Saving has helped me to meet my expenditure and that of my family, and so the health, nutrition, and education of my family members has increased.
    a) Strongly disagree
    b) Disagree
    c) Neutral
    d) Agree
    e) Strongly agree

Section E: semi-formal financial savings and economic growth.

15. What is the contribution of Microfinance Institutions (MFIs) on the economic activities of individuals in Masaka Municipality? PLEASE RANK (1,2,3,...from the most correct option)

a) Business expansion	
b) Improvement in farming practices	
c) Improvement in infrastructure	
d) Meeting financial obligations in time	
e) Accumulating individual assets.	

f) Increased ability to pay for expenses

16. People saving with SACCOs and MFIs receive advisory services hence building entrepreneurial ability.
    a) Strongly disagree
    b) Disagree
    c) Neutral
    d) Agree
    e) Strongly agree
17. Saving with SACCOs and MFIs has helped individuals to improve their financial position to the extent that some of them have become self-employed.
    a) Strongly disagree
    b) Disagree
    c) Neutral
    d) Agree
    e) Strongly agree

Section F: Individual Savings and economic growth

18. Saving helps people to start businesses and accumulate property.
    a) Strongly disagree
    b) Disagree
    c) Neutral
    d) Agree
    e) Strongly agree
19. Advisory services from financial institutions help in running business enterprises

a) Strongly disagree

b) Disagree

c) Neutral

d) Agree

e) Strongly agree

20. Accumulating savings improves the welfare (nutrition, hygiene and housing) of people in Masaka.

a) Strongly disagree

b) Disagree

c) Neutral

d) Agree

e) Strongly agree

Thank you for your time!

Appendix ii: Map showing administrative units in Masaka District