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The Transformative Power of Financial Services on Economic Growth among Households in Mbarara Municipality

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Abstract

Purpose: To establish the relationship between status of available financial services and economic growth of households in Mbarara municipality in Uganda.

Methodology: The study adopted cross sectional research design. Out of the 16,861 household of in Mbarara municipality, 100 households were selected using Yaro Yamane's Statistical formula which gives a better representative sample size out of a big population size as compared to other methods (Yamane, 1969). A Standard linear regression analysis was carried out.

Findings: The study findings revealed that there is a substantial positive relationship between status of financial services available and level of economic growth of households in Mbarara Municipality with 41.4% of high level the economic growth of people Mbarara Municipality is because of the good status of

financial services available. Other factors such as inflation and government policy accounted for 58.6% of the level of Economic growth of people Mbarara Municipality in Uganda

Recommendations: The study also recommends that the government and other stake holders such as Mbarara municipal council and other non-governmental organizations should increase on the status of financial services available by increasing accessibility, quality and usage since they account for 41.4% of the level the economic growth of people Mbarara Municipality Strategies to control other factors like inflation and political instability such as encouraging industrialization and exports should be put in place so since they account for 58.6% of the level of Economic growth of people Mbarara Municipality

Keywords: *Financial Services, Household, Economic Growth, Transformative Power*

1.0 INTRODUCTION

In Uganda, commercial Banking started in 1906 with Grindlays Bank of Calcutta India opening a branch in Entebbe. At the time, the east African currency board was carrying out the activities of the central bank for all the East African Countries. Bank of Uganda opened on August 15, 1966 at the launch of Uganda's first national currency (notes) thereby controlling issuance of currency and managing foreign exchange reserves (Bigsten & Kayizzi-Mugerwa, 1999). At that time, the Uganda Commercial Bank which was established by an act of parliament, "The Uganda Commercial Bank Act, 1965".(Tschoegl, 2000), was in full operation.

In the late 1990s and early 2000s, the Ugandan banking industry underwent significant restructuring. Several indigenous commercial banks were declared insolvent, taken over by the central bank, and eventually sold or liquidated (Tumusiime-Mutebile, 2012). These included the Uganda Cooperative Bank, Greenland Bank, the International Credit Bank, Teeffe Bank, and Gold Trust Bank. The Uganda Commercial Bank (UCB) was initially privatized through a sale of its majority shares. The privatized UCB was merged with the former Grindlays Bank that the Standard Bank of South Africa already owned and had renamed as Stanbic Bank.

By 2008, Stanbic Uganda was the dominant commercial bank in Uganda, with about 27 percent of all bank assets and about 20 percent of all bank branches (Tumusiime-Mutebile, 2012). After decades of financial repression, the government embarked on a programme to liberalize the financial sector with the intention of improving efficiency in resource allocation, lowering the cost of credit, increasing access to banking services by the general population, and mobilization of savings, all geared towards financial and economic development (Kasekende & Atingi-Ego, 2003). In order to achieve this, parliament in 2004 declared a moratorium of new commercial bank licenses, with the passage of a new banking bill (Mugabi, 2014). During the 18 months following the July 2007 lifting of the new banks moratorium, several commercial banks were newly licensed (Mugabi, 2014). During 2008 and 2009, several of the existing banks went on an accelerated branch expansion through mergers and acquisitions or new branch openings (Bank-Of-Uganda, 2015). As of December 2009, total commercial bank assets in Uganda were estimated at UGX: 8.73 trillion. In October 2010, there were 22 licensed commercial banks in Uganda, with nearly 400 bank branches and almost 600 automated teller machines (Bank-Of-Uganda, 2015). At that time, the bank accounts in the country numbered over 5 million. This represented a 16% penetration, given Uganda's population of about 32 million at that time (Mugabi, 2014). This established new guidelines for banking institution classification. Consequently other players in financial industry which include; Insurance companies licensed and regulated by the Insurance Regulatory Authority, Development Banks, forex bureaus, money remitters, and mobile money operators have boasted financial services (Bank-Of-Uganda-report, 2016).

In Uganda, there are seven types of financial institutions offer financial services to communities. These are; 24 commercial banks, 3 credit institutions, 4 micro deposit taking institutions, 99 microfinance institutions, 265 Forex Bureau, Money Remitters and mobile money operators (Bank of Uganda, 2016). These institutions have 2,053 financial services providers, and 20,411 total access points. The financial services show increase in the number of bank branches, which rose from 564 in 2014 to 573 in 2015, while the total number of automated teller machines (ATMs) operated by commercial banks increased from 830 to 842 in 2015, by 1.4 percent (Bank-Of-Uganda, 2015).

Mobile money agents are also present in all districts, and 89% of all access points in Uganda are mobile money agents. Despite the coverage of financial services, only 48% of Uganda's adult population has access to formal financial services that enables them to engage in at least a limited range of transactions. Among these, only 16% of the adult populations keep their savings at formal deposit taking institutions, including banks, micro finance institutions and savings and credit institutions. Up to 60% of adult Ugandans still keep their savings at home with 24% excluded from the financial sector (Sebudde, 2016). A much larger share of the population, reaching more than 65%, are unable to access formal financial institutions for credit. This proportion of the population relies on informal sources of finance or their own, and/or that of their families and their friends'. This study therefore intends to analyse why Uganda's population has failed to use financial services even when these services are near to them for economic development and/or improvement of household incomes. Mbarara has 22 bank branches and 32 ATMs with an accessibility of only 5.8% per 10,000 adults (Bank of Uganda, 2014)

In Uganda, the financial service platform are classified into four formal banking tiers, forex bureaus, and mobile money operators that have improved financial service delivery in the country (Bank-Of-Uganda, 2015). These institutions have 2,053 financial services providers and 20,411 total access points with an accessibility rate of only 5.8% per 10,000 adults (Bank-Of-Uganda, 2015). 52% of Uganda's adult population has access to financial services that enables them to engage in at least a range of transactions (Mawejje & Munyambonera, 2017). In the period between 2014 and 2015, the number of commercial bank branches rose by 1.6% and the total number of automated teller machines increased by 1.4%. Mobile money services have greatly enhanced coverage and constitutes 89% of all access points in Uganda through mobile money agents (Bank-Of-Uganda-report, 2016).

Despite this wide coverage and accessibility to financial services, only 16% of the adult population keep their savings at formal banking institutions, however up to 60% of adult Ugandans still keep their savings at home with 24% excluded from the financial sector (Sebudde, 2016). As a result of limited use of financial services, 65 % of the households in Uganda who do not use formal financial services have remained poor (Mugabi, 2014). This has further slowed down economic growth by 0.2% in 2016/2017 financial year (UBOS, 2016/2017). This prompted the study to establish the relationship between status of available financial services and economic growth of household in Mbarara municipality.

In the United States of America financial inclusion ultimate goal is to make efforts aimed at increasing financial inclusion is not simply a rise in the share of households that rely on services provided by banks. Rather, the aim of expanding financial inclusion is to provide more households with access to safe and affordable financial services. (Council of economic advisers' issue brief June 2016) Addition to pursuing this goal has involved expanding households' reliance on services provided by banks, unlike developing countries, which this study intended to investigate.

Statement of the Problem

In Uganda, the financial service platform has formal banking four tiers, forex bureaus, and mobile money operators that have improved financial service delivery in the country (Bank-Of-Uganda, 2015). These institutions have 2,053 financial services providers and 20,411 total access points with an accessibility rate of only 5.8% per 10,000 adults (Bank-Of-Uganda, 2015). 52% of Uganda's adult population has access to financial services that enables them to engage in at least

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Purpose of Study

To establish the relationship between status of available financial services and economic growth of households in Mbarara municipality.

Research Hypothesis

There is a relationship between status of available financial services and economic growth of households in Mbarara municipality.

Scope of the Study

The study focused on financial services and economic growth; a financial service was the independent variable while economic growth is the dependent variable. Specifically, the study focused on factors hindering households from utilizing financial services, status of financial services available and level of economic growth among households in Mbarara municipality. The study also focused on the relationship between status of available financial services and economic growth of households in Mbarara municipality.

Area Scope

The study was conducted in Kakoba division of Mbarara municipality. Mbarara municipality has six divisions namely; Nyamitanga, Kamukuzi, Kakoba, Kakiika, Nyakayojo and Biharwe. The divisions of Kakiika, Nyakayojo and Biharwe became part of Mbarara Municipality in August 2014 (Statistical-Abstract, 2015/2016). Mbarara municipality is located within Mbarara district, western Uganda. Mbarara municipality is the third region with the highest number of financial service outlets in Uganda. It has a high coverage of bank branch network and ATMs but with an accessibility rate of only 5.8% per 10,000 adults (Bank-Of-Uganda, 2015).

Time Scope

The study focused on the period of 7 years from years 2010 to 2016. This is the period characterized by the increase in status to financial services but reduced usage (Bank-Of-Uganda, 2015).

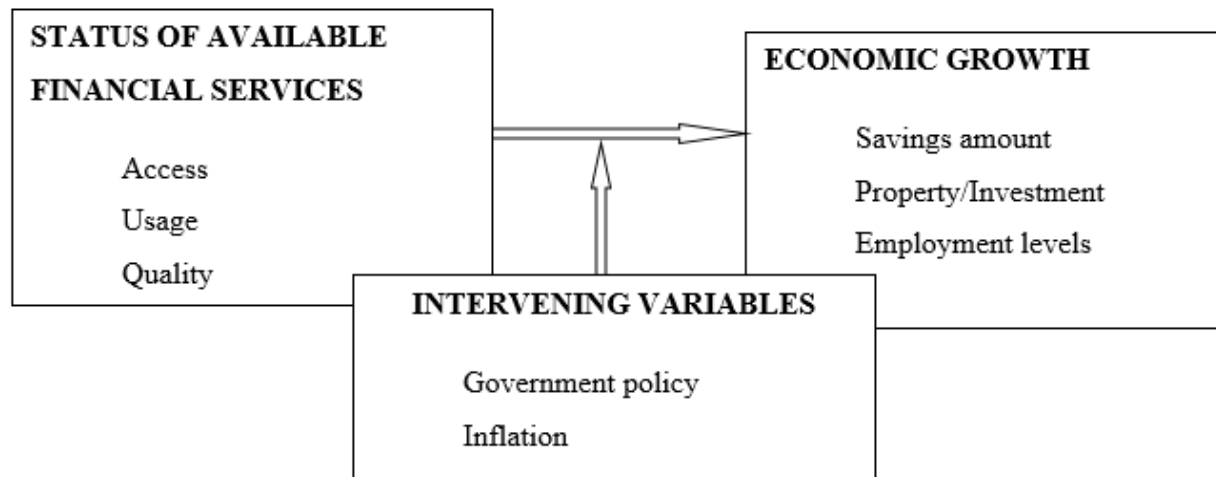


Figure 1: Conceptual Framework

Source: (Diniz, Birochi, & Pozzebon, 2012) and (Jenkins et al., 2012)

The study is based on the frame work in figure 1above that was developed through extensive literature review and information from several dimensions. It shows the relationship between status of available financial services and economic growth being moderated by inflation and government policy. Status of available financial services was the independent variable and economic growth is the dependent variable. Financial services is conceptualized in terms of Access, Usage and Quality (Diniz et al., 2012) while economic growth is conceptualized in terms of Savings, Property/Investment, and Employment (Jenkins et al., 2012).

Factors Hindering Households from Utilizing Financial Services

According to the World Bank, there are around 2.5 billion working-age adults globally (50%) that do not use formal financial services. Although of half of adults around the world are unbanked, at least 35 percent of them report barriers to account use that might be addressed by public policy. Among the most commonly reported barriers are high cost, physical distance, and lack of proper documentation, though there are significant differences across regions and individual characteristics (Demirgüç-Kunt & Klapper, 2012).

Poor usage of formal financial services is attributed to the lack of banking outlets that are willing to serve the poor. In addition, the poor themselves are not eager to get plugged into formal financial services because they believe they're too poor to be able to benefit from them (Beck, Demirgüç-Kunt, & Honohan, 2009).

Around 1.5 million ageing people in the UK remain do not use financial services and some say they are unable to reach them or cope with the technological advancements. Not having a passport or a driving license causes consumers problems in getting a bank account, as these are the typical standard documents used by banks to verify identity 9.5 million People in England and Wales do not have a passport. Consumers with no permanent address or who move often can have problems opening bank accounts and gaining access to credit, as this affects bank verification of their details. This particularly affects members of the Armed Forces and people renting privately (Karakostas, Kardaras, & Papathanassiou, 2005).

In USA, among households with annual incomes of less than \$15,000 a year, 28% have no bank account and another 22% have less than a full range of services. Rates of under banking are similarly high among the unemployed, people without high school degrees and those under the age of 25. In addition, African Americans, Native Americans and Hispanics have higher rates than whites and Asians. Only about 5% of employed middle-class Americans are without bank accounts, but more than 20% use financial services outside the banking system. The reason for this is that accounts in America require so many procedures and are and end up becoming an inconvenience (Melzer, 2011).

A bigger proportion of the population not having bank accounts or closing them in US counties with a larger fraction of single mothers, lower education levels, lower wealth, higher unemployment communities with high property crime rates and low electoral participation (Campbell, Martínez-Jerez, & Tufano, 2012). Most organisations and countries have a policy of compulsory account opening and all payments to workers to be made in financial institutions especially in developed countries and this encourages utilization of financial services (Caskey, 2002).

According to a study which was conducted in Rwanda, results revealed that some financial institutions were not accessible, some were offering loans at high interest rates, others required initial deposits while the rest complained of the quality of services offered by these financial institutions and this hindered utilization of the financial services (Mutandwa & Kwiringirimana, 2015). However Kempson and others in their study about policy level response to financial exclusion in developed economies while drawing lessons for developing countries found out that requiring initial deposits does not affect utilization of financial services (Kempson, Atkinson, & Pilley, 2004).

A study was conducted in Kenya on formal and informal institutions' lending policies and access to credit by small-scale enterprises and it revealed that lack of collateral security was among the top causes of poor utilizing financial services (Atieno, 2001).

Some of the reasons why some Ugandans don't use financial services are: Lack of regulation leads to a lack of trust in financial services whereby there is currently no sufficient regulatory framework for 'Tier 4' institutions which include Non-Deposit Financial Institutions (NDFI), mobile money/internet-based technologies and self-help groups like VSLAs. This absence of licensing, guidelines and oversight results in high financial risks and a loss of confidence in financial services, lack of regulations to compelling the private sector to bank the un-banked and Limited examples of innovative business models fails to inspire others (Mpuga, 2010).

Most people in Uganda rarely use financial services like banks because some of the services offered are not applicable in them. They commonly use banks to keep larger amounts of their money for security purposes and to acquire loans otherwise they commonly use mobile money services on their hand phones (Ndiwalana, Olga, & Popov, 2010).

In a study conducted in Bushenyi District about accessibility to micro-finance services by people with disabilities, findings revealed that some financial institutions don't favour people with disabilities especially buildings constructed with up-stairs to climb and not having mobile/electronic banking options for those who can't physically reach the premises of these institutions (Nuwagaba et al., 2012).

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs in a responsible and sustainable way. Consequently, the study was based on the Current financial intermediation theory that builds on the notion that intermediaries serve to reduce transaction costs and informational asymmetries. Thus, affecting economic growth by acting on the saving rate, on the fraction of saving channeled to investment or on the social marginal productivity of investment

2.0 METHODOLOGY

The study adopted cross sectional research design. The study design provided a systematic description that is as factual and as accurate as possible. The study used both quantitative and qualitative research approaches.

The study focused on Mbarara municipality with a total household population of 51,249 distributed in six divisions namely; Nyamitanga, Kamukuzi, Kakoba, Kakiika, Nyakayojo and Biharwe. The household population in the six divisions of Mbarara municipality : (UBOS, 2016) as shown in Table 1.

Table 1: Study Population

Division	Number households
Biharwe	5,121
Kakiika	5,364
Kakoba	16,861
Kamukuzi	9,813
Nyakayojo	8,726
Nyamitanga	5,364
Total	51,249

Source: (UBOS, 2016)

The study was conducted in Kakoba division of Mbarara municipality as a representative area given that the division has the largest number of households and financial services outlets (Mbarara Municipality Statistical Abstract, 2012). The division also exhibit characteristics of urban and rural settings which would give the researcher a balanced and fair view of the study. The study population consisted of all the Cells in Kakoba division of Mbarara municipality as shown in Table 2. This is because Kakoba Division is a true representative of Mbarara municipality.

Table 2: Study Sampling Frame

CELL	Household Population
Nyamityobora Ward	890
Agip Cell	523
Kabateireine Cell	654
Central Cell	756
Upper Cell	876
Lower Cell	897
Kilembe Cell	499
Lubiri Cell	987
Kakoba Cell	1,298
Kiswahili Cell	988
Lugazi Cell	901
Kyapotanyi Cell	687
Rwentondo Cell	793
Nyakaizi Cell	500
Kihindi Cell	674
Muti Cell	663
Kisenyi Cell	921
N.T.C Cell	589
Police/Prisons Cell	862
Market Cell	700
Survey Cell	603
Kakoba Quarters Cell	500
Total	16,861

Source: (UBOS, 2016)

Sample Size Determination

Out of the 16,861 household of in Mbarara municipality, 100 households were selected. The sample size was determined using Yaro Yamane’s Statistical formula which gives a better representative sample size out of a big population size as compared to other methods (Yamane, 1969).

$$n = N / 1 + N (e^2) \quad \text{Where}$$

n= required sample size, N = population size, and e = Margin of error

$$n = 16,861 / (1 + 16,861 \times 0.1^2) = 100 \text{ households}$$

Table 3: Sample Size Calculation

	CELL	Household Population	Household proportion (%)	Number recruited in the sample
1	Nyamityobora ward	890	5.3	5
2	Agip Cell	523	3.1	3
3	Kabateireine Cell	654	3.9	4
4	Central Cell	756	4.5	5
5	Upper Cell	876	5.2	5
6	Lower Cell	897	5.3	5
7	Kilembe Cell	499	3.0	3
8	Lubiri Cell	987	5.9	6
9	Kakoba Cell	1,298	7.7	8
10	Kiswahili Cell	988	5.9	6
11	Lugazi Cell	901	5.3	5
12	Kyapotanyi Cell	687	4.1	4
13	Rwentondo Cell	793	4.7	5
14	Nyakaizi Cell	500	3.0	3
15	Kihindi Cell	674	4.0	4
16	Muti Cell	663	3.9	4
17	Kisenyi Cell	921	5.5	6
18	N.T.C Cell	589	3.5	3
19	Police/Prisons Cell	862	5.1	5
20	Market Cell	700	4.2	4
21	Survey Cell	603	3.6	4
22	Kakoba Quarters Cell	500	3.0	3
	Total	16,861	Sample size	100

Source: Yaroyamane's Statistical Formula

Sampling Techniques

Purposive and simple random sampling techniques were used. Purposive sampling was used to select the 22 local leaders (cell chairpersons) as key informants. Simple random sampling technique was used to recruit 78 household heads. In each cell one of the participants (cell chairpersons) was purposively recruited while the rest were randomly recruited. The respondents were requested to pick a piece of paper randomly out of the box and if it read yes, then they would participate in the study and if it read no, you would not participate.

Data Collection Method

This researcher used a self-administered questionnaire. Primary data was collected using questionnaires and interviews. The researcher administered closed-ended questionnaires to 78 household heads and interviews to 22 local leaders (cell chairpersons). Likert scale was used since it is more flexible and can easily be constructed. All respondents were briefed before administering the questionnaires. This was to give the researcher chance to provide clarification that would be sought by respondents and to collect the questionnaires immediately after completion.

Research Instrument

A questionnaire was used to collect data where by a set of predetermined questions was designed to collect data from the study respondents. The respondents filled the questionnaires themselves. This questionnaire was used to collect data from 78 heads of each household. This tool was used because it collects responses with minimal errors and with high level of confidentiality since the respondents just answer the questions at their convenient time.

An interview guide is a set of questions that the interviewer asks when interviewing. The researcher carried out personal interviews and direct verbal discussion and interaction with 22 local leaders of each cell/Ward in order to collect data. The objective of the interview guide was to bring some preliminary issues to the surface so that the researcher can determine what variables need further in-depth investigation. The questions were well planned in advance and the researcher used an interview guide to facilitate a lot of probing. This was to enable the researcher to unearth information that could not be captured using the questionnaires.

Data Analysis and Presentation

After collecting the data, it was processed and prepared for analysis to make it as error free as possible. The data was edited so as to make it accurate and consistent with other facts gathered. It was then coded and uniformly entered so as to reduce the several replies into a small number of classes. It was classified according to attributes the large volumes data into small homogeneous groups and lastly tabulated to ensure a concise and logical order (Kothari, 2004).

Qualitative data was analyzed using thematic and content analysis while quantitative data was analyzed using descriptive statistics such as percentages and frequencies so as to meaningfully describe the distribution of scores. In order to describe the relationship between the variables, Pearson product moment correlation index, simple regression analysis will be used (Mugenda, 1999). The f tests were used to test the hypothesis. All these were determined using the SPSS computer package and the data was presented in form of tables and graphs.

Limitations of the Study

There are other variables, which affect economic growth apart from status of financial service. The researcher however controlled them by determining the co-efficient of non-determination to determine the percentage by which they affect the dependent variable.

It was difficult to get all the household heads at the same time so as to give an equal chance of participating in the study since they have different jobs. The researcher however was able to give equal chance to those who were readily available without bias.

3.0 FINDINGS

The study put into account the gender, level of education and using financial services, and main source of income and income range which were considered relevant to this study.

Table 4: Gender Distribution of the Respondents

		Frequency	Percent	Cumulative percent
Valid	Male	69	69.0	69.0
	Female	31	31.0	100.0
	Total	100	100.0	

Source: Primary Data, 2017

Findings from Table 4 revealed that the males were (69.0%) and females were 31(31.0%). This implies that majority of the house hold heads in Kakoba Division were males. This is because Uganda is not matrilineal and thus most of the household heads are males (Lastarria-Cornhiel, 1997) and that women are more likely to be ‘un-served’ by financial services providers than men (FINSCOPE-Uganda, 2007).

Table 5: Distribution of Experience in Using Financial Services

		Frequency	Percent	Cumulative Percent
Valid	Below 5 years	38	38.0	38.0
	5-10 years	30	30.0	68.0
	10-15 years	16	16.0	84.0
	15 and above years	16	16.0	100.0
	Total	100	100.0	

Source: Primary Data, 2017

Results from Table 5 revealed that 68.0% had banked for a period below 10 years while 32.1% were above 10 years in banking. This indicates that majority of the people in Kakoba division had banked for a period below 10 years. This is because banking sector has increased since the era of privatization and enhancement of private banking sector in Uganda in the later 1990s and early 2000s (Rutega, 2003). The growth in use also coincides with the introduction of Mobile money services in Uganda in 2009 by MTN group of company and later similar services adopted by other telecom players which became popular due to high penetration rates of mobile phone services (Uganda-Telecommunications-Company, 2012).

Table 6: Distribution of Highest Level of Education of the Respondents

		Frequency	Percent	Cumulative percent
Valid	Primary	23	23.0	23.0
	Secondary	36	36.0	69.0
	Diploma	17	17.0	86.0
	Degree	21	21.0	97.0
	Post graduate	3	3.0	100.0
	Total	100	100.0	

Source: Primary Data, 2017

Findings distribution of highest level of education of the respondents in Kakoba Division in Table 6 indicated that 23.0% completed primary education, 36.0% had completed secondary education, and 21.0% had completed a degree while 3.0% had post graduate studies. This implies that the majority 59% had completed only secondary education. This is because the introduction of free primary and secondary education in Uganda has improved literacy levels thereby promoting awareness to utilise media platforms and access financial services, information and could ably use financial them (Chapman, Burton, & Werner, 2010).

Table 7: Distribution of Main Type of Employment of the Respondents

		Frequency	Percent	Cumulative percent
Valid	Formal employment	41	41.0	41.0
	Informal employment	15	15.0	56.0
	Business	14	14.0	70.0
	Farming	30	30.0	100.0
	Total	100	100.0	

Source: Primary Data, 2017

Findings from Table 7 revealed that 41.0% of the respondents were in formal employment, 15.0% were informal employment, and 14.0% were in business while 30.0% were in farming. This indicates that the majority 56.0% were employed both formally and informally. This is because employment opportunities have improved with the roll out of private sector led economy campaigns and attraction of foreign investment in Uganda (David Rider Smith, Gordon, Meadows, & Zwick, 2001).

Table 8: Distribution of the Income Ranges of the Respondents

		Frequency	Percent	Cumulative percent
Valid	Less than 235,000	28	28.0	28.0
	235,000-335,000	14	14.0	42.0
	335,000-410,000	27	27.0	69.0
	410,000 and Above	31	31.0	100.0
	Total	100	100.0	

Source: Primary Data, 2017

Findings from Table 8 reveal that 28.0% earn less than 235,000, 14.0% earn between 235,000 and 335,000, 27.0% earn between 335,000 and 410,000 while 31% earn above 410,000 per month. This indicates that the majority earn above 335,000 shillings per month. This is because the income levels of Ugandan have been improving with the expansion of the economy and relative increase in employment opportunities (Ellis & Bahiigwa, 2003).

Factors Hindering Households from Utilizing Financial Services

The first objective was to establish factors hindering households in Mbarara municipality from utilizing financial services as stated in chapter one of this report. The researcher provided ten (10) statements concerning factors hindering households in Mbarara municipality from utilizing

financial services for which the respondents were supposed to indicate their level of agreement with. The following symbols were used; Strongly Disagree (SD =1), Disagree (D =2), Neutral (N=3), Agree (A=4), Strongly Agree (SA=5), f=Frequency and %= Percentage. The findings were presented in tables as follows: The factors were arranged in descending order beginning with the one with the highest mean using codes as shown in the table

Table 9: Responses on Factors Hindering Households from Utilizing Financial Services

	Factors	SD		D		N		A		SA		Mean
		F	%	F	%	F	%	F	%	F	%	
1	FACTOR5	8	10.2	6	7.7	7	9.0	23	29.5	34	43.6	3.8846
2	FACTOR9	3	3.9	14	17.9	14	17.9	21	26.9	26	33.3	3.6795
3	FACTOR4	9	11.5	11	14.1	9	11.5	22	28.2	27	34.6	3.6026
4	FACTOR8	9	11.5	11	14.1	11	14.1	18	23.1	29	37.2	3.6026
5	FACTOR10	18	23.1	21	26.9	10	12.8	13	16.7	16	20.5	3.5641
6	FACTOR6	10	12.8	16	20.5	11	14.1	15	19.2	26	33.3	3.3974
7	FACTOR7	13	16.7	12	15.3	11	14.1	18	23.1	24	30.8	3.3590
8	FACTOR1	20	25.6	6	7.7	7	9.0	20	25.6	25	32.1	3.3077
9	FACTOR3	22	28.2	16	20.5	11	14.1	9	11.5	20	25.6	2.8590
10	FACTOR2	18	23.1	21	26.9	10	12.8	13	16.7	16	20.5	2.8462

Source: Primary Data, 2017

Findings from Table 9 revealed that most people don't acquire loans from banks because they require collateral as security for the loan (FACTOR5) and since the majority (73.1%) agreed while 17.9% disagreed and the mean was 3.8846. This finding is in agreement with the statement made by most of the LC1 chairmen that "most of our people fail to get loans from banks because they don't have security for the loans" While the rest said "some people fears high interests, others have no income, some people have no projects where to invest the money apart from using it for alcohol and women". These findings are consistent with the past studies of Atieno who conducted a study in Kenya on formal and informal institutions' lending policies and access to credit by small-scale enterprises and revealed that lack of collateral security was among the top causes of poor utilizing financial services (Atieno, 2001).

The study also sought to establish whether some respondents did not trust financial service providers (FACTOR9) because some of them were not reliable and sound and the majority (60.2%) agreed while 20.8% disagreed and the mean was 3.6795. This implies that most of the people in Mbarara Municipality don't trust financial service providers because some of them are not reliable. This is in line with the statement made by majority of the local leaders that "some of the financial service providers are cheats especially those which are just beginning like COWE", and the rest said "people trust financial services but they are just poor", These findings are consistent with the past studies of Mpuga who conducted a study in Uganda on constraints in access to and demand for rural credit and cited lack of confidence and trust in financial services as one of the barriers to poor utilization of financial services in Uganda (Mpuga, 2010).

The study also found out whether the initial deposit required by most of the banks doesn't favor people with low incomes (FACTOR4) and the majority (62.8%) agreed while only 25.6% disagreed and the mean was 3.6026. This indicates that the initial deposit required by most

financial institutions deters some people from using them especially low income earners. This is in agreement with the findings of Mutandwa and Kwiringirimana in Rwanda although it disagrees with the study of Kempson and others among developing countries who found out that requiring initial deposits does not affect utilisation of financial services (Kempson et al., 2004).

House holder owners (respondents) were asked whether some people don't have accounts in banks just because there is not compulsory policy for everyone to have an account (FACTOR8) and the majority (60.3%) agreed while 25.6% disagreed and the mean was also 3.6026. This means that some people don't have accounts in banks just because there is no compulsory policy for everyone to have an account and this agrees with the statement made by most of the local leaders that "*some people don't mind about having accounts in banks and find it more convenient to keep the money in their homes*" while others disagreed and said "*some people are illiterate and don't know how to use banks*". These finding is in line with Caskey who contends that compulsory account opening and all payments to workers to be made in financial institutions encourages utilization of financial services (Caskey, 2002).

Concerning whether financial services available do not offer solutions to people's current problems (FACTOR10), 37.2% agreed while the majority (50.0%) disagreed and the mean was 3.5641. This means that Financial services available not offering solutions to peoples current problems is not one of the factors that hinder people in Mbarara municipality from utilizing financial services. After all one of the chairmen said that "*financial institutions have helped people in my cell so much*". This finding is consistent Oruo who asserts that access to financial services is a vital solution for promoting economic growth by improving household incomes (Oruo, 2013).

Findings also revealed that most people rarely use financial services because some of the services offered were not applicable in their community (FACTOR6). This is backed by the fact that the majority (52.5%) agreed and only 33.2% disagreed and the mean was 3.3974. This agrees with most of the local leaders who revealed that "*the main services they need from financial services are security for their money and borrowing*". This finding is consistent with Ndiwalana and others who contend that most people in Uganda commonly use mobile money services on their hand phones in their study about Mobile money use in Uganda (Ndiwalana et al., 2010).

The study further sought to establish whether most of the disabled and physically handicapped people are not provided for in financial institutions such as banks (FACTOR7) and the majority (53.9%) agreed while 32.0% disagreed with mean being 3.3590. This indicates that some financial institutions in Mbarara Municipality don't favour the disabled and physically handicapped. A similar problem was found in Bushenyi financial institutions by way of not having enough mobile banking options (Nuwagaba et al., 2012).

"I don't use financial services because they are offered at a high cost" (FACTOR1), was another statement under study and the majority (57.7%) agreed while 33.3% disagreed and the mean was 3.3077. This implies that some people in Mbarara Municipality don't use financial services because they are offered at a high cost. This finding is in line with the statement made by five of the local leaders that "*high bank charges discourage some people from keeping their money in banks*". This consistent Demirgüç-Kunt and Klapper who reported high transactional costs among barriers to access to financial services (Demirgüç-Kunt & Klapper, 2012).

As to whether not having identification requirements for opening an account is one of the reasons why some people don't have a bank account (FACTOR3), 37.1% agreed while 48.7% disagreed

and the mean was 2.8590. This means that according to house hold heads, it was not clear whether not having identification requirements deters some people from having bank account but according two of the local leaders, they said “*lack of national identity card prevents foreigners from having bank accounts and registering their SIM-cards for mobile banking*”. This is consistent with past findings of Demirgüç-Kunt and Klapper who reported lack of proper documentation among their findings (Demirgüç-Kunt & Klapper, 2012).

Finally the study sought to establish to whether financial services being far away from peoples’ homes is the reason as to why they rarely use them (FACTOR2), and 37.2% agreed while 50.0% disagreed and the mean was 2.8462. This means that the distance of financial services from peoples’ home is not one of the factors that hinder households in Mbarara municipality from utilizing financial services. Physical distance was also reported as a barrier to access to financial services (Demirgüç-Kunt & Klapper, 2012).

Status of Available Financial Services to Households

The second objective was to establish the status of available financial services to households in Mbarara municipality as stated in chapter one of this report. The researcher provided twelve (12) statements concerning status of available financial services for which the respondents were supposed to indicate their level of agreement with. The following symbols were used; strongly Disagree (SD =1), Disagree (D =2), Neutral (N=3), Agree (A=4), Strongly Agree (SA=5), f=Frequency and %= Percentage. The findings were presented in tables as follows:

Table 10: Responses on Access to Financial Services

	Access to financial services	SD		D		N		A		SA		Mean
		F	%	f	%	F	%	f	%	F	%	
1	SFSA_Access2	3	3.8	5	6.4	11	14.1	22	28.2	37	47.4	4.0897
2	SFSA_Access1	8	10.3	7	9.0	6	7.7	25	32.1	32	41.0	3.8462
3	SFSA_Access3	5	6.4	11	14.1	11	14.1	27	34.6	24	30.8	3.6923
4	SFSA_Access4	9	11.5	9	11.5	8	10.3	29	37.2	23	29.5	3.6154

Source: Primary Data, 2017

Findings from Table 10 revealed that it is easy to send and receive money using financial services at any time these days in Mbarara Municipality (SFSA_Access2) since the majority (75.6%) of the house hold heads agreed and only10.2% disagreed and the mean was 4.0897. This finding is consistent with the past findings of Jack and Suri who asserted that it is easy to access financial services using mobile money or M-Pesa (Jack & Suri, 2011).

Study participants were also asked whether they have different types of financial services available in their communities (SFSA_Access1) and the majority (73.1%) agreed while 19.3% disagreed and the mean was 3.8462. This implies that there are different types of financial services available in Mbarara Municipality. This is line with the statement made by six local leaders that “*we have a variety of financial services such as mobile money and SACCOS*”. This finding is in agreement with the findings of FINSCOPE-Uganda which asserts that people living in rural areas are more likely to be without financial services un-served than those living in urban areas since Mbarara municipality is urban (FINSCOPE-Uganda, 2007).

“I can easily acquire a loan provided I have security for it (SFSA_Access1)” was another question asked to respondents and the majority (65.4%) agreed while 20.1% disagreed and the mean was 3.6923. This means that people in Mbarara Municipality can easily acquire a loan provided I have security for it and this finding is in line with the statement made by three of the LC1 Chairmen that *“lack of securities required by financial institutions is the main reason that stops most people from acquiring loans”*. This is in agreement with the findings of Atieno who contends that possession of collateral security eases utilization of financial services (Atieno, 2001).

Finding from the study also revealed that the financial service platforms conveniently work for 24 hours and ably link with other financial products (SFSA_Access3) since the majority (66.7%) agreed while 23.0% disagreed and the mean was 3.6154. In an interview with local leaders, they were quoted saying *“yes, some our banks work for the whole night especially through ATMs”*. This finding is in line with the past studies of Laukkanen who contends that Access to financial services has been improved through Automatic Teller Machines, internet and mobile banking which goes on for 24 hours (Laukkanen, 2007).

Table 11: Responses of Respondents on Usage of Financial Services

	Usage of financial services	SD		D		N		A		SA		Mean
		F	%	f	%	F	%	f	%	F	%	
1	SFSA_Usage6	6	7.7	7	9.0	8	10.3	24	30.8	33	42.3	3.9103
2	SFSA_Usage7	6	7.7	10	12.8	5	6.4	27	34.6	30	38.5	3.8333
3	SFSA_Usage5	10	12.8	8	10.3	14	17.9	20	25.6	26	33.3	3.5641
4	SFSA_Usage8	9	11.5	16	20.5	12	15.4	14	17.9	27	34.6	3.4359

Source: Primary Data, 2017

Findings from Table 11 revealed that the majority (73.1%) of the people in Mbarara Municipality prefer to keep money on their bank accounts than physical cash in their houses (SFSA_Usage6). This finding is in line with three of the local leaders who said *“people nowadays keep their money in banks to avoid thieves and since it is a requirement to have an account in a bank so as to access a loan”*. This finding is in agreement with (Wright & Huang, 2008)

Study participants were asked whether they use financial products like mobile money, Cheques, EFT, RTGS always (SFSA_Usage7) and the majority (73.1%) agreed while 20.5% disagreed and the mean was 3.8333. This implies that people in Mbarara municipality use financial products like mobile money, Cheques, EFT, RTGS always although the most quoted one by local leaders in the interview was mobile money. a study was conducted in Kenya and finding revealed that the most commonly used means was M-Pesa which is also like mobile money in Mbarara (Ngugi, Pelowski, & Ogembo, 2010).

As to whether financial services are commonly used by people with formal employment, wealth status and high education level (SFSA_Usage5), the majority (58.9%) agreed while 23.2% disagreed and the mean was 3.5641. This indicates that financial services are commonly used by people with formal employment, wealth status and high education level and a similar statement was said by one of the local leaders that *“some people don’t have any money to keep in bank*

because they spend all the money they earn in buying food and necessities for their families”. This result is consistent with the findings of the FinScope III Survey which also revealed that people with formal employment, wealth status and high education level are leading in usage of financial services (FinScope-III-SURVEY, 2013).

It was also revealed that the majority (52.5%) agreed that most people in Mbarara Municipality use their account with the service provider only to get loans/credit (SFSA_Usage8) while 32.0% disagreed. One of the local leaders said “some people open accounts with certain banks so as to acquire loans and use the same account only to pay back the loan”. This finding is in agreement with those of Dupas and others conducted in the western province of Kenya and revealed that most rural people open Banks accounts targeting to acquire credit services (Dupas et al., 2012).

Table 12: Responses of Respondents on Quality of Financial Services

	Quality of financial services	SD		D		N		A		SA		Mean
		f	%	f	%	F	%	f	%	f	%	
1	SFSA_Quality9	5	6.4	11	14.1	15	19.2	21	26.9	26	33.3	3.6667
2	SFSA_Quality12	6	7.7	11	14.1	15	19.2	20	25.6	26	33.3	3.6282
3	SFSA_Quality10	6	7.7	9	11.5	22	28.2	19	24.4	22	28.2	3.5385
4	SFSA_Quality11	7	9.0	17	21.8	13	16.7	20	25.6	21	26.9	3.3974

Source: Primary Data, 2017

Findings from Table 12 revealed that financial services in Mbarara municipality are secure, reliable, convenient and affordable (SFSA_Quality9) since the majority (60.2%) agreed and only 20.5% disagreed with the mean being 3.6667. This finding is in line with the statement made by one of the LC1 chairmen that “banks provide security for our money as compared to our own village savings groups”. This finding is consistent with Mamo who asserts that good quality financial services should exhibit; reliability, assurance, tangibility, empathy and responsiveness (Mamo, 2015).

The study also found out on whether the buildings and other infrastructure of most financial institutions around are visually appealing and their employees are neat in appearance as a way of measuring their quality (SFSA_Quality12) and findings revealed that the majority (58.9%) agreed while only 21.8% disagreed and the mean being 3.6282. This means that the bank buildings and other infrastructure are of good quality. This finding is in agreement with Mukherjee and others who contend tangible quality of service is characterized by good appearance of physical facilities and equipment which visually appealing (Mukherjee et al., 2003).

Concerning whether financial institutions in Mbarara Municipality offer good customer care and provide prompt service (SFSA_Quality10), findings revealed that majority (52.6%) agreed while 19.4% disagreed and the mean was 3.5385. This indicates that financial institutions in Mbarara Municipality offer good customer care and provide prompt service. This finding agrees with the statement made by one of the local leader that “banks always have a person in charge of customer care and inquiries”. Muhammad and others contend that Bank employees should have enough knowledge and courtesy to inspire, build trust and confidence and respond customer questions (Muhammad Awan et al., 2011)

Concerning whether financial services offered these days are reliable, error free and timely (SFSA_Quality11), the majority (52.5%) agreed while 30.8% disagreed and the mean was 3.3974.

This means that financial services offered in Mbarara Municipality these days are reliable, error free and timely. One the local leaders said “*some banks have long queues but at least they don’t normally make big transactional errors*”. This is in line with Haldane who contends Good quality financial services should be reliable, error free and timely (Haldane, 2011).

The responses ranged from strongly disagree (Minimum=1.00) up to strongly agree (maximum=5.00).

Table 13: Component/Factor Analysis of Status of Available Financial Services

Factor analysis	N	Minimum	Maximum	Mean	Std. Deviation
Access to financial services	78	1.00	5.00	3.7744	1.32881
Usage of financial services	78	1.00	5.00	3.6859	1.38957
Quality of financial services	78	1.00	5.00	3.5410	1.47682
Status of Financial Services Available	78	1.00	5.00	3.6671	1.37777
Valid N (listwise)	78				

Source: Primary Data, 2017

Study findings from Table 13 revealed that access to financial services had a mean score of 3.7744 and the deviation from the mean was 1.32881. Since the mean was greater than 2.5000 and the standard deviation was less than 2.5000, then it implies that access to financial services by people in Mbarara Municipality is high.

Results from the study in Table 13 also revealed that usage of financial services had a mean score of 3.6859 and the deviation from the mean was 1.38957. Since the mean was greater than 2.5000 and the standard deviation was less than 2.5000, then it implies that usage of financial services by people in Mbarara Municipality is also high.

Results from the study also revealed that quality of financial services had a mean score of 3.5410 and the deviation from the mean was 1.47682. Since the mean was greater than 2.5000 and the standard deviation was less than 2.5000, then it implies that quality of financial services offered to people in Mbarara Municipality is good.

It was also revealed that the overall status of financial services available in Mbarara Municipality was good since the mean was 3.6671 which is greater than 2.5000 and the deviation from the mean was 1.37777 and also less than 2.5000.

Establishment of the LEG among Households Using Financial Services

The third objective was to establish the level economic growth among households using financial services in Mbarara municipality as stated in chapter one of this report. The researcher provided thirteen (13) statements concerning level economic growth among households for which the respondents were supposed to indicate their level of agreement with. The following symbols were used; Strongly Disagree (SD =1), Disagree (D =2), Neutral (N=3), Agree (A=4), Strongly Agree (SA=5), f=Frequency and %= Percentage. The findings were presented in tables as follows:

Table 14: Responses of Respondents on Savings

	Savings	SD		D		N		A		SA		Mean
		F	%	F	%	F	%	f	%	F	%	
1	LEG_Savings3	9	11.0	9	11.0	19	24.4	19	24.4	22	28.2	3.4615
2	LEG_Savings4	9	11.5	15	19.2	14	17.9	20	25.6	20	25.6	3.3462
3	LEG_Savings2	10	12.8	14	17.9	17	21.8	18	23.1	19	24.4	3.2821
4	LEG_Savings1	16	20.5	11	14.1	14	17.9	13	16.7	24	30.8	3.2308

Source: Primary Data, 2017

Findings from Table 14 revealed that the majority (52.6%) of the people in Mbarara Municipality agreed that they save for emergencies and use the rest to buy household materials (LEG_Savings3) while 22.0% disagreed and the mean was 3.4615. This finding is in agreement with the statement made by four of the local leaders that “most people save in village savings groups to prepare for emergencies like abrupt death of a member”. This result is in line with Kiiza and Pederson who found that the main purpose of saving in Uganda is to meet basic household needs (82%) and for emergency purposes (70%) (Kiiza & Pederson, 2011).

Study participants were asked whether they have an account in savings and loan association where they keep/borrow money (LEG_Savings4) and the majority (51.2%) agreed while 30.7% disagreed and the mean was 3.3462. This means that most people in Mbarara Municipality have savings and loan association where they keep/borrow money. This finding agrees with those of Ssewamala and Ismayilova who found out that in Uganda, out of 399 of urban households in Uganda, 229 households that had ever opened an account in a financial institution (Ssewamala & Ismayilova, 2009).

The study sought to establish whether people in Mbarara Municipality save a bigger percentage of their earnings to cater for their future plans (LEG_Savings1) and 47.5% agreed while 34.6% disagreed and the mean was 3.2308. It therefore not clear as to whether they save a bigger percentage of their earnings to cater for their future plans but some the local leaders revealed that saving is largely to cater of uncertainties such as sickness and death. This result is in agreement with Mutesasira and others who assert that the poor can’t save a bigger proportion not because they don’t want to save but because they are too poor to be able to save much (Mutesasira et al., 1999).

Table 15: Responses of Respondents on Property

	Property	SD		D		N		A		SA		Mean
		F	%	F	%	f	%	f	%	F	%	
1	LEG_Property9	12	15.4	12	15.4	12	15.4	18	23.1	24	30.8	3.3846
2	LEG_Property8	16.0	20.5	13.0	16.7	11.0	14.1	15.0	19.2	23.0	29.5	3.2051
3	LEG_Property6	12	15.4	17	21.8	13	16.7	19	24.4	17	21.8	3.1538
4	LEG_Property5	15	19.2	17	21.8	12	15.4	12	15.4	22	28.2	3.1154
5	LEG_Property7	15	19.2	16	20.5	16	20.5	12	15.4	19	24.4	3.0513

Source: Primary Data, 2017

Study findings from Table 15 revealed that the majority (53.9%) of the people in Mbarara Municipality spend much of their money in acquiring tangible assets for their families (LEG_Property9) while the 30.8% disagreed and the mean was 3.3846. Three of the local leaders revealed that *“most people prefer to buy land and build houses to stop paying rent”*. This however contradicts the study of Mukwaya and others who found that only 8% of Ugandans invest in property for rent (Mukwaya et al., 2011).

Concerning whether people in Mbarara Municipality depend on loans to invest, acquire assets and meet family obligations (LEG_Property8) 48.7% agreed while 33.5% disagreed and the mean was 3.2051. This means that people in Mbarara Municipality rarely use loans to invest, acquire assets. One of the local leaders said *“that these days the most common loans are school fees loans and business loans”*. This statement agrees with USAID findings which revealed Most Ugandans especially in rural areas acquire loans to invest in agriculture and paying school fees and few in small scale business which are also meant for family sustainability (USAID, 2007).

The study sought to establish whether people in Mbarara Municipality have wide a range of money generating projects and investments (LEG_Property6) and 46.2% agreed while 27.4% disagreed and the mean was 3.1538. This finding implies that people in Mbarara Municipality do not have wide a range of money generating projects and investments. This is in line with the statement made by one of the local leaders that *“we have many people who are unemployed and have no income generating activity”*. this is in agreement with Smith who contends that Agriculture is the major income generating activity in local communities of Uganda and up to 75% of Ugandans have invested in Agriculture meaning that they don’t have a variety of options (David Rider Smith, 2001).

The study also found out whether people in Mbarara Municipality use household property as security to access credit for investment (LEG_Property5) and 43.6% agreed while 42.0% disagreed and the mean was 3.1154. This implies that people in Mbarara Municipality don’t use household property as security to access credit for investment. This is largely expected among the rural peasant producers access smaller loans because of lack of collateral since household property can’t secure a loan and much of their land is customary or family land (Mpuga, 2010).

As to whether people in Mbarara Municipality have invested much of their money in business/farming being their major source of income (LEG_Property7), 39.4% agreed while 39.7% disagreed and the mean was 3.0513. This means that people in Mbarara Municipality have invested less of their money in farming. This finding is in line with a statement made by one of the LCI chairmen that *“farming is affected by shortage of land since most people live on small plots”*. This finding is justified by Maxwell who asserts that Access to land is a major constraint to urban farming, and only a small fraction of urban farmers own their land (Maxwell, 1995).

Table 16: Responses of Participants on Employment

	Employment	SD		D		N		A		SA		Mean
		f	%	F	%	f	%	f	%	F	%	
1	LEG_Employment12	4	5.1	14	17.9	13	16.7	16	20.5	31	39.7	3.7179
2	LEG_Employment13	9	11.5	9	11.5	11	14.1	19	24.4	30	38.5	3.6667
3	LEG_Employment11	9	11.5	16	20.5	12	15.4	15	19.2	26	34.4	3.4359
4	LEG_Employment10	10	12.8	15	19.2	15	19.2	19	24.4	19	24.4	3.2821

Source: Primary Data, 2017

Study findings from Table 16 revealed that the majority (60.2%) of the people in Mbarara Municipality agreed that they use their jobs as security to access credit to invest in their private business (LEG_Employment12) while 23.0% disagreed and the mean was 3.7179. In an interview with local leaders, one of them said “*salary loans are common with civil servants*” This means that people in Mbarara Municipality especially civil servants use their jobs as security to access credit. This is consistent with the past studies of Seibel who contends that Loans in Centenary Rural Development Bank, Uganda are offered to salaried employees in most reputable organizations and/or companies (Seibel, 2003).

The study participants were asked whether all their benefits are paid through the bank by their employers (LEG_Employment13) and the majority (62.9%) agreed while 23.0% disagreed and the mean was 3.6667. This implies that for those in formal employment, all their benefits are paid through the bank by their employers. It is after all mandatory in the employment act of Uganda 2006 that all employee incomes be paid in a bank for easy disclosure and taxation (Employment-Act, 2006).

Concerning whether people in Mbarara Municipality who have started businesses used financial support (LEG_Employment11), the majority (53.6%) agreed while 32.0% disagreed and the mean 3.4359. This means that most people in Mbarara Municipality who have started businesses used financial support. This statement is in line with the statement made by two local leaders that “*most people have started business using both loans and part of their money*”. This result is in agreement with Abanis and others who found that most people in Uganda start their businesses using both equity and debt (Abanis et al., 2013)

The study found out whether the job (employment) is the only source of income that feeds and maintains some families of people in Mbarara Municipality (LEG_Employment10), 48.8% agreed while 32.0% disagreed and the mean was 3.2821. This means that people in Mbarara Municipality don’t depend only on job income. This is true because majority of Ugandan in formal employment whether rural or urban have either small gardens or business for side income (Uganda-Poverty-Assessment-Report, 2016).

The responses ranged from strongly disagree (Minimum=1.00) up to strongly agree (maximum=5.00).

Table 17: Component/Factor Analysis of Level of Economic Growth

Factor analysis	N	Minimum	Maximum	Mean	Std. Deviation
Savings	78	1.00	5.00	3.3302	1.39262
Property	78	1.00	5.00	3.1820	1.35634
Employment	78	1.00	5.00	3.4506	1.36655
Level of Economic Growth	78	1.00	5.00	3.3209	1.51169

Source: Primary Data, 2017

Study findings from Table 17 revealed that Savings had a mean score of 3.3302 and the deviation from the mean was 1.39262. Since the mean was greater than 2.5000 and the standard deviation was less than 2.5000, then it implies that Savings of people in Mbarara Municipality are relatively high.

Study results from Table 17 revealed also that property had a mean score of 3.1820 and the deviation from the mean was 1.35634. Since the mean was greater than 2.5000 and the standard deviation was less than 2.5000, then it implies that property income of people in Mbarara Municipality are relatively high.

Study results from Table 17 revealed also that Employment had a mean score of 3.4506 and the deviation from the mean was 1.36655. Since the mean was greater than 2.5000 and the standard deviation was less than 2.5000, then it implies that employment income of people in Mbarara Municipality are relatively high.

It was also revealed that the overall level of economic growth in Mbarara Municipality was slightly high since the mean was 3.3209 which is greater than 2.5000 and the deviation from the mean was 1.37777 and also less than 2.5000.

Relationship between SFSA and LEG among Households in MM

Table 18: Correlation between SFSA and LEG

		SFSA	LEG
SFSA	Pearson Correlation	1	.644**
	Sig. (2-tailed)		.000
	N	78	78
LEG	Pearson Correlation	.644**	1
	Sig. (2-tailed)	.000	
	N	78	78

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

Source: Primary Data, 2017

Findings from Table 18 revealed that the Pearson correlation was 0.644** and it is statistically significant at the 0.01 level (2-tailed) for 78 respondents. This shows that there is a substantial positive correlation between status of financial services available (SFSA) and level of economic growth (LEG) of households in Mbarara Municipality which is statistically significant since the p-value (0.000) < 0.01. The hypothesis “there is a relationship between status of financial services available and level of economic growth of households in Mbarara Municipality” was thus accepted. This implies that status if financial services available such as quality, usage and access improve, then level of economic growth will also improve. The above findings are consistent with the past findings of Wang’oo who revealed that availability of financial services are said to have a positive significant relationship with economic growth for commercial banks in Kenya (Wang'oo, 2013).

Table 19: Regression Model Summary of SFSA and LEG

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.644 ^a	.414	.407	3.90266	.414	5.774	1	76	.000
a. Predictors: (Constant), SFSA									

Source: Primary Data, 2017

Findings from Table 19 which shows the regression model summary of and the R² value (coefficient of determination) is 0.414 and the p value = 0.000 which is less than 0.01. This means 41.4% of the economic growth of people Mbarara Municipality is explained for/determined by status of financial services available. A co-efficient of determination of 0.414 also means that the co-efficient of non-determination is 0.586 which implies that other factors (Intervening Variables) such as inflation and government policy account for 58.6% of the level of Economic growth of people Mbarara Municipality. A further factor analysis of intervening variables is indicated in table 20.

The responses ranged from strongly disagree (Minimum=1.00) up to strongly agree (maximum=5.00).

Table 20: Factor Analysis of the Intervening Variables

Factor analysis	N	Minimum	Maximum	Mean	Std. Deviation
Government Policy	78	1.00	5.00	3.0113	1.25272
Inflation	78	1.00	5.00	3.0133	1.13434
Intervening-Variables	78	1.00	5.00	3.0123	1.71069

Study results from Table 20 revealed also that government policy had a mean score of 3.0113 and the deviation from the mean was 1.25272. Since the mean was greater than 2.5000 and the standard deviation was less than 2.5000, then it implies that the contribution of government policy to the economic growth of Mbarara Municipality was relatively high.

Study findings revealed also that inflation had a mean score of 3.0133 and the deviation from the mean was 1.13434. Since the mean was greater than 2.5000 and the standard deviation was less than 2.5000, then it implies that the contribution of inflation to the economic growth of Mbarara Municipality was relatively high.

It was also revealed that the overall contribution of Intervening-Variables to the level of economic growth in Mbarara Municipality was slightly high since the mean was 3.0123 out of a maximum of 5.00 which is greater than 2.5000 and the deviation from the mean was 1.37777 and also less than 2.5000. The mean of the mean was 3.0123 out of a maximum of 5.00 corresponds to 60.3% which is in agreement with a percentage contribution of 58.6% obtained by regression analysis.

4.0 CONCLUSIONS AND RECOMMENDATIONS

The study concludes that financial services in Mbarara Municipality are easily accessible, highly used are of good quality and their overall status is good.

Study concludes that the savings, property and employment incomes of people in Mbarara Municipality are relatively high and the overall level of economic growth is also relatively high.

The study also concludes that there is a substantial positive relationship between status of financial services available and level of economic growth of households in Mbarara Municipality and that 41.4% of high level the economic growth of people Mbarara Municipality is because of the good status of financial services available. Other factors (Intervening Variables) such as inflation and government policy account for 58.6% of the level of Economic growth of people Mbarara Municipality.

Recommendations of the Study

Financial Institutions in Mbarara Municipality should consider reducing on the initial deposit so as to make it affordable to the majority.

The government should put a compulsory policy for everyone to have at least a savings account.

Financial institutions and service providers in Mbarara municipality should sensitize people about applicability of some of their services.

Financial institutions in Mbarara municipality should expand on mobile banking technology so as to cater for clients who are disabled and physically handicapped.

Lastly financial institutions in Mbarara municipality should consider reducing on their costs such as interest rates and other bank charges so as to make them affordable to the majority.

The study also recommends that people in Mbarara Municipality should increase more on their saving culture, make more property investments and the government should create more employment opportunities for people in Mbarara Municipality.

The study also recommends that the government and other stake holders such as Mbarara municipal council and other non-governmental organizations should increase on the status of financial services available buy increasing accessibility, quality and usage since they account for 41.4% of the level the economic growth of people Mbarara Municipality

Strategies to control other factors like inflation and political instability such as encouraging industrialization and exports should be put in place so since they account for 58.6% of the level of Economic growth of people Mbarara Municipality.

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