ENHANCING THE EFFECTIVENESS OF FINANCIAL INCLUSION IN KANUNGU DISTRICT, UGANDA

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ABSTRACT

The purpose of this study was to explore the current state of financial inclusion in Kanungu District, guided by the following specific objectives: 1) to examine the benefits of financial inclusion in the district, 2) to identify challenges faced by residents in accessing formal financial services, and 3) to propose potential solutions to enhance financial inclusion. The study employed a cross-sectional design, well-suited for this research, with a sample size of 384 residents. Simple random sampling ensured that each individual had an equal chance of being selected. Primary data was collected using a self-administered survey questionnaire, which included a significant level of female participation. The study findings revealed that respondents acknowledged the potential of financial inclusion to enhance access to essential services, promote savings and investments, support financial risk management, and foster informed decision-making. However, many respondents were neutral or uncertain about its impact on reducing income inequality, poverty, and local economic development, suggesting that existing initiatives may fall short of fully addressing community needs. Key challenges identified included limited financial literacy, inadequate infrastructure, high transaction costs, mistrust in formal institutions, barriers in digital literacy, and gender-specific social norms that hindered residents' engagement with financial services. Proposed solutions emphasized the integration of AI and ICT in financial services, developing gender-tailored products, simplifying Know Your Customer (KYC) processes, and improving financial and digital literacy. The study recommended that policymakers and financial institutions adopt a targeted, community-driven approach to enhance financial inclusion, with policies addressing local barriers and enhancing financial literacy, infrastructure, and trust in formal financial systems.

Key words: financial inclusion, financial access, financial risk management

1. INTRODUCTION

1.1 Background of the study

Globally, financial inclusion is increasingly recognized as a cornerstone for economic growth and poverty reduction. It provides individuals with the tools to invest in education, grow businesses, manage risks, and absorb financial shocks, contributing to overall economic stability. Despite progress, 1.7 billion adults globally were unbanked as of 2017, posing a significant challenge to inclusive growth (World Bank, 2018). Financial institutions bridge this gap by offering critical services such as savings, credit, insurance, and payment systems, which drive economic empowerment.

In developing nations, financial inclusion is particularly crucial, given the prevalence of poverty and the dominance of informal economic activities. Financial services enable individuals to build assets, invest in livelihoods, and manage consumption, directly supporting poverty alleviation. Advances in mobile banking and digital services have driven improvements in financial inclusion, yet disparities persist, especially among women, rural populations, and disadvantaged groups (Demirgüç-Kunt et al., 2018).

In Sub-Saharan Africa, financial inclusion has grown substantially, with 43% of adults accessing financial services through institutions or mobile money by 2017 (Demirgüç-Kunt et al., 2018). Mobile money has been transformative, particularly in Kenya, Tanzania, and Uganda, where innovations like M-Pesa have significantly expanded financial access. However, challenges such as low financial literacy, limited infrastructure, and regulatory hurdles continue to hinder progress.

In Uganda, financial inclusion is a national priority, with significant progress made through digital and mobile financial services. By 2021, 66% of adults had accounts, including 65% of women and 51% of poor adults (Global Findex, 2021). Despite these advancements, barriers like limited financial literacy and unequal access persist. In Kanungu District, a rural region reliant on agriculture, residents face challenges including inadequate infrastructure, low financial awareness, and poverty. This study explored the relevance of financial inclusion for improving livelihoods and addressing socio-economic challenges in Kanungu District.

1.2 Statement of the Problem

Access to formal financial services such as remittances, credit, and savings opportunities is widely recognized as a crucial driver of entrepreneurship growth and development through innovation (Sethi & Acharya, 2018). However, residents of Kanungu District encounter significant financial challenges that impede their ability to save, make

payments, and obtain credit. Many rely on informal financing sources due to the lack of access to formal financial institutions (UNHCR, 2021). Consequently, most residents obtain financial services through informal savings groups, with a substantial number depending on mobile money services to meet their needs. This reliance on informal financial mechanisms restricts their capacity to save, make payments, and secure credit, ultimately limiting their participation in the broader economy. Despite initiatives by Microfinance Deposit-taking Institutions (MDIs) to improve the competitive framework through agent banking, a report from Financial Sector Deepening Uganda (FSDU) indicates that only 10% of adults in Uganda engage in financial transactions with banks (FSDU, 2020). The majority of adults, regardless of their wealth category, still rely on informal savings groups for their financial needs (Uganda, Financial Sector Deepening, Annual Report 2019/2020). If this situation is not effectively addressed, residents of Kanungu District will continue to face persistent financial challenges.

1.3 Specific Objectives

1. To examine the benefits of financial inclusion in Kanungu District.
2. To identify the challenges faced by residents in accessing formal financial services.
3. To propose potential solutions to enhance financial inclusion in Kanungu District.

2. EMPIRICAL REVIEW

2.1 Socio-Economic Benefits of Financial Inclusion

Mishra, Kandpal, and Agarwal (2024) conducted their study in India, aiming to explore the socio-economic ripple effects of financial inclusion. Their methodology involved a mixed-method approach, combining quantitative data analysis from financial institutions with qualitative interviews in rural communities. The major finding was that financial inclusion significantly improves access to financial services, reduces income inequality, and enhances individuals' ability to save and invest. The authors observed that in rural areas, financial inclusion enables better risk management and financial resilience, resulting in poverty reduction and broad-based economic development. The study concluded that financial inclusion is a key driver of socio-economic growth, particularly for underserved populations.

Duvendack and Mader (2020) focused on low- and middle-income countries and used a systematic review of reviews, analyzing previous studies on the impact of financial inclusion on socio-economic well-being. The authors gathered data from over 50 research papers, evaluating the effects of financial inclusion on poverty reduction, income equality, and access to financial services. Their findings revealed that while financial inclusion is widely accepted as beneficial, its impact on reducing poverty is often overstated without supportive infrastructure and policies. Their meta-analysis led to the conclusion that financial inclusion alone does not consistently lead to long-term improvements in income or quality of life in many of the studied countries across Africa and Asia, highlighting the need for more context-specific strategies.

Kandpal, Chandra, Dalei, and Handoo (2023) conducted their study in India, focusing on the role of financial inclusion in poverty reduction. The methodology used was a longitudinal survey involving over 1,000 households in rural areas, tracking the socio-economic progress of individuals with access to financial services over a five-year period. The major finding was that financial inclusion, particularly in rural areas, leads to increased savings and investments, improving the livelihoods of low-income populations. The study also highlighted how financial technology reduces the cost of financial services, further expanding access in underserved regions. Their research concluded that financial inclusion is instrumental in government efforts to reduce poverty.

Chowdhury and Chowdhury (2024) examined the role of financial inclusion in human development across Bangladesh, India, and Pakistan using a comparative case study methodology. The researchers collected data through household surveys and national databases to assess the impact of financial inclusion on access to services such as healthcare and education. The major finding was that financial inclusion enhances access to these services, which are vital for improving the overall quality of life. They concluded that financial inclusion is essential for human development in developing countries, enabling individuals to invest in key areas such as education and healthcare. The authors emphasized the need for policy frameworks that support financial literacy and access to affordable services.

Ifediora, Offor, Eze, and Takon (2022) conducted their study across 22 Sub-Saharan African countries using panel data analysis. The researchers examined the relationship between financial inclusion and economic growth over a six-year period, focusing on indicators such as access to credit, entrepreneurial activity, and GDP growth. Their analysis found that financial inclusion contributed significantly to economic growth by improving access to credit and fostering entrepreneurship. The study concluded that while financial inclusion boosts macroeconomic growth, success is dependent on a supportive policy environment and infrastructure development. Their work emphasized the role of financial inclusion as a key component of national economic strategies in Sub-Saharan Africa.

2.2 The challenges faced by customers regarding financial inclusion.

According to Chowdhury (2020), one of the primary challenges faced by customers in achieving financial inclusion is the lack of financial literacy. Many individuals, particularly in rural areas, are not well-versed in how financial products work or how to access them through digital platforms. The study, conducted in Bangladesh, used a mixed-method approach, combining surveys and interviews with users of mobile financial services such as bKash. The aim was to assess their understanding and ability to use these platforms. The findings showed that customers struggled to navigate the app, limiting their engagement with formal financial services. This knowledge gap creates a significant barrier to financial inclusion, as customers are unable to make informed decisions about the financial tools available to them.

Similarly, Boitano and Abanto (2020) highlight that infrastructure limitations play a critical role in hindering financial inclusion, especially in rural regions of Peru. Their study used qualitative interviews and spatial analysis to investigate access to financial services across different departments in Peru, excluding Lima. The research aimed to assess how the availability of financial infrastructure, such as banks and ATMs, affects financial inclusion. The study revealed that many customers in these areas have limited access to these services, further restricting their ability to engage with formal financial systems. The absence of financial infrastructure in underserved communities exacerbates the exclusion of vulnerable populations, as they are unable to access basic services like credit or savings accounts, further widening the financial divide.

In addition to infrastructure barriers, Sharizan, Redzuan, and Rosman (2021) emphasize that high transaction costs deter many low-income customers from accessing financial services. This study, conducted in rural areas of Malaysia, used a survey-based methodology targeting low-income earners to analyze their reasons for avoiding formal financial institutions. The goal was to understand how costs influence customers' decisions regarding financial services. The findings indicated that high transaction fees, interest rates, and other hidden costs make formal banking unaffordable for many low-income individuals, trapping them in a cycle of exclusion. These financial burdens disproportionately affect low-income customers, preventing them from accessing services that could otherwise improve their financial well-being.

According to Kandpal (2024), cultural and social factors also serve as significant obstacles to financial inclusion. The study, which focused on rural communities in India, employed ethnographic methods to understand the relationship between cultural practices and financial behavior. The aim was to explore how social trust and traditions impact the use of formal financial services. The research found that deep-rooted mistrust of banks leads many customers to rely on informal systems, such as local moneylenders. This distrust, often born from negative experiences or a lack of familiarity with formal financial institutions, perpetuates financial exclusion in these communities despite efforts to expand formal banking services.

Similarly, Tyagi (2023) notes that digital financial inclusion presents new challenges, particularly for older or less digitally literate populations. This study, conducted in India, combined survey data with focus group discussions to explore the impact of digital financial services on older users. The study aimed to identify the barriers these populations face when adopting new financial technologies. The results showed that many older customers find digital platforms, such as AI-powered financial tools, confusing and inaccessible, leading to their exclusion from the evolving digital financial ecosystem. The lack of digital literacy, especially among older customers, makes it difficult for them to fully benefit from the advancements in financial technologies.

Moreover, Eton et al. (2021) identify regulatory barriers as a major obstacle to financial inclusion in Uganda. Their study used a combination of legal analysis and surveys to evaluate the impact of regulatory requirements, such as Know Your Customer (KYC) protocols, on customers' ability to access financial services. The research was conducted across various districts in Uganda, including rural areas, and sought to understand the implications of formal identification requirements for rural populations. The findings revealed that stringent documentation requirements often exclude individuals living in informal settlements, who are unable to provide formal proof of identity or address, further marginalizing them from the financial system.

According to Ifediora et al. (2022), gender disparities further complicate financial inclusion efforts. The study, based in Sub-Saharan Africa, employed a gender-focused analysis using both qualitative and quantitative methods to assess the financial behaviors of men and women. The study aimed to identify the specific challenges women face in accessing financial services. The results showed that social and legal restrictions limit women's participation in the financial system. Financial products are often not designed to meet the specific needs of women, such as access to micro-loans for small businesses, which exacerbates the financial exclusion of women and contributes to broader gender inequalities.

Finally, Pathania and Dewan (2022) argue that inconsistent or poor service delivery from financial institutions can discourage customers from engaging with formal financial systems. This study, conducted in Himachal Pradesh, India,

used customer service quality surveys and case studies of government-linked financial schemes to assess the impact of service delivery on customer satisfaction. The aim was to evaluate the role of service quality in promoting or hindering financial inclusion. The study found that long wait times, unresponsive customer service, and transaction errors significantly reduced customer trust in financial institutions, complicating efforts to achieve comprehensive financial inclusion.

2.3 The Potential solutions to enhance financial inclusion

According to Tyagi (2023), integrating artificial intelligence (AI) into financial services can significantly enhance financial inclusion by simplifying access to financial products for unbanked populations. The study, conducted in various regions of India, utilized a mixed-methods approach, combining quantitative surveys to assess customer perceptions and qualitative interviews to gather insights from industry experts. AI-driven technologies can provide personalized financial guidance, automate customer support, and facilitate access to credit, thereby empowering underserved communities to engage with formal financial systems.

Liu et al. (2023) emphasize the importance of investing in Information and Communication Technology (ICT) to enhance the capacity of microfinance institutions (MFIs) in Ghana. Their study employed a quantitative analysis of data from various MFIs to evaluate the impact of ICT on financial service accessibility. The findings suggest that improved ICT infrastructure can help MFIs assess credit risks more effectively and deliver services to a broader audience, particularly in rural areas lacking traditional banking facilities.

Kehinde-Peters (2024) highlights the potential of financial technology (FinTech) solutions in closing the gender gap in financial access in Sub-Saharan Africa. The research, conducted through a qualitative case study approach involving focus groups with women entrepreneurs, identified specific barriers women face in accessing financial services. The study suggests that tailored financial products and educational programs designed for women can enhance their financial inclusion and promote economic empowerment.

Eton et al. (2021) identify the need for regulatory reforms to streamline the Know Your Customer (KYC) processes that often hinder financial inclusion in Uganda. Their qualitative study involved interviews with policymakers and financial institution representatives to explore the regulatory landscape. The findings suggest that simplifying KYC requirements and providing alternative methods for verification could significantly increase access to banking services for individuals in informal settlements.

Sharizan et al. (2021) stress the importance of improving digital literacy among older populations in Malaysia to facilitate their access to digital financial services. This study employed a survey methodology to evaluate the digital literacy levels of seniors and their experiences with online banking. The research suggests that providing training and support for digital technologies can bridge the digital divide and ensure that older adults can benefit from advancements in financial services.

3. METHODOLOGY

The researcher adopted a descriptive research design with a quantitative approach to analyze data at a specific point in time. Kanungu District, known for being one of Uganda's hard-to-reach areas with limited financial services (Turyasingura et al., 2023), had a population of approximately 283,000. This population were the residents of Kanungu District and one strong savings and credit financial institution.A sample size of 384 residents were determined using Krejcie & Morgan's (1970) sample size determination model, based on a population of 283,000. Simple random sampling was employed to ensure every individual has an equal chance of being selected.Data was collected, sorted, and coded before being entered into the Statistical Package for the Social Sciences (SPSS) version 27 for analysis. The analysis involved descriptive statistics, including standard deviations, frequencies, and percentages.

4. ANALYSIS AND PRESENTATION

4.1 Demographic information

The demographic characteristics of the respondents that were discussed include; gender, age, educational level, marital status among others, their respective descriptive statistics were generated.

Table 4.1: Demographic information

Category	Frequency	Percent
Gender of the respondent		
Female	110	56%
Male	88	44%

Total	**198**	**100%**
Age group		
19- 29 years	34	17%
30 - 39 years	98	49%
40 – 49 years	56	28%
50 years and above	10	5%
Total	**198**	**100%**
Marital status		
Married	124	63%
Not Married	74	37%
Total	**198**	**100%**
Education		
No education	4	2%
High school Education	65	33%
Bachelor's degree	90	45%
Others	39	20%
Total	**198**	**100%**
Do you own a bank account		
Yes	145	73%
No	53	27%
Total	**198**	**100%**
How often do you use the Internet?		
Daily	19	10%
Once a week	15	8%
Every Fortnight	30	15%
Once a month	134	68%
Total	**198**	**100%**

Primary data 2024

The higher representation of female respondents (56%) compared to males (44%) indicates a significant level of female participation in the survey. This may suggest that women in the community are engaged and interested in financial matters, which is essential for understanding financial inclusion. However, the disparity also points to the need for targeted financial services and programs that specifically address the challenges women face in accessing formal financial systems, such as barriers related to financial literacy and socio-cultural factors.

The most substantial age group is 30-39 years (49%), indicating that the respondents are predominantly in their prime working years. This demographic is likely to be financially active and may have distinct needs regarding savings, investment, and loan products. The younger age group (19-29 years) is significantly smaller (17%), suggesting that strategies to engage younger individuals in financial literacy and inclusion should be prioritized.

A majority of respondents (63%) are married, indicating that household financial decisions are likely made jointly. This highlights the importance of creating financial products that accommodate household financial management, such as joint accounts or family savings plans.

The educational background of respondents reveals that a significant proportion (45%) have attained a bachelor's degree, indicating a relatively high level of education among the population. This suggests that the respondents may have a better understanding of financial concepts and are likely more engaged with formal financial services. However, the presence of individuals with no education (2%) and those with only a high school education (33%) indicates that targeted

educational initiatives are necessary to improve financial literacy, particularly among less educated segments of the population.

The finding that 73% of respondents own a bank account is a positive indicator of financial inclusion. It suggests that a substantial portion of the community has access to formal financial services, which can facilitate savings, investments, and access to credit. However, the 27% of respondents without bank accounts represents a significant gap that needs addressing.

The low percentage of daily Internet users (10%) and the high proportion of individuals using the Internet once a month (68%) reveal critical insights into the accessibility of digital financial services in the region. While Internet access is increasingly essential for modern banking and financial services, this data suggests that many residents may lack regular access to online platforms.

4.2 Descriptive statistics

This section presents descriptive statistics that highlight the socio-economic benefits of financial inclusion.

4.2.1 The socio-economic benefits of financial inclusion.

This section summarizes the socio-economic benefits of financial inclusion based on respondents' perceptions. Each statement in the table reflects an aspect of how financial inclusion contributes to socio-economic development, with measures such as minimum and maximum scores, mean values, and standard deviation provided for each statement to illustrate the variability and central tendency of responses.

Table 4.2: The socio-economic benefits of financial inclusion.

Statements	N	Min	Max	Mean	Standard deviation
Financial inclusion improves access to essential services in underserved communities.	198	1	5	2.32	1.316
It reduces income inequality within my community.	198	1	5	2.13	1.146
Access to services enhances savings and investment abilities.	198	1	5	2.36	1.334
It helps individuals manage financial risks better.	198	1	5	2.45	1.321
Financial inclusion significantly reduces poverty levels.	198	1	5	2.53	1.380
It contributes positively to local economic development.	198	1	5	2.41	1.319
Being financially included empowers informed decision-making.	198	1	5	2.82	1.602
Supportive policies maximize financial inclusion benefits.	198	1	5	2.68	1.387

Primary data 2024

The findings from the descriptive statistics on the socio-economic benefits of financial inclusion indicate a nuanced perspective among respondents regarding its impact. The majority of participants reflected a neutral stance on whether financial inclusion improves access to essential services in underserved communities, with a mean score of 2.32 and a standard deviation of 1.316. This high standard deviation suggests considerable variability in responses, indicating that while some individuals feel positively about their access to essential services, a notable minority may still face significant barriers that hinder their financial inclusion. Similarly, the mean score of 2.13 for the statement about reducing income inequality reflects a majority disagreement among respondents, underscored by a relatively low standard deviation of 1.146. This suggests that the majority do not perceive financial inclusion efforts as effective in addressing income disparities, while the minority may hold differing views, highlighting the need for further investigation into the effectiveness of these initiatives.

In terms of savings and investment abilities, a mean score of 2.36 suggests that while some respondents acknowledge potential benefits, the majority feel that simply having access to financial services is inadequate, evidenced by a standard deviation of 1.334. This variability indicates that educational initiatives may be necessary to empower individuals in managing their finances effectively. Moreover, a mean of 2.45 for the perception that financial inclusion helps manage financial risks indicates a slight majority agreement; however, the standard deviation of 1.321 reveals a range of experiences, suggesting that a minority of respondents may still feel vulnerable to financial risks despite their access to services.

The perception that financial inclusion significantly reduces poverty levels showed modest support with a mean of 2.53 and a standard deviation of 1.380. This indicates that while some participants acknowledge the role of financial inclusion

in poverty alleviation, a substantial minority may not feel its impact, pointing to the necessity for tailored strategies that address the specific needs of the most vulnerable populations. A mean score of 2.41 regarding the contribution of financial inclusion to local economic development reflects a neutral opinion from the majority, with a standard deviation of 1.319 highlighting variability in perceptions, emphasizing the need for stakeholders to demonstrate a clearer connection between financial inclusion and economic growth.

Notably, a higher mean of 2.82 for the statement regarding informed decision-making indicates a general agreement among the majority that financial inclusion can empower individuals; however, the standard deviation of 1.602 suggests significant variability in experiences, with a minority potentially feeling less empowered by their financial inclusion. Lastly, the mean score of 2.68 related to supportive policies reflects cautious agreement among the majority, but the standard deviation of 1.387 points to a significant minority that remains uncertain about the effectiveness of existing policies in maximizing the benefits of financial inclusion. Overall, these findings illustrate that while there is a prevailing recognition of the potential socio-economic benefits of financial inclusion, substantial gaps and barriers persist, necessitating targeted strategies focused on education, policy support, and addressing the diverse needs of different demographic groups to enhance the impacts of financial inclusion within the community.

4.2.2 The challenges faced by residents in Kanungu District regarding financial inclusion.

Despite the potential benefits of financial inclusion, residents of Kanungu District encounter several challenges that hinder their access to financial services. This section outlines the key obstacles faced by the community, , with measures such as minimum and maximum scores, mean values, and standard deviation provided for each statement to illustrate the variability and central tendency of responses.

Table 4.3: The challenges faced by residents in Kanungu District regarding financial inclusion.

Statements	N	Min	Max	Mean	Standard deviation
I find that a lack of financial literacy hinders my engagement with financial services.	198	1	5	2.82	1.602
Inadequate infrastructure limits my access to necessary financial services.	198	1	5	2.68	1.387
High transaction costs deter me and others from using financial institutions.	198	1	5	3.07	1.443
Mistrust of formal institutions leads me to rely on informal financial systems.	198	1	5	2.84	1.406
As an older adult, I struggle with digital literacy for accessing financial services.	198	1	5	3.22	1.455
Strict regulations often exclude me and others in informal settlements.	198	1	5	2.91	1.370
Social restrictions affect my and other women's access to financial services.	198	1	5	3.10	1.417
Poor service quality from banks discourages me from using formal financial systems.	198	1	5	3.28	1.222
High transaction costs deter me and others from using financial institutions.	198	1	5	2.91	1.420

Primary data 2024

The findings presented in Table 4.2 highlight the challenges faced by residents in Kanungu District regarding financial inclusion, emphasizing the barriers that hinder effective engagement with financial services. The statement regarding a lack of financial literacy hindering engagement scored a mean of 2.82 with a standard deviation of 1.602. This indicates that the majority of respondents recognize financial literacy as a significant barrier, with the high standard deviation reflecting a wide range of opinions and experiences, particularly among a minority who may feel adequately informed about financial services. Inadequate infrastructure also emerged as a critical challenge, with a mean score of 2.68 and a standard deviation of 1.387, suggesting that while the majority acknowledge this issue, there is variability in how it affects individuals, particularly in rural areas where access to financial services may be even more limited.

The mean score of 3.07 related to high transaction costs reveals a majority agreement that these costs deter the use of financial institutions, supported by a standard deviation of 1.443. This finding underscores the economic barriers faced

by residents, indicating that a minority may still engage with these institutions despite the costs. Furthermore, the perception of mistrust in formal institutions, with a mean of 2.84 and a standard deviation of 1.406, indicates that a significant portion of respondents rely on informal financial systems, likely stemming from a lack of confidence in formal services.

The challenges associated with digital literacy among older adults were particularly notable, with a mean score of 3.22 and a standard deviation of 1.455, indicating that the majority of older respondents struggle to access financial services digitally. This highlights a critical barrier that necessitates targeted educational initiatives to improve digital literacy for this demographic. Similarly, the mean score of 2.91 regarding strict regulations that often exclude individuals in informal settlements points to the need for more inclusive regulatory frameworks to ensure that marginalized groups have access to formal financial services.

Social restrictions affecting women's access to financial services garnered a mean score of 3.10 with a standard deviation of 1.417, indicating that while the majority acknowledge these barriers, a notable minority may not feel their experiences are adversely affected by social norms. Additionally, the mean score of 3.28 related to poor service quality from banks indicates that many residents find the quality of services lacking, which discourages them from using formal financial systems. Lastly, the repeated concern over high transaction costs, with a mean of 2.91, reiterates that these economic barriers persistently deter individuals from utilizing financial institutions.

4.2.3 The potential solutions to enhance financial inclusion in Uganda.

To address the challenges of financial inclusion in Uganda, various potential solutions have been proposed. This section examines these solutions, focusing on strategies that can enhance access to financial services for underserved populations, , with measures such as minimum and maximum scores, mean values, and standard deviation provided for each statement to illustrate the variability and central tendency of responses.

Table 4.4: The potential solutions to enhance financial inclusion in Uganda.

Statements	N	Min	Max	Mean	Standard deviation
I believe integrating AI into financial services will enhance my access as an unbanked individual.	198	1	5	3.32	1.276
I support ICT investments to improve microfinance capacities in my community.	198	1	5	2.94	1.416
Tailored financial products for women can help close the gender gap I experience.	198	1	5	2.66	1.521
Simplifying KYC processes would ease my access to financial services.	198	1	5	2.74	1.510
Financial literacy programs can empower me to understand and use financial products.	198	1	5	2.85	1.428
Digital literacy training will help me and others use digital financial services more effectively.	198	1	5	2.80	1.294
Improved customer service will foster my trust in financial institutions.	198	1	5	2.41	1.339
Community involvement is essential to ensure financial services meet my needs.	198	1	5	2.61	1.363

Primary data 2024

The findings from Table 4.3 highlight various potential solutions to enhance financial inclusion in Uganda, reflecting respondents' perceptions and priorities for addressing existing barriers. The statement regarding integrating AI into financial services garnered a mean score of 3.32 with a standard deviation of 1.276, indicating that a majority of respondents view AI integration as a promising solution to improve access for unbanked individuals. The moderate standard deviation suggests that while there is general support for AI, there is some variability in how strongly individuals feel about its potential impact, indicating that a minority may be skeptical or unaware of AI's benefits.

The second statement about supporting ICT investments to improve microfinance capacities in the community achieved a mean score of 2.94 and a standard deviation of 1.416. This result suggests that the majority of respondents recognize the importance of investing in information and communication technology (ICT) to bolster microfinance capabilities. The standard deviation indicates that opinions are somewhat varied, with some individuals expressing strong support while others may feel less convinced of ICT's role in improving microfinance.

The mean score of 2.66 for tailored financial products for women can help close the gender gap experienced by respondents, along with a higher standard deviation of 1.521, reflects a more divided opinion. While a segment of respondents acknowledges the need for tailored financial products to address gender-specific challenges, the lower mean indicates that a minority may not see this as a priority solution, suggesting that more education and awareness around the benefits of tailored offerings might be needed.

Respondents rated the statement about simplifying KYC processes with a mean of 2.74 and a standard deviation of 1.510. This finding indicates a majority belief that simplifying Know Your Customer (KYC) processes would improve accessibility, yet the high standard deviation shows that opinions on the necessity and effectiveness of such simplifications vary significantly, with some respondents strongly agreeing while others are less convinced.

The potential for financial literacy programs to empower individuals to understand and use financial products received a mean score of 2.85 and a standard deviation of 1.428. This reflects a consensus that financial literacy is crucial for better engagement with financial products; however, the variability in responses indicates that there is a minority that may not fully recognize the importance of such programs or may have varying levels of existing knowledge.

The mean score of 2.80 for digital literacy training indicates that most respondents believe enhancing digital literacy is important for using digital financial services. The standard deviation of 1.294 indicates a relatively consistent belief in this solution, although some respondents might feel less impacted by digital literacy issues.

The statement about improved customer service fostering trust in financial institutions received the lowest mean score of 2.41, with a standard deviation of 1.339, indicating that while some respondents see improved customer service as beneficial, a majority may not view it as a primary solution to their financial inclusion challenges. This suggests that trust in institutions might be rooted in more fundamental issues beyond customer service, requiring deeper systemic changes.

Lastly, the statement regarding community involvement being essential to ensure financial services meet respondents' needs had a mean score of 2.61 and a standard deviation of 1.363, reflecting a moderate belief in the importance of community engagement in financial service provision. The higher standard deviation suggests diverse opinions on how effectively community involvement can influence service delivery, indicating that while some see it as essential, a minority may doubt its significance.

5. DISCUSSION

A majority of respondents held a neutral stance on whether financial inclusion effectively improves access to essential services, aligning with the work of Chowdhury and Chowdhury (2024), who observed that access alone does not guarantee improved service uptake without supportive infrastructure. Similarly, respondents did not believe financial inclusion significantly reduces income inequality, a finding that supports Duvendack and Mader's (2020) conclusion that financial inclusion, without a strong supportive environment, does not necessarily lead to reduced income disparity.

While financial inclusion can potentially enable savings and investments, respondents noted that access alone may be insufficient, echoing the findings of Mishra, Kandpal, and Agarwal (2024), who emphasized the importance of financial literacy and additional support for maximizing financial benefits. Additionally, while some respondents agreed that financial inclusion aids in managing financial risks, a notable minority felt vulnerable, highlighting a need for targeted programs to address financial resilience. This finding is consistent with the insights of Kandpal et al. (2023), who found that underserved populations benefit more from tailored financial services.

Moreover, modest support was found for the notion that financial inclusion reduces poverty, mirroring Duvendack and Mader's (2020) assertion that poverty reduction through financial inclusion is often overstated without additional policy support. Respondents were similarly neutral on whether financial inclusion fosters local economic development, a finding that aligns with Ifediora et al.'s (2022) observations about the critical role of supportive policy frameworks in driving economic growth.

Most respondents agreed that financial inclusion enhances informed decision-making, with a minority feeling less empowered. This reflects Ifediora et al. (2022) who stressed the importance of financial literacy in empowering individuals. Lastly, while there was some optimism regarding supportive policies, uncertainty among respondents indicates a need for strengthened policy frameworks, as emphasized by Eton et al. (2021) in their study on regulatory challenges in Uganda.

In examining challenges, the study identified limited financial literacy, inadequate infrastructure, and high transaction costs as significant barriers to financial inclusion, findings that align with Chowdhury (2020) and Boitano and Abanto (2020). Limited financial literacy is especially a barrier for rural residents, as Chowdhury (2020) found, with many unable to navigate digital platforms. Infrastructure issues, as Boitano and Abanto (2020) highlighted in their study in

Peru, limit access to services, especially in rural areas.

High transaction costs deter engagement with formal financial institutions, a finding that reflects Sharizan, Redzuan, and Rosman (2021), who noted similar impacts in rural Malaysia. Mistrust in formal institutions also emerged, reinforcing Kandpal's (2024) finding on the persistence of informal systems where cultural mistrust prevails. Additionally, older respondents reported challenges with digital literacy, consistent with Tyagi's (2023) study on the digital divide in India.

Social norms, particularly those affecting women, present further barriers, resonating with Ifediora et al.'s (2022) findings on gender-based limitations in financial inclusion across Sub-Saharan Africa. Dissatisfaction with service quality from formal institutions also limits engagement, highlighting the need for enhanced service quality to foster trust, as emphasized by Eton et al. (2021).

To address these barriers, respondents suggested AI integration, ICT investments, tailored financial products for women, and simplified KYC processes. These solutions echo recommendations from Kandpal et al. (2023), who advocate for technology-based solutions, and from Ifediora et al. (2022), who suggest gender-specific financial products. Financial and digital literacy programs were also highlighted, aligning with Chowdhury (2020) and Tyagi (2023), who emphasize educational support to increase financial inclusion among digitally challenged populations. Finally, respondents favored community involvement in shaping financial solutions, a point underscored by Mishra, Kandpal, and Agarwal (2024), who noted that community-driven approaches are essential for effective financial inclusion.

6. CONCLUSION

The study concluded that while financial inclusion in Kanungu District offered several socio-economic benefits, significant challenges remained that limited its full impact. Respondents recognized the potential of financial inclusion to enhance access to services, promote savings and investments, support financial risk management, and foster informed decision-making. However, many were neutral or uncertain about its impact on reducing income inequality, poverty, and local economic development, suggesting that existing efforts fell short of fully addressing community needs. Key challenges identified included limited financial literacy, inadequate infrastructure, high transaction costs, mistrust in formal institutions, digital literacy barriers, and gender-specific social norms, which collectively hindered residents' engagement with financial services. Proposed solutions emphasized the importance of integrating AI and ICT in financial services, developing gender-tailored products, simplifying KYC processes, and improving financial and digital literacy. The study recommended that policymakers and financial institutions adopt a targeted, community-driven approach to improve financial inclusion, involving policies that addressed unique local barriers and enhanced financial literacy, infrastructure, and trust in formal financial systems.

Appendices

Appendix 1: Krejcie Table 1970

Morgan, Krejcie Table 1970 used to determine sample size.

If your population is:	Then your random sample size should be:	If your population is:	Then your random sample size should be:
10	10	440	205
15	14	460	210
20	19	480	214
25	24	500	217
30	28	550	226
35	32	600	234
40	36	650	242
45	40	700	248
50	44	750	254
55	48	800	260
60	52	850	265
65	56	900	269
70	59	950	274

75	63	1,000	278
80	66	1,100	285
85	70	1,200	291
90	73	1,300	297
95	76	1,400	302
100	80	1,500	306
110	86	1,600	310
120	92	1,700	313
130	97	1,800	317
140	103	1,900	320
150	108	2,000	322
160	113	2,200	327
170	118	2,400	331
180	123	2,600	335
190	127	2,800	338
200	132	3,000	341
210	136	3,500	346
220	140	4,000	351
230	144	4,500	354
240	148	5,000	357
250	152	6,000	361
260	155	7,000	364
270	159	8,000	367
280	162	9,000	368
290	165	10,000	370
300	169	15,000	375
320	175	20,000	377
340	181	30,000	379
360	186	40,000	380
380	191	50,000	381
400	196	75,000	382
420	201	1,000,000	384

Source: Amin (2005)

Appendix 2: Questionnaire

Dear respondent,

I am a student at Makerere University pursuing Masters of Business Administration (MBA). I am carrying out research on **RELEVANCE OF FINANCIAL INCLUSION IN KANUNGU DISTRICT.** You have been identified as a respondent therefore, requested to kindly spare a few minutes of your busy schedule to fill out this questionnaire. This study is purely for academic purposes. Your honest answer and sincere responses are highly appreciated and shall be treated with outmost confidentiality.

Do not write your name on the questionnaire and please tick (√) in the boxes as appropriate unless otherwise indicated.

Thank you,

TUBENAWE INNOCENT

2022/HD06/5457U.

SECTION A. DEMOGRAPHIC INFORMATION

This section looks at **the features or characteristics of respondents in order to** help the researcher have a better understanding of the population of interest to their research.

Please tick where appropriate

1. **What is your gender?**

Male	Female

2. **What is your age bracket?**

19 - 29	30 - 39	40 - 49	50 and above

3. **What is your marital status?**

Married	Not married

4. **What is your highest level of education?**

No education	High school	**Bachelor's degree**	**Others**

5. **Do you own a bank account?**

Yes	No

6. **How often do you use the Internet?**

a) Daily	b) Once a week	c) Every Fortnight	d) Once a month

SECTION B: the socio-economic benefits of financial inclusion.

For each statement in the following section, please indicate the extent to which you agree or

Disagree.

Rate your scores on a 5 Likert point scale ranging from; 1-Strongly Disagree (SD), 2-Disagree (D), 3- Not Sure (NS), 4- Agree (A) and 5-Strongly Agree (SA).

No.	Statement	SD	D	NS	A	SA
1	Financial inclusion improves access to essential services in underserved communities.					
	It reduces income inequality within my community.					
	Access to services enhances savings and investment abilities.					
	It helps individuals manage financial risks better.					
	Financial inclusion significantly reduces poverty levels.					
	It contributes positively to local economic development.					
	Being financially included empowers informed decision-making.					
	Supportive policies maximize financial inclusion benefits.					

SECTION C: the challenges faced by residents in Kanungu District regarding financial inclusion.

For each statement in the following section, please indicate the extent to which you agree or

Disagree. Rate your scores on a 5 Likert point scale ranging from; 1-Strongly Disagree (SD), 2-Disagree (D), 3- Not Sure (NS), 4- Agree (A) and 5-Strongly Agree (SA).

No.	Statement	SD	D	NS	A	SA
	I find that a lack of financial literacy hinders my engagement with financial services.					
	Inadequate infrastructure limits my access to necessary financial services.					
	High transaction costs deter me and others from using financial institutions.					
	Mistrust of formal institutions leads me to rely on informal financial systems.					
	As an older adult, I struggle with digital literacy for accessing financial services.					
	Strict regulations often exclude me and others in informal settlements.					
	Social restrictions affect my and other women's access to financial services.					
	Poor service quality from banks discourages me from using formal financial systems.					
	High transaction costs deter me and others from using financial institutions.					

SECTION D: Propose potential solutions to enhance financial inclusion in Uganda.

For each statement in the following section, please indicate the extent to which you agree or

Disagree. Rate your scores on a 5 Likert point scale ranging from; 1-Strongly Disagree (SD), 2-Disagree (D), 3- Not Sure (NS), 4- Agree (A) and 5-Strongly Agree (SA).

No.	Statement	SD	D	NS	A	SA
1	I believe integrating AI into financial services will enhance my access as an unbanked individual.					
	I support ICT investments to improve microfinance capacities in my community.					
	Tailored financial products for women can help close the gender gap I experience.					
	Simplifying KYC processes would ease my access to financial services.					
2	Financial literacy programs can empower me to understand and use financial products.					
	Digital literacy training will help me and others use digital financial services more effectively.					
	Improved customer service will foster my trust in financial institutions.					
	Community involvement is essential to ensure financial services meet my needs.					

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