BANK OF UGANDA

afi

FINANCIAL CAPABILITY SURVEY

(FCS) 2020

Contents

List of Figures

List of Tables

Foreword

The Financial Capability Survey (FCS) is a baseline study for Uganda. The study gathered information to measure the level of financial capability in the country. Measuring financial capability is recognised globally as an integral part of financial literacy strategy formulation and implementation. Being financially capable encompasses having the appropriate financial knowledge, the right attitudes, and the good financial behaviour to facilitate effective financial decision making.

The Bank of Uganda (BoU) rolled out financial literacy and inclusion activities in close collaboration with the Alliance for Financial Inclusion (AFI) as the global organisation that fosters financial inclusion. Being a member of AFI provided the platform for BoU to align planned activities cognizant of learning from other countries. AFI supported Bank of Uganda to develop the first National Financial Inclusion Strategy (NFIS) 2017 – 2022 which has enabled further coordinated approach to rolling out this broad-based intervention. In-depth collaborations with key stakeholders have revealed the need for a common approach to assess the success of different interventions and ultimately help the nation's policy such as the Strategy for Financial Literacy (2019-2024) have a greater impact on adults in Uganda.

This survey report is timely as it provides information on several indicators that the strategy strives to improve. Indeed, it establishes that the level of financial capability as average, supported by good financial behaviour, although more needs to be done to improve the level of knowledge and attitude.

Michael Atingi-Ego
Deputy Governor – Bank of Uganda

Executive Summary

The baseline survey on Uganda's financial capability resulted in an overall score of 50.4 percent, with a higher score for males (52.6%) compared to females (48.3%). The constituent contributions were financial behaviour, with more than a half of the overall financial capability score, while financial literacy contributed nearly one-third of the score. Financial attitudes contributed one-sixth of the total score. As such, it is recommended that programmes to enhance financial capability should be directed towards a change of financial attitudes.

The exercise visited a total of 3,338 households who were interviewed, and this generated a response rate of 96.8 percent. The findings indicate that more than half of the adult population (52.5%) were females while males comprised 47.5 percent. The proportion of adults with some form of disability was 8.3 percent which was equally distributed across gender.

Personal Financial Management highlights the ability of individuals to use their money wisely through skills such as the making of financial plans and budgeting. Most adults (81.6%) make day-to-day decisions about their own money and plan or budget for their income (61.5%). The survey established that those in the rural areas have a better commitment in making plans or budgets to manage their income and expenses (73.2%) as compared to the 67.4 percent in the urban areas.

In terms of saving, 57.6 percent of the adult population had saved over the past 12 months to the survey. The adults that could define savings correctly and had saved in the past 12 months constituted 60 percent. Subsequently, the highest level of savings is concentrated in the age bracket of 25-54 years, consistent with the working life cycle hypothesis.

A considerable number of adults in Uganda are credit constrained as only 26.6 percent of adults had taken a loan in the last 12 months. The major factor affecting the uptake of loans was the speed of approval of the loan (64.4%). Over 62.1 percent of Ugandans who had defaulted on loans attributed this to lack / loss of income.

A major observation was made regarding the level of investment awareness. About 80 percent of adults were found to be aware of at least one type of investment. The most significant investment areas were identified as agricultural activities as well as opportunities in real estate, retail and wholesale businesses, provision of services and money lending. Investment in financial assets, however, remained low.

The uptake of insurance was 5.1 percent comprised of 4.2 percent in rural areas and 7.6 percent in urban areas. This low uptake corroborates well with low knowledge of what insurance is as indicated by only 18.7 percent of the adults who could define insurance correctly.

The relevance of retirement planning was noticeable. Adults tending towards the age of 45 years were found to consider retirement planning most relevant. This could be as a result of having amassed income over a long period to enable them to plan for their old age. The pattern is similar across both rural and urban areas. From the gender perspective, 38.8 percent of the females had a retirement plan compared to 42.2 percent of the males.

The level of awareness of financial institutions was commendable as indicated by more than 50 percent of the adults being aware of Savings and Credit Cooperatives (SACCOs), Village Savings and Loan Associations (VSLAs), the Central Bank and Commercial Banks. The highest level of awareness of financial institutions was recorded in urban areas for all institutions except VSLAs. Of particular concern is that only 7.3 percent and 1.1 percent of adults had ever heard about Money Remittances and Securities Exchange, respectively.

Relating to the complaints handling mechanism, only 15.1 percent of adults

indicated that they would formally complain to the financial service provider and, if not helped, escalate the problem to its regulator. About 20 percent of adults, however, revealed that they would directly complain to the relevant regulator.

The findings broadly reported that digital competence is disproportionately distributed across the different platforms for financial and non-financial products. While using digital financial services, consumers are exposed to several risks. The assessment, therefore, revealed the awareness of the risks associated with loss of the digital device (53.0%), password or PIN safety/theft (44%) and identity theft (18%).

Recommendations

In view of the findings, it is recommended that:
1. BoU and other stakeholders to review and update the Strategy for Financial Literacy 2019 – 2024 action plan to focus on addressing gaps identified in the study;
2. Stakeholders to emphasise attitude change in all financial literacy interventions;
3. Specific framework with a focus on digital financial risks is designed to enhance consumer trust in the usage of digital financial services;
4. Policies or programs such as the agriculture insurance scheme that encourage investments in agricultural sector where the bulk of the population are engaged is scaled up; and
5. Financial sector regulators carry out regular public awareness campaigns on the existing complaints handling mechanisms.

Abbreviations and Acronyms

A/c	Account		MMSP	Mobile Money Service Provider
AFI	Alliance for Financial Inclusion		MR(s)	Money Remitter(s)
App	Application		NFIS	National Financial Inclusion Strategy
ASCAs	Accumulating Savings and Credit Associations		NGO	Non-Governmental Organisation
BoU	Bank of Uganda		NPA	Non-Performing Asset
CBs	Commercial Banks		NPL	Non-Performing Loan
CIs	Credit Institutions		NSSF	National Social Security Fund
CMA	Capital Markets Authority		PFM	Personal Financial Management
CoL	Cost of Living		PIN	Personal Identification Number
DFL	Digital Financial Literacy		PPP	Public-Private Partnership
DFS	Digital Financial Services		PSP	Payment System Provider
DPFU	Deposit Protection Fund of Uganda		PWD	People with Disability
EA	Enumeration Area		ROSCAs	Rotating Savings and Credit Associations
EFT	Electronic Funds Transfer		RTGS	Real Time Gross Settlement
Email	Electronic Mail		SE	Securities Exchange
FCP	Financial Consumer Protection		SFIs	Supervised Financial Institutions
FCS	Financial Capability Survey		SFLIU	Strategy for Financial Literacy in Uganda
FL	Financial Literacy		SIM	Subscriber Identity Module
FLP	Financial Literacy Programmes		SMS	Short Messaging Service
FLS	Financial Literacy Score		TV	Television
FSP	Financial Service Provider		UACE	Uganda Advanced Certificate of Education
FDP	Forcibly Displaced Person		UAIS	Uganda Agriculture Insurance Scheme
FXB	Forex Bureau			
GoU	Government of Uganda		UBOS	Uganda Bureau of Statistics
ICOs	Initial Coin Offerings		UBTEB	Uganda Business and Technical Examinations Board
ICs	Insurance Companies			
IRAU	Insurance Regulatory Authority of Uganda		UCE	Uganda Certificate of Education
KFD	Key Facts Document		UMRA	Uganda Microfinance Regulatory Authority
MDIs	Microfinance Deposit-taking Institutions		URBRA	Uganda Retirements Benefits Regulatory Authority
MF	Microfinance			
ML	Money Lender		VSLAs	Village Savings and Loan Associations
MM	Mobile Money			
MMS	Mobile Money Service			

Acknowledgements

Introduction

Background

The concept of financial capability is defined differently across jurisdictions and organisations however the attributes remain largely similar. AFI defines financial capability as an individual's confidence and competencies in financial knowledge, skills and behaviour, needed to undertake informed, confident and relevant decisions and actions about personal and household finances to improve one's financial well-being (AFI, 2021). The World Bank on the other hand defines financial capability as the capacity to act in one's best financial interest, given socioeconomic and environmental conditions and encompassing knowledge (literacy), attitudes, skills and behaviour of consumers concerning understanding, selecting, and using financial services, and the ability to access financial services that fit their needs (World Bank, 2013).

According to the Strategy for Financial Literacy in Uganda, 2019–2024, Financial Literacy is defined as having the knowledge, skills and confidence to manage one's finances well while taking into consideration one's economic and social circumstances. In this definition, knowledge means having an understanding of personal financial issues, skills refer to the ability of one to apply the knowledge, and confidence implies feeling sufficiently self-assured to make decisions on personal financial matters.

For purposes of this report therefore the concepts of financial capability and financial literacy is used synonymously. In addition, the concept of gender is used narrowly to refer to the difference between male and female.

Strategic vision

Ugandans have the knowledge, skills and confidence to manage money well.

Priority strands/ groups

Youth	Rural outreach
Women	Special interest groups
Workplace	Digital financial literacy

Uganda rolled out financial literacy programs in 2013 under the first Strategy for Financial Literacy (2013-2017). The current one is the second Strategy for Financial Literacy (2019-2024) [1]. The strategic vision is that **"Ugandans have the knowledge, skills and confidence to manage money well"** and it focuses on the following priority strands/groups: youth, women, workplace, rural outreach, and special interest groups such as children below 15 years old, PWDs, FDPs and digital financial literacy. The implementation of the second strategy is ongoing by various stakeholders however there isn't a clear basis to guide on what the knowledge dissemination emphasis should be in a specific region or area of the country.

The Financial Capability Survey Uganda 2020 is a part of activities conducted by BoU to enhance financial literacy and financial inclusion in Uganda. This is the first national demand-side survey aimed at establishing the level of Financial Capability of Ugandans. The survey is intended to provide reliable baseline information on the level of Financial Capability in Uganda to support evidence-based policy formulation and interventions. The survey which was carried out amidst the reality of the impact of COVID 19 will further enable policymakers to focus on the socio-economic impact of financial literacy and inclusion in Uganda.

---

1   https://www.simplifymoney.co.ug/images/docs/pastflpdocs/Strategy%20for%20Financial%20Literacy%20in%20Uganda%20 2013%20%E2%80%93%202018.pdf

Objective of Survey

To collect baseline information on the level of financial capability of adult Ugandans.

Objectives

The main objective of the survey was to collect baseline information on the level of financial capability of adult Ugandans.

Specifically, the survey aimed to:

i.   Measure the level of financial capability of Ugandans.

ii.   Provide some information on financial inclusion, financial consumer protection and digital financial literacy in Uganda.

iii.   Provide insights into the different components of financial literacy curriculum [2] in Uganda.

The rest of the report is structured as follows. Chapter 2 presents the methodology and Chapter 3 provides survey findings.

---

2   Financial literacy curriculum in Uganda covers seven modules of personal financial management, savings, loans management, investment, insurance, retirement/planning for old age, and financial service providers and consumer protection.

Methodology

This chapter details the survey methods that were followed during the research. It provides information on the survey tools, sampling design, data collection and processing.

SAMPLING DESIGN

THREE-STAGE

SAMPLING FRAME

2014 National Population and Housing Census (NPHC)

DATA COLLECTION PERIOD

November 20th, 2020 to December 22nd, 2020.

SAMPLE

3,540 HOUSEHOLDS

FIELD TEAMS

14

spread across 4 statistical regions

FIELD STAFF

66 Supervisors & Interviewers

RESPONSE RATE

97%

3,338

households successfully interviewed

Questionnaire Design

The questionnaire used for this survey was a customisation of the structure and questions in the Organisation for Economic Co-operation and Development's (OECD) financial capability questionnaire. This was enhanced with contents from the Strategy for Financial Literacy in Uganda (2019-2024) and the National Financial Inclusion Strategy (2017-2022) to allow for the assessment of financial inclusion and financial consumer protection issues. An extensive peer review of the instrument was provided by selected members of the Alliance for Financial Inclusion. A detailed survey manual was developed to guide enumerators and supervisors during field activities.

Sampling Design and Enumeration

The survey employed a three-stage stratified sampling design. At the first stage, Enumeration Areas (EAs) were grouped by districts of similar socio-economic characteristics and by rural-urban location[3], then selected using Probability Proportional to Size (PPS). At the second stage,10 households were drawn using Simple Random Sampling and at the final stage, at most two respondents were selected from among the eligible household members using a kish grid i.e. aged 16 years and above. At the household level, the respondents were grouped into two strata (able-bodied and disabled) and a respondent was selected from each stratum.

A total of 354 EAs were selected from the 2014 National Population and Housing Census (NPHC) Sampling Frame. The EAs were then grouped into 15 sub-regions, taking into consideration the standard errors required for the estimation of financial capability for rural-urban domains. The districts were stratified in the 15 sampling strata based on common socio-demographic characteristics as indicated in Appendix IV.

---

3   This was designed to allow the generation of separate estimates at the national level, for urban and rural areas and the four regions of Uganda. At the time of the survey, there were 146 functional districts.

Response Rate

Table 1.1 shows that, overall, 3,540 households were targeted for the FCS sample, of which 3,338 households were successfully interviewed, giving a response rate of 97 percent. A total of 9 EAS were not covered due to inaccessibility.

Table 1.1   Results of Household Interview

Households	Rural	Urban	Total
Sampled	2,480	1,060	3,540
Not surveyed	70	20	90
Surveyed	2,410	1,040	3,450
Not completed	*76*	*36*	*112*
Partially done	*11*	*4*	*15*
Under age	*2*	*-*	*2*
Refused	*44*	*18*	*62*
Other reasons	*19*	*14*	*33*
Completed	*2,334*	*1,004*	*3,338*
Response Rate	**96.8%**	**96.5%**	**96.8%**

Training, Pre-test, and Fieldwork

Training

The survey entailed recruitment of 66 field staff to serve as team supervisors and interviewers for the main survey. The training was planned to be conducted in a period of 5 days. The main approach of the training comprised instructions in relation to interviewing techniques and field procedures, a detailed review of the data collection modules, tests and practice using hand-held Computer Assisted Personal Interviews (CAPI) devices. The training also included classroom mock interviews and field practice in selected EAs outside of the main survey sample. Team supervisors were further trained in data quality control procedures and coordination of fieldwork activities.

Pre-test

Prior to the main fieldwork, the data collection modules were pretested to ensure that the questions were clear, flowing and easily understood by the respondents. Experienced field workers comprising both male and female were recruited and trained on how to administer the modules. After the training, fourteen teams of fieldworkers were constituted in respect to the local languages and deployed accordingly in the four statistical regions. The pre-test fieldwork was done over a day's period and feedback on the flow and ease of administering questions was provided and discussed. Thereafter, the tools were further refined in preparation for the main training.

Fieldwork

A centralized approach to data collection was employed, whereby 14 mobile field teams were always deployed from the BoU offices to the sampled EAs. Each team comprised one field supervisor, and four to five enumerators. The field staffs were recruited based on fluency of the local language spoken in the respective region of deployment while the supervisors were balanced between males and females. Field data collection was from 20th November 2020 to December 22nd, 2020.

Data Processing and Management

The FCS data was collected and directly captured electronically using Computer Assisted Personal Interviews (CAPI) devices while in the field. Prior to field data collection, applications were designed for each questionnaire and field interviewers were trained on how to use the application in CAPI.

The hardware used included Tablets (Samsung Model – SMT 231) and Power Banks for interviewers. Field supervisors were mandated to facilitate synchronization, scrutinizing, editing and submission of data collected to the Headquarters in appropriate time. The software used was CSPRO. CSentry is a free tool developed to improve survey data collection by enabling better communication between

enumerators and supervisors; more reliable statistics due to checks performed during the interview; and more up-to-date statistics due to a reduced time lag between data collection and data analysis.

The data processing largely involved: the design of questionnaires in the CSEntry Designer Interface as well as inclusion of consistency checks, skip patterns and validation rules. The Application was tested for the flow of questions and entries before training of the field staff. During the training, field staffs were familiarized with use of the application and field practice was undertaken for quality assurance purposes. In the field, data was captured by interviewers then transferred to field supervisors as well as BoU headquarters in appropriate time for further scrutiny and quality assurance. In cases where clarification or re-interviews were required, interviewers were sent back to the households.

With the advent of CAPI for the FCS, data management started in the field with scrutiny of the captured data. This was first undertaken by the supervisors who then transferred the data to the headquarters on the Survey Solution's Cloud. Data was converted and exported to STATA and Excel format for further checks and quality assurance as well as for generation of statistical tables.

Weighting

Design weights were calculated based on the separate sampling probabilities for each sampling stage and each EA *(Details of the weighting procedure in appendix IV)*. This generated a final weight for each individual thus estimating the adult population (16 years and above) to be 22.8 million representing about 54.8 percent of the total population as per UNHS 2019/20.

Survey Findings

This chapter presents the survey findings for the various aspects examined during the survey.

AREAS UNDER ANALYSIS

General information on households and respondents

Financial Knowledge

Attitude and Behaviour

Personal Financial Management

Saving

Loans management

Investment

Insurance

Retirement

Financial Service Providers

Financial Consumer Protection

Digital Financial Literacy

3,338
households were
interviewed

RESPONDENTS
WHO COMPLETED
THE INTERVIEW

3,460

RESPONSE RATE

96.8%

RURAL
HOUSEHOLDS

72.7%

% OF FEMALES

51.5%

% WITH DISABILITY

8.3%

TOTAL POPULATION REPRESENTED

22.8 million

Household characteristics

The survey covered 72.7 percent of households from rural areas and the rest were
from urban areas. The average household size was four members and the proportion
of females in the sample was 51.5 percent. The 2014 census is comparable to the
sample profile as can be observed in Table 3.1.

Table 3.1: Key Characteristics of Census and Financial Capability Survey Profile

Population Distribution	Census 2014	FCS
Area distribution *(per cent)*		
Rural	79.1	72.7
Urban	20.9	27.3
Average household size	4.7	4.0
Gender *(per cent)*		
Female	51.4	51.5
Male	48.6	48.4

Source: UBOS and Financial Capability Survey 2020

Respondents' characteristics

After weighting, the data represents an adult population of 22.8 million. The analysis and discussions that follow below is as per this adult population.

Distribution by Gender and Disability

The findings indicate that more than half of the adult population (52.5%) were females. The proportion of adults with some form of disability were 8.3 percent and distributed almost equally across male (4.1%) and female (4.2%).

Figure 3.1 Disability by Gender
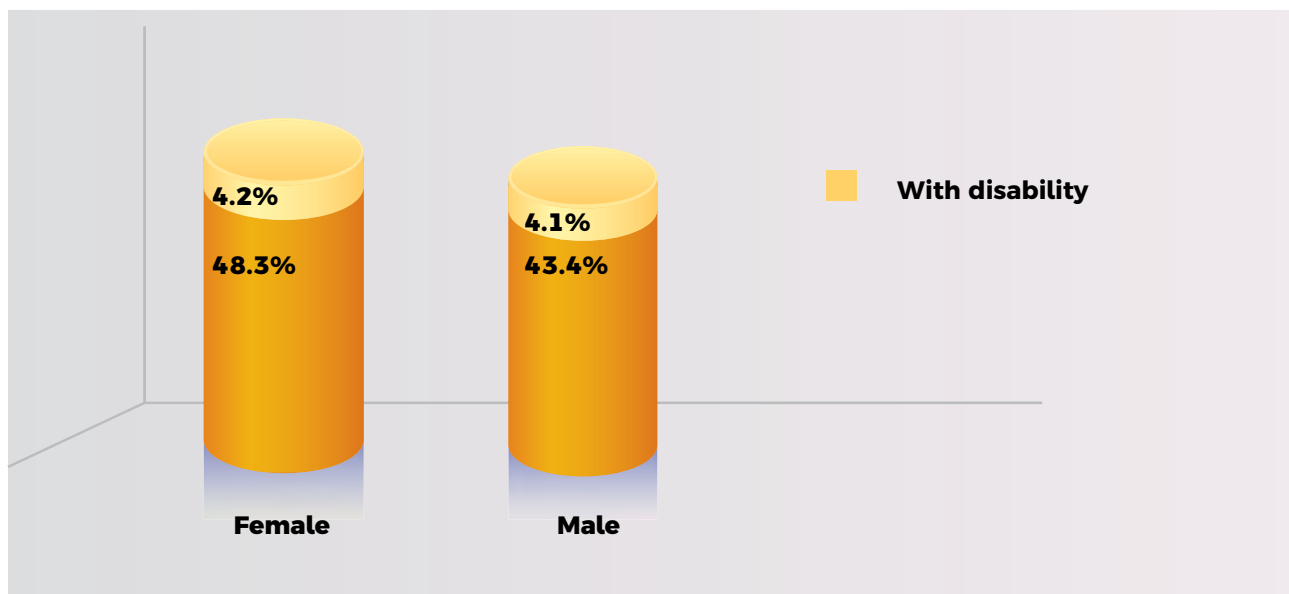
Geographic Distribution

The Northern region had the least share of adults at 20.9 percent while the central region had the highest number of adults at 28.1 percent. In terms of urban- rural location, the central region constituted the highest number of urban respondents due to the high urban population within the Kampala Capital City Authority (KCCA) and the neighbouring districts as depicted in Table 3.2.

Table 3.2: Regional, Rural and Urban Distribution *(per cent)*

Region	Rural	Urban	Total
Central	15.9	12.1	**28.1**
Eastern	20.7	4.7	**25.4**
Northern	17.0	3.9	**20.9**
Western	19.0	6.7	**25.7**
Grand Total	**72.7**	**27.3**	**100.0**

Profile of Respondents

Table 3.3 reveals that nearly one fourth of adults were 25 years and below and 57.5 percent were in the age band of 26- 55 years. In terms of employment, 6 in 10 adults are self-employed in production which reflects the critical contribution of agriculture to employment in Uganda.

About half of adults (49.2%) earn less than UGX 150,000 (approx. US$ 41[4]) a month with a higher proportion of women falling in this category compared to men while, only 1 percent of adults earn more than UGX. 1 million (US$273) a month.

---

4   Average exchange rate of Shs.3667 per US$ for month of December 2020

Table 3.3: Background Characteristics of Adults by Gender *(per cent)*

Characteristics		Female	Male	Overall
Age Band	16-25	15.3	8.7	**24.0**
	26-35	12.0	9.4	**21.4**
	36-45	9.9	9.4	**19.3**
	46-55	6.8	10.0	**16.8**
	56-65	4.7	5.3	**10.0**
	65+	3.7	4.7	**8.4**
Work Situation	Self-employed (work for yourself)-Production	58.7	62.4	**60.4**
	Self-employed (Work for self)-Services	13.4	15.2	**14.2**
	Student	9.7	7.7	**8.8**
	Looking after, the home	10.1	2.3	**6.4**
	In paid employment (Private Sector)	2.9	4.4	**3.6**
	Retired	2.1	2.8	**2.4**
	In paid employment (Government)	1.2	2.9	**2.0**
	Looking for work (unemployed)	1.7	2.0	**1.8**
	Working with Non-Governmental Organization (NGO)	0.2	0.4	**0.3**
Monthly Income UGX	Less than 150,000	57.9	40.3	**49.2**
	150,000 - 250,000	28.5	37.9	**33.1**
	250,001 - 500,000	9.1	13.1	**11.1**
	500,001 -1,000,000	3.9	7.6	**5.7**
	Above 1,000,000	0.5	1.3	**0.9**

MAJOR SOURCES OF INCOME BY LOCATION

URBAN	RURAL
Business profits 39.3%	**Sale of produce** 60.9%
Sale of produce 33.8%	**Business profits** 23.9%

MAJOR SOURCES OF INCOME BY GENDER

FEMALE	MALE
Sale of produce 51.2%	**Sale of produce** 55.9%
Business profits 25.3%	**Business profits** 30.6%

With regards to sources of income, the most-reported income source was from the sale of produce (53.4%). In the urban areas, business profits (39.3%) were the major source of income followed by the sale of produce (33.8%) while the reverse was true in rural areas as shown in Table 3.4

Table 3.4 Source of Income *(per cent)*

	Rural	Urban	Female	Male	Overall
No income	0.5	0.1	0.5	0.2	**0.4**
Begging	0.3	0.8	0.4	0.5	**0.4**
International transfers/gifts	0.4	1.5	0.9	0.6	**0.7**
Borrowing	1.7	2.4	2.6	1.2	**1.9**
Local transfers/gifts	1.9	4.0	3.4	1.5	**2.5**
Salary and wages	9.7	19.7	12.0	12.9	**12.4**
Retirement benefits or Pension	13.4	15.6	15.	12.0	**14.0**
Business Profits	23.9	39.3	25.8	30.6	**28.1**
Sale of produce	60.9	33.8	51.2	55.9	**53.4**

LEVEL OF EDUCATION

79.6%
have not completed
any level of secondary
education

LOWER PRIMARY LEVEL EDUCATION

**more rural adults in
Uganda never went
to school (15.0%)**
compared to 6.6 percent
for urban counterpart

**More rural female
respondents (17.9%)
have completed P.7**
compared to 16.1% of the
urban respondents

The findings in Table 3.5 indicate that majority of adults had attended some primary education but not completed primary seven (33.8%) while 12.7 percent of adults never received any formal education. Only 8.4 percent of adults completed Senior four level of education and above.

Table 3.5 Highest Level of Education Completed *(per cent)*

	Rural	Urban	Female	Male	Overall
Never went to school	15.0	6.6	17.0	8.0	**12.7**
Some primary but not completed P.7	37.5	24.2	33.2	34.5	**33.8**
Completed P.7	18.2	13.9	17.9	16.1	**17.0**
Some lower secondary but not completed S.4	14.4	20.3	15.3	16.9	**16.0**
Completed S.4 or UCE	7.3	11.3	7.0	9.8	**8.4**
Some upper secondary but not completed S.6	1.5	3.6	2.0	2.1	**2.1**
Completed S.6 or UACE	1.3	4.8	1.7	2.8	**2.2**
Specialised training certificate	1.9	5.4	2.5	3.3	**2.8**
Specialised training Diploma	1.6	4.7	1.9	3.0	**2.4**
University-level education (e.g. Degree)	1.3	5.1	1.5	3.3	**2.3**
Post-graduate education or equivalent (e.g. Master's, PhD or professional training)	0.0	0.3	0.1	0.2	**0.1**

**Financial
Capability Score**

=

Financial knowledge
(7 points)

+

Financial behaviour
(9 points)

+

Financial attitudes
(5 points)

**Financial
Capability**

50.4%

*The level of
financial knowledge
and skills influence
people's attitudes
and behaviours
which is key to
Uganda's Financial
inclusion goals and
strategy.*

Financial Capability Score

This section provides detailed findings on financial capability based on information from the survey. The section is structured to capture all aspects of financial literacy/capability in terms of knowledge, skills and competence of respondents to make financial decisions. The score was computed using the OECD methodology as a sum of the scores on; financial knowledge (7 points), financial behaviour (9 points) and financial attitudes (5 points). The findings are normalized to 100 for ease of interpretation, (OECD, 2018).

Financial knowledge, attitudes and behaviour are key aspects that influence people's choices of financial products, services, and life plans. While these products and services provide potential benefits, they are not free from risks that may be unfamiliar to existing, as well as potential customers. To be able to make optimal choices amongst the available financial products and plans, a certain level of financial knowledge and skills is necessary. The level of financial knowledge and skills influence people's attitudes and behaviours which is key to Uganda's Financial inclusion goals and strategy.

Overall, the financial literacy score stood at 50.4 percent for Uganda and is highest amongst males (52.6%) compared to females (48.3%). At 60.9 percent, the financial behaviour component contributed more than half of the overall financial capability score while financial knowledge at

48.0 percent, contributed nearly one third. Ugandan adults performed least on financial attitude, with a score of only 35.2 percent, translating into one sixth contribution to the overall score. Figures 3.2 and 3.3 shows financial capability scores by components and gender, respectively.

Figure 3.2: Financial Capability Score and components *(per cent)*
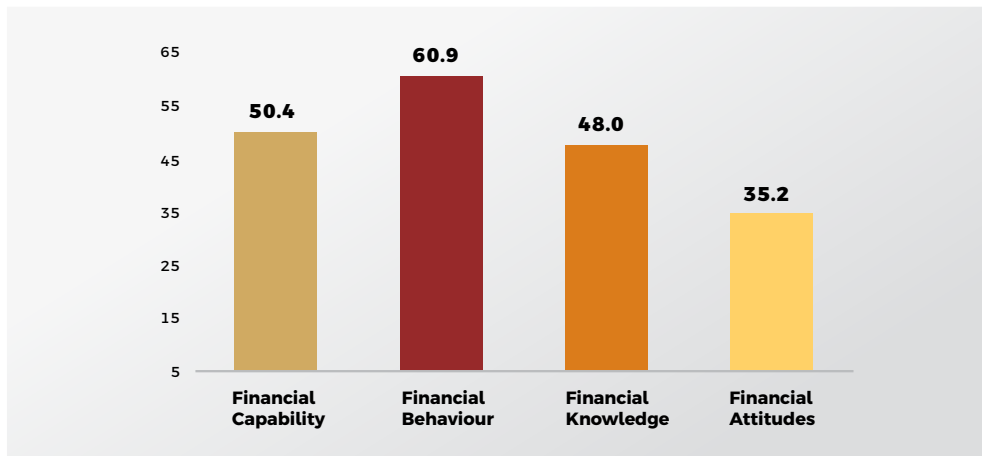
Figure 3.3: Financial Capability Score by Gender *(per cent)*
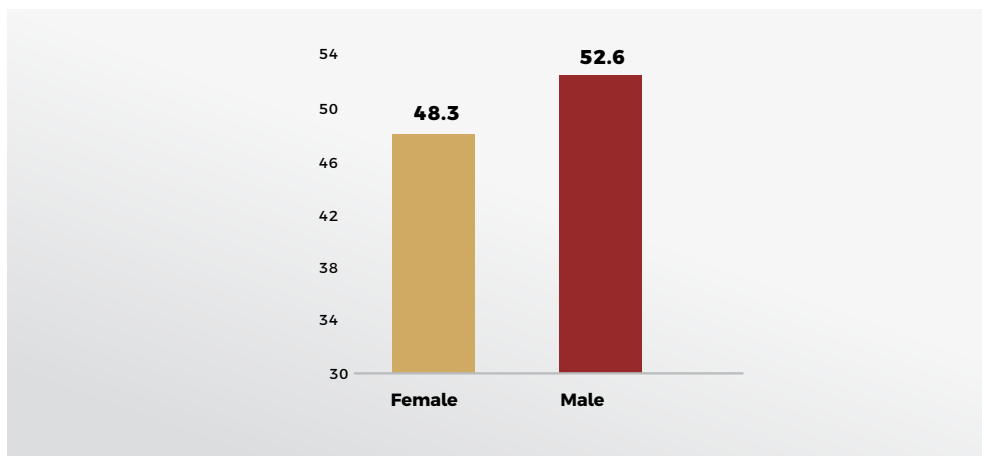
All the regions performed above average except Karamoja, Bukedi, Elgon, Buganda North, Ankole and Kigezi whose financial literacy score were below 50 percent. Kigezi region scored poorly across all the financial literacy components. Map 1 below shows financial capability score by region.

Map 1: Distribution of Financial Capability Scores

Average of FCA_100

- 30.0 - 40.0
- 40.1 - 50.0
- 50.1 - 55.0
- 55.1 - 60.0
- Open water

Region	Score
West Nile	53.5
Acholi	59.1
Karamoja	40.8
Lango	53.8
Teso	47.3
Bunyoro	53.6
Elgon	49.7
Buganda	49.5
Busoga	52
Bukedi	53.4
Tooro	55.7
Kampala	50.6
Buganda South	50.4
Ankole	47.8
Kigezi	37.5
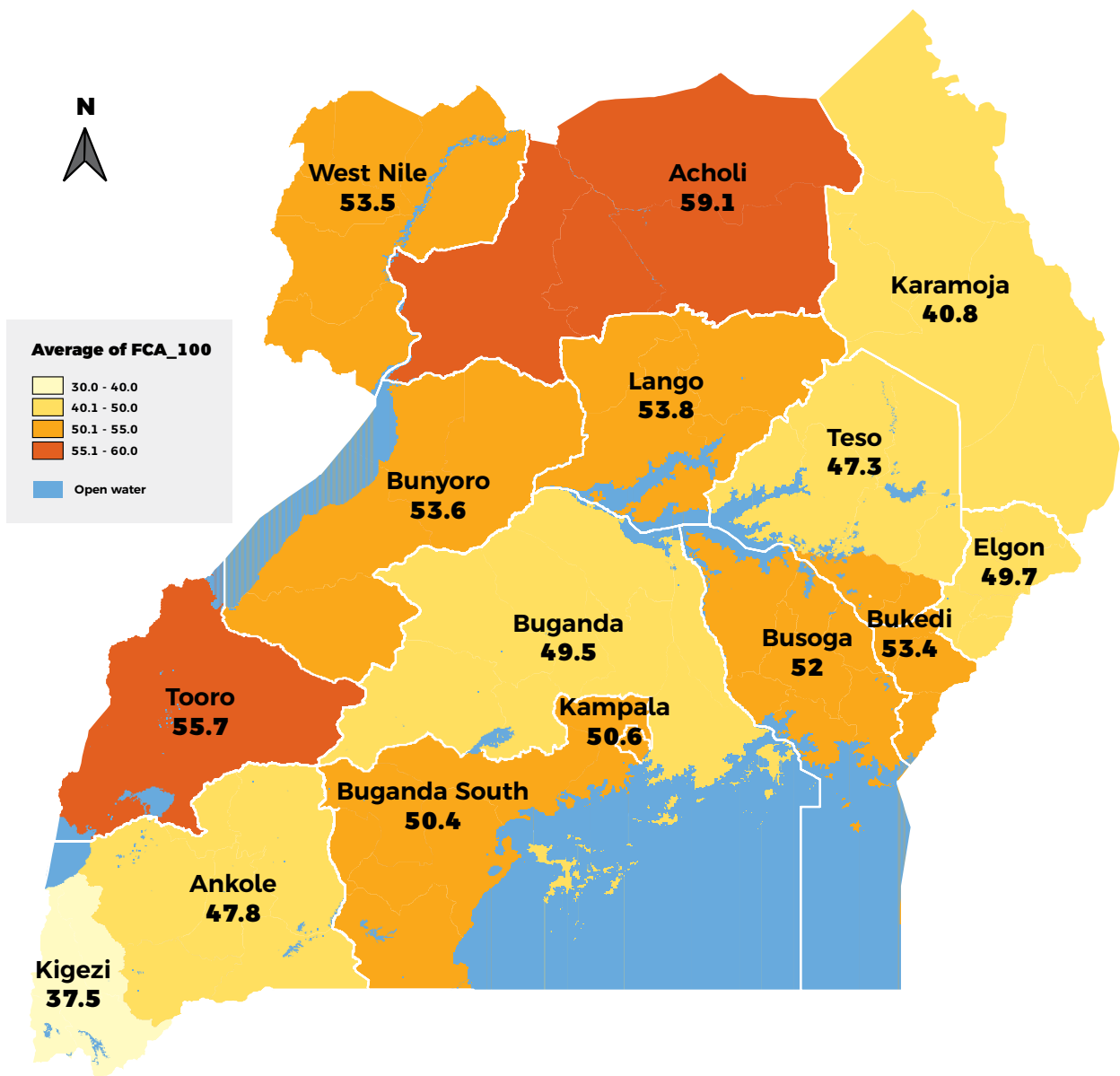
To be able to carry out the right interventions, we hypothesise that financial knowledge is key to influencing people attitudes and behaviors thus financial capability. We accomplish this by way of simple correlation analysis as shown in Table 3.6. The results show that financial knowledge in Uganda is significantly and positively associated with financial capability. The correlation with financial attitudes is rather low, but moderate with financial behaviour. This could imply that theoretical understanding of interest rate and its calculations, time value of money and risk as acquired through formal education is not enough to bring about

right financial attitudes and behaviours. Trainings refocused on increasing practical financial skills and attitude change are necessary to highly influence financial behaviours to bring about high and effective financial capability.

Table 3.6:   **Correlation between Financial Behaviour, Knowledge, Attitudes and Capability**

	Financial Knowledge	Financial Capability	Financial behaviour	Financial Attitudes
Financial Knowledge	1.000			
Financial Capability	0.794	1.000		
Financial behaviour	0.478	0.853	1.000	
Financial Attitudes	0.262	0.625	0.384	1.000

Financial Knowledge

To assess the overall level of financial knowledge, seven questions were included in the Financial Capability Survey Uganda questionnaire. The questions covered basic computation and financial concepts such as interest rates, inflation, and compound interest.

The questions were asked because they capture financial concepts and skills that are considered as being vital for informed savings and borrowing decisions as well as for being able to effectively take advantage of investment opportunities.

A financial knowledge score is obtained based on the number of correct responses provided by each survey respondent to the seven financial knowledge questions. This score ranges from 0 to 7, where 0 indicates respondents who incorrectly answered all the questions, while a score of 7 indicates survey respondents who answered all the questions correctly.

Box 3.1: Financial Knowledge Quiz

Question 1:	Imagine that five brothers are given a gift of UGX 1,000,000/=. If the brothers have to divide the money equally, how much does each one get? Don't know Other Amount UGX 200,000
Question 2:	Now, imagine that the five brothers have to wait for one year to get their portion of the UGX 1,000,000= and inflation stays at 3%. In one year's time will they be able to buy: Don't know It depends on the types of things that they want to buy Less than they could buy today More than the amount of items that they could buy today The same amount of items that they could buy today
Question 3:	If you lend UGX 50,000 to a friend or relative one evening and he gives you UGX 50,000 back the next day. How much interest has Don't know Nothing or zero, or 'he didn't ' Wrong Answer
Question 4:	Imagine that you put UGX.100,000 into a no fee, tax free savings account with a guaranteed interest rate of 2% per year. You don't put or remove any more money into this account during the one year. How much would be in the account at the end of the first year, once the interest payment is made? Don't know Refused UGX.102,000= Wrong Answer
Question 5:	K6. How much would be in the account at the end of five years? Would it be: Don't know Exactly UGX102,000 Impossible to tell from the information given Less than UGX 102,000; or is it More than UGX 102,000
Question 6:	If you were offered a one year loan of UGX 10,000,000/= at the following interest rates; which one would you choose? 15% per annum 2% per month Don't know
Question 7:	True or False Question on Risk An investment with a high return is likely to be high risk High inflation means that the cost of living is increasing rapidly It is less likely that you will lose all of your money if you save it in more than one place

The survey results reveals that an average adult Ugandan was able to answer 3.4 out of the 7 financial knowledge questions correctly. Figure 3.4 indicates that 7.9 percent were not able to answer any question correctly while 53.6 percent were able to answer between four to seven questions correctly. Only 5.0 percent of the Ugandan adults were able to answer all seven questions correctly, an indication of a low level of financial knowledge.

Figure 3.4: Financial Knowledge Score Distribution (percent)
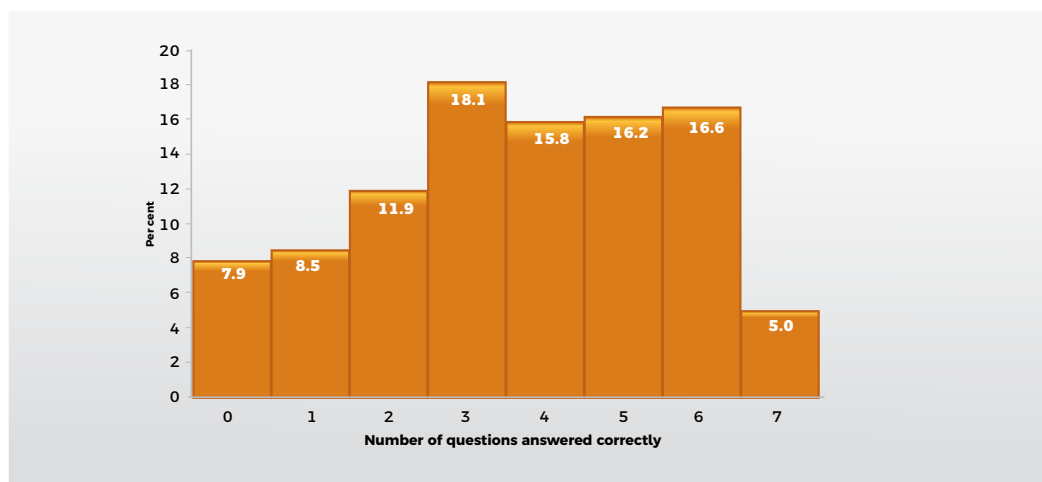
Knowledge Score

Lowest amongst females compared to males.

44.9%   53.0%

Priority should be accorded to females during financial literacy programmes compared to males.

The survey results reveals that the knowledge score was lowest amongst females (44.9%) compared to males (53.0%). On average, females answered only 3.1 questions correctly compared to 3.7 for males and the females had a higher share of those who answered no question correctly (10.2%) compared to the males.

Figure 3.5 reveals that the proportion of adult Ugandans who answered any question correctly increases with the number of questions till the third question for females, while that of males keep on increasing till the fourth question. The proportion of females who answered all the seven questions correctly was only 4.2 percent compared to 5.8 percent for males. This may suggest that priority is accorded to females during financial literacy programmes compared to males.

Figure 3.5: Financial Knowledge Score by Gender *(per cent)*
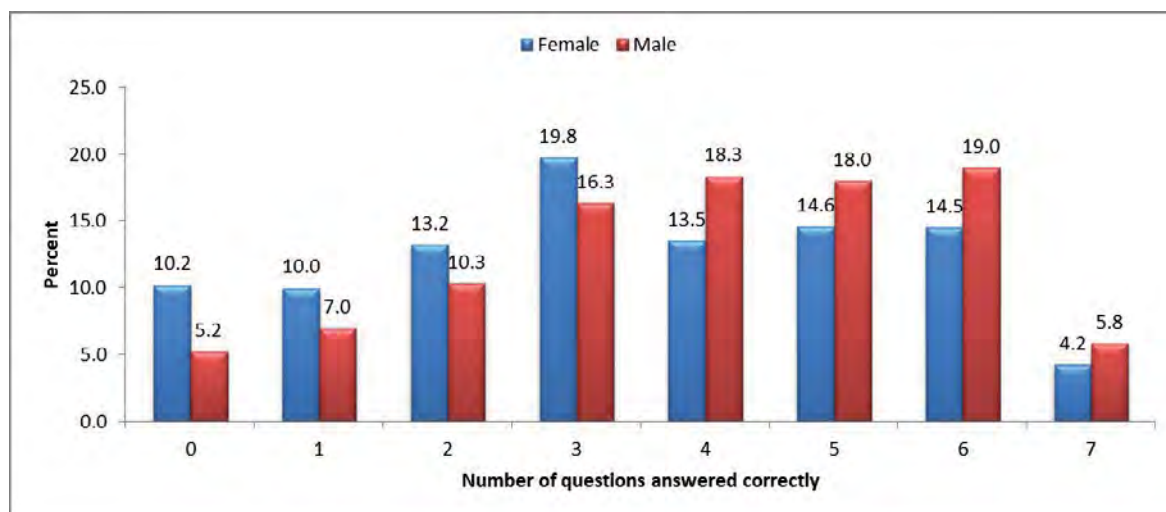
Financial knowledge highest amongst urban adults compared to rural dwellers.

In terms of location, financial knowledge was highest amongst urban adults compared to rural dwellers. On average the urban adults answered 3.8 questions correctly compared to 3.2 questions for the rural adults. Figure 3.6 reveals that the proportion of adults who answered any question correctly keeps on increasing for rural adults as the number of questions increases till the third, while that of urban adults rises with the number of correct questions answered till the sixth question. The proportion of adults who did not answer any question correctly was 8.4 percent in the rural compared to 6.5 percent in the urban areas.

Figure 3.6: Financial Knowledge Score by Location
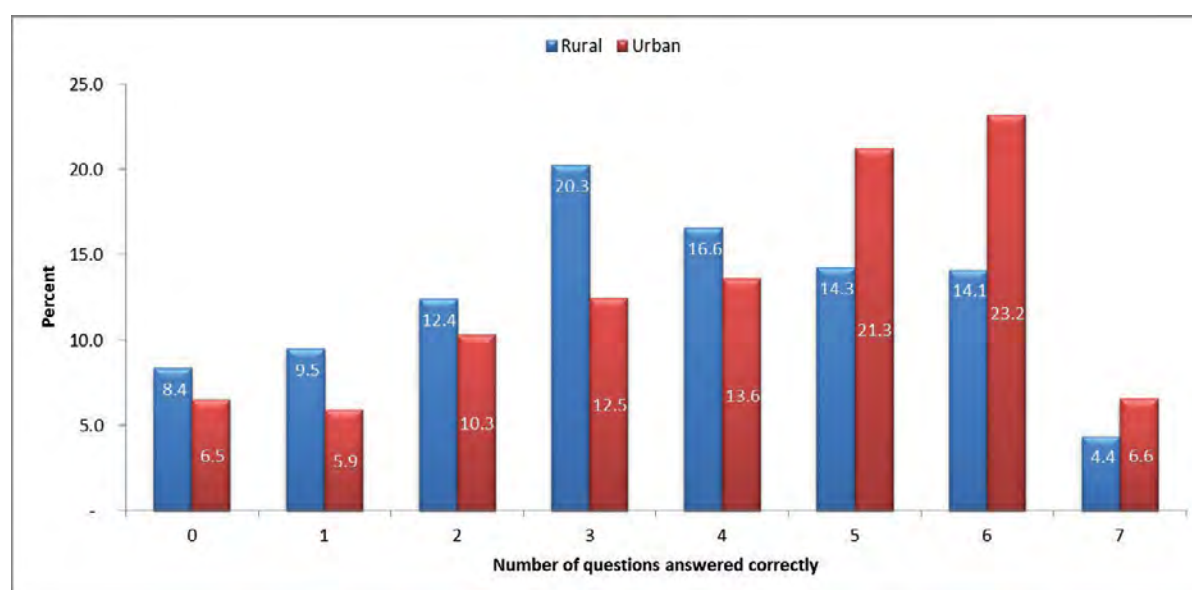
**Financial knowledge score
highest for simple division and
lowest for inflation.**

Figure 3.7 reveals that the financial knowledge score was highest for the simple division at 78.6 percent. Inflation and compound interest calculation were the least understood in that order as only 15.6 percent and 39 percent of adults scored them right. The score for simple interest calculation was 45.6 percent while the score related to risk and diversification was 48 percent. The score for being able to distinguish between annual and monthly interest rates and thus being able to choose the most favourable option was 42.5 percent. The score for the understanding of an overnight loan was 74.4 percent.

Figure 3.7: Financial Knowledge Questions by Gender (*per cent*, Correct Response)
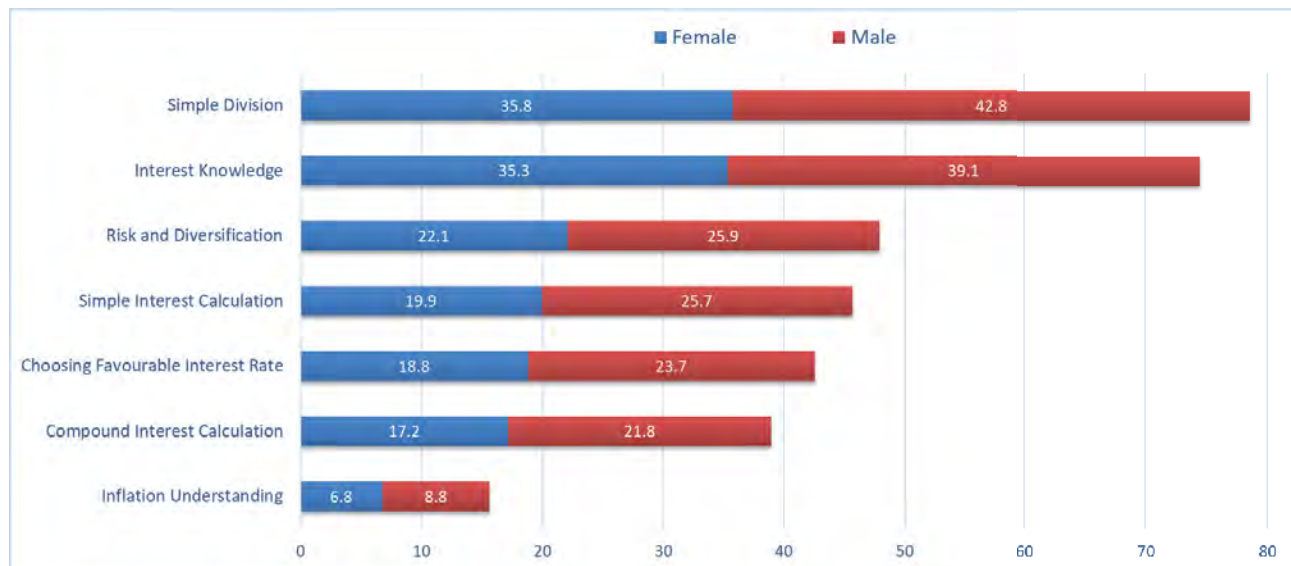
Overall financial behaviour in Uganda is above average at
60.9%

Financial Behaviour

Financial behaviour is a key aspect of financial capability and ideally reflects financial attitudes and knowledge. The analysis of financial behaviour focused on nine components and a score of one is given if the response to the various statements/questions was affirmative consistent with the way the component of financial behaviour is stated.

A respondent who behaved financially appropriately would score 9 or (100 when converted to percent). As highlighted in section 3.3, the overall score on financial behaviour is 60.9 percent. Box 3.2 details the different components.

Box 3.2: Components of Financial Behaviours

1. A respondent Manages credit use

2. A respondent is an active saver

3. A respondent Keeps trace of finances

4. A respondent strives to achieve financial goals

5. A respondent has good Budgeting practices

6. A respondent avoids borrowing

7. A respondent Makes considered purchases

8. A respondent Pays bills on time

9. A respondent behaves appropriately during financial product selection

98.5%
of Ugandans avoid unnecessary borrowing.

Only
28.5%
pay their bills on time.

Adults in Uganda demonstrated good financial behaviours on avoiding unnecessary borrowing (98.5%) when faced with a shortfall in income, managing credit use (85.5%) and making considered purchases (71.6%). Regarding keeping track of finances, 67.0 percent of adults trace their finances while nearly 6 in 10 adults strive to achieve their financial goals and practice good budgeting practices. Concerning saving behaviour, only 57.1 percent were actively saving.

Figure 3.8: Respondents with right Behaviour towards a financial situation *(per cent)*
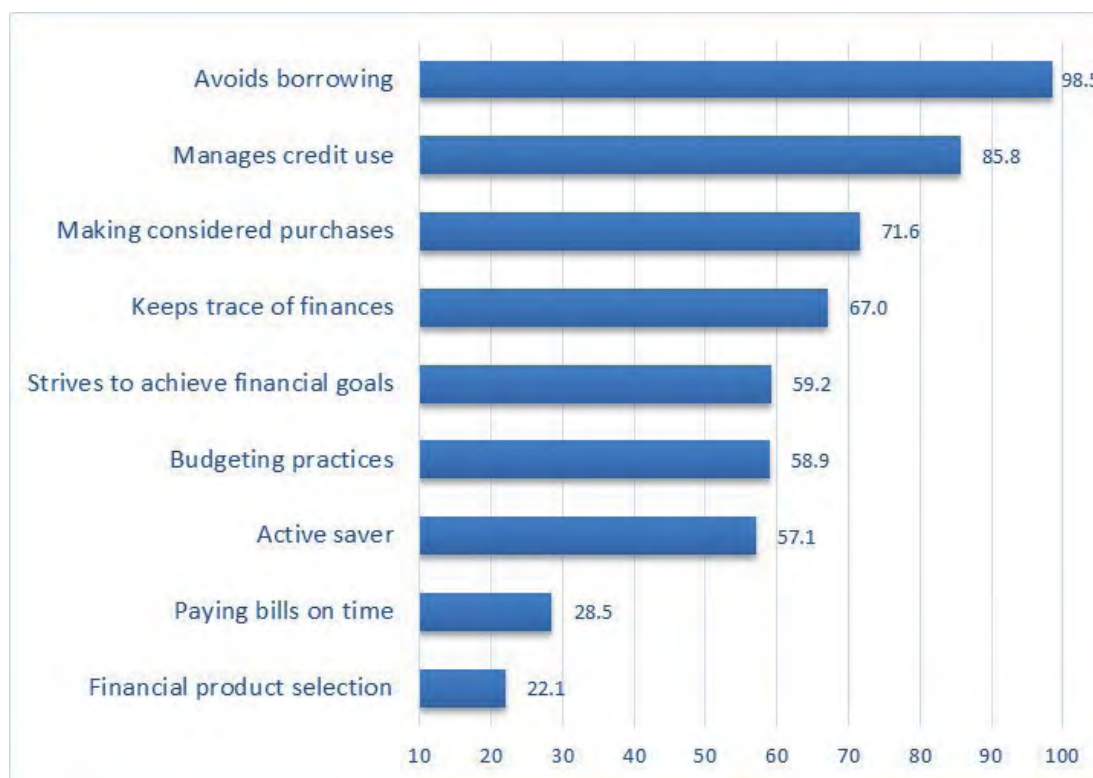
22.1%
of Ugandans can choose
appropriate financial products.

**Women avoid
borrowing more
than men.**

Poor financial behaviours were reflected in the lack of ability to make a proper selection of financial products and to paying bills on time. Only 22.1 percent of adults in Uganda could choose financial products appropriately and only 28.5 percent paid their bills on time.

Financial behaviour by gender shows noticeable differences on almost all behavioural traits except managing credit risk, making considered purchases and avoiding borrowing as illustrated in Figure 3.9.

Figure 3.9: Financial Behaviour by Gender *(per cent)*
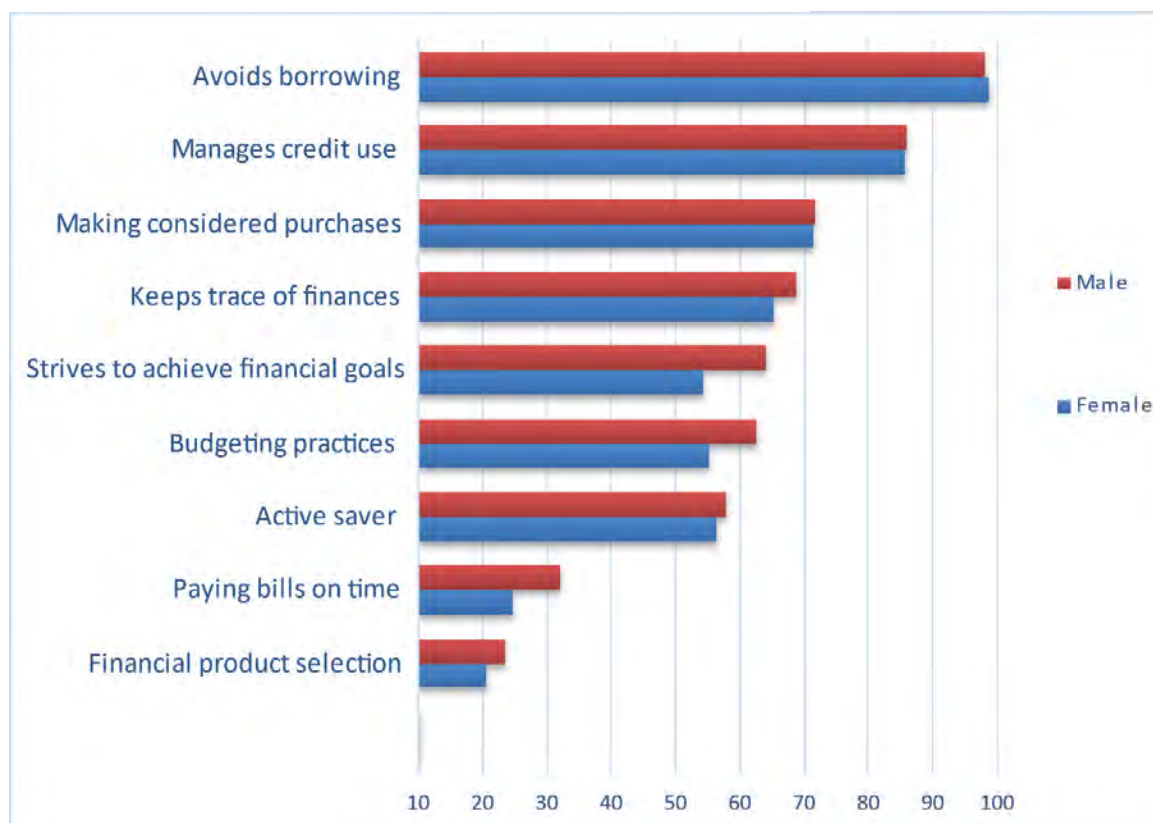
Financial Attitude

35.2%

Low level of financial confidence - 12.4%

Financial Attitude

To supplement the understanding of financial knowledge, respondents were subjected to respond to five statements/questions to reveal their attitudes towards financial situations (see Box 3.3). Each statement was given a score of 1 if the response reflected the correct attitude otherwise a score of zero. A respondent with the correct attitude to all the statements scored 5 or 100 when converted to percent.

Box: 3.3: Statements used to measure financial attitudes

1. I don't care how I spend my money

2. I tend to live for today and let tomorrow take care of itself

3. I find it more satisfying to spend money than to save it for the long term

4. Money is there to be spent

5. How do you rate your overall knowledge compared to other adults? [Financial confidence]

Overall, the score for financial attitude was 35.2 percent implying that on average, about one-third of adults in Uganda had the right financial attitude (see figure 3.10). Except for carefulness while spending money (58.9%), the scores on different financial attitude dimensions were all below 50 percent. The biggest drag on the financial attitudes' score is the level of financial confidence measured in terms of the overall financial knowledge of an individual compared to other adults.

58.9%
of Ugandans do not care how they spend their money.

Only one in eight adults in Uganda rated their financial knowledge as high to very high compared to other adults. Only 26.9 percent had a right attitude regarding whether money is there just to be spent while 31.5 percent had the right attitude towards saving for the long term. In addition, 46.2 percent had a positive attitude not to living for today and allowing tomorrow to take care of itself i.e. they plan.

Figure 3.10: Financial Attitude (percent, Correct Response[5])

A comparison of financial attitudes across gender doesn't show any significant difference between males and females (Figure 3.11). On the other hand, a

---

5   Responses consistent with good financial behaviours

Financial attitudes across gender doesn't show any significant difference between males and females.

Interventions directed towards improving financial attitude need to target both gender equally with emphasis on rural areas.

comparison of the financial attitudes scores across rural and urban dwellers revealed significant differences. The rural areas perform poorly (33.5%) compared to the urban areas with a score of 39.0 percent (Figure 3.12). These results suggest that financial capability interventions directed towards improving financial attitude, need to target men and women equally, with special emphasis on rural dwellers.

Figure 3.11   Financial Attitude by Gender (per cent, Correct Response)
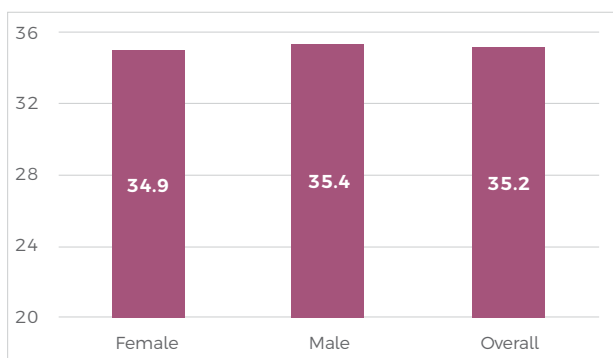
Figure 3.12:   Financial Attitude by Location (per cent, Correct Response)
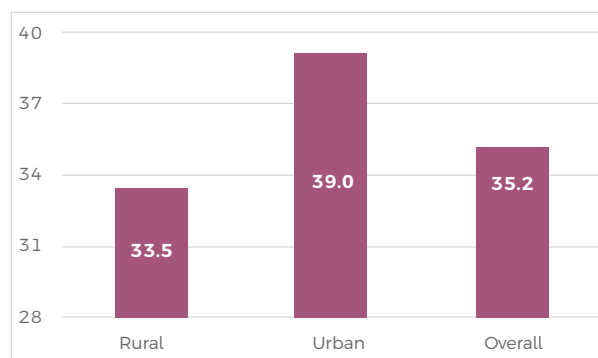
Personal Financial Management, Savings, Loans Management, Investment, Insurance, Retirement / Planning for Old Age and Financial Service Providers / Financial Consumer Protection.

81.6%
of adults make decisions about their own money.

34.1%
of adults make decisions about money with someone else.

Financial Literacy in Uganda

This Section presents results based on questions related to the specific interventions as per the Strategy for financial literacy in Uganda. The implementation of this strategy encompasses seven key thematic areas of Personal Financial Management, Savings, Loans Management, Investment, Insurance, Retirement / Planning for Old Age and Financial Service Providers / Financial Consumer Protection.

Personal Financial Management

Personal Financial Management highlights the ability of individuals to use their money wisely through skills such as making financial plans and budgeting. From the findings, most adults (81.6%) make day-to-day decisions about their own money and in terms of gender, 85.4 percent of the Ugandan male make personal financial decisions compared to 78.1 percent of the female. Furthermore, 34.1 percent of the adults at national level make day-to-day decisions about money with someone else in their households.

People in rural areas have a better commitment in making plans or budgets.

61.5%
of the adults make a plan or budget.

Figure 3.13: Financial Decision-making within the Household(s) (per cent)
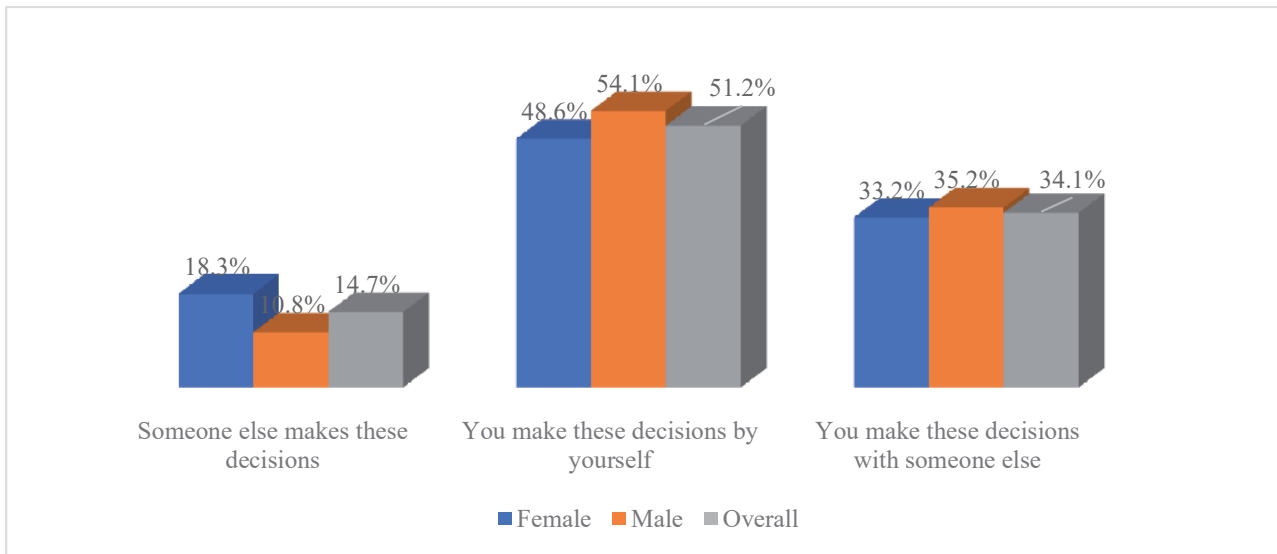
Budgeting

In terms of budgeting, 61.5 percent of the adults plan or budget to manage their income and expenses however 23.0 percent of adults spend money as it comes on any need, an indication of poor personal financial management.

Of those that budget, most (29.3%) do so every month; 27.8 percent budget daily while 17.8 percent budget weekly. The key items that are budgeted for every week are: fixed deposits, transport, trade-in service, etc. In terms of gender, most women budget daily (34.7%) while most men budget monthly (32.8%) basis.

TOP MOST BUDGETED FOR ITEMS

	FOOD	SCHOOL FEES	MEDICAL BILLS
♀	70.9%	42.0%	46.8%
♂	65.7%	50.7%	44.4%

72.6%
of the adults say their income is sometimes insufficient.

Figure 3.14: Personal Financial Management Practices *(%)*

Practice	Value
Make a plan or budget to manage your income and expenses	61.5
Spend the money as it comes on any need	23
Keep a record of your spending	15.3
Keep money for bills separate from day-to-day spending money	8.7
Make a note of upcoming bills to make sure you don't miss them	3.3
Use an App or money management tool to keep track of your expenses	1.1
Arrange automatic payments for regular expenses	0.4

Ugandan adults mainly budget for basic needs. Food is the topmost item budgeted for by females (70.9%) and males (65.7%) followed by school fees at 50.7 percent for males and 42.0 percent for females. The third most budgeted item was medical bills with males and females at 44.4 percent and 46.8 percent, respectively.

Most adults (72.6%) indicated that their income was sometimes not sufficient to cover their living expenses. The main reason attributed for insufficient income were adverse shocks in their income sources, increased living expenses, business losses, emergency expenses and unemployment. The results indicate the significant vulnerability of adults in Uganda to shocks resulting from the loss of the major source of income.

5 in 10 Ugandans can only keep their lifestyle for less than one month in the event of loss of source of income

In the event of loss of the main source of income, nearly 2 in 10 adults in Uganda would sustain their current lifestyle using their savings for less than a week. In addition, 5 in 10 Ugandans would only sustain their current expenditure for less than a month while less than 1 in 10 Ugandans can keep their lifestyle for more than six months. Figure 3.15 shows the period within which Ugandans can maintain their existing lifestyle in the event of loss of income using their savings.

Figure 3.15 Ability to Sustain Current Lifestyle using Savings (Percent)
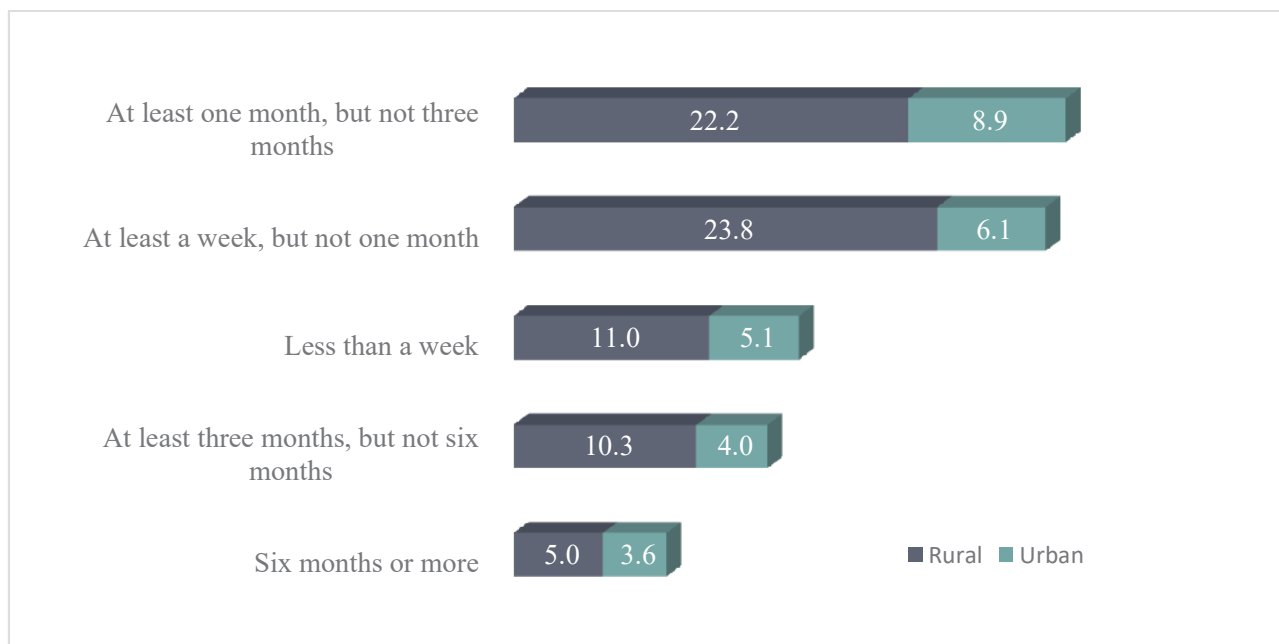
There is need for increased sensitisation and awareness programs aimed at improving personal financial management practices with special emphasis on diversifying income sources.

The coping mechanisms used by adults in Uganda in the event of loss of income are drawing down on savings (45.5%), sale of assets (40.3%) or cut back on spending (32.1%). The fact that most adults used savings to cope with insufficient income could be an indication that people are gradually improving their financial behaviour and saving money for future use as emphasised in the financial education as per the Strategy for Financial Literacy in Uganda.

The coping pattern was uniform across gender; however, it was different for the urban adults who used savings (55.1%), cut back on spending (45.7%) then sold an asset (27.5%).

The planned expenditures of adult Ugandans are largely on basic needs. Most adults indicated that if they had excess income, they would spend it on food (49.9%), clothing and shoes (39.9%), school fees (38.8%). Their expenditure options were similar to the items that they spend their income on in their day-to-day financial planning. Adults in Uganda who would spend their excess income on entertainment gadgets, water/electricity, leisure, transport, high-end goods among others account for less than 3.0 percent. The findings herein emphasise the need for increased sensitisation and awareness programs aimed at improving personal financial management practices with special emphasis on diversifying income sources.

73.0%
of the adults set personal financial goals.

22.8%
of Ugandans indicated land as the most important financial goals.

6%
of the respondents had long-term goals.

Financial Goals

Majority of adults in Uganda set personal financial goals(73.0%). In terms of the most important financial goal, Ugandans indicated farm/land (22.8%) which perhaps reflect the fact that Uganda is largely an agrarian economy.. Other financial goals reported in order of importance were school fees (19.5%), business (15.9%), food (11.2%), house/rent (6.6%), medical (6.0%) and household items (4.1%).

In order to meet the most important financial goal, 73.0 percent of adults in Uganda reported that they engage in farming; 35.7 percent in business activities while 21.0 percent save to meet financial goals. Rural adults were predominantly engaged in farming (84.1%) to meet their financial goals as opposed to urban adults (44.9%).

The preferred planning horizon to reach financial goals was a month (26.3%). The practice of monthly planning could be attributed to the fact that most people are wage earners. Very few adults (6.0%) had long term plans.

Table 3.7: Actions to meet Financial Goals (%)

Action to meet financial goals	Rural	Urban	Overall
Engaged in farming	84.1	44.9	**73.0**
Business	33.8	40.3	**35.7**
Saving money	16.5	32.5	**21.0**
Cut-back on spending	4.9	15.9	**8.0**
Invested money	4.0	6.8	**4.8**
Look for a second or other sources of income	4.1	5.4	**4.5**
Will receive support from family or friends	1.7	7.9	**3.5**
Will sell an asset to get the money to use	2.0	3.5	**2.5**
I would get a loan, buy it and pay it back over time.	1.5	4.4	**2.3**
Done nothing	1.9	3.3	**2.3**
I would pray to God to provide	1.4	2.6	**1.7**
Other	1.1	0.7	**1.0**
Fundraising and begging	0.5	1.9	**0.9**
Looking for a donation	0.4	1.4	**0.7**

74.2 %
of the population
understand what
saving is.

57.6 %
of the adult population
had saved prior to the
survey.

Savings

Respondents were asked to define savings according to their own understanding and 74.2 percent of respondents provided a definition of savings which is closely linked to the definition used in the Strategy for Financial Literacy in Uganda (2019-2024) as indicated in Figure 3.16.

Figure 3.16: Definition of Savings

Legend:
- Accumulating money so as to acquiresomething I need.
- Keeping money aside for future use.
- Putting money in a special place oraccount for it to be safe
- Sacrifice today so as to have somethingbetter or more tomorrow.

5.6%
14.7%
5.5%
74.2%
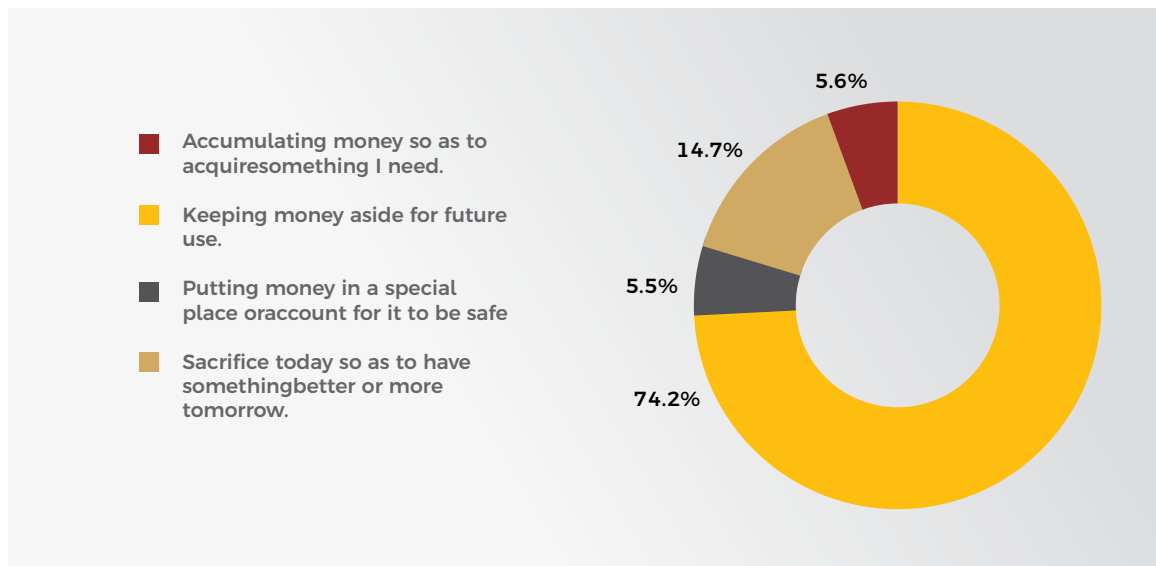
In the past 12 months prior to the survey, 57.6 percent of the adult population had saved. Of the adults that defined savings correctly, 60 percent had saved in the past 12 months while 50 percent of those that incorrectly defined savings had

saved.

In terms of age brackets, higher proportion in the age bracket of 25-54 years saves. The high proportion of savers in the middle age group (25-54) may be attributed to the most productive years in a person's lifetime where they are not only productive but also earning a living from various economic activities. Figure 3.17 shows that the propensity to save increases with age and begins to decline at or towards retirement i.e. (55-64) years.

Figure 3.17: Savings by Age Group
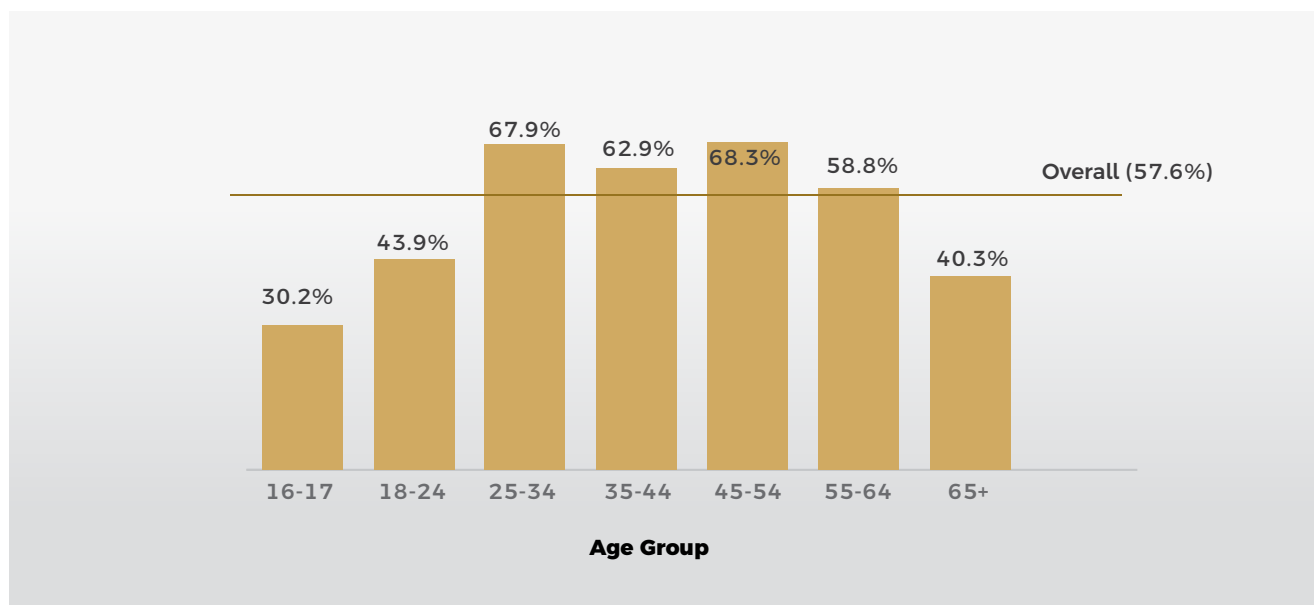
48.5% of rural persons save through VSLAs compared to 32.9% of the urban dwellers

18.5% persons save through mobile money

The most used savings mechanism was VSLAs (43.9%) and in Savings boxes (42.3%). The use of informal saving mechanisms is more pronounced in rural areas as depicted in Table 3.8.

Table 3.8: Saving Mechanism (percent)

Saving Mechanism	Rural	Urban	Overall
VSLA or Community Savings Group	48.5	32.9	**43.9**
Savings Box / Secret place	42.4	42.1	**42.3**
Buying Animals	22.6	22.9	**22.7**
Mobile Money	16.5	23.2	**18.5**
SACCO	15.9	18.2	**16.6**
Savings/fixed deposit account in a commercial bank	7.3	18.1	**10.5**
Buying land	6.9	7.4	**7.1**
Wallet/money purse	6.5	5.3	**6.2**
ROSCA/Merry go around	1.8	2.7	**2.1**
Savings/fixed deposit account in a MDI's	1.7	2.3	**1.8**
Savings/fixed deposit account in a credit institution	1.1	2.9	**1.6**
Giving money to a friend or relative to save for you	0.7	2.4	**1.2**
Financial Securities (e.g., Buying Bills and/or bonds)	0.0	0.4	**0.1**
Investing in stocks/equity shares	0.0	0.4	**0.1**

Safe, in-reach and convenience are the major factors for choice of saving option.

Ugandan value their savings to be in-reach, safe and convenience as demonstrated in the major factors considered when deciding where to save as shown in Figure 3.18.

Figure 3.18: Factors that influence choice of savings option *(per cent)*

Factor	Per cent
Safety	73.2
Access to my savings	64.9
Convenience	38.4
Proximity	15.4
Terms of use	11.8
Returns (interest rates, rent, etc.)	9.2
Cost (fees and charges)	7.7
Liquidity	6.0
Deposit requirements	5.8
Long-term plan	4.4
To meet requirements for borrowings, visa, etc.	3.4
Peer influence	3.3
Short-term plan	2.0
Others	0.6
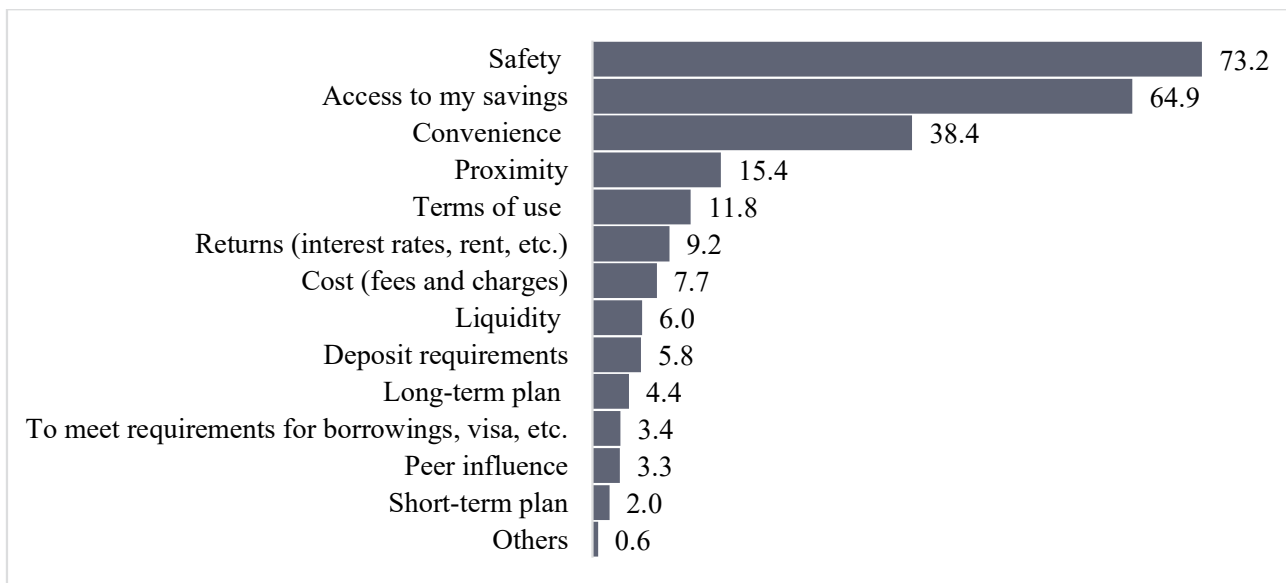
The major reasons that influence adults in Uganda to save are consumption (43.9%), investment in agricultural activities (25.9%), investment (25.4%), school fees (21.7%), emergencies (21.7%) and to own a house (20.4%) as shown in Figure3.19

Figure 3.19: Reasons for Saving
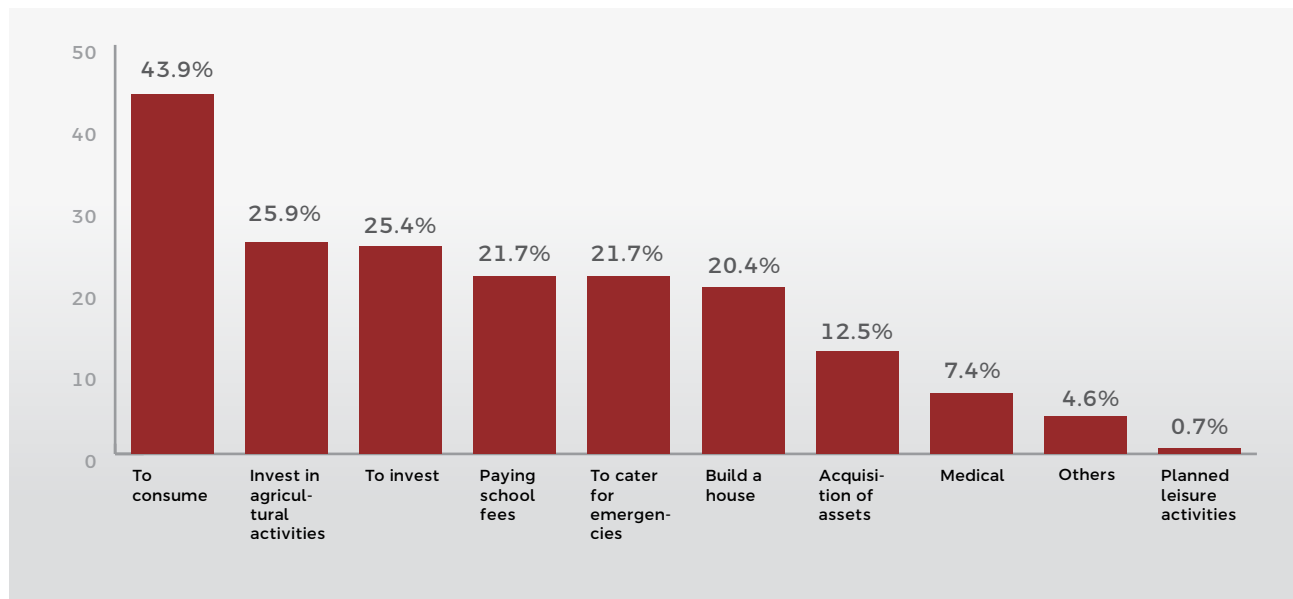
Loans Management

A loan is money borrowed and must be paid back, usually with interest and other associated costs such as loan processing costs, insurance fees, stamp duty, etc [6].

Adult Ugandans are credit constrained as only 26.6 percent had taken a loan in the last 12 months to the survey. Of those, 47.7 percent borrowed from VSLAs which are largely rural based. SACCOs, commercial banks and friends & family constituted 21.8 percent, 16.8 percent, and 16.3 percent, respectively. The borrowing from supervised financial institutions (including MDIs, commercial banks, and credit institutions) constituted 22.5 percent.

The major factor considered by adults when seeking for loans from financial institutions is its speed of approval (64.4%); perhaps reflecting the fact that most

---

6   Defined according to the Strategy for Financial Literacy in Uganda

borrowers borrow from VSLAs. Other factors pointed out in order of importance were simplicity/ease of processing loans and trust/knowledge of the institution (Figure 3.20).

Figure 3.20: Reasons considered when borrowing from an institution *(percent)*
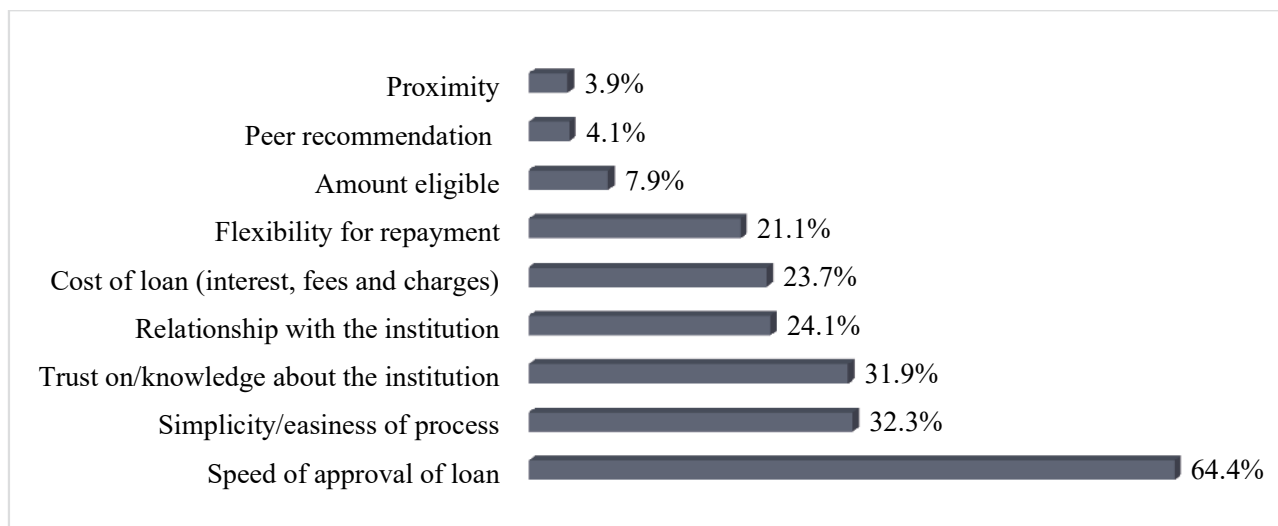
The main reasons for borrowing were business growth (38.2%), emergencies (28.9%), school fees (31.6%) and business startup (18.7%).

In terms of source of funds to repay the loans, adults largely rely on sale of produce (60.3) and proceeds from business ventures (54.9%). About 3.3 percent of borrowers seek donations, gifts or borrow from other institutions to pay back their loans.

The survey sought from those who had a running loan whether they had defaulted during the tenure of the loan. Loan default was reported by 16.9 percent of the borrowers, an incidence which was similar in both rural and urban areas. Defaulting was mainly attributed to the lack/loss of income (62.1%), natural calamities (46.1%) and collapse of business ventures (46.9%) were other significant reasons. Other reasons were diversion of funds, loss of jobs, forgetting to repay the loan, high-interest rates and unfavourable payment terms collectively accounted for 14.1 percent of the reasons for the default on loans across both the rural and urban borrowers.

The share of adults investing in retirement remains relatively low highlighting the need for deepening of the pension sector in Uganda.

Investment

The Strategy for Financial Literacy in Uganda defines Investment as putting money to use to allow it to grow. Approximately 45.5 percent of surveyed adults in Uganda indicated that they are involved in an investment venture.

In terms of awareness of the type of investment, about 80.0 percent of the adults were aware of at least one type of investment. Of these, 86.1 percent identified agricultural activities, opportunity in real estate (52.2%), retail and wholesale businesses (46.5%), provision of services (22.5%) while 20.4 percent identified business opportunity in money lending. Investment in financial assets remained low. Only 6.1 percent of adults were aware of other investment options, which comprise insurance products, precious metals, and Crypto assets.

Figure 3.21 indicate that adults in Uganda invest to support future consumption (65%) and earning more income (64.5%). The other purposes for investment were school fees (49.6%), retirement (22.6%), and inheritance for their children (14.1%). The share of adults investing in retirement remains relatively low highlighting the need for deepening of the pension sector in Uganda.

Figure 3.21: Purpose of the Investments
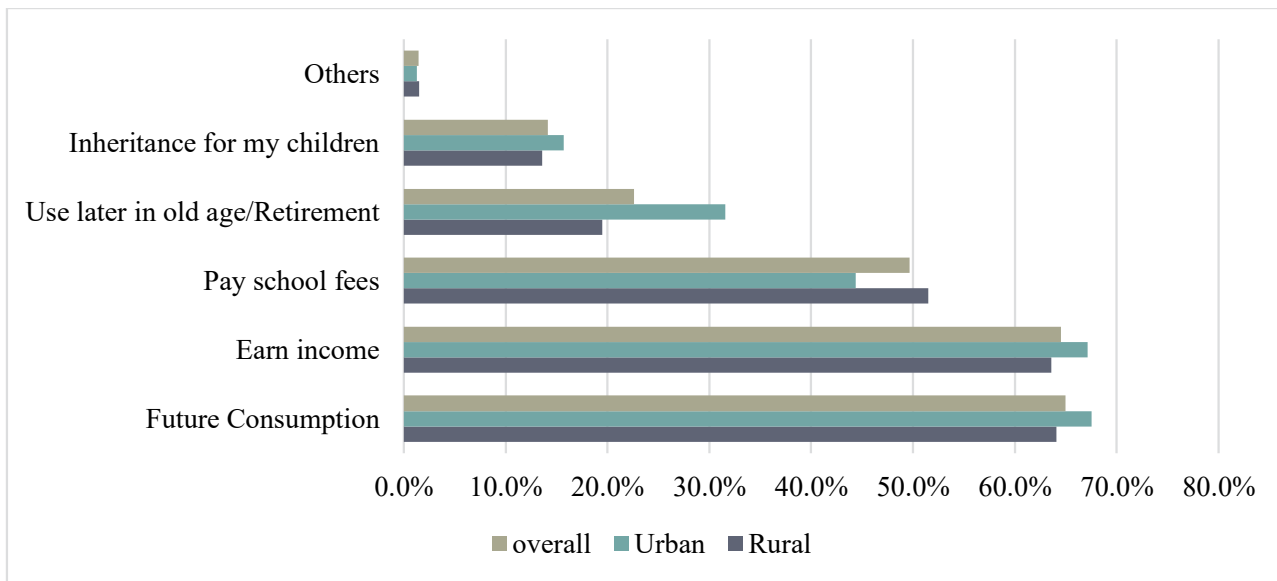
The major reasons that determine investment by adults in Uganda were identified as: safety (67.5%), investment goals (44.5%) and convenience (30.0%). These were followed by hedging of risk (24.1%), returns or rent-seeking (18.2%) and capital requirements (13.4%). The pattern was largely uniform for both urban and rural respondents.

Figure 3.22: Determinants of Investment
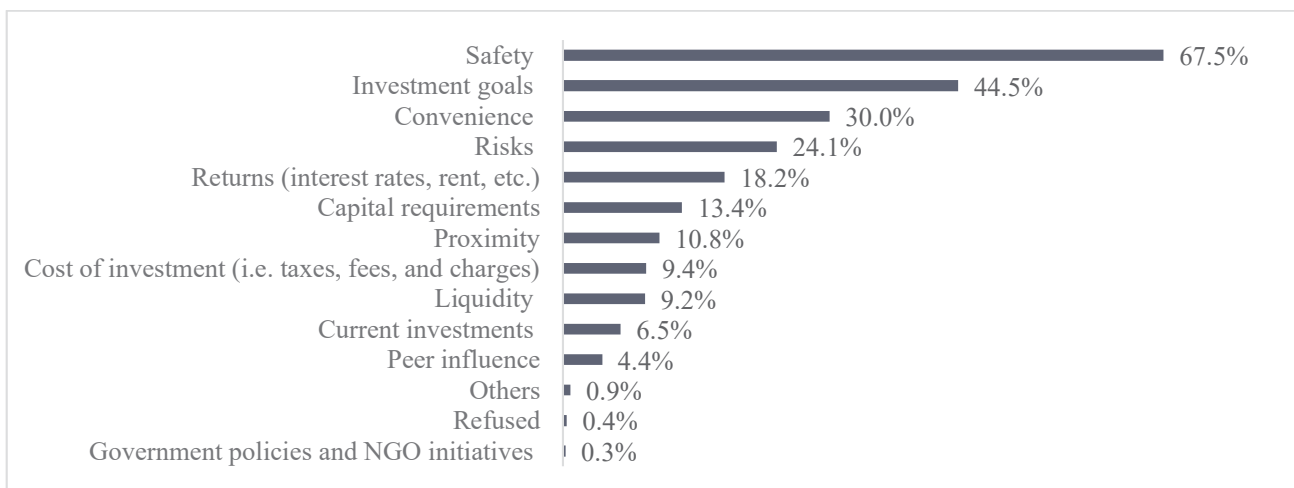
Agriculture is the main form of investments for Ugandans (81%).

Agricultural activities were rated as the main form of investment activities (81.3%) of the adults involved. The other economic activities are investment in land (19.3%), wholesale and retail businesses (11.8%), building (10.1%) and education (9.1%) as depicted in Figure 3.23.

Figure 3.23: Types of Investments
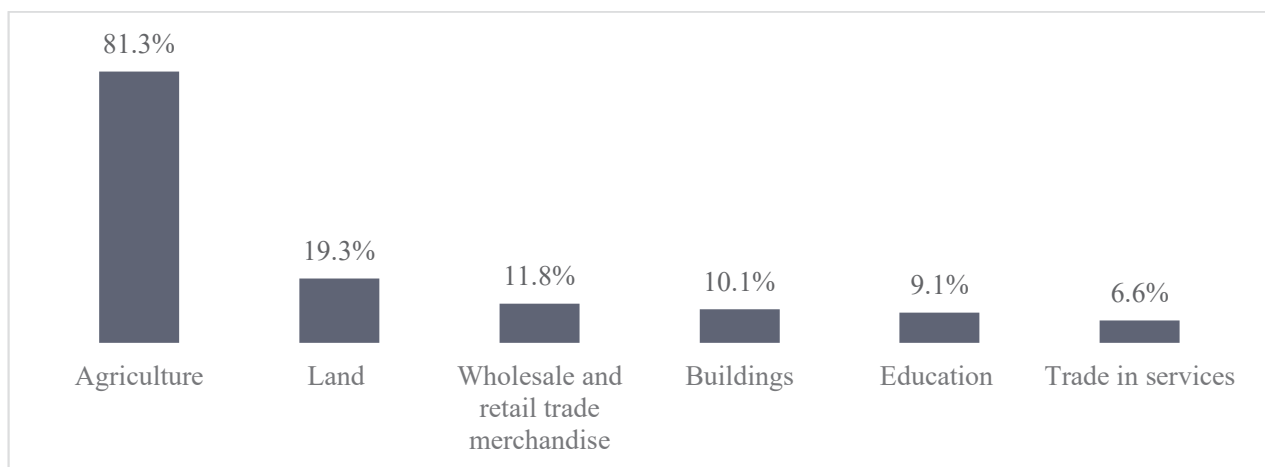
About 6 in 10 adults reported having failed in their investments. The most reported obstacles to investment success are natural calamities such as weather and the Covid-19 pandemic. The other causes of business failure were poor monitoring, low-risk awareness and management, change in business trends and wrangles

between partners and family while the cost/terms of credit and competition were reported by less than 3 percent of adults as depicted in Figure 3.24. The high rating of natural calamity could be attributed to the memory of the recent lockdown and the ongoing effect of the COVID 19 pandemic on the population.

Figure 3.24: Reasons for Investment Failures
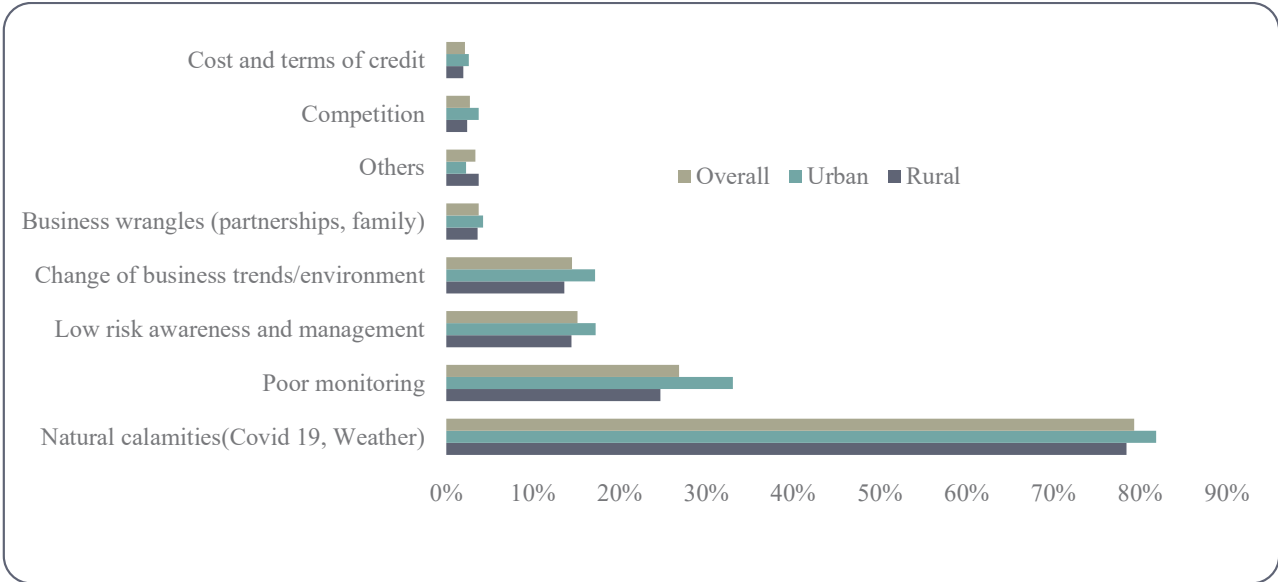
Ugandans are more aware of health insurance (28.6%)

Funeral insurance was least used insurance products.

Insurance and Risk Management

Strategy for Financial Literacy in Uganda defines Insurance as an arrangement through which a person transfers the risk(s) of loss due to the occurrence of an unforeseen event to a professional risk carrier (in this case an insurance company), at a consideration (fee) known as a premium. The uptake of insurance was 5.1 percent which is an average of 4.2 percent for rural and 7.6 percent for urban areas. This collaborates well with the low knowledge of what insurance is as indicated by only 18.7 percent of adults being able to define insurance correctly.

In line with the low uptake of insurance services, 54.4 percent of the adult Ugandans are not aware of how insurance can benefit them while 19.2 percent and 18.4 percent indicated that insurance enables them to manage risks and gives them peace of mind, respectively. The lack of knowledge of insurance is more pronounced in rural areas registering a proportion of 60.2 percent.

The insurance products that adults were more acquainted with were health insurance (28.6%), third party insurance (26.7%), life insurance (23.4%) and property insurance (21.8%). The awareness of travel insurance is low perhaps because most adults in Uganda do not travel abroad or even if they do, the majority do not purchase travel insurance. Use of informal insurance schemes such as those provided by burial societies and/or integrated as part of the membership of an association was the most mentioned (3.8%).

Level of income influences Ugandans decision to buy insurance (62.1%)

Use of informal insurance schemes such as those provided by burial societies and/or integrated as part of the membership of an association was prevalent (3.8%).

Figure 3.25: Awareness and Usage of different Insurance Products
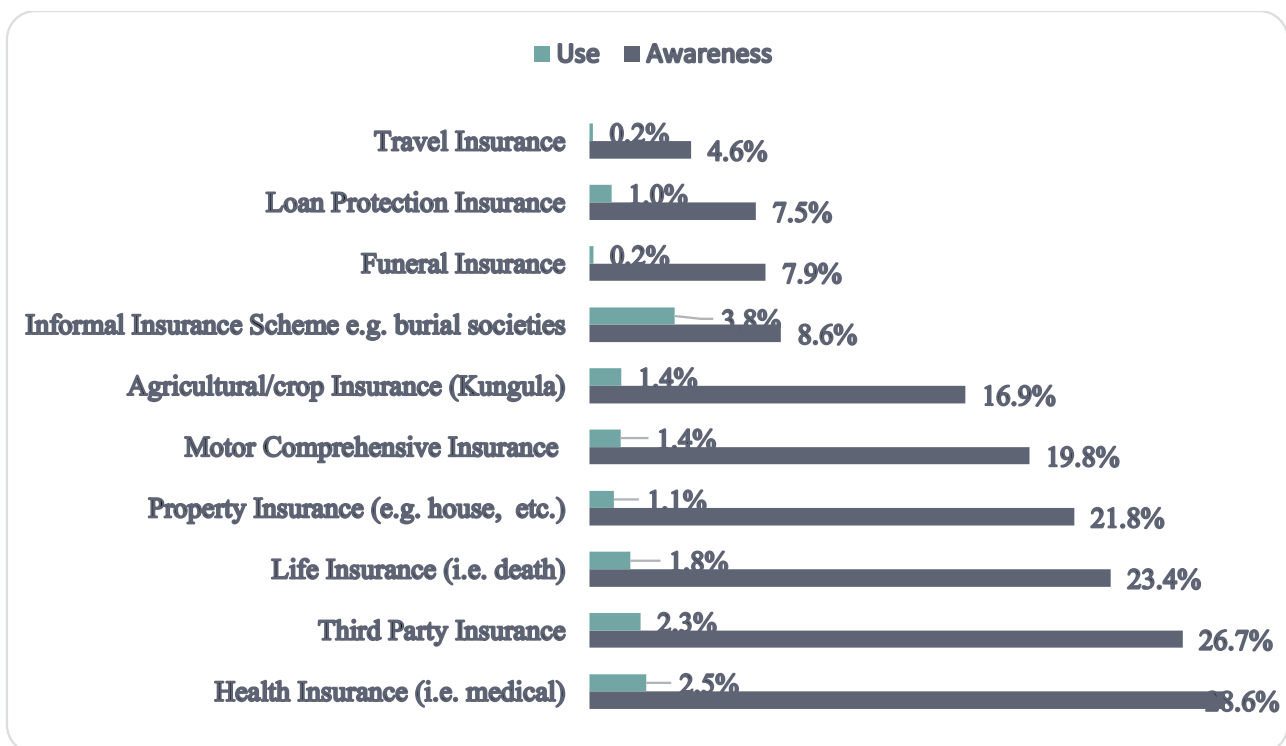
In terms of the three major reasons that influence decisions to take up insurance products, 62.1 percent highlighted the level of income, awareness about the product (36.4%) and government policies (16.9%). Other factors that influence the decision for insurance uptake include fear or risk exposure (15.1%), cost of insurance product (15.0%), peace of mind (14.8%), and peer influence (14.1%).

COVID-19 was the major event that negatively affected most people's income.

66.2%

Adults in Uganda were asked to indicate which bad events they experienced in the past 12 months which negatively impacted on their income. COVID-19 was the major event that negatively affected their income as reported by near 7 in 10 adults. Illness affected 44.5 percent while crop failure or death of livestock affected 37.9 percent. Theft and death affected nearly one in every five respondents.

Figure 3.26: Occurrence of Unexpected Events

- Covid 19
- Illness of family member
- Crop failure ,death of livestock and drought
- Death of family member
- Theft
- Floods, Landslides and Mudslides
- Refused
- Accident
- Fire

8.3%
11.1%
19.4%
24.2%
37.9%
44.5%
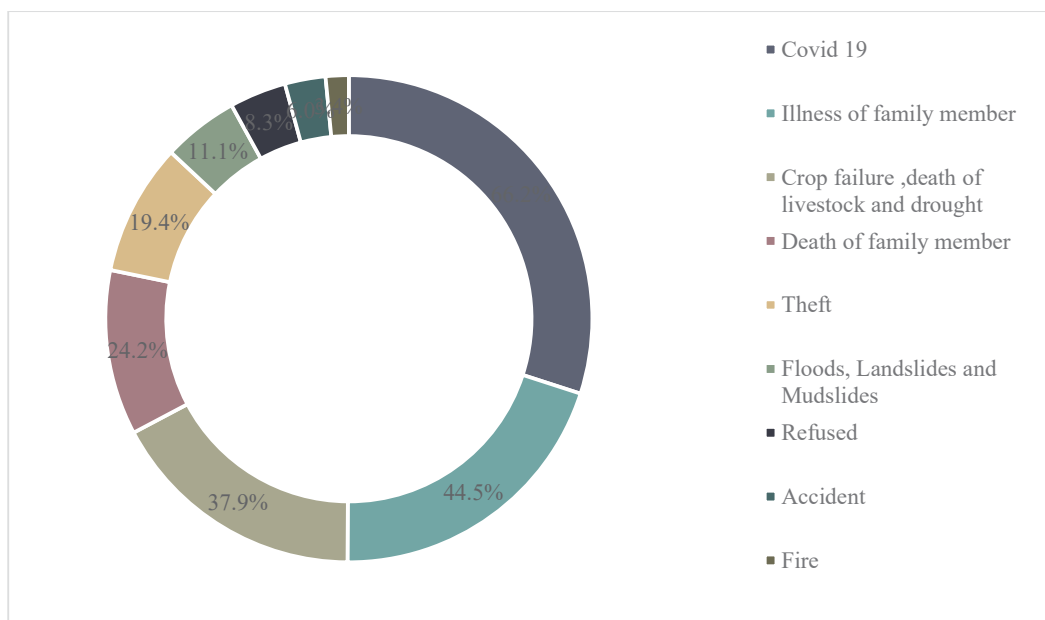
Ugandans mainly cope by drawing down on their savings (43.5%) when faced with bad events. Other coping mechanisms cited are sale of assets (36.7%) cutting back on spending (28.6%) and asking for support from family and friends(22.5%). It is worth noting that usage of credit from financial institutions and use of insurance was quite low as indicated in Table 3.9.

Table 3.9: Coping Mechanisms *(per cent)*

Coping Mechanism	Rural	Urban	Overall
Used savings	39.8	53.1	**43.5**
Sold an item (i.e., assets, agricultural products, and other products)	42.6	21.5	**36.7**
Cut back on spending (i.e., spend less, do without, delay a planned expense, etc.)	23.6	41.6	**28.6**
Asked for help from family, friends or the community	20.1	28.9	**22.5**
Earned extra money (i.e., work overtime, take an extra job, etc.)	7.5	12.2	**8.8**
Borrowed from family, friends or the community	8.7	7.9	**8.5**
Took a loan from an institution (i.e., bank, microfinance, savings societies, VSLAs, etc.)	7.4	6.6	**7.2**
Informal Community arrangements	4.8	3.8	**4.5**
Appealed for support from the government, NGO or religious institutions	0.9	2.9	**1.4**
Borrowed from employer/salary advance	0.4	0.3	**0.4**
Accessed digital credit (Mokash, Jumo/wewole, Cente Mobile)	0.1	0.6	**0.2**
Formal Insurance Company	0.1	0.4	**0.2**

Retirement / Planning for Old Age

Retirement is the act of stopping to work completely. People retire voluntarily (i.e. resign or retire before the minimum retirement age) or involuntarily (i.e. forced to retire because of age, sickness, or disability). Only 37.2 percent of the adults reported having a financial plan to ensure that they will live well in their retirement /old age. From the gender perspective, 38.8 percent of the females had a retirement plan compared to 42.2 percent of the males.

Only 52.1% are confident
of their retirement plan.

Figure 3.27: Availability of Financial Plan for Retirement by Age
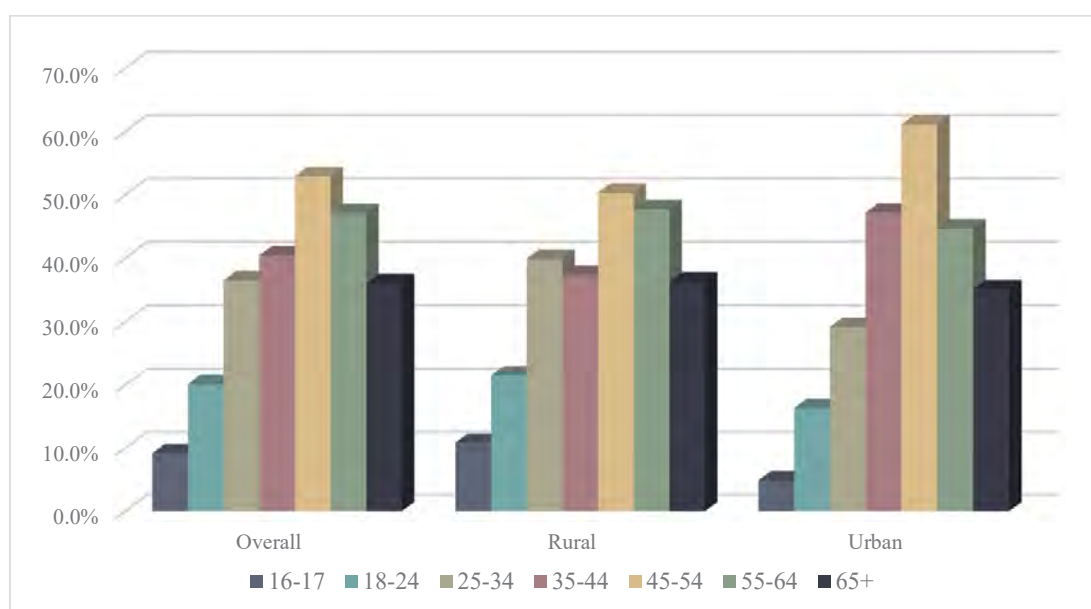
The results indicate that as the adults tend towards the age of 45 years, the probability of planning for retirement is highest. This could be because of having amassed income over a long period to enable them to plan for their old age. The pattern is similar across both rural and urban areas.

The results also show that out of those that have financial plans in place, only 52.1 percent are confident that they have done a good job of making a retirement plan, a worrying situation that could exacerbate old-age poverty. Further, the male adults were more confident of their retirement plans (57.4%) compared to the females (45.9%).

Awareness of the different retirement options is still low among Ugandans. Of those that had a financial plan for retirement, 47.0 percent are aware of income

generated by financial or non-financial assets (such as dividends, rental income, agriculture/forestry, etc.) followed by drawing on a government pension/ old-age benefit such as Public service and NSSF (39.1%). Other significant retirement plan options include selling of non-financial assets (35.1%), drawing on savings (34.6%) and relying on children and family members (30.4%). Selling of financial assets such as stocks, bonds or mutual funds (9.4%) and drawing on income from a private pension plan (8.4%) were the least known retirement plans options.

In terms of usage during retirement, adult Ugandans indicated that they would use income generated by financial or non-financial assets (51.4%), drawing on (28.2%), rely on children or other family members to support (24.0%) and revenues from the business (23.5%) as shown in Table 3.10.

Table 3.10: Awareness and use of Retirement plans to Fund Retirement *(per cent)*

Retirement Plan	Awareness	Use
From income generated by your financial or non-financial assets	47.0	51.4
Government pension/ old-age benefit e.g. Public service, NSSF	39.1	9.1
Sell your non-financial assets (such as land, house etc.)	35.1	22.2
Draw on your savings	34.6	28.2
Rely on your children or other family members to support you	30.4	24.0
Continue to work	27.3	20.5
From the revenues of a business that you own	25.0	23.5
Rely on a spouse or partner to support you	15.5	6.9
Occupational or workplace pension plan	13.9	2.2
Sell your financial assets (such as stocks, bonds or mutual funds)	9.4	5.4
Private pension plan	8.4	3.6

Financial Service Providers & Consumer Protection

Financial Service Providers

The financial sector in Uganda comprises both formal and informal financial services providers. Formal financial services providers are institutions that are regulated or supervised by a government agency such as BoU, CMA, UMRA, URBRA, and IRA-U while informal financial services providers are those institutions/individuals that are not regulated or supervised.

Formal Financial Service Regulators and Providers

Bank of Uganda (BoU)
The Bank of Uganda has the mandate to license, supervise and regulate the operations of Commercial Banks, Credit Institutions, MDIs, forex bureaus, money remittances, payment service providers and payment systems operators in Uganda.

Capital Markets Authority (CMA)
The CMA is responsible for promoting, developing and regulating the capital markets industry in Uganda, with the overall objective of investor protection and market efficiency.

Insurance Regulatory Authority (IRA)
The IRA was established with the main objective of "ensuring effective administration, supervision, regulation and control of the business of insurance industry in Uganda". The IRA supervises and regulates life and non-life insurance companies, reinsurance, micro insurance, brokers, Health Membership Organisations (HMOs), bancassurance agents, insurance loss assessors, adjusters, surveyors & risk managers and insurance agents.

Uganda Microfinance Regulatory Authority (UMRA).
UMRA was established under section 6 of the Tier 4 Microfinance Institutions (MFIs) and Moneylender's Act, 2016 which came into effect on 5th July 2016 to promote financial inclusion through effective regulation and supervision of the money lenders, SACCOs, Non-deposit taking Microfinance institutions and self-help groups such as Rotating Savings and Credit Associations (ROSCAs) and Village Savings and Loan Associations (VSLAs).

Uganda Retirement Benefits Regulatory Authority (URBRA)
The URBRA is an autonomous body responsible for regulating the establishment, management, and operation of both the private and public sector retirement benefits schemes in Uganda.

Awareness of financial Products and institutions

To assess the level of awareness of financial institutions, respondents were asked to indicate which institutions they were acquainted with. The results indicate that more than 50 percent of the adults were aware of SACCOs, VSLAs, Central Bank, and Commercial Banks, with the highest awareness recorded in urban areas for all institutions except VSLAs. Securities exchange was the least known institution.

Table 3.11: Awareness of financial institutions *(per cent)*

Financial institutions	Rural	Urban	Overall
SACCO	68.1	75.8	**70.3**
VSLA	69.7	50.8	**64.4**
Central Bank (Bank of Uganda)	59.7	68.3	**62.1**
Commercial Banks	54.3	72.8	**59.5**
Money Lenders	30.8	43.3	**34.3**
Microfinance	25.5	33.7	**27.8**
Microfinance Deposit-taking Institutions	22.7	23.8	**23.0**
Forex Bureaus	12.0	25.8	**15.9**
Credit Institution	13.3	14.9	**13.7**
Insurance Companies	8.3	19.3	**11.4**
Money Remitters	6.1	12.0	**7.7**
Securities Exchange	0.7	2.6	**1.2**

Regarding financial products awareness, the commonly known products were the mobile money account, group savings, savings box and savings account. Further examination of accessibility by products in the last 12 months indicates that secured loans, mobile money account, savings account and group savings were the most used financial products in past 12 months. The level of awareness of financial products is detailed in Table 3.12.

Table 3.12: Awareness of financial Products and services *(per cent)*

Products	Rural	Urban	Overall
Mobile money account	62.5	76.0	66.3
Group Savings	58.5	64.6	60.2
Savings box/piggy banks	47.7	59.9	51.1
Savings account	41.0	59.8	46.4
Secured loan	24.1	33.8	26.9
Agent Banking	15.8	35.6	21.4
Digital credit	20.1	24.0	21.2
Current account	15.7	26.8	18.9
Joint Account	13.7	23.1	16.4
Fixed deposit account	12.1	21.8	14.9
Unsecured loan	13.4	17.8	14.6
Statutory retirement benefit schemes	4.3	12.5	6.6
Credit card	4.9	10.5	6.5
EFT	3.4	4.9	3.8
Non-life Insurance	2.0	3.3	2.4
Community insurance	1.9	2.6	2.1
Private retirement products	1.0	3.6	1.7
Investment clubs	1.1	3.3	1.7
Bancassurance	1.4	1.8	1.5
Treasury Bills and Bonds	0.6	3.5	1.4
Insurance Investment products	1.0	1.2	1.1
Debit card	0.4	1.7	0.8
Equity/stocks	0.4	1.2	0.6
Corporate Bonds	0.5	0.9	0.6
Crypto-assets	0.1	0.9	0.4
Unit trust account	0.4	0.1	0.3

Financial Consumer Protection

Awareness of financial consumer complaints mechanism is still low among Ugandans. To resolve a customer complaint regarding the use of a financial product,

32.4 percent of Ugandans indicated that they would tell a friend, 30.2 percent would report to the local council and 27.3 percent would report to the Uganda Police Force (UPF). Only 15.1 percent of adults indicated that they would formally complain to the financial service provider and if not helped, escalate the problem to its regulator, while 20.0 percent noted that they would directly complain to the relevant regulator.

Table 3.13: Financial Consumer Complaints Mechanism *(per cent)*

Option	Rural	Urban	Overall
Tell my friends about it and share experiences	31.9	33.9	**32.4**
I report to the Local Council	35.9	16.2	**30.2**
I report to the Police	29.7	21.1	**27.3**
I do not know.	23.8	14.1	**21.0**
Directly complain to the relevant regulator.	16.8	27.9	**20.0**
Formally complain to the FSP and if not helped, escalate the problem to its regulator.	13.8	18.4	**15.1**
I can let go and hope for the best.	8.3	9.3	**8.6**
It doesn't matter to me	6.6	8.9	**7.2**
Refused	4.6	2.5	**4.0**
Others	2.8	2.2	**2.6**
Complain on social media	0.7	0.3	**0.6**

Furthermore, of particular concern is that 21.0 percent of adults revealed that they did not know the mechanism of resolving their complaints regarding the financial service providers.

In line with the BoU Consumer Protection Guidelines (2011), a Key Facts Document (KFD) is issued to financial consumers to promote transparency during transactions with the supervised financial institutions. The KFD is more prominent for those that borrow from commercial banks (79.4%). However, the results indicate that up to 18.2 percent of borrowers from commercial banks sign yet do not understand the contents of the KFD.

To better understand the borrowers' behaviour while accessing loans, the findings revealed that 51.6 percent read the loan contract themselves, 34.9 percent needed a helper to read and explain the loan contract and 13.5 percent did not read the

loan contract before signing up.

With regards to the perception of consumers about FSP, consumers were positive in respect of customer care and transparency in the sale of financial products. However, consumers were apprehensive regarding financial products and acceptance to cancel a loan within the cooling off period[7] as per the financial consumer protection guidelines. Details are indicated in Figure 3.28.

Figure 3.28: Perception about financial Services Providers
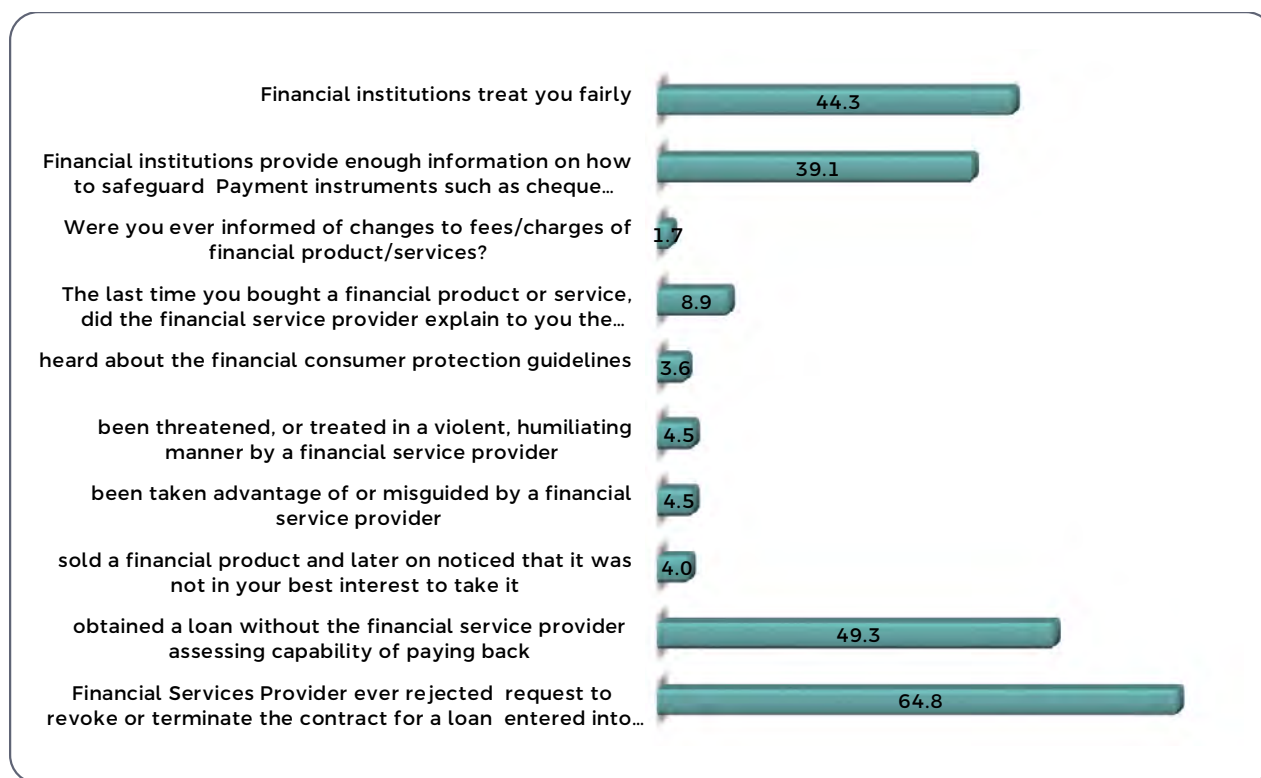
Digital Financial Literacy

Digital Financial Literacy may be defined as "acquiring the knowledge, skills, confidence and competencies to safely use digitally delivered financial products and services, to make informed financial decisions and act in one's best financial interest per individual's economic and social circumstance", (AFI, 2021). Its scope

---

7   The cooling-off period refers to the 10-working day period within which a borrower can terminate a loan contract.

encompasses the capability to use relevant digital financial services as well as awareness of related risks, consumer protection and redress mechanisms and the ability to make informed digital financial decisions.

Digital Financial Services were proved to be very convenient during the lockdown period as the population were restricted from accessing cash from financial institutions branches. The government leveraged and took measures to limit the spread of COVID-19 by waiving peer-to-peer mobile money transfer fees, merchant payment fees, and transfers from account to mobile wallets or vice versa for three months. These measures limited cash usage, which raises the risk of COVID-19 transmission. For example, peer-to-peer transfers increased significantly from $11 million the week of March 15, 2020, to nearly $73 million in the last week of May 2020.

Digital Access

Digital financial services can be accessed through or by use of a phone and other internet-enabled electronic devices. However, in most developing countries, the limited penetration of internet-enabled devices makes a mobile phone the single most commonly used device to access digital financial services. The results indicate that 66.7 percent of adults own a mobile phone, of which 21.1 percent are smartphones. About half of the adult Ugandan population (55.5%) have a sim card registered in their name. Of these, more than half (58.3%) had only one sim card, while 38.4 percent have two sim cards.

Mobile phone ownership

66.7%

of Ugandans own a phone with **21% of these being smartphones**

55.5%

have a sim card registered in their name.

Figure 3.29 Ownership of Mobile Phone
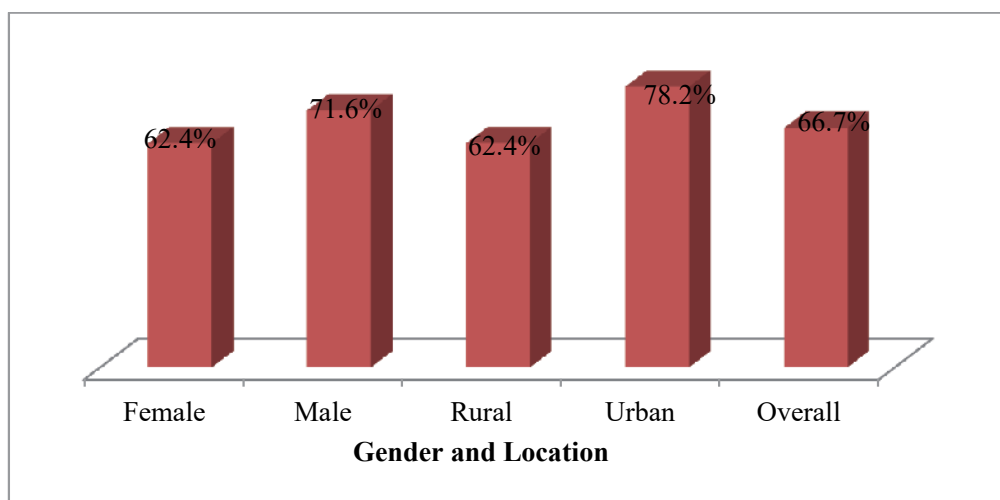
Figure 3.30: Ownership of Smartphones
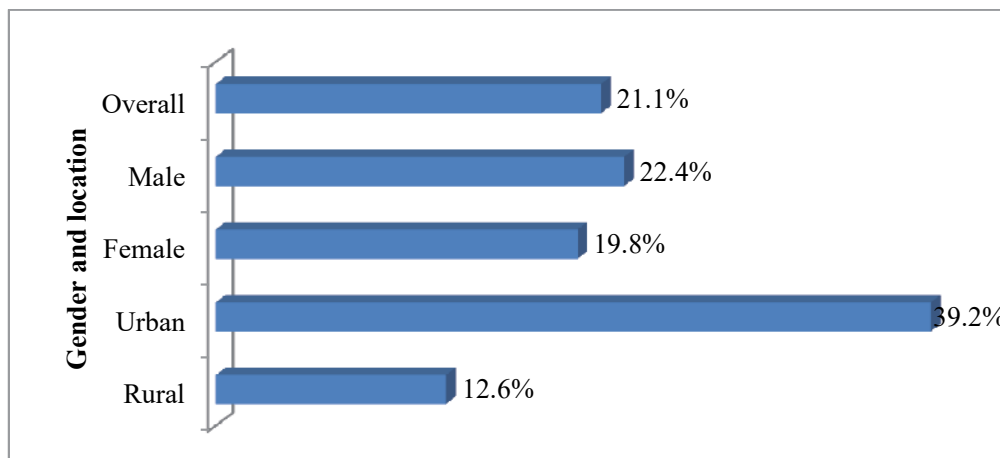
Digital Competence

78.5%
The highest digital competence is in the usage of SMS on a phone

70.1%
can withdraw money from their phones without any assistance.

Table 3.14: Registered Simcard *(per cent)*

	Female	Male	Rural	Urban	Overall
Own a registered sim card	48.4	63.5	51.3	66.7	**55.5**
Number of SIM card(s) registered in own names					
One	66.0	51.7	59.7	55.4	**58.3**
Two	32.7	43.3	37.5	40.4	**38.4**
Three	1.2	4.2	2.7	3.1	**2.8**
More than three	0.1	0.7	0.1	1.2	**0.5**

Digital Competence

Digital competence facilitates the confidence to conduct financial transactions digitally. Digital competence is disproportionately distributed across the different platforms for financial and non-financial products. Whereas 78.5 percent of Ugandans are able to send SMS using their phone, only 7.3 percent can send and receive e-mail.

In terms of financial transactions, 70.1 percent of adults can send and withdraw money from their phones without help, while the ability to conduct other financial transactions digitally is quite low. Only 29.4 percent of adult can change their mobile money PIN and 24.8 percent can make payments using mobile money. In addition, less than 18.0 percent of the adults could access a loan through the phone, make transactions on their bank account online or on their App, purchase goods and services online or transact using your debit card or credit card at the point of sale.

Table 3.15: Digital Competence *(per cent)*

Activity	Rural	Urban	Overall
Send SMS using phone	75.8	85.1	**78.5**
Send and withdraw money from phone without any help	65.5	81.3	**70.1**
Change mobile money PIN/password	24.6	43.0	**29.9**
Make payments using Mobile Money	17.3	43.2	**24.8**
Access a loan from a phone	15.7	20.3	**17.0**
Others	17.8	15.2	**17.0**
Send and receive email	4.7	13.8	**7.3**
Make transactions on bank account online or App	3.1	5.3	**3.8**
Purchase goods and services online	1.9	4.7	**2.7**
Transact using a card (debit or credit) at the point of sale	1.6	3.3	**2.1**
Transact using credit card at the point of sale	0.6	1.0	**0.7**

Awareness of Digital Risks by consumers of financial products and services

While using digital financial services, consumers are exposed to several risks. The assessment revealed that adults were aware of the risks associated with; loss of the digital device (52.7%), password or PIN safety/theft (45.6%) and identity theft (19.5%).

Furthermore, less than nine percent of adults indicated awareness of digital risks such as hawking, fraudulent transactions, cyberbullying, phishing, non-transparent transaction cost, pharming, keylogging and rogue security software as indicated in Table 3.16. Across all the categories, the male adults demonstrated more awareness of all types of digital risks compared to the female.

Table 3.16: Awareness of digital risks amongst consumers of financial products

	Male	Female	Overall
Loss of device	55.4	50.3	**52.7**
Password or PIN safety/theft	48.6	43.0	**45.6**
Identity theft	21.3	17.8	**19.5**
SIM card swap	14.8	12.2	**13.4**
Scams	11.8	10.2	**10.9**
Hacking (Using spyware - adware, Trojans, etc.)	9.9	6.3	**8.0**
Fraudulent transactions	9.1	6.8	**7.9**
Cyberbullying	7.4	4.4	**5.8**
Phishing	3.9	3.0	**3.5**
Non-transparent transaction cost	3.7	2.1	**2.8**
Pharming (being directed to a similar but wrong website to obtain personal information)	2.0	0.6	**1.3**
Keylogging (computer program to steal passwords through tracking keystrokes)	1.3	0.9	**1.3**
Rogue security software	0.5	0.1	**0.3**

Risk incidences from digital financial products and services

The extent of digital risk events over the last 12 months is deemed minimal as most of the users of the financial services did not experience risk regarding the digital financial products and service. Less than 7 percent of the adults indicated experience with any of the listed digital risk events over the last 12 months. However,

Incidence of digital risk over the last 12 months is minimal.

of particular concern is that more than 18 percent of the adults indicated that the risk incidences are not relevant regarding the risk of digital financial services and products.

Table 3.20: Risk incidences faced by Ugandans 2020

Risk Incidence	Percentage
Experienced a mobile money fraud	6.7
Provided financial information in response to an email, SMS or phone call that later found out was not genuine	3.9
Accepted advice to invest in a financial product that later found to be a scam, such as a phishing email	3.4
Lost money as a result of hackers or phishing scams	1.8
Discovered that someone has used your credit or debit card details to pay for goods without your authorisation	0.7

References

AFI (2021). Alliance for Financial Inclusion Digital Financial Literacy Guideline Note and Toolkit 2021

BoU (2019). Strategy for Financial Literacy in Uganda (2019-2024), https://www.simplifymoney.co.ug/images/docs/pastflpdocs/Strategy%20for%20Financial%20Literacy%20in%20Uganda%202013%20%E2%80%93%202018.pdf

OECD (2018), OECD/INFE Toolkit for Measuring Financial Literacy and Financial Inclusion.

World Bank (2013). Financial Capability Surveys Around the World "Why Financial Capability is important and how surveys can help" Working paper No. 80767 https://documents1.worldbank.org/curated/en/693871468340173654/pdf/807670WP0P14400Box0379820B00PUBLIC0.pdf

Appendices

Appendix I.1: : Average of Score for Financial Capability

Average of Score_FCAP

- 7.5 - 9.0
- 9.1 - 10.5
- 10.6 - 11.5
- 11.6 - 12.5
- Open water

West Nile
11.2

Acholi
12.4

Karamoja
8.6

Lango
11.3

Teso
9.9

Bunyoro
11.3

Elgon
10.4

Buganda North
10.4

Busoga
10.9

Bukedi
11.2

Tooro
11.7

Kampala
10.6

Buganda South
10.6

Ankole
10

Kigezi
7.9
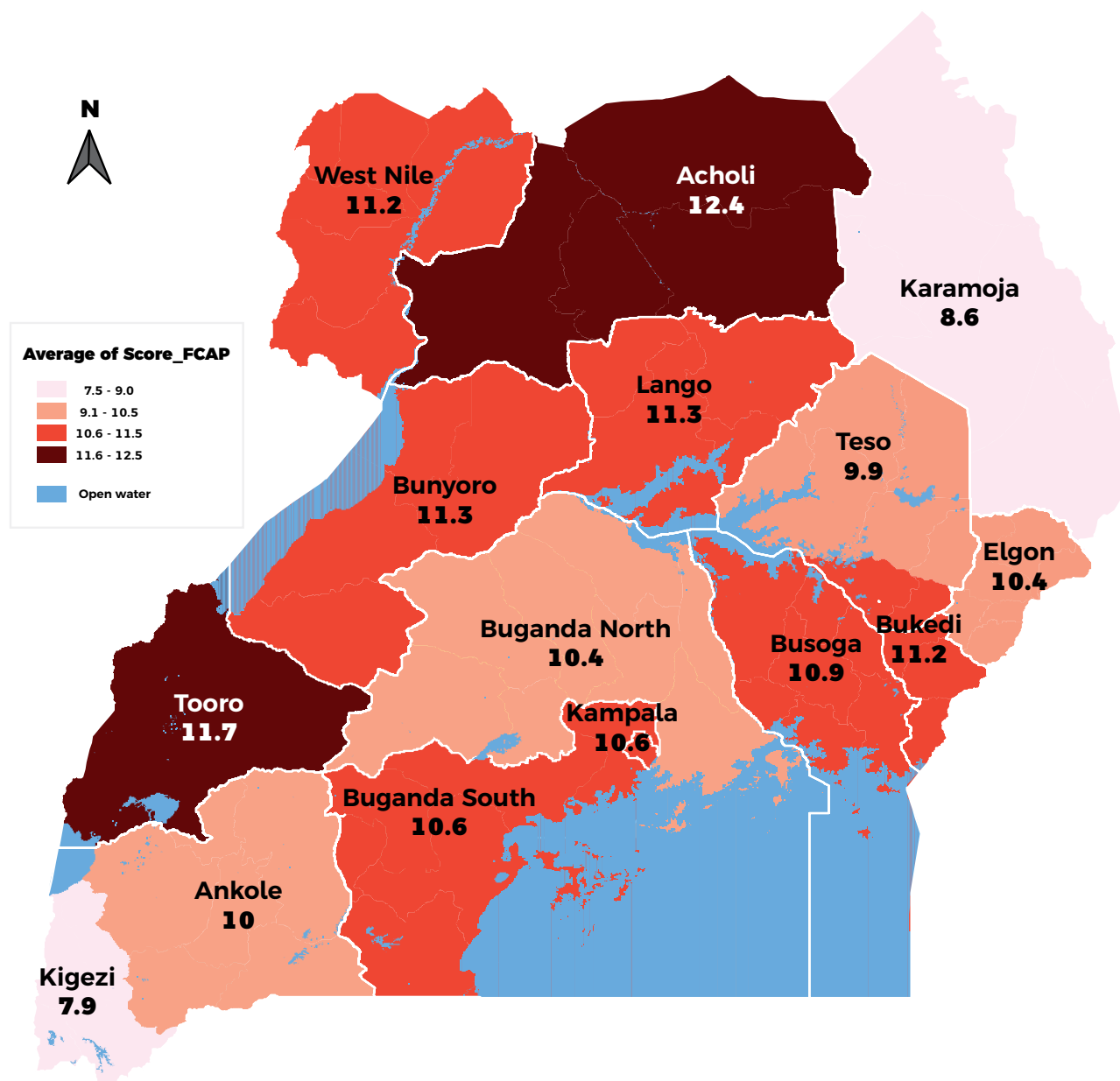
Appendix I.2: Average of score for Financial Behaviour

Average of Score_FBEH

- 4.3 - 4.5
- 4.6 - 5.5
- 5.6 - 6.0
- 6.1 - 6.5
- Open water

West Nile 6.4

Acholi 6.3

Karamoja 4.7

Lango 5.8

Teso 5.1

Bunyoro 6

Elgon 5.2

Buganda North 5.2

Busoga 5.6

Bukedi 5.8

Tooro 5.9

Kampala 5.3

Buganda South 5.4

Ankole 5

Kigezi 4.3
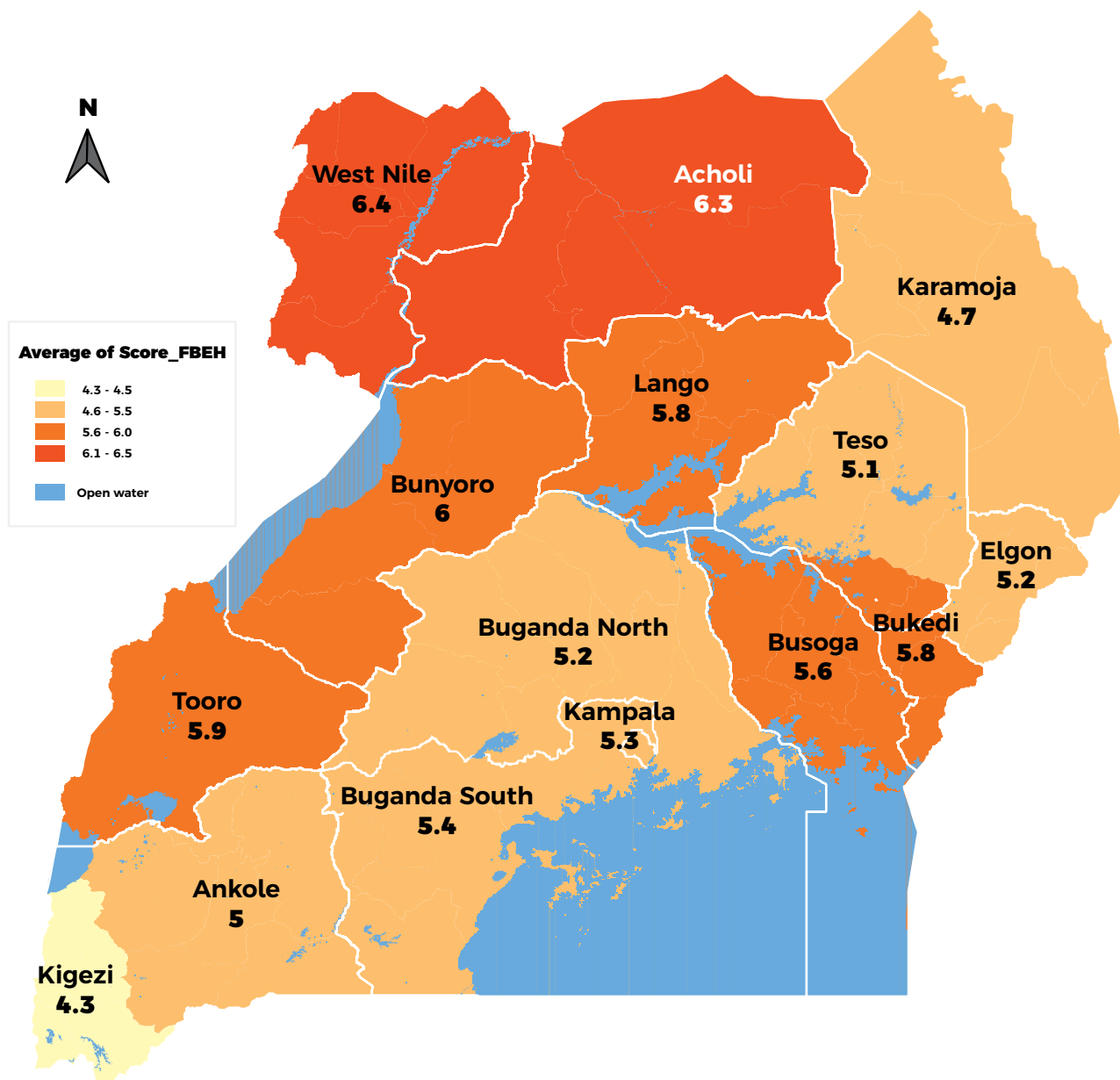
Appendix I.3: Average of Score for Financial Knowledge

N

Average of Score_FKWLG
- 2.0 - 2.5
- 2.6 - 3.0
- 3.1 - 3.5
- 3.6 - 4.0
- Open water

West Nile
3.6

Acholi
6.3

Karamoja
2.5

Lango
3.6

Teso
3.2

Bunyoro
3

Elgon
3.8

Buganda North
3.4

Busoga
3

Bukedi
3.2

Tooro
3.6

Kampala
3.8

Buganda South
3.3

Ankole
3.5

Kigezi
2.7
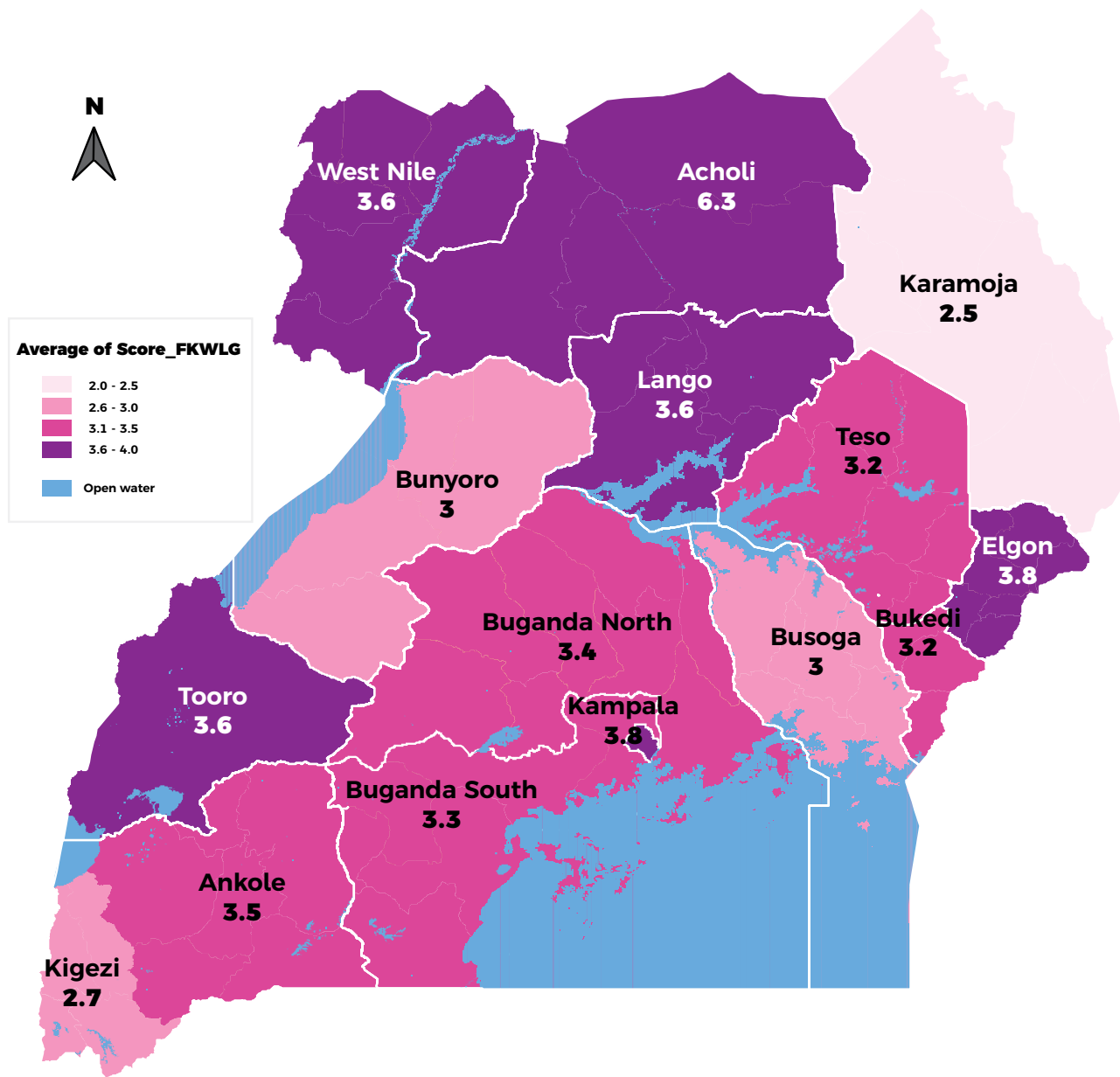
Appendix I.4: Average of Score for Financial Attitude

Average of Score_FATT

- 1.0 - 1.3
- 1.4 - 1.6
- 1.7 - 1.9
- 2.0 - 2.2
- Open water

N

West Nile
1.3

Acholi
2.1

Karamoja
1.3

Lango
1.8

Teso
1.6

Bunyoro
2.2

Elgon
1.5

Buganda North
1.8

Busoga
2.2

Bukedi
2.2

Tooro
2.2

Kampala
1.6

Buganda South
1.9

Ankole
1.6

Kigezi
1
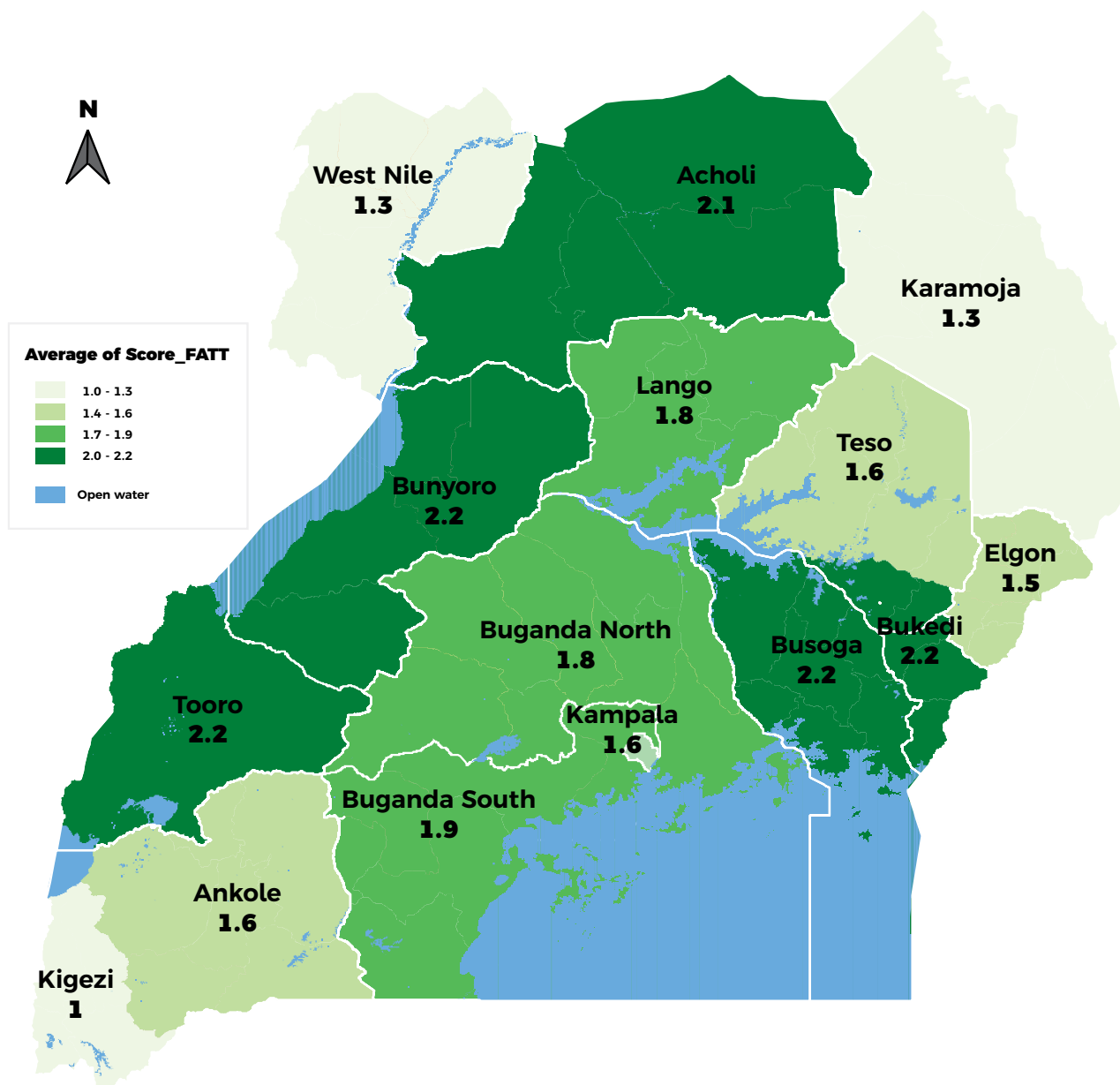
Appendix II: Technical Working Group Members

No.	Names
1.	Mr. Mackay Aomu
2.	Mr. Emmanuel Ssemambo
3.	Mr. Alex Ochan
4.	Mrs. Tilda Nabbanja Turyagyenda
5.	Mr. Peter Kagumya
6.	Dr. Nicholas Okot
7.	Mr. Edward Twinomugisha
8.	Ms. Justine Namata
9.	Dr. Benedict Makanga
10.	Mrs. Ritah Karungi Butime
11.	Mr. Tendo Mbazzi
12.	Mr. Sulaiman Nyanzi
13.	Mr. Hashim Kirungi
14.	Dr. George Wilson Ssonko
15.	Mr. Robert Owagonza
16.	Mr. Patrick Okettayot
17.	Mr. Andrew Eboku Eyeru
18.	Mr. Peter Ntumwa Kalulwe

Appendix III: Definitions of Key Terms

Account - A bank account is a financial account maintained by a bank or other financial institution in which the financial transactions between the bank and a customer are recorded. Each financial institution sets the terms and conditions for each type of account it offers. Accounts are categorized as fixed deposit accounts; savings accounts; and current accounts.

Adult population – Adult population refers to individuals 15 years or older

Agent Banking - Agent banking is conducting financial institution business by a person on behalf of a financial institution as may be approved by the Central Bank.

Agriculture- Agriculture is the science, art, or practice of cultivating the soil, producing crops, and raising livestock and in varying degrees the preparation and marketing of the resulting products. It involves the extraction or harvesting of products from the earth and is part of the primary sector of the economy. In Uganda agriculture is dominated by smallholder farmers.

Bancassurance – Bancassurance is the arrangement between a financial institution and an insurer under which the financial institution distributes to its customers and prospective policy holders, through its distribution channels, insurance products or services of the insurer and includes an arrangement under which a financial institution acts as an agent for the insurer; or a financial institution enters into a group contract or a master insurance contract, as a Bancassurance agent, with the intention that the customers of the financial institution or a class of them obtain insurance cover under the contract.

Budget - A budget is a plan that lays out what you will do with your money.

Burial societies - A burial society is a form of cooperative society and is constituted for the purpose of providing by voluntary subscriptions for the funeral expenses of agreed upon relatives of members' families.

Business – A business is an organisation or enterprising entity engaged in commercial, industrial, or professional activities. The term may also mean the organized efforts and activities of individuals to produce and sell goods and services for profit.

Capital - Capital consists of human-created assets that can enhance one's power to perform economically useful work.

Census - A census is the procedure of systematically calculating, acquiring and recording information about the members of a given population. The national population and housing census is carried out once every ten (10) years in Uganda.

Collective Investment Scheme – Collective Investment Schemes are private financial arrangements regulated by government through the Capital Markets Authority (CMA), where many small investors pool resources. Professional licensed and certified fund managers invest these resources in various ways such as shares, bonds, property, fixed deposit accounts and treasury bills with the main goal of generating high returns while minimizing risk through investing in different financial opportunities.

Community insurance - Community-based insurance schemes are usually voluntary and characterized by community members pooling funds to offset the cost of a particular eventuality such as healthcare and funeral coverage etc.

Completion Rate - Completion rate is a measure used to describe data collection procedure and quality of data collected in surveys. It is number of fully completed questionnaires or interviews divided by the number of started questionnaires or interviews.

Compulsory Pension - Compulsory or mandatory pension makes it obligatory to automatically enroll all eligible workers into a pension scheme.

Consumer Protection - Consumer protection is the practice of safeguarding buyers of goods and services, and the public, against unfair practices such as fraud, misleading advertisements, and substandard products in the marketplace.

Corporate bonds - A Corporate bond is usually issued by a credible entity such as a corporation, company, government or regional body to individuals or companies which are interested in lending money to them. The borrower (e.g., company or government) has to pay back the money which has been borrowed with a fixed rate of interest at a specific future date.

Cost of Living - The cost of living is the amount of money needed to cover basic expenses such as housing, food, taxes, and healthcare in a certain place and time period.

COVID-19 - COVID-19 is a disease caused by a new strain of coronavirus known as severe acute respiratory syndrome coronavirus 2 (SARS-COV2). 'CO' stands for corona, 'VI' for virus, and 'D' for disease.

Credit card - A credit card is a thin rectangular piece of plastic or metal issued by a bank or financial services company, which allows cardholders to borrow funds with which to pay for goods and services with merchants that accept cards for payment. Credit cards impose the condition that cardholders pay back the borrowed money, plus any applicable interest, as well as any additional agreed-upon charges, either in full by the billing date or over time.

Crypto assets - Crypto asset means an asset which: (a) depends primarily on cryptography and distributed ledger technology (DLT) or similar technology as part of its perceived or inherent value; (b) is neither issued nor guaranteed by a central bank or public authority, and (c) can be used as a means of exchange and/or for investment purposes and/or to access a good or service.

Cryptocurrency - A cryptocurrency is a digital or virtual currency in which transactions are verified and records maintained by a decentralized system using cryptography, rather than by a centralized authority.

Decision making - Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.

Debit card - A debit card also known as an ATM (Automated Teller Machine) is a plastic payment card that can be used instead of cash when making purchases. It is similar to a credit card, but unlike a credit card, the money is immediately transferred directly from the cardholder's bank account to pay for the transaction.

Defaulting – Defaulting is the failure to repay a debt following an initial repayment plan, including interest or principal on a loan or security.

Deposit Protection Fund of Uganda (DPFU) – The Deposit Protection Fund of Uganda is a legal entity which was established by the Financial Institutions Amendment Act 2016 with a mandate of contributing to financial stability through building depositor confidence by ensuring that depositors are paid in time in the event of failure of a contributing [financial] institution such as Commercial Bank, Credit Institution, and Microfinance Deposit-taking Institution.

Digital Credit – Digital credit refers to loans accessed through a digital channel either online/ web platform; through a mobile gadget which might be a smartphone, basic features phone or personal digital assistant (PDA); or through a third-party agent. The loan application, scoring, approval, and disbursement take place electronically and instantaneously.

Digital Financial Literacy (DFL) – Digital Financial Literacy entails awareness of digital financial risks dimensions, including knowledge of digital financial products and services, awareness of digital financial risks, knowledge of digital financial risk control, and knowledge of consumer rights and redress procedures.

Digital Financial Services (DFS) - Digital financial services (DFS) can be defined as financial operations using digital technology, including electronic money, mobile financial services, online financial services, i-teller and branchless banking, whether through bank or non-bank institutions. DFS can encompass various monetary transactions such as depositing, withdrawing, sending and receiving money, as well as other financial products and services including payment, credit, saving, pensions and insurance. DFS can also include non-transactional services, such as viewing personal financial information through digital devices.

Disability - A disability is any condition of the body or mind (impairment) that makes it more difficult for the person with the condition to do certain activities (activity limitation) and interact with the world around them (participation restrictions).

Dividends - A dividend is a share of profits and retained earnings that a company pays out to its shareholders.

Economic Activity - An economic activity is an activity of providing, making, buying, or selling of commodities or services by people to satisfy their day-to-day needs of life.

Education - Education is the process of facilitating learning, or the acquisition of knowledge, skills, values, morals, beliefs, and habits. Uganda runs a 3 (Nursery): 7 (Primary): 6 (Secondary): 4 (University / Tertiary Institution) system.

Emergency Fund – Emergency Fund refers to money stashed away that people can use in times of financial distress. The purpose of an emergency fund is to improve financial security by creating a safety net that can be used to meet unanticipated expenses, such as an illness or death.

Enumeration Area – Enumeration Area (EA) refers to the operational geographical area for the collection of census data.

Equity – Equity refers to the value of a company divided into numerous equal parts owned by the shareholders.

Financial consumer protection - encompasses the laws, regulations, and institutional arrangements that safeguard consumers in the financial marketplace. It comprises a set of guidelines issued and enforced by a regulator aimed at promoting fair and equitable financial services practices, enhancing transparency to empower consumers, fostering confidence and mechanisms for handling complaints.

Financial Inclusion - is defined as access to and usage of affordable and quality financial services which help ensure a person's financial security (See the National Financial Inclusion Strategy for Uganda (2017-2022).

Appendix IV: Stratification of Districts

Sub-regions	Districts
Kampala	Kampala
Central I	Bukomansimbi, Butambala, Gomba, Kalangala, Kalungu, Lwengo, Lyantonde, Masaka, Mpigi, Rakai, Ssembabule, Wakiso and Kyotera
Central II	Buikwe, Buvuma, Kayunga, Kiboga, Kyankwanzi, Luwero, Mityana, Mubende, Mukono, Nakaseke and Nakasongola and Kasanda
Busoga	Bugiri, Buyende, Iganga, Jinja, Kaliro, Kamuli, Luuka, Mayuge, Namayingo, Namutumba and Bugweri
Bukedi	Budaka, Busia, Butaleja, Kibuku, Pallisa, Tororo and Butebo
Elgon	Bududa, Bukwo, Bulambuli, Kapchorwa, Kween, Manafwa, Mbale, Sironko and Namisindwa
Teso	Amuria, Bukedea, Kaberamaido, Katakwi, Kumi, Ngora, Serere, Soroti and Kapelebyong
Karamoja	Abim, Amudat, Kaabong, Kotido, Moroto, Nakapiripirit, Napak and Nabilatuk
Lango	Alebtong, Amolatar, Apac, Dokolo, Kole, Lira, Otuke, Oyam and Kwania
Acholi	Agago, Amuru, Gulu, Kitgum, Lamwo, Nwoya, Pader and Omoro
West-Nile	Adjumani, Arua, Koboko, Maracha, Moyo, Nebbi, Yumbe, Zombo and Pakwach
Bunyoro	Buliisa, Hoima, Kibaale, Kiryandongo, Masindi, Kagadi, Kakumiro and Kikuube
Tooro	Bundibugyo, Kabarole, Kamwenge, Kasese, Kyegegwa, Kyenjojo, Ntoroko and Bunyangabu
Ankole	Buhweju, Bushenyi, Ibanda, Isingiro, Kiruhura, Mbarara, Mitooma, Ntungamo, Rubirizi and Sheema
Kigezi	Kabale, Kanungu, Kisoro, Rukungiri, Rubanda and Rukiga

Appendix V: Weighting

Design weights were calculated based on the separate sampling probabilities for each sampling stage and for each EA. The following notation was used:

$f_{1hi} = f_{1hi} =$ first-stage sampling probability of the i-th EA in stratum **h**.

$f_{2hi} = f_{2hi} =$ second-stage sampling probability within the i-th EA in stratum **h** (household selection).

The probability of selecting the i-th EA from stratum **h**, in the sample is calculated as follows:

$$f_{1hi} = \frac{m_h \times N_{hi}}{N_h}$$

Where:

$m_h = m_h =$ number of sample EAs selected in stratum **h**.

$N_{hi} = N_{hi} =$ total number of households in selected EA **i** in stratum **h** (as per the first-stage sampling frame).

$N_h = \sum_i N_{hi} = N_h = \sum_i N_{hi} =$ total number of households across all EAs in stratum **h** (as per the first-stage sampling frame).

$f_{2hi} = \frac{n_{hi}}{N_{hi}^*}$ nd-stage probability of selecting a household from EA **i** in stratum **h**, is:[8]

Where:

$n_{hi} = n_{hi} =$ number of sample households selected for the **i**-th EA in stratum **h**.

$N_{hi}^* = N_{hi}^* =$ total number of households listed for the **i**-th EA in stratum **h**.

Therefore, the overall selection probability of selecting a household from EA **i** of

$$f_{hi} = f_{1hi} \times f_{2hi} = \frac{m_h \times N_{hi}}{N_h} \times \frac{n_{hi}}{N_{hi}^*} \approx \frac{m_h \times n_{hi}}{N_h} \quad , \quad if\ N_{hi} \approx N_{hi}^*$$ he two stages:

Following the sampling guidelines, all eligible individuals from each sampling group were included in the survey with certainty, (i.e., take-all sampling approach was used within sampled households) (Stukel, 2018). Thus, at the third and final stage, the probability of selecting an eligible individual within a sampled household is equal to 1. Therefore, the overall selection probability for eligible individuals is

---

8   None of the sampled EAs required segmentation.

equal to the overall probability of selecting a household (i.e. $f_{hi}f_{hi}$).

Then the design weight for each sampled household in EA i of stratum h is the

$$W_h = \frac{1}{f_{hi}} = \frac{N_h \times N^*_{hi}}{m_h \times N_{hi} \times n_{hi}} \approx \frac{N_h}{m_h \times n_{hi}} = \frac{N_h}{m_h \times 25} \quad , \quad if \; N_{hi} \approx N^*_{hi}$$

Selecting a fixed number of households in each EA (i.e., $n_{hi}n_{hi}$ = 10 for this survey), results in an approximate self-weighting sample design, for improved efficiency in the precision of survey estimates. Since all eligible individuals in sampled households are included with certainty, the design weights at individual level are equal to the design weights at household level in each stratum h.

During survey implementation, there were three sampled EAs in which the household listing exercise was not undertaken/completed:

These EAs were selected as part of the sample but they did not contribute to the sample because household listings were not available for sample selection. To maintain the sample design and account for these EAs, a weight adjustment factor was implemented in the affected strata to account for these EAs with no sample. The assumption made is that the three EAs had in-scope households that would have contributed to the sample if a household listing was available. Because EAs were selected with probability proportional to the measure of size, which was the number of households in the sampling frame in each stratum, the impact of each EA on the sampling weights depended on its measure of size. To account for these differences and improve the precision of the survey weights, a weighted adjustment factor was applied within the strata with unlisted EAs. The EA adjustment factor to account for the unlisted sampled EAs was computed as:

$$W_{EA\_Adj} = \frac{\sum_{i \in s} W_{EA\_Sample_i}}{\sum_{i \in s_r} W_{EA\_Sample_i}}$$

Where:

$\sum_{i \in s} W_{EA\_Sample_i} = \sum_{i \in s} W_{EA\_Sample_i}$ = Weighted sum of all EAs in the sample, in stratum h.

$\sum_{i \in s_r} W_{EA\_Sample_i} = \sum_{i \in s_r} W_{EA\_Sample_i}$ = Weighted sum of listed EAs in the sample, in stratum h.

A further adjustment to the weights was implemented to account for the differing levels of non-response across households and individual sampling groups. Response rates were calculated at the EA level as ratios of the number of interviewed units over the number of eligible units within adjustment classes, where units could be households or individuals. This non-response adjustment factor was calculated as the inverse of the weighted response rate at EA level for households and individuals.

The final sampling weight was calculated with the design weight, adjusted for the unlisted EAs and then corrected for non-response within each of the selected EAs for households and individual sampling groups.

Appendix VI: Estimates of Sampling Errors

The estimates from a sample survey are affected by two types of errors: non-sampling errors and sampling errors. Non-sampling errors usually result from mistakes made during data collection and capture and those include misunderstanding of the questions, either by the respondent or by the interviewer and by the capture of wrong entries. Such errors were controlled through rigorous training of the data collectors and field spot-checks undertaken by the supervisors at the different levels.

On the other hand, sampling errors (SE) are evaluated statistically. The FCS sample is one of the many possible samples that could have been selected from the same population using the same sampling design. Sampling errors are a measure of the variability between all possible samples that would yield different results from the selected sample. Sampling errors are usually measured in terms of the standard error for a particular statistic such as the mean, percentages, etc.

www.bou.or.ug