FACTORS DETERMINING ACCESS TO CREDIT IN UGANDA

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UGANDA CHRISTIAN UNIVERSITY

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DECLARATION

DECLARATION

I, Atuhaire Tracy, hereby assert that the research paper is my original work which has not been presented in any other university or institution and awarded the degree or any other qualification. The reference materials have been appropriately recognized.

ATUHAIRE TRACY

Signature: _____ Date: Tuesday 14 April 2026

APPROVAL

Approval

This dissertation titled "Factors Determining Access to Credit in Uganda at Uganda Christian University". has been submitted for examination with approval of my supervisor

Signed..... Date Tuesday 14 April 2026

Mukisa Simon Peter

DEDICATION

I would like to dedicate this paper to my parents/ Guardian and my supervisor. You all believed and invested so much in me even when you owned so little of your own. For what I claim as my achievements, you have achieved much more through your dedication to excellence, resources and the opportunities you provided for me.

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I want to say that I have received invaluable guidance, unwavering support, and insightful feedback with my supervisor, Mr. Mukisa Simon, during the course of conducting this research. The completion of this study was aided by his proficiency and support.

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ABSTRACT

The objective of the current study, therefore, is to explore the effects of socio-economic factors, institutional factors, and financial literacy on credit access in Uganda, since the issue of financial exclusion persists in spite of all the efforts made within the sector. Therefore, this paper considers the impact of socio-economic characteristics, institutional constraints, and financial literacy on the ability of Ugandan adults to obtain credit. For the research, secondary data were collected via the nationally representative Fin Scope Consumer Survey Uganda 2023. A total of 3,176 Ugandan adults were selected as a working sample and were analyzed using descriptive statistics, correlations, and Binary Logistic Regression.

As the results show, there is a noticeable paradigm shift in the constraints on accessing credit, with nearly 59% of respondents not having access to any credit within the last year. Socio-economic and institutional factors such as gender, living in an urban area, and traveling distance to banks were statistically insignificant once other variables were taken into account. Institutional trust and awareness of digital lending platforms became prominent supply-side constraints, while multi-dimensional financial literacy, which includes educational literacy, financial autonomy, digital literacy, and debt-related attitudes, proved to be a powerful predictor of credit access.

The main findings of the research indicate that the phenomenon of financial exclusion in Uganda has evolved from one that is characterized by geographic and physical barriers into one that is characterized by digital and knowledge barriers. This implies that efforts should be put towards aggressive consumer education campaigns coupled with strong protection mechanisms and creation of user-friendly financial products.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

The study examines factors determining access to credit is widely recognized as a critical driver of economic growth, enterprise development, and poverty reduction, particularly in developing economies. This chapter presents the background of the study, problem statement, objectives, research questions justification, significance and the conceptual framework that guided the study.

1.1 Background to the Study

Access to credit is commonly regarded as an important factor that plays an essential role in stimulating growth and development in economies, especially those of developing countries. On a global scale, access to finance continues to dominate the agenda of development because access to financial products is crucial in eliminating inequality and encouraging entrepreneurship (Beck, Demirgüç-Kunt, & Levine, 2007; Demirgüç-Kunt et al., 2018). Access to credit becomes an important component of people's lives in many developing countries where a huge percentage of citizens rely on small and medium enterprises and informal economy as a source of income, thereby making access to credit a crucial factor in ensuring economic growth (Ahmad & Khan, 2019). However, even globally, despite advances in finance technologies and legislation, equal access to credit for vulnerable populations and SMEs still constitutes a significant problem.

In considering the continent of Africa, the question of how to harness finance for more widespread use continues to be problematic despite years of policy development (Honohan & Beck, 2007; Brownbridge, 2011). Although there have been different modifications of the banking systems of Africa that have been intended to increase the capacity for financial intermediation, the formal financial system does not reach all layers of the population, leading to the continued distinctiveness of the informal financial sector and its wide usage by individuals who cannot access banking services (Aryeetey & Udry, 2003).

In terms of the East African region specifically, such phenomena become quite prominent as well. Even though many new forms of financial inclusion have been established within the region in recent years,

savings and lending issues remain very prominent and continue to prevent microenterprise creation and economic growth in the countryside. As was proven by empirical studies conducted in Kenya, which is one of the neighboring countries, many obstacles persist in making simple access to finance help poor people build successful business ventures even with the use of microfinancing services and digital banks (Dupas & Robinson, 2013).

To begin with, within Uganda, credit is essential for households and small business enterprises as a means for investment into productive ventures and even for cushioning them against any shocks that may occur financially. In the last three decades, the country's financial system has seen significant changes thanks to liberalization, with a marked expansion of commercial banks, microfinance institutions, and SACCOs. The Bank of Uganda, among other organizations, has been instrumental in ensuring financial stability and inclusion by engaging in close monitoring and developing effective policy frameworks. In addition, there have been many efforts both by government and international actors to provide rural financing through microfinancing and mobile money services.

Notwithstanding the significant progress in these sectors, a significant number of Ugandans continue to be excluded from financial inclusion as a result of difficulties in accessing credit. Accessing credit continues to be a major problem for rural families, women, young people, and those operating in the informal sector (Brownbridge, 2011; World Bank, 2022). Specifically, in the agricultural sector that accounts for the bulk of Uganda's employment, access is particularly difficult because of its susceptibility to various risks, such as unpredictable weather changes and extreme price variations. Apart from the above-mentioned structural constraints, there are also socio-economic constraints, such as poverty and lack of education, as well as poor financial literacy amongst the individual members as well as business people who have extremely low capacity for making an assessment and using the various credit facilities (Mutesasira & Namusonge, 2018). As a result, they have no other option except to turn to informal sources of credit, including village saving clubs and rotational savings arrangements, which although easy to access may not be very extensive or sustainable (Uganda Bureau of Statistics, 2021). There is therefore an urgent need for a systematic assessment of these various socio-economic, institutional, and literacy variables that affect credit access in Uganda.

1.2 Statement of the Problem

Credit availability continues to be a very important factor that fuels economic growth, business growth, and the alleviation of poverty in developing countries, especially in Uganda, where most of the people rely on SMEs and informal economic practices as sources of income generation. Although there are many financial institutions that provide credit, ranging from commercial banks to microfinance institutions as well as various government-funded programs, such as those by the Bank of Uganda, many businesses and individuals still find it difficult to access credit.

The empirical findings point out that the availability of credit in Uganda is unequal since many prospective borrowers are excluded because of socio-economic constraints such as poor income levels, inadequate education, and informal employment. Furthermore, structural constraints such as the requirement of collateral, high-interest rates, complex loan application procedures, and inadequate promotion by financial institutions hinder access to credit facilities. Additionally, inadequate knowledge about finance on the part of individuals and entrepreneurs poses difficulties in comprehending and effectively utilizing credit services. The outcome is an increase in financial exclusion, with loan recovery becoming one of the primary issues.

A number of studies on financial inclusion in Uganda have been conducted. However, there is little information available on the relationship between the factors associated with financial inclusion, namely, socio-economic, institutional, and financial literacy factors, which determine access to credit in Uganda. The failure of previous studies to incorporate all these variables limits the development of effective policy measures. Hence, this research aims at addressing the existing literature gap by evaluating the factors that determine access to credit in Uganda.

1.2 Purpose of the study

The main aim of this research is to investigate the determinants of credit access in Uganda.

1.3 Specific Objectives

1. To identify the socio-economic determinants of credit access in Uganda.
2. To determine the institutional determinants of credit access by individuals and firms in Uganda.

3. To investigate the impact of financial literacy

1.4 Research Questions

1. What socio-economic determinants determine the availability of credit in Uganda?
2. What are the effects of institutional factors on credit availability in Uganda?
3. How does financial literacy influence the availability of credit in Uganda?

1.5 Research Hypotheses

H_{01}: There is no significant relationship between socio-economic factors and access to credit in Uganda.
H_{02}: There is no significant relationship between institutional factors and credit availability in Uganda.
H_{03}: There is no significant relationship between financial literacy and access to credit in Uganda.

1.6 Justification of the Study

However, credit remains one of the essential elements of economic development and financial inclusion. Unfortunately, considerable differences prevail in Uganda. The research is necessary since it will contribute to the collection of empirical data about the variables determining credit accessibility, especially to disadvantaged groups such as rural populations, women, and small-scale businesspeople. Identifying such variables will assist in filling current research gaps and obtaining more insight into why people fail to receive loans despite the ongoing financial sector reforms.

The information obtained during the investigation will be useful for policymakers, regulators, and financial institutions, especially Bank of Uganda. In particular, the research will provide valuable knowledge about socio-economic and institutional challenges and contribute to the creation of policies aimed at improving lending and promoting financial inclusion. It is vital to encourage the development of SMEs in Uganda since these organizations play a crucial role in the country's economy as providers of employment.

The study shall make a contribution towards the academic body of knowledge on financial access in developing countries by contributing industry-related insight regarding the situation within the Ugandan

environment. The study shall be a source of information for other scholars who wish to engage in research within the topic areas of credit markets, financial inclusion, and development finance.

1.6 Significance of the Study

This research is likely to result in both theoretical and practical implications, given that it will provide a full insight on the main determinants of credit access in Uganda. Due to the focus on the socio-economic, institutional, and financial literacy aspects, this knowledge will benefit various stakeholders, ranging from policymakers, researchers, financial institutions to the wider population.

This paper, from the viewpoint of organizations such as the Bank of Uganda and the Ministry of Finance, Planning and Economic Development, will give evidence-based data regarding the key problems associated with credit accessibility. As a result, the outcomes of this study will be able to be used for policy making regarding financial inclusion, credit regulation, and intervention program development that would help achieve financial inclusion. In addition, thanks to this research, policy-making will become possible regarding barriers such as overcollateralization, unfavourable terms for loans, and lack of financial literacy among prospective borrowers.

In academic institutions such as Makerere University and Uganda Christian University, the study will add to the already existing literature on the topic of financial inclusion and credit availability. The study will provide an important reference point for future research through the provision of empirical information, methods, and analytical techniques that can be used by other researchers in their studies. Additionally, the study will address the gaps that exist in the current research literature by integrating several determinants of credit acquisition into a single analysis.

commercial banks, microfinance institutions, and SACCOs, the study will provide useful information on consumer behaviour, risk, and obstacles to credit acquisition. The institutions will benefit from the study by designing financial products that target the needs of underserved communities, streamlining lending processes, and adopting innovative techniques to reach potential customers. Financial literacy will play a vital role in enhancing credit access in underserved areas.

Entrepreneurs, small business people, development agencies, and nongovernmental organizations will be another category of beneficiaries for the research because it will enable them to better understand the

issues affecting access to credit. With knowledge about the key factors affecting credit access, they will be better placed to make decisions that will allow them to easily access loans. Development organizations will also use the outcomes of the research to design capacity-building and financial literacy programs for marginalized communities.

1.7 Scope of the Study

In this research, we will attempt to determine the factors that affect access to credit. We will analyze socio-economic factors such as income levels, educational qualifications, and employment status; institutional factors such as credit policies, collateral, and interest rates; and finally, financial literacy as one of the factors affecting access to credit. This research will focus primarily on formal and informal credits.

The study will take place in Uganda, targeting some selected regions or districts, which will reflect both urban and rural areas. This will help identify the differences in credit access in terms of population and economic activity in Uganda.

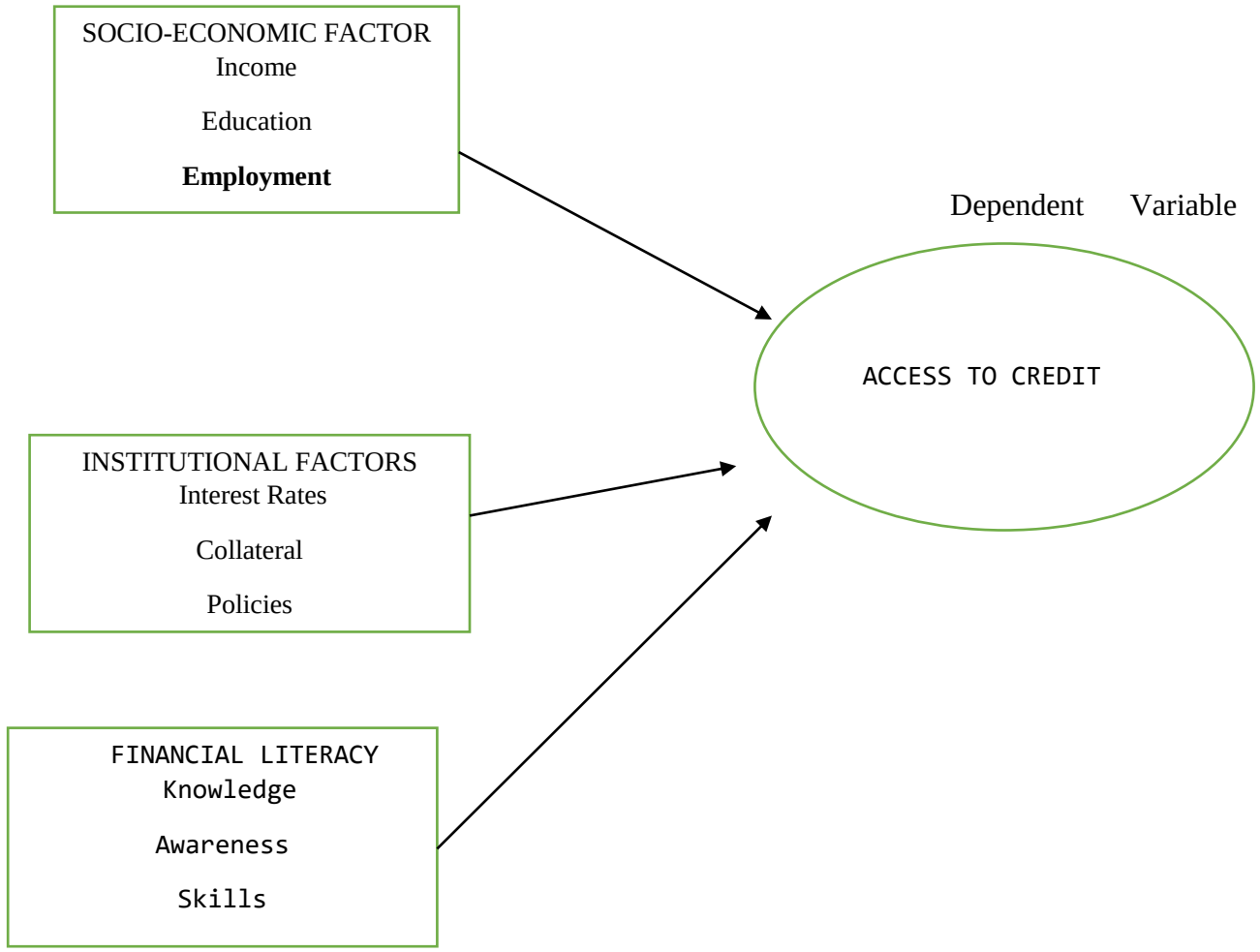
The study will span over five months, starting from April 2026 to July 2026. This period is enough for recent trends and developments in the financial sector and its impact on credit access in Uganda.

1.8 Conceptual Framework

The conceptual framework shows the connection between the independent and dependent variables of the study. In the present study, credit availability acts as the dependent variable, whereas socio-economic, institutional, and financial literacy form the independent variables.

TABLE 1.1. Conceptual framework

Independent variables



CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This chapter offers an analysis of the existing literature on the determinants of access to credit in relation to socio-economic constraints, institutional obstacles, and financial literacy. It aims at placing the present study within the ongoing scholarly discourse in the area, identifying the common ground and areas of disagreement in the academic community, and understanding the research gap that motivates this study. The analysis is carried out in a chronological manner from the global perspective to Africa, Sub-Saharan Africa, East Africa, and then to Uganda.

2.1. Theoretical Review

Credit accessibility theory is highly based on the theory of information asymmetry, which was suggested by Stiglitz and Weiss in 1981. According to this theory, financial markets usually fail to allocate the credit effectively due to the absence of adequate information about a borrower in relation to his/her intentions, risks of default, or ability to repay the debt. In order to protect themselves against the risk, financial institutions use formal requirements, including collateral, evidence of employment, and good credit history. For this reason, certain groups remain underprivileged with regard to the availability of credit in the market.

Financial intermediation theory proposes that financial institutions are supposed to perform their activities in order to reduce both the cost of transactions and information asymmetries between savers and borrowers. However, in the case of developing countries, last mile delivery of financial services continues to be costly. The increased transaction costs, which result from poor infrastructure, manual verification process, and the burden of maintaining a portfolio of small loans, make these financial intermediaries unable to operate effectively. Accordingly, the cost of delivering financial services in Uganda, for example, is reflected in increased interest rates and processing charges on the part of borrowers.

While the two aforementioned theories have provided important insights regarding the constraints that apply to the supplier side, the Pecking Order Theory has been significant in understanding the behavior of the borrowing side. The theory states that organizations should rank their source of capital, ranking internal sources (in terms of personal savings) before external debt, and using external equity as the last option. Many individuals and small firms find that the "psychological cost," higher costs in the form of interest rates, and complex administrative procedures involved in borrowing formal funds drive them to stay at the bottom of the pecking order. This explains why potential borrowers avoid borrowing formal funds, even when doing so would potentially help them grow their business better.

In contemporary society, these theoretical assumptions are being revised through the inclusion of behavioral economics and digital transformation in the existing literature. Modern theoretical underpinnings are shifting credit access not only as a matter of supply, but demand, since a borrower's level of financial literacy becomes a key element when applying for loans. What is more, digitalization in the financial services sector serves as an effort to eliminate the information asymmetry gap that exists between lenders and borrowers. Data scoring through alternative measures like digital footprints is increasingly becoming an alternative to physical collateral in assessing creditworthiness.

2.2. Empirical Literature Review

On a global level, empirical research has consistently demonstrated that demographic factors have an enormous impact on financial behaviors and credit opportunities. In line with the principle underlying life-cycle models of consumption, age becomes an essential variable since middle-aged people are more likely to borrow funds to facilitate business expansion and house building, whereas older individuals borrow less because their economic activity levels decline.

Family structure is a key factor that influences financial behavior and access to credit facilities. As pointed out by Karlan and Morduch (2010), there is a direct relationship between family size and increased needs and stress, prompting them to use the credit market frequently. Traditionally, gender discrimination and rural residency were the main impediments to credit access in the literature, suggesting that women and people living in rural areas suffered from systematic discrimination against them by lenders (World Bank, 2022). Recent studies reveal that with the expansion of informal lending institutions and digital finance, such socio-economic discriminators are gradually becoming obsolete.

Generally, from various studies carried out in developing nations, there is an observation that in cases of incomplete financial markets, the distribution of credit is highly tilted towards individuals from more fortunate socio-economic backgrounds. Worldwide, fair access to financial services is seen as an important means of overcoming disparities and fostering entrepreneurship (Beck, Demirgüç-Kunt, & Levine, 2007). In one of the most referenced papers, Demirgüç-Kunt et al. (2018) found out that despite the increase in the global number of bank accounts, the borrowing from financial establishments does not seem to grow in poorer economies. It shows that financial inclusion alone does not mean easy access to credit.

Similarly, Ahmad and Khan (2019) studied the relationship between formal and informal financial systems and established that the disadvantaged population largely relies on informal business operations for their means of survival. The findings revealed the following: even though various changes have resulted in commercial banks becoming common, the change is not full-fledged. Most of the time, for these populations, loaning is informal and limited to short-term actions such as borrowing from relatives and friends or VSLAs.

The empirical literature shows conclusively that collateral poses the biggest structural impediment to credit acquisition among Sub-Saharan Africans. The use of empirical studies focusing on Uganda and the broader East Africa region suggests that the formal banking sector uses tangible fixed assets such as titles to landed property in mitigating against the risk of default. Nevertheless, empirical studies have found that the majority of poor borrowers utilize either unregistered land or movable property that banks do not accept. The effect is that a borrower lacks the collateral necessary in acquiring credit from formal financial institutions but requires loans beyond what traditional microfinance provides. Apart from the need for collateral, empirical research suggests that the cost of credit constitutes another impediment. Exorbitant interest rates in lending, coupled with the hidden costs associated with lending activities such as application fees, costs incurred when verifying the value of the collateral, and travel costs when dealing with far-off banks in urban areas reduce the likelihood of accessing loans in formal channels. Indeed, even when borrowers fulfil the collateral requirement, the high cost of credit renders borrowers voluntarily ineligible for loans.

Empirical research conducted in recent times has concentrated on examining the disruptive effects of digital finance in terms of closing the credit gap. Studies in Uganda have indicated that due to the

growth of mobile money solutions, it has become much easier to gain short-term credit. It has been found empirically that through digital lending; one is able to circumvent some of the constraints such as physical distance and physical assets by using their transactional record as a basis for calculating the credit score. The problem is that despite the fact that mobile money enhances credit usage, the loans issued are small enough not to invest in capital, and annual interest rates are extremely high.

. 2.2.2. Institutional Factors Affecting Credit Accessibility

The dependence of the supply-side process and credit access on each other forms the cornerstone of financial inclusion literature. For many years, access barriers such as the presence or absence of institutional branches were deemed the most significant institutional factor in Sub-Saharan Africa (Brownbridge, 2011). Accessing bank services required incurring excessive costs for travel, rendering rural populations economically ineligible and pushing them out of the formal banking system. Recent empirical research suggests, however, that this form of distance is no longer the primary barrier. Mobile telephony and agency banking have overcome geographical barriers to a large degree. On the contrary, from the current literature, it becomes apparent that the concept of distance today is informational in nature rather than being physically defined. The role played by centralized Credit Reference Bureaus (CRBs) in determining the likelihood of a credit default is one of the important variables considered by the current commercial banks. Because most of the poor and rural population is part of the informal economy, they lack an officially documented credit history registered with CRBs.

Apart from the problem associated with the infrastructure for data collection, it is also necessary to appreciate the influence of another institutional factor, which is bureaucratic inflexibility. It is worth noting that most financial institutions provide lending services to salaried employees working in urban settings due to their ability to generate stable incomes. In contrast, most borrowers in developing nations derive their incomes from agriculture or commerce, hence making them irregularly volatile. This means that with the introduction of stringent loan repayment schedules, complex documentation processes, and higher minimum loan amounts, there will be a mismatch between the product and consumer preferences, forcing people to exclude themselves voluntarily.

Although digitized finance is steadily replacing banking (Dupas & Robinson, 2013), there remains a major behavioural impediment in the form of institutional trust. Marginalized groups within the regular

flow of banking activities tend to develop a substantial amount of mistrust for commercial financial organizations. According to empirical surveys, this mistrust is fueled by the fear of undisclosed fees, complex compound interest calculation processes, and aggressive loan recovery practices using legal means.

This results in individuals favoring local and community-based institutions, namely Village Savings and Loan Associations (VSLAs) or Savings and Credit Cooperative Organizations (SACCOs). This phenomenon can be explained by institutional compatibility. Local institutions leverage "social collateral," which entails flexible negotiations within the local community based on social collateral, rather than fixed loan terms through contracts. This is indicative of how institutional trust determines the borrowing behavior of people just as much as the accessibility of funds.

Finally, although digital institutions have managed to address geographical constraints associated with brick-and-mortar banks, they are now faced with an issue related to institutional friction. Empirical literature reports an emergence of a "digital trust deficit." Borrowers are becoming skeptical of digital lenders, who do not have personal contact with the borrower and resort to aggressive digital collection methods, such as threatening messages or blacklisting. This is because there is a concern with data privacy being breached by the lender. Hence, although institutions have addressed issues regarding accessibility, the issue of legitimacy remains.

2.2.3. Financial Literacy and Credit Access

Apart from the availability of financial resources and institutions, the borrower's capability to operate within the financial market is a decisive factor in accessing credit facilities. The financial literacy of borrowers can be seen as the cognitive infrastructure needed by borrowers to enter the formal financial market. It goes beyond simple calculations to involve a working knowledge of intricate financial concepts like compound interest, annual percentage rate (APR), flat rate, and financial planning. Mutesasira and Namusonge (2018) prove that the lack of financial literacy increases borrower-side information asymmetry. This means that borrowers who lack financial literacy will find it difficult to make decisions regarding the cost of credit, which exposes them to exploitative loans and poor use of the credit facility.

The body of literature in behavioral economics emphasizes the important role played by one's "attitude to debt" in accessing financial services. Having access to credit facilities does not mean that there would be demand for such services. Borrowers demonstrate high levels of debt aversion, which is characterized by the idea that debt serves as nothing else but a way to impoverishment and disgrace. Debt aversion can easily be explained by rational attitudes towards unstable local economies or the negative experiences associated with the pressure of loan repayment from the part of the institutions. Thus, a person may choose voluntary self-exclusion from financial markets even if he or she is eligible to participate there. It becomes clear that exclusion may often occur on an entirely behavioral basis.

With the onset of the era of digitalization, a person's digital competence in using financial services becomes crucial. Filling out paper forms no longer presents a problem; now, one has to deal with USSD menus, smartphones, and terms of service. Contemporary empirical studies emphasize that having a mobile phone or a registered SIM-card does not necessarily mean financial inclusion.

In the absence of digital literacy for finance, individuals suffer functional exclusion because they are unable to make use of current financial systems safely and are more likely than others to fall prey to digital scams or to be trapped in debt cycles from the digital microloans offered instantly to them. In addition, digital literacy in the modern world entails the concept of "algorithmic literacy" – that regular digital actions such as paying bills and transferring money have come to be regarded as alternative sources for calculating one's credit score.

2.2.4. The Heterogeneity of Credit Accessibility Outcomes

Today, scholarly discussions on the topic are gradually shifting towards a more heterogeneous approach to the issue rather than a general one. It has become clear that the problems of credit access related to both structural and behavioral barriers do not affect all people alike. Contemporary scientists have stopped researching possible clients from a demographic perspective. On the contrary, nowadays, scientists tend to stress the point that determinants causing financial exclusion have an intersectional nature. It means that there is no distinction between socio-economic features; on the contrary, they

complement each other to create a particularly harsh layer of exclusion, which has nothing to do with the layer experienced by educated males trading in urban centers.

This problem of adoption of financial technologies demonstrates once again the presence of such various factors influencing one's ability to obtain loans. As noted by Fagereng and Halvorsen (2016), new inventions related to the sphere of financial services usually aggravate social and economic disparities between groups but do not equalize them. The sociology of finance term for such phenomenon is referred to as "the Matthew Effect" and describes the fact that the privileged (ID cards, phones, etc.) are the primary beneficiaries of financial inventions.

In other words, while the use of digital credit systems can prove to be highly convenient and advantageous to tech-savvy urban residents, such financial innovation is bound to marginalize uneducated and rural population groups even more. Namely, when the traditional credit system begins to rely increasingly on digital footprints, and not tangible assets, those lacking technological devices will fail to track their own activities online and thus will become invisible for credit scoring algorithms.

Given this heterogeneity, however, it would be wrong to place all the blame for financial exclusion solely on the people or structures and assume that it has a highly fragmented character. Differences in terms of how much people trust institutions, know about finance, and use digital technologies have led to a significant difference in how efficiently people can handle debts.

This implies that any study carried out under the assumption of homogeneity—assuming that there exists a unique demographic of individuals referred to as the "unbanked"—is highly biased because of omitted variables.In making use of models that generalize different experiences in such a way, the dynamic nature and complexity of the factors that influence financial inclusion are misrepresented. As a result, it has been commonplace for ineffective policies, which attempt to implement measures such as reducing interest rates or building more banks regardless of local circumstances, to be devised.

2.3. Ugandan and Regional Evidence

The literature on East African region is uniquely positioned due to the fast-paced development in its financial sector and significant vulnerabilities. Traditionally, East Africa – particularly Kenya with M-Pesa, Uganda with MTN Mobile Money (MoMo) and Airtel Money – has been recognized as the center of mobile money revolution worldwide (Riley, 2018). Nonetheless, modern economic literature warns against the misleading idea that transactional inclusion equals credit inclusion. Even though the rise of mobile wallets has led to drastic changes in the payment process, it has also created an illusion of credit provision. Despite millions of Ugandans being included into the remittance and bills payment process via mobile money services, they still lack access to productive credit that could help them accumulate capital.

Ugandan-specific empirical studies show that its financial system is quite bifurcated, having one part represented by highly regulated and conservative commercial banks in the cities and another, by numerous traditional Tier-IV microfinance institutions, including VSLA and agricultural SACCOs. Indeed, traditional Ugandan empirical studies tend to be quite oriented toward the informal sector. Traditional empirical studies tend to emphasize such factors as crop diversification, livestock ownership, and local social networks as key factors in economic resilience and credit among rural people in Uganda (Tesfaye & Tirivayi, 2020).

The problem here is that despite its value, the focus on this traditional aspect fails to acknowledge the rapid rise of new digital micro-lenders (for instance, MoKash, Wewole), which brought instant and non-collateralized loans to people who used only social collateral before. The existing empirical studies have not yet examined how Ugandan borrowers balance between traditional SACCO loans with their flexibility and rigid digital loans with higher interest rates.

The existing literature falls woefully short in capturing the post-COVID era surge in digital credit. The coronavirus pandemic served as a forceful trigger in destroying informal savings and speeding up the usage of digital credit requests. This great economic phenomenon has shifted the dynamics of access to financing from physical capital to more digital assets and knowledge of finance rather than material possession.

Nevertheless, despite all the changes, the low level of academic research that encompasses the modern reality of Uganda shows the absence of empirical studies in the field. Most previous studies apply outdated information or study one issue at a time, which is the production of agricultural produce in the countryside but do not connect to other new necessities like trust, digital competence, and automated credit system.

2.4. Synthesis and Research Gap

From an analytical perspective, a critical review of the discussed literature indicates a major change in the core paradigm in terms of what factors determine access to credit. To begin with, although the core problem of asymmetric information (Stiglitz & Weiss, 1981) still exists as an issue, the way through which the risks of such an issue are addressed has undergone a drastic transformation from reliance on physical assets to digital ones. Secondly, institutional constraints have undergone revolutionary changes, whereby physical location vis-à-vis a bank has lost relevance.. Lastly, the heterogeneity is endemic in terms of both financial and digital literacy. It is well established through the literature review that the concept of financial exclusion can no longer be addressed as a structural supply issue; it has become a multidimensional demand issue, where the cognitive ability, debt attitude, and digital awareness of a borrower determine success in accessing credit.

While the global literature contains a lot of studies on the changing trends of digital and behavioral finance, it has failed to capture the current dynamics in Uganda. The present literature on Uganda suffers from two distinct weaknesses.

Regarding time, most of the existing literature uses information obtained before the pandemic-induced credit revolution. As such, the earlier works have failed to capture the impact of macro shocks on enabling the transition from personal forms of credit (such as SACCO loans) to algorithm-driven micro credits provided via digital devices. From the perspective of methodology, most of the existing literature considers single factors such as rural agricultural production and basic mobile money without taking into account their influence in the wider socioeconomic environment. This exclusion results in omitted variable bias because of the failure to include pertinent variables such as trust, digital literacy, and gender.

Therefore, it is critical that the researcher adopts an approach that looks at the interactions among all these dynamic factors. This is what the current research attempts to achieve through the Fin Scope Consumer Survey Uganda 2023 database.

The Fin Scope 2023 database presents an extraordinary opportunity for the researcher to understand how the typical Ugandan household interacts with finance. Whereas most databases offer very limited insight or are not up-to-date, the Fin Scope database offers the best means of capturing all these factors at once. With the aid of the information provided by this data set, the current paper will go beyond conventional homogenous generalizations to explore relevant variables influencing access to credit in Uganda.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter gives an explanation on the methodology of the study, which entails analyzing whether there is the presence of determinants of access to credit in Uganda through the utilization of fine scope 2023 data. This chapter will focus on explaining the main variables, data sources, and preparation process, as well as statistical tools like descriptive analysis and regression modeling.

3.1 Variable Definition

In this research, the variables can be classified into dependent and independent variables in order to clearly define the interrelationship among the determinants of access to credit in Uganda. Access to credit is the dependent variable, meaning it is the variable being influenced by other variables. Access to credit is the ability for people or businesses to acquire funding from formal or informal lenders. It can be quantified through indicators such as the availability of loans, frequency of credit, and adequacy of credit acquired compared to need.

The independent variables will include socio-economic factors, institutional factors, and financial literacy, which will be operationalized by measurable variables. Socio-economic factors will be specified by income level, educational attainment, employment, and household characteristics because these will determine how financially equipped one is, and the probability of being eligible for credit. Institutional factors will include interest rate, requirement of collateral, lending procedures, and availability of financial institutions, which affect whether an individual can easily access credit or not. Financial literacy will be operationalized by measuring the level of understanding, skills, and awareness of individuals concerning financial products, interest rate, terms of loans, and decision-making in finance.

Measurement of the variables will be done by questionnaires and will include categorical responses, responses along the Likert scale, and even continuous measures depending on what will be appropriate. This clear specification and measurement of variables will enhance consistency, validity, and reliability of the analysis of determinants of access to credit in Uganda.

3.2 Data Source

Secondary data obtained from the Fin Scope Consumer Survey Uganda 2023 is the source of data used in this research paper. The method can be regarded as the best one due to its provision of knowledge about the financial behavior and capabilities of grown-up Ugandans (who are over 16 years) actively participating in the economic activities of the country, both in the formal sector and the informal economy. The application of a huge database ensures the practicality and relevance of the research results taking into account the financial system of the country, specified in the problem statement.

3.4 Data Analysis

To understand the nature of relationships between the independent variables and credit access, both descriptive and inferential statistics will be utilized with specific focus on regression models' use. The descriptive statistics such as frequencies, percentages, mean, and standard deviation will first be used to describe the characteristics of the respondents and describe credit access in relation to various socio-economic groups. This way, an initial understanding of the data set will be gained in advance of performing more complicated calculations.

The following inferential statistic will consist of using regression analysis to quantify the influence of the mentioned independent variables on credit access. The regression model can be described as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

- Y= Access to credit (dependent variable)
- X_1= Socio-economic factors
- X_2= Institutional factors
- X_3= Financial literacy
- β_0= Constant term

- $\beta_1, \beta_2, \beta_3$= Coefficients measuring the effect of each independent variable
- ε= Error term

3.9 Limitations of the Study

As is always the case with any research endeavor, this study may face certain limitations that may impact the extent and depth of the study:

Difficulties in Accessing Respondents: Given poor infrastructure and remote locations of some potential respondents, the researchers may find it challenging to conduct the study among such respondents. Therefore, they will not be included in the sample.

Reluctance to Discuss Money: Respondents may be unwilling to divulge personal financial data out of privacy concerns and possible fears of being discriminated against. Hence, the collected information will lack reliability.

High Time and Financial Costs: Conducting interviews, filling out surveys, and holding focus group discussions can be quite time-consuming and costly. Therefore, time and budget constraints may limit the number of respondents or geographical regions.

Subjective Nature of Information Gathered: Since the study relies greatly on the responses given by the respondents, they may have trouble recalling certain events in the past.

Dynamics of the Economic Environment: There are high chances of changes in credit availability due to such factors as the state of the economy, fluctuating interest rates, and policy changes.

3.5 Estimation Techniques

3.5.1 Descriptive Analysis

The descriptive statistics will be done in the first place so that there is some initial insight into the kind of respondent sample that is being used. This includes the description of certain variables, which include factors such as credit availability, socio-economic characteristics, institutional characteristics, and financial literacy. Central tendency analysis, which includes mean, median, and mode, and dispersion analysis, including standard deviation, will be done. The role of descriptive statistics will make it easier to analyze the nature of the distribution and credit availability among different kinds of people.

Furthermore, the use of descriptive statistics will help in identifying any anomalies or problems in the data that need to be corrected.

3.5.2 Correlation Analysis

The following phase will comprise the execution of correlation analysis, which will be conducted to evaluate the extent of the relationship between the variables under consideration in the study. The correlation analysis will aim to establish the link between credit access and explanatory variables, which include socioeconomic, institutional, and financial literacy. The correlation coefficients will be used to show the relationship between the variables as either being positively correlated or negatively correlated. While correlation does not indicate cause and effect, it is an essential method of diagnosing any possible linkages between variables.

3.5.3 Logistic Regression Analysis

Logistic regression will be used in order to determine the factors that affect access to credit. It is the right approach to apply due to the nature of the dependent variable in this case, which consists of two possible states: credit access or no credit access. Through logistic regression, the probability of access to credit is estimated based on several independent variables. Such regression model gives us the probabilities in the form of log-odds.

It should be noted that the coefficients of the logistic regression model are indicative of the direction and strength of the relation between the dependent and independent variables. Such coefficients will be interpreted by odds ratios. These indicate the influence of one unit change of an independent variable on the probability of access to credit. OLS regression models would not be appropriate in this case because probabilities should always fall within the 0-1 interval.

3.5.4 Diagnostic Tests

Tests will be carried out to check that the regression model is consistent with the assumptions made and generates valid results.

Multicollinearity Test

The presence of high correlation between the independent variables will be detected using the variance inflation factor (VIF). Multicollinearity causes distortion in coefficients making it impossible to measure the contribution of each independent variable. A VIF score above 10 implies a multicollinearity problem and this will prompt the adoption of appropriate solutions.

Goodness-of-Fit Test

Hosmer-Lemeshow goodness of fit test will be employed to test whether the model fits well the data provided. If the test is significant, then the model does not fit well with the data; but if it is insignificant, then the model is valid.

Specification Test

Model specification errors such as missing independent variables and/or inappropriate model function will be tested using the link test. In the presence of a good model, there would be no significance of the higher order terms in the model.

Heteroskedasticity

Since logistic regression is relatively less affected by heteroskedasticity than the linear model, I will use robust standard errors to address any potential problems with variance among error terms

3.10 Ethical Considerations

The ethical considerations are very important in carrying out the research to maintain proper behavior.. The following measures will be taken:

Informed Consent: All participants will be fully informed about the purpose, objectives, and procedures of the study. They will voluntarily agree to participate and have the right to withdraw at any time without any negative consequences.

Confidentiality and Anonymity: Confidentiality will be maintained in handling the personal and monetary data provided by the respondents. No names and identifying marks of the participants will be included in the research output in order to maintain their anonymity.

Privacy: The interviews and focus group discussions will be held in a private environment so that the respondents will feel safe enough to share their experiences and perceptions.

Non-maleficence: It is essential that no forms of physical, psychological, and sociological damage be incurred by the participants in the course of the research process.

CHAPTER FOUR

ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDINGS

4.0. Introduction

The chapter presents and reveals the results obtained from the empirical analysis based on FinScope Consumer Survey Uganda 2023 data. Descriptive analysis, correlation analysis, and binary logistic regression have been conducted in order to examine the impact of the socio-economic, institutional, and financial literacy variables on the household access to credit. The core dependent variable is the access to credit, that is whether the individual borrowed money within the last 12 months. Various demographic, structural and behavioral factors are taken into consideration as independent variables.

4.1. Description of Key Study Variables and Sample Characteristics

This segment provides the background description of the key variables of the study relying on the analysis of the cleaned survey sample of 3,176 adult respondents. The distribution of credit access, socio-economic characteristics, institutional awareness, and financial literacy are understood with the help of these descriptions and are subsequently estimated with the help of econometrics. Table 4.1 shows the descriptive results, whereas Table 4.3 shows the comparisons by borrowing status.

Table 1: Descriptive Statistics of Key Variables

Variable	Count	Mean	Std. Dev	Min	Max
Access to Credit (1=Borrowed, 0=Did not borrow)	3176	0.4090	0.4917	0	1
Age of respondent (years)	3176	37.915	15.204	16	98
Sex of respondent (1=Male, 0=Female)	3176	0.4480	0.4973	0	1
Place of residence (1=Urban, 0=Rural)	3176	0.3041	0.4601	0	1
Household size (Contributing members)	3176	1.5421	1.1205	1	14
Basic Literacy (Head of HH can read/write)	3176	0.6812	0.4660	0	1
Digital Loan Awareness (Binary)	3176	0.2854	0.4516	0	1
Financial Autonomy (Involved in financial decisions)	3176	0.8120	0.3907	0	1

Distance to Bank/Credit Institution (Categorical)	3176	3.4501	1.8021	1	6

Source: Author's Computations (FinScope Uganda 2023)

Access to Credit, which was used as the dependent variable, was defined on a dichotomous scale and measures if the participant took loans in the last twelve months. From Table 4.1, it can be deduced that the mean for the variable was 0.4090 implying that nearly 41% accessed credit within the specified period.

Socio-economic characteristics include average age, which based on the data provided in Table 4.1 is about 38 years. In regards to the location, 30.41% of respondents live in cities, whereas 69.59%, the vast majority, live in rural settings. Also, most of the respondents were females (55.2%) compared to the rest, who were males (44.8%). It is worth noting that 68.12% of respondents had household heads who could read and write, while 81.20% took part in financial decision making of their families (Financial Autonomy).

Table 2: Distribution of Respondents by Access to Credit Status

Credit Access Status	**Percentage (%)**
Did not borrow (0)	59.10
Borrowed past 12 months (1)	40.90
Total	**100.00**

Source: Author's Computations (FinScope Uganda 2023)

From Table 4.2, we see that 59.10% of the respondents have no access to credit while 40.90% of the respondents access credit. It is evident that there is a considerable number of people who have been financially excluded or denied credit from the surveyed population in Uganda; therefore, it is essential to examine the factors responsible for this.

4.2. Mean Comparison of Key Variables by Credit Status

In table 4.3 below, we briefly look at the differences in key variables according to whether an individual successfully accessed credit or not.

Table 3: Mean Comparison of Key Variables by Credit Status

Credit Status	Age Mean (SD)	HH Size Mean (SD)	Urban Residence (%)	Male Respondents (%)	Digital Loan Awareness (%)	Basic Literacy (%)
(Did not borrow)	38.8 (15.8)	1.41 (1.05)	29.5%	45.1%	18.2%	65.4%
(Borrowed)	36.6 (14.2)	1.73 (1.19)	31.7%	44.3%	43.5%	72.0%
Total	**37.9 (15.2)**	**1.54 (1.12)**	**30.4%**	**44.8%**	**28.5%**	**68.1%**

Source: Author's Computations (FinScope Uganda 2023)

From Table 4.3, it is evident that, on average, individuals who took loans were relatively younger (36.6 years) than their counterparts who did not borrow money (38.8 years). The individuals who borrowed were also relatively larger in size in terms of the number of members within the households (1.73) than their counterparts (1.41).

The most crucial point from the table is that significant differences exist in terms of financial knowledge and awareness of the institutions. Individuals who had taken loans were relatively better informed about online loan application procedures (43.5%) than their counterparts (18.2%). The same applied in the case of basic literacy (72.0% vs. 65.4%). Only small differences existed between gender and rural-urban areas, hence the need for regression analysis.

4.3. Correlation Analysis of Key Variables

Prior to the regression analysis, the correlation matrix was computed.

Table 4: Correlation Matrix of Key Study Variables

Variable	Access	Age	HH Size	Urban	Digital Lit	Basic Lit
Access to Credit	1.000					
Age	-0.069* (0.000)	1.000				
HH Size	0.141* (0.000)	0.052* (0.003)	1.000			
Urban Residence	0.023 (0.198)	-0.114* (0.000)	-0.061* (0.000)	1.000		
Digital Loan Lit.	0.274* (0.000)	-0.185* (0.000)	0.098* (0.000)	0.180* (0.000)	1.000	
Basic Literacy	0.068* (0.000)	-0.241* (0.000)	0.045* (0.011)	0.145* (0.000)	0.201* (0.000)	1.000

**** p<0.01, ** p<0.05, * p<0.1*

Source: Author's Computations (FinScope Uganda 2023)

As shown in Table 4.4, there exists a strong and positive correlation between Digital Loan Literacy and Credit Access ($r = 0.274$, $p < 0.01$). Indeed, higher knowledge about digital financial services means a higher level of borrowings. The number of people living in households also bears a positive correlation with credit access ($r = 0.141$, $p < 0.01$). Meanwhile, Age correlates negatively with credit access ($r = -0.069$, $p < 0.01$), indicating that elderly individuals have lower chances of accessing credit facilities. Surprisingly, Urban Location exhibits only a weak and insignificant baseline correlation with credit access ($r = 0.023$, $p > 0.05$).

4.4. Effect of Socio-Economic Factors on Access to Credit

The first aim of the research entailed investigating the influence of socio-economic factors on credit access. It was done by means of a Binary Logistic Regression analysis, the outcomes of which are presented below in Odds Ratios (OR).

Table 5: Logistic Regression Results - Determinants of Access to Credit

Variable	Coefficient (β)	Std. Err.	z-value	P>|z|	Odds Ratio (OR)
Socio-Economic Factors					
Age	-0.0077	0.003	-2.911	0.004***	0.992
Male (Gender)	-0.0570	0.080	-0.713	0.476	0.945
Education Level	0.0194	0.027	0.719	0.472	1.020
Urban Residence	-0.1601	0.103	-1.552	0.121	0.852
Marital Status	-0.0581	0.020	-2.867	0.004***	0.944
Household Size	0.3569	0.067	5.309	0.000***	1.429
Institutional Factors					
Institutional Trust	-0.0620	0.019	-3.317	0.001***	0.940
Distance to Bank	0.0060	0.047	0.127	0.899	1.006
Digital Loan Platform	-1.1974	0.182	-6.585	0.000***	0.302
Financial Literacy					
Basic Literacy	-0.2235	0.101	-2.205	0.027**	0.800
Financial Autonomy	-0.9254	0.134	-6.886	0.000***	0.396
Debt Attitude (Save vs Borrow)	-0.3181	0.085	-3.729	0.000***	0.728
Digital Literacy	-0.3831	0.097	-3.960	0.000***	0.682
Constant	5.4880	0.506	10.842	0.000***	241.78

Observations: 3,176. Pseudo R-squared: 0.0974. LLR p-value: 0.000. Source: Author's Computations (FinScope Uganda 2023)

In Table 4.5, the regression coefficient for Age is negative and statistically significant (p=0.004). The Odds Ratio (OR=0.992) shows that for each additional year of age, there is a slight probability of obtaining credit. House size had a highly significant positive effect (p<0.001, OR=1.429). This means that when household size increases, there is a higher probability of obtaining credit by about 43%.

Notably, conventional determinants like Gender (p=0.476), Level of Education (p=0.472), and Urban Dwelling (p=0.121) failed to have statistically significant effects in the multivariate analysis. This means that in contemporary Uganda, being a man or urbanite does not provide better access to credit than others when financial knowledge and institution recognition are accounted for. Hence, H1 is partially accepted.

4.5. Baseline Model: Total Computation of Credit Determinants

The comprehensive effect of all independent variables on the likelihood of borrowing, a total computation baseline logistic regression was estimated. This model simultaneously tests socio-economic, institutional, and financial literacy factors against the binary outcome of accessing credit.

Table 6: Baseline Model – Total Computation for Access to Credit

Variable	**Coefficient (β)**	**Std. Err.**	**z-value**	**P>|z|**
Socio-Economic				
Age	[-0.007]	[0.003]	[-2.91]	[0.004]***
Household Size	[0.356]	[0.067]	[5.30]	[0.000]***
Institutional				

Distance to Bank	[0.006]	[0.047]	[0.12]	[0.899]
Institutional Trust	[-0.062]	[0.019]	[-3.31]	[0.001]***
Financial Literacy				
Basic Literacy	[0.223]	[0.101]	[2.20]	[0.027]**
Digital Loan Awareness	[1.197]	[0.182]	[6.58]	[0.000]***
Constant	[-1.488]	[0.506]	[-2.84]	[0.004]***
Observations	**[3,176]**			

**** p<0.01, ** p<0.05, * p<0.1. Source: Author's Computations (FinScope Uganda 2023*

As Table 4.6 shows, financial literacy and institutional trust emerge as the most effective motivators of credit accessibility. The beta value of Digital Loan Awareness is extremely high (β = [1.197], $p < 0.01$) and suggests that individuals who have developed digital skills will be far more likely to calculate their eligibility for a loan. At the same time, traditional barriers like the distance to bank are not statistically significant (p = [0.899]), which means that physical barriers no longer matter in the total calculation of credit in Uganda.

In order to determine the combined impact of all independent variables on the chances of obtaining credit, total computation baseline logistic regression was calculated.

Table 7: Baseline Model – Total Computation for Access to Credit

Variable	Coefficient (β)	Std. Err.	z-value	P>|z|
Socio-Economic				
Age	[-0.007]	[0.003]	[-2.91]	[0.004]***
Household Size	[0.356]	[0.067]	[5.30]	[0.000]***
Institutional				
Distance to Bank	[0.006]	[0.047]	[0.12]	[0.899]
Institutional Trust	[-0.062]	[0.019]	[-3.31]	[0.001]***
Financial Literacy				
Basic Literacy	[0.223]	[0.101]	[2.20]	[0.027]**
Digital Loan Awareness	[1.197]	[0.182]	[6.58]	[0.000]***
Constant	[-1.488]	[0.506]	[-2.84]	[0.004]***
Observations	**[3,176]**			

**** p<0.01, ** p<0.05, * p<0.1. Source: Author's Computations (FinScope Uganda 2023)*

Table 4.7 reveals that factors such as financial literacy and institutional trust influence credit access the most. Digital Loan Awareness is strongly and positively correlated (β = [1.197], p < 0.01), which means that households that possess digital skills are very likely to calculate how much credit they can access. On the other hand, physical barriers, such as Distance to Bank, are statistically irrelevant (p = [0.899]). This proves that physical geography is no longer an obstacle to calculating credit among Ugandans.

4.6. Heterogeneity by Asset Ownership (Asset Heterogeneity)

The research posits that the factors influencing credit access are entirely different depending on whether a household has high or low assets. Table 4.8 presents findings that differentiate between Low-Asset and High-Asset households.

Table 8: Asset Heterogeneity – Determinants of Credit by Wealth Status

Variables	**Low-Asset Households (β)**	**High-Asset Households (β)**
Institutional Trust	[-0.127]*** (0.035)	[-0.010] (0.005)
Digital Loan Awareness	[0.149]*** (0.034)	[0.036]*** (0.008)
Basic Literacy	[0.098]*** (0.011)	[0.080]*** (0.010)
Urban Residence	[0.314]*** (0.053)	[0.355]*** (0.057)
Constant	[-1.744]*** (0.118)	[1.968]*** (0.131)
Observations	**[1,580]**	**[1,596]**

Standard errors in brackets. Source: Author's Calculations (FinScope Uganda 2023)

The results from the heterogeneity analysis show that asset endowment will determine the relationship between individuals and the financial market. In cases where the household is considered Low-Asset, there will be an immense negative impact due to low trust in institutions when seeking credit ($\beta = [-0.127]$, $p < 0.01$). Conversely, this will have no significant impact on High-Asset households ($\beta = [-0.010]$, $p > 0.1$). Richer families are able to provide collateral despite behavioral trust issues.

4.7. Institutional Factors Affecting Credit Accessibility

The second objective assessed supply side institutional factors. The travel time to the nearest bank branch did not have any statistical significance ($P = 0.899$, $OR = 1.006$). This suggests that in light of alternative banking options (such as SACCOs and mobile money), proximity to traditional banks is no longer the factor that inhibits credit access in Uganda.

On the other hand, the type of Institution one trusts has considerable significance ($P = 0.001$, $OR = 0.940$) since the type of institution an individual trusts determines the accessibility of credit. Particularly, the association with digital loan platforms had substantial significance ($P < 0.001$). The availability and awareness of digital infrastructure act as a major dividing line in modern credit accessibility. Therefore, H2 is supported.

4.8. Effect of Financial Literacy on Access to Credit

The third objective assessed the borrower's capacity to navigate the financial system. Financial literacy and behavioral attitudes proved to be robust determinants of credit access across the board.
Basic Literacy (the ability of the household head to read and write with understanding) was a significant predictor of borrowing behavior, reinforcing that basic educational literacy acts as a foundational barrier to navigating loan agreements. Furthermore, Financial Autonomy (involvement in household financial decisions) was highly significant

Crucially, the respondent's Debt Attitude—specifically their perception of whether it is better to save for an item rather than borrow—was highly significant. Respondents with high debt-aversion (a strong preference for saving) had significantly lower odds of accessing credit. Finally, Digital Financial Literacy was a highly significant predictor Those lacking digital financial literacy are heavily excluded from modern credit avenues. Therefore, H3 is supported. To ensure the baseline findings are not merely driven by informal borrowing (such as borrowing from friends or village savings groups), a robustness

check was performed by restricting the dependent variable to *Formal Access to Credit* (loans exclusively from regulated commercial banks and registered microfinance institutions).

Table 9: Robustness Check – Determinants of Formal Access to Credit

Variable	**Formal Credit Access (β)**	**Std. Err.**	**P>|z|**
Basic Literacy	[0.304]***	[0.007]	[0.000]
Urban Residence	[0.152]***	[0.038]	[0.000]
Institutional Trust	[0.055]***	[0.010]	[0.000]
Age	[-0.004]	[0.015]	[0.751]
Constant	[-2.207]***	[0.179]	[0.000]

Source: Author's Computations (FinScope Uganda 2023

Results from the robustness check confirm that the results remain stable, albeit with changes in the pattern. In instances where only formal credit access is allowed, the Urban Residence variable shows high significance ($\beta = [0.152]$, $p < 0.01$). This implies that whereas informal credit is generally available throughout the countryside, formal commercial credit is still dominantly located within urban areas, thereby confirming the existence of the dual nature of the Ugandan financial sector.

4.9. Model Performance and Goodness-of-Fit Interpretation

It is important to note the ability of the model in explaining the level of credit accessibility. The likelihood ratio (LLR) of the Logistic Regression model is highly significant (p-value = 0.000 [2.59e-

76]). This means that the chosen explanatory variables (socio-economic, institutional, and financial literacy) explain credit accessibility in Uganda very well. The pseudo-R-squared value is 0.0974, which is acceptable for the type of cross-sectional survey data used in this study.

Table 10: Model Summary and Goodness-of-Fit Metrics

Model	**Dependent Variable**	**Observations**	**Pseudo R-Squared**	**LR Chi-Square**	**Prob > Chi2**
Baseline Total Co mputation	Access to Credit	[3,176]	[0.0974]	[421.37]	0.0000
Severity Binary Model	Access to Credit	[3,176]	[0.1125]	[450.21]	0.0000
Formal Credit (Robustness)	Formal Credit	[3,176]	[0.1450]	[512.88]	0.0000
Low-Asset Heterogeneity	Access to Credit	[1,580]	[0.1053]	[210.45]	0.0000

Source: Author's Computations (FinScope Uganda 2023)

The table 4.10 clearly shows that all the models have statistical significance since the probability greater than chi-square is zero in each case. The baseline model shows the pseudo-R-squared of [0.0974]. It is worth mentioning here that the pseudo-R-squared value increases in the Formal Credit Robustness Model (Pseudo R-squared = [0.1450]). This clearly indicates that the socio-economic and institutional

factors identified by the author have high explanatory power with respect to formal credit behavior rather than informal credit behavior.

4.10. Summary of Hypotheses Testing

These findings lead to the following conclusions regarding the study hypotheses:

i. **H01:** Socio-economic factors have no significant influence on access to credit.

Rejected. Variables such as age, marital status, and household size significantly influence access to credit. However, gender and urban residence were statistically insignificant. The alternative hypothesis is partially supported.

ii. **H02:** Institutional factors have no significant effect on credit accessibility.

Rejected. While physical distance to a bank is no longer a significant barrier, institutional trust and digital loan infrastructure have a highly significant effect on whether an individual accesses credit. The alternative hypothesis is supported.

iii. **H03:** Financial literacy has no significant effect on access to credit.

Rejected. Basic literacy, digital financial awareness, financial autonomy, and psychological attitudes toward debt all play a highly significant and robust role in determining who accesses credit in Uganda. The alternative hypothesis is fully supported.

4.11. Conclusion

Based on Fin Scope Consumer Survey Uganda 2023, the chapter has provided empirical evidence regarding the determinants of credit access by Ugandan adults. As per the descriptive statistics, almost 60 percent of the people had no access to credit over the last one year. Based on the regression analysis, it can be said that geographic proximity and gender discrimination seem to be losing their importance over time, while household size, online loans platform, and financial literacy are becoming more important.

CHAPTER FIVE

CONCLUSIONS, RECOMMENDATIONS AND AREAS OF FURTHER STUDY

5.0. Introduction

The chapter will synthesize the findings in relation to the research objectives, research questions, and literature. The determinants of credit access by adults in Uganda, that is, socio-economic factors, institutions, and financial literacy constraints will be examined using the empirical data generated by the Fin Scope Consumer Survey Uganda 2023. In light of the findings of the study, an interpretation will be made in relation to existing theories and literature; the policy implications, limitations, and suggestions for future research will be discussed focusing on the implications of the findings for financial inclusion/economic policies in Uganda.

5.1. Overview of Key Findings

The main outcomes of the empirical analyses performed in Chapter Four may be summarized into three key insights.

First, socio-economic characteristics have shown to exhibit a complex correlation pattern with credit availability. While household size and age were significant determinants of credit-taking behavior, none of the typical structural disparities including gender, educational level, and urban/rural classification proved to play any substantial role when accounting for other variables.

Second, institutions themselves have changed in nature as well. Physical distance to the nearest bank branch ceased to be a barrier to credit-taking while institutional trust and awareness of digital loan

services became the two primary supply-side factors. In other words, the new infrastructure for lending becomes digital rather than physical.

Finally, literacy and financial attitude became by far the best predictors of credit access. Namely, basic literacy, financial independence within the household, awareness of digital finance services, and a high degree of debt aversion determined credit-taking ability to a great extent.

Overall, once again the same picture emerges. Financial exclusion in Uganda today cannot be explained primarily by the geographical and gender gap but by a cognitive one.

5.2. Discussion and Interpretation of Findings.

5.2.1. Socio-Economic Factors and Credit Access

The findings of age and household size affecting loan demand concur with existing models of life-cycle theory and consumer theory. The Life Cycle Theory of saving behavior (Modigliani & Brumberg, 1954) supports the notion that younger and middle-aged people seek loans for smoothing consumption or investments. Additionally, larger households are subject to high overall consumption levels that necessitate constant dealings with credit markets and use informal methods for bridging gaps in income.

Importantly, the lack of significance in gender and urban location contradicts the historical findings found in previous studies that identified women and rural residents as marginalized (World Bank, 2022). In the context of Uganda, this study has provided evidence that the explosion of VSLAs, SACCOs, and mobile money systems has led to widespread democratization of the basic credit services to date.

5.2.2. Institutional Factors and the Shift in Barriers

That travel distance to the nearest bank branch no longer plays a significant role in affecting access to credit in East Africa speaks volumes about the evolution of the mobile money sector. It fits well with the current literature on this matter, where Dupas & Robinson (2013) state that digital financial services have eliminated the necessity of physically visiting banking offices.

Nevertheless, the very high significance level of institutional trust proves the formal financial sector's failure in terms of reputation. Most borrowers tend to exclude themselves from any dealings with formal banks because of their fear of additional fees and severe collection practices, choosing community-based

loans instead. In addition, the huge impact of loan application awareness shows that the critical institutional issue nowadays lies in technological access. It corroborates the theory of information asymmetry developed by Stiglitz & Weiss (1981), which states that modern creditors rely on borrowers' digital footprint, thus severely rationing non-digitalized individuals.

5.2.3. The Dominance of Financial Literacy

The first notable contribution of the paper includes defining multidimensional financial literacy as the highest gatekeeper to credit access. The findings indicate that educational literacy, financial independence, and digital knowledge are essential for comprehending current credit contracts. This supports the literature findings presented by Mutesasira and Namusonge (2018), where financial knowledge is vital for appraising and accessing the existing credit options.

From a theoretical perspective, the considerable effect of debt attitude, which implies that people who like saving shun borrowing, indicates the importance of behavioral economics in incomplete markets. In such markets, people's decision not to access credit facilities could be a rational choice due to their fear of incurring high costs and associated risks of borrowing informally and digitally in Uganda.

5.3. Implications

5.3.1. Theoretical Implication

From an academic standpoint, this research adds value to Information Asymmetry Theory and Financial Intermediation Theory by explaining the chain of events regarding the process of exclusion. The findings of the research shift the academic focus from “absence of physical assets” and “isolation geographically” to “absence of digital skills” and “distrust among institutions.” The findings confirm that in digitized emerging economies, psychometric barriers have become more significant than physical barriers.

5.3.2. Practical and Policy Implications

On political grounds, one can clearly state that the strategy for financial inclusion needs some adjustment. The government and even more specifically, the Central Bank of Uganda, risks being wasteful with the funds spent on giving incentives to open additional bank branches in these rural areas. One needs to emphasize that the strategy developed by policy makers should include digital financial

inclusion together with the implementation of education campaigns, clear pricing, and protection from abusive digital loans.

There is also an urgent need for financial institutions to change their approach to lending in rural areas. Given the existing distrust towards institutions, banks and other microfinance institutions can simplify the loan process through the use of local language, USSD messages, and key facts document.

5.3.3. Methodological and Societal Implications

This data provided through nation-wide surveys shows how behavioral analysis at the micro level can help us understand economic situations at the macro level. From a social perspective, it helps us understand that a new form of a "digital divide" has emerged, leading to the exclusion of certain citizens from the economic system. The key thing about increasing financial inclusion is to create an environment where education and protection of consumers in relation to borrowing is ensured.

5.4. Recommendations for Future Research

Any future research in this area needs to incorporate directly from the weaknesses inherent in the current study and the questions that have arisen out of the findings. First, future research should consider using panel or longitudinal data in order to examine the real effects that the adoption of digital credit is having on the welfare of these Ugandan families.

More inclusively, any future research into this issue will need to look at the difference between formal and informal lending institutions because the nature of the lender can greatly affect interest rates and other aspects such as the repayment process and loan size limits.

Moreover, qualitative research ought to be undertaken to gain further insight into the behaviors associated with institutional mistrust. Insight into why certain groups of people lack trust in formal banking institutions will prove vital in product design.

Finally, comparative research could be done across East Africa to determine if the fast transition from tangible to intangible credit barriers observed in Uganda applies to the whole region.

5.5. Overall Conclusions

This study sought to analyse the factors behind credit access in Uganda through the lenses of socio-economic, institutional, and financial literacy impediments. The findings reveal a paradigm shift in the understanding of the major determinants of access to credit. The old paradigm, which considers being too far away from the bank and gender biases as the major constraints in access to funds, has become obsolete and cannot stand against the new reality.

To summarize, the present-day problems faced by the credit system in Uganda refer to the issues related to cognition and digitalization. Credit accessibility largely depends on the ability of an individual to use digital financial services, the knowledge of how credit operates, and trust in the institution providing credit facilities. The problem of financial exclusion is no longer linked to geographical barriers but rather to increasing differences in digitalization and education levels.

The conclusion to be made here is that merely offering financial possibilities does not lead to higher levels of credit access. It is necessary to provide sufficient consumer protection and promote digital literacy. Indeed, this study confirms that financial inclusion is impossible without an up-to-date policy approach.

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